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 SEPTEMBER 30, 2024
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 (State or other jurisdiction of incorporation or organization)	**86-1185492** (IRS employer identification number)
One Vanderbilt Avenue, 15th Floor **New York, New York** (Address of principal executive offices)	**10017** (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 as of October 31, 2024 was 232,270,932.

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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 September 30, 2024	Three Months Ended September 30, 2023	Six Months Ended September 30, 2024	Six Months Ended September 30, 2023
Revenues	$ 3,774	$ 4,073	$ 7,513	$ 8,266
Cost of services	$ 3,024	$ 3,422	$ 5,958	$ 6,871
Selling, general and administrative expenses	647	634	1,304	1,353
Workforce rebalancing charges	39	39	74	97
Transaction-related costs	—	48	21	89
Interest expense	25	31	52	61
Other expense	44	8	44	13
Total costs and expenses	$ 3,779	$ 4,182	$ 7,454	$ 8,484
Income (loss) before income taxes	$ (5)	$ (109)	$ 59	$ (218)
Provision for income taxes	$ 38	$ 33	$ 91	$ 65
Net income (loss)	$ (43)	$ (142)	$ (32)	$ (283)
Basic earnings (loss) per share	$ (0.19)	$ (0.62)	$ (0.14)	$ (1.24)
Diluted earnings (loss) per share	$ (0.19)	$ (0.62)	$ (0.14)	$ (1.24)
Weighted-average basic shares outstanding	231.6	229.1	231.1	228.5
Weighted-average diluted shares outstanding	231.6	229.1	231.1	228.5

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 September 30,		Six Months Ended September 30,	
	2024	**2023**	**2024**	**2023**
Net income (loss)	$ (43)	$ (142)	$ (32)	$ (283)
Other comprehensive income (loss), before tax:				
Foreign currency translation adjustments:				
Foreign currency translation adjustments	151	(109)	88	(125)
Unrealized gains (losses) on net investment hedges	(42)	—	(28)	—
Total foreign currency translation adjustments	109	(109)	60	(125)
Unrealized gains (losses) on cash flow hedges:				
Unrealized gains (losses) arising during the period	(14)	11	(15)	26
Reclassification of (gains) losses to net income	—	(4)	—	(5)
Total unrealized gains (losses) on cash flow hedges	(14)	7	(15)	21
Retirement-related benefit plans – amortization of net (gains) losses	4	1	8	4
Other comprehensive income (loss), before tax	99	(101)	53	(100)
Income tax (expense) benefit related to items of other comprehensive income (loss)	3	(3)	1	(5)
Other comprehensive income (loss), net of tax	102	(105)	54	(104)
Total comprehensive income (loss)	$ 59	$ (247)	$ 22	$ (388)

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

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

	September 30, 2024	March 31, 2024
Assets:		
Current assets:		
Cash and cash equivalents	$ 1,325	$ 1,553
Restricted cash	5	1
Accounts receivable (net of allowances for credit losses of $17 at September 30, 2024 and $22 at March 31, 2024)	1,441	1,599
Deferred costs (current portion)	994	1,081
Prepaid expenses and other current assets	623	514
Total current assets	$ 4,387	$ 4,747
Property and equipment, net	$ 2,735	$ 2,674
Operating right-of-use assets, net	805	864
Deferred costs (noncurrent portion)	1,052	920
Deferred taxes	209	220
Goodwill	790	805
Intangible assets, net	227	188
Pension assets	123	105
Other noncurrent assets	67	67
Total assets	$ 10,396	$ 10,590
Liabilities:		
Current liabilities:		
Accounts payable	$ 1,240	$ 1,408
Value-added tax and income tax liabilities	298	327
Current portion of long-term debt	135	126
Accrued compensation and benefits	538	609
Deferred income (current portion)	856	825
Operating lease liabilities (current portion)	278	285
Accrued contract costs	404	487
Other accrued expenses and liabilities	500	521
Total current liabilities	$ 4,249	$ 4,589
Long-term debt	$ 3,106	$ 3,112
Retirement and nonpension postretirement benefit obligations	510	500
Deferred income (noncurrent portion)	344	314
Operating lease liabilities (noncurrent portion)	580	622
Other noncurrent liabilities	435	332
Total liabilities	$ 9,224	$ 9,468
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: September 30, 2024 – 236.5, March 31, 2024 – 233.7)	$ 4,575	$ 4,524
Accumulated deficit	(2,351)	(2,319)
Treasury stock, at cost (shares: September 30, 2024 – 4.3, March 31, 2024 – 3.3)	(69)	(45)
Accumulated other comprehensive income (loss)	(1,090)	(1,145)
Total stockholders' equity before non-controlling interests	$ 1,065	$ 1,015
Non-controlling interests	107	107
Total equity	$ 1,172	$ 1,122
Total liabilities and equity	$ 10,396	$ 10,590

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

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

	Six Months Ended September 30, 2024	Six Months Ended September 30, 2023
Cash flows from operating activities:		
Net income (loss)	$ (32)	$ (283)
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation and amortization:		
Depreciation of property, equipment and capitalized software	276	431
Depreciation of right-of-use assets	154	173
Amortization of transition costs and prepaid software	647	631
Amortization of capitalized contract costs	205	281
Amortization of acquisition-related intangible assets	17	15
Stock-based compensation	49	48
Deferred taxes	17	51
Net (gain) loss on asset sales and other	(14)	22
Change in operating assets and liabilities:		
Deferred costs (excluding amortization)	(852)	(699)
Right-of-use assets and liabilities (excluding depreciation)	(145)	(195)
Workforce rebalancing liabilities	(13)	(18)
Receivables	193	(110)
Accounts payable	(237)	(494)
Taxes	(31)	(55)
Other assets and other liabilities	(133)	75
Net cash provided by (used in) operating activities	$ 101	$ (127)
Cash flows from investing activities:		
Capital expenditures	$ (256)	$ (275)
Proceeds from disposition of property and equipment	54	119
Acquisitions and divestitures, net of cash acquired	(46)	—
Other investing activities, net	7	(53)
Net cash used in investing activities	$ (241)	$ (208)
Cash flows from financing activities:		
Debt repayments	$ (73)	$ (67)
Common stock repurchases for tax withholdings	(24)	(12)
Other financing activities, net	(5)	(1)
Net cash provided by (used in) financing activities	$ (101)	$ (80)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	$ 17	$ (33)
Net change in cash, cash equivalents and restricted cash	$ (224)	$ (448)
Cash, cash equivalents and restricted cash at beginning of period	$ 1,554	$ 1,860
Cash, cash equivalents and restricted cash at end of period	$ 1,330	$ 1,412
Supplemental data		
Income taxes paid, net of refunds received	$ 89	$ 88
Interest paid on debt	$ 60	$ 59

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		Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Accumulated Deficit	Non-Controlling Interests	Total Equity
	Shares	Amount					
Equity – July 1, 2024	231.0	$ 4,549	$ (1,192)	$ (53)	$ (2,308)	$ 105	$ 1,101
Net income (loss)					(43)		(43)
Other comprehensive income (loss), net of tax			102				102
Common stock issued under employee plans	1.9	26					26
Purchases of treasury stock	(0.7)			(17)			(17)
Changes in non-controlling interests						2	2
Equity – September 30, 2024	232.2	$ 4,575	$ (1,090)	$ (69)	$ (2,351)	$ 107	$ 1,172

	Common Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Accumulated Deficit	Non-Controlling Interests	Total Equity
	Shares	Amount					
Equity – July 1, 2023	228.6	$ 4,451	$ (1,062)	$ (30)	$ (2,119)	$ 99	$ 1,338
Net income (loss)					(142)		(142)
Other comprehensive income (loss), net of tax			(105)				(105)
Common stock issued under employee plans	1.2	25					25
Purchases of treasury stock	(0.4)			(5)			(5)
Changes in non-controlling interests						1	1
Equity – September 30, 2023	229.5	$ 4,476	$ (1,167)	$ (35)	$ (2,262)	$ 100	$ 1,113

	Common Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Accumulated Deficit	Non-Controlling Interests	Total Equity
	Shares	Amount					
Equity – April 1, 2024	230.4	$ 4,524	$ (1,145)	$ (45)	$ (2,319)	$ 107	$ 1,122
Net income (loss)					(32)		(32)
Other comprehensive income (loss), net of tax			54				54
Common stock issued under employee plans	2.8	51					51
Purchases of treasury stock	(1.0)			(24)			(24)
Changes in non-controlling interests						—	—
Equity – September 30, 2024	232.2	$ 4,575	$ (1,090)	$ (69)	$ (2,351)	$ 107	$ 1,172

	Common Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Accumulated Deficit	Non-Controlling Interests	Total Equity
	Shares	Amount					
Equity – April 1, 2023	227.7	$ 4,428	$ (1,062)	$ (23)	$ (1,978)	$ 97	$ 1,462
Net income (loss)					(283)		(283)
Other comprehensive income (loss), net of tax			(104)				(104)
Common stock issued under employee plans	2.6	48					48
Purchases of treasury stock	(0.9)			(12)			(12)
Changes in non-controlling interests						3	3
Equity – September 30, 2023	229.5	$ 4,476	$ (1,167)	$ (35)	$ (2,262)	$ 100	$ 1,113

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 IT infrastructure services provider in the world, serving 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” or “former Parent”).

In November 2021, our former Parent effected the spin-off (the “Separation” or the “Spin-off”) of the infrastructure services unit of its Global Technology Services segment through the distribution of shares of Kyndryl’s common stock to IBM stockholders. Kyndryl’s stock began trading as an independent company on November 4, 2021.

Basis of Presentation

The accompanying Consolidated Financial Statements and footnotes have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). 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 information included in this Form 10-Q should be read in conjunction with the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2024.

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

The accompanying financial statements are presented on a consolidated basis. All significant transactions and intercompany accounts between Kyndryl entities were eliminated.

