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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 JUNE 30, 2025

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)

**855-596-3795**

(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:**

<u>Title of each class</u>	<u>Trading symbol(s)</u>	<u>Name of each exchange on which registered</u>
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 13 or 15(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   
Non-accelerated filer

Accelerated filer   
Smaller reporting company   
Emerging growth company

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

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

The number of shares of the registrant's Common Stock, par value \$0.01 per share, outstanding at July 29, 2025 was 231,143,968.

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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 June 30,	
	2025	2024
<b>Revenues</b>	\$ 3,743	\$ 3,739
Cost of services	\$ 2,947	\$ 2,934
Selling, general and administrative expenses	646	657
Workforce rebalancing charges	25	36
Transaction-related costs	—	20
Interest expense	19	28
Other expense	13	—
<b>Total costs and expenses</b>	<u>\$ 3,651</u>	<u>\$ 3,675</u>
<b>Income before income taxes</b>	\$ 92	\$ 64
<b>Provision for income taxes</b>	\$ 36	\$ 53
<b>Net income</b>	<u>\$ 56</u>	<u>\$ 11</u>
Basic earnings per share	\$ 0.24	\$ 0.05
Diluted earnings per share	\$ 0.23	\$ 0.05
Weighted-average basic shares outstanding	230.2	230.5
Weighted-average diluted shares outstanding	239.1	235.8

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

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

	<b>Three Months Ended June 30,</b>	
	<b>2025</b>	<b>2024</b>
<b>Net income</b>	\$ 56	\$ 11
<b>Other comprehensive income (loss), before tax:</b>		
Foreign currency translation adjustments:		
Foreign currency translation adjustments	222	(63)
Unrealized gains (losses) on net investment hedges	(152)	14
Total foreign currency translation adjustments	71	(49)
Unrealized gains (losses) on cash flow hedges:		
Unrealized gains (losses) arising during the period	(10)	(1)
Reclassification of (gains) losses to net income	2	—
Total unrealized gains (losses) on cash flow hedges	(8)	(1)
Retirement-related benefit plans – amortization of net (gains) losses	3	4
<b>Other comprehensive income (loss), before tax</b>	66	(46)
<b>Income tax (expense) benefit related to items of other comprehensive income (loss)</b>	—	(2)
<b>Other comprehensive income (loss), net of tax</b>	66	(48)
<b>Total comprehensive income (loss)</b>	<u>\$ 122</u>	<u>\$ (37)</u>

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

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

	June 30, 2025	March 31, 2025
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	\$ 1,462	\$ 1,786
Restricted cash	4	3
Accounts receivable (net of allowances for credit losses of \$9 at June 30, 2025 and \$13 at March 31, 2025)	1,277	1,345
Deferred costs (current portion)	1,144	1,009
Prepaid expenses and other current assets	580	446
<b>Total current assets</b>	<b>\$ 4,468</b>	<b>\$ 4,589</b>
Property and equipment, net		
Property and equipment, net	\$ 2,634	\$ 2,570
Operating right-of-use assets, net	849	731
Deferred costs (noncurrent portion)	1,968	1,040
Deferred taxes	222	204
Goodwill	793	790
Intangible assets, net	168	218
Pension assets	166	148
Other noncurrent assets	227	162
<b>Total assets</b>	<b>\$ 11,495</b>	<b>\$ 10,452</b>
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable	\$ 1,144	\$ 1,351
Value-added tax and income tax liabilities	289	256
Current portion of long-term debt	128	129
Accrued compensation and benefits	437	652
Deferred income (current portion)	854	746
Operating lease liabilities (current portion)	289	274
Accrued contract costs	463	437
Other accrued expenses and liabilities	640	454
<b>Total current liabilities</b>	<b>\$ 4,242</b>	<b>\$ 4,300</b>
Long-term debt		
Long-term debt	\$ 3,014	\$ 3,042
Retirement and nonpension postretirement benefit obligations	517	483
Deferred income (noncurrent portion)	441	341
Operating lease liabilities (noncurrent portion)	602	511
Other noncurrent liabilities	1,336	443
<b>Total liabilities</b>	<b>\$ 10,151</b>	<b>\$ 9,121</b>
Commitments and contingencies		
<b>Equity:</b>		
Stockholders' equity		
Common stock, par value \$0.01 per share, and additional paid-in capital (shares authorized: 1,000.0; shares issued: June 30, 2025 – 242.2, March 31, 2025 – 238.2)	\$ 4,656	\$ 4,631
Accumulated deficit	(2,011)	(2,067)
Treasury stock, at cost (shares: June 30, 2025 – 11.1, March 31, 2025 – 7.5)	(317)	(184)
Accumulated other comprehensive income (loss)	(1,094)	(1,160)
<b>Total stockholders' equity before non-controlling interests</b>	<b>\$ 1,234</b>	<b>\$ 1,219</b>
Non-controlling interests	110	113
<b>Total equity</b>	<b>\$ 1,343</b>	<b>\$ 1,331</b>
<b>Total liabilities and equity</b>	<b>\$ 11,495</b>	<b>\$ 10,452</b>

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

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

	Three Months Ended June 30,	
	2025	2024
<b>Cash flows from operating activities:</b>		
Net income	\$ 56	\$ 11
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization:		
Depreciation of property, equipment and capitalized software	191	127
Depreciation of right-of-use assets	73	70
Amortization of transition costs and prepaid software	308	310
Amortization of capitalized contract costs	106	107
Amortization of acquisition-related intangible assets	7	7
Stock-based compensation	24	24
Deferred taxes	(10)	17
Net (gain) loss on asset sales and other	—	27
Change in operating assets and liabilities:		
Right-of-use assets and liabilities (excluding depreciation)	(88)	(65)
Workforce rebalancing liabilities	3	7
Receivables	46	163
Accounts payable	(269)	(122)
Taxes	27	(9)
Deferred costs (excluding amortization)	(1,381)	(363)
Other assets and other liabilities	781	(358)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (124)</b>	<b>\$ (48)</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures	\$ (143)	\$ (122)
Proceeds from disposition of property and equipment	45	24
Acquisitions and divestitures, net of cash acquired	1	(46)
Other investing activities, net	22	(22)
<b>Net cash used in investing activities</b>	<b>\$ (74)</b>	<b>\$ (166)</b>
<b>Cash flows from financing activities:</b>		
Debt repayments	\$ (36)	\$ (38)
Common stock repurchases	(62)	—
Common stock repurchases for tax withholdings	(67)	(7)
Other financing activities, net	(5)	(6)
<b>Net cash used in financing activities</b>	<b>\$ (170)</b>	<b>\$ (51)</b>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	\$ 46	\$ (17)
Net change in cash, cash equivalents and restricted cash	\$ (323)	\$ (281)
Cash, cash equivalents and restricted cash at beginning of period	\$ 1,789	\$ 1,554
<b>Cash, cash equivalents and restricted cash at end of period</b>	<b>\$ 1,466</b>	<b>\$ 1,273</b>
<b>Supplemental data</b>		
Income taxes paid, net of refunds received	\$ 67	\$ 54
Interest paid on debt	\$ 39	\$ 40

