

# Kyndryl Danmark ApS

Prøvensvej 1, 2605 Brøndby

CVR no. 41 98 81 69

## Annual report 2022

Approved at the Company's annual general meeting on 23 June 2023

Chair of the meeting:

.....  
Marie Holst

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## 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 1 January - 31 December 2022.

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 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Brøndby, 23 June 2023  
Executive Board:

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Tina Grøn Esbech  
Man. director

.....  
Jesper Nikolaj Fogt  
Director

.....  
Jimmy Bruhn Hansen  
Director

.....  
Søren Vendel Hansen  
Director

.....  
Alan Ejlerskov  
Director

Board of Directors:

.....  
Erik Rykind-Blarke  
Chairman

.....  
Søren Aaberg Iversen

.....  
Nete Jørgensen

.....  
Flemming Madsen

.....  
Ulla Dalsgaard

## Independent auditor's report

To the shareholders 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 2022, and of the results of the Company's operations for the financial year 1 January - 31 December 2022 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 2022, 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.

### 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.

### 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.

## Independent auditor's report

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.
- 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.

Hellerup, 23 June 2023  
PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
CVR no. 33 77 12 31

Brian Christiansen  
State Authorised Public Accountant  
mne23371

## 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
Telephone	+1 212-896-2100
Board of Directors	Erik Rykind-Blarke, Chairman Søren Aaberg Iversen Nete Jørgensen Flemming Madsen Ulla Dalsgaard
Executive Board	Tina Grøn Esbech, Man. director Jesper Nikolaj Fogt, Director Jimmy Bruhn Hansen, Director Søren Vendel Hansen, Director Alan Ejlerskov, Director
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44, 2900 Hellerup

## Management's review

### Financial highlights

DKK'000	2022	2021
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#### Key figures

Revenue	1,787,238	1,731,556
Gross profit	651,352	699,520
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	177,080	233,237
Operating profit/loss	5,866	14,978
Net financials	1,738	-9,888
Profit before tax	7,604	5,090
Profit/loss for the year	-14,355	3,397

Total assets	1,216,368	1,354,761
Investments in property, plant and equipment	83,547	106,529
<b>Equity</b>	<b>835,614</b>	<b>849,969</b>

#### Financial ratios

Operating margin	0.3%	0.9%
Gross margin	36.4%	40.4%
EBITDA-margin	9.9%	13.5%
Return on assets	0.5%	1.1%
Equity ratio	68.7%	62.7%
Return on equity	-1.7%	0.4%

<b>Average number of full-time employees</b>	<b>445</b>	<b>442</b>
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The financial ratios stated under "Financial highlights" have been calculated as follows:

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

## Management's review

### Business review

During 2022 calendar year Kyndryl Danmark continued the direction set after the creation of Kyndryl in November 2021. Kyndryl Danmark had 445 employees in average during 2022 with offices on Sjælland, Fyn and Jylland. Kyndryl Danmark is part of Kyndryl Strategic Market, a collection of smaller countries reporting into the corporate organization.

The focus has been on building our new company and at the same time ensuring operational excellence of the highest level to the satisfaction of our customers.

During the 2022 calendar year Kyndryl Danmark has been able to increase customer satisfaction and employee engagement. New customers have selected Kyndryl Danmark as a trusted service provider of critical infrastructure.

We have continued to increase the number of certifications with our key partners, including Microsoft, Google Cloud and Amazon Web Services.

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

Kyndryl Danmark is a very important part of the critical IT infrastructure of Denmark. We run some of the most critical IT systems within the 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 Leadership Team of Kyndryl has worked on building the new Kyndryl as a more flexible and efficient company. Our key goal has been a prime focus on our customers and our people by working Flat, Focused and Fast and reducing management layers and complexity.

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

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

We will create differentiated business value through:

- 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.



## Management's review

### Financial review

The overall revenue for Kyndryl Danmark has increased by 3% in 2022 compared to 2021. The growth is driven by onboarding new clients as well as an increase in service provided to other Kyndryl entities abroad. The revenue result exceeded the expectations for the year, primarily driven by the increase in intracompany deliverables. Total staff cost was in line with the expectation as well as the total nbr of employees remained at the same level in 2022 as prior year. The profit before tax is DKK 7,604 thousand against a profit before tax of DKK 5,090 thousand last year. This equals an YtY improvement of DKK 2,514 thousand. The higher revenue was offsetting the increase in utility cost from higher electricity cost as well as an increased vendor spend, and by that the revenue growth contributed to the improved profit before tax.

The balancesheet on 31 December 2022 shows an equity of DDK 835,614 thousand.

The result after tax is showing a loss of DKK 14,355 thousand. This result is impacted by a tax adjustment of DKK 11,629 thousand that relates to 2021 as well as an adjustment of deferred tax concerning previous years of DKK 3,744 thousand. This also explains why the result after tax is deviating from the original forecast.

### Non-financial risks

Kyndryl Danmark 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 "The Kyndryl Code of conduct" 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 2023.

### Recognition

The Board of Directors recognizes the great efforts of Kyndryl Danmark's employees in 2022. It has been a year that has been marked partly by Covid-19 but also by war in Ukraine together with worldwide economic resources inflation. We also thank our customers for the trust they have placed in Kyndryl Danmark in connection with the separation from IBM and the contractual novation. We look forward to continuing our good cooperation in the years to follow.

