UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q
☒ QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2022
OR
☐ TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM ________________ TO ________________

001-40853
(Commission file number)

Kyndryl Holdings, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**86-1185492**
(State or other jurisdiction of incorporation or organization)	(IRS employer identification number)
One Vanderbilt Avenue, 15th Floor **New York, New York**	**10017**
(Address of principal executive offices)	(Zip Code)

212-896-2098
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common stock, par value $0.01 per share	KD	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section l3 or l5(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of the registrant's Common Stock, par value $0.01 per share, outstanding at February 2, 2023 was 227,505,040.

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Part I - Financial Information

Item 1. Consolidated Financial Statements (Unaudited):

KYNDRYL HOLDINGS, INC.
CONSOLIDATED INCOME STATEMENT
(In millions, except per share amounts)
(Unaudited)

	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021	Nine Months Ended December 31, 2022	Nine Months Ended December 31, 2021
Revenues *	$ 4,303	$ 4,556	$ 12,771	$ 13,886
Cost of services **	$ 3,596	$ 3,999	$ 10,886	$ 12,233
Selling, general and administrative expenses	731	643	2,131	2,062
Workforce rebalancing charges (benefits)	10	(1)	16	(13)
Transaction-related costs	48	129	218	572
Impairment expense	—	469	—	469
Interest expense	27	18	65	50
Other expense (income)	30	19	16	13
Total costs and expenses	$ 4,441	$ 5,276	$ 13,333	$ 15,385
Income (loss) before income taxes	$ (138)	$ (720)	$ (563)	$ (1,499)
Provision for (benefit from) income taxes	$ (32)	$ 11	$ 74	$ 311
Net income (loss)	$ (106)	$ (731)	$ (637)	$ (1,810)
Basic earnings (loss) per share	$ (0.47)	$ (3.26)	$ (2.81)	$ (8.07)
Diluted earnings (loss) per share	$ (0.47)	$ (3.26)	$ (2.81)	$ (8.07)
Weighted-average basic shares outstanding	227.0	224.2	226.4	224.1
Weighted-average diluted shares outstanding	227.0	224.2	226.4	224.1

* Including related-party revenue of $260 for the three months ended December 31, 2021 and including related-party revenue of $287 and $550 for the nine months ended December 31, 2022 and 2021, respectively.
** Including related-party cost of services of $1,100 for the three months ended December 31, 2021 and including related-party cost of services of $1,382 and $2,973 for the nine months ended December 31, 2022 and 2021, respectively.

The accompanying notes are an integral part of the financial statements.

KYNDRYL HOLDINGS, INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(Dollars in millions)
(Unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2022	2021	2022	2021
Net income (loss)	$ (106)	$ (731)	$ (637)	$ (1,810)
Other comprehensive income (loss), before tax:				
Foreign currency translation adjustments	260	400	(229)	290
Unrealized gains (losses) on cash flow hedges:				
Unrealized gains (losses) arising during the period	(4)	1	(9)	4
Reclassification of (gains) losses to net income	2	(1)	1	(1)
Total unrealized gains (losses) on cash flow hedges	(2)	1	(8)	3
Retirement-related benefit plans:				
Prior service costs (credits)	—	1	—	1
Net gains (losses) arising during the period	—	72	—	67
Curtailments and settlements	—	3	—	3
Amortization of net (gains) losses	10	19	30	41
Total retirement-related benefit plans	10	94	30	112
Other comprehensive income (loss), before tax	267	495	(207)	405
Income tax (expense) benefit related to items of other comprehensive income (loss)	(3)	(24)	(7)	(29)
Other comprehensive income (loss), net of tax	265	470	(214)	375
Total comprehensive income (loss)	$ 159	$ (262)	$ (850)	$ (1,435)

The accompanying notes are an integral part of the financial statements.

KYNDRYL HOLDINGS, INC.
CONSOLIDATED BALANCE SHEET
(In millions, except per share amount)
(Unaudited)

	December 31, 2022	March 31, 2022
Assets:		
Current assets:		
Cash and cash equivalents	$ 2,002	$ 2,134
Restricted cash	14	20
Accounts receivable (net of allowances of $34 at December 31, 2022 and $44 at March 31, 2022)*	1,539	2,271
Deferred costs (current portion)	927	1,143
Prepaid expenses and other current assets	486	525
Total current assets	$ 4,967	$ 6,092
Property and equipment, net	$ 2,762	$ 2,834
Operating right-of-use assets, net	1,115	1,312
Deferred costs (noncurrent portion)	1,186	1,244
Deferred taxes	478	555
Goodwill	812	823
Intangible assets, net	158	145
Pension assets	58	61
Other noncurrent assets	315	375
Total assets	$ 11,851	$ 13,442
Liabilities:		
Current liabilities:		
Accounts payable**	$ 1,719	$ 1,555
Value-added tax and income tax liabilities	245	284
Short-term debt	103	96
Accrued compensation and benefits	388	509
Deferred income (current portion)	817	882
Operating lease liabilities (current portion)	329	374
Accrued contract costs	402	676
Other accrued expenses and liabilities	604	682
Total current liabilities	$ 4,607	$ 5,058
Long-term debt	$ 3,097	$ 3,127
Retirement and nonpension postretirement benefit obligations	660	716
Deferred income (noncurrent portion)	377	452
Operating lease liabilities (noncurrent portion)	790	928
Other noncurrent liabilities	389	449
Total liabilities	$ 9,920	$ 10,730
Commitments and contingencies		
Equity:		
Stockholders' equity		
Common stock, par value $0.01 per share, and additional paid-in capital (shares authorized: 1,000.0; shares issued: December 31, 2022 – 229.3, March 31, 2022 – 224.5)	$ 4,397	$ 4,315
Accumulated deficit	(1,241)	(605)
Treasury stock, at cost (shares: December 31, 2022 – 1.8, March 31, 2022 – 0.2)	(21)	(4)
Accumulated other comprehensive income (loss)	(1,303)	(1,089)
Total stockholders' equity before non-controlling interests	$ 1,832	$ 2,618
Non-controlling interests	99	94
Total equity	$ 1,930	$ 2,711
Total liabilities and equity	$ 11,851	$ 13,442

* Including related-party accounts receivable of $343 at March 31, 2022.

** Including related-party accounts payable of $806 at March 31, 2022.

The accompanying notes are an integral part of the financial statements.

KYNDRYL HOLDINGS, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in millions)
(Unaudited)

	Nine Months Ended December 31,	
	2022	**2021**
Cash flows from operating activities:		
Net income (loss)	$ (637)	$ (1,810)
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation and amortization		
Depreciation of property and equipment	681	960
Depreciation of right-of-use assets	285	229
Amortization of transition costs and prepaid software	909	955
Amortization of capitalized contract costs	337	403
Amortization of intangible assets	36	30
Goodwill impairment	—	469
Stock-based compensation	81	56
Deferred taxes	5	(418)
Net (gain) loss on asset sales and other	(17)	12
Change in operating assets and liabilities:		
Deferred costs (excluding amortization)	(1,063)	(1,071)
Right-of-use assets and liabilities (excluding depreciation)	(275)	(256)
Workforce rebalancing liabilities	(1)	(204)
Receivables	647	(938)
Accounts payable	235	224
Taxes (including items settled with former Parent in prior-year period)	(36)	920
Other assets and other liabilities	(418)	650
Net cash provided by operating activities	$ 769	$ 209
Cash flows from investing activities:		
Capital expenditures	$ (711)	$ (572)
Proceeds from disposition of property and equipment	20	100
Other investing activities, net	(8)	(1)
Net cash used in investing activities	$ (699)	$ (472)
Cash flows from financing activities:		
Debt repayments	$ (83)	$ (71)
Proceeds from issuance of debt, net of debt issuance costs	—	3,035
Net transfers to Parent	—	(490)
Common stock repurchases for tax withholdings	(17)	(1)
Net cash provided by (used in) financing activities	$ (100)	$ 2,472
Effect of exchange rate changes on cash, cash equivalents and restricted cash	$ (109)	$ (19)
Net change in cash, cash equivalents and restricted cash	$ (138)	$ 2,190
Cash, cash equivalents and restricted cash at April 1	$ 2,154	$ 50
Cash, cash equivalents and restricted cash at December 31	$ 2,016	$ 2,240
Supplemental data		
Income taxes paid, net of refunds received	$ 109	$ 12
Interest paid on debt	$ 89	$ 2

The accompanying notes are an integral part of the financial statements.

KYNDRYL HOLDINGS, INC.
CONSOLIDATED STATEMENT OF EQUITY
(In millions)
(Unaudited)

	Common Stock and Additional Paid-In Capital		Net Parent Investment	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Accumulated Deficit	Non-Controlling Interests	Total Equity
	Shares	Amount						
Equity – October 1, 2022	226.8	$ 4,370	$ —	$ (1,567)	$ (17)	$ (1,136)	$ 96	$ 1,746
Net income (loss)						(106)		(106)
Other comprehensive income (loss), net of tax				265				265
Common stock issued under employee plans	1.1	27						27
Purchases of treasury stock	(0.4)				(4)			(4)
Changes in non-controlling interests							2	2
Equity – December 31, 2022	227.5	$ 4,397	$ —	$ (1,303)	$ (21)	$ (1,241)	$ 99	$ 1,930

	Common Stock and Additional Paid-In Capital		Net Parent Investment	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Accumulated Deficit	Non-Controlling Interests	Total Equity
	Shares	Amount						
Equity – October 1, 2021	—	$ —	$ 7,102	$ (1,614)	$ —	$ —	$ 51	$ 5,539
Net income (loss)			(355)			(375)		(731)
Other comprehensive income (loss), net of tax				470				470
Issuance of common stock and reclassification of net transfers from Parent	224.1	4,271	(6,747)					(2,476)
Common stock issued under employee plans	0.1	13						13
Purchases of treasury stock	(0.0)				(1)			(1)
Changes in non-controlling interests							(49)	(49)
Equity – December 31, 2021	224.2	$ 4,284	$ —	$ (1,143)	$ (1)	$ (375)	$ 3	$ 2,767

The accompanying notes are an integral part of the financial statements.

KYNDRYL HOLDINGS, INC.
CONSOLIDATED STATEMENT OF EQUITY – (CONTINUED)
(In millions)
(Unaudited)

	Common Stock and Additional Paid-In Capital		Net Parent Investment	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Accumulated Deficit	Non-Controlling Interests	Total Equity
	Shares	Amount						
Equity – April 1, 2022	224.5	$ 4,315	$ —	$ (1,089)	$ (4)	$ (605)	$ 94	$ 2,711
Net income (loss)						(637)		(637)
Other comprehensive income (loss), net of tax				(214)				(214)
Common stock issued under employee plans	4.5	81						81
Purchases of treasury stock	(1.5)				(17)			(17)
Changes in non-controlling interests							5	5
Equity – December 31, 2022	227.5	$ 4,397	$ —	$ (1,303)	$ (21)	$ (1,241)	$ 99	$ 1,930

	Common Stock and Additional Paid-In Capital		Net Parent Investment	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Accumulated Deficit	Non-Controlling Interests	Total Equity
	Shares	Amount						
Equity – April 1, 2021	—	$ —	$ 6,027	$ (1,182)	$ —	$ —	$ 57	$ 4,902
Net income (loss)			(1,434)			(375)		(1,810)
Other comprehensive income (loss), net of tax				375				375
Issuance of common stock and reclassification of net transfers from Parent	224.1	4,271	(4,593)	(338)				(660)
Common stock issued under employee plans	0.1	13						13
Purchases of treasury stock	(0.0)				(1)			(1)
Changes in non-controlling interests							(55)	(55)
Equity – December 31, 2021	224.2	$ 4,284	$ —	$ (1,143)	$ (1)	$ (375)	$ 3	$ 2,767

The accompanying notes are an integral part of the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Kyndryl Holdings, Inc. (“we”, “the Company” or “Kyndryl”) is a leading technology services company and the largest infrastructure services provider in the world, serving as a partner to thousands of enterprise customers whose operations span over 100 countries. Prior to November 3, 2021, the Company was wholly owned by International Business Machines Corporation (“IBM”, “Parent” or “former Parent”).

In October 2021, the Board of Directors of IBM approved the spin-off (the “Separation” or the “Spin-off”) of the infrastructure services unit (the “Kyndryl Businesses”) of its Global Technology Services (“GTS”) segment through the distribution of shares of Kyndryl’s common stock to IBM stockholders. In conjunction with the Separation, Kyndryl underwent an internal reorganization following which it became the holder, directly or through its subsidiaries, of the Kyndryl Businesses. On November 3, 2021, the Separation was achieved through the Parent’s pro rata distribution of 80.1% of the shares of common stock of Kyndryl to holders of the Parent’s common stock as of the close of business on the record date of October 25, 2021. The Parent retained 19.9% of the shares of the Company’s common stock upon the Spin-off. The Parent’s stockholders of record received one share of the Company’s common stock for every five shares of the Parent’s common stock. As of September 30, 2022, IBM had transferred all of its 19.9% retained interest in Kyndryl common stock pursuant to exchange agreements with a third-party financial institution.

Basis of Presentation

Prior to the Separation on November 3, 2021 (the “pre-Separation periods”), our historical financial statements were prepared on a combined basis and were derived from the consolidated financial statements of IBM. For the period subsequent to November 3, 2021, the financial statements are presented on a consolidated basis as the Company became a standalone public company. Management believes the accompanying financial statements include all adjustments necessary to present fairly the Company’s financial position and its results of operations for all the periods presented. The financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the report on Form 8-K/A we filed with the U.S. Securities and Exchange Commission (“SEC”) on May 27, 2022 (the “8-K/A”) and our transition report for the three months ended March 31, 2022 filed on Form 10-QT.

Within the financial statements and tables presented, certain columns and rows may not add due to the use of rounded numbers for disclosure purposes. Percentages presented are calculated from the underlying whole-dollar amounts. Certain items have been recast to conform to current-period presentation.

Principles of Consolidation

For the pre-Separation periods, the accompanying financial statements were derived from the consolidated financial statements and accounting records of the Parent as if the Company operated on a standalone basis during the periods presented and were prepared in accordance with Generally Accepted Accounting Principles in the United States (“U.S. GAAP”) and pursuant to the rules and regulations of the SEC.

All significant intercompany transactions during the pre-Separation periods between Kyndryl and IBM have been included in the consolidated financial statements. Intercompany transactions between Kyndryl and IBM were considered to be effectively settled in the consolidated financial statements at the time the transaction was recorded. The total net effect of the settlement of these intercompany transactions is reflected as Net transfers from Parent in the financing activities section in the Consolidated Statement of Cash Flows and in the Consolidated Balance Sheet within Net Parent investment.

After the Separation on November 3, 2021, the Company’s consolidated financial statements are based on our reported results as a standalone company. All significant transactions and intercompany accounts between Kyndryl entities were eliminated.

Notes to Consolidated Financial Statements (continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect amounts that are reported in the consolidated financial statements and accompanying disclosures. Estimates are used in determining the following, among others: revenue, costs to complete service contracts, income taxes, pension assumptions, valuation of assets including goodwill and intangible assets, the depreciable and amortizable lives of long-lived assets, loss contingencies, allowance for credit losses, deferred transition costs and other matters. Estimates were also used in determining the allocation of costs and expenses from IBM for the pre-Separation periods. These estimates are based on management's knowledge of current events, historical experience and actions that the Company may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may be different from these estimates.

Transition Period

In January 2022, the Board of Directors of Kyndryl approved a change to the fiscal year-end of the Company from December 31 to March 31. The Company's 2023 fiscal year began on April 1, 2022 and will end on March 31, 2023. The Company filed a Transition Report on Form 10-QT for the period of January 1 to March 31, 2022 with the SEC on May 13, 2022.

NOTE 2. ACCOUNTING CHANGES

Standards Implemented

In October 2021, the Financial Accounting Standards Board ("FASB") issued guidance ("Revenue Contracts with Customers Acquired in a Business Combination") which requires that an acquirer recognize and measure contract assets and liabilities acquired in a business combination as if the acquirer had originated the contracts, in accordance with ASC 606, *Revenue from Contracts with Customers*. Deferred revenue acquired in a business combination is no longer required to be measured at its fair value, which had historically resulted in a deferred revenue impairment at the date of acquisition. The guidance is effective January 1, 2023, and early adoption is permitted. The Company has early adopted the guidance as of January 1, 2022. Our adoption did not materially affect our consolidated financial statements.

New Standards to be Implemented

In September 2022, the FASB amended its guidance related to supplier finance programs. The amended guidance requires additional disclosures surrounding the use of supplier finance programs to purchase goods or services, including disclosing the key terms of the programs, the amount of obligations outstanding at the end of the reporting period, and a roll-forward of those obligations. The new guidance, except the roll-forward information, is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The roll-forward information is effective for fiscal years beginning after December 15, 2023. Early adoption is permitted. The Company is currently evaluating the impact that this amended guidance will have on the Company's financial statements.

In December 2022, the FASB issued guidance deferring the sunset date of ASC 848, *Reference Rate Reform* to December 31, 2024. The FASB previously issued temporary, optional expedients related to the accounting for contract modifications and hedging transactions as a result of markets transitioning from the use of LIBOR and other interbank offered rates to alternative reference rates. The Company has evaluated the impact of the amended guidance and concluded that the guidance will not have a material impact on the Company's consolidated financial statements.

Notes to Consolidated Financial Statements (continued)

NOTE 3. REVENUE RECOGNITION

Disaggregation of Revenue

The Company views its segment results to be the best view of disaggregated revenue. Refer to Note 4 – Segments.

Remaining Performance Obligations

The remaining performance obligation ("RPO") represents the aggregate amount of contractual deliverables yet to be recognized as revenue at the end of the reporting period. It is intended to be a statement of overall work under contract that has not yet been performed and does not include contracts in which the customer is not committed. The customer is not considered committed when it is able to terminate for convenience without payment of a substantive penalty. The RPO also includes estimates of variable consideration. Additionally, as a practical expedient, the Company does not include contracts that have an original duration of one year or less. RPO estimates are subject to change and are affected by several factors, including terminations, changes in the scope of contracts, periodic revalidations, adjustments for revenue that has not materialized and adjustments for currency.

At December 31, 2022, the aggregate amount of RPO related to customer contracts that are unsatisfied or partially unsatisfied was $39.6 billion. Approximately 59 percent of the amount is expected to be recognized as revenue in the next two years, approximately 34 percent in the subsequent three years, and the balance thereafter.

During the three and nine months ended December 31, 2022, revenue decreased by $3 million and increased by $4 million, respectively, for performance obligations satisfied (or partially satisfied) in previous periods, mainly due to changes in estimates on contracts with cost-to-cost measures of progress.

Contract Balances

The following table provides information about accounts receivable, contract assets and deferred income balances:

(Dollars in millions)	December 31, 2022	March 31, 2022
Accounts receivable (net of allowances of $34 at December 31, 2022 and $44 at March 31, 2022) *	$ 1,539	$ 2,271
Contract assets **	30	41
Deferred income (current)	817	882
Deferred income (noncurrent)	377	452

* Including unbilled receivable balances of $382 million at December 31, 2022 and $473 million at March 31, 2022.
** Contract assets represent services performed by the Company prior to billing the client, which give the Company the right to consideration that is typically subject to milestone completion or client acceptance. They are included within prepaid expenses and other current assets in the Consolidated Balance Sheet.

The amount of revenue recognized during the three and nine months ended December 31, 2022 that was included within the deferred income balance at the beginning of the period was $249 million and $496 million, respectively.

Notes to Consolidated Financial Statements (continued)

The following table provides roll-forwards of the accounts receivable allowance for expected credit losses for the nine months ended December 31, 2022 and the nine months ended December 31, 2021.

(Dollars in millions)	Nine Months Ended December 31, 2022	Nine Months Ended December 31, 2021
Beginning balance	$ 44	$ 90
Additions (releases)	5	(21)
Write-offs	(8)	(4)
Other *	(6)	(21)
Ending balance	$ 34	$ 44

* Primarily represents currency translation adjustments.

The contract assets allowance for expected credit losses was not material in any of the periods presented.