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 and deferred transition costs. Future results may be different from these estimates.

The Company uses the estimated annual effective tax rate method in computing its interim tax provision in accordance with U.S. GAAP. The estimated annual effective tax rate is applied to the year-to-date ordinary income, exclusive of discrete items, to arrive at the reported interim tax provision.

Change in Accounting Estimate

In March 2024, the Company completed its assessment of the useful lives of its information technology equipment. Based on our usage experience and data analysis, the Company determined it should increase the estimated useful lives of its information technology equipment from five to six years. This change in accounting estimate became effective on April 1, 2024. Based on the carrying amount of information technology equipment included in property and equipment, net as of March 31, 2024, the effect of this change in estimate was a reduction in depreciation expense and an improvement of income before income taxes of approximately \$50 million, or \$0.22 before income taxes per basic and diluted share for the three months ended September 30, 2024 and approximately \$110 million, or \$0.49 before income taxes per basic and diluted share for the six months ended September 30, 2024.

Notes to Consolidated Financial Statements (continued)

NOTE 2. ACCOUNTING PRONOUNCEMENTS

Recent Pronouncements

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, *Segment Reporting (Topic 280) – Improvements to Reportable Segment Disclosures*, which is intended to improve reportable segment disclosures, primarily through enhanced disclosures about significant segment expenses. The guidance should be applied retrospectively, effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of this guidance on the disclosures in its consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740) – Improvements to Income Tax Disclosures*, which is intended to enhance the transparency and usefulness of income tax disclosures through improved reporting related to the rate reconciliation and income taxes paid. The guidance is effective for annual periods beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of this guidance on the disclosures in its consolidated financial statements.

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 for 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. 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 September 30, 2024, the aggregate amount of RPO related to customer contracts that are unsatisfied or partially unsatisfied was $34.4 billion. Approximately 57 percent of the amount is expected to be recognized as revenue in the next two years, approximately 37 percent in the subsequent three years, and the balance thereafter.

During the three and six months ended September 30, 2024, revenue was increased by $13 million and $20 million, respectively, and during the three and six months ended September 30, 2023, revenue was increased by $2 million and $15 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.

Notes to Consolidated Financial Statements (continued)

Contract Balances

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

(Dollars in millions)	September 30, 2024	March 31, 2024
Accounts receivable (net of allowances for credit losses of $17 at September 30, 2024 and $22 at March 31, 2024) *	$ 1,441	$ 1,599
Contract assets **	50	30
Deferred income (current)	856	825
Deferred income (noncurrent)	344	314

* Including unbilled receivable balances of $384 million at September 30, 2024 and $377 million at March 31, 2024.
** Contract assets represent goods or services delivered by the Company, which give the Company the right to consideration that is typically subject to milestone completion or client acceptance and are included within prepaid expenses and other current assets in the Consolidated Balance Sheet.

The amount of revenue recognized during the three and six months ended September 30, 2024 that was included within the deferred income balance at the beginning of the period was $335 million and $524 million, respectively. The amount of revenue recognized during the three and six months ended September 30, 2023 that was included within the deferred income balance at the beginning of the period was $176 million and $360 million, respectively.

The following table provides roll-forwards of the accounts receivable allowance for expected credit losses for the six months ended September 30, 2024 and 2023.

	Six Months Ended September 30,	
(Dollars in millions)	2024	2023
Beginning balance	$ 22	$ 32
Additions (releases)	(6)	—
Write-offs	1	(3)
Other *	—	(1)
Ending balance	$ 17	$ 28

* Primarily represents 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 six months ended September 30, 2024 and 2023. Other than receivables due from our former Parent, no single client represented more than 10 percent of the Company's total accounts receivable balance as of September 30, 2024 or March 31, 2024, respectively.

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.

Notes to Consolidated Financial Statements (continued)

The following table provides amounts of capitalized costs to acquire and fulfill customer contracts at September 30, 2024 and March 31, 2024:

(Dollars in millions)	September 30, 2024	March 31, 2024
Deferred transition costs	$ 734	$ 753
Prepaid software costs	810	770
Capitalized costs to fulfill contracts	220	212
Capitalized costs to obtain contracts	282	265
Total deferred costs *	$ 2,045	$ 2,000

* Of the total deferred costs, $994 million was current and $1,052 million was noncurrent at September 30, 2024, and $1,081 million was current and $920 million was noncurrent at March 31, 2024.

The amount of total deferred costs amortized for the three months ended September 30, 2024 was $435 million, composed of $75 million of amortization of deferred transition costs, $262 million of amortization of prepaid software and $98 million of amortization of capitalized contract costs. The amount of total deferred costs amortized for the six months ended September 30, 2024 was $852 million, composed of $147 million of amortization of deferred transition costs, $500 million of amortization of prepaid software and $205 million of amortization of capitalized contract costs. The amount of total deferred costs amortized for the three months ended September 30, 2023 was $449 million, composed of $88 million of amortization of deferred transition costs, $218 million of amortization of prepaid software and $143 million of amortization of capitalized contract costs. The amount of total deferred costs amortized for the six months ended September 30, 2023 was $912 million, composed of $173 million of amortization of deferred transition costs, $459 million of amortization of prepaid software and $281 million of amortization of capitalized contract costs.

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 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 Company made a minor change to its geographic reportable segments effective June 1, 2024 to reflect how the Company manages its operations and measures business performance, transitioning the reporting and management of its operations in Australia/New Zealand from the Principal Markets segment to the Strategic Markets segment. All historical segment information has been recast to reflect this change.

The measure of segment operating performance used by Kyndryl’s CODM is adjusted EBITDA. Adjusted EBITDA is defined as net income (loss) excluding income taxes, 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 and owned fixed assets, charges related to lease terminations, transaction-related costs, pension expenses other than pension servicing costs and multi-employer plan costs, stock-based compensation expense, workforce rebalancing charges incurred prior to March 31, 2024, impairment expense, significant litigation costs and benefits, and

Notes to Consolidated Financial Statements (continued)

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.

Our geographic markets frequently work together to sell and implement certain contracts. The resulting revenues and costs from these contracts may be apportioned among the participating geographic markets. 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 September 30, 2024	Three Months Ended September 30, 2023	Six Months Ended September 30, 2024	Six Months Ended September 30, 2023
Revenue				
United States	$ 960	$ 1,108	$ 1,946	$ 2,272
Japan	604	569	1,174	1,180
Principal Markets	1,318	1,376	2,633	2,768
Strategic Markets	892	1,019	1,761	2,046
Total revenue	$ 3,774	$ 4,073	$ 7,513	$ 8,266
Segment adjusted EBITDA				
United States	$ 159	$ 176	$ 292	$ 412
Japan	94	84	177	184
Principal Markets	187	169	428	320
Strategic Markets	138	166	258	315
Total segment adjusted EBITDA	$ 579	$ 596	$ 1,156	$ 1,232

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

(Dollars in millions)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Six Months Ended September 30, 2024	Six Months Ended September 30, 2023
Segment adjusted EBITDA	$ 579	$ 596	$ 1,156	$ 1,232
Workforce rebalancing charges incurred prior to March 31, 2024	—	(39)	—	(97)
Charges related to ceasing to use leased/fixed assets and lease terminations	(10)	—	(20)	(10)
Transaction-related costs	—	(48)	(21)	(89)
Stock-based compensation expense	(25)	(25)	(49)	(48)
Interest expense	(25)	(31)	(52)	(61)
Depreciation of property, equipment and capitalized software	(150)	(220)	(276)	(431)
Amortization expense	(347)	(313)	(664)	(646)
Corporate expense not allocated to the segments	(22)	(21)	(42)	(45)
Other adjustments*	(5)	(7)	27	(23)
Pretax income (loss)	$ (5)	$ (109)	$ 59	$ (218)

* Other adjustments represent pension expenses other than pension servicing costs and multi-employer plan costs, significant litigation costs and benefits, and currency impacts of highly inflationary countries. For the three and six months ended September 30, 2023, other adjustments also include an adjustment to reduce amortization expense for the amount already included in transaction-related costs above.

Notes to Consolidated Financial Statements (continued)

NOTE 5. TAXES

For the three months ended September 30, 2024, the Company's effective tax rate was (703.7%), compared to (30.3%) for the three months ended September 30, 2023. For the six months ended September 30, 2024, the Company's effective tax rate was 154.2%, compared to (29.8%) for the six months ended September 30, 2023. The Company's negative effective tax rates for the three months ended September 30, 2024 and 2023 and the six months ended September 30, 2023 reflect a tax expense on a pretax book loss in those periods.

The Company's effective tax rate for the three months ended September 30, 2024 and 2023 and the six months ended September 30, 2023 was lower than the Company's statutory tax rate, and its effective tax rate for the six months ended September 30, 2024 was higher than the Company's statutory tax rate, primarily due to taxes on foreign operations and valuation allowances recorded in certain jurisdictions against deferred tax assets that are not more likely than not to be realized.

NOTE 6. NET LOSS PER SHARE

We did not declare any dividends in the periods presented. The following table provides the computation of basic and diluted earnings per share of common stock for the three and six months ended September 30, 2024 and 2023.

