

Vertiv Holdings II Limited

Annual Report and Financial Statements

**Registered number 09846134
For the year ended 31 December 2021**



Vertiv Holdings II Limited

Annual report and financial statements for the year ended 31 December 2021

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Vertiv Holdings II Limited

Annual report and financial statements for the year ended 31 December 2021

Officers and professional advisers

Directors

G Albertazzi,(resigned 12 April 2021)
P Gattagrisa,(resigned 12 April 2021)
G Moschetto
W A Searle,(appointed 12 April 2021)
Z Stein,(appointed 12 April 2021)

Registered office

Fraser Road
Priory Business Park
Bedford, England
MK44 3BF

Single Alternative Inspection Location Address

2nd Floor
Stoneham Gate Stoneham Park
Eastleigh Southampton SO50 9NW

Auditor

Ernst & Young LLP
Grosvenor House
Grosvenor Square
Southampton
SO15 2BE

Vertiv Holdings II Limited

Annual report and financial statements for the year ended 31 December 2021

Strategic Report

Business review

The principal activity of the company is that of a holding company. The subsidiaries of the company are detailed in Note 8.

The company is part of the Vertiv group. Vertiv is the global leader in designing, building, and servicing critical infrastructure that enables vital applications for data centres, communication networks and commercial and industrial facilities. Vertiv helps meet the world's demand for continuous connectivity, delivering the next generation of cloud and edge infrastructure. The company holds investments which have been subject to vertical acquisitions within the critical infrastructure industry in Europe, Africa, Asia and Latin America.

At 31 December 2021, the directors reviewed the carrying value of investments as compared to the recoverable amount represented by the subsidiary undertakings. The conclusion of this review was that no impairment is needed.

Future developments

The company has continued to act as a holding company during the year and is expected to continue to do so in future. The directors continue to review potential acquisitions that will strengthen the business. There were no significant acquisitions or disposals by the company during the year.

The company will continue to act as a holding company for the Vertiv group.

Principal risks and uncertainties

The company seeks to align business objectives with risk management processes such that the business can ensure that there is an on-going process for managing and reporting on risks. There are no major risks identified other than those of a normal commercial environment. Actions are put in place to manage risks down to low levels of significance.

Credit

The company's principal financial assets are investments in other group companies. The company's credit risk is primarily attributable to normal intercompany receivables.

Liquidity cash flow

The company's management policy regarding liquidity risk is to ensure that it always has sufficient committed facilities available to meet its foreseeable needs. Management is committed to turning profits into cash.

Brexit risk

The company and its representatives monitor recent developments in relation to Brexit, including political announcements, press interpretation and professional advisory statements. UK membership of the European Union ("EU") ended on 31 January 2020, beginning a year of transitional arrangements which ended on 31 December 2020.

There is a potential risk of free movement of goods, services, employees and investments. Brexit may impose various tariffs and regulations which may indirectly impact the company specifically or its investments. The potential fall in the value of sterling and exchange rate volatility in the aftermath of Brexit is considered to be a risk facing the business, particularly the value of investments, however Vertiv group has mechanisms of securing against exchange rate volatility (through financial instruments).

There are no individuals employed by the company, therefore the company's management do not consider this as a risk. Similarly, there is no credit risk or customer risk as the company is a non-trading entity with intercompany transactions only.

Vertiv Holdings II Limited

Annual report and financial statements for the year ended 31 December 2021

Strategic Report (continued)

COVID-19

The outbreak of Novel Coronavirus (COVID 19) continues to progress and evolve. Therefore, it is challenging now, to predict the full extent and duration of its business and economic impact. We continue monitoring the current global pandemic and its impact on business together with associated challenges in supply chain as components shortages and extended delivery time. Operation continues in innovation and creative thinking as we strive to honour the commitments we've made to our customers.

Macroeconomic Environment

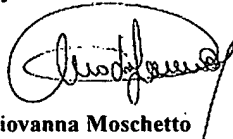
The company continues to act as a holding company for Vertiv group, thus the overall environment is predicated by the Vertiv group performance. Despite substantial volatility in global markets, management continues to be encouraged by the operating progress being made. Vertiv group remains on track to deliver a strong second half of the 2022 year, including an expected all-time record high sales and adjusted operating profit in fourth quarter, even with the strong foreign exchange headwinds.

The management in each subsidiary of the Company undertook required necessary measures to ensure the impact due to COVID-19 and to Macroeconomic Environment (Russia-Ukraine conflict, supply chain disruptions, fluctuations in exchange and interest rates) were appropriately addressed. From a production and supply perspective, the Vertiv group facilities are considered essential businesses in almost every country, and the primary manufacturing facilities remain in operation. The directors anticipate having adequate liquidity to make any loan repayments, interest payments or any trade and other payments.

