

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2019
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____.
Commission file number 1-8729

UNISYS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

38-0387840

(I.R.S. Employer
Identification No.)

**801 Lakeview Drive, Suite 100
Blue Bell, Pennsylvania 19422
(215) 986-4011**

(Address, zip code and telephone number, including area code, of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$.01	UIS	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

Number of shares of Common Stock outstanding as of September 30, 2019: 62,394,738.

UNISYS CORPORATION
TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION		Page Number
Item 1.	Financial Statements (Unaudited)	
	Consolidated Statements of Income	<u>2</u>
	Consolidated Statements of Comprehensive Income	<u>3</u>
	Consolidated Balance Sheets	<u>4</u>
	Consolidated Statements of Cash Flows	<u>5</u>
	Consolidated Statements of Deficit	<u>6</u>
	Notes to Consolidated Financial Statements	<u>7</u>
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>27</u>
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	<u>35</u>
Item 4.	Controls and Procedures	<u>35</u>
PART II - OTHER INFORMATION		
Item 1.	Legal Proceedings	<u>36</u>
Item 1A.	Risk Factors	<u>36</u>
Item 6.	Exhibits	<u>40</u>
	Exhibit Index	<u>41</u>
	Signatures	<u>42</u>

Part I - FINANCIAL INFORMATION
Item 1. Financial Statements

UNISYS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(Millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenue				
Services	\$ 654.1	\$ 605.6	\$ 1,919.6	\$ 1,760.8
Technology	103.5	82.7	287.6	303.3
	<u>757.6</u>	<u>688.3</u>	<u>2,207.2</u>	<u>2,064.1</u>
Costs and expenses				
Cost of revenue:				
Services	536.1	504.9	1,582.8	1,460.0
Technology	49.1	29.6	108.2	96.2
	<u>585.2</u>	<u>534.5</u>	<u>1,691.0</u>	<u>1,556.2</u>
Selling, general and administrative	95.6	90.9	293.3	274.5
Research and development	5.9	7.1	22.1	21.8
	<u>686.7</u>	<u>632.5</u>	<u>2,006.4</u>	<u>1,852.5</u>
Operating income	70.9	55.8	200.8	211.6
Interest expense	15.2	15.9	46.9	48.2
Other income (expense), net	(49.2)	(17.7)	(108.5)	(58.3)
Income before income taxes	6.5	22.2	45.4	105.1
Provision for income taxes	15.9	15.2	41.8	50.4
Consolidated net income (loss)	(9.4)	7.0	3.6	54.7
Net income attributable to noncontrolling interests	3.8	0.9	10.0	4.2
Net income (loss) attributable to Unisys Corporation	<u>\$ (13.2)</u>	<u>\$ 6.1</u>	<u>\$ (6.4)</u>	<u>\$ 50.5</u>
Earnings (loss) per share attributable to Unisys Corporation				
Basic	<u>\$ (0.23)</u>	<u>\$ 0.12</u>	<u>\$ (0.12)</u>	<u>\$ 0.99</u>
Diluted	<u>\$ (0.23)</u>	<u>\$ 0.12</u>	<u>\$ (0.12)</u>	<u>\$ 0.89</u>

See notes to consolidated financial statements

UNISYS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
(Millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Consolidated net income (loss)	\$ (9.4)	\$ 7.0	\$ 3.6	\$ 54.7
Other comprehensive income:				
Foreign currency translation	(51.7)	(8.2)	(99.7)	(36.6)
Postretirement adjustments, net of tax of \$8.8 and \$11.9 in 2019 and \$1.4 and \$4.3 in 2018	63.4	39.1	182.3	118.0
Total other comprehensive income	11.7	30.9	82.6	81.4
Comprehensive income	2.3	37.9	86.2	136.1
Less comprehensive income attributable to noncontrolling interests	2.6	0.8	5.8	4.0
Comprehensive income (loss) attributable to Unisys Corporation	<u>\$ (0.3)</u>	<u>\$ 37.1</u>	<u>\$ 80.4</u>	<u>\$ 132.1</u>