	Three Months Ended September 30,		Six Months Ended September 30,	
(In millions, except per share amounts)	**2024**	**2023**	**2024**	**2023**
Net income (loss) on which basic and diluted earnings per share is calculated	$ (43)	$ (142)	$ (32)	$ (283)
Number of shares on which basic and diluted earnings (loss) per share is calculated	231.6	229.1	231.1	228.5
Basic earnings (loss) per share	$ (0.19)	$ (0.62)	$ (0.14)	$ (1.24)
Diluted earnings (loss) per share	(0.19)	(0.62)	(0.14)	(1.24)

For the three and six months ended September 30, 2024 and 2023, the number of shares on which basic and diluted earnings (loss) per share is calculated was the same as a result of the net loss incurred in the period. The following securities were not included in the computation of diluted earnings per share:

	Three Months Ended September 30,		Six Months Ended September 30,	
(In millions)	**2024**	**2023**	**2024**	**2023**
Nonvested restricted stock units	7.4	9.0	7.8	8.9
Nonvested performance-conditioned stock units	5.4	2.8	5.0	2.2
Nonvested market-conditioned stock units	3.2	2.7	3.1	2.5
Stock options issued and outstanding	3.4	3.6	3.5	3.7
Total	19.4	18.2	19.3	17.3

Notes to Consolidated Financial Statements (continued)

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 and
- 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. The determination of fair value considers various factors including yield curves and time value underlying the financial instruments. For derivatives and debt securities, the Company uses a discounted cash flow analysis using discount rates commensurate with the duration of the instrument.

In determining the fair value of 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 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 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 balances 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. There were no impairments of non-financial assets recognized for the three and six months ended September 30, 2024 and 2023.

Notes to Consolidated Financial Statements (continued)

Financial Assets and Liabilities Measured at Fair Value

The following table presents the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis at September 30, 2024 and March 31, 2024:

(Dollars in millions)	Fair Value Hierarchy Level	At September 30, 2024			At March 31, 2024		
		Assets	Liabilities	Fair Value	Assets	Liabilities	Fair Value
Derivatives designated as hedging instruments:							
Foreign exchange contracts	2	$ 1	$ 23	$ (22)	$ 2	$ 1	$ 1
Cross-currency swap contracts	2	10	26	(16)	1	11	(9)
Derivatives not designated as hedging instruments:							
Foreign exchange contracts	2	9	23	(14)	2	6	(4)
Total		$ 19	$ 71	$ (52)	$ 5	$ 18	$ (13)

The gross balances of derivative assets, including accrued interest, are contained within prepaid expenses and other current assets and other noncurrent assets in the Consolidated Balance Sheet. The gross balances of derivative liabilities are contained within other accrued expenses and liabilities and other noncurrent liabilities in the Consolidated Balance Sheet. The Company may enter into master netting agreements with certain counterparties that allow for netting of exposures. There was no netting of derivative assets against liabilities in the Consolidated Balance Sheet at September 30, 2024 and March 31, 2024. The Company manages counterparty risk by seeking counterparties of high credit quality and by monitoring credit ratings, credit spreads and other relevant public information about its counterparties. The Company does not anticipate nonperformance by any of the counterparties.

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 also has time deposits that have maturities of 90 days or less, and their carrying values approximate fair value. They 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. The balances of these time deposits with maturities of 90 days or less contained within cash and cash equivalents in the Consolidated Balance Sheet at September 30, 2024 and March 31, 2024 were $701 million and $828 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, or calculated fair value using an expected present value technique that uses rates currently available to the Company for debt in active markets with similar terms and remaining maturities, which is a Level 2 measurement. See Note 10 – Borrowings for additional information. Our outstanding debt (excluding finance lease obligations) had a carrying value of $2.9 billion as of September 30, 2024 and March 31, 2024, with an estimated fair value of $2.7 billion as of September 30, 2024 and $2.6 billion as of March 31, 2024.

Notes to Consolidated Financial Statements (continued)

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 has 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.

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 $1.1 billion and $1.9 billion for the three and six months ended September 30, 2024, respectively, and $913 million and $2.1 billion for the three and six months ended September 30, 2023, respectively. The fees associated with the transfers of receivables were $10 million and $20 million for the three and six months ended September 30, 2024, respectively, and $12 million and $28 million for the three and six months ended September 30, 2023, respectively.

Derivative Financial Instruments

The following table summarizes the notional amounts of the Company's outstanding derivatives:

	At September 30, 2024			At March 31, 2024		
(Dollars in millions)	Foreign Exchange Contracts	Cross-currency Swap Contracts	Total Notional Amount	Foreign Exchange Contracts	Cross-currency Swap Contracts	Total Notional Amount
Derivatives designated as hedging instruments						
Cash flow hedges	$ 363	$ —	$ 363	$ 281	$ —	$ 281
Net investment hedges	688	500	1,188	—	500	500
Derivatives not designated as hedging instruments	$ 2,553	$ —	$ 2,553	$ 1,624	$ —	$ 1,624

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.

Derivatives Designated as Hedging Instruments

Cash Flow Hedges

The Company has foreign exchange derivative financial instruments designated as cash flow hedges to manage the volatility of cash flows that relate to operating expenses denominated in certain currencies. Changes in fair value of derivatives designated as cash flow hedges are recorded, net of applicable taxes, in other comprehensive income ("OCI") 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.

The maximum remaining length of time over which the Company hedged its exposure is approximately one year. At September 30, 2024 and March 31, 2024, the weighted-average remaining maturity of these instruments was approximately 0.5 years. At September 30, 2024 and March 31, 2024, in connection with cash flow hedges of foreign currency cost transactions, the Company had unrealized losses of $14 million and unrealized gains of $2 million (each before taxes), respectively, in accumulated other comprehensive income ("AOCI"). The Company estimates that $14 million (before taxes) of net deferred losses on derivatives in AOCI at September 30, 2024 will be reclassified to net income within the next twelve months, providing an offsetting economic impact against the underlying anticipated transactions.

Notes to Consolidated Financial Statements (continued)

Net Investment Hedges

The Company has entered into and designated cross-currency interest rate swap contracts and currency forward contracts as net investment hedges to mitigate foreign exchange exposure related to net investments. Under the terms of the cross-currency swaps, the Company makes fixed-rate payments in foreign currencies and receives fixed-rate amounts in U.S. dollars, with the exchange of the underlying notional amounts at maturity whereby the Company will receive U.S. dollars and pay foreign currencies at exchange rates which are determined at contract inception. Under the terms of the currency forward contracts, the Company commits to sell the local currency of certain subsidiaries in exchange for U.S. dollars at specified forward rates. Derivatives designated as net investment hedges are accounted for using the spot method, with changes in the fair value of the derivatives attributable to changes in spot rates recorded within foreign currency translation ("CTA") as a component of other comprehensive income (loss) and remaining there until the hedged net investments are sold or substantially liquidated. The changes in the fair value of the derivatives that are attributable to changes in the difference between the forward rate and spot rate are excluded from the assessment of hedge effectiveness. The changes in fair value that are attributable to the excluded components are initially recorded in CTA and then recognized in interest expense on the Consolidated Income Statement over the life of the derivative instruments. Cash flows from derivatives designated as net investment hedges are reported as cash flows from investing activities in the Consolidated Statement of Cash Flows, except for cash flows from the periodic interest settlements of cross-currency interest rate swaps designated as net investment hedges, which are reported as cash flows from operating activities in the Consolidated Statement of Cash Flows.

The maximum remaining length of time over which the Company has hedged its exposure is approximately nine years. At September 30, 2024 and March 31, 2024, the weighted-average remaining maturity of the Company's net investment hedge instruments was approximately five years and ten years, respectively. At September 30, 2024 and March 31, 2024, the Company had unrealized losses of $39 million and $11 million (each before taxes), respectively, in AOCI related to net investment hedges.

Derivatives Not Designated as Hedging Instruments

The Company enters into currency forward and swap contracts to hedge exposures related to assets, liabilities and earnings across its subsidiaries. These contracts are not designated as hedging instruments, and therefore changes in fair value of these contracts are reported in earnings in other expense in the Consolidated Income Statement. The gains and losses on these contracts generally offset the gains and losses in the underlying hedged exposures, which are also reported in other expense in the Consolidated Income Statement. 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.

Notes to Consolidated Financial Statements (continued)

The Effect of Derivative Instruments in the Consolidated Income Statement

The effects of derivatives designated as hedging instruments on the Consolidated Income Statement and Other Comprehensive Income are as follows:

(Dollars in millions) Three months ended September 30:	Unrealized Gain (Loss) Recognized in OCI 2024	Unrealized Gain (Loss) Recognized in OCI 2023	Consolidated Income Statement Line Item	Gain (Loss) Reclassified from AOCI to Income 2024	Gain (Loss) Reclassified from AOCI to Income 2023
Derivative instruments in cash flow hedges:					
Foreign exchange contracts	$ (14)	$ 11	Cost of services	$ —	$ 4
Derivative instruments in net investment hedges*:					
Cross-currency swaps	(16)	—	Interest expense	2	—
Foreign exchange contracts	(21)	—	Interest expense	3	—
Total	$ (51)	$ 11		$ 6	$ 4

(Dollars in millions) Six months ended September 30:	Unrealized Gain (Loss) Recognized in OCI 2024	Unrealized Gain (Loss) Recognized in OCI 2023	Consolidated Income Statement Line Item	Gain (Loss) Reclassified from AOCI 2024	Gain (Loss) Reclassified from AOCI 2023
Derivative instruments in cash flow hedges:					
Foreign exchange contracts	$ (15)	$ 26	Cost of services	$ —	$ 5
Derivative instruments in net investment hedges*:					
Cross-currency swaps	—	—	Interest expense	6	—
Foreign exchange contracts	(19)	—	Interest expense	3	—
Total	$ (34)	$ 26		$ 10	$ 5

* For the three and six months ended September 30, 2024, the Company recognized a gain of $5 million and $9 million, respectively, in interest expense on components excluded from the assessment of the hedge effectiveness for net investment hedges. There were no net investment hedges in the three and six months ended September 30, 2023.

For the three and six months ended September 30, 2024 and 2023, 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.