### 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 local currency.

### Statutory CSR report

#### Statement of corporate responsibility, cf. §99a - Sustainability and CSR

At Kyndryl, we are powering human progress to drive success in our business, and we apply this same principle to how we approach our Environmental, Social, and Governance (ESG) strategy. In our first full fiscal year, we've focused on promoting policies, programs and practices that motivate people, embedding ESG best practices into our operations and culture. We believe that by ensuring our business operations align to positive outcomes for society and the environment, we can create a more sustainable future for all. As our business continues to grow and develop, we aspire to continue to scale our ESG impact through the strong foundation we have already laid in our first full fiscal year.

As a new company, Kyndryl does not yet have an ESG report. Kyndryl intends to publish its first annual ESG report in 2023.

### Kyndryl's Business Model

Kyndryl is a high-value technology services company. We provide advisory, implementation and managed services in and across a range of technology domains to help our customers manage and modernize enterprise IT environments in support of their business and transformation objectives.

## Management's review

Kyndryl Danmark relies on our team of skilled practitioners, globally consisting of approximately 90 000 professionals within Kyndryl Group. We utilize a flexible labor and delivery model with a balanced mix of global and local talent as needed to meet customer-specific needs, regulatory requirements and data protection and labor laws. We partner with broader ecosystem, including a wide range of hyperscale cloud providers, system integrators, independent software vendors and technology vendors from startups to market leaders.

Our services are differentiated based on our expertise and intellectual property and data around IT patterns across customers in the following domains:

### **Cloud Services:**

We design, build and provide managed services for our customers' multicloud environments. We apply a mix of skilled practitioners, intelligent automation and modern service management principles of Site Reliability Engineering, AIOps, Infrastructure as Code and DevOps. We help enterprises optimize their use of hyperscale cloud providers in a unified environment, seamlessly integrating services delivered by independent software vendors ("ISVs"), large public cloud providers, internal platforms and other technologies (e.g., internet of things ("IoT")).

### **Core Enterprise & Cloud Services:**

We establish and operate modern, dedicated technology infrastructure on behalf of enterprise customers to enable their current and future growth and profitability objectives. We support a range of enterprise infrastructure, including private clouds, mainframe environments, distributed computing, enterprise networks and storage environments.

### **Application, Data and Artificial Intelligence Services:**

We provide end-to-end enterprise data services, including data transformation, data architecture and management, data governance and compliance and data migration. We support chief digital officers and chief information officers ("CIOs") in governing the vast quantities of enterprise data across internal and external sources to drive their digital strategies, transactions and business objectives, while maintaining security, ethical standards and compliance with country-specific data protection regulations (e.g., GDPR, HIPAA and PCI). We provide services to design, build, manage and automate the IT environments for enterprise applications as they migrate to the cloud. Our services help CIOs and chief technology officers unlock the full value of leading third-party enterprise resource planning systems (e.g., Oracle, SAP) and packaged applications through the use of AI and software-defined technologies.

### **Digital Workplace Services:**

Our digital workplace services provide the technology infrastructure, mobility, security and access solutions to support a global workforce that is constantly evolving. Our services include enterprise mobility solutions that provide users with the ability to work seamlessly across environments and locations.

### **Security & Resiliency Services:**

We provide comprehensive enterprise cybersecurity services for chief information security officers and chief risk officers, including insights, protection, detection, response and recovery to support the security of our client's hybrid IT estate, data and operations. Concurrently, we provide resiliency services that include a mix of business continuity planning and cloud-based disaster recovery capabilities (composed of experts, digital tools and automation and failover environments). These services allow our customers to operate without issue or disruption in response to attacks, outages, natural disasters and geopolitical events.

### **Network Services & Edge:**

Kyndryl worked with third-party experts to conduct a materiality assessment which provides an important framework to identify the societal and environmental issues most material for our company and our stakeholders. Understanding the environmental, social, and economic intersections with Kyndryl's business is essential to ensuring that we continue to focus on what matters to our business, stakeholders, and society.