See notes to consolidated financial statements

UNISYS CORPORATION
CONSOLIDATED BALANCE SHEETS (Unaudited)
(Millions)

	September 30, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 425.4	\$ 605.0
Accounts receivable, net	504.4	509.2
Contract assets	38.3	29.7
Inventories:		
Parts and finished equipment	15.0	14.0
Work in process and materials	13.2	13.3
Prepaid expenses and other current assets	122.7	130.2
Total current assets	1,119.0	1,301.4
Properties	799.0	800.2
Less-Accumulated depreciation and amortization	676.6	678.9
Properties, net	122.4	121.3
Outsourcing assets, net	208.3	216.4
Marketable software, net	183.3	162.1
Operating lease right-of-use assets	126.8	—
Prepaid postretirement assets	150.4	147.6
Deferred income taxes	102.0	109.3
Goodwill	176.2	177.8
Restricted cash	7.9	19.1
Other long-term assets	209.5	202.6
Total assets	\$ 2,405.8	\$ 2,457.6
Liabilities and deficit		
Current liabilities:		
Current maturities of long-term debt	\$ 13.4	\$ 10.0
Accounts payable	240.6	268.9
Deferred revenue	236.0	294.4
Other accrued liabilities	362.9	350.0
Total current liabilities	852.9	923.3
Long-term debt	563.6	642.8
Long-term postretirement liabilities	1,830.5	1,956.5
Long-term deferred revenue	142.4	157.2
Long-term operating lease liabilities	83.8	—
Other long-term liabilities	50.0	77.4
Commitments and contingencies		
Deficit:		
Common stock, shares issued:		
2019; 65.9, 2018; 54.2	0.7	0.5
Accumulated deficit	(1,700.4)	(1,694.0)
Treasury stock, shares at cost:		
2019; 3.5, 2018; 3.1	(109.6)	(105.0)
Paid-in capital	4,640.2	4,539.8
Accumulated other comprehensive loss	(3,998.0)	(4,084.8)
Total Unisys stockholders' deficit	(1,167.1)	(1,343.5)
Noncontrolling interests	49.7	43.9
Total deficit	(1,117.4)	(1,299.6)
Total liabilities and deficit	\$ 2,405.8	\$ 2,457.6

See notes to consolidated financial statements

UNISYS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(Millions)

	Nine Months Ended September 30,	
	2019	2018
Cash flows from operating activities		
Consolidated net income	\$ 3.6	\$ 54.7
Adjustments to reconcile consolidated net income to net cash used for operating activities:		
Foreign currency transaction losses	7.2	1.1
Non-cash interest expense	7.5	7.8
Loss on debt exchange	20.2	—
Employee stock compensation	10.1	10.0
Depreciation and amortization of properties	26.7	31.2
Depreciation and amortization of outsourcing assets	47.3	48.7
Amortization of marketable software	35.0	42.8
Other non-cash operating activities	(0.8)	(2.6)
Loss on disposal of capital assets	1.3	0.6
Gain on sale of properties	—	(7.3)
Postretirement contributions	(82.3)	(124.5)
Postretirement expense	71.5	58.2
Decrease in deferred income taxes, net	1.0	9.3
Changes in operating assets and liabilities:		
Receivables, net	(17.4)	(69.3)
Inventories	(1.7)	(1.3)
Accounts payable and other accrued liabilities	(173.4)	(144.1)
Other liabilities	33.1	(1.5)
Other assets	9.3	8.8
Net cash used for operating activities	(1.8)	(77.4)
Cash flows from investing activities		
Proceeds from investments	2,824.9	2,889.3
Purchases of investments	(2,835.8)	(2,892.4)
Investment in marketable software	(56.2)	(61.7)
Capital additions of properties	(29.1)	(25.0)
Capital additions of outsourcing assets	(44.4)	(54.4)
Net proceeds from sale of properties	(0.2)	19.2
Other	(0.9)	(0.9)
Net cash used for investing activities	(141.7)	(125.9)
Cash flows from financing activities		
Cash paid in connection with debt exchange	(56.3)	—
Proceeds from capped call transactions	7.2	—
Proceeds from issuance of long-term debt	28.6	—
Payments of long-term debt	(12.2)	(2.0)
Financing fees	—	(0.2)
Other	(4.6)	(2.2)
Net cash used for financing activities	(37.3)	(4.4)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(10.0)	(22.5)
Decrease in cash, cash equivalents and restricted cash	(190.8)	(230.2)
Cash, cash equivalents and restricted cash, beginning of period	624.1	764.1
Cash, cash equivalents and restricted cash, end of period	\$ 433.3	\$ 533.9

