

# Kyndryl Danmark ApS

Prøvensvej 1, 2605 Brøndby

CVR no. 41 98 81 69

## Annual report 2021

(As of the establishment of the Company 1 January - 31 December 2021)

Approved at the Company's annual general meeting on 5 July 2022

Chair of the meeting:

.....  
Marie Holst

## Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	5
Financial statements for the period 1 January - 31 December 2021	12
Income statement	12
Balance sheet	13
Statement of changes in equity	15
Notes to the financial statements	16

## Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Kyndryl Danmark ApS for the financial year as of the establishment of the Company 1 January - 31 December 2021.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year as of the establishment of the Company 1 January - 31 December 2021.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Brøndby, 5 July 2022  
Executive Board:

.....  
Bent Flemming Larsen  
Man. director

.....  
Jesper Nikolaj Fogt  
Director

.....  
Jimmy Bruhn Hansen  
Director

.....  
Søren Vendel Hansen  
Director

Board of Directors:

.....  
Erik Rykind-Blarke  
Chair

.....  
Søren Aaberg Iversen

.....  
Alan Ejlerskov

.....  
Flemming Madsen

.....  
Ulla Dalsgaard

## Independent auditor's report

To the shareholder of Kyndryl Danmark ApS

### Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2021, and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Kyndryl Danmark ApS for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

## Independent auditor's report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Copenhagen, 5 July 2022  
PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
CVR no. 33 77 12 31

Brian Christiansen  
State Authorised Public Accountant  
mne23371

Jakob Hermann  
State Authorised Public Accountant  
mne33730

## Management's review

### Company details

Name	Kyndryl Danmark ApS
Address, Postal code, City	Prøvensvej 1, 2605 Brøndby
CVR no.	41 98 81 69
Established	1 January 2021
Registered office	Brøndby
Financial year	1 January - 31 December 2021
Telephone	+1 212-896-2100
Board of Directors	Erik Rykind-Blarke, Chair Søren Aaberg Iversen Alan Ejlerskov Flemming Madsen Ulla Dalsgaard
Executive Board	Bent Flemming Larsen, Man. director Jesper Nikolaj Fogt, Director Jimmy Bruhn Hansen, Director Søren Vendel Hansen, Director
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44, 2900 Hellerup

## Management's review

### Financial highlights

DKK'000	2021
<b>Key figures</b>	
Revenue	1,731,556
Gross profit	699,520
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	233,237
Profit before interest and tax (EBIT)	14,978
Operating profit/loss	14,978
Net financials	-9,888
<b>Profit for the year</b>	<b>3,397</b>
<b>Total assets</b>	
Investments in property, plant and equipment	1,354,761
<b>Equity</b>	<b>849,969</b>
<b>Financial ratios</b>	
Operating margin	0.9%
Gross margin	40.4%
EBITDA-margin	13.5%
Return on assets	1.1%
Equity ratio	62.7%
Return on equity	0.4%
<b>Average number of full-time employees</b>	<b>442</b>

For terms and definitions, please see the accounting policies.

## Management's review

### Business review

During the second half of 2020 IBM announced the intent to divest IBM Global Technology Services creating an independent company. This became a reality in 2021 and on November 4, 2021 Kyndryl was publicly traded on the New York Stock Exchange. The Kyndryl name is derived from the words Kinship meaning a sharing of characteristics or origins and tendril plant organ specialized to anchor and support vining stems. Together these elements evoke growth and working together.

The largest IT Managed Services company in the world became a reality with a total number of approx. 90.000 employees across the globe. Kyndryl Danmark has 450 employees in total with offices on Sjælland, Fyn and Jylland. Kyndryl Denmark is part of Kyndryl Strategic Market, a collection of smaller countries reporting into the corporate organization.

Transform, design, build and run of critical IT infrastructure are Kyndryls core competencies. The addressable market for Kyndryl will double due to not only focusing on IBM solutions in our portfolio. These opportunities are possible with existing competencies and by building new alliances with a series of hyperscalers of which several were already announced just a few days after becoming independent. Kyndryls main alliance partners are Microsoft, Google Cloud and Amazon Web Services following with Local alliances including HP to the benefit of our customers. IBM remains a key partner of Kyndryl as Kyndryl has a deep knowledge in running IBM infrastructure.