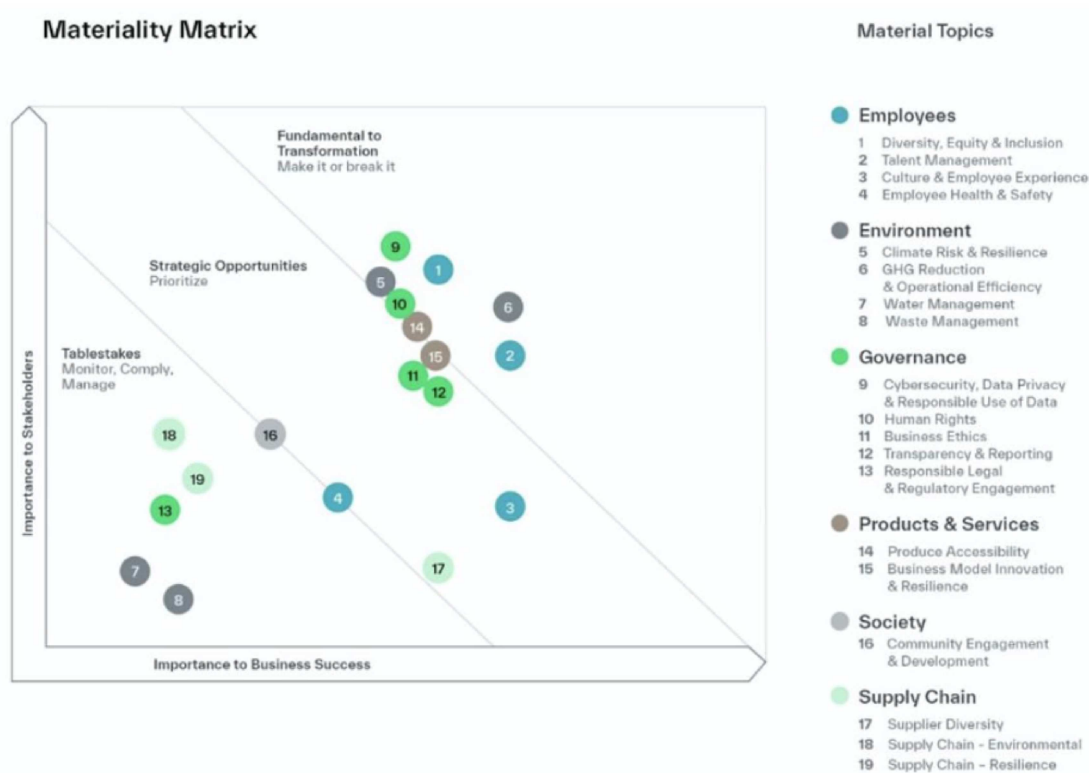
## Management's review

### Kyndryl's Materiality Assessment

#### Kyndryl's Materiality Assessment

Below are the results of our first materiality assessment from early 2022, mapping the environmental, social and governance issues most relevant to our company, as it relates to both potential risks to our business and impact on society. We are leveraging these outputs as we develop our Sustainability and CSR commitments to ensure our goals are aligned with the issue areas where we have an opportunity to make a positive impact. The analysis prioritizes the identified issues of interest according to their relevance both for stakeholders and for Kyndryl's strategy.

For full report, visit: <https://www.kyndryl.com/gb/en/about-us/corporate-responsibility>



### ESG Governance and Risk Management

Kyndryl has a strong commitment to ESG and has established an ESG Executive Committee that meets regularly to address ESG issues and ensure progress against our goals. The ESG Executive Committee is responsible for overseeing the working groups dedicated to each of the three ESG domains. The ESG Executive Committee is a cross-functional team comprised of senior management executives across the business to ensure that all Kyndryl's internal stakeholders are represented in our key ESG initiatives and policies. Each of the three working groups has an executive sponsor from Kyndryl's C-suite and a designated leader from senior management. Furthermore, the Kyndryl Board of Directors act as an independent committee overseeing our ESG strategy.

In addition to the ESG Executive Committee and Board oversight of ESG issues, Kyndryl's Enterprise Risk Management (ERM) includes ESG risk mitigation. ERM also addresses aspects coming from other management systems, such as those related to occupational health and safety or business continuity, and issues related to cybersecurity, financial or human resource management.

### Kyndryl's Commitment to Environmental Sustainability

Kyndryl strives to be a leader in sustainability in all our business activities, products, and services. Our goal is to protect the environment, implement pollution prevention practices, be a responsible user of energy and natural resources, and continually improve our environmental and energy efficiency by setting improvement objectives and providing the resources required to achieve them. This serves as the foundation for Kyndryl's corporate policy objectives.

## Management's review

In 2022, Kyndryl worked to update its policy on Environmental Sustainability, which has now been signed off by our Global Chief Executive Officer. The latest policy letter is available on Kyndryl's external webpage: <https://www.kyndryl.com/us/en/about-us/corporate-responsibility/environmental-sustainability>

Kyndryl is committed to driving positive impact at scale and leading our industry in sustainable business practices. Since Kyndryl's start in November 2021, we have worked to establish our operational baselines, including those on climate and sustainability issues. Our greenhouse gas baseline and inventory were used to establish Kyndryl's commitment to achieve net zero carbon emissions by 2040. The report can be viewed on the following webpage: <https://www.kyndryl.com/us/en/about-us/news/2022/12/kyndryl-commits-to-net-zero-carbon-emissions-by-2040>

Our net zero goal is in line with the scientific recommendations of the Intergovernmental Panel on Climate Change (IPCC) to reach net zero global carbon emissions by 2050 to limit global warming to 1.5 degrees Celsius. Kyndryl's net zero commitment follows science-based frameworks and includes absolute reductions across scopes 1, 2, and 3 emissions. The decarbonization plan aligns with Kyndryl's business strategies and includes consolidating legacy real estate and data centers to more sustainable infrastructures, increasing energy efficiency and renewable energy use, and engaging with suppliers and alliance partners to use sustainable practices.

### To achieve net zero by 2040 we set the following targets for 2030:

- Reduce emissions for scopes 1 and 2, direct and indirect emissions, by 75%
- Achieve 50% reduction in emissions across its global enterprise
- Obtain 100% of purchased electricity through renewable sources

### Kyndryl's Environmental Risk Management

The operational baselines are also being used to establish our integrated Environmental and Energy Management Systems (E&EnMS) addressing sustainable practices, such as energy conservation, energy efficiency and renewable energy, waste, water, and biodiversity. Kyndryl plans to certify to the ISO certifications most relevant to Kyndryl, including the ISO 14001 and ISO 50001 standards in 2023. Kyndryl will also leverage industry best practices to govern quality management system, processes, and tools to ensure operations meet the high standards of sustainability compliance and responsible business practices that clients and partners expect.

As part of the E&EnMS, we have analyzed our activities to determine our environmental aspects posing the most significant risks to environmental and climatic conditions. Our significant environmental aspects include air emissions, energy management, water management (specifically in water stressed areas), unplanned releases, chemical management, hazardous materials transportation, hazardous waste management, product end-of-life management, non-hazardous waste management, and procurement of parts, products, and services. As Kyndryl builds the E&EnMS, we are tracking the current controls in place to address these significant environmental aspects and identifying future improvement opportunities.