Major Clients

No single client represented more than 10 percent of the Company's total revenue during the three and nine months ended December 31, 2022 and 2021. No single client represented more than 10 percent of the Company's total accounts receivable balance as of December 31, 2022 and March 31, 2022.

Deferred Costs

Costs to acquire and fulfill customer contracts are deferred and amortized over the contract period or expected customer relationship life. The expected customer relationship period is determined based on the average customer relationship period, including expected renewals, for each offering type and ranges from three to six years. For contracts with an estimated amortization period of less than one year, we elected the practical expedient to expense incremental costs immediately.

The following table provides amounts of capitalized costs to acquire and fulfill customer contracts at December 31, 2022 and March 31, 2022:

(Dollars in millions)	December 31, 2022	March 31, 2022
Deferred transition costs	$ 863	$ 961
Prepaid software costs	661	806
Capitalized costs to fulfill contracts	279	302
Capitalized costs to obtain contracts	310	318
Total deferred costs *	$ 2,112	$ 2,387

* Of the total deferred costs, $927 million was current and $1,186 million was noncurrent at December 31, 2022, and $1,143 million was current and $1,244 million was noncurrent at March 31, 2022.

The amount of total deferred costs amortized for the three months ended December 31, 2022 was $440 million, composed of $87 million of amortization of deferred transition costs, $239 million of amortization of prepaid software and $114 million of amortization of capitalized contract costs. The amount of total deferred costs amortized for the nine months ended December 31, 2022 was $1,246 million, composed of $259 million of amortization of deferred transition costs, $650 million of amortization of prepaid software and $337 million of amortization of capitalized contract costs.

Notes to Consolidated Financial Statements (continued)

NOTE 4. SEGMENTS

Our reportable segments correspond to how the chief operating decision maker ("CODM") reviews performance and allocates resources. Our four reportable segments consist of the following:

United States: This reportable segment is comprised of Kyndryl's operations in the United States.

Japan: This reportable segment is comprised of Kyndryl's operations in Japan.

Principal Markets: This reportable segment represents the aggregation of our operations in Australia / New Zealand, Canada, France, Germany, India, Italy, Spain / Portugal, and the United Kingdom / Ireland.

Strategic Markets: This reportable segment is comprised of our operations in all other countries in which we operate.

The measure of segment operating performance used by Kyndryl's CODM is adjusted EBITDA. Adjusted EBITDA is defined as net income (loss) excluding net interest expense, depreciation and amortization (excluding depreciation of right-of-use assets and amortization of capitalized contract costs), charges related to ceasing to use leased assets, charges related to lease termination, transaction-related costs, pension costs other than pension servicing costs and multi-employer plan costs, stock-based compensation expense, workforce rebalancing charges, impairment expense, significant litigation costs, and foreign currency impacts of highly inflationary countries. The use of revenue and adjusted EBITDA aligns with how the CODM assesses performance and allocates resources for the Company's segments. The Company has recast the prior-period results to reflect the change in segment structure that became effective in the fourth quarter of 2021. In addition, during the three months ended March 31, 2022, the Company updated certain allocation methodologies related to its measure of segment adjusted EBITDA and has accordingly recast the prior-period information to reflect these updates, which did not change the aggregate amount of segment adjusted EBITDA.

Our geographic markets frequently work together to sell and implement certain contracts. The economic environment and its effects on the industries served by our geographic markets affect revenues and operating expenses within our geographic markets to differing degrees. Currency fluctuations also tend to affect our geographic markets differently, depending on the geographic concentrations and locations of their businesses.

The following table reflects the results of the Company's segments:

(Dollars in millions)	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021	Nine Months Ended December 31, 2022	Nine Months Ended December 31, 2021
Revenue				
United States	$ 1,265	$ 1,193	$ 3,581	$ 3,577
Japan	606	683	1,855	2,160
Principal Markets	1,472	1,670	4,460	5,260
Strategic Markets	961	1,010	2,874	2,889
Total revenue	$ 4,303	$ 4,556	$ 12,771	$ 13,886
Segment adjusted EBITDA				
United States	$ 271	$ 202	$ 639	$ 662
Japan	90	124	318	378
Principal Markets	91	155	248	289
Strategic Markets	145	134	352	444
Total segment adjusted EBITDA	$ 597	$ 615	$ 1,556	$ 1,773

Notes to Consolidated Financial Statements (continued)

The following table reconciles consolidated pretax income (loss) to segment adjusted EBITDA:

(Dollars in millions)	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021	Nine Months Ended December 31, 2022	Nine Months Ended December 31, 2021
Pretax income (loss)	$ (138)	$ (720)	$ (563)	$ (1,499)
Workforce rebalancing charges (benefits)	10	(1)	16	(13)
Transaction-related costs	48	129	218	572
Stock-based compensation expense	29	18	81	56
Impairment expense	—	469	—	469
Interest expense	27	18	65	50
Depreciation expense	232	294	681	960
Amortization expense	336	312	945	984
Corporate expense not allocated to the segments	16	28	57	113
Other adjustments *	37	67	55	81
Segment adjusted EBITDA	$ 597	$ 615	$ 1,556	$ 1,773

* Other adjustments represent pension expense other than pension servicing costs and multi-employer plan costs, significant litigation costs and charges related to ceasing to use leased assets.

NOTE 5. TAXES

For the three months ended December 31, 2022, the Company's effective tax rate was 23.2%, compared to (1.5%) for the three months ended December 31, 2021. For the nine months ended December 31, 2022, the Company's effective tax rate was (13.1%), compared to (20.7%) for the nine months ended December 31, 2021. The Company's positive effective tax rate for the three months ended December 31, 2022 reflects a tax benefit on a pretax loss resulting from return-to-provision adjustments recorded in that period. The Company's negative effective tax rates for the nine months ended December 31, 2022 and in 2021 reflect a tax expense on a pretax book loss in those periods. For the three and nine months ended December 31, 2022, income taxes are computed using the estimated annual effective tax rate applicable to the fiscal year ending March 31, 2023.

The Company's effective tax rate for the three months ended December 31, 2022 was higher than the Company's statutory tax rate primarily due to a benefit recorded during the period resulting from return-to-provision adjustments related to the filing of certain 2021 income tax returns. The Company's effective tax rate for the nine months ended December 31, 2022 was lower than the Company's statutory tax rate primarily due to taxes on foreign operations and an increase in valuation allowances in certain jurisdictions against deferred tax assets that are not more likely than not to be realized, partially offset by the benefit resulting from return-to-provision adjustments. For the three and nine months ended December 31, 2022, the additions to valuation allowance primarily relate to a valuation allowance established against certain deferred tax assets in the United States.

The Company's effective tax rate for the three months ended December 31, 2021 was lower than the Company's statutory tax rate primarily due to the geographic mix of pretax income and nondeductible goodwill impairment. The Company's effective tax rate for the nine months ended December 31, 2021 was lower than the Company's statutory tax rate primarily due to the geographic mix of pretax income, changes in valuation allowances in certain jurisdictions against deferred tax assets that are not more likely than not to be realized, and tax charges related to the transfer of Kyndryl's operations from IBM in contemplation of the Company's Separation.

Notes to Consolidated Financial Statements (continued)

NOTE 6. NET LOSS PER SHARE

We did not declare any stock dividends in the periods presented. The following tables provide the computation of basic and diluted earnings per share of common stock for the three and nine months ended December 31, 2022 and 2021.

(In millions, except per share amounts)	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021	Nine Months Ended December 31, 2022	Nine Months Ended December 31, 2021
Net income (loss) on which basic and diluted earnings per share is calculated	$ (106)	$ (731)	$ (637)	$ (1,810)
Number of shares on which basic and diluted earnings per share is calculated	227.0	224.2	226.4	224.1
Basic earnings (loss) per share	$ (0.47)	$ (3.26)	$ (2.81)	$ (8.07)
Diluted earnings (loss) per share	(0.47)	(3.26)	(2.81)	(8.07)

Prior to the Separation, the Company did not have any publicly-traded common stock or equivalents issued and outstanding. Accordingly, for periods prior to the Separation, the number of shares used in the calculation of basic and diluted earnings per share were based on the 224.1 million shares distributed on the Separation Date.

For the three and nine months ended December 31, 2022, the Company's basic and diluted weighted-average shares outstanding were the same. The following securities were not included in the computation of diluted net loss per share because they would have been anti-dilutive:

(In millions)	
Nonvested restricted stock units issued and outstanding	9.9
Nonvested performance-based stock units	2.5
Nonvested market-conditioned performance awards	2.4
Stock options issued and outstanding	3.7
Total	18.6

NOTE 7. FINANCIAL ASSETS AND LIABILITIES

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company classifies certain assets and liabilities based on the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for the asset or liability.

The level of an asset or liability within the fair value hierarchy is determined based on the lowest level of any input that is significant to the fair value measurement.

Notes to Consolidated Financial Statements (continued)

In determining the fair value of certain financial instruments, the Company considers certain market valuation adjustments to the "base valuations" using the methodologies described below for several parameters that market participants would consider in determining fair value:

- Counterparty credit risk adjustments are applied to certain financial instruments, taking into account the actual credit risk of a counterparty as observed in the credit default swap market to determine the true fair value of such an instrument.

- Credit risk adjustments are applied to reflect the Company's own credit risk when valuing certain liabilities measured at fair value. The methodology is consistent with that applied in developing counterparty credit risk adjustments, but incorporates the Company's credit risk as observed in the credit default swap market.

Certain non-financial assets such as property, plant and equipment, operating right-of-use assets, land, goodwill and intangible assets are recorded at fair value or at cost, as appropriate, in the period they are initially recognized, and such fair value may be adjusted in subsequent periods if an event occurs or circumstances change that indicate that the asset may be impaired. The impairment models used for non-financial assets depend on the type of asset. The fair value measurements, in such instances, would be classified in Level 3 of the fair value hierarchy.

We perform a qualitative assessment of asset impairments on a periodic basis and recognize an impairment if there are sufficient indicators that the fair value is less than carrying value.

Financial Assets and Liabilities Measured at Fair Value

The gross balances of derivative assets contained within prepaid expenses and other current assets in the Consolidated Balance Sheet were $32 million at December 31, 2022 and $9 million at March 31, 2022. The gross balances of derivative liabilities contained within other accrued expenses and liabilities, and other noncurrent liabilities in the Consolidated Balance Sheet were $9 million at December 31, 2022 and $2 million at March 31, 2022. The fair value of derivatives is the difference between the contractual forward price and the current available forward price for the residual maturity of the contract using observable market rates and is categorized as Level 2 in the fair value hierarchy.

The Company may enter into master netting agreements with certain counterparties that allow for netting of exposures in the event of default or breach. However, in the Consolidated Balance Sheet, the Company does not offset derivative assets against liabilities with counterparties in master netting arrangements by counterparty, and there was no derivative instruments activity impacted by master netting agreements at December 31, 2022 and March 31, 2022.

Financial Assets and Liabilities Not Measured at Fair Value

Accounts receivable are financial assets with carrying values that approximate fair value. Accounts payable, other accrued expenses and short-term debt are financial liabilities with carrying values that approximate fair value. If measured at fair value in the consolidated financial statements, these financial instruments would be classified as Level 3 in the fair value hierarchy, except for short-term debt, which would be classified as Level 2.

The Company has time deposits that have maturities of 90 days or less, and their carrying values approximate fair value. The balance of these time deposits with maturities of 90 days or less contained within cash and cash equivalents in the Consolidated Balance Sheet at December 31, 2022 and March 31, 2022 was $775 million and $972 million, respectively. If measured at fair value in the consolidated financial statements, time deposits with maturities of 90 days or less would be categorized as Level 2 in the fair value hierarchy.

The fair value of our outstanding debt (excluding finance lease obligations) is based on various methodologies, including quoted prices in active markets for identical debt instruments, which is a Level 1 measurement, and calculated fair value using an expected present value technique that uses rates currently available to the Company for debt in active

Notes to Consolidated Financial Statements (continued)

markets with similar terms and remaining maturities, which is a Level 2 measurement. Our outstanding debt (excluding finance lease obligations) had a carrying value of $3.0 billion as of each of December 31, 2022 and March 31, 2022, and an estimated fair value of $2.3 billion and $2.7 billion as of December 31, 2022 and March 31, 2022, respectively.

Financial assets are measured for impairment on a recurring basis by comparing their fair value with their amortized cost basis. There were no impairments of financial assets recognized for any of the periods presented.

Transfers of Financial Assets

The Company has entered into agreements with third-party financial institutions to sell certain financial assets (primarily trade receivables) without recourse. The Company determined these are true sales. The carrying value of the financial asset sold is derecognized, and a net gain or loss on the sale is recognized at the time of the transfer. An agreement with third-party financial institutions executed in November 2021 enabled us to sell, at any one time, on a revolving basis, up to $1.1 billion of our trade receivables with payment terms from three to nine months and was subsequently amended to decrease such amount to $1.0 billion. This agreement was further amended during the quarter ended December 31, 2022 to provide that we may sell an additional amount of trade receivables with payment terms of less than three months, contingent on the approval of the counterparty to purchase such receivables, with no defined limit on such sales. In the quarter ended June 30, 2022, the Company entered into a separate agreement, in which the sale of receivables is contingent on the approval of the counterparty with no defined facility limit.

The net proceeds from these arrangements are reflected as cash provided by operating activities in the Consolidated Statement of Cash Flows. Gross proceeds from receivables sold to third parties under this program were $930 million and $2.3 billion for the three and nine months ended December 31, 2022, respectively. Gross proceeds from receivables sold to third parties and the financing division of our former Parent were $472 million and $1.7 billion for the three and nine months ended December 31, 2021, respectively. The fees associated with the transfers of receivables were $14 million and $34 million for the three and nine months ended December 31, 2022, respectively, and immaterial for the three and nine months ended December 31, 2021, respectively.

Derivative Financial Instruments

Foreign Exchange Risk

Anticipated Cost Transactions

The Company has foreign exchange derivative financial instruments designated as cash flow hedges to manage foreign currency risk. Changes in fair value of derivatives designated as cash flow hedges are recorded, net of applicable taxes, in other comprehensive income and subsequently reclassified into the same income statement line item as the hedged exposure when the underlying hedged item is recognized in earnings. The cash flows associated with derivatives designated as cash flow hedges are reported in cash flows from operating activities in the Consolidated Statement of Cash Flows. Through the pre-Separation periods, derivatives designated as cash flow hedges were deemed to be associated with the Company's operations and were allocated to the Company's Consolidated Income Statement based on its pro rata share of the underlying items hedged, where applicable, with the remainder allocated on a pro rata basis of revenue.

At December 31, 2022 and March 31, 2022, the total notional amount of forward contracts designated as cash flow hedges of forecasted foreign currency cost transactions was $285 million and $216 million, respectively. The notional amounts of derivative instruments do not necessarily represent the amounts exchanged by the Company with third parties and are not necessarily a direct measure of the financial exposure. The maximum remaining length of time over which the Company hedged its exposure is approximately one year. At December 31, 2022 and March 31, 2022, the weighted-average remaining maturity of these instruments was approximately 0.5 years.

Notes to Consolidated Financial Statements (continued)

At December 31, 2022, in connection with cash flow hedges of foreign currency cost transactions, the Company had net deferred losses of $5 million (before taxes) in accumulated other comprehensive income ("AOCI"). At March 31, 2022, in connection with cash flow hedges of foreign currency cost transactions, the Company had net deferred gains of $3 million (before taxes) in AOCI. The Company estimates that $5 million (before taxes) of deferred net losses on derivatives in AOCI at December 31, 2022 will be reclassified to net income within the next twelve months, providing an offsetting economic impact against the underlying anticipated transactions.

Subsidiary Cash and Foreign Currency Asset / Liability Management

The Company uses global treasury centers to manage the cash of its subsidiaries. These centers principally use currency swaps to convert cash flows in a cost-effective manner. Changes in fair value of derivatives not designated as hedges are reported in earnings in other (income) and expense. Cash flows from derivatives not designated as hedges are reported in cash flows from investing activities in the Consolidated Statement of Cash Flows. The terms of these swap contracts are generally less than one year. The changes in the fair values of these contracts and of the underlying hedged exposures are generally offsetting and are recorded in other (income) and expense in the Consolidated Income Statement. At December 31, 2022 and March 31, 2022, the total notional amount of derivative instruments in economic hedges of foreign currency exposure was $1.7 billion and $945 million, respectively.

The Effect of Derivative Instruments in the Consolidated Income Statement

The total amounts of income and expense line items presented in the Consolidated Income Statement in which the effects of cash flow hedges and derivatives not designated as hedging instruments are recorded, and the total effect of hedge activity on these income and expense line items are as follows:

(Dollars in millions) For the three months ended December 31:	Total		Gains (Losses) from Hedge Activity	
	2022	2021	2022	2021
Cost of services	$ 3,596	$ 3,999	$ (2)	$ 1
Other expense (income)	30	19	43	4

(Dollars in millions) For the three months ended December 31:	Gain (Loss) Recognized in Consolidated Income Statement				
	Consolidated Income Statement Line Item	Recognized on Derivatives		Attributable to Risk Being Hedged	
		2022	2021	2022	2021
Derivative instruments not designated as hedging instruments:					
Foreign exchange contracts	Other expense (income)	$ 43	$ 4	NA	NA
Total		$ 43	$ 4	$ —	$ —

(Dollars in millions) For the three months ended December 31:	Gain (Loss) Recognized in Consolidated Income Statement and Other Comprehensive Income				
	Recognized in OCI		Consolidated Income Statement Line Item	Reclassified from AOCI	
	2022	2021		2022	2021
Derivative instruments in cash flow hedges:					
Foreign exchange contracts	$ (4)	$ 4	Cost of services	$ (2)	$ 1
Total	$ (4)	$ 4		$ (2)	$ 1

NA - not applicable

Notes to Consolidated Financial Statements (continued)

(Dollars in millions) For the nine months ended December 31:	Total				Gains (Losses) from Hedge Activity			
	2022		2021		2022		2021	
Cost of services	$	10,886	$	12,233	$	(1)	$	1
Other expense (income)		16		13		27		4

(Dollars in millions) For the nine months ended December 31:	Gain (Loss) Recognized in Consolidated Income Statement								
	Consolidated Income Statement Line Item	Recognized on Derivatives				Attributable to Risk Being Hedged			
		2022		2021		2022		2021	
Derivative instruments not designated as hedging instruments:									
Foreign exchange contracts	Other expense (income)	$	27	$	4		NA		NA
Total		$	27	$	4	$	—	$	—

(Dollars in millions) For the nine months ended December 31:	Gain (Loss) Recognized in Consolidated Income Statement and Other Comprehensive Income								
	Recognized in OCI				Consolidated Income Statement Line Item	Reclassified from AOCI			
	2022		2021			2022		2021	
Derivative instruments in cash flow hedges:									
Foreign exchange contracts	$	(9)	$	4	Cost of services	$	(1)	$	1
Total	$	(9)	$	4		$	(1)	$	1

NA - not applicable

For the three and nine months ended December 31, 2022 and 2021, there were no gains or losses excluded from the assessment of hedge effectiveness for cash flow hedges, or associated with an underlying exposure that did not or was not expected to occur, nor are there any anticipated in the normal course of business. For the three and nine months ended December 31, 2022 and 2021, amounts recognized in OCI and reclassified from AOCI were immaterial, as the gains and losses from maturing and revalued cash flow hedges on various currencies offset each other.

Prior to the third quarter of 2021, Kyndryl did not independently execute derivative financial instruments to manage its foreign currency risk and instead participated in a centralized foreign currency hedging program administered by IBM. The hedging activity allocated to Kyndryl was for the former Parent’s forecasted currency exposures. In the third quarter of 2021, we began to execute trades to hedge certain of the Company’s foreign exchange exposures.