The effects of derivatives not designated as hedging instruments on the Consolidated Income Statement are as follows:

(Dollars in millions) Three months ended September 30:	Consolidated Income Statement Line Item	Gain (Loss) Recognized on Derivatives 2024	Gain (Loss) Recognized on Derivatives 2023
Foreign exchange contracts	Other expense	$ 31	$ (36)
Total		$ 31	$ (36)

(Dollars in millions) Six months ended September 30:	Consolidated Income Statement Line Item	Gain (Loss) Recognized on Derivatives 2024	Gain (Loss) Recognized on Derivatives 2023
Foreign exchange contracts	Other expense	$ 3	$ (53)
Total		$ 3	$ (53)

Notes to Consolidated Financial Statements (continued)

NOTE 8. ACQUISITIONS AND DIVESTITURES

Acquisition of Skytap

In April 2024, the Company completed the acquisition of Skytap, Inc. ("Skytap"), a leading specialized workload services provider, by acquiring all outstanding equity interests of Skytap in exchange for cash consideration. The acquisition of Skytap was accounted for as a business combination in accordance with ASC 805, *Business Combinations*. Our financial statements for the three and six months ended September 30, 2024 reflect the assets, liabilities, operating results and cash flows of Skytap, commencing from the acquisition date. The Company acquired Skytap for cash consideration of approximately $46 million, net of cash acquired of $4 million. Costs associated with this acquisition were approximately $2 million and are expensed as incurred within transaction-related costs within the accompanying Consolidated Income Statement. Pro forma financial information has not been presented, as revenue and expenses related to the acquisition do not have a material impact on the Company's Consolidated Financial Statements.

The acquisition of Skytap expands the Company's hybrid cloud services portfolio. The purchase price allocation resulted in approximately $43 million in intangible assets, primarily consisting of $13 million in completed technologies and $30 million in customer relationships with estimated useful lives of five and eight years, respectively, assets transferred of $27 million (inclusive of cash acquired of $4 million), liabilities assumed of $29 million, and goodwill of $10 million, primarily attributable to synergies expected to arise from this acquisition. We do not expect the goodwill to be deductible for income tax purposes.

During the quarter ended September 30, 2024, the Company made immaterial adjustments to the preliminary purchase price allocation impacting the valuation of goodwill and assets transferred. The purchase price allocation for this acquisition is preliminary, and there may be further 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 date.

Disposal of the Securities Industry Services ("SIS") Business

In the three months ended June 30, 2024, the Company entered into a definitive agreement to sell its transaction processing platform for the securities brokerage industry services in Canada (which is a component of the Company's Principal Markets segment), known as "SIS", for approximately $185 million in cash.

The Company classifies assets and liabilities as held for sale in the period when all the relevant classification criteria have been met. Assets and liabilities held for sale are measured at the lower of carrying value or fair value less costs to sell. Losses (if any) resulting from the measurement are recognized in the period in which the held for sale criteria are met. Conversely, gains from a disposal group are not recognized until the date of sale. The fair value of a disposal group, less any costs to sell, will be reassessed during each subsequent reporting period it remains classified as held for sale, and any subsequent changes will be reported as an adjustment to the carrying value of the disposal group until it is no longer classified as held for sale. Upon determining that a disposal group meets the criteria as held for sale, the Company discontinues depreciation and amortization of the related assets and liabilities.

The Company classified the assets and liabilities related to SIS as held for sale in the three months ended June 30, 2024 within "Prepaid expenses and other current assets" and "Other accrued expenses and liabilities" on the Consolidated Balance Sheet. This disposition is not accounted for as discontinued operations as it does not meet the relevant criteria. The carrying value of the net assets being sold is not material.

Notes to Consolidated Financial Statements (continued)

NOTE 9. INTANGIBLE ASSETS INCLUDING GOODWILL

Intangible Assets

The following table presents the Company's intangible asset balances by major asset class.

	At September 30, 2024			At March 31, 2024		
(Dollars in millions)	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**
Capitalized software	$ 187	$ (53)	$ 133	$ 172	$ (48)	$ 125
Customer relationships*	125	(51)	74	152	(96)	56
Completed technology	13	(1)	12	—	—	—
Patents and trademarks*	16	(8)	7	14	(6)	8
Total	$ 340	$ (114)	$ 227	$ 339	$ (150)	$ 188

* Amounts include effects from foreign currency translation.

The net carrying amount of intangible assets increased by $38 million during the six months ended September 30, 2024, primarily due to intangible assets acquired as part of the acquisition of Skytap and capitalized software added during the period, partially offset by amortization. The aggregate intangible asset amortization expense was $17 million and $36 million for the three and six months ended September 30, 2024, compared to $16 million and $27 million for the three and six months ended September 30, 2023, respectively. This included amortization of capitalized software of $7 million and $19 million for the three and six months ended September 30, 2024, which was reported in "Depreciation of property, equipment and capitalized software" on the Consolidated Statement of Cash Flows. During the three and six months ended September 30, 2024, respectively, the Company retired approximately $75 million of fully amortized intangible assets, primarily related to customer relationships.

The future amortization expense relating to intangible assets currently recorded in the Consolidated Balance Sheet was estimated to be the following at September 30, 2024:

(Dollars in millions)	**Capitalized Software**	**Customer Relationships**	**Completed Technology**	**Patents and Trademarks**	**Total**
Year ending March 31:					
2025 (remaining six months)	$ 21	$ 11	$ 1	$ 2	$ 35
2026	41	22	3	3	69
2027	41	19	3	3	66
2028	17	5	3	—	25
2029	11	5	3	—	19
Thereafter	2	11	—	—	13

Notes to Consolidated Financial Statements (continued)

Goodwill

The changes in the goodwill balances by segment for the six months ended September 30, 2024 were as follows:

(Dollars in millions) Segment	Balance at March 31, 2024	Acquisitions and (Divestitures)*	Foreign Currency Translation Adjustments	Reallocation	Balance at September 30, 2024
United States	$ —	$ 10	$ —	$ —	$ 10
Japan	488	—	3	—	491
Principal Markets	141	(28)	—	(23)	90
Strategic Markets	176	—	—	23	198
Total	$ 805	$ (18)	$ 2	$ —	$ 790

* These amounts represent the goodwill acquired as part of the purchase of Skytap, in addition to the allocation of goodwill to assets held for sale related to the divestiture of the SIS business using the relative fair value approach. See Note 8 – Acquisitions and Divestitures for additional details.

As discussed in Note 4 – Segments, Kyndryl's operations in Australia/New Zealand transitioned from the Principal Markets segment to the Strategic Markets segment in the quarter ended June 30, 2024. As a result, the Company reallocated the goodwill associated with Australia/New Zealand from the Principal Markets segment to the Strategic Markets segment. The Company also performed a qualitative impairment test immediately before and after the change in reporting units and determined that it is not more likely than not that the fair value of the reporting units is less than their carrying amounts, including goodwill. Accordingly, the Company concluded that the goodwill related to those reporting units was not impaired.

There were no goodwill impairment losses recorded for the six months ended September 30, 2024 and 2023. Management reviews goodwill for impairment annually 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.

Notes to Consolidated Financial Statements (continued)

NOTE 10. BORROWINGS

Debt

The following table presents the components of our debt:

(Dollars in millions)	Interest Rate	Maturity	September 30, 2024	March 31, 2024
Commercial loan agreement	3.00%	July 2026	$ 54	$ 68
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 2034	6.35% *	February 2034	500	500
Unsecured senior notes due 2041	4.10%	October 2041	550	550
Finance lease obligations	5.67% **	2024-2030	306	291
			$ 3,260	$ 3,259
Less: Unamortized discount			4	5
Less: Unamortized debt issuance costs			15	16
Less: Current portion of long-term debt			135	126
Total long-term debt			$ 3,106	$ 3,112

* Including the cross-currency swaps that the Company entered into subsequent to the issuance of the unsecured senior notes due 2034, the effective interest rate on such notes was approximately 3.84% at the time of issuance. For more information, see Note 7 – Financial Assets and Liabilities.
** Weighted-average discount rate.

Contractual obligations of long-term debt outstanding at September 30, 2024, exclusive of finance lease obligations, are as follows:

(Dollars in millions)*	Principal
Year ending March 31:	
2025 (remaining six months)	$ 14
2026	29
2027	710
2028	—
2029	500
Thereafter	1,700
Total	$ 2,954

* Contractual obligations approximate scheduled repayments.

As of September 30, 2024, there were no borrowings under the Company's revolving credit agreement. The Company is in compliance with its debt covenants in all periods presented.

NOTE 11. COMMITMENTS AND CONTINGENCIES

The Company guarantees certain loans and financial commitments, but the maximum potential future payment under these financial guarantees and the fair value of these guarantees recognized in the Consolidated Balance Sheet at September 30, 2024 and March 31, 2024 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. During the six months ended September 30, 2024, contractual commitments decreased due to satisfaction of existing commitments outpacing new additions.

Notes to Consolidated Financial Statements (continued)

As a Fortune 500 company with customers and employees 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 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, for which IBM might have tried to seek an indemnity from the Company. However, IBM appealed the judgment, and in April 2024, the court of appeals overturned the judgment against IBM. Accordingly, we do not expect to have any liability related to this judgment.

Separately, certain contractual disputes have arisen between Kyndryl and IBM following the Separation. IBM and Kyndryl have commenced arbitration proceedings related to certain of these matters. Certain of these matters have recently been concluded, resulting in a credit recorded in Cost of services in the six months ended September 30, 2024, while others are in preliminary stages. Kyndryl intends to vigorously pursue its interests and defenses in these matters, including asserting its own claims in arbitration if necessary.