COVID-19 continued through-out the year to challenge the way we work. The focus has been on the health and safety of our employees - and executing the daily IT operations of our customers critical infrastructure. COVID-19 has not affected the operation of our data centers and the growth seen in e-commerce has been handled flawlessly.

Our employees have been able to work remotely with IT tools supporting their daily work.

The fiscal year of 2021 is a mix of IBM GTS and Kyndryl Danmark. The majority of the IBM GTS contracts were novated into Kyndryl Danmark contracts. Only few contracts remained with IBM and this due to the content of the contract or for legal reasons. The announcement of IBM GTS being transformed into its own independent company slowed down the signing of new contracts during 1H 2021 but Kyndryl returned to growth during 2H 2021.

### Kyndryl Danmark - new company with 30 years of experience

Kyndryl Danmark is a very important part of the critical IT infrastructure for Denmark. We run some of the most critical IT systems with Financial Services sector, Public sector, Distribution sector and Energy. The trust from our customers has been earned by our more than 30 years of expertise and Intellectual Properties like Automation, Security and Artificial Intelligence.

Since the announcement of the spin off from IBM in 2021, the senior management team of Kyndryl has worked on building the new Kyndryl as a more flexible and efficient company. Key has been a prime focus on our customers and people in a Flat, Focused and Fast way of working - reducing management layers and complexity.

Our people are key to support the day-to-day activities for our customers and continuous development of our people is important. We have increased focus on acceleration of education and certifications. This will continue in 2022 where we will invest even more in our competencies.

Building new alliances is critical for Kyndryl. By doing so we will be able to enter into new business areas to create new opportunities. We have a long list of strong alliance partners, including Microsoft, Google Cloud, Amazon Cloud Services, SAP just to mention few. We also have new local alliance partners supporting our customers. We believe that with these new alliances we will be in a stronger position enabling us to serve our customers.

Kyndryl strategy is to be our customers most vital and trusted services partner by:

- Bringing together the best talent, the right technology, insights and operation model to help minimize risk and gain maximum business value from IT.
- Help accelerate their unique business transformation.
- Create frictionless engagement.



## Management's review

We will create differentiated business value through:

- A Full IT stack perspective with 6 Global practices within Cloud, Infrastructure, Data & AI, Network, Security and Digital Workplace Services to support transformation goals.
- Use of Data/IP driven differentiation with unique offerings and IP from many years of experience.
- Technology from a broad ecosystem with the right technology, integrated from any source.
- Skills & Thought leadership. Mission-critical expertise from focused talent acquisitions, positioning us as employer of choice.
- Predictive efficiency. Platform-enabled automation, optimizing our delivery model.

## Financial review

The fiscal year of 2021 is a mix of IBM GTS and Kyndryl Danmark. The majority of the IBM GTS contracts were novated into Kyndryl Danmark contracts. Only few contracts remained with IBM and this due to the content of the contract or for legal reasons. The announcement of IBM GTS being transformed into its own independent company slowed down the signing of new contracts during 1H 2021 but Kyndryl returned to growth during 2H 2021.

The 2021 full year revenue with the combination of IBM GTS and Kyndryl Danmark business was DKK 1,731 millions, Full year profit after tax was DKK 3,397 thousand. The Company's equity at year end was DKK 849,969 thousand.

The number of Kyndryl number of employees was 450 at the end of December 2021. This number was constant during 2H 2021.

Client Satisfaction score increased during 2021.

## Other efforts and results

### Non-financial risks

Kyndryl Denmark is not exposed to any risk beyond the normal business risk within the industry.

### Anti-corruption and bribery

Every year, all kyndryl employees will undergo a mandatory "Business Conduct Guideline" training and certification to ensure that everyone complies with the company's anti-corruption and bribery policies. Under the auspices of Kyndryl, employees have certified during the first quarter of 2022.

### Recognition

The Board of Directors recognizes the great efforts of Kyndryl Denmark's employees in 2021. It has been a year that has been marked partly by Covid-19 but also by the separation from IBM. We also thank the customers for the trust they have placed in Kyndryl Denmark in connection with the separation from IBM and the contractual novation. We look forward to continued good cooperation in 2022.