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					
<b>Equity – April 1, 2025</b>	230.6	\$ 4,631	\$ (1,160)	\$ (184)	\$ (2,067)	\$ 113	\$ 1,331
Net income					56		56
Other comprehensive income (loss), net of tax			66				66
Activity related to employee stock plans	4.0	26					26
Purchases of treasury stock	(3.5)			(132)			(132)
Changes in non-controlling interests						(3)	(3)
<b>Equity – June 30, 2025</b>	<u>231.1</u>	<u>\$ 4,656</u>	<u>\$ (1,094)</u>	<u>\$ (317)</u>	<u>\$ (2,011)</u>	<u>\$ 110</u>	<u>\$ 1,343</u>

	Common Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Accumulated Deficit	Non- Controlling Interests	Total Equity
	Shares	Amount					
<b>Equity – April 1, 2024</b>	230.4	\$ 4,524	\$ (1,145)	\$ (45)	\$ (2,319)	\$ 107	\$ 1,122
Net income					11		11
Other comprehensive income (loss), net of tax			(48)				(48)
Activity related to employee stock plans	0.9	25					25
Purchases of treasury stock	(0.3)			(7)			(7)
Changes in non-controlling interests						(2)	(2)
<b>Equity – June 30, 2024</b>	<u>231.0</u>	<u>\$ 4,549</u>	<u>\$ (1,192)</u>	<u>\$ (53)</u>	<u>\$ (2,308)</u>	<u>\$ 105</u>	<u>\$ 1,101</u>

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 provider of mission-critical enterprise technology services, offering advisory, implementation and managed service capabilities to thousands of customers in more than 60 countries. As the world’s largest IT infrastructure services provider, the Company designs, builds, manages and modernizes the complex information systems that the world depends on every day.

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.

#### Basis of Presentation

The accompanying condensed 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 state 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, 2025.

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.

#### 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, deferred transition costs, and other matters. We prepared these estimates based on the most current and best available information, but actual results could differ materially from these estimates and assumptions.

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.

### NOTE 2. ACCOUNTING PRONOUNCEMENTS

#### Recent Pronouncements

In December 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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

## Notes to Consolidated Financial Statements (continued)

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.

In November 2024, the FASB issued ASU 2024-03, *Disaggregation of Income Statement Expenses*, which is intended to improve the usefulness of expense information contained in public entity income statements through the disaggregation of relevant expense captions in the notes to the financial statements. The guidance should be applied prospectively, effective for fiscal years beginning after December 15, 2026 and interim periods within fiscal years beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the impact of this guidance on the disclosures in its consolidated financial statements.

In May 2025, the FASB issued ASU 2025-03, *Business Combinations (Topic 805) and Consolidation (Topic 810): Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity*, which amends the guidance for determining the acquirer in certain transactions. The guidance should be applied prospectively, effective for the fiscal years beginning after December 15, 2026 and interim reporting periods within fiscal years beginning after December 15, 2026, with early adoption permitted. The Company has evaluated the impact of the guidance and does not expect it to have a material impact on the Company's 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 revaluations, adjustments for revenue that has not materialized and adjustments for currency.

At June 30, 2025, the aggregate amount of RPO related to customer contracts that are unsatisfied or partially unsatisfied was \$34.8 billion. Approximately 57 percent of the amount is expected to be recognized as revenue in the next two years, approximately 38 percent in the subsequent three years, and the balance thereafter.

During the three months ended June 30, 2025 and June 30, 2024, revenue increased by \$13 million and \$11 million, respectively from performance obligations satisfied (or partially satisfied) in previous periods, mainly due to changes in estimates.

**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)	June 30, 2025	March 31, 2025
Accounts receivable (net of allowances for credit losses of \$9 at June 30, 2025 and \$13 at March 31, 2025) *	\$ 1,277	\$ 1,345
Contract assets †	52	50
Deferred income (current)	854	746
Deferred income (noncurrent)	441	341

\* Included unbilled receivable balances of \$396 million at June 30, 2025 and \$425 million at March 31, 2025.

† 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 months ended June 30, 2025 and June 30, 2024 that was included within the deferred income balance at March 31, 2025 and March 31, 2024 was \$322 million and \$321 million, respectively.

The following table provides roll-forwards of the accounts receivable allowance for expected credit losses for the three months ended June 30, 2025 and 2024:

(Dollars in millions)	Three Months Ended June 30,	
	2025	2024
Beginning balance	\$ 13	\$ 22
Additions (releases)	(3)	(3)
Write-offs	(1)	2
Other *	1	—
Ending balance	\$ 9	\$ 21

\* 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 months ended June 30, 2025 and 2024. No single client represented more than 10 percent of the Company's total accounts receivable balance as of June 30, 2025 and March 31, 2025, 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 June 30, 2025 and March 31, 2025:

(Dollars in millions)	June 30, 2025	March 31, 2025
Deferred transition costs	\$ 764	\$ 697
Prepaid software costs	1,832	876
Capitalized costs to fulfill contracts	234	195
Capitalized costs to obtain contracts	280	281
Total deferred costs *	<u>\$ 3,111</u>	<u>\$ 2,049</u>

\* Of the total deferred costs, \$1,144 million was current and \$1,968 million was noncurrent at June 30, 2025, and \$1,009 million was current and \$1,040 million was noncurrent at March 31, 2025.

The amount of total deferred costs amortized for the three months ended June 30, 2025 was \$414 million, composed of \$63 million of amortization of deferred transition costs, \$245 million of amortization of prepaid software and \$106 million of amortization of capitalized contract costs. The amount of total deferred costs amortized for the three months ended June 30, 2024 was \$417 million, composed of \$72 million of amortization of deferred transition costs, \$238 million of amortization of prepaid software and \$107 million of amortization of capitalized contract costs.