Notes to Consolidated Financial Statements (continued)

NOTE 12. EQUITY

The following tables present reclassifications and taxes related to items of other comprehensive income (loss) for the three and six months ended September 30, 2024 and 2023:

(Dollars in millions)	Pretax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
For the three months ended September 30, 2024:			
Foreign currency translation adjustments:			
Foreign currency translation adjustments	$ 151	$ —	$ 151
Unrealized gains (losses) on net investment hedges	(42)	—	(42)
Total foreign currency translation adjustments	$ 109	$ —	$ 109
Unrealized gains (losses) on cash flow hedges:			
Unrealized gains (losses) arising during the period	$ (14)	$ 4	$ (9)
Reclassification of (gains) losses to net income	—	—	—
Total unrealized gains (losses) on cash flow hedges	$ (14)	$ 4	$ (10)
Retirement-related benefit plans – amortization of net (gains) losses*	$ 4	$ (1)	$ 3
Other comprehensive income	$ 99	$ 3	$ 102
For the three months ended September 30, 2023:			
Foreign currency translation adjustments	$ (109)	$ —	$ (109)
Unrealized gains (losses) on cash flow hedges:			
Unrealized gains (losses) arising during the period	$ 11	$ (4)	$ 7
Reclassification of (gains) losses to net income	(4)	1	(3)
Total unrealized gains (losses) on cash flow hedges	$ 7	$ (3)	$ 4
Retirement-related benefit plans – amortization of net (gains) losses*	$ 1	$ —	$ 1
Other comprehensive income (loss)	$ (101)	$ (3)	$ (105)

* These AOCI components are included in the computation of net periodic benefit cost. Refer to Note 13 – 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 six months ended September 30, 2024:			
Foreign currency translation adjustments:			
Foreign currency translation adjustments	$ 88	$ —	$ 88
Unrealized gains (losses) on net investment hedges	(28)	—	(28)
Total foreign currency translation adjustments	$ 60	$ —	$ 60
Unrealized gains (losses) on cash flow hedges:			
Unrealized gains (losses) arising during the period	$ (15)	$ 4	$ (11)
Reclassification of (gains) losses to net income	—	—	—
Total unrealized gains (losses) on cash flow hedges	$ (15)	$ 4	$ (12)
Retirement-related benefit plans – amortization of net (gains) losses*	$ 8	$ (2)	$ 6
Other comprehensive income	$ 53	$ 1	$ 54
For the six months ended September 30, 2023:			
Foreign currency translation adjustments	$ (125)	$ —	$ (125)
Unrealized gains (losses) on cash flow hedges:			
Unrealized gains (losses) arising during the period	$ 26	$ (5)	$ 21
Reclassification of (gains) losses to net income	(5)	1	(4)
Total unrealized gains (losses) on cash flow hedges	$ 21	$ (4)	$ 17
Retirement-related benefit plans – amortization of net (gains) losses*	$ 4	$ (1)	$ 3
Other comprehensive income (loss)	$ (100)	$ (5)	$ (104)

* These AOCI components are included in the computation of net periodic benefit cost. Refer to Note 13 – 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)
July 1, 2024	$ (1)	$ (1,016)	$ (175)	$ (1,192)
Other comprehensive income (loss)	(10)	109	3	102
September 30, 2024	$ (11)	$ (907)	$ (172)	$ (1,090)
July 1, 2023	$ 13	$ (936)	$ (140)	$ (1,062)
Other comprehensive income (loss)	4	(109)	1	(105)
September 30, 2023	$ 17	$ (1,045)	$ (139)	$ (1,167)

(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, 2024	$ —	$ (967)	$ (178)	$ (1,145)
Other comprehensive income (loss)	(12)	60	6	54
September 30, 2024	$ (11)	$ (907)	$ (172)	$ (1,090)
April 1, 2023	$ —	$ (921)	$ (142)	$ (1,062)
Other comprehensive income (loss)	17	(125)	3	(104)
September 30, 2023	$ 17	$ (1,045)	$ (139)	$ (1,167)

* Foreign currency translation adjustments are presented gross.

NOTE 13. RETIREMENT-RELATED BENEFITS

The following table presents the components of net periodic pension cost for the defined benefit pension plans recognized in the Consolidated Income Statement for the three and six months ended September 30, 2024 and 2023.

	Three Months Ended September 30,		Six Months Ended September 30,	
(Dollars in millions)	2024	2023	2024	2023
Service cost	$ 9	$ 9	$ 18	$ 19
Interest cost*	13	15	27	29
Expected return on plan assets*	(15)	(16)	(30)	(30)
Amortization of prior service costs (credits)*	—	—	1	1
Curtailments and settlements*	1	—	1	—
Recognized actuarial losses (gains)*	4	1	8	3
Net periodic pension cost	$ 12	$ 9	$ 24	$ 21

* These components of net periodic pension cost are included in other expense in the Consolidated Income Statement.

The components of net periodic benefit cost for the nonpension postretirement benefit plans and multi-employer plans recognized in the Consolidated Income Statement were not material for any period presented.

Notes to Consolidated Financial Statements (continued)

NOTE 14. WORKFORCE REBALANCING AND SITE-RATIONALIZATION CHARGES

During the six months ended September 30, 2024, the Company initiated actions to reduce our overall cost structure and increase our operating efficiency which we expect to continue through the end of the 2025 fiscal year. These actions resulted in workforce rebalancing charges, and charges related to ceasing to use leased and owned fixed assets (collectively, the "Fiscal 2025 Program"). We expect the total charges to be incurred related to the Fiscal 2025 Program to be approximately $140 million, consisting of $100 million in workforce rebalancing charges and $40 million in charges related to ceasing to use leased and owned fixed assets. The Company expects that these actions will reduce future payroll costs, rent expenses and depreciation of property and equipment.

During the year ended March 31, 2023, the Company initiated actions to reduce our overall cost structure and increase our operating efficiency, which continued through the year ended March 31, 2024. These actions resulted in workforce rebalancing charges, charges related to ceasing to use leased and owned fixed assets, and lease termination charges (collectively, the "Fiscal 2024 Program"). The total charges incurred related to the Fiscal 2024 Program were approximately $310 million, consisting of $190 million in workforce rebalancing charges and $120 million in charges related to ceasing to use leased and owned fixed assets and lease termination charges. The Company expects that these actions will reduce future payroll costs, rent expenses and depreciation of property and equipment.

The following table presents the segment breakout of charges incurred during the three and six months ended September 30, 2024 and 2023.

	Three Months Ended September 30,		Six Months Ended September 30,		Costs Incurred to Date	
(Dollars in millions)	**2024**	**2023**	**2024**	**2023**	**Fiscal 2025 Program**	**Fiscal 2024 Program**
United States	$ 21	$ 3	$ 41	$ 15	$ 42	$ 41
Japan	2	—	3	2	3	4
Principal Markets(1)	9	18	14	38	12	141
Strategic Markets(1)	17	17	36	49	39	109
Sub-total	$ 49	$ 39	$ 94	$ 104	$ 97	$ 294
Corporate and other	—	—	—	3	—	13
Total charges	$ 49	$ 39	$ 94	$ 107	$ 97	$ 307

(1) Kyndryl's operations in Australia/New Zealand transitioned from Principal Markets to Strategic Markets in the quarter ended June 30, 2024; historical segment information has been recast to reflect this change.

The following table presents the classification of workforce rebalancing and site-rationalization activities in the Consolidated Income Statement during the three and six months ended September 30, 2024 and 2023.

	Three Months Ended September 30,		Six Months Ended September 30,		Costs Incurred to Date	
(Dollars in millions)	**2024**	**2023**	**2024**	**2023**	**Fiscal 2025 Program**	**Fiscal 2024 Program**
Cost of services	$ 10	$ (3)	$ 18	$ (3)	$ 18	$ 94
Selling, general and administrative expenses	—	3	2	13	2	25
Workforce rebalancing charges	39	39	74	97	77	187
Total charges	$ 49	$ 39	$ 94	$ 107	$ 97	$ 307

Notes to Consolidated Financial Statements (continued)

The following table presents the components of and changes in our workforce rebalancing and site-rationalization charges liabilities during the six months ended September 30, 2024.

(Dollars in millions)	Workforce Rebalancing Liabilities*	Liabilities Related to Ceasing to Use Leased Assets	Total
Fiscal 2024 Program			
Balance at March 31, 2024	$ 28	$ —	$ 28
Charges	—	—	—
Cash payments	(25)	—	(25)
Non-cash adjustments	(3)	—	(3)
Balance at September 30, 2024	$ —	$ —	$ —
Fiscal 2025 Program			
Balance at March 31, 2024	$ —	$ —	$ —
Charges	78	20	97
Cash payments	(54)	—	(54)
Non-cash adjustments	—	(20)	(20)
Balance at September 30, 2024	$ 23	$ —	$ 23

* The Fiscal 2024 Program excludes workforce rebalancing liabilities inherited from our former Parent of $29 million as of March 31, 2024. Current-year movement excludes cash payments of $7 million and ending balance of $22 million related to actions initiated by our former Parent. Workforce rebalancing liabilities are recorded within other liabilities in the Consolidated Balance Sheet.

NOTE 15. SUBSEQUENT EVENT

The Company completed the sale of the SIS business described in Note 8 – Acquisitions and Divestitures in November 2024. The accounting for the divestiture, including the calculation of the expected gain, has not yet been completed.

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2024

Overview

(Dollars in millions)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Six Months Ended September 30, 2024	Six Months Ended September 30, 2023
Revenue	$ 3,774	$ 4,073	$ 7,513	$ 8,266
Revenue growth (GAAP)	(7)%	(3)%	(9)%	(2)%
Revenue growth in constant currency[1]	(7)%	(5)%	(8)%	(3)%
Net income (loss)	$ (43)	$ (142)	$ (32)	$ (283)
Adjusted EBITDA[1]	$ 557	$ 574	$ 1,113	$ 1,186

(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)	September 30, 2024	March 31, 2024
Assets	$ 10,396	$ 10,590
Liabilities	9,224	9,468
Equity	1,172	1,122

Organization of Information

Kyndryl Holdings, Inc. was formed as a wholly-owned subsidiary of IBM in September 2021 to hold the operations of the infrastructure services unit of IBM's Global Technology Services segment. On November 3, 2021, Kyndryl separated from IBM through a spin-off that was tax-free for U.S. federal tax purposes. Following the Separation, Kyndryl became an independent, publicly-traded company and the world's leading IT infrastructure services provider.