Key performance indicators

The profit after taxation for the year ended 31 December 2021 was US\$112,642,000 (year ended 31 December 2020: US\$40,784,000 loss) as shown on page 11. The net assets/(liabilities) of the company at 31 December 2021 were US\$477,200,000 (2020: (US\$35,441,000)) as shown on page 12.

By order of the Board



Giovanna Moschetto
Director

Fraser Road
Priory Business Park
Bedford
MK44 3BF

16th December 2022

Vertiv Holdings II Limited

Annual report and financial statements for the year ended 31 December 2021

Directors' Report

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2021.

Results and dividends

The company's results for the financial year are set out in the profit and loss account on page 11.

There were no dividends paid during the year (year ended 31 December 2020: US\$ Nil).

Events after the balance sheet date

- a) On 5th May 2022, the Directors decided that the Company's share capital will be reduced by 50 ordinary shares of US\$1 each and that the 50 ordinary shares in the capital of the Company will be cancelled. As a result of these transactions, the Company's share premium account will be reduced by US\$400,000,000 and the amount by which the share premium is so reduced will be credited to the Company's distributable reserves. The Directors signed a Solvency Statement that the Company will be able to pay (or otherwise discharge) its debts as they fall due during the year immediately following the date of the statement.
- b) On 25th May 2022, the Company received GBP 17,844,823.47 from Vertiv Company Group Limited in settlement of a dividend payable. The same amount was then assigned to Vertiv Group Corporation to reduce the balance of a loan dated 30th March 2016, from US\$61,380,844.79 to US\$38,939,194.79.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. When making this assessment, the directors have considered the results and future forecasts of the Vertiv group given the high level of intercompany transactions with the company for a period of at least 12 months from the date of the approval of these financial statements, being the going concern assessment period. The Company has received a letter of support from its ultimate parent, being Vertiv Holding Co, which confirms that the group will provide financial support to the company for the next 12 months from the date of the approval of these financial statements (December 2023). Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements. A going concern analysis has been performed to assess the continued impact of the COVID-19 pandemic and of the macroeconomic events related to Russia-Ukraine conflict, supply chain and exchange rates fluctuations on the company and the Vertiv group.

The company has net current liabilities of US\$441,799,000 at 31 December 2021 (2020: US\$821,089,000) and made a profit after taxation for the year then ended of US\$112,642,000 (year ended 31 December 2020: US\$40,784,000) loss.

The nature of the company, being that of an intermediate holding company, is such that Vertiv Holdings II Limited has overtime obtained large amounts of cash for acquisition activity. The resultant intercompany loan balances and the related interest payments are what forms the balances and activity other than investments and are classified as current liabilities as they are repayable on demand.

The Company participates in the group centralised cash pooling arrangement and intercompany loan arrangement that supports the immediate cash needs of the company. It is for these reasons, going concern is predicated on obtaining parental support. Further, the impact of loan capitalisation resulted in conversion of intercompany loan into ordinary shares of the company hence increasing the share premium account of Vertiv Holding II Ltd by \$US400,000,000.

Vertiv Holdings II Limited

Annual report and financial statements for the year ended 31 December 2021

Directors' Report

The directors of the Company have considered information regarding the Group's ability to provide support to the Company. This information includes Vertiv Infrastructure Limited results released by the group for Q3 2022 on October 26, 2022:

- Q3 net sales of \$1,481 million, an increase of \$252 million, or 20.5%, compared with last year's third quarter and a 20.1% organic net sales increase excluding the impact of foreign currency, acquisitions and divestitures with continued strength in colocation data centre projects.
- Q3 2022 operating profit of \$80 million decreased \$2 million and adjusted operating profit of \$134 million increased \$3 million from the third quarter 2021.
- Net cash generated by operating activities in the third quarter was \$4 million and free cash flow was a use of cash of \$20 million, a sequential improvement from second quarter 2022 of \$210 million and \$212 million, respectively. Liquidity at the end of the third quarter was \$531 million, a sequential improvement of \$74 million from second quarter 2022, driven by an increase to our borrowing capacity under our ABL credit facility of \$115 million that was completed in the third quarter.

With respect to liquidity, the directors believe that the company and Vertiv group have sufficient resources to continue as a going concern due to cash optimisation procedures which include intra-group financing. Despite the impacts of COVID-19, the Company consider the long-term implications for the company and the data centres industry are favourable.

