

kyndryl™

Fiscal First Quarter
2023 Earnings

August 4, 2022



Disclaimers

Forward-looking statements

This presentation contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements often contain words such as “will,” “anticipate,” “predict,” “project,” “plan,” “forecast,” “estimate,” “expect,” “intend,” “target,” “may,” “should,” “would,” “could,” “outlook” and other similar words or expressions or the negative thereof or other variations thereon. All statements, other than statements of historical fact, including without limitation statements representing management’s beliefs about future events, transactions, strategies, operations and financial results, may be forward-looking statements. These statements do not guarantee future performance and speak only as of August 3, 2022, and the Company does not undertake to update its forward-looking statements. Actual outcomes or results may differ materially from those suggested by forward-looking statements as a result of risks and uncertainties which include, among others: risks related to the Company’s spin-off from International Business Machines Corporation (“IBM”); failure to attract new customers, retain existing customers or sell additional services to customers; technological developments and the Company’s response to such developments; failure to meet growth and productivity objectives; competition; impacts of relationships with critical suppliers; inability to attract and retain key personnel and other skilled employees; impact of local legal, economic, political, health and other conditions, including the COVID-19 pandemic; a downturn in economic environment and customer spending budgets; damage to the Company’s reputation; inability to accurately estimate the cost of services and the timeline for completion of contracts; service delivery issues; the Company’s ability to successfully manage acquisitions, alliances and dispositions, including integration challenges, failure to achieve objectives, the assumption of liabilities, and higher debt levels; the impact of our business with government customers; failure of the Company’s intellectual property rights to prevent competitive offerings and the failure of the company to obtain necessary licenses; risks relating to cybersecurity and data privacy; adverse effects from tax matters and environmental matters; legal proceedings and investigatory risks; impact of changes in market liquidity conditions and customer credit risk on receivables; the Company’s pension plans; the impact of foreign currency fluctuations; risks related to the Company’s common stock and the securities market; and other factors described in the “Risk Factors” section of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2021 filed with the Securities and Exchange Commission (the “SEC”) on March 10, 2022, as such factors may be updated from time to time in the Company’s periodic filings with the SEC.

Pro forma financial information

This presentation 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 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 SEC that contain pro forma information prepared in accordance with Regulation S-X under the Securities Act.

Non-GAAP financial measures

Financial information contained in this presentation includes certain financial measures that are calculated and presented on the basis of methodologies other than in accordance with generally accepted accounting policies in the United States of America (GAAP), such as adjusted EBITDA, adjusted pretax income, adjusted EBITDA margin, adjusted pretax margin, adjusted free cash flow, constant currency, pro forma adjusted pretax income, pro forma adjusted EBITDA, pro forma adjusted EBITDA margin and pro forma adjusted pretax margin, which include or exclude certain items from the most directly comparable GAAP financial measure. These non-GAAP measures differ from reported GAAP measures and are intended to illustrate what management believes are relevant period-over-period comparisons and are helpful to investors as an additional tool for further understanding and assessing Kyndryl’s expected ongoing operating performance. Exclusion of items in our non-GAAP presentation should not be considered an inference that these items are unusual, infrequent or non-recurring. Definitions of the non-GAAP measures are included in the appendix of this presentation. A reconciliation of non-GAAP financial measures for historical periods to the most directly comparable GAAP financial measure appears in the appendix to this presentation. Any non-GAAP financial measure used in this presentation is in addition to, and not meant to be considered superior to, or a substitute for, measures prepared in accordance with GAAP. A reconciliation of forward-looking non-GAAP financial information is not included in this presentation because the individual components of such non-GAAP reconciliation are not currently available without unreasonable effort. For the same reasons, we are unable to address the probable significance of the unavailable information, which could be material to future results. Additionally, certain amounts may not add due to the use of rounded numbers; percentages presented are calculated based on the underlying amounts.

Martin Schroeter

Chairman and Chief Executive Officer



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Key highlights



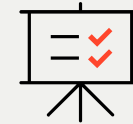
Performance

Quarterly results demonstrate progress



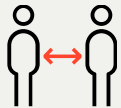
Looking ahead

Reaffirming outlook for fiscal year 2023*



Future objectives

On track toward our medium-term goals



Alliances

Announced additional partnerships with key technology providers



Advanced Delivery

Quality, cost benefiting from incremental automation



Accounts

Enhancing existing relationships

Building on our position as the world's leading IT infrastructure services provider

Unrivaled expertise



World's largest IT infrastructure services provider



Operations in **63 countries** on six continents



4,000+ customers globally, including ~75% of Fortune 100

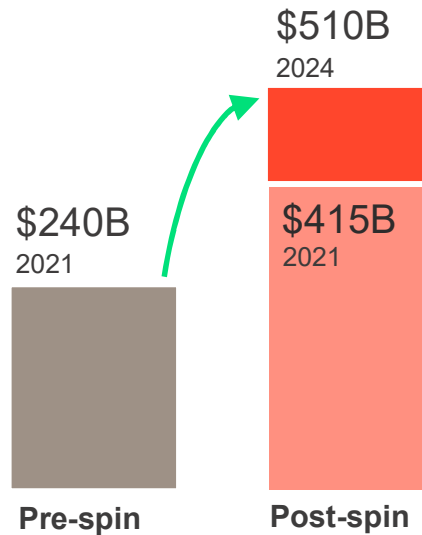


Industry-leading know-how, scale and capabilities



Solid financial footing to execute our strategy

Large and growing addressable market



Transforming our business through our six practices

Practice	Revenue	Signings
Cloud	33% ↗	39%
Security & Resiliency	13% ↗	15%
Network & Edge	9% ↗	10%
Applications, Data & AI	5% ↗	6%
Digital Workplace	8%	8%
Core Enterprise & zCloud	33%	21%