**NOTE 4. SEGMENTS**

Our reportable segments correspond to how the chief operating decision maker (“CODM”), our chief executive officer, 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 measure of segment operating performance used by Kyndryl’s CODM is adjusted EBITDA, which allows our CODM to evaluate operating results excluding certain items whose fluctuation from period to period do not necessarily correspond to changes in the operations of our business. 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 and benefits, 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. The CODM reviews revenue and adjusted EBITDA to assess performance and allocate resources to the segments. The Company does not allocate assets to the above reportable segments for our CODM’s review.

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.

**Notes to Consolidated Financial Statements (continued)**

The following tables reflect the results of the Company's segments:

(Dollars in millions)	Three Months Ended June 30, 2025				
	United States	Japan	Principal Markets	Strategic Markets	Total Segments
Revenue	\$ 911	\$ 578	\$ 1,356	\$ 898	\$ 3,743
Cost of service, excluding depreciation and amortization *	570	371	928	585	2,454
Selling, general and administrative expenses, excluding depreciation and amortization *	137	85	218	143	583
Other items†	7	7	12	7	34
Segment adjusted EBITDA	\$ 196	\$ 115	\$ 197	\$ 163	\$ 672

(Dollars in millions)	Three Months Ended June 30, 2024				
	United States	Japan	Principal Markets	Strategic Markets	Total Segments
Revenue	\$ 986	\$ 569	\$ 1,315	\$ 869	\$ 3,739
Cost of service, excluding depreciation and amortization *	658	399	852	590	2,500
Selling, general and administrative expenses, excluding depreciation and amortization *	182	86	220	144	631
Other items†	13	2	2	15	32
Segment adjusted EBITDA	\$ 133	\$ 83	\$ 241	\$ 120	\$ 577

\* Cost of service, excluding depreciation and amortization and selling, general and administrative expenses, excluding depreciation and amortization are both used in calculating segment adjusted EBITDA and exclude depreciation of property, equipment and capitalized software and amortization of transition costs and prepaid software.

† Other items include workforce rebalancing charges and other expense.

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

(Dollars in millions)	Three Months Ended June 30,	
	2025	2024
Segment adjusted EBITDA	\$ 672	\$ 577
Charges related to ceasing to use leased/fixed assets and lease terminations	—	(9)
Transaction-related costs	—	(20)
Stock-based compensation expense	(24)	(24)
Interest expense	(19)	(28)
Depreciation of property, equipment and capitalized software	(191)	(127)
Amortization expense	(315)	(317)
Corporate expense not allocated to the segments	(26)	(21)
Other adjustments*	(5)	32
Pretax income (loss)	\$ 92	\$ 64

\* 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.

**Notes to Consolidated Financial Statements (continued)****NOTE 5. TAXES**

For the three months ended June 30, 2025, the Company's effective tax rate was 39.1%, compared to 82.7% for the three months ended June 30, 2024.

The Company's effective tax rates for the three months ended June 30, 2025 and 2024 were higher than the Company's statutory 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.

In July 2025, the U.S. government enacted new tax legislation that, among other things, made permanent items such as 100% bonus depreciation on certain fixed assets, immediate expensing of domestic research costs and an increased business interest expense limitation. It also included modifications to several international tax provisions. We are currently assessing the impacts of the new legislation on our consolidated financial statements.

**NOTE 6. EARNINGS 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 months ended June 30, 2025 and 2024.

<b>(In millions, except per share amounts)</b>	<b>Three Months Ended June 30,</b>	
	<b>2025</b>	<b>2024</b>
Net income on which basic and diluted earnings per share is calculated	\$ 56	\$ 11
Number of shares on which basic earnings per share is calculated	230.2	230.5
Dilutive effect of stock options and equity awards	8.9	5.3
Number of shares on which diluted earnings per share is calculated	239.1	235.8
Basic earnings per share	\$ 0.24	\$ 0.05
Diluted earnings per share	0.23	0.05

The following securities were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive:

<b>(In millions)</b>	<b>Three Months Ended June 30,</b>	
	<b>2025</b>	<b>2024</b>
Nonvested restricted stock units	0.8	0.7
Nonvested performance-conditioned stock units	3.4	3.9
Nonvested market-conditioned stock units	—	3.1
<b>Total</b>	<b>4.3</b>	<b>7.7</b>

**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,

**Notes to Consolidated Financial Statements (continued)**

- 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 months ended June 30, 2025 and 2024.

**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 June 30, 2025 and March 31, 2025.

(Dollars in millions)	Fair Value Hierarchy Level	At June 30, 2025			At March 31, 2025		
		Assets	Liabilities	Fair Value	Assets	Liabilities	Fair Value
<b>Derivatives designated as hedging instruments:</b>							
Foreign exchange contracts	2	\$ 7	\$ 137	\$ (130)	\$ 6	\$ 29	\$ (23)
Cross-currency swap contracts	2	11	32	(21)	12	11	—
<b>Derivatives not designated as hedging instruments:</b>							
Foreign exchange contracts	2	34	5	29	27	2	25
Total		<u>\$ 52</u>	<u>\$ 174</u>	<u>\$ (123)</u>	<u>\$ 45</u>	<u>\$ 43</u>	<u>\$ 2</u>

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

## Notes to Consolidated Financial Statements (continued)

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 June 30, 2025 and March 31, 2025. 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 June 30, 2025 and March 31, 2025 were \$467 million and \$765 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 9 – Borrowings for additional information. Our outstanding debt (excluding finance lease obligations) had a carrying value of \$2.9 billion as of June 30, 2025 and March 31, 2025. The debt had an estimated fair value of \$2.7 billion as of June 30, 2025 and March 31, 2025.

### 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 \$0.6 billion for the three months ended June 30, 2025 and \$0.8 billion for the three months ended June 30, 2024. The fees associated with the transfers of receivables were \$5 million for the three months ended June 30, 2025 and \$10 million for the three months ended June 30, 2024.