Considering performance of the Vertiv Group and the fact that Vertiv Holdings Co., the ultimate parent company, has undertaken to provide financial support for a minimum of 12 months from the date of approval of these financial statements (December 2023), the directors consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

Directors

The directors who held office during the year and to the date of signing the financial statements, unless otherwise indicated, are as follows:

G Albertazzi, (resigned 12 April 2021)
P Gattagrisa, (resigned 12 April 2021)
G. Moschetto (appointed 31 August 2020)
W A Searle, (appointed 12 April 2021)
Z Stein, (appointed 12 April 2021)

Vertiv Holdings II Limited

Annual report and financial statements for the year ended 31 December 2021

Directors' Report (continued)

Qualifying third party indemnity provisions

A qualifying third-party indemnity provision as defined in Section 232(2) of the Companies Act 2006 is in force for the benefit of each of the directors and the company secretary in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which directors may not be indemnified, a director and officers' liability insurance policy was maintained by the Vertiv group throughout the financial year.

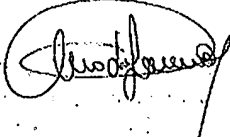
Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

In accordance with Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and Ernst & Young LLP will therefore continue in office.

By order of the Board



Giovanna Moschetto
Director

Fraser Road
Priory Business Park
Bedford
MK44 3BF

16th December 2022

Vertiv Holdings II Limited

Statement of Directors' Responsibilities in respect of the Strategic Report, Directors' Report and the financial statements.

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), comprising Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102").

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Vertiv Holdings II Limited

Profit and loss account and other comprehensive income

for the year ended 31 December 2021

Opinion

We have audited the financial statements of Vertiv Holdings II Limited for the year ended 31 December 2021 which comprise the Profit and Loss Account and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 15, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period up until December 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Vertiv Holdings II Limited

Profit and loss account and other comprehensive income

for the year ended 31 December 2021

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Vertiv Holdings II Limited

Profit and loss account and other comprehensive income

for the year ended 31 December 2021

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those relating to United Kingdom Generally Accepted Accounting Practise, the Companies Act 2006, and the United Kingdom direct and indirect tax regulations.
- We understood how the company is complying with those frameworks by making enquiries of senior finance personnel and those charged with governance and gaining and understanding of entity level controls of the company in respect of these areas and the controls in place to reduce opportunities for fraudulent transactions.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by discussing with senior finance personnel and those charged with governance as to the rationale behind specific accounting transactions. Due to the nature of the company, as an investment holding company, the risk of material misstatement is deemed to be low.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved reading board meeting minutes and relevant approval documents, enquiries of senior finance personnel and those charged with governance and agreement of transactions to supporting source documents.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

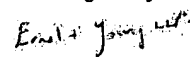
Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

James Harris (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

Southampton

DocuSigned by:



20 December 2022

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Vertiv Holdings II Limited

Profit and loss account and other comprehensive income

for the year ended 31 December 2021

	Notes	Year ended 31 December 2021 US\$000	Year ended 31 December 2020 US\$000
Administrative expenses		(28)	(41)
Operating loss	4	(28)	(41)
Loss on disposal of investments		-	-
Reversal of impairment/(impairment) of investments	5	2	(2)
Income received from subsidiary undertakings		149,864	-
Interest payable and similar charges	6	(37,196)	(40,743)
Realised gain/loss on cash	8	-	-
Profit/(Loss) before taxation		112,642	(40,784)
Tax on profit	7	-	-
Profit/(Loss) for the financial year		112,642	(40,784)

The company's results are derived from continuing operations.

The company had no other comprehensive gains or losses other than the loss for the financial year and therefore no statement of other comprehensive income has been presented.

The notes on pages 14 to 28 are an integral part of these financial statements.

Vertiv Holdings II Limited

Balance sheet

as at 31 December 2021

	Notes	2021 US\$000	2020 US\$000
Fixed assets			
Investments	8	948,965	948,967
Current assets			
Cash at bank and in hand		16	2
		16	2
Creditors: Amounts falling due within one year	9	(441,815)	(821,092)
Net current liabilities		(441,799)	(821,089)
Creditors: Amounts falling due after more than one year		(29,965)	(163,319)
Total assets less current liabilities	10	477,201	(35,441)
Net assets/(liabilities)		477,201	(35,441)
Capital and reserves			
Called up share capital	11	-	-
Share premium account		526,626	126,626
Profit and loss account		(49,425)	(162,067)
Shareholder's funds		477,201	(35,441)

The notes on pages 14 to 28 are an integral part of these financial statements.

These financial statements were approved by the board of directors on 16th December 2022 and signed on its behalf by:



Giovanna Moschetto
Director

Registered Number: 09846134

Vertiv Holdings II Limited

Statement of changes in equity

for the year ended 31 December 2021

	Called up share capital	Share premium account	Profit and loss account	Shareholder's funds
	US\$000	US\$000	US\$000	US\$000
Balance at 1 January 2020	-	126,626	(121,283)	5,343
Total comprehensive expense for the financial year	-	-	(40,784)	(40,784)
Balance at 31 December 2020	-	126,626	(162,067)	(35,441)
Balance at 1 January 2021	-	126,626	(162,067)	(35,441)
Premium paid on shares issued	-	400,000	-	400,000
Total comprehensive expense for the financial year	-	-	112,642	112,642
Balance at 31 December 2021	-	526,626	(49,425)	477,201

The notes on pages 14 to 28 are an integral part of these financial statements.