We design, build, manage and modernize the mission-critical systems that the world depends on

Global strategic alliances with leading technology providers

Prior announcements (since our spin-off)



Recently announced partnerships



- Partnership providing managed cloud services that simplify complex hybrid IT management
- Developing new private cloud services, network and other solutions with advanced security capabilities



- Alliance to offer new services that help companies modernize and move their applications and databases to the cloud, making Kyndryl a delivery partner for Oracle Cloud Infrastructure



- Expanded reseller and managed services partnership agreement with Kyndryl to jointly deliver cloud-based contact-center solutions



- Partnership offering services and solutions that automate workloads from enterprise data centers to the edge and public clouds
- Creating Ansible Innovation Center for hybrid cloud transformation work



NetApp

- Global alliance to help customers unlock insights from data from disparate sources
- Establishing joint innovation center to help accelerate cloud migration



- Partnership to help enterprises manage, protect and recover critical data across multicloud environments, with a focus on cyber resiliency

Expanding scope of customer relationship with new technology and services

Evolving 19-year relationship with a global bank driving additional revenue for Kyndryl

First

2003

Initial outsourcing

- Mainframe, distributed, storage, security, end user platform, infrastructure middleware, database, email and SAP environments

Scope extensions

- Consolidating data center and mainframe services, backup and storage platforms
- Database platform services

+

Then (as IBM captive)

2015

Consolidation and globalization

- Container platform, DevOps
- Virtualizing and automating IT environment
- Extended service management integration

Scope extensions

- Contact center application management and hosting
- Virtual desktop services
- Infrastructure as a service

+

Now (with new freedom)

2022

Transformation to the cloud

- Integrating legacy banking infrastructure and newer technologies
- Accelerating cloud migration strategy
- De-scoping mainframe software licenses
- Growing professional services and as-a-service revenue
- Relationship managed by Kyndryl

=

Strategic partner



Managing mission-critical, hybrid IT infrastructure **and cloud migration**

Running the **right workload** on the **right platform**

Our differentiated services are essential to providing stability, scalability, security and innovation for our customer

Fiscal first quarter progress on our three major initiatives

Alliances

Driving signings, certifications and revenues with our new ecosystem partners and capabilities

\$235M

Of hyperscalers signings, fiscal year-to-date (\$1B full-year target)

5000+

New cloud certifications year-to-date (total hyperscaler certifications up 36% since year-end)



Advanced Delivery

Transforming service delivery through upskilling and automation

1900+

Kyndryls freed up to date (900+ last quarter)

\$100M

Annualized savings from automation, to date (\$46M last quarter, \$200M full-year target)



Accounts

Addressing elements of the business with substandard margins

\$13M

Profit improvement in the June quarter (\$6M last quarter, \$75M full-year target)

\$52M

Annualized profit improvement, to date (\$26M last quarter, \$200M full-year target)



We have strong momentum toward our fiscal year 2023 targets

Executing on our strategic objectives

Pre-November 2021 spin		Recent progress		Medium-term
Limited partnerships with hyperscalers, ISVs and systems integrators	➔	Major hyperscaler alliances, new partnerships	➔	Extensive, integrated IT ecosystem
20% employees with cloud-related certifications, mostly IBM-related	➔	Reached 21,800+ hyperscaler certifications	➔	50% employees with cloud-related certifications, related to hyperscalers
~10% revenue from advisory & implementation services	➔	36% advisory & implementation services signings growth*	➔	~15% of revenue from advisory & implementation services
Declining revenues	➔	Stabilizing revenue trends	➔	Revenue growth by calendar year 2025
Mid-teens adjusted EBITDA margins	➔	Executing on three-A's initiatives to drive profitable growth	➔	High-teens adjusted EBITDA margins

We're advancing toward our medium-term goals, which are consistent with the targets we laid out in October

