

## **Recast Segment Adjusted EBITDA Data for the Years Ended December 31, 2021 and 2020**

As described in the Form 8-K filed with the SEC on May 26, 2022, during the three months ended March 31, 2022, Kyndryl Holdings, Inc. (NYSE:KD) updated its methodology for allocating corporate costs among its segments to determine segment adjusted EBITDA. This change did not impact total adjusted EBITDA. In addition, the following discussions on segment results reflect the revision for the over-accrual of accrued contract cost resulting in immaterial increases in Principal Markets and total adjusted EBITDA in certain quarters. We have accordingly recast and revised segment adjusted EBITDA for prior periods to reflect this update.

### **Non-GAAP Financial Measures**

In an effort to provide investors with additional information regarding its results, the Company has provided certain metrics that are not calculated based on generally accepted accounting principles (GAAP), such as adjusted EBITDA and pro forma adjusted EBITDA. Such non-GAAP metrics are intended to supplement GAAP metrics, but not to replace them. The Company's non-GAAP metrics may not be comparable to similarly titled metrics used by other companies. Definitions of non-GAAP metrics and reconciliations of non-GAAP metrics for historical periods to GAAP metrics are included in the tables that follow.

### **Pro Forma Financial Information**

This selected financial data also includes certain pro forma financial information. The pro forma adjustments assume that the Company's spin-off from IBM and related transactions occurred as of January 1, 2020. The pro forma financial information is unaudited and is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the relevant transactions had been consummated on the date indicated, nor is it necessarily indicative of future operating results. The pro forma financial information presented includes adjustments that would not be included in the pro forma financial statements contained in a registration statement filed with the Securities and Exchange Commission that contain pro forma information prepared in accordance with Regulation S-X under the Securities Act of 1933.

**Table 1**  
**HISTORICAL SEGMENT INFORMATION**  
**(dollars in millions)**

The following presents a recast of segment adjusted EBITDA and pro forma segment adjusted EBITDA, reflecting our updated allocation methodology, for the years ended December 31, 2021 and 2020 and for interim periods of 2021 and 2020.

	2020					2021				
	Three Months Ended				Year Ended Dec. 31	Three Months Ended				Year Ended Dec. 31
	March 31	June 30	Sept. 30	Dec. 31		March 31	June 30	Sept. 30	Dec. 31	
<b>Adjusted EBITDA</b>										
United States	\$ 203	\$ 191	\$ 242	\$ 305	\$ 940	\$ 180	\$ 275	\$ 185	\$ 202	\$ 842
Japan	115	135	136	149	534	123	140	113	124	501
Principal Markets <sup>1</sup>	82	72	83	137	375	52	71	62	155	341
Strategic Markets <sup>1</sup>	94	148	135	111	488	96	133	177	134	540
Corporate and other <sup>2</sup>	(41)	(34)	(34)	(44)	(153)	(40)	(49)	(37)	(28)	(154)
<b>Total adjusted EBITDA</b>	<b>\$ 453</b>	<b>\$ 513</b>	<b>\$ 562</b>	<b>\$ 657</b>	<b>\$ 2,185</b>	<b>\$ 410</b>	<b>\$ 571</b>	<b>\$ 501</b>	<b>\$ 587</b>	<b>\$ 2,069</b>
<b>Pro forma adjusted EBITDA</b>										
United States	\$ 274	\$ 252	\$ 297	\$ 379	\$ 1,202	\$ 238	\$ 330	\$ 247	\$ 235	\$ 1,050
Japan	149	162	165	187	664	156	172	157	132	617
Principal Markets <sup>1</sup>	190	167	183	266	806	175	182	183	183	722
Strategic Markets <sup>1</sup>	74	125	104	101	403	73	113	169	156	510
Corporate and other <sup>2</sup>	(37)	(38)	(38)	(38)	(153)	(36)	(48)	(39)	(26)	(150)
<b>Total pro forma adjusted EBITDA</b>	<b>\$ 650</b>	<b>\$ 668</b>	<b>\$ 710</b>	<b>\$ 894</b>	<b>\$ 2,922</b>	<b>\$ 605</b>	<b>\$ 749</b>	<b>\$ 716</b>	<b>\$ 679</b>	<b>\$ 2,749</b>

<sup>1</sup> Principal Markets is comprised of Kyndryl's operations in Australia/New Zealand, Canada, France, Germany, India, Italy, Spain/Portugal and the United Kingdom/Ireland. Strategic Markets is comprised of Kyndryl's operations in all other geographic locations.

<sup>2</sup> Represents net amounts not allocated to segments.