Vertiv Holdings II Limited

Notes to the Financial Statements

for the year ended 31 December 2021

1. Accounting policies

Vertiv Holdings II Limited (the “company”) is a private company limited by shares and incorporated, domiciled and registered in England. The registered number is 09846134 and the registered address is Fraser Road, Priory Business Park, Bedford, England, MK44 3BF.

The company is exempt by virtue of Section 401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102, ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ (“FRS 102”) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is US dollars, as this is the currency of the primary economic environment in which the company operates. All amounts in the financial statements have been rounded to the nearest US\$1,000.

The company’s intermediate parent company at 31 December 2021, Vertiv Group Corporation, includes the company in its consolidated financial statements. The consolidated financial statements of Vertiv Group Corporation, are available to the public and may be obtained from the address shown in note 13. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to the end of the year;
- Cash flow statement and related notes; and
- Key management personnel compensation.

As the consolidated financial statements of Vertiv Group Corporation include the equivalent disclosures, the company has also taken the exemptions under FRS 102 available in respect of the following:

- The disclosures required by FRS102.11 Basic Financial Instruments.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 14.

1.1 Measurement convention

The financial statements are prepared on the going concern basis under the historical cost convention.

Vertiv Holdings II Limited

Notes to the Financial Statements

for the year ended 31 December 2021

1. Accounting policies (continued)

1.2 Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. When making this assessment, the directors have considered the results and future forecasts of the Vertiv group given the high level of intercompany transactions with the company for a period of at least 12 months from the date of the approval of these financial statements, being the going concern assessment period. The Company has received a letter of support from its ultimate parent, being Vertiv Holding Co, which confirms that the group will provide financial support to the company for the next 12 months from the date of the approval of these financial statements (December 2023). Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements. A going concern analysis has been performed to assess the continued impact of the COVID-19 pandemic and of the macroeconomic events related to Russia-Ukraine conflict, supply chain disruptions and exchange rates fluctuations on the company and the Vertiv group.

The company has net current liabilities of US\$441,799,000 at 31 December 2021 (2020: US\$821,089,000) and made a profit after taxation for the year then ended of US\$112,642,000 (year ended 31 December 2020: US\$40,784,000) loss.

The nature of the company, being that of an intermediate holding company, is such that Vertiv Holdings II Limited has overtime obtained large amounts of cash for acquisition activity. The resultant intercompany loan balances and the related interest payments are what forms the balances and activity other than investments and are classified as current liabilities as they are repayable on demand.

The Company participates in the group centralised cash pooling arrangement and intercompany loan arrangement that supports the immediate cash needs of the company. It is for these reasons, going concern is predicated on obtaining parental support. Further as mentioned in the post balance sheet event note above, the impact of loan capitalisation resulted in conversion of intercompany loan into ordinary shares of the company hence increasing the share premium account of Vertiv Holding II Ltd by \$US400,000,000.

The directors of the Company have considered information regarding the Group's ability to provide support to the Company. This information includes Vertiv Infrastructure Limited results released by the group for Q3 2022 on October 26, 2022:

- Q3 net sales of \$1,481 million, an increase of \$252 million, or 20.5%, compared with last year's third quarter and a 20.1% organic net sales increase excluding the impact of foreign currency, acquisitions and divestitures with continued strength in colocation data centre projects.

- Q3 2022 operating profit of \$80 million decreased \$2 million and adjusted operating profit of \$134 million increased \$3 million from the third quarter 2021.

- Net cash generated by operating activities in the third quarter was \$4 million and free cash flow was a use of cash of \$20 million, a sequential improvement from second quarter 2022 of \$210 million and \$212 million, respectively. Liquidity at the end of the third quarter was \$531 million, a sequential improvement of \$74 million from second quarter 2022, driven by an increase to our borrowing capacity under our ABL credit facility of \$115 million that was completed in the third quarter.

With respect to liquidity, the directors believe that the company and Vertiv group have sufficient resources to continue as a going concern due to cash optimisation procedures which include intra-group financing. Despite the impacts of COVID-19, the Company consider the long-term implications for the company and the data centres industry are favourable.

Vertiv Holdings II Limited

Notes to the Financial Statements

for the year ended 31 December 2021

Considering performance of the Vertiv Group and the fact that Vertiv Holdings Co., the ultimate parent company, has undertaken to provide financial support for a minimum of 12 months from the date of approval of these financial statements (December 2023), the directors consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

1.3 Foreign currencies

The financial statements are prepared in US dollars, the presentational and functional currency of the company.

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date.

Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Basic financial instruments

Investments in subsidiary undertakings

These are separate financial statements of the company. Investments in subsidiary undertakings are stated at cost less impairment.

Other investments

Other investments are stated at cost less impairment.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings include loans from fellow group companies.

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents includes deposits held with banks and bank overdrafts.

Bank overdrafts are shown within current liabilities.

Vertiv Holdings II Limited

Notes to the Financial Statements

for the year ended 31 December 2021

1. Accounting policies (continued)

1.5 Impairment

The carrying amounts of the company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed if, and only if, the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.6 Interest payable

Interest payable and similar charges include interest payable on loans from group undertakings.

Interest payable is recognised in the profit and loss account as it accrues, using the effective interest method.

1.7 Investment income

Dividend income from investments in subsidiary undertakings is recognised when the shareholders' rights to receive payment have been established.

1.8 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.9 Distributions to equity holders

Dividends and other distributions to the company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

Vertiv Holdings II Limited

Notes to the Financial Statements

for the year ended 31 December 2021

1. Accounting policies (continued)

1.10 Related party transactions

The company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned.

2. Directors' remuneration

The directors of the company are also directors of the holding company and fellow subsidiaries. The directors received total remuneration for the year of US\$ 600,021 (£436,157) (Year ended 31 December 2020: US\$659,635 (£481,802)). Of this amount, Vertiv Company Group Limited (formerly Chloride Group Limited) paid US\$ 600,021 (£436,157) (year ended 31 December 2020: US\$428,762 (£313,171)) and Vertiv Infrastructure Limited paid US \$Nil (£Nil) (year ended 31 December 2020: US\$230,873 (£168,631)). The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the holding and fellow subsidiary companies.

The total amounts for directors' remuneration and other benefits were as follows:

	Year ended 31 December 2021 US\$000	Year ended 31 December 2020 US\$000
Directors' remuneration	574	613
Company contributions to pension scheme	26	47
	<u>600</u>	<u>660</u>

During the year, the highest paid director received remuneration for services of US\$ 417,295 (£303,333) (year ended 31 December 2020: US\$612,805 (£447,567)) and the pension contributions were US\$ 15,570 (£11,318) (year ended 31 December 2020: US\$46,830 (£34,205)).

During the year, no director accrued retirement benefits under the defined benefit arrangements (year ended 31 December 2020: US \$Nil).

During the year, the directors participated in a share option scheme operated by Vertiv Holdings Co (year ended 31 December 2020: Nil). The total amounts are included in the directors' remunerations.

3. Employees

The company had no employees during the year ended 31 December 2021 (year ended 31 December 2020: Nil).

Vertiv Holdings II Limited

Notes to the Financial Statements

for the year ended 31 December 2021

4. Expenses and auditor remuneration

Operating loss is stated after charging:

	Year ended 31 December 2021 US\$000	Year ended 31 December 2020 US\$000
Loss on foreign currency	-	-
Fees payable to the company's auditor for the audit of the company's annual financial statements	6	9

5. Amounts written off investments

At 31 December 2021, the directors reviewed the carrying value of investments as compared to the recoverable amount represented by the subsidiary undertakings. This review has resulted in no impairment needed.

6. Interest payable and similar charges

	Year ended 31 December 2021 US\$000	Year ended 31 December 2020 US\$000
Interest payable on loans from fellow group companies	37,196	40,743

Vertiv Holdings II Limited

Notes to the Financial Statements

for the year ended 31 December 2021

7. Tax on loss

	Year ended 31 December 2021 US\$000	Year ended 31 December 2020 US\$000
Current tax		
UK tax	-	-

Factors affecting the tax charge for the current year

The tax assessed for the period is higher than the effective tax rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	Year ended 31 December 2021 US\$000	Year ended 31 December 2020 US\$000
Profit/(Loss) before taxation	112,642	(40,784)
Tax on loss arrived at by applying the standard rate of tax at 19% (year ended 31 December 2020: 19%)	21,402	(7,749)
Expenses disallowed for tax purposes	-	-
Income not taxable	(28,474)	-
Effect of nil consideration paid for group relief	980	8
Movement on unprovided deferred tax asset	6,092	7,741
Total tax	-	-

Factors that may affect future, current and total tax charges

The charges to corporate tax and the main tax rate will be set at 19% for the financial year beginning 1 April 2021 and 2022. In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). The Spring budget 2021 was substantively enacted on 24 May 2021. Under FRS 101, deferred tax should be measured using the tax rates that are expected to apply to the reversal of the timing differences. As such, deferred taxes at the balance sheet date have been measured using the enacted tax rate of 25% and reflected in these financial statements.