David Wyshner

Chief Financial Officer

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Financial overview



Quarterly results



Balance sheet, liquidity
and free cash flow

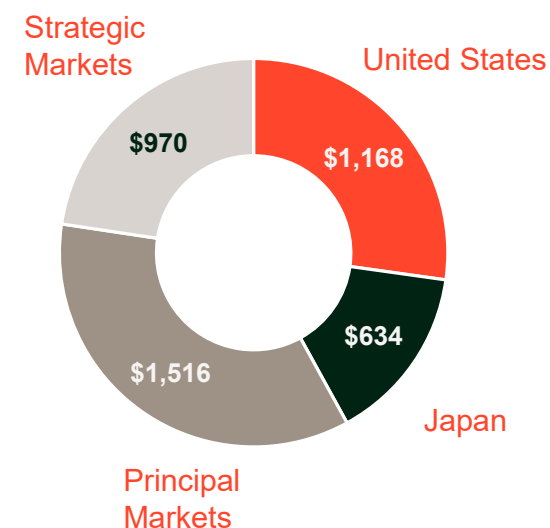


Outlook

Fiscal first quarter 2023 financial highlights

(\$ in millions)	Quarter Ended June 30, 2022	Quarter Ended March 31, 2022	Pro Forma Quarter Ended June 30, 2021
Revenue	\$4,288	\$4,431	\$4,706
Growth, in constant currency ¹	(2%)	(2%)	
Adjusted EBITDA	\$491	\$536	\$749
Adjusted EBITDA margin	11.4%	12.1%	15.9%
Adjusted pretax income (loss)	(\$50)	(\$51)	\$70
Adjusted pretax margin	(1.2%)	(1.1%)	1.5%

Quarterly revenue by segment
(\$ in millions)



Financial results were broadly consistent with the March quarter



Principal Markets: Operations in Australia/New Zealand, Canada, France, Germany, India, Italy, Spain/Portugal and United Kingdom/Ireland

Strategic Markets: Operations in all other geographic locations

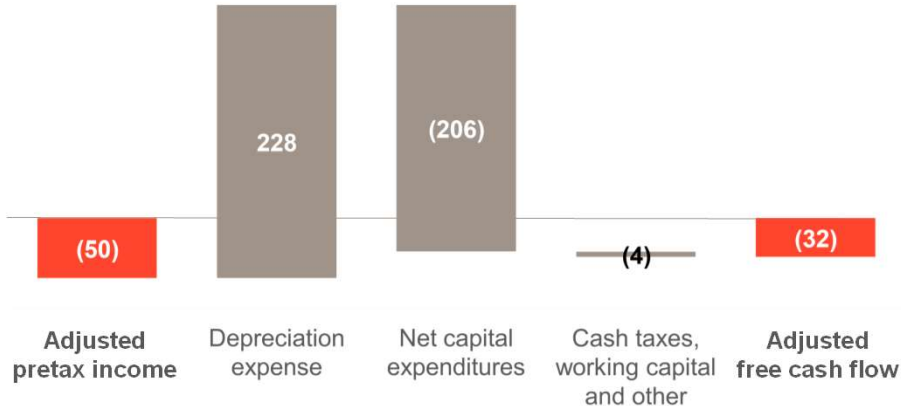
¹ Represents revenue growth in constant currency when compared to pro forma results in prior-year period

See appendix for reconciliation of non-GAAP metrics

Fiscal first quarter 2023 cash flow and balance sheet metrics

Adjusted free cash flow

(\$ in millions)



Balance sheet and cash flow metrics

\$5.0B Available liquidity ¹	\$1.9B Cash
\$3.2B Debt	\$1.3B Net debt
\$104M Cash flow from operations	

We're on a solid financial footing to execute our strategy



¹ Consists of \$1.9 billion of cash and \$3.2 billion of undrawn senior unsecured credit facility
 Adjusted free cash flow: Cash flow from operations (GAAP) \$104M, plus workforce rebalancing payments \$5M and transaction-related payments \$65M, less net capital expenditures \$206M
 See appendix for reconciliation of non-GAAP metrics

Over the medium term, our initiatives will contribute to profit growth

	Alliances	Advanced Delivery	Accounts	plus
	Driving signings, certifications and revenues through our new ecosystem partners	Transforming service delivery through upskilling and automation	Addressing elements of the business with substandard margins	Advisory services growth, growth in practices, expense management, etc.
Signings	✓			✓
Revenues	✓		✓*	✓
Cost savings		✓	✓	✓
Pretax income	✓	✓	✓	✓
Medium-term annual pretax opportunity	\$200M	\$600M	\$800M	\$400M