During the annual management review, our top management reviews the organization's E&EnMS to ensure its continued suitability, adequacy, and effectiveness. This review includes consideration of - amongst others - changes in our environmental risks and opportunities. This risk management forms part of the larger Enterprise Risk Management (ERM) previously mentioned in the 'ESG Governance and Risk Management' section.

In addition to our E&EnMS, Kyndryl addresses environmental risk by being a member of the Responsible Business Alliance (RBA). RBA is a non-profit industry group that helps manufacturers support continuous improvement in the social, environmental, and ethical responsibility of their supply chains. We require our suppliers to adhere to the RBA code of conduct which contains environmental requirements as well as provisions on labour, health and safety, ethics, and management systems. As a member of the RBA, we uphold high standards of environmental as well as corporate responsibility and commit to respecting human rights and ensuring sustainable operations. Further, we are working with EcoVadis to manage our supplier program to meet customer and regulatory requirements.

## Management's review

### Actions and Results for Kyndryl's Environmental Sustainability Efforts in 2022

We have implemented and are building environmental programs to minimize environmental impacts from our business, including:

#### *Responsible Use of Energy*

In 2022, we developed our scope 1, 2, and 3 emissions baselines in line with the Greenhouse Gas Protocol (GHG Protocol) standards. Our first Environmental, Social, and Governance (ESG) report will be released in 2023 and will include details on our emissions calculation, results, and third-party validations. This baseline has been used to develop our 2040 net zero commitment, including our short-goals by 2030 (shared above). See webpage following webpage for full detail: <https://www.kyndryl.com/us/en/about-us/news/2022/12/kyndryl-commits-to-net-zero-carbon-emissions-by-2040>

We plan to reach our net zero targets through:

- Projects at Kyndryl facilities to reduce reliance on fossil fuels, including using alternative fuel sources and/or electrifying processes to use renewable energy.
- Improving energy efficiency to lower energy consumption through IT equipment refreshing, consolidation and virtualization of workloads, and cooling and airflow efficiency projects.
- Increasing Kyndryl's use of renewable energy. In 2022, Kyndryl Denmark utilized greater than 99% renewable energy for its electricity needs.
- Building out a roadmap for scope 3 emissions that includes evaluating suppliers and purchasing to understand where emissions can be reduced by engaging suppliers to commit to their own net zero goals and sustainable practices.
- Engaging and educating employees about net zero, including education on waste, purchases, business travel and commuting.
- Logistics/Transportation: Our core logistics service provider embeds sustainability activities directly into its supply chain. They also established targets for greenhouse gas emission reduction: 30% reduction in its greenhouse gas emissions (GHG) by 2030 (reference year: 2017).

Current progress in being a responsible user of energy includes:

- Reducing our globally our data center energy consumption by more than 40,100 MWh (equivalent to >14,000 MTCO<sub>2e</sub>) while saving \$5.47 million since 2021.
- Continuing to enable the annual generation of 18,000 MWh of solar energy at three of Kyndryl's data centers.
- Engaging in voluntary commitments e.g., Kyndryl participates in a voluntary initiative, the European Union Code of Conduct for Data Centers Energy Efficiency to reduce energy and increase energy efficiency at data centers. In February 2022, Kyndryl voluntarily submitted 44 data centers in 20 countries to be recognized, and today 28 data centers have obtained participant status. Kyndryl's two Danish data centers are participants.

#### *Raw material and sustainable supply chain*

We do not design nor manufacture products but purchase third party products.

By signing up to the Responsible Business Alliance (RBA), we subscribed to sustainable procurement and purchasing practices. We require our suppliers to adhere to the RBA Code of Conduct, which contains environmental requirements from pollution prevention, resource reduction, management of hazardous substances, solid waste, air emissions, water, material restrictions through to energy consumption & greenhouse gas emissions. <https://www.responsiblebusiness.org/code-of-conduct>.

In 2022 we initiated 40 supplier assessments in 'high risk ESG countries' and are evaluating results and asking remediations and on-site audits. Denmark was not among the high-risk countries.

In addition, Kyndryl Procurement Governance manual has a policy about products with recycled content. If recycled materials are acceptable, and the prices are like those of non-recyclable materials, preference should be given to recyclability and recycled materials.

## Management's review

### *Waste Management*

Kyndryl's general materials use practices dictate that where feasible, we strive to avoid the unnecessary generation of waste. However, Kyndryl has established programs related to the generation and management of hazardous and nonhazardous wastes. For example, programs to:

- Recycle and manage facilities generating nonhazardous wastes, including paper, scrap metal, glass, and cardboard.
- Collect and recycle printer/toner cartridges from facilities network printer rooms.
- Manage hazardous wastes (chemicals) with a focus on avoidance of waste generation, recycling, and other beneficial processes.

All hazardous waste vendors are subject to approval standards established by Kyndryl's Global Sustainability Group. All chemical use is subject to an approval process engaging key stakeholders (environmental, health & safety) to ensure safe handling and management.

Kyndryl has established processes for Kyndryl owned end-of-life IT products to be properly processed. Only approved product end-of-life management (PELM) suppliers that meet the standards established by Kyndryl's Global Sustainability Group are used for processing end-of-life equipment. Suppliers supporting these processes provide product end-of-life metrics and reports to Kyndryl's environmental reporting system.

We will report our results on waste management in our first Environmental, Social and Governance Report in 2023.

### *Waste Management*

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We will report our results on waste management in our first Environmental, Social and Governance Report in 2023.

### *Water Management*

We are currently building our baseline and boundaries for our water management program, including water withdrawal / sourcing and discharges for sanitary and industrial use, e.g., potable and non-potable water, chilled water systems for our data centers, and office space cooling. We measure our consumption, and plan to first focus on reducing consumption at high water stressed sites. We will report our results on water management in our first Environmental, Social and Governance report in 2023.