Deferred tax

At 31 December 2021, the company has unrecognized deferred tax assets in respect of carried forward taxation losses of US\$47,995,382 (2020 US\$33,100,888). No asset has been recognized for these taxation losses as the directors do not consider that there will be suitable taxable profits of that trade in future periods to allow recovery of the asset. As a result of the substantial enactment of the Spring budget 2021, an increase in the unrecognized deferred tax of US\$9,821,333 was due to the increase of tax rates from 19% to 25%.

Vertiv Holdings II Limited

Notes to the Financial Statements

for the year ended 31 December 2021

8. Investments

	Other investments US\$000	Subsidiary undertakings US\$000	Total investments US\$000
Cost			
At 1 January 2021	43	948,926	948,969
Additions	-	-	-
Return of capital	-	-	-
Disposals	(4)	-	(4)
At 31 December 2021	39	948,926	948,965
Provisions for impairment			
At 1 January 2021	(2)	-	(2)
Impairment reversal for the year (see note 5)	2	-	2
At 31 December 2021	-	-	-
Net book value			
At 31 December 2021	39	948,926	948,965
At 31 December 2020	41	948,926	948,967

Analysed as:

	2021 US\$000	2020 US\$000
Vertiv Company Group Limited (formerly Chloride Group Limited)	928,926	928,926
Great River Finance Designated Activity Company	20,000	20,000
Other investments	39	41
	948,965	948,967

During the year, the company received US\$149,854,000 dividends (year ended 31 December 2020: US\$NIL) from its subsidiary undertaking, Vertiv Company Group Limited (formerly Chloride Group Limited).

During the year, the company received USD\$9,668 dividends (year ended 31 December 2020: US\$NIL) from its other investments. To the extent that the dividend income reduced the carrying value of the investment, this has been treated as a return of capital.

All directly and indirectly held subsidiary undertakings and proportion of ordinary shares held are shown below.

Vertiv Holdings II Limited

Notes to the Financial Statements

for the year ended 31 December 2021

8. Investments (continued)

Directly held

Subsidiary undertakings	% held	Country of incorporation and operation	Registered office	Nature of business
Vertiv Company Group Limited (formerly Chloride Group Limited)	100%	England	C/O Vertiv, Fraser Road, Priory Business Park, Bedford, MK44 3BF	Holding company
Great River Finance Designated Activity Company	100%	Ireland	Riverside One, Sir John Rogerson's Quay, Dublin	Provision of intra group financing

Indirectly held

Subsidiary undertakings	% held	Country of incorporation and operation	Registered office	Nature of business
Chloride Power Protection Limited	100%	Thailand	No. 123 Suntowers Building B 16th Floor, Vibhavadi-Rangsit Road, Chompon Sub-district, Chatuchak District, Bangkok	Sales and service, power protection solutions
CHLD Singapore Pte Limited	100%	Singapore	151 Lorong Chuan, #05-04 New Tech Park, Lobby D, 556741	Sales and service, power protection solutions
Chloride Supplies Limited	100%	England	C/O Vertiv, Fraser Road, Priory Business Park, Bedford, MK44 3BF	Holding company
Chloride Holdings Limited	100%	England	C/O Vertiv, Fraser Road, Priory Business Park, Bedford, MK44 3BF	Holding company
Geist Europe Limited	100%	England	Unit 1, The Monarch Centre, Venture Way, Priorswood Industrial Estate, Taunton, Somerset, TA2 8DE	Manufacture of electronic components
Vertiv Tech Innovation Center (Xi'an) Co., Ltd	100%	China	No.3 Plant, Tiancheng Titanium, Small & Mid-Size Industrial Park, Xixian New Area Energy Finance Trade Zone, Fengxi Road, Fengdong New City, Xixian New District, Shaanxi Province	R&D Center

Vertiv Holdings II Limited

Notes to the Financial Statements

for the year ended 31 December 2021

8. Investments (continued)

Indirectly held

Subsidiary undertakings

Subsidiary undertakings	% held	Country of incorporation and operation	Registered office	Nature of business
Knürr GmbH & Co. Grundbesitz OHG	100%	Germany	Mariakirchener Str. 38, Arnstorf, 94424	Dormant
Knürr-Holding GmbH	100%	Germany	Mariakirchener Str. 38, Arnstorf, 94424	Holding company
Knürr Lommatec Mechanik	100%	Germany	Mariakirchener Str. 38, Arnstorf, 94424	Dormant
Vertiv Holdings Co., Ltd.	100%	China	Room 701, Building 10C, No. 1582, Gumei Road, Xuhui District, Shanghai City	Holding company
Masterguard do Brasil Limitada	100%	Brazil	Av. Hollingsworth 325, Sorocaba, São Paulo, 18087-105, Iporanga	Dormant
Ortrud Verwaltungsgesellschaft GmbH	100%	Germany	Mariakirchener Str. 38, Arnstorf, 94424	Holding company
Vertiv Slovakia a.s.	98.9%	Slovakia	Piešťanská 1202, Nové Mesto nad Váhom, 915 28, Slovensko	Manufacture, sales and service, power protection solutions
Vertiv (Bangladesh) Private Limited	99.99%	Bangladesh	Concord Arcadia (5th Floor), Plot No 182, Road No. 4, Dhanmondi, Dhaka-1205	Sales and service, power protection solutions
Vertiv Benelux B.V.	100%	Netherlands	Druivenstraat 3, 4816 KB Breda	Sales and service, power protection solutions
Vertiv Czech Republic s.r.o.	100%	Czech Republic	Nisovice 9, Volyne 38701	Manufacture, sales and service, racks
Vertiv Costa Rica, S.r.l.	100%	Costa Rica	Multipark Office Center, Guachipelin, Escazu	Sales and service
Vertiv Denmark ApS	100%	Denmark	Soho Kontorhotel ApS, Flæsketorvet 68, 1. sal. 1711 Copenhagen V	Sales and service, power protection solutions