Notes to Consolidated Financial Statements (continued)

NOTE 8. INTANGIBLE ASSETS INCLUDING GOODWILL

Business Combinations

On February 1, 2022, the Company completed two business combinations, consisting of an immaterial acquisition in our Strategic Markets segment and a transfer of a majority interest (51%) of a managed infrastructure services joint venture in Japan (the "Exa transaction") from our former Parent that could not be completed prior to the Separation due to local regulatory approvals. The non-controlling interest acquired in the Exa transaction represents the fair value of the joint venture prorated by the non-controlling shareholder's percentage of ownership (49%). The Company closed the Exa transaction for consideration of $48 million, net of cash acquired of $59 million. Acquisition costs associated with these two acquisitions were immaterial and expensed as incurred. The Exa transaction enabled us to seamlessly continue our relationships with certain key customers in Japan. The purchase price allocation for the business combinations is preliminary, and there may be changes in the allocation of consideration to assets acquired and liabilities assumed, including intangible assets and goodwill, for up to twelve months from the acquisition closing dates.

The following table summarizes total consideration transferred, fair value of net assets acquired, net liabilities assumed and goodwill for the Exa transaction:

(Dollars in millions)		March 31, 2022
Cash consideration	$	107
Non-controlling interest		102
Total enterprise value	$	**209**
Cash acquired	$	59
Net liabilities assumed, excluding cash		(16)
Deferred tax liabilities arising from acquired intangibles		(32)
Intangible assets *		107
Goodwill		91
Total purchase price allocation	$	**209**

* Intangible assets acquired consist of $16 million of patents and trademarks and $91 million of customer relationships.

Intangible Assets

The following tables present the Company's intangible asset balances by major asset class.

	At December 31, 2022						At March 31, 2022					
(Dollars in millions)	Gross Carrying Amount		Accumulated Amortization		Net Carrying Amount		Gross Carrying Amount		Accumulated Amortization		Net Carrying Amount	
Capitalized software	$	61	$	(16)	$	45	$	16	$	(16)	$	1
Customer relationships*		232		(132)		100		229		(100)		129
Completed technology		20		(20)		—		20		(20)		—
Patents and trademarks*		18		(5)		13		18		(2)		16
Total	$	331	$	(173)	$	158	$	283	$	(138)	$	145

* Amounts at December 31, 2022 include effects from foreign currency translation.

The net carrying amount of intangible assets increased by $13 million during the nine months ended December 31, 2022, primarily due to additions to capitalized software and foreign currency translation. The aggregate intangible asset amortization expense was $11 million and $36 million for the three and nine months ended December 31, 2022, compared to $11 million and $30 million for the three and nine months ended December 31, 2021. The amortization expense for these periods primarily relate to assets acquired via business combinations.

Notes to Consolidated Financial Statements (continued)

The future amortization expense relating to intangible assets currently recorded in the Consolidated Balance Sheet was estimated to be the following at December 31, 2022:

(Dollars in millions)	Capitalized Software	Customer Relationships	Patents and Trademarks	Total
Year ending March 31:				
2023 (remaining three months)	$ 1	$ 9	$ 1	$ 10
2024	12	27	3	43
2025	12	24	3	39
2026	10	20	3	34
2027	9	17	3	29
Thereafter	—	2	—	2

Goodwill

The changes in the goodwill balances by segment for the nine months ended December 31, 2022 were as follows:

(Dollars in millions) Segment	Balance at March 31, 2022	Additions and Other Adjustments*	Balance at December 31, 2022
United States	$ —	$ —	$ —
Japan	506	(10)	495
Principal Markets	142	—	142
Strategic Markets	176	—	176
Total	$ 823	$ (10)	$ 812

* Primarily related to foreign currency translation.

Management reviews goodwill for impairment annually during the fourth quarter of the calendar year and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable by first assessing qualitative factors to determine if it is more likely than not that fair value is less than carrying value.

We use an income-based approach where fair value is determined using a discounted cash flow model that requires significant judgment with respect to revenue and growth rates, based upon annual budgets and long-term strategic plans. Fair value estimates employed in our annual impairment review of goodwill involve using various assumptions. Assumptions critical to our fair value estimates were discount rates, expected revenue growth and projected EBITDA margins used in determining the fair value of the reporting units. These and other assumptions are impacted by economic conditions and expectations of management and may change based on different facts and circumstances. We believe the assumptions used to estimate future cash flows are reasonable, but there can be no assurance that the expected cash flows will be realized. The use of different assumptions would increase or decrease discounted cash flows or earnings projections and therefore could change impairment determinations.

We prepared our impairment test as of October 1, 2022 and determined that the fair values of each of our reporting units exceeded net book value by more than 50%. Among our reporting units, the narrowest difference between the calculated fair value and net book value was in our Principal Markets segment's Canada reporting unit, whose calculated fair value exceeded its net book value by 53%. Future developments related to macroeconomic factors, including increases to the discount rate used, or changes to other inputs and assumptions, including revenue growth, could reduce the fair value of this and/or other reporting units and lead to impairment. There were no goodwill impairment losses recorded for the nine months ended December 31, 2022. Cumulatively, the Company has recorded $469 million in goodwill impairment charges within its former EMEA ($293 million) and current United States ($176 million) reporting units.

Notes to Consolidated Financial Statements (continued)

NOTE 9. BORROWINGS

Debt

The following table presents the components of our debt:

(Dollars in millions)	Interest Rate	Maturity	December 31, 2022	March 31, 2022
Unsecured floating-rate term loan	5.42%*	November 2024	$ 500	$ 500
Commercial loan agreement	3.00%	July 2026	102	123
Unsecured senior notes due 2026	2.05%	October 2026	700	700
Unsecured senior notes due 2028	2.70%	October 2028	500	500
Unsecured senior notes due 2031	3.15%	October 2031	650	650
Unsecured senior notes due 2041	4.10%	October 2041	550	550
Finance lease obligations **	2.29%	2023-2027	216	219
			$ 3,218	$ 3,242
Less: Unamortized discount			5	5
Less: Unamortized debt issuance costs			13	15
Less: Current maturities of long-term debt			103	96
Total long-term debt			$ 3,097	$ 3,127

* Floating rate calculated as of December 31, 2022, using a rate equal to one-month U.S. dollar LIBOR plus 1.125%.
** Finance lease obligations presented using the weighted-average interest rate and calendar-year maturity dates.

Contractual obligations of long-term debt outstanding at December 31, 2022, exclusive of finance lease obligations, are as follows:

(Dollars in millions)*	Principal
Year ending March 31:	
2023 (remaining three months)	$ 7
2024	28
2025	529
2026	29
2027	710
Thereafter	1,700
Total	$ 3,002

* Contractual obligations approximate scheduled repayments.

Revolving Credit Agreement

In October 2021, we entered into a $3.15 billion multi-currency revolving credit agreement (the “Revolving Credit Agreement”) for our future liquidity needs.

The Revolving Credit Agreement expires, unless extended, in October 2026. Interest rates on borrowings under the Revolving Credit Agreement are based on prevailing market interest rates, plus a margin, as further described in the Revolving Credit Agreement. The total expense recorded by the Company for the Revolving Credit Agreement was not material in any of the periods presented.

We may voluntarily prepay borrowings under the Revolving Credit Agreement without premium or penalty, subject to customary “breakage” costs. The Revolving Credit Agreement includes certain customary mandatory prepayment provisions.

Interest on Debt

Interest expense for the three and nine months ended December 31, 2022 was $27 million and $65 million, compared to $18 million and $50 million for the three and nine months ended December 31, 2021. Most of the interest for the pre-Separation period presented in the historical Consolidated Income Statement reflects the allocation of interest expense associated with debt issued by IBM from which a portion of the proceeds benefited Kyndryl.

NOTE 10. COMMITMENTS AND CONTINGENCIES

The Company guarantees certain loans and financial commitments. The maximum potential future payment under these financial guarantees and the fair value of these guarantees recognized in the Consolidated Balance Sheet at December 31, 2022 and March 31, 2022 were not material. Additionally, the Company has contractual commitments that are noncancellable with certain software, hardware and cloud partners used in the delivery of services to customers. Certain of these commitments were allocated to the Company as part of the Separation from its former Parent. The Company has determined that these commitments may exceed the Company's needs over the next four to six years. If the Company is unable to satisfy, reduce or amend its contractual commitments, it would record the future charges for any payments related to excess commitments as cost of services. The Company's overall contractual commitments have decreased compared to information reported in the Company's last annual filings due to contract renegotiation and attainments outpacing new additions.

As a company with approximately 90,000 employees and with clients around the world, Kyndryl is subject to, or could become subject to, either as plaintiff or defendant, a variety of contingencies, including claims, demands and suits, investigations, tax matters and proceedings that arise from time to time in the ordinary course of its business. Given the rapidly evolving external landscape of cybersecurity, privacy and data protection laws, regulations and threat actors, the Company or its clients could become subject to actions or proceedings in various jurisdictions. Also, as is typical for companies of Kyndryl's scope and scale, the Company is subject to, or could become subject to, actions and proceedings in various jurisdictions involving a wide range of labor and employment issues (including matters related to contested employment decisions, country-specific labor and employment laws, and the Company's benefit plans), as well as actions with respect to contracts, securities, foreign operations, competition law and environmental matters. These actions may be commenced by a number of different parties, including competitors, clients, employees, government and regulatory agencies, stockholders and representatives of the locations in which the Company does business. Some of the actions to which the Company is, or may become, party may involve particularly complex technical issues, and some actions may raise novel questions under the laws of the various jurisdictions in which these matters arise. Additionally, the Company is, or may be, a party to agreements pursuant to which it may be obligated to indemnify the other party with respect to certain matters.

The Company records a provision with respect to a claim, suit, investigation or proceeding when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. In accordance with the relevant accounting guidance, the Company provides disclosures of matters for which the likelihood of material loss is at least reasonably possible. In addition, the Company may also disclose matters based on its consideration of other matters and qualitative factors.

The Company reviews claims, suits, investigations and proceedings at least quarterly, and decisions are made with respect to recording or adjusting provisions and disclosing reasonably possible losses or range of losses (individually or in the aggregate) to reflect the impact and status of settlement discussions, discovery, procedural and substantive rulings, reviews by counsel and other information pertinent to a particular matter.

Whether any losses, damages or remedies finally determined in any claim, suit, investigation or proceeding could reasonably have a material effect on the Company's business, financial condition, results of operations or cash flows will depend on a number of variables, including the timing and amount of such losses or damages; the structure and type of any such remedies; the significance of the impact any such losses, damages or remedies may have in the consolidated financial statements; and the unique facts and circumstances of the particular matter that may give rise to

Notes to Consolidated Financial Statements (continued)

additional factors. While the Company will continue to defend itself vigorously, it is possible that the Company's business, financial condition, results of operations or cash flows could be affected in any particular period by the resolution of one or more of these matters.

In July 2017, BMC Software, Inc. ("BMC") filed suit against IBM in the U.S. Court for the Southern District of Texas in a dispute involving various aspects of IBM's business, including its managed infrastructure business. BMC alleged IBM's removal of BMC software from one of its client's sites at the client's request constituted breach of contract, fraudulent inducement and trade secret misappropriation. In May 2022, the trial court entered a judgment against IBM and awarded BMC $717 million in direct damages and $717 million in punitive damages, plus interest. IBM has appealed the judgment and has stated publicly that it intends to seek a complete reversal on appeal. IBM may seek an indemnity from the Company in connection with this matter. Until there is a final and conclusive judgment in the case after all appeals and proceedings are concluded, until the amount of any applicable insurance is determined, and until a definitive assessment of Kyndryl's indemnity obligations (if any) occurs, which in the aggregate will likely take several years, the amount of indemnity obligation (if any) that the Company may owe to IBM is indeterminate.

Separately, certain contractual disputes have arisen between Kyndryl and IBM. IBM and Kyndryl have commenced arbitration proceedings related to certain of these matters. Kyndryl intends to vigorously pursue its interests and defenses in these matters, including asserting its own claims in arbitration if necessary.

NOTE 11. EQUITY

The following tables present reclassifications and taxes related to items of other comprehensive income (loss) for the three and nine months ended December 31, 2022 and 2021:

(Dollars in millions)	Pretax Amount	Tax (Expense) Benefit	Net of Tax Amount
For the three months ended December 31, 2022:			
Foreign currency translation adjustments	$ 260	$ —	$ 260
Unrealized gains (losses) on cash flow hedges:			
Unrealized gains (losses) arising during the period	$ (4)	$ —	$ (4)
Reclassification of (gains) losses to net income	2	—	2
Total unrealized gains (losses) on cash flow hedges	$ (2)	$ —	$ (2)
Retirement-related benefit plans*:			
Amortization of net (gains) losses	$ 10	$ (3)	$ 7
Total retirement-related benefit plans	$ 10	$ (3)	$ 7
Other comprehensive income (loss)	$ 267	$ (3)	$ 265
For the three months ended December 31, 2021:			
Foreign currency translation adjustments	$ 400	$ —	$ 400
Unrealized gains (losses) on cash flow hedges:			
Unrealized gains (losses) arising during the period	$ 1	$ —	$ 1
Reclassification of (gains) losses to net income	(1)	—	(1)
Total unrealized gains (losses) on cash flow hedges	$ 1	$ —	$ 1
Retirement-related benefit plans*:			
Prior service costs (credits)	$ 1	$ (2)	$ (1)
Net gains (losses) arising during the period	72	(18)	54
Curtailments and settlements	3	(1)	2
Amortization of net (gains) losses	19	(3)	16
Total retirement-related benefit plans	$ 94	$ (24)	$ 70
Other comprehensive income (loss)	$ 495	$ (24)	$ 470

* These AOCI components are included in the computation of net periodic benefit cost. Refer to Note 12 – Retirement-Related Benefits for additional information.

Notes to Consolidated Financial Statements (continued)

(Dollars in millions)	Pretax Amount	Tax (Expense) Benefit	Net of Tax Amount
For the nine months ended December 31, 2022:			
Foreign currency translation adjustments	$ (229)	$ —	$ (229)
Unrealized gains (losses) on cash flow hedges:			
Unrealized gains (losses) arising during the period	$ (9)	$ 2	$ (7)
Reclassification of (gains) losses to net income	1	—	1
Total unrealized gains (losses) on cash flow hedges	$ (8)	$ 2	$ (6)
Retirement-related benefit plans*:			
Amortization of net (gains) losses	$ 30	$ (9)	$ 21
Total retirement-related benefit plans	$ 30	$ (9)	$ 21
Other comprehensive income (loss)	$ (207)	$ (7)	$ (214)
For the nine months ended December 31, 2021:			
Foreign currency translation adjustments	$ 290	$ —	$ 290
Unrealized gains (losses) on cash flow hedges:			
Unrealized gains (losses) arising during the period	$ 4	$ —	$ 4
Reclassification of (gains) losses to net income	(1)	—	(1)
Total unrealized gains (losses) on cash flow hedges	$ 3	$ —	$ 3
Retirement-related benefit plans*:			
Prior service costs (credits)	$ 1	$ (2)	$ (1)
Net gains (losses) arising during the period	67	(16)	51
Curtailments and settlements	3	(1)	2
Amortization of net (gains) losses	41	(9)	32
Total retirement-related benefit plans	$ 112	$ (29)	$ 84
Other comprehensive income (loss)	$ 405	$ (29)	$ 375

* These AOCI components are included in the computation of net periodic benefit cost. Refer to Note 12 – Retirement-Related Benefits for additional information.

Notes to Consolidated Financial Statements (continued)

The following tables present the components of accumulated other comprehensive income (loss), net of taxes:

(Dollars in millions)	Net Unrealized Gain (Losses) on Cash Flow Hedges	Foreign Currency Translation Adjustments*	Net Change Retirement-Related Benefit Plans	Accumulated Other Comprehensive Income (Loss)
October 1, 2022	$ (1)	$ (1,223)	$ (343)	$ (1,567)
Other comprehensive income (loss)	(2)	260	7	265
December 31, 2022	$ (3)	$ (963)	$ (336)	$ (1,303)
October 1, 2021	$ 3	$ (1,084)	$ (534)	$ (1,614)
Other comprehensive income (loss)	1	400	70	470
December 31, 2021	$ 3	$ (684)	$ (463)	$ (1,143)

(Dollars in millions)	Net Unrealized Gain (Losses) on Cash Flow Hedges	Foreign Currency Translation Adjustments*	Net Change Retirement-Related Benefit Plans	Accumulated Other Comprehensive Income (Loss)
April 1, 2022	$ 3	$ (735)	$ (357)	$ (1,089)
Other comprehensive income (loss)	(6)	(229)	21	(214)
December 31, 2022	$ (3)	$ (963)	$ (336)	$ (1,303)
April 1, 2021	$ —	$ (974)	$ (208)	$ (1,182)
Net transfers from Parent	—	—	(338)	(338)
Other comprehensive income (loss)	3	290	84	375
December 31, 2021	$ 3	$ (684)	$ (463)	$ (1,143)

* Foreign currency translation adjustments are presented gross.

Notes to Consolidated Financial Statements (continued)

NOTE 12. RETIREMENT-RELATED BENEFITS

The following table presents the components of net periodic benefit cost for the retirement-related benefit plans recognized in the Consolidated Income Statement, excluding defined contribution plans, for the three and nine months ended December 31, 2022 and 2021.

(Dollars in millions)	Defined Benefit Pension Plans		Nonpension Postretirement Benefit Plans	
For the three months ended December 31:	2022	2021	2022	2021
Service cost	$ 12	$ 16	$ —	$ —
Interest cost[1]	9	6	—	1
Expected return on plan assets[1]	(10)	(12)	—	—
Recognized actuarial losses (gains)[1]	10	19	—	—
Curtailments and settlements[1]	—	2	—	—
Multi-employer plans and other costs[2]	—	1	—	—
Net periodic benefit cost	$ 20	$ 33	$ —	$ 1

(Dollars in millions)	Defined Benefit Pension Plans		Nonpension Postretirement Benefit Plans	
For the nine months ended December 31:	2022	2021	2022	2021
Service cost	$ 36	$ 58	$ 1	$ 2
Interest cost[1]	27	10	—	1
Expected return on plan assets[1]	(32)	(25)	—	(1)
Recognized actuarial losses (gains)[1]	30	41	—	—
Curtailments and settlements[1]	—	2	—	—
Multi-employer plans and other costs[2]	4	4	—	—
Net periodic benefit cost	$ 64	$ 90	$ 1	$ 2

(1) These components of net periodic benefit cost are included in other expense (income) in the Consolidated Income Statement.
(2) Multi-employer plan costs represent required contributions for the period to multi-employer plans, which are plans sponsored by third parties. The Company recognizes expense in connection with multi-employer plans as operating costs as contributions are funded.

The Company estimates contributions to its defined benefit pension plans, multi-employer plans and nonpension postretirement benefit plans for fiscal year 2023 to be approximately $37 million. These amounts generally represent legally mandated minimum contributions. During the three and nine months ended December 31, 2022, Company contributions paid to the defined benefit pension plans, multi-employer plans and nonpension postretirement benefit plans were $15 million and $27 million, respectively.

NOTE 13. TRANSACTIONS WITH FORMER PARENT

Change in Beneficial Ownership

IBM transferred all of its 19.9% retained interest in Kyndryl common stock to a third-party financial institution through exchange agreements in May and August 2022. IBM ceased to be a related party of Kyndryl in August 2022. Transactions related to former Parent after August 11, 2022 are no longer reported as related-party activities. As a result, there was no related party revenue or cost of services recognized for the three months ended December 31, 2022.

Revenue and Purchases related to Former Parent

Kyndryl provides various services to IBM, including those related to hosting data centers and servicing IBM's information technology infrastructure, which are reported as revenue in the Company's Consolidated Income Statement. Revenue generated from these services was $260 million for the three months ended December 31, 2021. Revenue generated from these services was $287 million and $550 million for the nine months ended December 31, 2022 and 2021, respectively. No related party revenue was recognized after August 2022.

Notes to Consolidated Financial Statements (continued)

Kyndryl utilizes various IBM products and services, recognized as costs of services, in the fulfillment of services contracts. Total cost of services recognized from these related-party transactions in the Company's Consolidated Income Statement was $1.1 billion for the three months ended December 31, 2021. Related-party costs of $1.1 billion for the quarter ended December 31, 2021 included $386 million pre-Separation costs and $714 million post-Separation costs. Total cost of services was $1.4 billion and $3.0 billion for the nine months ended December 31, 2022 and 2021, respectively. No related party cost of services was recognized after August 2022.