Financial Performance Summary

Macro Dynamics

In fiscal year 2025, we have seen continuing demand for information technology services, despite concerns about economic growth and geopolitical tensions. Most economists, including the International Monetary Fund, expect positive macroeconomic growth to continue in calendar years 2024 and 2025.

Financial Performance

For the three months ended September 30, 2024, we reported $3.8 billion in revenue, a decline of 7 percent compared to the prior-year period. The revenue decline was largely attributable to actions the Company has taken to reduce low-margin components of its customer relationships. United States revenue declined 13 percent, Japan revenue increased 6 percent, Principal Markets revenue declined 4 percent and Strategic Markets revenue decreased 12 percent, in each case compared to the three months ended September 30, 2023. Net loss of $43 million improved by $99 million versus the prior-year period driven by a combination of lower depreciation expenses resulting from the change of useful life of information technology equipment effective April 1, 2024 (a net year-over-year benefit of $50 million), lower transaction-related costs, and progress on our key initiatives to drive operating efficiencies and increased margins, partially offset by increased software costs.

Management Discussion (continued)

For the six months ended September 30, 2024, we reported $7.5 billion in revenue, a decline of 9 percent compared to the prior-year period. The revenue decline was largely attributable to actions the Company has taken to reduce low-margin components of its customer relationships, as well as currency effects. United States revenue declined 14 percent, Japan revenue was unchanged (but increased in constant currency), Principal Markets revenue declined 5 percent and Strategic Markets revenue decreased 14 percent, in each case compared to the six months ended September 30, 2023. Net loss of $32 million improved by $251 million versus the prior-year period driven by a combination of lower depreciation expenses resulting from the change of useful life of information technology equipment effective April 1, 2024 (a net year-over-year benefit of $110 million), lower transaction-related costs, progress on our key initiatives to drive operating efficiencies and increased margins, and a vendor credit, partially offset by increased software costs.

Segment Results

The Company made a minor change to its geographic reportable segments effective June 1, 2024 to reflect how the Company manages its operations and measures business performance, transitioning the reporting and management of its operations in Australia/New Zealand from the Principal Markets segment to the Strategic Markets segment. All historical segment information has been recast to reflect this change. The following table presents our reportable segments' revenue and adjusted EBITDA for the three and six months ended September 30, 2024 and 2023. Segment revenue and revenue growth in constant currency exclude any transactions between the segments.

(Dollars in millions)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Year-over-Year Change 2024 vs. 2023	Six Months Ended September 30, 2024	Six Months Ended September 30, 2023	Year-over-Year Change 2024 vs. 2023
Revenue						
United States	$ 960	$ 1,108	(13)%	$ 1,946	$ 2,272	(14)%
Japan	604	569	6 %	1,174	1,180	(0)%
Principal Markets	1,318	1,376	(4)%	2,633	2,768	(5)%
Strategic Markets	892	1,019	(12)%	1,761	2,046	(14)%
Total revenue	$ 3,774	$ 4,073	(7)%	$ 7,513	$ 8,266	(9)%
Revenue growth in constant currency(1)	(7)%	(5)%		(8)%	(3)%	
Adjusted EBITDA(1)						
United States	$ 159	$ 176	(10)%	$ 292	$ 412	(29)%
Japan	94	84	12 %	177	184	(4)%
Principal Markets	187	169	10 %	428	320	34 %
Strategic Markets	138	166	(17)%	258	315	(18)%
Corporate and other(2)	(22)	(21)	NM	(42)	(45)	NM
Total adjusted EBITDA(1)	$ 557	$ 574	(3)%	$ 1,113	$ 1,186	(6)%

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 enhances 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 going forward.

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

Management Discussion (continued)

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 income taxes, 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/fixed assets, charges related to lease terminations, transaction-related costs, pension expenses other than pension servicing costs and multi-employer plan costs, stock-based compensation expense, workforce rebalancing charges incurred prior to March 31, 2024, impairment expense, significant litigation costs and benefits, and 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.

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 these measures for comparative purposes.

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

	Three Months Ended September 30,		Six Months Ended September 30,	
(Dollars in millions)	**2024**	**2023**	**2024**	**2023**
Net income (loss)	$ (43)	$ (142)	$ (32)	$ (283)
Provision for income taxes	38	33	91	65
Interest expense	25	31	52	61
Depreciation of property, equipment and capitalized software	150	220	276	431
Amortization expense	347	313	664	646
Workforce rebalancing charges incurred prior to March 31, 2024	—	39	—	97
Charges related to ceasing to use leased/fixed assets and lease terminations	10	—	20	10
Transaction-related costs	—	48	21	89
Stock-based compensation expense	25	25	49	48
Other adjustments*	5	7	(27)	23
Adjusted EBITDA (non-GAAP)	$ 557	$ 574	$ 1,113	$ 1,186

* Other adjustments represent pension expenses other than pension servicing costs and multi-employer plan costs, significant litigation costs and benefits, and currency impacts of highly inflationary countries. For the three and six months ended September 30, 2023, other adjustments also include an adjustment to reduce amortization expense for the amount already included in transaction-related costs above.

United States

	Three Months Ended September 30,		Six Months Ended September 30,	
(Dollars in millions)	**2024**	**2023**	**2024**	**2023**
Revenue	$ 960	$ 1,108	$ 1,946	$ 2,272
Revenue year-over-year change	(13)%	(4)%	(14)%	(2)%
Adjusted EBITDA	$ 159	$ 176	$ 292	$ 412
Adjusted EBITDA year-over-year change	(10)%		(29)%	

For the three months ended September 30, 2024, United States revenue of $960 million decreased 13 percent compared to the prior-year quarter, driven by the Company's efforts to reduce certain low-margin revenues and the expiration of certain low- and negative-margin contracts entered into before the Spin-off. Adjusted EBITDA decreased

Management Discussion (continued)

$17 million from the prior-year quarter, primarily driven by the impact of the inclusion of workforce rebalancing charges in adjusted EBITDA in fiscal 2025.

For the six months ended September 30, 2024, United States revenue of $1.9 billion decreased 14 percent compared to the prior-year period, driven by the Company's efforts to reduce certain low-margin revenues and the expiration of certain low- and negative-margin contracts entered into before the Spin-off. Adjusted EBITDA decreased $120 million from the prior-year period, primarily driven by lower revenue and the impact of the inclusion of workforce rebalancing charges in adjusted EBITDA in fiscal 2025.

Japan

	Three Months Ended September 30,		Six Months Ended September 30,	
(Dollars in millions)	**2024**	**2023**	**2024**	**2023**
Revenue	$ 604	$ 569	$ 1,174	$ 1,180
Revenue year-over-year change	6 %	(7)%	(0)%	(6)%
Revenue growth in constant currency	9 %	(3)%	7 %	(1)%
Adjusted EBITDA	$ 94	$ 84	$ 177	$ 184
Adjusted EBITDA year-over-year change	12 %		(4)%	

For the three months ended September 30, 2024, Japan revenue of $604 million increased 6 percent compared to the prior-year quarter, driven by increased Kyndryl Consult revenue. Adjusted EBITDA increased $10 million from the prior-year quarter, primarily driven by the increase in revenue.

For the six months ended September 30, 2024, Japan revenue of $1.2 billion was unchanged compared to the prior-year period, and increased 7 percent in constant currency. Adjusted EBITDA decreased $7 million from the prior-year period, primarily driven by unfavorable currency movements that impacted both non-yen-denominated costs and the translation of earnings into U.S. dollars.

Principal Markets

	Three Months Ended September 30,		Six Months Ended September 30,	
(Dollars in millions)	**2024**	**2023**	**2024**	**2023**
Revenue	$ 1,318	$ 1,376	$ 2,633	$ 2,768
Revenue year-over-year change	(4)%	0 %	(5)%	0 %
Revenue growth in constant currency	(5)%	(5)%	(5)%	(3)%
Adjusted EBITDA	$ 187	$ 169	$ 428	$ 320
Adjusted EBITDA year-over-year change	10 %		34 %	

For the three months ended September 30, 2024, Principal Markets revenue of $1.3 billion decreased 4 percent compared to the prior-year quarter, driven by actions the Company has taken to reduce equipment sales and other low-margin components of its customer relationships. Adjusted EBITDA increased $18 million from the prior-year quarter, primarily due to increased operating efficiencies and higher margins on recent signings.

For the six months ended September 30, 2024, Principal Markets revenue of $2.6 billion decreased 5 percent compared to the prior-year period, driven by actions the Company has taken to reduce equipment sales and other low-margin components of its customer relationships. Adjusted EBITDA increased $108 million from the prior-year period, primarily due to increased operating efficiencies and higher margins on recent signings, as well as a vendor credit.

Management Discussion (continued)

Strategic Markets

(Dollars in millions)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Six Months Ended September 30, 2024	Six Months Ended September 30, 2023
Revenue	$ 892	$ 1,019	$ 1,761	$ 2,046
Revenue year-over-year change	(12)%	(2)%	(14)%	(4)%
Revenue growth in constant currency	(11)%	(8)%	(13)%	(6)%
Adjusted EBITDA	$ 138	$ 166	$ 258	$ 315
Adjusted EBITDA year-over-year change	(17)%		(18)%	

For the three months ended September 30, 2024, Strategic Markets revenue of $892 million decreased 12 percent compared to the prior-year quarter. The revenue decline was largely attributable to actions the Company has taken to reduce equipment sales and other low-margin components of its customer relationships. Adjusted EBITDA decreased $28 million from the prior-year quarter primarily due to revenue declines and the impact of the inclusion of workforce rebalancing charges in adjusted EBITDA in fiscal 2025.