### Financial risks and use of financial instruments

Part of the cost that Kyndryl incurs is charged in a foreign currency. The majority of Kyndryl clients are invoiced in a local currency.

### Impact on the external environment

Kyndryl Denmark bases energy consumption on green energy where possible and where we have a direct influence on the energy source. The result for 2021 is satisfactory.

## Management's review

### Statutory CSR report

#### CSR and Citizenship Global

Kyndryl is an IT company that provides critical IT infrastructure to Denmark. For a detailed description of the business model please refer to pages 7 and 8.

Kyndryl has made a strong commitment to sustainability throughout our operations and supply chain. But as a newly independent company in November 2021, Kyndryl has not conducted a formal and thorough risk assessment on sustainability yet but is in the process of establishing our operational baselines and setting our strategies. Therefore, Kyndryl has not established and identified material risks within human rights so far. However, as a result of Kyndryl's past attachment to the IBM Group, Kyndryl is aware of inherent risks related to environmental issues, employee conditions and anti-corruption. These risks are due to Kyndryl's energy consumption, stress among employees and the general, potential exposure to unethical business conduct. To address these inherent risks, Kyndryl aspires to acquire green energy whenever possible, to educate all employees about general ethical business, and, lastly, to continuously develop working environment through APV as well as free health checks. . Kyndryl has succeeded with these efforts so far.

Since Kyndryl is a newly, independent company, Kyndryl does not have policies but are in the process of establishing policies on human rights, social and labour conditions, environmental conditions and anti-corruption. Kyndryl will establish such policies in 2022 as well as conduct a risks assessment and continue to build on the sustainability program of IBM that Kyndryl historically has been part of.

#### Account of the gender composition of Management, cf. §99b

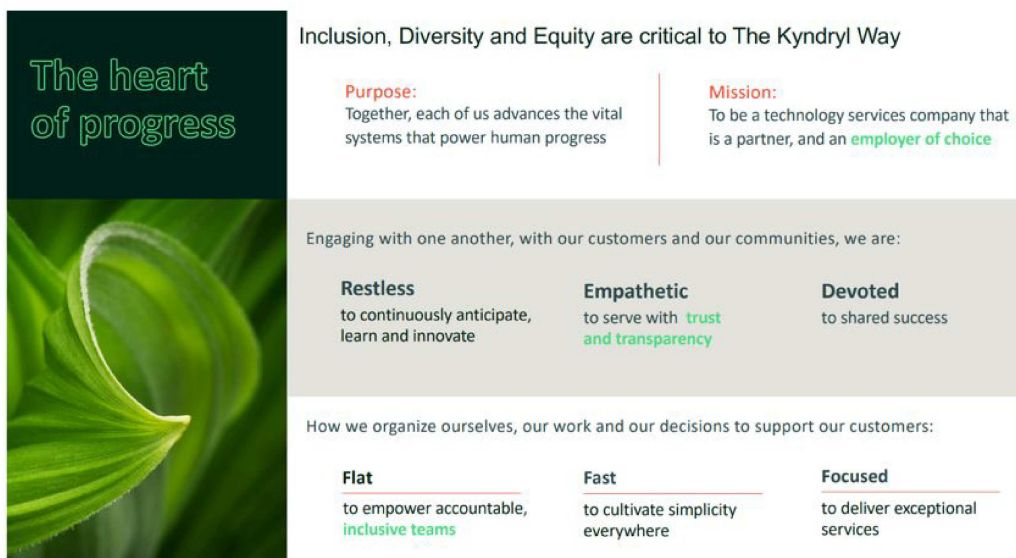
#### Kyndryl Inclusion, Diversity, and Equity (ID&E)

At Kyndryl, people are at the center of everything we do, designing, running and managing the most modern, efficient and reliable technology infrastructure for the world's most important organizations. A diverse workforce and inclusive, equitable culture are fundamental to Kyndryl's success. We strive to create workplaces that reflect the communities we serve.

We empower Kyndryls to embed inclusion, diversity and equity in every aspect of our business. We encourage varied perspectives through continuous learning which ignites innovation. These are critical elements that enable our focus on delivering exceptional service for our customers and creating shared success.

We are empathetic and devoted global citizens who strive to make the world better and more inclusive for our customers and our communities. Together, we advance the vital systems that power human progress.