### *Biodiversity*

Kyndryl has worked with the non-profit One Tree Planted to plant thousands of trees around the world to restore forests and habitats. See more information at <https://www.kyndryl.com/us/en/about-us/corporate-responsibility/environmental-sustainability>. Kyndryl is working to develop our biodiversity goals and program in line with industry best practices and the leading scientific frameworks.

## Management's review

### *Awareness & Education*

All Kyndryl employees are mandated to certify their completion of the Kyndryl Code of Conduct (the Code) training annually. The Kyndryl Code of Conduct (the Code) includes environmental related information under "Section 2.10 ESG: Ensuring a Sustainable and Equitable Future" of the Code. More information about the Kyndryl Code of Conduct can be found below in the 'Operating Ethically & Safely' section.

Kyndryl has developed additional materials to communicate our sustainability mission and actions to customers, employees, and shareholders. In 2022, we worked to develop an introductory sustainability course available to all employees. More information about the course will be shared in our first Environmental, Social and Governance report in 2023.

### *Sustainable Business Development*

Kyndryl's Green Guild program brings together over 200 employees who work with Kyndryl offerings as well as our alliance partners to co-create and innovate sustainable solutions for our customers. These include solutions related to sustainable data centers, cloud migration, and digitizing the workplace.

## Our People & Community: Statement on Corporate Social Responsibility

### Our Commitment to Our Community

Kyndryl is focused on supporting our employees and the communities where we live and work. Our Corporate Social Responsibility (CSR) strategy guides our employee and community engagement programming. We align our impact to United Nations Sustainable Development Goals (UN SDGs) and our CSR strategy is centered around three focus areas to drive focused impact: Future Forward Education, Climate Action, and Inclusive Economies. In the last year, we have continued to scale the adoption of our employee engagement platform that allows all global employees to volunteer or donate to non-profits and focus on making impact across our three focus areas. Kyndryls in Denmark have in 2022 started registering hours on our employee engagement platform (Deed) and we plan to continue these activities in 2023 with focus on Climate Action and Future forward Education Volunteering Days.

In addition to our employee engagement platform, we have also partnered with non-profits to expand our positive impact. You can read more about all our programs and partnerships and our results on our Corporate Social Responsibility website on Kyndryl.com: <https://www.kyndryl.com/us/en/about-us/corporate-responsibility>

### Our Commitment to Human Rights

Respect for human rights is an integral part of our ESG strategy to ensure the safe and sustainable operations of our business. We adhere to the United Nations (UN) Guiding Principles on Business and Human Rights and maintain a commitment to respecting human rights through our RBA membership. RBA offers training and tools to support compliance by identifying countries that are at an elevated risk for human rights violations. By evaluating compliance at a regional level based on risk level, Kyndryl can help ensure we effectively manage and mitigate risks across the diverse regions in which we operate.

A large part of Kyndryl Danmark is internationally oriented with many touchpoints. Despite our precautions, there will always be a risk of human rights violations occurring in the supply chain. These risks are addressed throughout our supply chain through our Supplier Code of Conduct where we outline the process for suppliers to report on any confirmed or suspected unlawful or unethical situations involving Kyndryl to the Kyndryl Procurement Ombudsman. In 2022, there were no reported human rights violations through our Procurement Ombudsman. Additionally, the Kyndryl Code of Conduct (the Code) includes provisions on human rights topics and highlights our Modern Slavery Statement and Human Rights policy, which we launched in 2022. As shared previously, we achieved a 100% completion rate for our Kyndryl Code of Conduct training in 2022. More information about the Code can be found in the next section.

Based on the results of Kyndryl's Materiality Assessment, stakeholder research, and the nature of our business as a services company, we concluded that the use and application of our products and services is most impactful on human rights. Additionally, supply chain and diversity and inclusion issues were prioritized as part of our broad human rights strategy. In the future, Kyndryl intends to monitor human rights risks through a human rights assessment to identify the most material human rights risks for our company and adjust our priorities as necessary.

## Management's review

Further detail on how we uphold this commitment to respecting human rights and our plans to expand our impact can be found in our Human Rights Policy: <https://www.kyndryl.com/us/en/company/human-rights>

### Operating Ethically & Safely

Kyndryl continues to develop strong governance structures that support our mission to embed accountability, transparency, and risk management into our business as embodied in our Kyndryl Code of Conduct. The Kyndryl Code of Conduct (the Code) is our code of ethics and sets forth our policies and expectations on a number of topics, including conflicts of interest, compliance with laws (including insider trading laws), use of our assets, and business conduct and fair dealing. All non-exempt Kyndryl employees are mandated to certify their completion of the Kyndryl Code of Conduct (the Code) training annually. (Employees on a leave of absence, extended sickness, accident leave, pending termination of employment, or similar circumstances may be exempted.)

Specific to operating ethically and safely, the Code outlines provisions for employee conduct regarding anti-corruption and bribery, among other ethics topics. We also provide global cyber security training to all global employees, contractors, and vendors.

A material risk to Kyndryl is in ensuring the ethical operations of our suppliers throughout our global supply chain. As a member of the Responsible Business Alliance (RBA), we require our suppliers to comply with the RBA code, which outlines provisions for preventing corruption. More information about our membership to RBA can be found in the section 'Kyndryl's Environmental Risk Management' above. In addition to this, Kyndryl has a Corporate Instruction on Foreign Corrupt Practices Act and Anti-Bribery Management Systems. Further, we are working with EcoVadis to manage our supplier program to meet customer and regulatory requirements. In addition to our membership with the RBA, Kyndryl maintains a supplier diversity program and is committed to ensuring sustainable and equitable operations.