Expected benefits will drive margin expansion

Reaffirming our outlook, updating revenue forecast solely for currency effects

Outlook for fiscal year 2023

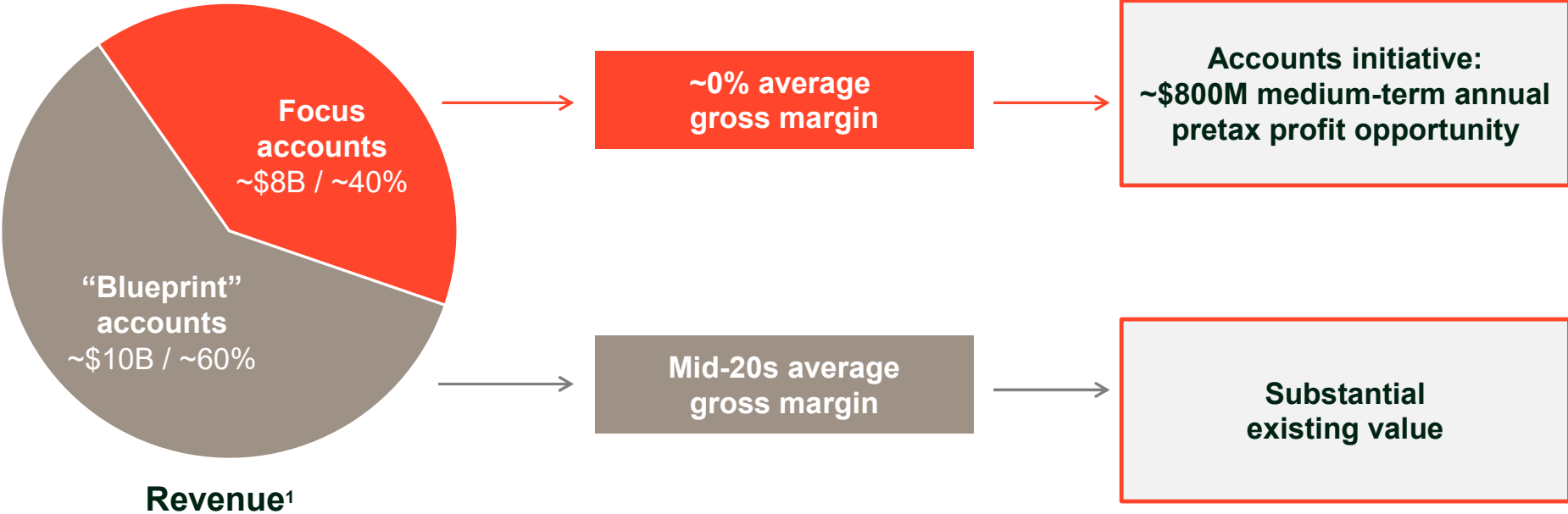
Signings	Double-digit growth	<ul style="list-style-type: none"> In constant currency Compared to calendar 2021 pro forma signings
Revenues	\$16.3B – \$16.5B	<ul style="list-style-type: none"> (4)% to (3)% constant-currency decline versus pro forma revenue for the twelve months ended March 2022 (6)% to (4)% constant-currency decline versus calendar 2021 pro forma¹
Adjusted EBITDA margin	13% – 14%	<ul style="list-style-type: none"> 80 bps currency headwinds versus calendar 2021 pro forma 60 bps negative impact versus calendar 2021 pro forma from certain software being expensed rather than capitalized and amortized
Adjusted pretax margin²	0% – 1%	<ul style="list-style-type: none"> Consistent with 2021 pro forma results, despite 120 bps of currency headwinds

¹Outlook includes ~\$1.2B negative currency impact compared to calendar 2021

²Depreciation expense projected to be ~\$0.9B; amortization expense projected to be ~\$1.1B; interest expense projected to be ~\$0.1B

Gross capital expenditures projected to be ~\$750M; net capital expenditures projected to be ~\$700M. ~\$400M of cash projected to be used for transaction-related items, primarily post-Separation systems migration costs, re-branding costs and outlays related to a broad-based employee retention program implemented by IBM

Transforming focus accounts into high-value “blueprint” accounts

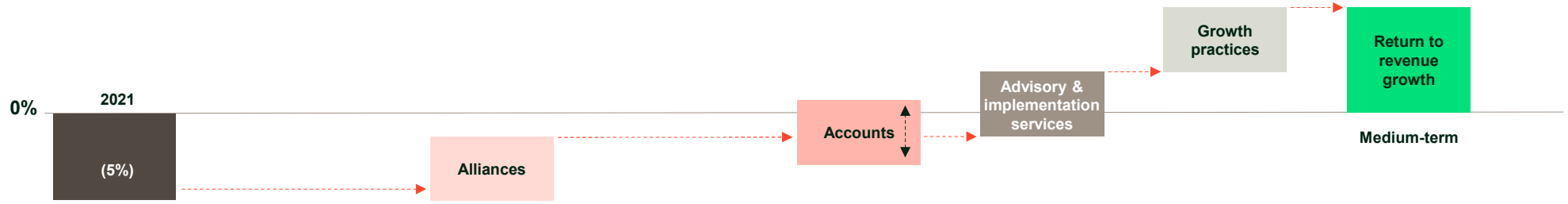


We have substantial value embedded in our business and a significant value-creation opportunity

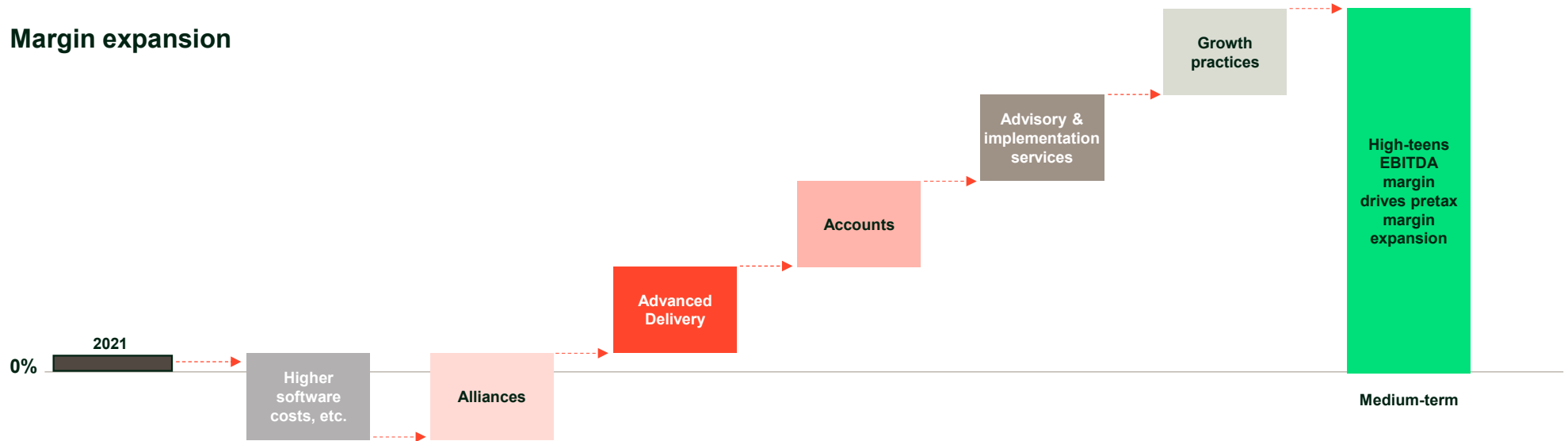
¹Revenue represents trailing twelve-months historical (GAAP) revenue from April 1, 2021 through March 31, 2022