#### The Kyndryl Way



**The heart of progress**

**Inclusion, Diversity and Equity are critical to The Kyndryl Way**

**Purpose:**  
Together, each of us advances the vital systems that power human progress

**Mission:**  
To be a technology services company that is a partner, and an **employer of choice**

Engaging with one another, with our customers and our communities, we are:

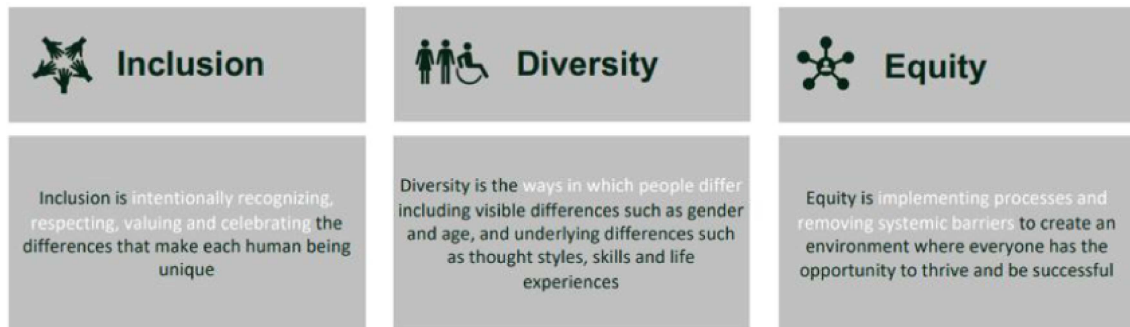
- Restless**  
to continuously anticipate, learn and innovate
- Empathetic**  
to serve with **trust and transparency**
- Devoted**  
to shared success

How we organize ourselves, our work and our decisions to support our customers:

- Flat**  
to empower accountable, **inclusive teams**
- Fast**  
to cultivate simplicity everywhere
- Focused**  
to deliver exceptional services

## Management's review

Inclusion, Diversity and Equity are imperative for Kyndryl to empower inclusive teams and become an employer of choice.



### Kyndryl Inclusion Networks

Kyndryl Global has launched several projects, the latest initiative being the establishment of Kyndryl Inclusion Networks (KINs). KINs support the activation of The Kyndryl Way culture. We will create 5 Enterprise KINs in 2022: Women, LGBTQ+, People with Disabilities (PwD) / Neurodiversity, Black, Hispanic. KINs who will be organizing to create an engaging and inclusive experience for all.

### Kyndryl Danmark

In addition to the global initiatives, we have launched several country initiatives for Kyndryl Denmark ie:

- A special focus to receive more female applicants for open positions. For example, we have reworded our open job postings so that they are less "masculine" and demanded that the hiring manager considers at least one female applicant as a minimum.
- A "Graduate program" with a requirement for 50/50 gender distribution. This program is also expected to address the age spread in Kyndryl Denmark.
- Branding of Kyndryl Denmark as a diverse attractive workplace.
- Working environment with a focus on the opportunity to combine an interesting and developing career with the opportunity to also have a family life and interests outside Kyndryl Denmark.
- Promote and make ID & Es' strategy and vision visible to all Danish employees.
- Ensuring equal pay by analyzing and focusing on equal distribution of e.g. bonus and implementation of payroll programs.

### Kyndryl Denmark - Gender split all employees

The gender distribution is in line with the majority of companies that operates in the IT services industry. Kyndryl Denmark will continue to ensure a high focus on the gender distribution.

### Kyndryl Denmark - Gender split Managers

	Count	Count in %
Female	15	27%
Male	40	73%
<b>Grand Total</b>	<b>55</b>	<b>100%</b>

### Kyndryl Denmark - Gender split Board of directors

Status of gender diversity in the Board of Directors are four men and one woman.

Kyndryl Denmark aims to reach the target of two women in the Board in 2025.

There was no such target set for Kyndryl Denmark for 2021, as Kyndryl recently became an independent company from IBM in late 2021 and, therefore, the target figure has not been reached.