No breaches of code of conduct were reported for Kyndryl Denmark in 2022.

In the future, we will continue to communicate our guidelines and expectations regarding anticorruption to employees and business relations through of our code of conducts.

### Evolve the Kyndryl Culture

In 2022 we introduced The Kyndryl Way - how we define our differentiating services-led culture as we aim to be the employer and partner of choice. The Kyndryl Way is defined as operating a fast, flat, and focused business with engaged employees - "Kyndryls" - who are restless, empathetic, and devoted. Since then, we have been transforming our culture through new behaviors, systems, and symbols to embody these principles and ways of working.

To support our leaders, we launched Leadership Development@Kyndryl - a one-stop shop for equipping and inspiring people-centric leaders with new, contemporary curriculum, workshops, resources, and tools to further hone their leadership skills. And we trained nearly all 6,000 managers in workshops focused on adopting the Leadership Behaviors to advance The Kyndryl Way.

We're seeing the positive impact of these programs. We're proud that our engagement score improved 3.4 points from a year ago and is higher than industry benchmarks. Eighty-eight percent of employees agree that their manager's behavior is consistent with The Kyndryl Way. Our Empathy & Inclusion Index score is nearly best-in-class - six points above industry average - showing that Kyndryls have a strong sense of belonging and we are making progress against our goal of building an inclusive culture. Ninety-one percent of Kyndryls feel they are treated with respect and 87% feel they can be themselves at work.

We also made important changes to our global Internal Job Posting Policy - which is foundational to filling open job roles and empowering Kyndryls to own their careers and advance their skills. We also introduced our new Global Skills and Career Framework as the new foundation for Kyndryl careers journeys. It further empowers Kyndryls to own their careers by providing market-based information and transparency into their role, the skills and competencies expected for their role, and how they fit into the larger Kyndryl organization, as well as how jobs are organized and the variety of career paths across Kyndryl. This is part of our mission to continuously support our employees and equip them with the tools and skills they need to better serve our customers and grow their careers at Kyndryl.



## Management's review

### Account of the gender composition of Management

#### Statement of corporate responsibility, cf. §99b - Gender Distribution

#### Inclusion, Diversity & Equity at Kyndryl

Driving a culture where every employee feels a sense of inclusion and belonging is rooted in The Kyndryl Way. This past year we have created the foundation for an equitable environment, where Kyndryls can power human progress and innovate. As we continue to progress, inclusion, diversity, and equity (ID&E) will be embedded and strengthened in every aspect of our business. As we reflect, our goals have been achieved through an alignment to our four strategic priorities: connected and inclusive culture, diverse and representative teams, ID&E in our business operations, and community engagement and advocacy. We believe that having diversity among our employees and management strengthens our business.

#### Priority Accomplishments in 2022:

- Launched a modern human capital system that empowers managers to support their people by making it easy to access information and resources and enable our employees to grow their careers with us.
- Demonstrated above industry average levels on Empathy and inclusion index in annual engagement survey.
- Launched five Enterprise Kyndryl Inclusion Networks (KINs) at the beginning of 2022 to drive an inclusive culture, which grew to 70 operating and engaged Country Level KINs.
- Launched fundamental policies committing to Equal Opportunity Employment, Workforce Diversity & Inclusion, and Non-discrimination and Harassment as well as Inclusive Mindset learning to help reduce talent bias.
- Launched programs to ensure we can recruit, develop, and retain diverse talent. In Kyndryl Denmark we launched our first Graduate Program.

The main risk that Kyndryl Denmark faces is to attract, retain and develop people with the skills, knowledge and experience needed to continue to deliver on our commitments to clients and society.

#### Kyndryl Denmark - Gender split all employees (as of January 2023)

The gender distribution is in line with the majority of companies that operate in the IT services industry. Kyndryl Denmark will continue to ensure a high focus on gender distribution. We achieved the goal of increasing the number of females by 1%.

Gender	Number of emp.	% share
Female	87	19.8%
Male	353	80.2%
<b>Total</b>	<b>440</b>	<b>100.0%</b>

\*Above numbers include the part time hires.

#### Kyndryl Denmark - Gender split Managers (as of January 2023)

The gender distribution in our management group has a better gender distribution than last year.

Gender	Number of emp.	% share
Female	15	28.3%
Male	38	71.7%
<b>Total</b>	<b>53</b>	<b>100.0%</b>

\* Above numbers are based on Head Counts

## Management's review

### Kyndryl Danmark - Gender split Board of directors

The gender distribution of the Board of Directors are 2 females and 3 males.

### Data ethics

Our services, systems and networks, including cloud-based systems and systems and technologies that we maintain on behalf of our customers, may be used in critical Company, customer or third-party operations, and involve the storage, processing and transmission of sensitive data, including valuable intellectual property, other proprietary or confidential data, regulated data, and personal information of employees, customers and others.

Kyndryl Danmark has a high focus on Data Ethics and has established mandatory training sessions for all employees across our organization. There is education related to cyber security, handling of personal information, general code of conduct and how we manage data.

### 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 expectations for 2023 is overall revenue will be approximately at the same level as 2022. We expect profit after taxes to be between DDK 1 million to DKK 3 million.