**Notes to Consolidated Financial Statements (continued)**

**Derivative Financial Instruments**

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

(Dollars in millions)	At June 30, 2025			At March 31, 2025		
	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	\$ 726	\$ —	\$ 726	\$ 357	\$ —	\$ 357
Net investment hedges	1,381	500	1,881	1,485	500	1,985
Derivatives not designated as hedging instruments	\$ 1,566	\$ —	\$ 1,566	\$ 1,148	\$ —	\$ 1,148

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 and intercompany payments for royalties 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.

At June 30, 2025, the maximum remaining length of time over which the Company has hedged its exposure is approximately one year. At June 30, 2025 and March 31, 2025, the weighted-average remaining maturity of these instruments was approximately 0.5 years. At June 30, 2025 and March 31, 2025, in connection with cash flow hedges of foreign currency cost transactions, the Company had unrealized losses of \$8 million and unrealized gains of \$1 million (each before taxes), respectively, in accumulated other comprehensive income ("AOCI"). The Company estimates that \$8 million (before taxes) of deferred net losses on derivatives in AOCI at June 30, 2025 will be reclassified to net income within the next twelve months, providing an offsetting economic impact against the underlying anticipated transactions.

***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

**Notes to Consolidated Financial Statements (continued)**

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.

At June 30, 2025, the maximum remaining length of time over which the Company has hedged its exposure is approximately nine years. The weighted-average remaining maturity of the Company's net investment hedge instruments was approximately three years at June 30, 2025 and March 31, 2025. At June 30, 2025 and March 31, 2025, the Company had unrealized losses of \$158 million and unrealized losses of \$6 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.

**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 June 30:	Unrealized Gain (Loss) Recognized in OCI		Consolidated Income Statement Line Item	Gain (Loss) Reclassified from AOCI to Income		Amounts Excluded from Effectiveness Testing	
	2025	2024		2025	2024	2025	2024
<b>Derivative instruments in cash flow hedges:</b>							
Foreign exchange contracts	\$ (10)	\$ (1)	Cost of services	\$ (2)	\$ —	\$ —	\$ —
<b>Derivative instruments in net investment hedges:</b>							
Cross-currency swaps	(24)	16	Interest expense	—	3	3	3
Foreign exchange contracts	(127)	2	Interest expense	—	1	8	1
Total	<u>\$ (161)</u>	<u>\$ 17</u>		<u>\$ (2)</u>	<u>\$ 4</u>	<u>\$ 10</u>	<u>\$ 4</u>

**Notes to Consolidated Financial Statements (continued)**

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

(Dollars in millions) Three months ended June 30:	Consolidated Income Statement Line Item	Gain (Loss) Recognized on Derivatives	
		2025	2024
Foreign exchange contracts	Other expense (income)	\$ 47	\$ (28)
Total		\$ 47	\$ (28)

For the three months ended June 30, 2025 and 2024, our net income included a loss of \$61 million and a gain of \$27 million (each before taxes), respectively, from foreign currency transactions.

**NOTE 8. INTANGIBLE ASSETS INCLUDING GOODWILL**

**Intangible Assets**

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

(Dollars in millions)	At June 30, 2025			At March 31, 2025		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Capitalized software	\$ 134	\$ (38)	\$ 96	\$ 216	\$ (76)	\$ 141
Customer relationships*	124	(67)	57	121	(60)	61
Completed technology	13	(3)	10	13	(2)	11
Patents and trademarks*	16	(11)	5	15	(10)	5
Total	\$ 287	\$ (119)	\$ 168	\$ 365	\$ (148)	\$ 218

\* Amounts include effects from foreign currency translation.

The net carrying amount of intangible assets decreased by \$50 million during the three months ended June 30, 2025, primarily due to the reclassification of certain capitalized software intangibles to prepaid assets and other noncurrent assets resulting from the migration of on-premises software to a cloud-based solution. Aggregate intangible asset amortization expense was \$15 million and \$19 million for the three months ended June 30, 2025 and 2024, respectively. This included amortization of capitalized software of \$8 million and \$12 million for the three months ended June 30, 2025, and 2024, respectively, which was reported in "Depreciation of property, equipment and capitalized software" on the Consolidated Statement of Cash Flows.

The future amortization expense relating to intangible assets currently recorded in the Consolidated Balance Sheet was estimated to be the following at June 30, 2025:

(Dollars in millions)	Capitalized Software	Customer Relationships	Completed Technology	Patents and Trademarks	Total
<b>Year ending March 31:</b>					
2026 (remaining nine months)	\$ 19	\$ 17	\$ 2	\$ 2	\$ 40
2027	25	19	3	3	50
2028	25	5	3	—	32
2029	19	5	3	—	26
2030	8	4	—	—	12
Thereafter	—	8	—	—	8

**Notes to Consolidated Financial Statements (continued)**

**Goodwill**

The changes in the goodwill balances by segment for the three months ended June 30, 2025 were as follows:

(Dollars in millions) Segment	Balance at March 31, 2025	Foreign Currency Translation Adjustments	Balance at June 30, 2025
United States	\$ 11	\$ —	\$ 11
Japan	489	3	491
Principal Markets	92	—	92
Strategic Markets	198	—	198
<b>Total</b>	<b>\$ 790</b>	<b>\$ 3</b>	<b>\$ 793</b>

There were no goodwill impairment losses recorded for the three months ended June 30, 2025 and 2024. 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.

**NOTE 9. BORROWINGS**

**Debt**

The following table presents the components of our debt:

(Dollars in millions)	Interest Rate	Maturity	June 30, 2025	March 31, 2025
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 and other obligations	5.46% †	2025-2031	258	290
			<b>\$ 3,158</b>	<b>\$ 3,190</b>
Less: Unamortized discount			4	4
Less: Unamortized debt issuance costs			13	14
Less: Current portion of long-term debt			128	129
<b>Total long-term debt</b>			<b>\$ 3,014</b>	<b>\$ 3,042</b>

\* 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.

**Notes to Consolidated Financial Statements (continued)**

Contractual obligations of long-term debt outstanding at June 30, 2025, exclusive of finance lease obligations, are as follows:

<b>(Dollars in millions)*</b>	<b>Principal</b>
<b>Year ending March 31:</b>	
2026 (remaining nine months)	\$ 22
2027	710
2028	—
2029	500
2030	—
Thereafter	1,700
Total	<u>\$ 2,932</u>

\* Contractual obligations approximate scheduled repayments.