Our strategies will help us deliver revenue and profit growth in the medium term

Revenue growth



Margin expansion



Martin Schroeter

Chairman and Chief Executive Officer



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Investment highlights



Separation more than doubles our addressable market from \$240 billion pre-spin to \$510 billion by 2024, with market growth driven by numerous interrelated tailwinds



World leader in designing, building, managing and modernizing mission-critical information systems spanning the digital transformation journey



Competitive advantage stems from our people, data and intellectual property



Trusted long-term partner to over 4,000 blue-chip customers, including 75% of the Fortune 100



New freedom to invest for growth while expanding our ecosystem of strategic partners and service capabilities, enhancing customers' access to a wider range of technology solutions



Strong financial characteristics with annuity-like annual revenues, mid-teens adjusted EBITDA margins and investment-grade credit ratings



Focused, growth-oriented culture, committed to high ESG standards and led by a highly experienced executive team

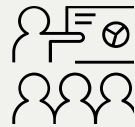


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Appendix



Accolades and
recognition



ESG commitment



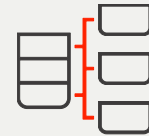
Our services and
revenue mix



Financial metrics



Definitions and
rationale for
non-GAAP metrics



Reconciliation of
non-GAAP metrics

Recent accolades and industry recognition



A Leader: May 2022 Magic Quadrant™ for Managed Mobility Services report

Kyndryl named a Representative Vendor for Industry Engineering Specialists and Integrators in the Gartner July 2022 Market Guide for 4G and 5G Private Mobile Networks



Leader: Frost Radar™ Global Managed Cloud Services Market, 2021



Major Player: IDC MarketScape: 2022 Worldwide Cloud Professional Services Vendor Assessment



Leader: 2021 Aware (Intelligent) IT Infrastructure Services Automation PEAK Matrix Assessment



Best Partnership
Kyndryl and Microsoft, 2021



Kyndryl Security & Resiliency named a Market Leader in *Cybersecurity Services 2022 RadarView* report



Leader in cognitive & self-healing IT infrastructure management, 2021



2022 Leader in Mainframe Modernization, Mainframe as a Service and Mainframe Operations in U.S., Canada and Europe



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Customer signings, expanding relationships



Multi-year expanded collaboration for 34 European countries, with Kyndryl providing application development and management support, making Kyndryl the company's lead IT vendor



The City of Chicago expanded its collaboration with Kyndryl for migration of its on-prem environment to enable a cloud-based scalable solution for their citation administration program, including for contact center service improvements



American Honda Motor Company and Honda Motorcycle & Scooter India expanded their collaborations with Kyndryl to help advance hybrid cloud and infrastructure transformation



The Spanish Ministry of Defense has renewed the services contract with Kyndryl, managing its high-performance, mission-critical technology platform



Kantar and Kyndryl are partnering to modernize Kantar's colleague digital experience and IT infrastructure. This is foundational to Kantar's product roadmaps and ongoing business transformation



TAQA Arabia extended its work with Kyndryl to support its digital transformation and better serve the daily energy needs of more than 1.7 million customers across Egypt

Strong commitment to ESG principles

Environment



- Established global carbon baseline to build goals aligned with industry standards
- Completed EU Code of Conduct Data Efficiency, making Kyndryl one of the largest participants, demonstrating our leadership in sustainability
- Manage climate risk by working to set net zero targets aligned with industry frameworks
- Establish waste and water reduction goals aligned to international standards

Commit to sustainable business practices and operations

Social



- Launched Kyndryl Inclusion Networks (KINs) to support Black, Hispanic, LGBTQ+, People with Disabilities and Women
- Execute human capital strategy to attract, retain and motivate our workforce
- Increase overall and executive diverse representation of our workforce
- Build corporate social responsibility practice centered around employee engagement

Lead in human capital, inclusion, diversity & equity, and corporate social responsibility

Governance



- Established Board oversight of ESG issues and commitment to maintaining a diverse Board
- Launched Kyndryl Privacy statement to highlight commitment to data privacy
- Published Kyndryl's first proxy statement, which includes ESG disclosures
- Launched ethics training globally for all employees
- Publish ESG report to highlight commitments and progress toward goals
- Create Kyndryl Trust Center to feature policy positions on privacy, cybersecurity and ethics