## Management's review

### Data ethics

Due to Kyndryl Danmark ApS's late establishment at the end of 2021, it has not yet been possible to determine policies regarding Data Ethics. The Company is aware of the issues within Data Ethics associated with the Company's main activity, and is therefore in the process of clarifying its policies so that the Company's Data Ethics policies in the future will live up to the expectations and requirements in Denmark.

### Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

### Outlook

Our expectation for 2022 is a revenue reduction of 18% year-to-year driven by termination of one of our clients. We expect profit after taxes to be between DKK 3 million to DKK 5 million in 2022.

## Financial statements for the period 1 January - 31 December 2021

### Income statement

Note	DKK'000	2021
2	<b>Revenue</b>	1,731,556
	Other external expenses	-1,032,036
	<b>Gross profit</b>	699,520
3	Staff costs	-466,283
4	Amortisation/depreciation of intangible assets and property, plant and equipment	-218,259
	<b>Profit before net financials</b>	14,978
5	Financial income	9,587
6	Financial expenses	-19,475
	<b>Profit before tax</b>	5,090
7	Tax for the year	-1,693
	<b>Profit for the year</b>	3,397

## Financial statements for the period 1 January - 31 December 2021

### Balance sheet

Note	DKK'000	<u>2021</u>
	<b>ASSETS</b>	
	<b>Fixed assets</b>	
8	<b>Intangible assets</b>	
	Goodwill	70,101
		<u>70,101</u>
9	<b>Property, plant and equipment</b>	
	Land and buildings	14,731
	Fixtures and fittings, other plant and equipment	259,097
	Leasehold improvements	158,744
	Property, plant and equipment under construction	10,074
		<u>442,646</u>
	<b>Investments</b>	
	Other securities and investments	82
	Other receivables	63,539
		<u>63,621</u>
	<b>Total fixed assets</b>	<u>576,368</u>
	<b>Non-fixed assets</b>	
	<b>Receivables</b>	
	Trade receivables	322,133
	Receivables from group enterprises	284,715
10	Deferred tax assets	76,052
	Other receivables	47,553
		<u>730,453</u>
	<b>Cash</b>	47,940
	<b>Total non-fixed assets</b>	<u>778,393</u>
	<b>TOTAL ASSETS</b>	<u>1,354,761</u>

## Financial statements for the period 1 January - 31 December 2021

### Balance sheet

Note	DKK'000	<u>2021</u>
	<b>EQUITY AND LIABILITIES</b>	
	<b>Equity</b>	
11	Share capital	10,001
	Share premium account	836,571
	Retained earnings	<u>3,397</u>
	<b>Total equity</b>	<u>849,969</u>
	<b>Liabilities other than provisions</b>	
12	<b>Non-current liabilities other than provisions</b>	
	Other payables	3,029
13	Deferred income	<u>72,286</u>
		<u>75,315</u>
	<b>Current liabilities other than provisions</b>	
12	Short-term part of long-term liabilities other than provisions	52,939
	Trade payables	3,874
	Payables to group enterprises	127,727
	Other payables	<u>244,937</u>
		<u>429,477</u>
	<b>Total liabilities other than provisions</b>	<u>504,792</u>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>1,354,761</u></u>

- 1 Accounting policies
- 13 Deferred income
- 14 Contractual obligations and contingencies, etc.
- 15 Collateral
- 16 Related parties
- 17 Fee to the auditors appointed by the Company in general meeting
- 18 Appropriation of profit

## Financial statements for the period 1 January - 31 December 2021

### Statement of changes in equity

Note	DKK'000	Share capital	Share premium account	Retained earnings	Total
	Cash payments concerning formation of enterprise	40	0	0	40
	Additions on demerger	9,960	392,572	0	402,532
	Capital increase	1	443,999	0	444,000
18	Transfer, see "Appropriation of profit"	0	0	3,397	3,397
	<b>Equity at 31 December 2021</b>	<b>10,001</b>	<b>836,571</b>	<b>3,397</b>	<b>849,969</b>



## Financial statements for the period 1 January - 31 December 2021

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Kyndryl Danmark ApS for 2021 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

##### Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are reflected in the consolidated cash flow statement for the higher-ranking parent company Kyndryl Holdings Inc.

##### Basis of recognition and measurement

The Financial Statements have been prepared under the historical cost method.