As of June 30, 2025, 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 10. COMMITMENTS AND CONTINGENCIES**

The Company guarantees certain loans and financial commitments. The maximum potential future payment under these financial guarantees and the fair value of these guarantees recognized in the Consolidated Balance Sheet at June 30, 2025 and March 31, 2025 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 three months ended June 30, 2025, contractual commitments decreased due to satisfaction of existing commitments outpacing new additions.

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

**Notes to Consolidated Financial Statements (continued)**

(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.

**NOTE 11. EQUITY**

The following table presents reclassifications and taxes related to items of other comprehensive income (loss) for the three months ended June 30, 2025 and 2024:

(Dollars in millions)	Pretax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
<b>For the three months ended June 30, 2025:</b>			
Foreign currency translation adjustments:			
Foreign currency translation adjustments	\$ 222	\$ —	\$ 222
Unrealized gains (losses) on net investment hedges	(152)	—	(152)
<b>Total foreign currency translation adjustments</b>	<b>\$ 71</b>	<b>\$ —</b>	<b>\$ 71</b>
Unrealized gains (losses) on cash flow hedges:			
Unrealized gains (losses) arising during the period	\$ (10)	\$ 1	\$ (9)
Reclassification of (gains) losses to net income	2	—	2
<b>Total unrealized gains (losses) on cash flow hedges</b>	<b>\$ (8)</b>	<b>\$ 1</b>	<b>\$ (7)</b>
Retirement-related benefit plans – amortization of net (gains) losses	\$ 3	\$ (1)	\$ 2
<b>Other comprehensive income (loss)</b>	<b>\$ 66</b>	<b>\$ —</b>	<b>\$ 66</b>
<b>For the three months ended June 30, 2024:</b>			
Foreign currency translation adjustments:			
Foreign currency translation adjustments	\$ (63)	\$ —	\$ (63)
Unrealized gains on net investment hedges	14	—	14
<b>Total foreign currency translation adjustments</b>	<b>\$ (49)</b>	<b>\$ —</b>	<b>\$ (49)</b>
Unrealized gains (losses) on cash flow hedges:			
Unrealized gains (losses) arising during the period	\$ (1)	\$ (1)	\$ (2)
Reclassification of (gains) losses to net income	—	—	—
<b>Total unrealized gains (losses) on cash flow hedges</b>	<b>\$ (1)</b>	<b>\$ (1)</b>	<b>\$ (2)</b>
Retirement-related benefit plans – amortization of net (gains) losses	\$ 4	\$ (1)	\$ 3
<b>Other comprehensive income (loss)</b>	<b>\$ (46)</b>	<b>\$ (2)</b>	<b>\$ (48)</b>

**Notes to Consolidated Financial Statements (continued)**

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

<u>(Dollars in millions)</u>	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, 2025	\$ 1	\$ (1,016)	\$ (145)	\$ (1,160)
Other comprehensive income (loss)	(7)	71	2	66
June 30, 2025	<u>\$ (6)</u>	<u>\$ (945)</u>	<u>\$ (143)</u>	<u>\$ (1,094)</u>
April 1, 2024	\$ —	\$ (967)	\$ (178)	\$ (1,145)
Other comprehensive income (loss)	(2)	(49)	3	(48)
June 30, 2024	<u>\$ (1)</u>	<u>\$ (1,016)</u>	<u>\$ (175)</u>	<u>\$ (1,192)</u>

\* Foreign currency translation adjustments are presented gross except for any associated hedges, which are presented net of tax.

**Share Repurchase Program**

In November 2024, the Company’s Board of Directors authorized a share repurchase program of up to \$300 million of the Company’s common stock (the “Share Repurchase Program”). Under the Share Repurchase Program, the Company may repurchase shares of its common stock from time to time in open market transactions and may also repurchase shares in accelerated share buyback programs, tender offers, privately negotiated transactions or by other means. Repurchases may also be made under a Rule 10b5-1 trading plan. The timing and amount of repurchase transactions will be determined by the Company’s management based on its evaluation of market conditions, share price, legal requirements and other factors. The program does not have a set expiration date and may be suspended, modified or discontinued at any time without prior notice.

During the three months ended June 30, 2025, the Company repurchased 1.8 million shares of its common stock at an aggregate cost of \$65 million under the Share Repurchase Program.

**NOTE 12. 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 months ended June 30, 2025 and 2024.

<u>(Dollars in millions)</u>	<u>Three Months Ended June 30,</u>	
	<u>2025</u>	<u>2024</u>
Service cost	\$ 8	\$ 9
Interest cost*	14	13
Expected return on plan assets*	(16)	(15)
Recognized actuarial losses (gains)*	3	4
Net periodic pension cost	<u>\$ 9</u>	<u>\$ 12</u>

\* 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.

**NOTE 13. WORKFORCE REBALANCING AND SITE-RATIONALIZATION CHARGES**

During the three months ended June 30, 2025, 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 fiscal year 2026. We expect these actions will result in workforce rebalancing charges (the “Fiscal 2026 Program”) of approximately \$80 million.

**Notes to Consolidated Financial Statements (continued)**

During the year ended March 31, 2025, the Company implemented actions to reduce our overall cost structure and increase our operating efficiency (the “Fiscal 2025 Program”). The total charges incurred related to the Fiscal 2025 Program were \$162 million, consisting of \$114 million in workforce rebalancing charges and \$48 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.

The following table presents the segment breakout of charges incurred during the three months ended June 30, 2025 and 2024.

(Dollars in millions)	Three Months Ended June 30,		Costs Incurred to Date	
	2025	2024	Fiscal 2026 Program	Fiscal 2025 Program
United States	\$ 6	\$ 20	\$ 6	\$ 62
Japan	4	1	4	12
Principal Markets	11	5	11	30
Strategic Markets	5	20	5	58
Corporate and other	—	—	—	—
Total charges	<u>\$ 25</u>	<u>\$ 45</u>	<u>\$ 25</u>	<u>\$ 162</u>

The following table presents the classification of workforce rebalancing and site-rationalization activities in the Consolidated Income Statement during the three months ended June 30, 2025 and 2024.

(Dollars in millions)	Three Months Ended June 30,		Costs Incurred to Date	
	2025	2024	Fiscal 2026 Program	Fiscal 2025 Program
Cost of services	\$ —	\$ 8	\$ —	\$ 45
Selling, general and administrative expenses	—	1	—	3
Workforce rebalancing charges	25	36	25	114
Total charges	<u>\$ 25</u>	<u>\$ 45</u>	<u>\$ 25</u>	<u>\$ 162</u>

**Notes to Consolidated Financial Statements (continued)**

The following table presents the components of and changes in our workforce rebalancing liabilities during the three months ended June 30, 2025.