For the six months ended September 30, 2024, Strategic Markets revenue of $1.8 billion decreased 14 percent compared to the prior-year period. The revenue decline was largely attributable to actions the Company has taken to reduce equipment sales and other low-margin components of its customer relationships. Adjusted EBITDA decreased $57 million from the prior-year period primarily due to revenue declines and the impact of the inclusion of workforce rebalancing charges in adjusted EBITDA in fiscal 2025.

Corporate and Other

Corporate and other had an adjusted EBITDA loss of $22 million in the three months ended September 30, 2024, compared to a loss of $21 million in the three months ended September 30, 2023. Corporate and other had an adjusted EBITDA loss of $42 million in the six months ended September 30, 2024, compared to a loss of $45 million in the six months ended September 30, 2023.

Costs and Expenses

(Dollars in millions)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Percent of Revenue 2024	Percent of Revenue 2023	Change 2024 vs. 2023
Revenue	$ 3,774	$ 4,073	100.0 %	100.0 %	(7)%
Cost of services	3,024	3,422	80.1 %	84.0 %	(12)%
Selling, general and administrative expenses	647	634	17.1 %	15.6 %	2 %
Workforce rebalancing charges	39	39	1.0 %	1.0 %	(1)%
Transaction-related costs	—	48	0.0 %	1.2 %	(100)%
Interest expense	25	31	0.7 %	0.8 %	(21)%
Other expense	44	8	1.2 %	0.2 %	439 %
Income (loss) before income taxes	$ (5)	$ (109)			

Cost of services was 80.1% of revenue in the three months ended September 30, 2024, compared to 84.0% in the three months ended September 30, 2023, driven by lower depreciation expenses, increased operating efficiencies and higher margins on recent signings. Selling, general and administrative expenses were 17.1% of revenue in the three months ended September 30, 2024 compared to 15.6% in the prior-year quarter, primarily due to lower revenue. Interest expense was 0.7% of revenue in the three months ended September 30, 2024 compared to 0.8% in the prior-year quarter. Other expense was 1.2% of revenue in the three months ended September 30, 2024 compared to 0.2% in the prior-year quarter, driven by currency-related hedging losses recorded this year.

Management Discussion (continued)

(Dollars in millions)	Six Months Ended September 30, 2024	2023	Percent of Revenue 2024	2023	Change 2024 vs. 2023
Revenue	$ 7,513	$ 8,266	100.0 %	100.0 %	(9)%
Cost of services	5,958	6,871	79.3 %	83.1 %	(13)%
Selling, general and administrative expenses	1,304	1,353	17.4 %	16.4 %	(4)%
Workforce rebalancing charges	74	97	1.0 %	1.2 %	(23)%
Transaction-related costs	21	89	0.3 %	1.1 %	(77)%
Interest expense	52	61	0.7 %	0.7 %	(14)%
Other expense	44	13	0.6 %	0.2 %	249 %
Income (loss) before income taxes	$ 59	$ (218)			

Cost of services was 79.3% of revenue in the six months ended September 30, 2024, compared to 83.1% in the six months ended September 30, 2023, driven by lower depreciation expenses, increased operating efficiencies, higher margins on recent signings, and a vendor credit. Selling, general and administrative expenses were 17.4% of revenue in the six months ended September 30, 2024 compared to 16.4% in the prior-year period, driven by lower revenue, partially offset by the release of a legal reserve. Workforce rebalancing charges were 1.0% of revenue in the six months ended September 30, 2024 versus 1.2% of revenue in the prior-year period. Interest expense was 0.7% of revenue in the six months ended September 30, 2024 and 2023. Other expense was 0.6% of revenue in the six months ended September 30, 2024 compared to 0.2% in the prior-year period, driven by currency-related hedging losses recorded this year.

Transaction-Related Costs

The Company classifies certain expenses and benefits related to the Separation, acquisitions and divestitures (if any) as “transaction-related costs” in the Consolidated Income Statement. Transaction-related costs include employee retention expenses, information technology costs, marketing expenses to establish the Kyndryl brand, legal, accounting, consulting and other professional service costs required, pre-Separation and post-Separation, to prepare for and execute the Separation, costs and benefits resulting from settlements with our former Parent associated with pre-Separation and Separation-related matters, and other costs related to contract and supplier novation and integration.

Workforce Rebalancing and Site-Rationalization Charges

Fiscal 2025 Program

During the six months ended September 30, 2024, management initiated actions to reduce the Company’s overall cost structure and increase our operating efficiency. These actions will result in workforce rebalancing charges, charges related to ceasing to use leased and owned fixed assets, and charges related to lease terminations. During the three months ended September 30, 2024, the Company recorded $39 million in workforce rebalancing charges and $10 million in charges related to ceasing to use leased and owned fixed assets including lease termination charges. During the six months ended September 30, 2024, the Company recorded $74 million in workforce rebalancing charges and $20 million in charges related to ceasing to use leased and owned fixed assets, including lease termination charges.

Total cash outlays for this program are expected to be $140 million, of which approximately $60 million has been paid through September 30, 2024 and approximately $50 million is expected to be paid through the end of fiscal year 2025, and the remainder thereafter. Management expects that these workforce rebalancing and site-rationalization activities will reduce payroll costs, rent expenses and depreciation of property and equipment by more than $200 million in fiscal year 2026. There can be no guarantee that we will achieve our expected cost savings.

The Company will continue to seek opportunities to improve operational efficiency and reduce costs, which may result in additional charges in future periods. For additional information, see Note 14 – Workforce Rebalancing and Site-Rationalization Charges in the accompanying Consolidated Financial Statements.

Management Discussion (continued)

Fiscal 2024 Program

During the year ended March 31, 2023, management initiated certain actions to reduce the Company's overall cost structure and increase our operating efficiency, which continued through the year ended March 31, 2024. These actions resulted in workforce rebalancing charges, charges related to ceasing to use leased and owned fixed assets, and charges related to lease terminations. Workforce rebalancing charges arise from cost-reduction actions to enhance productivity and cost-competitiveness and to rebalance skills that result in payments to the terminated employees. In addition, we identified certain leased and owned assets that were inherited from IBM as a result of the Separation that we determined will no longer provide any economic benefit to Kyndryl. During the three months ended September 30, 2023, the Company recognized $39 million in workforce rebalancing charges. During the six months ended September 30, 2023, the Company recognized $97 million in workforce rebalancing charges and $10 million in charges related to ceasing to use leased and owned fixed assets and lease termination charges.

Total cash outlays for this program were $300 million, of which approximately $250 million has been paid through September 30, 2024 (including approximately $50 million of contractual payments toward leased assets we have ceased to use) and approximately $15 million is expected to be paid in fiscal year 2025. Management estimates that these workforce rebalancing and site-rationalization activities will reduce payroll costs, rent expenses and depreciation of property and equipment by approximately $400 million in fiscal year 2025. There can be no guarantee that we will achieve our expected cost savings.

Income Taxes

The provision for income taxes for the three months ended September 30, 2024 was $38 million of expense, compared to $33 million of expense for the three months ended September 30, 2023. Our income tax expense for the three months ended September 30, 2024 and 2023 was primarily related to taxes on foreign operations and valuation allowances recorded in certain jurisdictions against deferred tax assets that are not more likely than not to be realized.

The provision for income taxes for the six months ended September 30, 2024 was $91 million of expense, compared to $65 million of expense for the six months ended September 30, 2023. Our income tax expense for the six months ended September 30, 2024 and 2023 was primarily related to taxes on foreign operations and valuation allowances recorded in certain jurisdictions against deferred tax assets that are not more likely than not to be realized.

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 $10.4 billion decreased by $194 million (and decreased by $363 million adjusted for currency) from March 31, 2024, primarily driven by: a decrease in cash and cash equivalents of $228 million mainly due to payments for annual license agreements and annual incentives; and a decrease of $158 million in accounts receivable mainly due to lower revenue; partially offset by an increase of $109 million in prepaid expenses and other current assets mainly due to prepayment for software subscriptions and currency effects.

Total liabilities of $9.2 billion decreased by $244 million (and decreased by $375 million adjusted for currency) from March 31, 2024, primarily as a result of: a decrease in accounts payable of $168 million due to lower costs; a decrease in accrued contract costs of $83 million due to lower volumes; and a decrease in accrued compensation and

Management Discussion (continued)

benefits of $71 million due to payments of annual incentives, partially offset by currency effects. Total equity of $1.2 billion increased by $50 million from March 31, 2024, principally due to our comprehensive income in the period.

Cash Flow

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

(Dollars in millions)	Six Months Ended September 30, 2024	Six Months Ended September 30, 2023
Net cash provided by (used in):		
Operating activities	$ 101	$ (127)
Investing activities	(241)	(208)
Financing activities	(101)	(80)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	17	(33)
Net change in cash, cash equivalents and restricted cash	$ (224)	$ (448)

Net cash provided by operating activities was $101 million in the six months ended September 30, 2024, compared to a net cash use of $127 million in the prior-year period mainly due to higher margins.

Net cash used in investing activities was $241 million in the six months ended September 30, 2024, compared to a net cash use of $208 million in the prior-year period due to the acquisition of Skytap.

Net cash used in financing activities totaled $101 million in the six months ended September 30, 2024, compared to net cash used in financing activities of $80 million in the prior-year period.

Other Information

Signings

The following table presents the Company's signings for the three and six months ended September 30, 2024 and 2023.

(Dollars in billions)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Six Months Ended September 30, 2024	Six Months Ended September 30, 2023
Total signings	$ 5.6	$ 2.4	$ 8.7	$ 5.2

Signings increased by $3.2 billion in the three months ended September 30, 2024, or 132%, compared to the prior-year quarter, and signings increased by $3.5 billion in the six months ended September 30, 2024, or 67%, compared to the six months ended September 30, 2023, driven by growth in each of our four operating segments. 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.