Operate with integrity



Establish baseline



Engage stakeholders and define goals



Track and measure



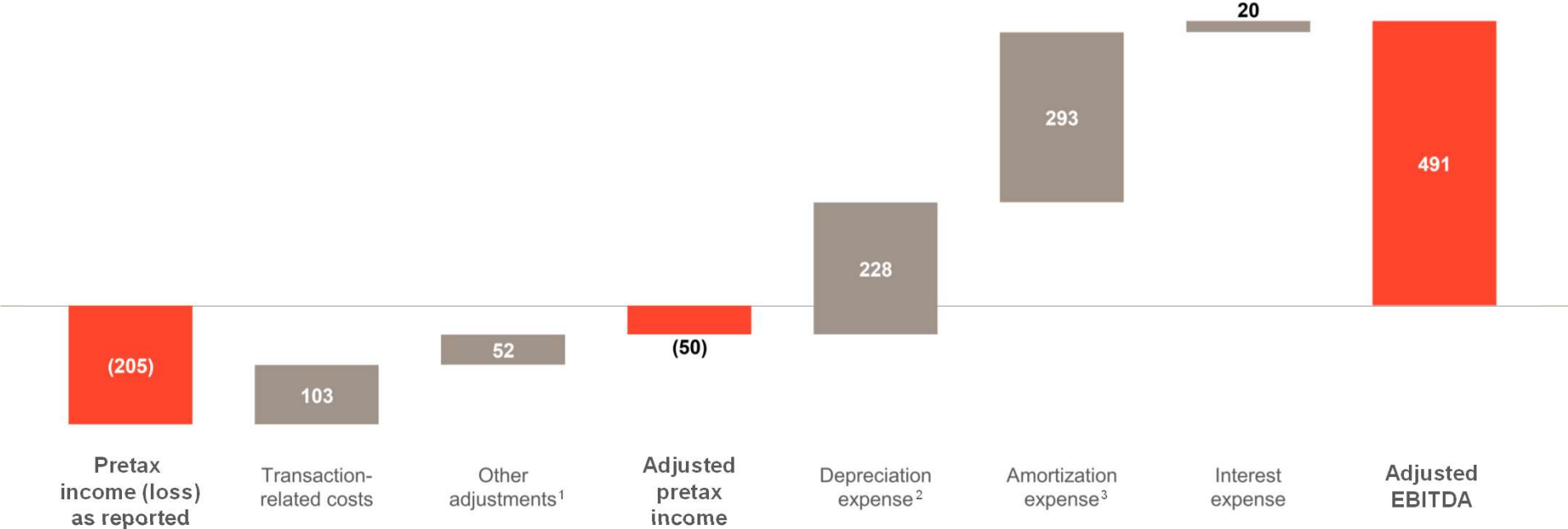
Report

Our services

Practice	Overview	Medium-term revenue growth opportunity
Cloud	Delivering seamless, integrated, multicloud management in a hybrid model	Single-digit growth driven by hyperscaler partnerships
Applications, Data & AI	Providing full application platform hosting and expert assistance for application modernization	Double-digit growth
Security & Resiliency	Delivering full line of cybersecurity, business continuity and disaster recovery services to help customers continuously adapt to new threats and regulatory standards	Single-digit growth aligned to cloud
Network & Edge	Providing unified network services for cloud and data center connectivity	Mid-single-digit growth driven by Edge
Digital Workplace	Enhancing user experience and work location flexibility by providing a consumer experience to employees	Low-single-digit growth
Core Enterprise & zCloud	Providing secure, unified and fault-tolerant mainframe services for our customers' core infrastructure	Stable revenue

Fiscal first quarter 2023 adjusted pretax income and adjusted EBITDA

(\$ in millions)



¹Effects of amortization of intangible assets, stock-based compensation, pension costs other than pension servicing costs and multi-employer plan costs, significant litigation costs, workforce rebalancing charges and currency impacts of highly inflationary countries
²Excludes depreciation of right-of-use assets
³Excludes amortization of capitalized contract costs