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

##### Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

##### Intra-group business combinations

The book value method is applied to business combinations such as acquisition and disposal of investments, mergers, demergers, contributions of assets and share conversions, etc. in which entities controlled by the parent company are involved, provided that the combination is considered completed at the time of acquisition without any restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquiree are recognised directly in equity.

##### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

## Financial statements for the period 1 January - 31 December 2021

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Income statement

###### Revenue

The Company has chosen IFRS 15 as interpretation for revenue recognition.

Income from the sale of goods for resale and finished goods is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2020.

Income from the rendering of services is recognised as revenue as the services are rendered. Accordingly, revenue corresponds to the market value of the services rendered during the year (percentage-of-completion method).

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

###### Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

###### Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

###### Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Buildings	15-20 years
Fixtures and fittings, other plant and equipment	5 years
Leasehold improvements	5 years

Land is not depreciated.

###### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities and associates, declared dividends from other securities and investments, financial expenses relating to finance leases, realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses and amortisation of financial assets and liabilities.

###### Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity is jointly taxed with other group entities. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

## Financial statements for the period 1 January - 31 December 2021

### Notes to the financial statements

#### 1 Accounting policies (continued)

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

### Balance sheet

#### Intangible assets

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period.

#### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

#### Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

#### Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

#### Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

## Financial statements for the period 1 January - 31 December 2021

### Notes to the financial statements

#### 1 Accounting policies (continued)

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

#### Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

#### Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Given the nature of the Group's cash pool arrangement, cash pool balances are not considered cash, but are recognised under "Receivables from group entities".

#### Income taxes and Deferred taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

#### Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

## Financial statements for the period 1 January - 31 December 2021

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

##### Segment information

The allocation of revenue to activities and geographical markets is disclosed where these activities and markets differ significantly in the organisation of sales of goods and services.

##### Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating profit/loss	Profit/loss before financial items adjusted for other operating income and other operating expenses
Operating margin	$\frac{\text{Operating profit (EBIT)} \times 100}{\text{Revenue}}$
Gross margin	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$
EBITDA-margin	$\frac{\text{Earnings before interest, taxes and amortisations (EBITDA)} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss from operating activities} \times 100}{\text{Average assets}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

## Financial statements for the period 1 January - 31 December 2021

### Notes to the financial statements

DKK'000	<u>2021</u>
<b>2 Segment information</b>	
<b>Breakdown of revenue by business segment:</b>	
Service	1,689,594
Hardware	41,962
	<u>1,731,556</u>
<b>Breakdown of revenue by geographical segment:</b>	
Local	1,608,543
Abroad	123,013
	<u>1,731,556</u>
<b>3 Staff costs</b>	
Wages/salaries	424,564
Pensions	41,324
Other social security costs	395
	<u>466,283</u>
Average number of full-time employees	<u>442</u>
Remuneration to members of Management:	
Executive Board	9,275
	<u>9,275</u>
The Board of Directors has not received any remuneration during 2021.	
<b>4 Amortisation/depreciation of intangible assets and property, plant and equipment</b>	
Amortisation of intangible assets	24,035
Depreciation of property, plant and equipment	194,224
	<u>218,259</u>
<b>5 Financial income</b>	
Interest receivable, group entities	60
Other financial income	9,527
	<u>9,587</u>
<b>6 Financial expenses</b>	
Interest expenses, group entities	298
Other financial expenses	19,177
	<u>19,475</u>
<b>7 Tax for the year</b>	
Deferred tax	1,693
	<u>1,693</u>

## Financial statements for the period 1 January - 31 December 2021

### Notes to the financial statements

#### 8 Intangible assets

DKK'000	<u>Goodwill</u>
Additions through demergers	94,136
Cost at 31 December 2021	94,136
Amortisation for the year	24,035
Impairment losses and amortisation at 31 December 2021	24,035
<b>Carrying amount at 31 December 2021</b>	<b>70,101</b>