Vertiv Holdings II Limited

Notes to the Financial Statements

for the year ended 31 December 2021

8. Investments (continued)

Indirectly held (continued)

Subsidiary undertakings	% held	Country of incorporation and operation	Registered office	Nature of business
Vertiv France SAS	100%	France	Parc d'affaire Silic, 1, Place des Etats-Unis, 94150 Rungis	Sales and service, power protection solutions
Vertiv GmbH	100%	Germany	Lehrer-Wirth-Str.4, München, D - 81829	Sales and service, power protection solutions
Vertiv Güç Sistemleri Limited Şirketi	99.98%	Turkey	Spor Cad. Cavusoglu Mah. No:84, K:2-3 Kartal, Istanbul, 34780	Sales and service, power protection solutions
Vertiv (Hong Kong) Holdings Limited	100%	Hong Kong	Suite 1503, 625 King's Road, North Point	Holding company
Vertiv Industrial Systems SAS	100%	France	30 Avenue Montgolfier, 69684 Chassieu Cedex	Manufacture, sales and service, power protection solutions
Vertiv Infrastructure AG	100%	Switzerland	Bruggacherstrasse 16, Fällanden, 8117	Sales and service, power protection solutions
Vertiv Infrastructure Limited	100%	England	C/O Vertiv, Fraser Road, Priory Business Park, Bedford, MK44 3BF	Sales and service, power protection solutions
Vertiv Ireland Limited	100%	Ireland	c/o Matheson Ormsby Prentice, 70 Sir John Rogerson's Quay, Dublin, 2	Sales and service, power protection solutions
Vertiv Integrated Systems GmbH	100%	Germany	Mariakirchener Str. 38, Arnstorf, 94424	Manufacture, sales and service
Vertiv Korea Limited	100%	South Korea	19F, Golden Tower, Samseong-ro 511, Gangam-gu, Seoul	Sales and service, power protection solutions
Vertiv Middle East DMCC	100%	United Arab Emirates	Plot No: DMCC-EZ1-1AB3, Jumeirah Lakes Towers, Dubai	MEA Headquarter
Vertiv Nigeria Limited	100%	Nigeria	16/17 Water Corporation Drive, Victoria Island, Lagos	Sales and service

Vertiv Holdings II Limited

Notes to the Financial Statements

for the year ended 31 December 2021

8. Investments (continued)

Indirectly held (continued)

Subsidiary undertakings	% held	Country of incorporation and operation	Registered office	Nature of business
Vertiv Portugal Limitada	95%	Portugal	Beloura Office Park, EE13, 0-8; 2710-693 Sintra	Sales and service, power protection solutions
Vertiv Romania S.r.l.	100%	Romania	Str. Emerson 4, Cluj Napoca	Sales and service
Vertiv Rus, LLC	100%	Russia	Kosmodamianskaya Emb., 52, Bld.5, floor 13, Moscow, 115035	Sales & service, manufacture of electronic components
Vertiv Spain SA	100%	Spain	C/Proción 1 y 3. Edificio Oficor	Sales and service, power protection solutions
Vertiv Poland Sp. z o.o.	100%	Poland	ul. Szturmowa 2A, Warszawa 02-678	Sales and service, power protection solutions
Vertiv S.r.l.	100%	Italy	Via Leonardo da Vinci, 16/18, 35028, Piove di Sacco (PD)	Manufacture, sales and service, power protection solutions
Vertiv Sweden AB	100%	Sweden	Textilgatan 29, PO Box 92113, 120 30 Stockholm	Sales and service, power protection solutions
Vertiv Tech Co. Limited	100%	China	1-4F and 6-10F, Block B2, Nanshanzhiyuan, No.1001 Xueyuan Avenue, Nanshan District	Sales and service, power protection solutions
Vertiv Tech (Jiangmen) Co. Limited	100%	China	No.132 Jiangmu Road, Hi-Tech Industrial Development Zone, Jiangmen City	Sales and service, power protection solutions
Vertiv Tech (Mianyang) Co. Limited	100%	China	No.299, East Section, Feiyun Avenue, Mianyang City	Sales and service, power protection solutions
Vertiv Tecnologia do Brasil Limitada	99.99%	Brazil	Av. Hollingsworth 325, Sorocaba, São Paulo, 18087-105, Iporanga	Sales and service, power protection solutions