Definitions and rationale for non-GAAP metrics

Metric	Definition
Adjusted EBITDA, pro forma adjusted EBITDA, adjusted EBITDA margin and pro forma adjusted EBITDA margin	<p>Adjusted EBITDA is defined as net income (loss) excluding net interest expense, income taxes, depreciation and amortization (excluding depreciation of right-of-use assets and amortization of capitalized contract costs), transaction-related costs, pension costs other than pension servicing costs and multi-employer plan costs, stock-based compensation, workforce rebalancing charges, impairment expense, significant litigation costs, and foreign currency impacts of highly inflationary countries.</p> <p>Pro forma adjusted EBITDA is adjusted EBITDA, further adjusted for excess cost allocations from our former Parent, incremental costs to support independence and growth, other adjustments related to post-Separation commercial pricing agreements with IBM, the portion of the IBM business that was conveyed to Kyndryl and ongoing effects of the Separation-related transactions.</p> <p>Adjusted EBITDA margin is calculated by dividing adjusted EBITDA, as defined above, by revenue. Pro forma adjusted EBITDA margin is calculated by dividing pro forma adjusted EBITDA, as defined above, by pro forma revenue.</p> <p>Management uses adjusted EBITDA, pro forma adjusted EBITDA, adjusted EBITDA margin and pro forma adjusted EBITDA margin to evaluate our performance. Management also uses these metrics when publicly providing our business outlook. We believe they are a helpful supplemental measure to assist investors in evaluating our operating results as they exclude certain items whose fluctuation from period to period do not necessarily correspond to changes in the operations of our business. Adjusted EBITDA, pro forma adjusted EBITDA, adjusted EBITDA margin and pro forma adjusted EBITDA margin are financial measures that are not recognized under U.S. GAAP and should not be considered as an alternative to net income (loss) or other measures of financial performance or liquidity derived in accordance with U.S. GAAP.</p>
Adjusted pretax income, pro forma adjusted pretax income, adjusted pretax margin and pro forma adjusted pretax margin	<p>Adjusted pretax income is defined as pretax income excluding transaction-related costs, pension costs other than pension servicing costs and multi-employer plan costs, stock-based compensation, amortization of intangible assets, workforce rebalancing charges, impairment expense, significant litigation costs and foreign currency impacts of highly inflationary countries.</p> <p>Pro forma adjusted pretax income is adjusted pretax income, further adjusted for excess cost allocations from our former Parent, incremental costs to support independence and growth, other adjustments related to post-Separation commercial pricing agreements with IBM, the portion of the IBM business that was conveyed to Kyndryl and ongoing effects of the Separation-related transactions.</p> <p>Adjusted pretax margin is calculated by dividing adjusted pretax income, as defined above, by revenue. Pro forma adjusted pretax margin is calculated by dividing pro forma adjusted pretax income, as defined above, by pro forma revenue.</p> <p>Management uses adjusted pretax income, pro forma adjusted pretax income, adjusted pretax margin and pro forma pretax margin to evaluate our performance. Management also uses them when publicly providing our business outlook. We believe adjusted pretax income, pro forma adjusted pretax income, adjusted pretax margin and pro forma pretax margin are helpful supplemental metrics for investors in evaluating our operating performance because they can be used by investors to measure a company's operating performance without regard to items excluded from the calculation of such measures, which can vary substantially from company to company. Adjusted pretax income, pro forma adjusted pretax income, adjusted pretax margin and pro forma adjusted pretax margin eliminate the impact of expenses that do not relate to core business performance. These measures are financial measures that are not recognized under U.S. GAAP and should not be considered as an alternative to net income (loss) or other measures of financial performance or liquidity derived in accordance with U.S. GAAP.</p>
Adjusted free cash flow	<p>Adjusted free cash flow is defined as cash flow from operations after adding back transaction-related payments and workforce rebalancing payments less net capital expenditures.</p> <p>Management uses adjusted free cash flow as a measure to evaluate its operating results, plan strategic investments and assess our ability and need to incur and service debt. We believe adjusted free cash flow is a useful supplemental financial measure to aid investors in assessing our ability to pursue business opportunities and investments and to service our debt. Adjusted free cash flow is a financial measure that is not recognized under U.S. GAAP and should not be considered as an alternative to cash flows from operations or liquidity derived in accordance with U.S. GAAP.</p>
Signings and pro forma signings	<p>Signings are defined by Kyndryl as an initial estimate of the value of a customer's commitment under a contract. We calculate this based on various considerations including the type and duration of the agreement as well as the presence of termination charges or wind-down costs. Contract extensions and increases in scope are treated as signings only to the extent of the incremental new value. Signings can vary over time due to a variety of factors including, but not limited to, the timing of signing a small number of larger outsourcing contracts. The conversion of signings into revenue may vary based on the types of services and solutions, customer decisions and other factors, which may include, but are not limited to, macroeconomic environment or external events.</p> <p>Pro forma signings reflect the portion of the IBM business that was conveyed to Kyndryl and the ongoing effects of the Separation-related transactions.</p> <p>Management believes that the estimated value of signings provide insight into the Company's potential future revenue, and management uses signings as a tool to monitor the performance of the business including the business' ability to attract new customers and sell additional scope into our existing customer base, as well as views signings as useful decision-making information for investors.</p>

Reconciliation of non-GAAP metrics

(\$ in millions)

Reconciliation of net income (loss) to adjusted pretax income (loss) and adjusted EBITDA

	Three Months Ended June 30, 2022	Three Months Ended March 31, 2022
Net income (loss) (GAAP)	(\$250)	(\$229)
Plus: Provision for income taxes	45	40
Pretax income (loss)	(\$205)	(\$189)
Non-operating adjustments (before tax)		
Workforce rebalancing charges	4	-
Transaction-related costs	103	58
Stock-based compensation expense	26	31
Amortization of intangible assets	14	7
Other adjustments ¹	9	43
Adjusted pretax income (loss)	(\$50)	(\$51)
<i>Adjusted pretax income (loss) margin</i>	<i>(1.2%)</i>	<i>(1.1%)</i>
Interest expense	20	21
Depreciation expense	228	246
Amortization expense	293	319
Adjusted EBITDA	\$491	\$536
<i>Adjusted EBITDA margin</i>	<i>11.4%</i>	<i>12.1%</i>
Revenue	\$4,288	\$4,431