## Financial statements 1 January - 31 December

### Income statement

Note	DKK'000	2022	2021
3	<b>Revenue</b>	1,787,238	1,731,556
4	Other external expenses	-1,135,886	-1,032,036
	<b>Gross profit</b>	651,352	699,520
5	Staff costs	-474,272	-466,283
6	Amortisation/depreciation of intangible assets and property, plant and equipment	-171,214	-218,259
	<b>Profit before net financials</b>	5,866	14,978
7	Financial income	40,096	9,587
8	Financial expenses	-38,358	-19,475
	<b>Profit before tax</b>	7,604	5,090
9	Tax for the year	-21,959	-1,693
	<b>Profit/loss for the year</b>	-14,355	3,397

## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	2022	2021
	<b>ASSETS</b>		
	<b>Fixed assets</b>		
10	<b>Intangible assets</b>		
	Goodwill	46,066	70,101
		<u>46,066</u>	<u>70,101</u>
11	<b>Property, plant and equipment</b>		
	Land and buildings	13,268	14,731
	Fixtures and fittings, other plant and equipment	187,648	259,097
	Leasehold improvements	122,698	158,744
	Property, plant and equipment under construction	26,210	10,074
		<u>349,824</u>	<u>442,646</u>
	<b>Investments</b>		
	Other securities and investments	16	82
	Other receivables	173,612	159,252
		<u>173,628</u>	<u>159,334</u>
	<b>Total fixed assets</b>	<u>569,518</u>	<u>672,081</u>
	<b>Non-fixed assets</b>		
	<b>Receivables</b>		
	Trade receivables	219,260	322,133
12	Receivables from group enterprises	278,372	189,002
15	Deferred tax assets	66,185	76,052
	Corporation tax receivable	7,837	0
	Other receivables	75,130	47,553
		<u>646,784</u>	<u>634,740</u>
13	<b>Cash</b>	66	47,940
	<b>Total non-fixed assets</b>	<u>646,850</u>	<u>682,680</u>
	<b>TOTAL ASSETS</b>	<u>1,216,368</u>	<u>1,354,761</u>

## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	2022	2021
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
14	Share capital	10,001	10,001
	Share premium account	836,571	836,571
	Retained earnings	-10,958	3,397
	<b>Total equity</b>	<b>835,614</b>	<b>849,969</b>
	<b>Liabilities other than provisions</b>		
16	<b>Non-current liabilities other than provisions</b>		
	Other payables	3,402	3,029
17	Deferred income	47,266	72,286
		<b>50,668</b>	<b>75,315</b>
	<b>Current liabilities other than provisions</b>		
16	Short-term part of long-term liabilities other than provisions	47,467	52,939
	Trade payables	91,815	3,874
	Payables to group enterprises	62,678	127,727
	Other payables	128,126	244,937
		<b>330,086</b>	<b>429,477</b>
	<b>Total liabilities other than provisions</b>	<b>380,754</b>	<b>504,792</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,216,368</b>	<b>1,354,761</b>

- 1 Accounting policies
- 2 Events after the balance sheet date
- 18 Contractual obligations and contingencies, etc.
- 19 Collateral
- 20 Related parties
- 21 Appropriation of profit/loss

## Financial statements 1 January - 31 December

### 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
21	Transfer, see "Appropriation of profit/loss"	0	0	3,397	3,397
	<b>Equity at 1 January 2022</b>	<b>10,001</b>	<b>836,571</b>	<b>3,397</b>	<b>849,969</b>
21	Transfer, see "Appropriation of profit/loss"	0	0	-14,355	-14,355
	<b>Equity at 31 December 2022</b>	<b>10,001</b>	<b>836,571</b>	<b>-10,958</b>	<b>835,614</b>

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Kyndryl Danmark ApS for 2022 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### Material misstatements

During fiscal year 2022, the Company has detected an error in last year's Financial statements. Investments, Other receivables are presented DKK 95.713 thousand too low and have been adjusted to DKK 159,252 thousand, and Receivables from Group enterprises is presented DKK 95.713 thousand too high, and have been adjusted to DKK 189,002 thousand. The company have therefore adjusted the comparative figures. The change have not resulted in any adjustments to the Income statement or equity.

Management has assessed that the change has been necessary to ensure a true and fair view of the financial statement.

#### 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.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### 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.

##### 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.



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### 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
Goodwill	4 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 as tax for the year, the portion of the tax for the year that relates to previous years is recognised in the income statement as tax adjustment, prior years, whereas the portion that relates to transactions taken to equity is recognised in equity.

##### 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 of 4 years.

Gains and losses on the sale of intangible assets are recognised in the income statement under "Other operating income" or "Other operating expenses", respectively. Gains and losses are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

##### 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.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### 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 group entities 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

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

Receivables are measured at amortised cost.

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.

##### 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".

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### 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

The Company has chosen IAS 39 as interpretation for 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.

##### 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 statements 1 January - 31 December

### Notes to the financial statements

#### 2 Events after the balance sheet date

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

DKK'000	<u>2022</u>	<u>2021</u>
<b>3 Segment information</b>		
<b>Breakdown of revenue by business segment:</b>		
Service	1,745,750	1,689,594
Hardware	41,488	41,962
	<u>1,787,238</u>	<u>1,731,556</u>
<b>Breakdown of revenue by geographical segment:</b>		
Local	1,574,667	1,608,543
Abroad	212,571	123,013
	<u>1,787,238</u>	<u>1,731,556</u>
<b>4 Fee to the auditors appointed in general meeting</b>		
Statutory audit	1,136	1,226
	<u>1,136</u>	<u>1,226</u>
<b>5 Staff costs</b>		
Wages/salaries	412,752	424,564
Pensions	58,001	41,324
Other social security costs	3,519	395
	<u>474,272</u>	<u>466,283</u>
Average number of full-time employees	<u>445</u>	<u>442</u>
<b>Remuneration to members of Management:</b>		
Executive Board	13,334	9,275
Board of Directors	0	0
	<u>13,334</u>	<u>9,275</u>
The Board of Directors has not received any remuneration during 2022.		
<b>6 Amortisation/depreciation of intangible assets and property, plant and equipment</b>		
Amortisation of intangible assets	24,035	24,035
Depreciation of property, plant and equipment	147,179	194,224
	<u>171,214</u>	<u>218,259</u>