Table 2

**RECONCILIATION OF GAAP NET INCOME (LOSS) TO ADJUSTED PRETAX INCOME (LOSS) AND  
ADJUSTED EBITDA  
(dollars in millions)**

The following table provides a reconciliation of GAAP net income (loss) to adjusted pretax income (loss) and adjusted EBITDA.

	2020					2021				
	Three Months Ended				Year Ended Dec. 31	Three Months Ended				Year Ended Dec. 31
	March 31	June 30	Sept. 30	Dec. 31		March 31	June 30	Sept. 30	Dec. 31	
Net income (loss) (GAAP)	\$ (682)	\$ (373)	\$ (238)	\$ (715)	\$ (2,007)	\$ (494)	\$ (389)	\$ (690)	\$ (731)	\$ (2,304)
Provision for income taxes	87	89	68	4	247	91	76	224	11	402
Workforce rebalancing charges	298	58	(1)	563	918	52	(11)	(1)	(1)	39
Transaction- related costs	—	—	—	21	21	55	173	270	129	627
Stock-based compensation expense	12	16	19	17	64	16	18	20	18	71
Goodwill impairment	—	—	—	—	—	—	—	—	469	469
Amortization of intangible assets	8	7	8	6	29	7	9	10	11	37
Other adjustments <sup>1</sup>	6	6	7	7	27	7	7	7	67	88
Adjusted pretax income (loss)	\$ (270)	\$ (196)	\$ (138)	\$ (98)	\$ (702)	\$ (266)	\$ (117)	\$ (162)	\$ (27)	\$ (572)
Interest expense	15	16	16	16	63	14	15	17	18	64
Depreciation expense	360	354	366	365	1,445	339	331	335	294	1,300
Amortization expense	348	339	318	373	1,379	323	341	311	302	1,278
Adjusted EBITDA (non-GAAP)	\$ 453	\$ 513	\$ 562	\$ 657	\$ 2,185	\$ 410	\$ 571	\$ 501	\$ 587	\$ 2,069

<sup>1</sup> Other adjustments represents pension costs other than pension servicing costs and multi-employer plan costs, significant litigation costs and foreign currency impacts of highly inflationary countries.

Table 3

**RECONCILIATION OF GAAP NET INCOME TO PRO FORMA ADJUSTED EBITDA**  
(dollars in millions)

The following table provides a reconciliation of GAAP net income (loss) to pro forma adjusted EBITDA.

	2020					2021				
	Three Months Ended				Year Ended Dec. 31	Three Months Ended				Year Ended Dec. 31
	March 31	June 30	Sept. 30	Dec. 31		March 31	June 30	Sept. 30	Dec. 31	
Net income (loss) (GAAP)	\$ (682)	\$ (373)	\$ (238)	\$ (715)	\$ (2,007)	\$ (494)	\$ (389)	\$ (690)	\$ (731)	\$ (2,304)
Provision for income taxes	87	89	68	4	247	91	76	224	11	402
Pretax income (loss)	\$ (595)	\$ (284)	\$ (170)	\$ (711)	\$ (1,760)	\$ (403)	\$ (313)	\$ (466)	\$ (720)	\$ (1,903)
Workforce rebalancing charges	298	58	(1)	563	918	52	(11)	(1)	(1)	39
Transaction-related costs	—	—	—	21	21	55	173	270	129	627
Stock-based compensation expense	12	16	19	17	64	16	18	20	18	71
Goodwill impairment	—	—	—	—	—	—	—	—	469	469
Excess cost allocations from IBM	164	130	102	195	591	154	149	176	14	493
Effects of post-Separation commercial agreements with IBM	126	118	133	123	501	118	103	125	70	416
Incremental cost to support independence and growth	(94)	(94)	(94)	(94)	(375)	(94)	(94)	(87)	—	(274)
Pro forma and other adjustments <sup>1</sup>	24	24	30	35	113	39	45	26	86	196
Pro forma adjusted pretax income	\$ (64)	\$ (31)	\$ 18	\$ 150	\$ 72	\$ (64)	\$ 70	\$ 63	\$ 65	\$ 134
Interest expense	19	19	19	19	77	20	20	20	18	76
Depreciation expense	347	342	354	352	1,395	327	318	322	294	1,262
Amortization expense	348	339	318	373	1,379	323	341	311	302	1,278
Pro forma adjusted EBITDA (non-GAAP)	\$ 650	\$ 668	\$ 710	\$ 894	\$ 2,922	\$ 605	\$ 749	\$ 716	\$ 679	\$ 2,749

<sup>1</sup> Pro forma and other adjustments represents pension costs other than pension servicing costs and multi-employer plan costs, significant litigation costs, foreign currency impacts of highly inflationary countries, the portion of the IBM business that was conveyed to Kyndryl and the ongoing effects of the Separation-related transactions.