<b>(Dollars in millions)</b>	<b>Workforce Rebalancing Liabilities*</b>
<b>Fiscal 2025 Program</b>	
Balance at March 31, 2025	\$ 16
Charges	—
Cash payments	(10)
Non-cash adjustments	1
Balance at June 30, 2025	<u>\$ 7</u>
<b>Fiscal 2026 Program</b>	
Balance at March 31, 2025	\$ —
Charges	25
Cash payments	(11)
Non-cash adjustments	—
Balance at June 30, 2025	<u>\$ 15</u>

\* The Fiscal 2025 Program balance excludes workforce rebalancing liabilities inherited from our former Parent of \$16 million as of March 31, 2025. Current-year movement excludes cash payments of \$2 million, non-cash adjustment of \$1 million and ending balance of \$15 million related to actions initiated by our former Parent. Workforce rebalancing liabilities are recorded within other liabilities in the Consolidated Balance Sheet.

**Item 2.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
FOR THE THREE MONTHS ENDED JUNE 30, 2025**

**Overview**

(Dollars in millions)	Three Months Ended June 30,	
	2025	2024
Revenue	\$ 3,743	\$ 3,739
Revenue growth (GAAP)	0 %	(11) %
Revenue growth in constant currency <sup>(1)</sup>	(3) %	(8) %
Net income (loss)	\$ 56	\$ 11
Adjusted EBITDA <sup>(1)</sup>	\$ 647	\$ 556

(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)	June 30,	March 31,
	2025	2025
Assets	\$ 11,495	\$ 10,452
Liabilities	10,151	9,121
Equity	1,343	1,331

**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**

Most economists, including the International Monetary Fund, expect positive global macroeconomic growth in calendar year 2025. Global markets have experienced increased volatility in recent months, driven by geopolitical developments, concerns over the imposition of import tariffs by the United States, reactions from other nations and proposed U.S. government spending reductions. Increased economic uncertainty may impact the level of global macroeconomic activity.

**Financial Performance**

For the three months ended June 30, 2025, we reported \$3.7 billion in revenue, a slight increase compared to the prior-year period. The revenue performance included a favorable currency exchange rate impact of three points. United States revenue declined 8 percent, Japan revenue increased 2 percent, Principal Markets revenue increased 3 percent and Strategic Markets revenue increased 3 percent, in each case compared to the three months ended June 30, 2024. Net income of \$56 million increased by \$45 million versus the prior-year period reflecting a \$17 million decline in the provision for income taxes, an \$11 million decline in workforce rebalancing charges and no current-period transaction-related costs.

**Management Discussion (continued)**

**Segment Results**

The following table presents our reportable segments' revenue and adjusted EBITDA for the three months ended June 30, 2025 and 2024. Segment revenue and revenue growth in constant currency exclude any transactions between the segments.

(Dollars in millions)	Three Months Ended June 30,		Year-over-Year Change
	2025	2024	2025 vs. 2024
<b>Revenue</b>			
United States	\$ 911	\$ 986	(8)%
Japan	578	569	2 %
Principal Markets	1,356	1,315	3 %
Strategic Markets	898	869	3 %
<b>Total revenue</b>	<b>\$ 3,743</b>	<b>\$ 3,739</b>	<b>0 %</b>
<b>Revenue growth in constant currency<sup>(1)</sup></b>			
	(3)%	(8)%	
<b>Adjusted EBITDA<sup>(1)</sup></b>			
United States	\$ 196	\$ 133	48 %
Japan	115	83	39 %
Principal Markets	197	241	(18)%
Strategic Markets	163	120	36 %
Corporate and other <sup>(2)</sup>	(26)	(21)	NM
<b>Total adjusted EBITDA<sup>(1)</sup></b>	<b>\$ 647</b>	<b>\$ 556</b>	<b>16 %</b>

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 they enhance visibility to underlying results and the impact of management decisions on operational performance, enable better comparison to peer companies and allow 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 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.

**Management Discussion (continued)**

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

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

(Dollars in millions)	Three Months Ended June 30,	
	2025	2024
<b>Net income</b>	\$ 56	\$ 11
Provision for income taxes	36	53
Interest expense	19	28
Depreciation of property, equipment and capitalized software	191	127
Amortization expense	315	317
Charges related to ceasing to use leased/fixed assets and lease terminations	—	9
Transaction-related costs	—	20
Stock-based compensation expense	24	24
Other adjustments*	5	(32)
<b>Adjusted EBITDA (non-GAAP)</b>	<b>\$ 647</b>	<b>\$ 556</b>

\* 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.

**United States**

(Dollars in millions)	Three Months Ended June 30,	
	2025	2024
Revenue	\$ 911	\$ 986
Revenue year-over-year change	(8)%	(15)%
Adjusted EBITDA	\$ 196	\$ 133
Adjusted EBITDA year-over-year change	48 %	

For the three months ended June 30, 2025, United States revenue of \$911 million decreased 8 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 increased \$63 million from the prior-year quarter, primarily driven by progress on our key initiatives to drive operating efficiencies, including lower sales, general and administrative expenses.

**Japan**

(Dollars in millions)	Three Months Ended June 30,	
	2025	2024
Revenue	\$ 578	\$ 569
Revenue year-over-year change	2 %	(7)%
Revenue growth in constant currency	(6)%	6 %
Adjusted EBITDA	\$ 115	\$ 83
Adjusted EBITDA year-over-year change	39 %	

For the three months ended June 30, 2025, Japan revenue of \$578 million increased 2 percent compared to the prior-year quarter, driven by a favorable currency exchange rate impact of eight points. Adjusted EBITDA increased \$32 million from the prior-year quarter, driven by progress on our key initiatives to drive operating efficiencies and favorable currency movements that impacted both non-yen-denominated costs and the translation of earnings into U.S. dollars.