#### 9 Property, plant and equipment

DKK'000	Land and buildings	Fixtures and fittings, other plant and equipment	Leasehold improvements	Property, plant and equipment under construction	Total
Additions on demerger	35,959	1,238,146	835,380	2,988	2,112,473
Additions	0	85,789	13,654	7,086	106,529
Disposals	0	-165,534	0	0	-165,534
Cost at 31 December 2021	35,959	1,158,401	849,034	10,074	2,053,468
Accumulated impairment losses and depreciation of additions through demergers	19,765	880,670	643,630	0	1,544,065
Depreciation	1,463	146,101	46,660	0	194,224
Reversal of accumulated depreciation and impairment of assets disposed	0	-127,467	0	0	-127,467
Impairment losses and depreciation at 31 December 2021	21,228	899,304	690,290	0	1,610,822
<b>Carrying amount at 31 December 2021</b>	<b>14,731</b>	<b>259,097</b>	<b>158,744</b>	<b>10,074</b>	<b>442,646</b>

DKK'000 2021

#### 10 Deferred tax

Deferred tax transferred in the demerger	-77,745
Deferred tax adjustment for the year	1,693
<b>Deferred tax at 31 December</b>	<b>-76,052</b>

Deferred tax relates to:

Property, plant and equipment	-71,694
Tax loss	-4,358
	<u>-76,052</u>

## Financial statements for the period 1 January - 31 December 2021

### Notes to the financial statements

DKK'000	<u>2021</u>
<b>11 Share capital</b>	
Analysis of the share capital:	
10,001,000 shares of DKK 1.00 nominal value each	<u>10,001</u>
	<u>10,001</u>

Analysis of changes in the share capital over the past 2 years:

DKK'000	<u>2021</u>	<u>Opening balance at 1 January 2021</u>
Establishment	40	40
Capital increase	<u>9,961</u>	<u>0</u>
	<u>10,001</u>	<u>40</u>

### 12 Non-current liabilities other than provisions

DKK'000	<u>Total debt at 31/12 2021</u>	<u>Repayment, next year</u>	<u>Long-term portion</u>	<u>Outstanding debt after 5 years</u>
Other payables	3,029	0	3,029	0
Deferred income	<u>125,225</u>	<u>52,939</u>	<u>72,286</u>	<u>0</u>
	<u>128,254</u>	<u>52,939</u>	<u>75,315</u>	<u>0</u>

### 13 Deferred income

Deferred income, DKK 125,225 thousand, consists of payments received from customers that may not be recognised until the subsequent financial years.

### 14 Contractual obligations and contingencies, etc.

The Company was jointly taxed with IBM Denmark ApS, the 'management company' for the tax group, and its fellow Danish group companies for part of the financial period under review. As part of this tax group, the Company was joint and severally liable with other jointly taxed group companies for the payment of corporate income tax, as well as for withholding taxes on dividends, interest, and royalty payments, for the period that the Company was part of the tax group. The Company was part of the tax group from its incorporation on 18th January 2021 until 3rd November 2021, when Kyndryl Holdings Inc, the ultimate parent company, was spun off from International Business Machines Corporation.

#### Other financial obligations

Other rent and lease liabilities:

DKK'000	<u>2021</u>
Rent and lease liabilities	<u>128,425</u>

Rent and lease liabilities obligation totals DKK 56,463 thousand within 1 year and DKK 71,963 within 2-5 years.



## Financial statements for the period 1 January - 31 December 2021

### Notes to the financial statements

#### 15 Collateral

As security for the payment of rent, the company has provided a bank guarantee of DKK 350 thousand.

#### 16 Related parties

Kyndryl Danmark ApS' related parties comprise the following:

##### Parties exercising control

<u>Related party</u>	<u>Domicile</u>	<u>Basis for control</u>
Kyndryl Holdings Inc.	New York, United States	Ultimate parent company
Kyndryl 1 B.V.	Amsterdam, Netherlands	Parent company

##### Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
Kyndryl Holdings Inc.	New York, United States	The consolidated financial statement can be retrieved on the following link: <a href="https://investors.kyndryl.com/overview/default.aspx">https://investors.kyndryl.com/overview/default.aspx</a>

##### Related party transactions

The Company solely discloses related party transactions that have not been carried out on an arm's length basis, cf. section 98c(7) of the Danish Financial Statements Act.

All transactions have been carried out on an arm's length basis.

	<u>2021</u>
DKK'000	
17 Fee to the auditors appointed by the Company in general meeting	
Statutory audit	1,226
	<u>1,226</u>
18 Appropriation of profit	
Recommended appropriation of profit	
Retained earnings	3,397
	<u>3,397</u>

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