Management Discussion (continued)

Liquidity and Capital Resources

We believe that our existing cash and cash equivalents and the Company's 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% Senior Notes due 2041 (the "Initial Notes"). The Initial 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. In connection with the issuance of the Initial Notes, we entered into a registration rights agreement with the purchasers of the Initial Notes, pursuant to which we completed a registered offering to exchange each series of Initial Notes for new notes with substantially identical terms during the quarter ended September 30, 2022.

In February 2024, we completed a registered offering of $500 million in aggregate principal amount of 6.35% senior unsecured notes due 2034 (the "2034 Notes"). We received proceeds of $494 million, net of debt issuance costs and discounts. The 2034 Notes are the Company's senior unsecured obligations and rank equally in right of payment with all of the Company's other existing and future senior unsecured indebtedness.

The Initial Notes and the 2034 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.

Revolving Credit Facility

In October 2021, we entered into a $3.15 billion multi-currency revolving credit agreement (the "Revolving Credit Agreement"), which expires, unless extended, in October 2026. The Revolving Credit Agreement was amended in June 2023, replacing the London Interbank Offered Rate ("LIBOR") with the Secured Overnight Financing Rate ("SOFR"). Interest rates on borrowings under the Revolving Credit Agreement will be based on prevailing market interest rates, plus a margin, as further described in the Revolving Credit Agreement. As of September 30, 2024, there has been no drawdown on the Revolving Credit Agreement.

The Revolving Credit Agreement includes certain customary mandatory prepayment provisions. In addition, it includes 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 Revolving Credit Agreement) for any period of four consecutive fiscal quarters be no greater than 3.50 to 1.00. The Company is in compliance with its debt covenants.

Transfers of Financial Assets

The Company has entered into arrangements with third-party financial institutions to sell certain financial assets (primarily trade receivables) without recourse. The Company has 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. The first agreement, which was executed in November 2021 and subsequently amended, enabled us to sell certain of our trade receivables to the counterparty. 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 either party elects not to extend. This agreement was further amended during the quarter ended September 30, 2024 to reduce the committed facility limit from $1 billion to $600 million and to add an incremental uncommitted facility limit of $200 million that is subject to the counterparty's sole discretion to purchase such incremental amount. The second agreement was executed in June 2022 with a separate third-party financial institution and renews automatically on its anniversary date, unless either party elects not to extend.

Management Discussion (continued)

The net proceeds from these agreements are reflected as cash provided by operating activities in the Consolidated Statement of Cash Flows. Gross proceeds from receivables sold to third parties under the aforementioned programs were $1.1 billion and $1.9 billion for the three and six months ended September 30, 2024, respectively, and $913 million and $2.1 billion for the three and six months ended September 30, 2023, respectively. The fees associated with the transfers of receivables were $10 million and $20 million for the three and six months ended September 30, 2024, respectively, and $12 million and $28 million for the three and six months ended September 30, 2023, respectively.

Supplier Financing Program

In the year ended March 31, 2024, the Company initiated a supplier financing program with a third-party financial institution under which the Company agrees to pay the financial institution the stated amounts of invoices from participating suppliers on the originally invoiced due date, which have an average term of 90 to 120 days. The financial institution offers earlier payment of the invoices at the sole discretion of the supplier for a discounted amount. The Company does not provide secured legal assets or other forms of guarantees under the arrangements. The Company is not a party to the arrangement between its suppliers and the financial institution. The Company or the financial institution may terminate the agreement upon at least 180 days' notice. The Company's obligations under this program continue to be recognized as accounts payable in the Consolidated Balance Sheet. The obligations outstanding under this program were immaterial at September 30, 2024 and March 31, 2024.

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 March 31, 2024 for more information; we refer to the Annual Report on Form 10-K for the fiscal year ended March 31, 2024 as the "Form 10-K".

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 "aim," "anticipate," "believe," "contemplate," "could," "estimate," "expect," "forecast," "intend," "may," "opportunity," "plan," "position," "predict," "project," "should," "seek," "target," "will," "would" 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:

- failure to attract new customers, retain existing customers or sell additional services to customers;
- failure to meet growth and productivity objectives;
- competition;
- impacts of relationships with critical suppliers and partners;
- failure to address and adapt to technological developments and trends;
- inability to attract and retain key personnel and other skilled employees;
- impact of economic, political, public health and other conditions;
- damage to the Company's reputation;
- inability to accurately estimate the cost of services and the timeline for completion of contracts;
- service delivery issues;

Management Discussion (continued)

- the Company's ability to successfully manage acquisitions 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;
- failure of the Company's intellectual property rights to prevent competitive offerings and the failure of the Company to obtain, retain and extend necessary licenses;
- the impairment of our goodwill or long-lived assets;
- risks relating to cybersecurity, data governance and privacy;
- risks relating to non-compliance with legal and regulatory requirements;
- adverse effects from tax matters and environmental matters;
- legal proceedings and investigatory risks and potential indemnification obligations;
- impact of changes in market liquidity conditions and customer credit risk on receivables;
- the Company's pension plans;
- the impact of currency fluctuations;
- risks related to the Company's spin-off from IBM;
- risks related to deficiencies identified in our information technology controls; 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 for the fiscal year ended March 31, 2024, as such factors may be updated from time to time in the Company's subsequent 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, whether as a result of new information, future events or otherwise.

Available Information

We routinely post on or make accessible through our corporate website at www.kyndryl.com and Investor Relations website at https://investors.kyndryl.com information that may be material or of interest to our investors, including news and materials regarding our financial performance, business developments, investor events and other important information regarding the Company. 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. We encourage investors, media, our customers, consumers, business partners and others interested in our Company to review the information we provide through these channels. The information contained on the websites referenced above is not, and shall not be deemed to be, incorporated into this filing or any of our other filings with the SEC.

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 not effective as of the end of the period covered by this report due to a material weakness in internal control over financial reporting in the area of our information technology general controls ("ITGCs") that was disclosed in Part II, Item 9A of the Company's Form 10-K. The deficiencies in ITGCs were related to access and program development and change management controls associated with the Company's large-scale migration in a compressed timeframe of its internal operating systems to a new enterprise resource planning system, which was required to replace the systems temporarily being made available to the Company by our former Parent following our Spin-off. These control deficiencies did not result in a misstatement to the annual or interim consolidated financial statements previously filed or included in this Form 10-Q.

Changes in Internal Control over Financial Reporting

There have been no changes 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 quarter ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting other than the ongoing remediation of the ITGC deficiencies described below.

Remediation

The Company has substantially completed the design and implementation, and has begun testing the operating effectiveness, of controls to address ITGC deficiencies that were previously described in Part II, Item 9A of the Company's Form 10-K. These controls include but are not limited to (i) implementing and/or formalizing additional controls across our information technology environment, including user access and segregation of duty controls, program development and change management controls, and certain computer operations controls, and (ii) training of relevant personnel on the design and operation of any new or modified ITGCs. The deficiencies will not be considered fully remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. The remediation plan is subject to ongoing management review, as well as oversight by the Audit Committee of our Board.

Part II — Other Information

Item 1. Legal Proceedings

Refer to Note 11 – 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 our Form 10-K for the year ended March 31, 2024. 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, Use of Proceeds, and Issuer Purchases of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months ended September 30, 2024, none of the Company’s directors or executive officers adopted, terminated or modified a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement” as such terms are defined in Item 408 of Regulation S-K.

Item 6. Exhibits

Exhibit Number	Description of Exhibit
2.1	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	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	Amended and Restated Bylaws of the registrant, effective January 25, 2023, 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	Fourth Amendment to Amended and Restated Receivable Purchase Agreement, dated July 26, 2024, by and among Banco Santander S.A., Kyndryl, Inc. and Kyndryl Holdings, Inc. (filed herewith)
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: November 7, 2024

By: /s/ Vineet Khurana

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

Exhibit 10.1

FOURTH AMENDMENT
TO AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT

THIS FOURTH AMENDMENT TO AMENDED AND RESTATED RECEIVABLES PURCHASE AGREEMENT (this "Amendment"), dated as of July 26, 2024 (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 Second Amendment to Amended and Restated Receivables Purchase Agreement dated September 21, 2022, and the Third Amendment to Amended and Restated Receivables Purchase Agreement dated December 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 (Committed Facility; Facility Limit) is hereby deleted in its entirety and replaced with the following:

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, except for the Incremental Facility as set forth below, 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 in addition may, on an uncommitted basis purchase EPP Receivables, in the Purchaser's sole discretion, for an amount in excess of the Facility Limit ("Incremental Facility") up to the Incremental Facility Limit 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. In Section 13.16 of the Agreement (Amendments), subsection (a) is hereby deleted in its entirety and replaced with the following:

(a) the Seller Schedule, Seller Accounts, Obligor Schedule, Performance Triggers and the definition of Facility Limit and Incremental 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"

3. 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:

"Facility Limit" means $600,000,000.00.

In Appendix A to the Agreement (Certain Defined Terms), the following additional defined terms are hereby added:

- "Incremental Facility Limit" means $200,000,000.00.

4. Schedule 4-A (*CURRENCY AND INTEREST RATE INFORMATION*) of the Agreement shall be replaced as Schedule 4-A contained in Annex A of this Amendment.

5. Schedule 4-B (*EFFECT OF BENCHMARK TRANSITION EVENT*) of the Agreement shall be replaced as Schedule 4-B contained in Annex B of this Amendment.

For avoidance of doubt the parties agree that the replacement Schedule 4-A and Schedule 4-B shall solely apply to Receivables sold on or after July 1, 2024.

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/ Ignacio Frutos
Name: Ignacio Frutos
Title: Authorized Signor

By: /s/ Belen Humanes
Name: Belen Humanes
Title: Authorized Signor

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) 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

d) 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: November 7, 2024

/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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) 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

d) 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: November 7, 2024

/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 September 30, 2024, 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: November 7, 2024

/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 September 30, 2024, 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: November 7, 2024

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