## Financial statements 1 January - 31 December

### Notes to the financial statements

DKK'000	2022	2021
<b>7 Financial income</b>		
Interest receivable, group entities	263	60
Other financial income	39,833	9,527
	40,096	9,587
<b>8 Financial expenses</b>		
Interest expenses, group entities	204	298
Other financial expenses	38,154	19,177
	38,358	19,475
<b>9 Tax for the year</b>		
Estimated tax charge for the year	463	0
Deferred tax adjustments in the year	9,867	1,693
Tax adjustments, prior years	11,629	0
	21,959	1,693
<b>10 Intangible assets</b>		
DKK'000		<b>Goodwill</b>
Cost at 1 January 2022		94,136
Cost at 31 December 2022		94,136
Impairment losses and amortisation at 1 January 2022		24,035
Amortisation for the year		24,035
Impairment losses and amortisation at 31 December 2022		48,070
<b>Carrying amount at 31 December 2022</b>		<b>46,066</b>
Amortised over		<b>4 years</b>

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 11 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
Cost at 1 January 2022	35,959	1,158,401	849,034	10,074	2,053,468
Additions	0	55,209	11,331	17,007	83,547
Disposals	0	-206,488	0	-871	-207,359
Cost at 31 December 2022	35,959	1,007,122	860,365	26,210	1,929,656
Impairment losses and depreciation at 1 January 2022	21,228	899,304	690,290	0	1,610,822
Depreciation	1,463	98,339	47,377	0	147,179
Reversal of accumulated depreciation and impairment of assets disposed	0	-178,169	0	0	-178,169
Impairment losses and depreciation at 31 December 2022	22,691	819,474	737,667	0	1,579,832
<b>Carrying amount at 31 December 2022</b>	<b>13,268</b>	<b>187,648</b>	<b>122,698</b>	<b>26,210</b>	<b>349,824</b>
Depreciated over	15-20 years	5 years	5 years		

#### 12 Receivables from group enterprises

The company has entered into a cash pool agreement with Nordea, where Kyndryl Treasury Services Designated Activity Company is the account holder and Kyndryl Danmark ApS is the sub-account holder together with the company's other affiliated companies. The terms of the cash pool scheme provides the right to settle withdrawals and deposits with each other, whereby it is exclusively the net balance of the total cash pool accounts that make up balance with Nordea.

Kyndryl Danmark ApS' accounts in the cash pool scheme, which are recognised under receivables from affiliated companies, amount to a deposit of 75,213 t.kr as of 31 December 2022.

#### 13 Cash

Cash pool balances are not considered cash, but are recognised under "Receivables from group entities". We refer to note 12.

#### 14 Share capital

Analysis of the share capital:

10,001,000 shares of DKK 1.00 nominal value each	10,001	10,001
	<u>10,001</u>	<u>10,001</u>

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

DKK'000	2022	2021
Opening balance	10,001	40
Capital increase	0	9,961
	<u>10,001</u>	<u>10,001</u>

## Financial statements 1 January - 31 December

### Notes to the financial statements

DKK'000	2022	2021
<b>15 Deferred tax</b>		
Deferred tax at 1 January	-76,052	0
Deferred tax transferred in the demerger	0	-77,745
Deferred tax adjustment for the year	6,123	1,693
Adjustment of deferred tax concerning previous years	3,744	0
<b>Deferred tax at 31 December</b>	<b>-66,185</b>	<b>-76,052</b>
Deferred tax relates to:		
Property, plant and equipment	-66,185	-71,694
Tax loss	0	-4,358
	<b>-66,185</b>	<b>-76,052</b>

### 16 Non-current liabilities other than provisions

DKK'000	Total debt at 31/12 2022	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Other payables	3,402	0	3,402	0
Deferred income	94,733	47,467	47,266	0
	<b>98,135</b>	<b>47,467</b>	<b>50,668</b>	<b>0</b>

### 17 Deferred income

Deferred income, DKK 94,733 thousand, consists of payments received from customers that may not be recognised until the subsequent financial years.

### 18 Contractual obligations and contingencies, etc.

#### Other financial obligations

Other rent and lease liabilities:

DKK'000	2022	2021
Rent and lease liabilities	191,063	128,425

Rent and lease liabilities obligation totals DKK 75,162 thousand within 1 year and DKK 115,902 within 2-5 years.

### 19 Collateral

As security for the Company's other suppliers, the Company has provided security for a total amount of DKK 781 thousand.

Apart from the above, the Company has not provided any other securities or other collateral in assets at 31 December 2022.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 20 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.

DKK'000	<u>2022</u>	<u>2021</u>
21 Appropriation of profit/loss		
Recommended appropriation of profit/loss		
Retained earnings/accumulated loss	-14,355	3,397
	<u>-14,355</u>	<u>3,397</u>



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## Tina Grøn Esbech

Adm. direktør

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Bestyrelsesmedlem

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## Brian Christiansen

PRICEWATERHOUSECOOPERS STATS AUTORISERET

REVISIONSPARTNERSELSKAB CVR: 33771231

Statsautoriseret revisor

På vegne af: PricewaterhouseCoopers Statsautoriseret...

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## Marie Christine Holst

Dirigent

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