Capital Expenditures with Former Parent

Capital expenditures for purchases of IBM hardware were reflected as payments for property and equipment within the investing section of the Company's Consolidated Statement of Cash Flows in the amounts of $89 million and $212 million for the nine months ended December 31, 2022 and 2021, respectively. Additionally, as part of the Separation, IBM has committed to provide Kyndryl, at no cost, approximately $265 million of upgraded hardware over a two-year period. The amounts committed by IBM are reflected within other assets (noncurrent) within the Consolidated Balance Sheet. For the three and nine months ended December 31, 2022, $21 million and $41 million, respectively, of the upgraded hardware committed by IBM was delivered to Kyndryl. Accordingly, such balance was transferred from other assets (noncurrent) to property and equipment on the Balance Sheet and recognized as non-cash investing activity. The Company intends to recognize depreciation expense related to such equipment over its useful life of five years, consistent with its depreciation policy.

Related Party Agreements

On November 2, 2021, in connection with the Separation, the Company entered into several agreements with IBM that govern the relationship of the parties following the Separation. Such agreements were described in our 2021 Annual Report.

Allocation of Corporate Expenses

Post-Separation, general corporate expenses from IBM were no longer allocated to Kyndryl; therefore, no related amounts were reflected on the Company's financial statements for the three and nine months ended December 31, 2022.

Prior to the Separation, IBM allocated certain general corporate expenses that would have been incurred by Kyndryl had it been a separate, standalone company. These allocated general corporate expenses from IBM were recorded in the historical Consolidated Income Statement, Consolidated Statement of Comprehensive Income (Loss) and Consolidated Statement of Cash Flows. Allocations for management costs and corporate support services provided to Kyndryl for the nine months ended December 31, 2021 totaled $652 million, which consisted of $3 million of allocated other (income) and expense, $32 million of allocated interest expense and $615 million of allocated selling, general and administrative expense, which primarily represents expenses for corporate functions including, but not limited to, senior management, legal, human resources, finance and accounting, treasury, information technology and other shared services. All such amounts have been deemed to have been incurred and settled by Kyndryl through net Parent investment in the period in which the costs were recorded. These costs were allocated based on direct usage as applicable, with the remainder allocated on a pro-rata basis of gross profit, headcount, assets or other measures.

Net Parent Investment

As a result of the Separation, net Parent investment in the Consolidated Balance Sheet and Consolidated Statement of Equity was fully settled on November 3, 2021. As such, there was no balance in net Parent investment at March 31, 2022, and there was no activity within the account during the three and nine months ended December 31, 2022.

Notes to Consolidated Financial Statements (continued)

Prior to the Separation, net Parent investment in the historical Balance Sheet and Statement of Equity represented IBM's historical investment in Kyndryl, the net effect of transactions with and allocations from IBM, and Kyndryl's accumulated earnings. In conjunction with the Separation, the Company issued common stock and reclassified net Parent investment to common stock and additional paid-in capital to close out the net Parent investment balance. As a result, there was no balance in net Parent investment at December 31, 2021.

Lease Guarantees

Kyndryl has lease agreements with third parties with an estimated aggregate lease liability of $111 million that are guaranteed by IBM as of December 31, 2022.

NOTE 14. REVISION OF PRIOR-PERIOD FINANCIAL STATEMENTS

During the three months ended March 31, 2022, the Company identified and corrected an $87 million over-accrual in its accrued contract costs balance that related to a majority-owned, consolidated joint venture in our Principal Markets segment. This over-accrual was predominantly built up over the pre-Separation periods of January 1, 2012 to November 3, 2021, resulting in overstatements of cost of services and accrued contract costs, and corresponding understatements of pretax and net income. The Company concluded that such impacts were not material to any prior annual or interim period. The Company further determined that the correction of the over-accrual within the transition period ended March 31, 2022 would be significant to the three-month results. As a result, we recorded an immaterial revision to portions of our 2021 Annual Report and immaterial revisions to prior interim periods in our Quarterly Reports on Form 10-Q.

A summary of the impact of the revision to the accompanying prior-period consolidated financial statements is presented in the tables below.

(Dollars in millions)	Three Months Ended December 31, 2021		
Consolidated Income Statement	**As Previously Reported**	**Adjustments**	**As Revised**
Cost of services	$ 4,011	$ (12)	$ 3,999
Total costs and expenses	5,287	(12)	5,276
Income (loss) before income taxes	(732)	12	(720)
Provision for income taxes	8	3	11
Net income (loss)	(740)	9	(731)

(Dollars in millions)	Nine Months Ended December 31, 2021		
Consolidated Income Statement	**As Previously Reported**	**Adjustments**	**As Revised**
Cost of services	$ 12,252	$ (20)	$ 12,233
Total costs and expenses	15,405	(20)	15,385
Income (loss) before income taxes	(1,519)	20	(1,499)
Provision for income taxes	305	5	311
Net income (loss)	(1,825)	15	(1,810)

(Dollars in millions)	Three Months Ended December 31, 2021		
Consolidated Statement of Comprehensive Income (Loss)	**As Previously Reported**	**Adjustments**	**As Revised**
Net income (loss)	$ (740)	$ 9	$ (731)
Foreign currency translation adjustments	401	(1)	400
Other comprehensive income (loss), before tax	496	(1)	495
Other comprehensive income (loss), net of tax	470	(1)	470
Total comprehensive income (loss)	(270)	8	(262)

Notes to Consolidated Financial Statements (continued)

(Dollars in millions) Consolidated Statement of Comprehensive Income (Loss)	Nine Months Ended December 31, 2021 As Previously Reported	Adjustments	As Revised
Net income (loss)	$ (1,825)	$ 15	$ (1,810)
Foreign currency translation adjustments	295	(4)	290
Other comprehensive income (loss), before tax	409	(4)	405
Other comprehensive income (loss), net of tax	379	(4)	375
Total comprehensive income (loss)	(1,446)	11	(1,435)

(Dollars in millions) Consolidated Balance Sheet	At December 31, 2021 As Previously Reported	Adjustments	As Revised
Accrued contract costs	$ 585	$ (87)	$ 498
Total current liabilities	4,544	(87)	4,457
Other liabilities	501	22	522
Total liabilities	10,511	(65)	10,446
Common stock	4,218	66	4,284
Accumulated other comprehensive income/(loss)	(1,143)	(1)	(1,143)
Total stockholders' equity before noncontrolling interests	2,700	65	2,765
Total equity	2,702	65	2,767

(Dollars in millions) Consolidated Statement of Cash Flows	Nine Months Ended December 31, 2021 As Previously Reported	Adjustments	As Revised
Cash flows from operating activities:			
Net income (loss)	$ (1,825)	$ 15	$ (1,810)
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Taxes (including items settled with former Parent)	915	5	920
Other assets and other liabilities	670	(20)	650

(Dollars in millions) Consolidated Statement of Equity	At March 31, 2021 As Previously Reported	Adjustments	As Revised
Net Parent investment	$ 5,976	$ 51	$ 6,027
Accumulated other comprehensive income/(loss)	(1,186)	4	(1,182)
Total equity	4,848	54	4,902

(Dollars in millions) Consolidated Statement of Equity	At September 30, 2021 As Previously Reported	Adjustments	As Revised
Net Parent investment	$ 7,045	$ 57	$ 7,102
Accumulated other comprehensive income/(loss)	(1,615)	1	(1,614)
Total equity	5,481	57	5,539

(Dollars in millions) Consolidated Statement of Equity	At December 31, 2021 As Previously Reported	Adjustments	As Revised
Common Stock	$ 4,218	$ 66	$ 4,284
Accumulated other comprehensive income/(loss)	(1,143)	(1)	(1,143)
Total equity	2,702	65	2,767

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2022

Overview

	Three Months Ended December 31,		Nine Months Ended December 31,	
(Dollars in millions)	**2022**	**2021**	**2022**	**2021**
Revenue	$ 4,303	$ 4,556	$ 12,771	$ 13,886
Revenue growth (GAAP)	(6)%	(8)%	(8)%	(4)%
Revenue growth in constant currency[1]	3 %	(5)%	0 %	(5)%
Net income (loss)	$ (106)	$ (731)	$ (637)	$ (1,810)
Adjusted EBITDA[1]	$ 580	$ 587	$ 1,499	$ 1,659

(1) Revenue growth in constant currency and adjusted EBITDA are non-GAAP financial metrics. For definitions of these metrics and a reconciliation of adjusted EBITDA to the most directly comparable financial measure calculated and presented in accordance with U.S. GAAP, see "––Segment Results."

(Dollars in millions)	**December 31, 2022**	**March 31, 2022**
Assets	$ 11,851	$ 13,442
Liabilities	9,920	10,730
Equity	1,930	2,711

Organization of Information

Kyndryl Holdings, Inc. was formed as a wholly-owned subsidiary of IBM in September 2021 to hold the operations of the managed infrastructure services unit of IBM's Global Technology Services segment. On November 3, 2021, IBM distributed shares representing 80.1% of Kyndryl's outstanding common stock to holders of record of IBM's common stock as of the close of business on October 25, 2021 in a spin-off that is tax-free for U.S. federal tax purposes. Following the distribution, Kyndryl became an independent, publicly-traded company and is the world's leading managed infrastructure services provider. As of September 30, 2022, IBM had transferred all of its 19.9% retained interest in Kyndryl common stock pursuant to exchange agreements with a third-party financial institution.

Kyndryl utilized allocations and carve-out methodologies through November 3, 2021 to prepare historical financial statements. The consolidated financial statements for the pre-Separation periods herein may not be indicative of our future performance, do not necessarily include the actual expenses that would have been incurred by us and may not reflect our results of operations, financial position and cash flows had we been a separate, standalone company during the historical periods presented. For additional information, see "Basis of Presentation" in Note 1 – Significant Accounting Policies in the accompanying Consolidated Financial Statements.

Financial Performance Summary

Macro Dynamics

In 2021, we saw a broad-based macroeconomic recovery in most regions of the world. Demand for technology services rebounded, as large organizations again demonstrated a need for assistance in designing, building, managing and modernizing their technology systems. In 2022, we have seen continuing demand for information technology services, despite declining economic growth, increased geopolitical tensions, lingering effects of the COVID-19 pandemic, inflationary pressures and government efforts to stem inflation. Although the risk of economic slowdowns in certain geographies has recently increased, most economists, including the International Monetary Fund, expect positive global macroeconomic growth in 2023.

Management Discussion (continued)

Financial Performance

For the three months ended December 31, 2022, we reported $4.3 billion in revenue, a decline of 6 percent when compared to the prior-year period, primarily driven by a 9-point negative impact from currency. United States revenue increased 6 percent, Japan revenue declined 11 percent, Principal Markets revenue declined 12 percent and Strategic Markets revenue decreased 5 percent compared to the three months ended December 31, 2021. Net loss of $106 million improved by $625 million versus the prior year, primarily driven by lower transaction-related costs, lower impairment expense and lower cost of services as a percentage of revenue.

For the nine months ended December 31, 2022, we reported $12.8 billion in revenue, a decline of 8 percent when compared to the prior-year period, primarily driven by an 8-point negative impact from currency. United States revenue was unchanged, Japan revenue declined 14 percent, Principal Markets revenue declined 15 percent and Strategic Markets revenue decreased 1 percent compared to the nine months ended December 31, 2021. Net loss of $637 million improved by $1.2 billion versus the prior year, primarily driven by lower transaction-related costs, lower impairment expense, lower tax expense and lower cost of services as a percentage of revenue that reflects progress on our key initiatives.

Segment Results

In the fourth quarter of 2021, the Company implemented a new operating model and reporting structure resulting in four reportable segments: United States, Japan, Principal Markets and Strategic Markets. Principal Markets consists of our operations in Australia/New Zealand, Canada, France, Germany, Italy, India, Spain/Portugal and United Kingdom/Ireland. Strategic Markets consists of our operations in all other countries in which we operate. In addition to this change, the measures of segment operating performance changed to revenue and adjusted EBITDA. The Company has recast the prior-period results to reflect this change in segment structure. During the three months ended March 31, 2022, the Company updated certain allocation methodologies among segments related to its measure of adjusted EBITDA and has accordingly recast the prior-period information to reflect these updates, which did not change the aggregate amount of adjusted EBITDA. See Note 14 – Revision of Prior-Period Financial Statements regarding immaterial revisions we made to the historical periods.

Management Discussion (continued)

The following table presents our reportable segments' revenue and adjusted EBITDA for the three and nine months ended December 31, 2022 and 2021 and has incorporated the aforementioned updates in the historical periods presented. Segment revenue and revenue growth in constant currency exclude any transactions between the segments.

(Dollars in millions)	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021	Year-over-Year Change 2022 vs. 2021	Nine Months Ended December 31, 2022	Nine Months Ended December 31, 2021	Year-over-Year Change 2022 vs. 2021
Revenue						
United States	$ 1,265	$ 1,193	6 %	$ 3,581	$ 3,577	0 %
Japan	606	683	(11)%	1,855	2,160	(14)%
Principal Markets	1,472	1,670	(12)%	4,460	5,260	(15)%
Strategic Markets	961	1,010	(5)%	2,874	2,889	(1)%
Total revenue	$ 4,303	$ 4,556	(6)%	$ 12,771	$ 13,886	(8)%
Revenue growth in constant currency[1]	3 %	(5)%		0 %	(5)%	
Adjusted EBITDA[1]						
United States	$ 271	$ 202	34 %	$ 639	$ 662	(4)%
Japan	90	124	(28)%	318	378	(16)%
Principal Markets	91	155	(41)%	248	289	(14)%
Strategic Markets	145	134	9 %	352	444	(21)%
Corporate and other[2]	(16)	(28)	(41)%	(57)	(113)	(50)%
Total adjusted EBITDA[1]	$ 580	$ 587	(1)%	$ 1,499	$ 1,659	(10)%

NM – not meaningful
(1) Revenue growth in constant currency and adjusted EBITDA are non-GAAP financial metrics. See the information below for definitions of these metrics and a reconciliation of adjusted EBITDA to net income (loss).
(2) Represents net amounts not allocated to segments.

We report our financial results in accordance with U.S. GAAP. We also present certain non-GAAP financial measures to provide useful supplemental information to investors. We provide these non-GAAP financial measures as we believe it improves visibility to underlying results and the impact of management decisions on operational performance and enables better comparison to peer companies.

Revenue growth in constant currency is a non-GAAP measure that eliminates the effects of exchange rate fluctuations when translating from foreign currencies to the United States dollar. It is calculated by using the average exchange rates that existed for the same period of the prior year. Constant-currency measures are provided so that revenue can be viewed without the effect of fluctuations in currency exchange rates, which is consistent with how management evaluates our revenue results and trends.

Additionally, management uses adjusted EBITDA to evaluate our performance. Adjusted EBITDA is a non-GAAP measure and defined as net income (loss) excluding net interest expense, depreciation and amortization (excluding depreciation of right-of-use assets and amortization of capitalized contract costs), charges related to ceasing to use leased assets, charges related to lease termination, transaction-related costs, pension costs other than pension servicing costs and multi-employer plan costs, stock-based compensation, workforce rebalancing charges, impairment expense, significant litigation costs and foreign currency impacts of highly inflationary countries. We believe that adjusted EBITDA is a helpful supplemental measure to assist investors in evaluating our operating results as it excludes certain items whose fluctuation from period to period does not necessarily correspond to changes in the operations of our business. We provide this non-GAAP financial measure as we believe it improves visibility to underlying results and the impact of management decisions on operational performance, enables better comparison to peer companies and allows us to provide a long-term strategic view of the business.

Management Discussion (continued)

These disclosures are provided in addition to and not as a substitute for the percentage change in revenue and profit or loss measures on a U.S. GAAP basis compared to the corresponding period in the prior year. Other companies may calculate and define similarly labeled items differently, which may limit the usefulness of this measure for comparative purposes.

The following table provides a reconciliation of U.S. GAAP net income (loss) to adjusted EBITDA:

	Three Months Ended December 31,		Nine Months Ended December 31,	
(Dollars in millions)	**2022**	**2021**	**2022**	**2021**
Net income (loss)	$ (106)	$ (731)	$ (637)	$ (1,810)
Provision for (benefit from) income taxes	(32)	11	74	311
Workforce rebalancing charges (benefits)	10	(1)	16	(13)
Transaction-related costs	48	129	218	572
Stock-based compensation expense	29	18	81	56
Impairment expense	—	469	—	469
Interest expense	27	18	65	50
Depreciation expense	232	294	681	960
Amortization expense	336	312	945	984
Other adjustments *	37	67	55	81
Adjusted EBITDA (non-GAAP)	$ 580	$ 587	$ 1,499	$ 1,659

* Other adjustments represent pension expense other than pension servicing costs and multi-employer plan costs, significant litigation costs and charges related to ceasing to use leased assets inherited from our former Parent.

United States

	Three Months Ended December 31,		Year-over-Year Change	Nine Months Ended December 31,		Year-over-Year Change
(Dollars in millions)	**2022**	**2021**		**2022**	**2021**	
Revenue	$ 1,265	$ 1,193	6 %	$ 3,581	$ 3,577	0 %
Adjusted EBITDA	271	202	34 %	639	662	(4)%

For the three months ended December 31, 2022, United States revenue of $1.3 billion increased 6 percent compared to the prior-year quarter and Adjusted EBITDA increased $69 million from the prior-year quarter, primarily driven by higher revenue, including increased revenue from contracts with minimum annual revenue commitments and increased seasonal variances in volume, and progress on our key initiatives.

For the nine months ended December 31, 2022, United States revenue of $3.6 billion was unchanged compared to the prior-year nine-month period. Adjusted EBITDA decreased $23 million from the prior-year nine-month period, primarily driven by certain software agreements moving from prepaid and amortized agreements to monthly subscription agreements.

Management Discussion (continued)

Japan

(Dollars in millions)	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021	Year-over-Year Change	Nine Months Ended December 31, 2022	Nine Months Ended December 31, 2021	Year-over-Year Change
Revenue	$ 606	$ 683	(11)%	$ 1,855	$ 2,160	(14)%
Revenue growth in constant currency	10 %	(5)%		5 %	(2)%	
Adjusted EBITDA	$ 90	$ 124	(28)%	$ 318	$ 378	(16)%

For the three months ended December 31, 2022, Japan revenue of $606 million decreased 11 percent compared to the prior-year quarter. Revenue decreased due to an unfavorable currency exchange rate impact of 21 points, partially offset by recent signings of incremental business including increased Kyndryl Consult (advisory & implementation services) revenues. Adjusted EBITDA decreased $34 million from the prior-year quarter, reflecting unfavorable currency impacts.

For the nine months ended December 31, 2022, Japan revenue of $1.9 billion decreased 14 percent compared to the prior-year nine-month period. Revenue decreased due to an unfavorable currency exchange rate impact of 19 points, partially offset by recent signings of incremental business including increased Kyndryl Consult revenues. Adjusted EBITDA decreased $60 million from the prior-year period, primarily driven by unfavorable currency impacts, partially offset by lower costs from our post-Separation commercial agreements with IBM.

Principal Markets

(Dollars in millions)	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021	Year-over-Year Change	Nine Months Ended December 31, 2022	Nine Months Ended December 31, 2021	Year-over-Year Change
Revenue	$ 1,472	$ 1,670	(12)%	$ 4,460	$ 5,260	(15)%
Revenue growth in constant currency	(2)%	(9)%		(5)%	(6)%	
Adjusted EBITDA	$ 91	$ 155	(41)%	$ 248	$ 289	(14)%

For the three months ended December 31, 2022, Principal Markets revenue of $1.5 billion decreased 12 percent compared to the prior-year quarter. Revenue decreased due to an unfavorable currency exchange rate impact of 10 points, primarily driven by the strengthening of the U.S. dollar against the Euro and British pound. Adjusted EBITDA decreased $64 million from the prior-year period, driven by unfavorable currency exchange rate movements and higher energy costs, primarily in Europe.