Vertiv Holdings II Limited

Notes to the Financial Statements

for the year ended 31 December 2021

8. Investments (continued)

Indirectly held (continued)

Subsidiary undertakings	% held	Country of incorporation and operation	Registered office	Nature of business
Vertiv Tech (Xi'an) Co. Limited	100%	China	1-2F, Ju-An International Building, No. 55, Science and Technology 3rd Road, High-tech Zone, Xi'an City	Sales and service, power protection solutions

Shares in these subsidiary undertakings are ordinary shares or their local equivalent.

9. Creditors: Amounts falling due within one year

	2021 US\$000	2020 US\$000
Loans from fellow group companies	184,308	659,171
Amounts owed to group undertakings	257,373	161,781
Other creditors	97	97
Accruals and deferred income	37	43
	441,815	821,092

At 31 December 2021, the balance on the loans from fellow group companies due within one year was US\$184,308,000 (principal: US\$176,918,000; accrued interest: US\$7,390,000) (2020: US\$659,171,000 (principal US\$649,511,000; accrued interest: US\$9,600,000)). Interest is charged at USD LIBOR plus an agreed spread and all loans are repayable on demand.

The amount US\$257,375,000 represents credit balance on cash pool with Great River Finance.

Vertiv Holdings II Limited

Notes to the Financial Statements

for the year ended 31 December 2021

10. Creditors: Amounts falling due after more than one year

	2021	2020
	US\$000	US\$000
Loan from fellow group company	29,965	163,319

At 31 December 2021, the balance on the loan from a fellow group company due after more than one year was US\$ 29,965,000 (principal: US\$29,965,000 accrued interest: US\$5,478,000) (2020: US\$163,319,000 (principal US\$163,319,000; accrued interest: US\$7,746,000)). The loan is repayable in January 2026 and interest is charged at 9.28%, payable every 6 months.

11. Called up share capital

	2021	2020
	US\$	US\$
Allotted, called up and fully paid		
152 ordinary shares of US\$1	152	102

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

On 23 December 2021, the company issued 50 additional ordinary shares to Vertiv Holding Limited for a premium of US\$400,000,000.

12. Events after the balance sheet date

a) On 5th May 2022, the Directors decided that the Company's share capital will be reduced by 50 ordinary shares of US\$1 each and that the 50 ordinary shares in the capital of the Company will be cancelled. As a result of these transactions, the Company's share premium account will be reduced by US\$400,000,000 and the amount by which the share premium is so reduced will be credited to the Company's distributable reserves. The Directors signed a Solvency Statement that the Company will be able to pay (or otherwise discharge) its debts as they fall due during the year immediately following the date of the statement.

b) On 25th May 2022, the Company received GBP 17,844,823 from Vertiv Company Group Limited in settlement of a dividend payable. The same amount was then assigned to Vertiv Group Corporation to reduce the balance of a loan dated 30th March 2016, from US\$61,380,844.79 to US\$38,939,195.

13. Immediate parent company and ultimate parent company

The company's immediate parent company is Vertiv Holdings Limited, a company incorporated in England. The company's ultimate parent company is Vertiv Holdings Co., traded on the New York Stock Exchange.

The largest and smallest group in which the financial statements of Vertiv Holdings II Limited are consolidated is that headed by Vertiv Group Corporation. Copies of Vertiv Group Corporation's financial statements may be obtained from The Secretary, 1050 Dearborn Drive, Columbus, Ohio, US

Vertiv Holdings II Limited

Notes to the Financial Statements

for the year ended 31 December 2021

14. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the company's accounting policies

At 31 December 2021, the company did not make any critical judgements in applying its accounting policies.

(b) Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting estimates will, by definition seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Fixed asset investments

The company reviews the carrying value of fixed asset investments and the associated impairment provision required. The company calculates the impairment based on the value in use, or the underlying net assets, represented by the subsidiary undertaking. See note 8 for the carrying value of the fixed asset investments.

15. Related party transactions

As 100% of the company's voting rights were controlled by the group headed by Vertiv Group Corporation, the company has taken advantage of the exemptions contained in FRS 102 and has therefore not disclosed transactions and balances with entities which form part of the group. The consolidated financial statements of Vertiv Group Corporation, within which this company is included, can be obtained from the address given in note 13.