¹ Adjustments reflect pension costs other than pension servicing costs and multi-employer plan costs, significant litigation costs and currency impacts of highly inflationary countries

Reconciliation of non-GAAP metrics (continued)

(\$ in millions)

Reconciliation of net income (loss) to pro forma pretax income (loss) and pro forma adjusted EBITDA

	Three Months Ended June 30, 2021	Twelve Months Ended December 31, 2021
Net income (loss) (GAAP)	(\$389)	(\$2,304)
Plus: Provision for income taxes	76	402
Pretax income (loss)	(\$313)	1,903
Non-operating adjustments (before tax)		
Workforce rebalancing charges	(11)	39
Transaction-related costs	173	627
Stock-based compensation expense	18	71
Goodwill impairment	-	469
Excess cost allocations from IBM	149	493
Effects of post-Separation commercial agreements with IBM	103	416
Incremental costs to support independence and growth	(94)	(274)
Pro forma and other adjustments ¹	45	196
Pro forma adjusted pretax income (loss)	\$70	\$134
<i>Pro forma adjusted pretax margin</i>	<i>1.5%</i>	<i>0.7%</i>
Interest expense	20	76
Depreciation expense	318	1,262
Amortization expense	341	1,278
Pro forma adjusted EBITDA	\$749	\$2,749
<i>Pro forma adjusted EBITDA margin</i>	<i>15.9%</i>	<i>14.8%</i>
Pro forma revenue	\$4,706	18,523

¹ Pro forma and other adjustments represent pension costs other than pension servicing costs and multi-employer plan costs, significant litigation costs, currency impacts of highly inflationary countries, post-Separation commercial pricing arrangements with IBM, the portion of the IBM business that was conveyed to Kyndryl and the ongoing effects of the Separation-related transactions

Reconciliation of non-GAAP metrics (continued)

Reconciliation of cash flow from operations to adjusted free cash flow (\$ in millions)

	Three Months Ended June 30, 2022
Cash flow from operations (GAAP)	\$104
Plus: Workforce rebalancing payments	5
Plus: Transaction-related payments ¹	65
Less: Net capital expenditures	(206)
Adjusted free cash flow	(\$32)

Reconciliation of signings to pro forma signings (\$ in billions)

	Three Months Ended June 30,		Year-over-year Change
	2022	2021	
Historical signings	\$2.9	\$3.8	(22%)
Pro forma adjustments ²	-	0.2	
Pro forma signings	\$2.9	\$4.0	(26%)
<i>Pro forma signings in constant currency³</i>			<i>(20%)</i>
	Six Months Ended June 30,		Year-over-year Change
	2022	2021	
Historical signings	\$6.1	\$6.3	(3%)
Pro forma adjustments ²	-	0.3	
Pro forma signings	\$6.1	\$6.6	(8%)
<i>Pro forma signings in constant currency³</i>			<i>(1%)</i>

Numbers may not add due to rounding

¹ Transaction-related payments primarily relate to post-Separation systems migration costs and re-branding costs

² Adjustments to reflect the portion of the IBM business that was conveyed to Kyndryl and the ongoing effects of the Separation-related transactions

³ Constant-currency information compares results between periods as if exchange rates had remained constant period over period. We define constant-currency revenues as total revenues excluding the impact of currency movements and use it to determine the constant-currency revenue growth on a year-over-year basis. Constant-currency revenues are calculated by translating current period revenues using corresponding prior-period exchange rates

Reconciliation of non-GAAP metrics (continued)

(\$ in millions)

Reconciliation of historical revenue to pro forma revenue

	Three Months Ended June 30,		Year-over-year Change
	2022	2021	
Historical revenue (GAAP)	\$4,288	\$4,751	(10%)
Pro forma adjustments ¹	-	(45)	
Pro forma revenue	\$4,288	\$4,706	(9%)
<i>Revenue in constant currency</i>			(3%)
<i>Pro forma revenue in constant currency²</i>			(2%)

	Three Months Ended March 31,		Year-over-year Change
	2022	2021	
Historical revenue (GAAP)	\$4,431	\$4,771	(7%)
Pro forma adjustments ¹	-	(63)	
Pro forma revenue	\$4,431	\$4,709	(6%)
<i>Revenue in constant currency</i>			(3%)
<i>Pro forma revenue in constant currency²</i>			(2%)

	Full-year 2021	Full-year 2020	Year-over-year Change
Historical revenue (GAAP)	\$18,657	\$19,352	(4%)
Pro forma adjustments ¹	(134)	(256)	
Pro forma revenue	\$18,523	\$19,096	(3%)
<i>Pro forma revenue in constant currency²</i>			(5%)

Numbers may not add due to rounding

¹ Adjustments to reflect the portion of the IBM business that was conveyed to Kyndryl and the ongoing effects of the Separation-related transactions

² Constant-currency information compares results between periods as if exchange rates had remained constant period over period. We define constant-currency revenues as total revenues excluding the impact of currency movements and use it to determine the constant-currency revenue growth on a year-over-year basis. Constant-currency revenues are calculated by translating current period revenues using corresponding prior-period exchange rates