For the nine months ended December 31, 2022, Principal Markets revenue of $4.5 billion decreased 15 percent compared to the prior-year nine-month period. Revenue decreased due to certain joint ventures not transferring to us in connection with the Separation as well as an unfavorable currency exchange rate impact of 10 points, primarily driven by the strengthening of the U.S. dollar against the Euro and British pound. Adjusted EBITDA decreased $41 million from the prior-year period, primarily due to unfavorable currency exchange rates.

Management Discussion (continued)

Strategic Markets

(Dollars in millions)	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021	Year-over-Year Change	Nine Months Ended December 31, 2022	Nine Months Ended December 31, 2021	Year-over-Year Change
Revenue	$ 961	$ 1,010	(5)%	$ 2,874	$ 2,889	(1)%
Revenue growth in constant currency	2 %	5 %		7 %	(5)%	
Adjusted EBITDA	$ 145	$ 134	9 %	$ 352	$ 444	(21)%

For the three months ended December 31, 2022, Strategic Markets revenue of $961 million decreased 5 percent compared to the prior-year quarter driven by a 7-point headwind from currency exchange rates, primarily the Euro. Adjusted EBITDA increased $11 million from the prior-year quarter, driven by progress on our key initiatives.

For the nine months ended December 31, 2022, Strategic Markets revenue of $2.9 billion decreased 1 percent compared to the prior-year nine-month period driven by an 8-point headwind from currency exchange rates, primarily the Euro, partially offset by signings of incremental business. Adjusted EBITDA decreased $92 million from the prior-year period, since the majority of Strategic Markets countries were not charged for IBM software pre-Separation and software cost allocations began post-Separation.

Corporate and Other

Corporate and other had an adjusted EBITDA loss of $16 million in the three months ended December 31, 2022, compared to a loss of $28 million in the three months ended December 31, 2021. Corporate and other had an adjusted EBITDA loss of $57 million in the nine months ended December 31, 2022, compared to a loss of $113 million in the nine months ended December 31, 2021. The improvements were driven by lower executive expenses incurred by Kyndryl post-Separation compared to corporate expenses allocated by the former Parent in prior-year periods.

Costs and Expenses

(Dollars in millions)	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021	Percent of Revenue 2022	Percent of Revenue 2021	Change 2022 vs. 2021
Revenue	$ 4,303	$ 4,556	100.0 %	100.0 %	(6)%
Cost of services	3,596	3,999	83.6 %	87.8 %	(10)%
Selling, general and administrative expenses	731	643	17.0 %	14.1 %	14 %
Workforce rebalancing charges (benefits)	10	(1)	0.2 %	0.0 %	NM
Transaction-related costs	48	129	1.1 %	2.8 %	(63)%
Impairment expense	—	469	0.0 %	10.3 %	(100)%
Interest expense	27	18	0.6 %	0.4 %	54 %
Other expense (income)	30	19	0.7 %	0.4 %	57 %
Income (loss) before income taxes	$ (138)	$ (720)			

NM – not meaningful

Cost of services was 83.6% of revenue in the three months ended December 31, 2022, compared to 87.8% in the three months ended December 31, 2021, driven by progress on our key initiatives, higher seasonal variances in volume and contracts with minimum annual revenue commitments. Selling, general and administrative expenses were 17.0% of revenue in 2022 compared to 14.1% in 2021, driven by costs associated with operating as an independent public company and the impact of currency on revenue compared to our U.S. dollar-denominated expenses. Transaction-related costs were 1.1% of revenue in 2022 compared to 2.8% in 2021, primarily driven by higher employee-retention expense and spin-related professional-services expense incurred in the prior-year quarter. Impairment expense was 0% in 2022 compared to 10.3% of revenue in 2021, driven by an impairment of goodwill in the former EMEA and Americas segments in the prior-year quarter. Interest expense was 0.6% of revenue in 2022 compared to 0.4% in 2021. Other

Management Discussion (continued)

expense (income) was 0.7% of revenue in 2022 compared to 0.4% in 2021, driven by hedging activity to partially offset the unfavorable impacts of currency movements of the U.S. dollar against other major currencies.

(Dollars in millions)	Nine Months Ended December 31, 2022	Nine Months Ended December 31, 2021	Percent of Revenue 2022	Percent of Revenue 2021	Change 2022 vs. 2021
Revenue	$ 12,771	$ 13,886	100.0 %	100.0 %	(8)%
Cost of services	10,886	12,233	85.2 %	88.1 %	(11)%
Selling, general and administrative expenses	2,131	2,062	16.7 %	14.9 %	3 %
Workforce rebalancing charges (benefits)	16	(13)	0.1 %	(0.1)%	NM
Transaction-related costs	218	572	1.7 %	4.1 %	(62)%
Impairment expense	—	469	0.0 %	3.4 %	(100)%
Interest expense	65	50	0.5 %	0.4 %	31 %
Other expense (income)	16	13	0.1 %	0.1 %	28 %
Income (loss) before income taxes	$ (563)	$ (1,499)			

NM – not meaningful

Cost of services was 85.2% of revenue in the nine months ended December 31, 2022, compared to 88.1% in the nine months ended December 31, 2021, primarily driven by progress on our key initiatives. Selling, general and administrative expenses were 16.7% of revenue in 2022 compared to 14.9% in 2021, driven by costs associated with operating as an independent public company and the impact of currency on revenue compared to our U.S. dollar-denominated expenses. Transaction-related costs were 1.7% of revenue in 2022 compared to 4.1% in 2021, primarily driven by higher employee-retention expense and pre-spin consultancy expense incurred in the prior year. Impairment expense was 0% in 2022 compared to 3.4% of revenue in 2021, driven by an impairment of goodwill in the EMEA and Americas segments in the prior-year period. Interest expense was 0.5% of revenue in 2022 compared to 0.4% in 2021. Other expense (income) was 0.1% of revenue in 2022 compared to 0.1% in 2021, driven by hedging activity to partially offset the unfavorable impacts of currency movements of the U.S. dollar against other major currencies.

Stock-Based Compensation

In the nine months ended December 31, 2022, the Company granted equity and cash-based compensation awards to employees. These awards included 4.0 million restricted stock units that will vest ratably over four years; 2.4 million performance-conditioned stock units that are based on the attainment of operational milestones; and 0.7 million market-conditioned performance stock units that are based on the performance of the Company's stock relative to that of its peers. Both types of performance-based awards will cliff vest based on the extent to which the performance criteria have been achieved as soon as practicable following the completion of the performance period on March 31, 2025. The total grant date fair value of the RSUs was determined using the stock price at the grant dates and will be recognized as stock-based compensation expense on a straight-line basis net of estimated forfeitures over the vesting period. The fair value of the performance-conditioned performance stock units ($10.62 per unit) was determined using the stock price at the grant date and will be adjusted and recognized as stock-based compensation expense based upon the probability of achievement of performance targets at each reporting period over the vesting period. The fair value of the market-conditioned performance stock units ($12.51 per unit) was determined at the grant date using a Monte Carlo simulation model and will be recognized as stock-based compensation expense on a straight-line basis net of estimated forfeitures over the vesting period. Dividend equivalents are not paid on the stock awards described above. The expense associated with these awards was $4 million during the nine months ended December 31, 2022.

Transaction-Related Charges

The Company classifies certain expenses related to the Separation, acquisitions and divestitures (if any) as "transaction-related costs" in the Consolidated Income Statement. Transaction-related costs include expenditures incurred to prepare for and execute the Separation and establish Kyndryl as a standalone business. These costs include

Management Discussion (continued)

employee retention expenses, information technology costs, marketing expenses to establish the Kyndryl brand, legal, accounting, consulting and other professional service costs required to prepare for and execute the Separation.

Income Taxes

The provision for income taxes for the three months ended December 31, 2022 was a $32 million benefit, compared to $11 million of expense for the three months ended December 31, 2021. The provision for income taxes for the nine months ended December 31, 2022 was $74 million of expense, compared to $311 million of expense for the nine months ended December 31, 2021. Our income tax benefit for the three months ended December 31, 2022 was primarily related to the benefit resulting from return-to-provision adjustments related to the filing of certain 2021 income tax returns. Our income tax expense for the nine months ended December 31, 2022 was primarily due to taxes on foreign operations and the increase in valuation allowances, primarily in the United States, against deferred tax assets that are not more likely than not to be realized, partially offset by the benefit resulting from return-to-provision adjustments related to the filing of certain 2021 income tax returns. Our income tax expense for the three months ended December 31, 2021 was primarily due to the geographic mix of pretax income and nondeductible goodwill impairment. Our income tax expense for the nine months ended December 31, 2021, was primarily due to the geographic mix of pretax income, changes in valuation allowances, and tax charges related to the transfer of Kyndryl's operations from IBM in contemplation of the Company's Separation.

In assessing the need for a valuation allowance, management considers all available evidence for each jurisdiction, including past operating results, estimates of future taxable income, the reversal of existing temporary differences and the feasibility of ongoing tax planning strategies and actions. Estimates of future taxable income and loss could change, perhaps materially, which may require us to revise our assessment of the recoverability of the deferred tax asset at that time.

Financial Position

Dynamics

Total assets of $11.9 billion decreased by $1.6 billion (and decreased by $1.1 billion adjusted for currency) from March 31, 2022, primarily driven by: a decrease of $731 million in accounts receivable due to collections and sales of accounts receivables outpacing new billings and currency impacts; a decrease in deferred costs of $274 million due to currency impacts and amortization outpacing additions as higher vendor billings for prepaid software typically occurred in the first calendar quarter; a decrease in operating right-of-use assets of $197 million due to expiration of leases inherited from former Parent, accelerated amortization from ceasing to use leased assets and currency impacts; a decrease in cash and cash equivalents of $132 million primarily due to payments toward accrued liabilities and currency impacts; a decrease in deferred tax assets of $77 million primarily due to tax effects of certain components of year-to-date pretax income and currency impacts; and a decrease in property and equipment of $72 million due to currency impacts.

Total liabilities of $9.9 billion decreased by $810 million (and decreased by $484 million adjusted for currency) from March 31, 2022, primarily as a result of: a decrease in accrued contract costs of $275 million due to timing of vendors billing Kyndryl for the first time as an independent company; a decrease in operating lease liabilities of $184 million due to payments and currency impacts; a decrease in deferred income of $141 million mainly due to the Company's advanced annual billing with certain customers and currency impacts; and a decrease in accrued compensation and benefits of $121 million mainly due to bonus payments and currency impacts; partially offset by an increase of accounts payables $165 million due to the timing of payments. Total equity of $1.9 billion decreased $781 million from March 31, 2022 due to comprehensive loss in the period.

Management Discussion (continued)

Working Capital

(Dollars in millions)	December 31, 2022	March 31, 2022
Current assets	$ 4,967	$ 6,092
Current liabilities	4,607	5,058
Working capital	$ 360	$ 1,035

Working capital decreased $674 million from March 31, 2022. Current assets decreased $1.1 billion (and decreased $900 million adjusted for currency) primarily driven by: a decrease of $731 million in accounts receivable due to collections and sales of accounts receivables outpacing new billings and currency impacts; a decrease in deferred costs of $216 million due to currency impacts and amortization outpacing additions as higher vendor billings for prepaid software typically occurred in the first calendar quarter; and a decrease of $132 million in cash and cash equivalents primarily due to currency impacts. Current liabilities decreased $450 million (and decreased $238 million adjusted for currency) primarily driven by: a decrease in current accrued contract costs of $275 million; a decrease in accrued compensation and benefits of $121 million; and a decrease in current deferred income of $65 million; partially offset by an increase in accounts payable of $165 million.

Noncurrent Assets and Liabilities

Noncurrent assets of $6.9 billion at December 31, 2022 decreased by $466 million (and decreased by $164 million adjusted for currency) compared to March 31, 2022, primarily driven by a decline in right-of-use assets of $197 million; a decrease in deferred tax assets of $77 million primarily due to tax effects of certain components of year-to-date pretax income and currency impacts; and a decline in property and equipment of $72 million.

Noncurrent liabilities of $5.3 billion at December 31, 2022 decreased $360 million (and decreased by $246 million adjusted for currency) compared to March 31, 2022, mainly driven by a decrease in operating lease liabilities (noncurrent portion) of $138 million and a decrease in noncurrent deferred income of $76 million.

Cash Flow

Our cash flows from operating, investing and financing activities are summarized in the table below.

(Dollars in millions)	Nine Months Ended December 31, 2022	Nine Months Ended December 31, 2021
Net cash provided by (used in):		
Operating activities	$ 769	$ 209
Investing activities	(699)	(472)
Financing activities	(100)	2,472
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(109)	(19)
Net change in cash, cash equivalents and restricted cash	$ (138)	$ 2,190

Net cash provided by operating activities was $769 million in the nine months ended December 31, 2022, compared to net cash provided by operating activities of $209 million in the prior-year period. This change was driven by our reduced net loss.

Net cash used by investing activities was $699 million in the nine months ended December 31, 2022, compared to a net cash use of $472 million in the prior-year period due to increased capital expenditures compared to the pre-Separation period in 2021. Capital expenditures consist of payments for property and equipment, and purchased and internally-developed software.

Management Discussion (continued)

Net cash used by financing activities totaled $100 million in the nine months ended December 31, 2022, compared to net cash provided by financing activities of $2.5 billion in the prior-year period. This change was driven by net transfers to former Parent of $490 million in the prior-year period, which did not continue post-Separation, and proceeds of $3.0 billion from debt incurred in conjunction with our Separation in the prior-year period.

Other Information

Signings

The following table presents the Company’s signings for the three and nine months ended December 31, 2022 and 2021.

	Three Months Ended December 31,		Nine Months Ended December 31,	
(Dollars in billions)	**2022**	**2021**	**2022**	**2021**
Total signings	$ 3.2	$ 4.4	$ 8.6	$ 11.0

The following table presents the total contract value for the Company’s signings greater than $100 million for new and existing customers for the three and nine months ended December 31, 2022 and 2021.

	Three Months Ended December 31,		Nine Months Ended December 31,	
(Dollars in millions)	**2022**	**2021**	**2022**	**2021**
New customers	$ 170	$ 556	$ 170	$ 556
Existing customers	$ 583	$ 1,128	$ 1,401	$ 3,260

Signings decreased by $1.2 billion, or 27%, for the three months ended December 31, 2022 compared to the prior-year period, including a 5-point negative impact from currency. Signings decreased by $2.4 billion, or 22%, for the nine months ended December 31, 2022 compared to the prior-year nine-month period, in part because currency had a 6-point negative impact on signings for the nine months ended December 31, 2022. Signings have declined as a result of an increased focus on higher-margin services, which tend to be shorter in length and therefore smaller in value than historical agreements.

Management uses signings as a tool to monitor the performance of the business including the business’ ability to attract new customers and sell additional scope into our existing customer base. There are no third-party standards or requirements governing the calculation of signings. We define signings as an initial estimate of the value of a customer’s commitment under a contract. The calculation involves estimates and judgments to gauge the extent of a customer’s commitment, including the type and duration of the agreement and the presence of termination charges or wind-down costs. Contract extensions and increases in scope are treated as signings only to the extent of the incremental new value. Signings can vary over time due to a variety of factors including, but not limited to, the timing of signing a small number of larger outsourcing contracts as well as the length of those contracts. The conversion of signings into revenue may vary based on the types of services and solutions, customer decisions and other factors, which may include, but are not limited to, the macroeconomic environment or external events.

Liquidity and Capital Resources

We believe that our existing cash and cash equivalents and the Revolving Credit Agreement entered into in October 2021 will be sufficient to meet our anticipated cash needs for at least the next twelve months.

Senior Unsecured Notes

In October 2021, in preparation for our Spin-off, we completed the offering of $2.4 billion in aggregate principal amount of senior unsecured fixed-rate notes as follows: $700 million aggregate principal amount of 2.05% Senior Notes due 2026, $500 million aggregate principal amount of 2.70% Senior Notes due 2028, $650 million aggregate principal amount of 3.15% Senior Notes due 2031 and $550 million aggregate principal amount of 4.10%

Management Discussion (continued)

Senior Notes due 2041 (the "Notes"). The Notes were offered and sold to qualified institutional buyers in reliance on Rule 144A under the Securities Act and to non-U.S. persons in reliance on Regulation S of the Securities Act. The Notes are subject to customary affirmative covenants, negative covenants and events of default for financings of this type and are redeemable at our option in a customary manner.

In connection with the issuance of the Notes, we entered into a registration rights agreement with the initial purchasers of the Notes, pursuant to which we completed a registered offer to exchange each series of Notes for new notes with substantially identical terms during the quarter ended September 30, 2022.

Term Loan and Revolving Credit Facility

In October 2021, we entered into a $500 million three-year variable rate term loan credit agreement (the "Term Loan Credit Agreement"). In November 2021, we drew down the full $500 million available under the Term Loan Credit Agreement.

In October 2021, we entered into a $3.15 billion multi-currency revolving credit agreement (the "Revolving Credit Agreement" and, together with the Term Loan Credit Agreement, the "Credit Agreements") for our future liquidity needs.

The Revolving Credit Agreement expires, unless extended, in October 2026, and the Term Loan Credit Agreement matures, unless extended, in November 2024. Interest rates on borrowings under the Credit Agreements are based on prevailing market interest rates, plus a margin, as further described in the Credit Agreements.

The Notes and the Credit Agreements were initially guaranteed by IBM. Approximately $900 million of the net proceeds from the term loan and the sale of the Notes was transferred to IBM in conjunction with the Separation. Following the completion of the Separation, the guarantee was released, and the Notes and the Credit Agreements are no longer obligations of IBM.

We may voluntarily prepay borrowings under the Credit Agreements without premium or penalty, subject to customary "breakage" costs. The Credit Agreements include certain customary mandatory prepayment provisions. In addition, the Credit Agreements include customary events of default and affirmative and negative covenants as well as a maintenance covenant that will require that the ratio of our indebtedness for borrowed money to consolidated EBITDA (as defined in the Credit Agreements) for any period of four consecutive fiscal quarters be no greater than 3.50 to 1.00.

Transfers of Financial Assets

The Company has entered into agreements with third-party financial institutions to sell certain financial assets (primarily trade receivables) without recourse. The Company determined these are true sales. The carrying value of the financial asset sold is derecognized, and a net gain or loss on the sale is recognized at the time of the transfer. An agreement with third-party financial institutions executed in November 2021 enabled us to sell, at any one time, on a revolving basis, up to $1.1 billion of our trade receivables with payment terms from three to nine months and was subsequently amended to decrease such amount to $1.0 billion. This agreement was further amended during the quarter ended December 31, 2022 to provide that we may sell an additional amount of trade receivables with payment terms of less than three months, contingent on the approval of the counterparty to purchase such receivables with no defined limit on such sales. The initial term of this agreement was 18 months, and the agreement automatically resets to a term of 18 months, after every six months, unless one of the parties elects not to extend. In the quarter ended June 30, 2022, the Company entered into a separate agreement, in which the sale of receivables is contingent on the approval of the counterparty with no defined facility limit. The initial term of this agreement is 12 months.

The net proceeds from these arrangements are reflected as cash provided by operating activities in the Consolidated Statement of Cash Flows. Gross proceeds from receivables sold to third parties under this program were $930 million and $2.3 billion for the three and nine months ended December 31, 2022, respectively. Gross proceeds

Management Discussion (continued)

from receivables sold to third parties and the financing division of our former Parent were $472 million and $1.7 billion for the three and nine months ended December 31, 2021, respectively. The fees associated with the transfers of receivables were $14 million and $34 million for the three and nine months ended December 31, 2022, respectively, and immaterial for the three and nine months ended December 31, 2021, respectively.

Critical Accounting Estimates

The application of U.S. GAAP requires us to make estimates and assumptions about certain items and future events that directly affect our reported financial condition. There have been no changes to our critical accounting policies and estimates as described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (see Amendment No. 1 to our Current Report on Form 8-K/A filed with the SEC on May 27, 2022 (the “8-K/A”) for more information; we refer to the Annual Report on Form 10-K for the fiscal year ended December 31, 2021, revised and updated as set forth on Exhibit 99.1 to the 8-K/A, as the “Form 10-K”).