## Management Discussion (continued)

### Principal Markets

(Dollars in millions)	Three Months Ended June 30,	
	2025	2024
Revenue	\$ 1,356	\$ 1,315
Revenue year-over-year change	3 %	(5) %
Revenue growth in constant currency	(1) %	(5) %
Adjusted EBITDA	\$ 197	\$ 241
Adjusted EBITDA year-over-year change	(18) %	

For the three months ended June 30, 2025, Principal Markets revenue of \$1.4 billion increased 3 percent compared to the prior-year quarter, driven by a favorable currency exchange rate impact of four points. Adjusted EBITDA decreased \$44 million from the prior-year quarter, primarily due to a vendor credit in the prior year.

### Strategic Markets

(Dollars in millions)	Three Months Ended June 30,	
	2025	2024
Revenue	\$ 898	\$ 869
Revenue year-over-year change	3 %	(15) %
Revenue growth in constant currency	3 %	(14) %
Adjusted EBITDA	\$ 163	\$ 120
Adjusted EBITDA year-over-year change	36 %	

For the three months ended June 30, 2025, Strategic Markets revenue of \$898 million increased 3 percent compared to the prior-year quarter, driven by higher signings in fiscal year 2025. Adjusted EBITDA increased \$43 million from the prior-year quarter, primarily due to progress on our key initiatives to drive operating efficiencies and higher margins on recent signings.

### Corporate and Other

Corporate and other had an adjusted EBITDA loss of \$26 million in the three months ended June 30, 2025, compared to a loss of \$21 million in the three months ended June 30, 2024.

### Costs and Expenses

(Dollars in millions)	Three Months Ended June 30,		Percent of Revenue		Change 2025 vs. 2024
	2025	2024	2025	2024	
Revenue	\$ 3,743	\$ 3,739	100.0 %	100.0 %	0 %
Cost of services	2,947	2,934	78.7 %	78.5 %	0 %
Selling, general and administrative expenses	646	657	17.3 %	17.6 %	(2) %
Workforce rebalancing charges	25	36	0.7 %	1.0 %	(29) %
Transaction-related costs	—	20	0.0 %	0.5 %	(100) %
Interest expense	19	28	0.5 %	0.7 %	(30) %
Other expense	13	—	0.3 %	0.0 %	NM
Income before income taxes	\$ 92	\$ 64			

Cost of services was 78.7% of revenue in the three months ended June 30, 2025, compared to 78.5% in the three months ended June 30, 2024, driven by a vendor credit in the prior-year quarter, almost fully offset by progress on our key initiatives to drive operating efficiencies and higher margins on recent signings. Selling, general and administrative expenses were 17.3% of revenue in the three months ended June 30, 2025 compared to 17.6% in the prior-year quarter, driven by the impact of currency on revenue compared to our U.S. dollar-denominated expenses.

## **Management Discussion (continued)**

Workforce rebalancing charges were 0.7% of revenue in the three months ended June 30, 2025 versus 1.0% of revenue in the prior-year quarter. Interest expense was 0.5% of revenue in the three months ended June 30, 2025 compared to 0.7% in the prior-year quarter.

### ***Transaction-Related Costs***

The Company classifies certain expenses and benefits related to the Separation, acquisitions and divestitures as “transaction-related costs” in the Consolidated Income Statement. Transaction-related costs include gains or losses, employee retention expenses, information technology costs, marketing expenses to establish the Kyndryl brand, legal, accounting, consulting and other professional service costs, 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, associated with acquisitions, divestitures or the Separation.

### ***Workforce Rebalancing and Site-Rationalization Charges***

#### ***Fiscal 2026 Program***

During the three months ended June 30, 2025, management initiated actions to reduce the Company’s overall cost structure and enhance operating efficiency. As a result of these actions, the Company recorded workforce rebalancing charges of \$25 million in the period.

Total cash outlays for this program are expected to be approximately \$80 million, of which approximately \$11 million has been paid through June 30, 2025, and the remainder is expected to be paid thereafter. Management expects that these workforce rebalancing activities will reduce annual payroll costs and related expenses by more than \$100 million. 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 13 – Workforce Rebalancing Charges in the accompanying Consolidated Financial Statements.

#### ***Fiscal 2025 Program***

During the year ended March 31, 2025, management implemented actions to reduce the Company’s overall cost structure and increase our operating efficiency. During the year ended March 31, 2025, the Company recorded \$114 million in workforce rebalancing charges and \$48 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 approximately \$150 million, of which approximately \$125 million has been paid through June 30, 2025, and the remainder is expected to be paid 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.

### ***Income Taxes***

The provision for income taxes for the three months ended June 30, 2025 was \$36 million of expense, compared to \$53 million of expense for the three months ended June 30, 2024. Our income tax expense for each of the three months ended June 30, 2025 and 2024 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

**Management Discussion (continued)**

differences, and the feasibility of ongoing tax planning strategies and actions. Estimates of future taxable income and loss could change, perhaps materially, which may require us to revise our assessment of the recoverability of the deferred tax asset at that time.

**Financial Position*****Dynamics***

Total assets of \$11.5 billion increased by \$1.0 billion (and increased by \$628 million adjusted for currency) from March 31, 2025, primarily driven by an increase in deferred costs of \$1.1 billion mainly due to an extended and amended multi-year, third-party software agreement and an increase of \$134 million in prepaid expenses and other current assets mainly due to prepayment for software subscriptions, partially offset by a decrease in cash and cash equivalents of \$324 million mainly due to payments for annual incentive compensation.

Total liabilities of \$10.2 billion increased by \$1.0 billion (and increased by \$746 million adjusted for currency) from March 31, 2025, primarily as a result of an increase in other noncurrent liabilities of \$893 million driven by the extended and amended multi-year, third-party software agreement, partially offset by a decrease in accrued compensation and benefits of \$215 million due to payments of annual incentive compensation.

Total equity of \$1.3 billion increased by \$12 million from March 31, 2025, principally due to our net earnings of \$56 million and other comprehensive income of \$66 million in the period, and activity related to employee stock plans of \$26 million, partially offset by \$65 million of share repurchases under our Share Repurchase Program and \$67 million of shares repurchased for tax withholdings.

***Cash Flow***

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

<b>(Dollars in millions)</b>	<b>Three Months Ended June 30,</b>	
	<b>2025</b>	<b>2024</b>
Net cash provided by (used in):		
Operating activities	\$ (124)	\$ (48)
Investing activities	(74)	(166)
Financing activities	(170)	(51)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	46	(17)
Net change in cash, cash equivalents and restricted cash	<u>\$ (323)</u>	<u>\$ (281)</u>

Net cash used by operating activities was \$124 million in the three months ended June 30, 2025, compared to net cash used of \$48 million in the prior-year period, mainly due to a decline of \$117 million in accounts receivables as a source of cash in the current quarter compared to the prior-year quarter when the collection of receivables outpaced revenues, partially offset by \$45 million higher earnings in the current quarter.