In conjunction with our annual review of goodwill for impairment, we prepared qualitative and quantitative valuation analysis as of October 1, 2022. This analysis determined that the fair value of the Canada reporting unit within the Principal Markets segment exceeded book value by 51%. We performed a sensitivity analysis on the discounted cash flow valuation that was prepared to estimate the enterprise value of the Canada reporting unit. A hypothetical 100-basis-point increase in the discount rate or decline in revenue growth, combined with no other changes to other inputs and assumptions used in the analysis, would not result in a potential impairment for the Canada reporting unit.

Cautionary Note Regarding Forward-Looking Statements

This report contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this report, including statements concerning the Company’s plans, objectives, goals, beliefs, business strategies, future events, business condition, results of operations, financial position, business outlook and business trends and other non-historical statements in this report are forward-looking statements. Such forward-looking statements often contain words such as “will,” “anticipate,” “predict,” “project,” “contemplate,” “plan,” “forecast,” “estimate,” “expect,” “intend,” “target,” “may,” “should,” “would,” “could,” “seek,” “aim” and other similar words or expressions or the negative thereof or other variations thereon. Forward-looking statements are based on the Company’s current assumptions and beliefs regarding future business and financial performance. The Company’s actual business, financial condition or results of operations may differ materially from those suggested by forward-looking statements as a result of risks and uncertainties which include, among others:

- risks related to the Company’s spin-off from IBM;
- failure to attract new customers, retain existing customers or sell additional services to customers;
- technological developments and the Company’s response to such developments;
- failure to meet growth and productivity objectives;
- competition;
- impacts of relationships with critical suppliers;
- inability to attract and retain key personnel and other skilled employees;
- impact of local legal, economic, political, health and other conditions, including the COVID-19 pandemic;
- a downturn in economic environment and customer spending budgets;
- damage to the Company’s reputation;
- inability to accurately estimate the cost of services and the timeline for completion of contracts;
- service delivery issues;
- the Company’s ability to successfully manage acquisitions, alliances and dispositions, including integration challenges, failure to achieve objectives, the assumption of liabilities, and higher debt levels;
- the impact of our business with government customers;

Management Discussion (continued)

- failure of the Company's intellectual property rights to prevent competitive offerings and the failure of the Company to obtain necessary licenses;
- risks relating to cybersecurity and data privacy;
- adverse effects from tax matters and environmental matters;
- legal proceedings and investigatory risks;
- impact of changes in market liquidity conditions and customer credit risk on receivables;
- the Company's pension plans;
- the impact of foreign currency fluctuations; and
- risks related to the Company's common stock and the securities market.

Additional risks and uncertainties include, among others, those risks and uncertainties described in the "Risk Factors" section of our Form 10-K, as such factors may be updated from time to time in the Company's periodic filings with the SEC. Any forward-looking statement in this report speaks only as of the date on which it is made. Except as required by law, the Company assumes no obligation to update or revise any forward-looking statements.

Website and Social Media Disclosure

The Company may use its website and/or social media outlets, such as Facebook, LinkedIn and Twitter, as distribution channels of material company information. Financial and other important information regarding the Company is routinely posted on and accessible through the Company's website at https://investors.kyndryl.com, its Facebook page at https://www.facebook.com/kyndryl, its LinkedIn page at https://linkedin.com/company/kyndryl and its Twitter account (@Kyndryl) at https://twitter.com/Kyndryl. In addition, you may automatically receive email alerts and other information about the Company when you enroll your email address by visiting the "Investor Email Alerts" section under the "Resources" section at https://investors.kyndryl.com.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For our disclosures about market risk, see the information under the heading “Quantitative and Qualitative Disclosures About Market Risk” in the Form 10-K. There have been no material changes to the Company’s disclosure about market risk in the Form 10-K.

Item 4. Controls and Procedures

The Company’s management evaluated, with the participation of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company’s disclosure controls and procedures (as such term is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company’s disclosure controls and procedures were effective as of the end of the period covered by this report.

There has been no change in the Company’s internal control over financial reporting (as such term is defined in Rule 13a-15(f) of the Exchange Act) that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

Part II — Other Information

Item 1. Legal Proceedings

Refer to Note 10 – Commitments and Contingencies, in the notes to consolidated financial statements in this report.

Item 1A. Risk Factors

For a discussion of our potential risks and uncertainties, see the information under the heading "Risk Factors" in the Form 10-K. There have been no material changes with respect to the risk factors disclosed in the Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

As previously disclosed, on January 25, 2023, the Company's Board of Directors approved and adopted Amended and Restated Bylaws (the "Amended Bylaws") effective as of such date. The amendments effected by the Amended Bylaws include the following changes to the procedures by which stockholders may recommend nominees to the Company's Board of Directors:

- a revision to the deadline for receipt of a notice of a stockholder's intent to bring director nominations (other than director nominations brought pursuant to the Company's proxy access bylaw) before an annual meeting of stockholders to require that such notice be received no earlier than 150 days and no later than 120 days before the anniversary of the prior year's annual meeting of stockholders; and

- updates to procedural requirements relating to director nominations by stockholders (other than director nominations brought pursuant to the Company's proxy access bylaw) in response to the Securities and Exchange Commission's adoption of Rule 14a-19 under the Securities Exchange Act of 1934, as amended ("Rule 14a-19"), including:

    - a requirement that, if a stockholder intends to engage in a solicitation with respect to a nomination, the stockholder include in the nomination notice the name of each participant in such solicitation and a representation that such stockholder intends to deliver a proxy statement and form of proxy to at least the percentage of the Company's outstanding capital stock required under Rule 14a-19;

    - a requirement that a stockholder provide notice to the Company within two business days of any change in such stockholder's intent to solicit proxies under Rule 14a-19;

    - a requirement that any stockholder that has represented that it intends to solicit proxies under Rule 14a-19 provide evidence that it has met the requirements of the rule at least five business days before the applicable meeting; and

- a requirement that, if a nominating stockholder provides notice that it intends to solicit proxies in support of any proposed nominee in accordance with Rule 14a-19 and subsequently fails to comply with the requirements of the rule, or the evidentiary requirement in described the previous bullet, any proxies or votes for each such proposed nominee will be disregarded.

The Amended Bylaws are filed as Exhibit 3.2 to this report.

Item 6. Exhibits

Exhibit Number	Description of Exhibit
2.1	The Separation and Distribution Agreement, dated as of November 2, 2021, by and between International Business Machines Corporation and the registrant was filed as Exhibit 2.1 to the registrant's Current Report on Form 8-K filed on November 4, 2021, and is hereby incorporated by reference.
3.1	The Amended and Restated Certificate of Incorporation of the registrant was filed as Exhibit 3.1 to the registrant's Current Report on Form 8-K filed on November 4, 2021, and is hereby incorporated by reference.
3.2	The Amended and Restated Bylaws, effective January 25, 2023, of the registrant was filed as Exhibit 3.1 to the registrant's Current Report on Form 8-K filed on January 27, 2023, and is hereby incorporated by reference.
10.1	Second Amendment to Amended and Restated Receivables Purchase Agreement, dated September 21, 2022, by and among Banco Santander S.A., Kyndryl, Inc. and Kyndryl Holdings, Inc.
10.2	Third Amendment to Amended and Restated Receivables Purchase Agreement, dated as of December 21, 2022, by and among Banco Santander S.A., Kyndryl, Inc. and Kyndryl Holdings, Inc.
31.1	Certification of principal executive officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of principal financial officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certification of principal executive officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
32.2	Certification of principal financial officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
101.INS	XBRL Instance Document – the instance document does not appear on the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File – the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by the Company in these agreements or other documents were made solely within the specific context of the relevant agreement or document and do not apply in any other context or at any time other than the date they were made.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Kyndryl Holdings, Inc.
(Registrant)

Date: February 9, 2023

By: /s/ Vineet Khurana

Vineet Khurana
Vice President and Controller
(Principal Accounting Officer and Authorized Signatory)

Exhibit 10.1

SECOND AMENDMENT
TO AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT

THIS SECOND AMENDMENT TO AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT (this "Amendment"), dated as of September 21, 2022 (the "Amendment Effective Date"), is entered into by and among Banco Santander S.A. ("Santander"), Kyndryl, Inc., a Delaware corporation ("Kyndryl"), and Kyndryl Holdings Inc., a Delaware corporation ("Parent"). This Amendment amends that certain Amended and Restated Receivables Purchase Agreement, dated as of October 28, 2021, as amended by the First Amendment to Amended and Restated Receivables Purchase Agreement dated January 26, 2022 (the "Agreement"), among, *inter alia*, Kyndryl, Santander, and solely for purposes of Section 13.19 thereof, Parent.

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

A. Defined Terms. All initially capitalized terms used herein without definition shall have the respective meanings ascribed thereto in the Agreement, as amended hereby.

B. Amendments to the Agreement. The Agreement is hereby amended as follows:

1. In Section 2.2 of the Agreement (Purchase and Sale), subsection (c) is hereby amended by the deleting the phrase "owing by an Obligor (Committed)".

2. In Section 2.4 of the Agreement (Settlement; Certain Collection Matters; Obligor Notices), clause (A) of subsection (a) is hereby deleted in its entirety and replaced with the following:

> (A) the total amount of Purchased Collections (in each applicable currency) received by or on behalf of Kyndryl, any other Seller, or any Affiliate, agent or representative of any of them, that were not included in any prior Reconciliation Report and that were so received on or prior to the fifth Business Day preceding such Reconciliation Date and

3. In Section 6.1 of the Agreement, subsection (a) is hereby amended by adding the following at the conclusion thereof:

> (xxv) only in relation to Obligors (Uncommitted): i) the face amount of such Designated Receivables owed by the Obligor is at least equal to 3,000 USD in aggregate; ii) payment of such Designated Receivable is not made by a letter of credit.

4. Subsection 11.1(l) is hereby deleted and replaced in its entirety with the following:

> (i) at any time after the Spin-Off Date, the long-term unsecured indebtedness credit rating of Parent is not at least BBB- or Baa3, as applicable, by S&P or Moody's (for the

avoidance of doubt, it is not a Purchaser Termination Event if either S&P or Moody's long-term unsecured indebtedness credit rating of Parent is at least BBB- or Baa3, as applicable);

or (ii) at any time, the Parent at such time has no long-term unsecured indebtedness credit rating by S&P or Moody's (for the avoidance of doubt, it is not a Purchaser Termination Event if either S&P or Moody's provides a long-term unsecured indebtedness credit rating of the Parent).

5. The first paragraph of Section 13.16 of the Agreement (Amendments) is hereby deleted in its entirety and replaced with the following:

13.16 Amendments. Neither this Agreement nor any provision hereof may be amended, waived or discharged unless in a writing agreed by the Purchaser and Kyndryl; provided that (a) the Seller Schedule, Seller Accounts, Obligor Schedule, Performance Triggers and the definition of Facility Limit may be amended or otherwise modified from time to time by mutual consent delivered by each of Kyndryl and Purchaser through an exchange of emails among any one of the persons for each such party listed on Schedule 1 and (b) each of Schedule 1 (Addresses for Notices) and the Purchaser Accounts may be amended or otherwise modified from time to time by delivery of an email by either party (with respect to itself only and, in the case of Purchaser, its accounts) to the other party via email to any of the persons listed for such other party on Schedule 1. Any amendment will be effective (to the extent permitted by Applicable Law) with respect to all of the parties' respective Affiliates that have entered into Participation Agreements without the additional requirement of any express written acknowledgement and/or acceptance by such Affiliates of the terms of such amendment, and shall take precedence over any conflicting terms in any Participation Agreement.

6. In Appendix A to the Agreement (Certain Defined Terms), the following defined terms are hereby deleted in their entirety and replaced with the definitions set forth below:

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City or Madrid are authorized or required by law to remain closed, and with respect to any payments in a specific currency, any other day on which such specific currency is not authorized to be traded.

"Expected Reconciliation Date" means, with respect to any Designated Receivable, the Reconciliation Date first occurring at least five (5) Business Days after the Expected Payment Date for such Designated Receivable (or such earlier date as the parties may otherwise agree, but any use of an earlier date will not set a course of dealing in any respect).

"Facility Limit" means 1,000,000,000.

"Reconciliation Date" means, for each calendar month as of the Amendment Effective Date, the twentieth (20^{th}) day of each calendar month; provided, if such day is not a Business Day, the next

Business Day

7. In Appendix A to the Agreement (Certain Defined Terms), the following shall be added at the end of the definition of “Initial Performance Trigger”:

“Each Initial Performance Trigger shall be measured as of the Business Day before the first Cut off Date of each calendar month.”

8. In Appendix A to the Agreement (Certain Defined Terms) the following new defined term is hereby added:

9. First paragraph of Section 2 in Schedule 5 of the Agreement (Receivables Portfolio Performance Triggers) is hereby deleted in its entirety and replaced with the following:

“Performance Triggers above, will be computed and measured as of the Business Day before the first Cut off Date of each calendar month and will be tested on a rolling 3 month basis.”

10. The Parties agree that from the Amendment Effective Date, any reference to US Dollar LIBOR for any relevant period commencing on or after the date hereof shall instead be read as a reference to the term SOFR reference rate administered by the CME Group Benchmark Administration Limited (CBA) (or any other Person that takes over the administration of such benchmark rate) for such period as Santander, acting reasonably, may consider most appropriate.

C. Representations and Warranties. Each of Parent and Kyndryl hereby represents and warrants as of the Amendment Effective Date as follows:

1. Both immediately before and immediately after giving effect to this Amendment, the representations and warranties set forth in the Agreement and each other Transaction Document (including, without limitation, each Participation Agreement executed on or prior to the date hereof) are true and correct on and as of the date hereof, as though made on the date hereof (except to the extent that such representations and warranties expressly relate solely to an earlier date, in which case such representations and warranties shall be true and correct as of such earlier date).

2. To the extent that notice to or the consent, acceptance, acknowledgement or approval of any Seller (other than Kyndryl) is required pursuant to the applicable Participation Agreement to which it is party to effectuate any amendment to or modification of the Agreement, as incorporated by reference into such Participation Agreement, such Seller has received such notice or provided such consent, acceptance, acknowledgement or approval (collectively, the “Required Consents”) and Kyndryl is executing this Agreement on behalf of itself and each such other Seller. Kyndryl will provide a copy of this Agreement to each other Seller (whether or not consent hereto is required by any such other Seller).

3. Both immediately before and immediately after giving effect to this Amendment, the representations and warranties set forth in subsections (b) though (i) of Section 6.1 of the Agreement are true and correct with respect to Parent in connection with its obligations under Section 13.19 of the Agreement, as if each reference in such representations and warranties to "Seller" were a reference to "Parent" for purposes hereof.

4. Each of Parent, Kyndryl and each other Seller has the organizational power and authority to execute (if applicable) and be bound by the terms and provisions of this Amendment (and any applicable Required Consent to which any other Seller is a signatory) and each of them has taken all necessary organizational action to authorize and approve the execution and delivery (to the extent applicable) and performance of this Amendment and the Agreement, as amended hereby (and, in the case of each Seller other than Kyndryl, as the Agreement, as amended hereby, is incorporated into the Participation Agreement to which it is a party), and the foregoing constitutes the legal, valid, and binding obligation of such party, enforceable against such party in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and subject to general principles of equity.

5. No Triggering Event, Purchaser Termination Event, or event that with the giving of notice, or lapse of time or both would give rise to a Triggering Event or Purchaser Termination Event has occurred, in each such case, both immediately before and immediately after giving effect to this Amendment.

6. No Insolvency Event has occurred with respect to Parent, Kyndryl or any other Seller.

D. **Additional Terms.** The parties hereto further agree to the following terms.

1. This Amendment shall be effective solely for the specific purpose for which it is given and shall not create a course of dealing between the parties in any respect. The execution, delivery, and performance of this Amendment shall not operate, except as expressly set forth herein, as a waiver of, consent to, or a modification or amendment of, any right, power, or remedy of Purchaser under the Agreement, any Participation Agreement, or any other Transaction Document. Except for the amendments to the Agreement expressly set forth herein (and as the Agreement, as amended hereby, is incorporated by reference into each Participation Agreement), the Agreement, each Participation Agreement and each other Transaction Document shall remain unchanged and in full force and effect in accordance with their respective terms and are hereby ratified and confirmed in all respects.

2. Upon and after the effectiveness of this Amendment, each reference in the Agreement to "this Agreement", "hereunder", "herein", "hereof" or words of like import referring to the Agreement, and each reference in any Participation Agreement or any other Transaction Document to "the Receivables Purchase Agreement", "the Amended and Restated Receivables Purchase Agreement", "thereunder", "therein", "thereof" or words of like import referring to the Agreement, shall mean and be a reference to the Agreement as modified and amended hereby.

3. This Amendment, and the terms and provisions hereof, the Agreement (as amended hereby) and the other Transaction Documents (after giving effect to this Amendment) constitute the entire understanding and agreement between the parties hereto or thereto with respect to the subject matter hereof and thereof and supersede any and all prior or contemporaneous amendments or understandings with respect to the subject matter hereof, whether express or implied, oral or written. The terms and provisions of this Amendment shall prevail over any conflicting terms of any other Transaction Document.

4. Each of Parent and Kyndryl, on behalf of itself and each other Seller, hereby (i) reaffirms its obligations under each Transaction Document to which it is a party after giving effect to the terms and provisions of this Amendment and (ii) ratifies and reaffirms the validity, enforceability, perfection and first priority ownership interest of the Purchaser in, to and under each Purchased Receivable transferred pursuant to the Agreement or any Participation Agreement, as applicable.

5. If any provision in this Amendment shall be invalid, illegal or unenforceable, such provision shall be severable from the remainder of this Amendment and the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

6. SECTIONS 13.9, 13.10 AND 13.11 OF THE AGREEMENT (GOVERNING LAW, SUBMISSION TO JURISDICTION AND WAIVER OF JURY TRIAL) ARE HEREBY INCORPORATED HEREIN *MUTATIS MUTANDIS* AS IF SET FORTH IN FULL HEREIN.

7. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, taken together, shall constitute but one and the same agreement. Delivery of an executed counterpart of this Amendment by facsimile or other electronic method of transmission shall be equally effective as delivery of an original executed counterpart of this Amendment.

[signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered as of the date first above written.

BANCO SANTANDER S.A., as Purchaser

By: /s/ Antia Martinez
Name: Antia Martinez
Title: Authorized Signor

By: /s/ Ignacio Frutos
Name: Ignacio Frutos
Title: Authorized Signor

KYNDRYL, INC., as Seller

By: /s/ Evan Barth
Name: Evan Barth
Title: VP, Associate General Counsel and Assistant Corporate Secretary

Kyndryl Holdings Inc., solely for purposes of Section 13.19 of the Receivables Purchase Agreement, as Parent

By: /s/ Evan Barth
Name: Evan Barth
Title: VP, Associate General Counsel and Assistant Corporate Secretary

Exhibit 10.2

THIRD AMENDMENT
TO AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT

THIS THIRD AMENDMENT TO AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT (this "Amendment"), dated as of December 21, 2022 (the "Amendment Effective Date"), is entered into by and among Banco Santander S.A. ("Santander"), Kyndryl, Inc., a Delaware corporation ("Kyndryl"), and Kyndryl Holdings Inc., a Delaware corporation ("Parent"). This Amendment amends that certain Amended and Restated Receivables Purchase Agreement, dated as of October 28, 2021, as amended by the First Amendment to Amended and Restated Receivables Purchase Agreement dated January 26, 2022, and the Second Amendment to Amended and Restated Receivables Purchase Agreement dated September 21, 2022 (collectively, the "Agreement"), among, *inter alia*, Kyndryl, Santander, and solely for purposes of Section 13.19 thereof, Parent.

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

A. Defined Terms. All initially capitalized terms used herein without definition shall have the respective meanings ascribed thereto in the Agreement, as amended hereby.

B. Amendments to the Agreement. The Agreement is hereby amended as follows:

1. Section 2.1 of the Agreement is hereby deleted and replaced in its entirety with the following:

Section 2.1. Committed Facility; Facility Limit. Subject to the terms and conditions of this Agreement, Purchaser agrees to provide the Facility to the Sellers from time to time during the Availability Period; provided, that in no event shall the Aggregate EPP Balance exceed the Facility Limit at any time. Subject to the terms and conditions herein set forth and in accordance with Section 2.2 hereof, (a) the Purchaser is committed to purchase Receivables hereunder solely with respect to EPP Receivables of an Obligor (Committed) up to the Obligor EPP Limit for such Obligor and (b) the Purchaser may, on an uncommitted basis, purchase Receivables, in the Purchaser's sole discretion, with respect to (i) EPP Receivables of an Obligor (Uncommitted) up to the Obligor EPP Limit for such Obligor and (ii) Non-EPP Receivables of any Obligor up to the Obligor Non-EPP Limit for such Obligor. If the daily average Aggregate EPP Balance for any successive three-month period falls below the Facility Limit Threshold, Purchaser, in its sole discretion, shall be entitled to reduce the Facility Limit down to not less than 10% above such daily average Aggregate EPP Balance or such higher amount the Purchaser selects, provided that the Purchaser shall provide Kyndryl notice of such reduction at least thirty (30) days prior to the reduction of the Facility Limit.

2. Subsections (a) and (b) of Section 2.2 of the Agreement are hereby amended as follows: (a) the phrase "*(EPP Receivables Only)*" is hereby added at the end of the heading for each such subsection, (b) each reference to "Designated Receivable" in any such subsection is hereby replaced with a reference to "Designated EPP Receivable" (for both the singular and plural forms), (c) each reference to a "Specification" (including in the first reference to such term in which such term is defined) in any such subsection is hereby replaced with a reference to an "EPP Specification" (for both the singular and plural forms), (d) each reference to "Obligor Limit" in each such subsection is hereby replaced with a reference to "Obligor EPP Limit", (e) each reference to "Outstanding Obligor Balance" in each such subsection is hereby replaced with a reference to "Outstanding Obligor EPP Balance", and (f) the phrase "the aggregate amount of outstanding Purchased Receivables for all Obligors" in the last sentence of such subsection (a) is hereby replaced with the phrase "the Aggregate EPP Balance".

3. Section 2.2 of the Agreement is hereby further amended to delete subsections (c), (d) and (e) therefrom and replace such subsections in their entirety with the following:

> (c) *Additional Quarterly Purchases*. Solely for the final calendar month in any fiscal quarter of Seller, on any Business Day after the applicable Cut Off Date for such calendar month with respect to either EPP Receivables or Non-EPP Receivables, as the case may be, and on or prior to the Approved Purchase Date for such calendar month, Seller may deliver one additional Specification to Purchaser for each Type (with respect to either Type, an "End of Period Specification"), but solely if (i) all Designated Receivables listed thereon are Eligible Receivables, (ii) after giving effect to the purchase of all Designated Receivables to be purchased on such Approved Purchase Date (under both End of Period Specifications and other Specifications for such calendar month), (A) the Aggregate EPP Balance does not exceed the Facility Limit, (B) the Outstanding Obligor EPP Balance of each Obligor does not exceed the Obligor EPP Limit of such Obligor, and (C) the Outstanding Obligor Non-EPP Balance of each Obligor does not exceed the Obligor Non-EPP Limit of such Obligor, and (iii) all conditions precedent set forth in Section 2.7 will be satisfied on the applicable Approved Purchase Date. Subject to the foregoing, the Purchaser will purchase the Designated Receivables set forth on any End of Period Specification for either Type for any such final calendar month of the fiscal quarter, but solely in accordance with the process set forth in Section 2.2(e). Seller has provided its fiscal calendar to Purchaser as of the Closing Date and shall provide to Purchaser notice of any changes thereto promptly after any such changes are made.
>
> (d) *Purchase Price Payments*. Provided that Seller is in material compliance with the terms of this Agreement and subject to the satisfaction of the conditions precedent set forth in Section 2.7, on the Approved Purchase Date for each applicable calendar month, the Purchaser will remit the aggregate Purchase Price in respect of all Accepted Receivables to the relevant Seller Account by wire transfer of immediately available funds, net of the portion of such aggregate Purchase Price applicable to any Designated Receivables (of either Type) set forth

on an End of Period Specification that are subject to payment by netting as described in subsection (e) of this Section.

(e) *Netting of Purchase Price for Additional Quarterly Purchases*. Provided that Seller is in material compliance with the terms of this Agreement and subject to the satisfaction of the conditions precedent set forth in Section 2.7, on the Approved Purchase Date for each applicable calendar month, the aggregate Purchase Price for any Designated Receivables (of either Type) set forth on an End of Period Specification delivered pursuant to (and in compliance with) subsection (c) of this Section shall be paid by the Purchaser solely as follows: (i) at the sole option of the Purchaser, all or any portion of such aggregate Purchase Price may be paid by remittance thereof in immediately available funds to the relevant Seller Account on such Approved Purchase Date in the manner (and subject to the terms) set forth in subsection (d) of this Section and (ii) for all or any portion of such aggregate Purchase Price not paid by the Purchaser in the manner set forth in the foregoing clause (i), payment thereof shall be made solely by the Seller netting such amount on such Approved Purchase Date against actual collections on Purchased Receivables (of either Type) that are held by the Seller for the account of the Purchaser at such time. In the event that the Purchaser notifies the Seller that the Seller has netted an incorrect and excessive amount as the aggregate Purchase Price for any such Designated Receivables (of either Type) in accordance with this subsection (e), the Seller shall return to the Purchaser, on or prior to the next Cut Off Date for such Type, any such excess amounts set forth in such notice absent demonstrable error.

4. Section 2.2 of the Agreement is hereby further amended by adding the following new subsection (h) at the conclusion thereof:

(h) *Regular Monthly Purchases (Non-EPP Receivables Only)*. Subject to the terms and conditions of this Agreement, from time to time during the Availability Period, the Seller may offer, and the Purchaser in its sole discretion may purchase, Non-EPP Receivables in accordance with the following procedures:

(i) On or prior to the seventh (7^{th}) calendar day of any calendar month during the Availability Period, the Seller may deliver (including via email) to the Purchaser a preliminary indicative file in a form mutually agreed by Kyndryl and Purchaser (each such file, an "Indicative Non-EPP Receivables File") setting forth a preliminary list of Obligors and face amount of Non-EPP Receivables owing by each such Obligor to be offered for sale in such calendar month (and such other information as is mutually agreed by the Purchaser and Kyndryl). Within ten (10) calendar days of receipt by the Purchaser of an Indicative Non-EPP Receivables File delivered by Seller on a timely basis pursuant to the preceding sentence, Purchaser shall provide a preliminary indication of interest (the "Indicative Purchaser Response") to Seller. On or prior to the second (2^{nd}) Business Day after receipt by Seller of an Indicative Purchaser Response (as extended in the reasonable discretion of the Purchaser for any calendar month, the "Final Notice Date"), the Seller shall deliver (including via email) to the Purchaser an updated Indicative Non-EPP Receivables File or confirmation that there are no changes to the previously delivered Indicative Non-EPP Receivables File for such calendar month.

(ii) With respect to the most recent Indicative Non-EPP Receivables File delivered by the Seller on or prior to the Final Notice Date in any calendar month pursuant to clause (i) of this subsection, the Purchaser will deliver (including via email) to Kyndryl on or prior to the applicable Cut Off Date for such calendar month, notification (for any calendar month, as updated by the Purchaser in its sole discretion for such calendar month, a "Non-EPP Obligor Information Notice") with respect to the following, as determined in the sole discretion of the Purchaser: (A) which (if any) Obligors set forth on such Indicative Non-EPP Receivables File are approved by the Purchaser as an "Eligible Obligor" for such calendar month, (B) the Obligor Non-EPP Purchase Limit for such calendar month for each such Eligible Obligor, (C) the Maximum Tenor of the Non-EPP Receivables for each such Eligible Obligor for such calendar month, (D) the Buffer Period for each such Eligible Obligor for such calendar month, (E) such other information of the type set forth in the Obligor Schedule (with respect to EPP Receivables), as applicable to the Non-EPP Receivables of any such Eligible Obligor for such calendar month, and (F) the applicable Margin; provided, if the Margin is not included on any Non-EPP Obligor Information Notice, it will be the applicable Margin most recently specified by the Purchaser (and references herein to the Margin set forth on any such Non-EPP Obligor Information Notice will be deemed to refer to such most recently provided Margin). At any time and from time to time, promptly upon the Purchaser determining that there will be a change in any Non-EPP Obligor Information Notice for any calendar month, the Purchaser shall deliver (including via email) to the Seller an updated Non-EPP Obligor Information Notice for such calendar month adding to, deleting from, or otherwise modifying the information set forth therein. Any notices delivered pursuant to clause (i) of this subsection or this clause (ii) may be delivered via an email from or to (as applicable) any of the persons identified with respect to Purchaser or Kyndryl (on behalf of itself and the other Sellers), as applicable, on Schedule 1 (Addresses for Notices) that apply with respect to changes to the Obligor Schedule or in any other manner permitted hereunder.

(iii) On or prior to the applicable Cut Off Date with respect to Non-EPP Receivables for each calendar month during the Availability Period, the Seller may deliver (including via email) to the Purchaser a file in a form mutually agreed by Kyndryl and Purchaser listing the Designated Non-EPP Receivables owing by an Eligible Obligor for such calendar month (up to the Obligor Non-EPP Purchase Limit for each such Eligible Obligor for such calendar month) that are offered for sale hereunder by Seller for such calendar month (each such file, a "Non-EPP Specification"), which Non-EPP Specification shall constitute a firm offer for sale of the Designated Non-EPP Receivables listed thereon at a Purchase Price determined based on the Margin set forth in the most recent Non-EPP Obligor Information Notice that has been delivered to the Seller by the Purchaser for such calendar month at such time. The Non-EPP Specification shall include, among other things, identification of the relevant Contract, applicable Eligible Obligor, invoice number, confirmed face amount and Payment Due Date for each such Designated Non-EPP Receivable. The Seller shall not submit any Non-EPP Specification hereunder for any calendar month unless all of the conditions precedent set forth in Section 2.7 will be satisfied on the applicable Purchase Date. If the Purchaser delivers to the Seller a new Non-EPP Obligor Information Notice for any calendar month after receipt of a Non-EPP Specification for such calendar month (or an End of Period Specification for Non-EPP Receivables for such calendar month), the Seller may, by written notice delivered (including by email) to the Purchaser as soon as reasonably practicable (and in any event prior to the Approved Purchase Date for such calendar month) do any of the following: (A) rescind such Non-EPP Specification, (B) affirm such Non-EPP Specification subject to the terms of the new Non-EPP Obligor Information Notice (as long as it is in compliance therewith), or (C) submit a new (replacement) Non-EPP Specification for such calendar month (or, if applicable, End of Period Specification for Non-EPP Receivables for such calendar month) based on such new Non-EPP Obligor Information Notice (in compliance with all requirements set forth in this clause (iii) and, if applicable, subsection (c) of this Section), which shall constitute a firm offer for the sale of the Designated Non-EPP Receivables listed thereon at a Purchase Price determined based on the Margin set forth in such new Non-EPP Obligor Information Notice.

(iv) On the Approved Purchase Date for any calendar month, the Purchaser may, in its sole discretion, purchase any, all or none of such Designated Non-EPP Receivables listed on the applicable Non-EPP Specification for such calendar month. Without limiting the Purchaser's sole discretion in determining whether or not to purchase any Non-EPP Receivables on any Approved Purchase Date (as set forth in the preceding sentence), Purchaser will use commercially reasonable efforts, subject to the conditions precedent set forth in Section 2.7 and the customary internal approvals of Purchaser and other operational and market factors, to specify in the Non-EPP Obligor Information Notice for any calendar month, an Obligor Non-EPP Purchase Limit for each Eligible Obligor for such calendar month in an amount equal to the amount of Non-EPP Receivables owing by such Eligible Obligor that Purchaser intends to purchase on the applicable Approved Purchase Date in such calendar month. The Purchaser will use commercially reasonable efforts to promptly notify the Seller if Purchaser believes it is reasonably likely to make any changes for any calendar month to the Non-EPP Obligor Information Notice previously delivered in such calendar month.

5. In Section 2.4 of the Agreement (Settlement; Certain Collection Matters; Obligor Notices), subsection (a) is hereby deleted in its entirety and replaced with the following:

(a)(i) On each Seller Perfect Payment Date, so long as no Purchaser Credit Event shall have occurred and be continuing, Seller shall remit to Purchaser an amount equal to the sum of all amounts contractually payable on all Purchased Receivables (other than Purchased Receivables for which the applicable Obligor is subject to an Insolvency Event or, at the discretion of Seller, any other Material Obligor Default that has occurred and is continuing) with an Expected Payment Date occurring during the Seller Perfect Payment Period ending on (and including) such Seller Perfect Payment Date (and, for the avoidance of doubt, for the Seller Perfect Payment Date occurring on January 10, 2023, with an Expected Payment Date occurring on or prior to January 10, 2023), but excluding any such amounts remitted to the Purchaser prior to such Seller Perfect Payment Date. On each Seller Perfect Payment Date, together with the remittance set forth in the preceding sentence, Seller shall provide Purchaser with the invoice identifiers for which such remittance has been made. For administrative convenience, Seller shall make such payment to Purchaser even if Seller has not yet collected from the Obligors all amounts contractually payable on such Purchased Receivables. With respect to (A) all Purchased Receivables if a Purchaser Credit Event shall have occurred and be continuing, (B) all Purchased Receivables for which the applicable Obligor is subject to an Insolvency Event or any other Material Obligor Default, solely if Seller has exercised its discretion to exclude the Purchased Receivables of such Obligor from payment of the amounts contractually payable thereon on any prior Seller Perfect Payment Date pursuant to the first sentence of this clause (a)(i) or Seller will exclude such Purchased Receivables therefrom on the next Seller Perfect Payment Date, and (C) all Purchased Receivables for which any amount was returned to Seller pursuant to Section 2.4(a)(ii) or Section 2.4(a)(iii) on or prior to such date, Seller shall remit to Purchaser the total amount of Purchased Collections (in each applicable currency) received thereon by or on behalf of Kyndryl, any other Seller or any Affiliate, agent or representative of any of them promptly upon receipt. In addition, with respect to all Early Payments received by or on behalf of Kyndryl, any other Seller or any Affiliate, agent or representative of any of them, Seller shall remit to Purchaser the amount of such Early Payments on the Seller Perfect Payment Date immediately following the Reconciliation Date first occurring after the end of the Seller Perfect Payment Period in which such Early Payments were so received. On or prior to each Reconciliation Date, Seller shall deliver a Reconciliation Report to Purchaser that shall (A) reconcile the Purchased Collections (inclusive of any Early Payments) with those amounts actually paid to Purchaser and (B) solely if requested in advance by Purchaser, the amount of any interest or fees due by an Obligor as a result of a late payment by such Obligor that were reduced or waived by Seller without the prior written consent of Purchaser pursuant to the proviso to Section 8.2(a).

(ii) If at any time Seller shall for any reason have made a payment to Purchaser in anticipation of the receipt by Seller of a payment from the applicable Obligor of such amount with respect to any Purchased Receivable and the payment of such amount has not been received by Seller from such Obligor on or prior to such time or if excess funds are paid by Seller to Purchaser as the result of a miscalculation by Seller or for any other reason (any of the foregoing, collectively, the "Excess Funds"), then upon written demand (including via email) (the "Demand Notice") by Seller describing the basis of such demand in reasonable detail (with supporting documentation), Purchaser shall return to Seller the Excess Funds specified in such Demand Notice (the "Demand Amount") within ten (10) Business Days of receipt by Purchaser of such Demand Notice ("Demand Payment Date"). If Seller is required at any time to return to any Obligor or to a trustee, receiver, liquidator, custodian or other similar official any portion of the payments made by such Obligor to Seller, or to any other Person, then Purchaser shall, on written demand (including via email) of Seller describing the basis of such demand in reasonable detail (with supporting documentation), as soon as reasonably practicable (but in any event within ten (10) Business Days after receipt of such written demand) return to Seller any such payments that had been theretofore transferred to Purchaser by Seller pursuant to Section 2.4(a)(i), but without interest or penalty on such payments (unless Seller is required to pay interest on such amounts to the Person recovering such payments, in which case Purchaser shall also pay such interest on such amounts to Seller).

(iii) If Purchaser has received payment with respect to any Purchased Receivable pursuant to the first sentence of Section 2.4(a)(i) and such Purchased Receivable remains unpaid for more than one hundred and twenty (120) days after the applicable Payment Due Date, then Purchaser shall return to Seller the Excess Funds without receiving a Demand Notice pursuant to Section 2.4(a)(ii), but with accompanying written notice (including via email) containing sufficient details for Seller to apply the Excess Funds to the relevant Purchased Receivable.

(iv) Subject to the Standard Seller Provisions, Purchaser acknowledges that its sole sources of payments for Purchased Receivables themselves are the Purchased Collections and that Purchaser has no recourse to any Seller for any shortfall resulting from any Obligor's failure to pay all or any portion of any Purchased Receivable when it is due and payable under the terms applicable thereto to the extent such Purchased Receivable is uncollectable on account of a Credit Risk Event, and any payment made by Seller to Purchaser in anticipation of the receipt of funds from any Obligor shall be for administrative convenience only.

(v) The Seller shall be entitled to set off any Demand Amount owed by Purchaser to the Seller against any amounts owed by the Seller to Purchaser under this Agreement if such Demand Amount is not paid or otherwise satisfied on or prior to the related Demand Payment Date, upon written notice (including via email) to Purchaser with reasonable details. Purchaser shall be charged and agrees to pay interest on any Demand Amount not paid or otherwise satisfied on or prior to the related Demand Payment Date from and including the day after the Demand Payment Date to and including the date Seller receives payment thereof (or such obligation is otherwise satisfied through setoff) at a rate equal to SOFR as determined under Schedule 4-A (or the replacement benchmark therefor as determined under Schedule 4-A or Schedule 4-B) as of the Demand Payment Date (for overnight tenor).

6. Section 2.7 of the Agreement is hereby amended by deleting paragraph (h) therefrom and replacing it in its entirety with the following:

(h) after giving effect to such purchase (and treating all Designated Receivables to be purchased on such Purchase Date as Purchased Receivables), in no event would (A) the Aggregate EPP Balance exceed the Facility Limit, (B) the Outstanding Obligor EPP Balance of any Obligor exceed the Obligor EPP Limit of such Obligor, or (C) the Monthly Purchased Obligor Non-EPP Balance of any Obligor exceed the Obligor Non-EPP Purchase Limit of such Obligor for the applicable calendar month;

7. Section 6.1(a) of the Agreement is hereby amended by deleting clauses (i), (iii), (xix), (xxi), and (xxv) thereof and replacing each such clause in its entirety with the clause set forth below having the same corresponding clause number:

(i) is a Confirmed Receivable and either (A) if offered pursuant to an EPP Specification (or any End of Period Specification for EPP Receivables), the Obligor of such Designated Receivable is an Eligible Obligor (as applicable to EPP Receivables in the definition of “Eligible Obligor”) and such Designated Receivable conforms in all respects to the definition of “EPP Receivable” set forth herein, or (B) if offered pursuant to a Non-EPP Specification (or any End of Period Specification for Non-EPP Receivables), the Obligor of which is an Eligible Obligor (as applicable to Non-EPP Receivables in the definition of “Eligible Obligor”);

(iii) has arisen under an invoice that has been delivered by the applicable Eligible Seller to the applicable Eligible Obligor in the ordinary course of business pursuant to the terms of the related Contract on a date that is (A) no earlier than 120 days prior to such Purchase Date and (B) no later than the applicable Cut Off Date related to such Purchase Date;

(xix) is either (A) an EPP Receivable that is not owing by an Obligor as to which other Purchased Receivables that are EPP Receivables owing by such Obligor are then outstanding more than 60 days past their respective Payment Due Dates (as established at original invoicing) in an aggregate amount that equals or exceeds 10% of the applicable Obligor EPP Limit of such Obligor or (B) a Non-EPP Receivable that is not owing by an Obligor as to which other Purchased

Receivables that are Non-EPP Receivables owing by such Obligor are then outstanding more than 60 days past their respective Payment Due Dates (as established at original invoicing) in an aggregate amount that equals or exceeds 10% of the applicable Obligor Non-EPP Limit of such Obligor;

(xxi) is a Designated Receivable that does not, after giving effect to the purchase of all Designated Receivables to be purchased on such Purchase Date (including the purchase of such Designated Receivable), result in any of the following (as applicable to such Designated Receivable): (A) the Aggregate EPP Balance exceeding the Facility Limit, (B) the Outstanding Obligor EPP Balance of the applicable Obligor thereof exceeding the Obligor EPP Limit of such Obligor, or (C) the Outstanding Obligor Non-EPP Balance of the applicable Obligor thereof exceeding the Obligor Non-EPP Limit of such Obligor on such date;

(xxv) other than with respect to an EPP Receivable of an Obligor (Committed) (for which this paragraph shall not apply), (A) is owing by an Obligor for which the Designated Receivables of the same Type owing by such Obligor (inclusive of such Designated Receivable) being purchased on such Purchase Date have an aggregate face amount (as used in the determination of the Purchase Price) that is at least USD$3,000 (or the currency equivalent thereof) and (B) is not paid by a draw under a letter of credit;.