Net cash used in investing activities was \$74 million in the three months ended June 30, 2025, compared to a net cash use of \$166 million in the prior-year period due to an acquisition in the prior-year period.

Net cash used in financing activities totaled \$170 million in the three months ended June 30, 2025, compared to net cash used by financing activities of \$51 million in the prior-year period, mainly due to share repurchases of \$65 million under the Company's Share Repurchase Program and \$67 million of shares repurchased to settle tax withholdings related to the vesting of stock-based awards.

**Management Discussion (continued)****Other Information****Signings**

The following table presents the Company's signings for the three months ended June 30, 2025 and 2024.

(Dollars in billions)	Three Months Ended June 30,	
	2025	2024
Total signings	\$ 3.2	\$ 3.1

Signings increased by \$72 million in the three months ended June 30, 2025, or 2%, compared to the prior-year quarter. Management uses signings to monitor the performance of the business, as a measure of customer engagement and our ability to drive growth. There are no third-party standards or requirements governing the calculation of signings. We define signings as an initial estimate of the value of a customer's commitment under a contract. The calculation involves estimates and judgments to gauge the extent of a customer's commitment, including the type and duration of the agreement and the presence of termination charges or wind-down costs. Contract extensions and increases in scope are treated as signings only to the extent of the incremental new value. Signings can vary over time due to a variety of factors including, but not limited to, the timing of signing a small number of larger outsourcing contracts as well as the length of those contracts. The conversion of signings into revenue may vary based on the types of services and solutions, customer decisions and other factors, which may include, but are not limited to, the macroeconomic environment or external events.

**Liquidity and Capital Resources**

We believe that our existing cash and cash equivalents and our revolving credit agreement 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 Agreement**

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

## **Management Discussion (continued)**

(“SOFR”). In March 2025, we further amended the agreement, extending the maturity to March 2030. 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 June 30, 2025, 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. An 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 amounts. We have also entered into additional agreements with a separate third-party financial institution that enable us to sell receivables contingent on the approval of the counterparty. These agreements were first executed in June 2022 and renew automatically on their anniversary date, unless either party elects not to extend.

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 \$0.6 billion and \$0.8 billion for the three months ended June 30, 2025 and June 30, 2024, respectively. The fees associated with the transfers of receivables were \$5 million and \$10 million for the three months ended June 30, 2025 and June 30, 2024, 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 June 30, 2025 and March 31, 2025.

### ***Share Repurchase Program***

In November 2024, the Company’s Board of Directors authorized a share repurchase program of up to \$300 million of the Company’s common stock. Under the Share Repurchase Program, the Company may repurchase shares of its common stock from time to time in open market transactions and may also repurchase shares in accelerated share buyback programs, tender offers, privately negotiated transactions or by other means. Repurchases may also be made under a Rule 10b5-1 trading plan. The timing and amount of repurchase transactions will be determined by the Company’s management based on its evaluation of market conditions, share price, legal requirements and other factors.

## **Management Discussion (continued)**

The program does not have a set expiration date and may be suspended, modified or discontinued at any time without prior notice.

During the three months ended June 30, 2025, the Company repurchased 1.8 million shares of its common stock at an aggregate cost of \$65 million under the Share Repurchase Program. As of June 30, 2025, \$141 million remained of our \$300 million Share Repurchase Program authorization.

## **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, 2025 for more information; we refer to the Annual Report on Form 10-K for the fiscal year ended March 31, 2025 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,” “could,” “estimate,” “expect,” “forecast,” “intend,” “may,” “objectives,” “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 and maintain our capital allocation strategy;
- 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, geopolitical, 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;
- 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 foreign, state and local 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;

**Management Discussion (continued)**

- the impact of currency fluctuations; and
- risks related to the Company's common stock and the securities market.

Additional risks and uncertainties include, among others, those risks and uncertainties described in the "Risk Factors" section of our Form 10-K for the fiscal year ended March 31, 2025, 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](http://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 effective as of the end of the period covered by this report.

**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 period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

## Part II — Other Information

### Item 1. Legal Proceedings

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

### Item 1A. Risk Factors

For a discussion of our potential risks and uncertainties, see the information under the heading “Risk Factors” in our Form 10-K for the year ended March 31, 2025. 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

A summary of our common stock repurchases during the three months ended June 30, 2025 is set forth in the table below.

Period	Total Number of Shares Repurchased <sup>(a)</sup>	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (in millions)
April 1 - 30	595,693	\$ 30.23	595,693	\$ 188
May 1 - 31	339,241	36.97	339,241	175
June 1 - 30	844,764	40.78	844,764	141
Total	1,779,698		1,779,698	

- (a) All shares were repurchased in open market transactions pursuant to the \$300 million Share Repurchase Program authorized by our Board of Directors and publicly announced on November 21, 2024. The Share Repurchase Program does not have a set expiration date and may be suspended, modified or discontinued at any time without prior notice. Amounts shown herein exclude common stock repurchases to settle tax withholdings related to the vesting of stock-based awards. See further description of the Stock Repurchase Program in “Part I, Item 2—Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Share Repurchase Program.”

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

During the three months ended June 30, 2025, 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**

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
2.1	<a href="#">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.</a>
3.1	<a href="#">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.</a>
3.2	<a href="#">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.</a>
31.1	<a href="#">Certification of principal executive officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)</a>
31.2	<a href="#">Certification of principal financial officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)</a>
32.1	<a href="#">Certification of principal executive officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)</a>
32.2	<a href="#">Certification of principal financial officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)</a>
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: August 5, 2025\_\_\_\_\_

By: /s/ Vineet Khurana\_\_\_\_\_

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

## 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: August 5, 2025

/s/ Martin J. Schroeter

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Martin J. Schroeter

Chairman and Chief Executive Officer  
(Principal Executive Officer)

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## 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: August 5, 2025

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

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**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 June 30, 2025, 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: August 5, 2025

/s/ Martin J. Schroeter

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

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## 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 June 30, 2025, 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: August 5, 2025

/s/ David B. Wyshner

David B. Wyshner

Chief Financial Officer

(Principal Financial Officer)

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