8. Section 11.2(e) is hereby amended by deleting the term “Obligor Limit” each place it appears therein and replacing it with the term “Obligor EPP Limit”.

9. The defined terms “Accepted Guaranty”, “Accepted Letter of Credit”, “Maximum Tenor”, and “Specified Obligor” set forth in Appendix A to the Agreement (Certain Defined Terms) are each hereby amended to insert immediately after the phrase “on the Obligor Schedule” in each such defined term the phrase “(with respect to any EPP Receivables) or identified with respect to such Obligor in the Non-EPP Obligor Information Notice (with respect to any Non-EPP Receivables)”.

10. The defined term “Buffer Period” set forth in Appendix A to the Agreement (Certain Defined Terms) is hereby amended as follows: (a) after the word “means” in the first sentence thereof, insert the phrase “(a) in the case of any EPP Receivable,”, (b) at the end of the first sentence thereof (prior to the period), insert the following: “and (b) in the case of any Non-EPP Receivable with respect to any calendar month, the number of days provided as the Buffer Period for the related Obligor in the Non-EPP Obligor Information Notice delivered by the Purchaser for such calendar month, and (c) at the end of the second sentence thereof (prior to the period), insert the following: “with respect to any EPP Receivable”.

11. The defined term “Confirmed Receivable” set forth in Appendix A to the Agreement (Certain Defined Terms) is hereby amended (a) to delete clause (ii) therefrom in its entirety and replace such clause with the following: “(ii) either (A) if offered pursuant to an EPP Specification or End of Period Specification for EPP Receivables, on or prior to the end of the calendar month in which the invoice evidencing such Receivable has been delivered to the related Obligor, all related goods

and services giving rise thereto will have been delivered or provided to the related Obligor and such Obligor will have accepted such delivery or provision of goods and services by delivering a certificate of acceptance (or other evidence of acceptance) or not objected to (and will have no further right to object to) such delivery or provision of goods and services or (B) if offered pursuant to a Non-EPP Specification or End of Period Specification for Non-EPP Receivables, all related goods and services giving rise thereto will have been delivered or provided to the related Obligor on or prior to such Purchase Date," and (b) to delete clause (iii) therefrom in its entirety and replace such clause with the following: "(iii) if offered pursuant to an EPP Specification or End of Period Specification for EPP Receivables, on or prior to the end of the calendar month in which the invoice evidencing such Receivable has been delivered to the related Obligor, will be an unconditional obligation of the related Obligor,".

12. The defined term "Cut Off Date" set forth in Appendix A to the Agreement (Certain Defined Terms) is hereby amended to add the following at the conclusion thereof: "For the avoidance of doubt, the 'Cut Off Date' for EPP Receivables for any calendar month may be different than the 'Cut Off Date' for Non-EPP Receivables for such calendar month and references to the applicable 'Cut Off Date' in this Agreement or any other Transaction Document shall be deemed to refer to the applicable 'Cut-Off Date' by both receivable Type and currency. Any notice specifying the 'Cut Off Date' delivered pursuant clause (ii) of this definition (for any currency) shall also specify whether it applies to EPP Receivables, Non-EPP Receivables or both."

13. The defined terms "Default Ratio", "Delinquency Ratio", "Initial Performance Trigger" and "Losses to Liquidation Ratio" set forth in Appendix A to the Agreement (Certain Defined Terms) are each hereby amended to reference only EPP Receivables in each applicable component of the formulas set forth in the respective definitions thereof (including in both the numerator and denominator of any ratio in any such definition).

14. The defined term "Obligor Schedule" set forth in Appendix A to the Agreement (Certain Defined Terms) is hereby amended to add the following at the conclusion thereof: "For the avoidance of doubt, the Obligor Schedule applies only to EPP Receivables."

15. In Appendix A to the Agreement (Certain Defined Terms), the following defined terms are hereby deleted in their entirety:

"Applicable Business Days"

"Discount Period Start Date"

"Expected Reconciliation Date"

"Outstanding Aggregate Balance"

"Outstanding Obligor Balance"

"Settlement Date".

16. In Appendix A to the Agreement (Certain Defined Terms), the following defined terms are hereby deleted in their entirety and replaced with the definitions set forth below:

"Discount Period" means, with respect to any Purchased Receivable, the number of days from and including the Purchase Date for such Purchased Receivable to, but not including, the Seller Perfect Payment Date occurring on the last day of the Seller Perfect Payment Period in which the Expected Payment Date for such Purchased Receivable occurs.

"Eligible Obligor" means, at any date of determination, either (i) with respect to any EPP Receivable, an Obligor that is listed in the Obligor Schedule (as in effect at such time), whether Part A or Part B or (ii) with respect to any Non-EPP Receivable, for any calendar month, an Obligor that has been approved by the Purchaser and identified as an "Eligible Obligor" on the Non-EPP Obligor Information Notice for such calendar month; provided, that (A) with respect to EPP Receivables, an Obligor shall cease to be an "Eligible Obligor" during any period that a Material Obligor Default with respect to such Obligor shall have occurred and is continuing except in the case of a Material Obligor Default arising pursuant to clause (i) or clause (ii) of the definition thereof solely with respect to Purchased Receivables that are Non-EPP Receivables, and (B) with respect to Non-EPP Receivables, an Obligor shall cease to be an "Eligible Obligor" during any period that a Material Obligor Default with respect to such Obligor shall have occurred and is continuing; and, provided, further, for both Types, that a Material Obligor Default with respect to an Obligor that has occurred only pursuant to clause (i) of the definition thereof shall no longer be continuing for purposes hereof at any time that no outstanding Purchased Receivables of such Obligor are Defaulted Receivables.

"Obligor Limit" means, with respect to any Obligor, either the Obligor EPP Limit or the Obligor Non-EPP Limit of such Obligor, as applicable (each of which shall constitute a separate limit applicable only to EPP Receivables or only to Non-EPP Receivables, as the case may be). For the avoidance of doubt, if used with reference to an "Obligor (Committed)" or "Obligor (Uncommitted)", such reference shall be to the Obligor EPP Limit of such Obligor.

"Reconciliation Date" means the 20th calendar day of each month (or if the 20th calendar day is not a Business Day, the next Business Day thereafter).

"Reconciliation Report" means any number of reports in form and substance mutually agreed by Kyndryl and Purchaser with any changes to the form thereafter as mutually agreed by Kyndryl and Purchaser.

"Specification" means, (i) with respect to any EPP Receivables, an EPP Specification or an End of Period Specification for EPP Receivables and (ii) with respect to any Non-EPP Receivables, a Non-EPP Specification or an End of Period Specification for Non-EPP Receivables.

17. In Appendix A to the Agreement (Certain Defined Terms), the following additional defined terms are hereby added (in each of their correct alphabetical locations):

"Accepted Receivable" means, with respect to any Purchase Date, (i) any Designated Non-EPP Receivable set forth on a Non-EPP Specification or End of Period Specification for such Purchase Date that the Purchaser has agreed to purchase on such Purchase Date, in the Purchaser's sole discretion, (ii) any Designated EPP Receivable owing by an Obligor (Uncommitted) set forth on an EPP Specification or End of Period Specification for such Purchase Date that the Purchaser has agreed to purchase on such Purchase Date, in the Purchaser's sole discretion, and (iii) any Designated EPP Receivable owing by an Obligor (Committed) set forth on an EPP Specification (including any resubmitted EPP Specification) or End of Period Specification for such Purchase Date unless such EPP Specification (or such resubmitted EPP Specification) has been properly rejected by the Purchaser as noncompliant pursuant to Section 2.2(b).

"Aggregate EPP Balance" means, at any time, the aggregate outstanding balance at such time of all Purchased Receivables that are EPP Receivables.

"Demand Notice" is defined in Section 2.4(a)(iii).

"Designated EPP Receivable" means each Designated Receivable that is described in an EPP Specification.

"Designated Non-EPP Receivable" means each Designated Receivable that is described in a Non-EPP Specification.

"Early Payment" means, with respect to any Purchased Receivable, any payment made by or on behalf of the applicable Obligor of such Purchased Receivable that is received by or on behalf of Kyndryl, any other Seller or any of their respective Affiliates, agents or representatives more than thirty (30) days before the applicable Payment Due Date as payment (in whole or in part) of such Purchased Receivable.

"EPP Receivable" means any Receivable for which, on or prior to the end of the calendar month in which the applicable invoice therefor has been sent to such Obligor, either (i) the Obligor thereof is required to deliver a certificate of acceptance (or other evidence of acceptance) confirming satisfactory receipt of all of the goods and services giving rise thereto with an absolute obligation to pay for such goods and services without objection or Dispute or (ii) the related Contract provides that the Obligor thereof will be deemed to have accepted the goods and services giving rise thereto with an absolute obligation to pay for such goods and services without objection or Dispute if an objection or Dispute has not been raised by such Obligor by such calendar month end.

"EPP Specification" is defined in Section 2.2(a).

"Excess Funds" is defined in Section 2.4(a)(iii).

"Final Notice Date" is defined in Section 2.2(h)(i).

"Indicative Non-EPP Receivables File" is defined in Section 2.2(h)(i).

"Indicative Purchaser Response" is defined in Section 2.2(h)(i).

"Monthly Purchased Obligor Non-EPP Balance" means, with respect to an Obligor for any calendar month, the aggregate outstanding balance of all Purchased Receivables that are Non-EPP Receivables owing by such Obligor (in aggregate for all Sellers) that are being (or have been) first purchased in such calendar month (after giving effect to all purchases to be made in such calendar month).

"Non-EPP Obligor Information Notice" is defined in Section 2.2(h)(ii).

"Non-EPP Receivable" means any Receivable that is not an EPP Receivable.

"Non-EPP Specification" is defined in Section 2.2(h)(iii).

"Obligor EPP Limit" means, with respect to any Obligor, the maximum aggregate amount of Purchased Receivables that are EPP Receivables owing by such Obligor that may be outstanding under the Facility at any time, as set forth on the Obligor Schedule or as otherwise agreed in writing by Purchaser (in its sole discretion) and the applicable Seller (which may be by exchange of emails between any person listed for Purchaser and any person listed for Seller on Schedule 1); provided, that notwithstanding anything to the contrary in this Agreement, the Purchaser shall be entitled to reduce or withdraw the Obligor Limit with respect to any Obligor (Uncommitted) in its sole discretion at any time and from time to time without prior notice.

"Obligor Non-EPP Limit" means, with respect to any Obligor on any date, the sum of (i) the Obligor Non-EPP Purchase Limit set forth on the most recent Non-EPP Obligor Information Notice delivered by the Purchaser hereunder for any calendar month (whether or not the then-current calendar month) on or prior to such date *plus* (ii) the Outstanding Obligor Non-EPP Balance at the close of business on the day immediately preceding the date on which such Non-EPP Obligor Information Notice (as described in the preceding clause (i)) was delivered hereunder.

"Obligor Non-EPP Purchase Limit" means, with respect to any calendar month for any Eligible Obligor on any date, the amount designated as the "Obligor Non-EPP

Purchase Limit" for such Obligor in the most recent Non-EPP Obligor Information Notice for such calendar month that has been delivered by the Purchaser hereunder on or prior to such date (up to the face amount requested by the Seller in the most recent Indicative Non-EPP Receivables File delivered by the Seller on or prior to the Final Notice Date for such calendar month).

"Outstanding Obligor EPP Balance" means, with respect to an Obligor on any date of determination, the aggregate outstanding balance of all Purchased Receivables that are EPP Receivables owing by such Obligor on such date (in aggregate for all Sellers).

"Outstanding Obligor Non-EPP Balance" means, with respect to an Obligor on any date of determination, the aggregate outstanding balance of all Purchased Receivables that are Non-EPP Receivables owing by such Obligor on such date (in aggregate for all Sellers).

"Seller Perfect Payment Date" means the tenth calendar day of each calendar month, or if such day is not a Business Day, the next Business Day.

"Seller Perfect Payment Period" means, with respect to any particular Seller Perfect Payment Date, the period from but excluding the previous calendar month's Seller Perfect Payment Date to and including the particular Seller Perfect Payment Date.

"Type" means, with respect to any Receivable, either an EPP Receivable type or a Non-EPP Receivable type.

18. Schedule 3 (Applicable Business Days) is hereby deleted in its entirety.

C. **Representations and Warranties.** Each of Parent and Kyndryl hereby represents and warrants as of the Amendment Effective Date as follows:

1. Both immediately before and immediately after giving effect to this Amendment, the representations and warranties set forth in the Agreement and each other Transaction Document (including, without limitation, each Participation Agreement executed on or prior to the date hereof) are true and correct on and as of the date hereof, as though made on the date hereof (except to the extent that such representations and warranties expressly relate solely to an earlier date, in which case such representations and warranties shall be true and correct as of such earlier date).

2. To the extent that notice to or the consent, acceptance, acknowledgement or approval of any Seller (other than Kyndryl) is required pursuant to the applicable Participation Agreement to which it is party to effectuate any amendment to or modification of the Agreement (or Fee Letter), as incorporated by reference into such Participation Agreement, such Seller has received such notice or provided such consent, acceptance, acknowledgement or approval (collectively, the "Required Consents") and Kyndryl is executing this Agreement on behalf of itself and each such other Seller.

Kyndryl will provide a copy of this Agreement to each other Seller (whether or not consent hereto is required by any such other Seller).

3. Both immediately before and immediately after giving effect to this Amendment, the representations and warranties set forth in subsections (b) though (i) of Section 6.1 of the Agreement are true and correct with respect to Parent in connection with its obligations under Section 13.19 of the Agreement, as if each reference in such representations and warranties to “Seller” were a reference to “Parent” for purposes hereof.

4. Each of Parent, Kyndryl and each other Seller has the organizational power and authority to execute (if applicable) and be bound by the terms and provisions of this Amendment (and any applicable Required Consent to which any other Seller is a signatory) and each of them has taken all necessary organizational action to authorize and approve the execution and delivery (to the extent applicable) and performance of this Amendment and the Agreement, as amended hereby (and, in the case of each Seller other than Kyndryl, as the Agreement, as amended hereby, is incorporated into the Participation Agreement to which it is a party), and the foregoing constitutes the legal, valid, and binding obligation of such party, enforceable against such party in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors’ rights generally and subject to general principles of equity.

5. No Triggering Event, Purchaser Termination Event, or event that with the giving of notice, or lapse of time or both would give rise to a Triggering Event or Purchaser Termination Event has occurred, in each such case, both immediately before and immediately after giving effect to this Amendment.

6. No Insolvency Event has occurred with respect to Parent, Kyndryl or any other Seller.

D. <u>Additional Terms</u>. The parties hereto further agree to the following terms.

1. This Amendment shall be effective solely for the specific purpose for which it is given and shall not create a course of dealing between the parties in any respect. The execution, delivery, and performance of this Amendment shall not operate, except as expressly set forth herein, as a waiver of, consent to, or a modification or amendment of, any right, power, or remedy of Purchaser under the Agreement, any Participation Agreement, or any other Transaction Document. Except for the amendments to the Agreement expressly set forth herein (and as the Agreement, as amended hereby, is incorporated by reference into each Participation Agreement), the Agreement, each Participation Agreement and each other Transaction Document shall remain unchanged and in full force and effect in accordance with their respective terms and are hereby ratified and confirmed in all respects.

2. Upon and after the effectiveness of this Amendment, each reference in the Agreement to “this Agreement”, “hereunder”, “herein”, “hereof” or words of like import referring to the Agreement, and each reference in any Participation Agreement or any other Transaction Document to “the Receivables Purchase Agreement”, “the Amended and Restated Receivables Purchase

Agreement", "thereunder", "therein", "thereof" or words of like import referring to the Agreement, shall mean and be a reference to the Agreement as modified and amended hereby.

3. This Amendment, and the terms and provisions hereof, the Agreement (as amended hereby) and the other Transaction Documents (after giving effect to this Amendment) constitute the entire understanding and agreement between the parties hereto or thereto with respect to the subject matter hereof and thereof and supersede any and all prior or contemporaneous amendments or understandings with respect to the subject matter hereof, whether express or implied, oral or written. The terms and provisions of this Amendment shall prevail over any conflicting terms of any other Transaction Document.

4. Each of Parent and Kyndryl, on behalf of itself and each other Seller, hereby (i) reaffirms its obligations under each Transaction Document to which it is a party after giving effect to the terms and provisions of this Amendment and (ii) ratifies and reaffirms the validity, enforceability, perfection and first priority ownership interest of the Purchaser in, to and under each Purchased Receivable transferred pursuant to the Agreement or any Participation Agreement, as applicable.

5. If any provision in this Amendment shall be invalid, illegal or unenforceable, such provision shall be severable from the remainder of this Amendment and the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

6. SECTIONS 13.9, 13.10 AND 13.11 OF THE AGREEMENT (GOVERNING LAW, SUBMISSION TO JURISDICTION AND WAIVER OF JURY TRIAL) ARE HEREBY INCORPORATED HEREIN *MUTATIS MUTANDIS* AS IF SET FORTH IN FULL HEREIN.

7. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, taken together, shall constitute but one and the same agreement. Delivery of an executed counterpart of this Amendment by facsimile or other electronic method of transmission shall be equally effective as delivery of an original executed counterpart of this Amendment.

[signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered as of the date first above written.

BANCO SANTANDER S.A., as Purchaser

By: /s/ Antia Martinez
Name: Antia Martinez
Title: Associate

By: /s/ Ignacio Frutos
Name: Ignacio Frutos
Title: Executive Director

KYNDRYL, INC., as Seller

By: /s/ Evan Barth

Name: Evan Barth
Title: VP, Associate General Counsel and Assistant Corp Secretary

Kyndryl Holdings Inc., solely for purposes of Section 13.19 of the Receivables Purchase Agreement, as Parent

By: /s/ Evan Barth

Name: Evan Barth
Title: VP, Associate General Counsel and Assistant Corp Secretary

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Martin J. Schroeter, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Kyndryl Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2023

/s/ Martin J. Schroeter

Martin J. Schroeter
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, David B. Wyshner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Kyndryl Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2023

/s/ David B. Wyshner

David B. Wyshner
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

KYNDRYL HOLDINGS, INC.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Kyndryl Holdings, Inc. (the “Company”) on Form 10-Q for the quarterly period ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Martin J. Schroeter, Chairman and Chief Executive Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 9, 2023

/s/ Martin J. Schroeter
Martin J. Schroeter
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

KYNDRYL HOLDINGS, INC.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Kyndryl Holdings, Inc. (the "Company") on Form 10-Q for the quarterly period ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David B. Wyshner, Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 9, 2023

/s/ David B. Wyshner

David B. Wyshner
Chief Financial Officer
(Principal Financial Officer)