See notes to consolidated financial statements

UNISYS CORPORATION
CONSOLIDATED STATEMENTS OF DEFICIT (Unaudited)
(Millions)

	Unisys Corporation							
	Total	Total Unisys Corporation	Common Stock Par Value	Accumulated Deficit	Treasury Stock At Cost	Paid-in Capital	Accumulated Other Comprehensive Loss	Non-controlling Interests
Balance at January 1, 2019	\$ (1,299.6)	\$ (1,343.5)	\$ 0.5	\$ (1,694.0)	\$ (105.0)	\$ 4,539.8	\$ (4,084.8)	\$ 43.9
Consolidated net income (loss)	(16.8)	(19.4)		(19.4)				2.6
Stock-based activity	(0.4)	(0.4)	0.1		(4.4)	3.9		
Translation adjustments	(34.2)	(32.8)					(32.8)	(1.4)
Postretirement plans	68.5	69.2					69.2	(0.7)
Balance at March 31, 2019	<u>\$ (1,282.5)</u>	<u>\$ (1,326.9)</u>	<u>\$ 0.6</u>	<u>\$ (1,713.4)</u>	<u>\$ (109.4)</u>	<u>\$ 4,543.7</u>	<u>\$ (4,048.4)</u>	<u>\$ 44.4</u>
Consolidated net income	29.8	26.2		26.2				3.6
Stock-based activity	2.4	2.4			(0.1)	2.5		
Translation adjustments	(13.8)	(11.6)					(11.6)	(2.2)
Postretirement plans	50.4	49.1					49.1	1.3
Balance at June 30, 2019	<u>\$ (1,213.7)</u>	<u>\$ (1,260.8)</u>	<u>\$ 0.6</u>	<u>\$ (1,687.2)</u>	<u>\$ (109.5)</u>	<u>\$ 4,546.2</u>	<u>\$ (4,010.9)</u>	<u>\$ 47.1</u>
Consolidated net income (loss)	(9.4)	(13.2)		(13.2)				3.8
Stock-based activity	2.9	2.9			(0.1)	3.0		
Debt exchange	83.9	83.9	0.1			83.8		
Capped call on debt exchange	7.2	7.2				7.2		
Translation adjustments	(51.7)	(49.0)					(49.0)	(2.7)
Postretirement plans	63.4	61.9					61.9	1.5
Balance at September 30, 2019	<u>\$ (1,117.4)</u>	<u>\$ (1,167.1)</u>	<u>\$ 0.7</u>	<u>\$ (1,700.4)</u>	<u>\$ (109.6)</u>	<u>\$ 4,640.2</u>	<u>\$ (3,998.0)</u>	<u>\$ 49.7</u>

	Unisys Corporation							
	Total	Total Unisys Corporation	Common Stock Par Value	Accumulated Deficit	Treasury Stock At Cost	Paid-in Capital	Accumulated Other Comprehensive Loss	Non-controlling Interests
Balance at January 1, 2018	\$ (1,326.5)	\$ (1,354.7)	\$ 0.5	\$ (1,963.1)	\$ (102.7)	\$ 4,526.4	\$ (3,815.8)	\$ 28.2
Cumulative effect adjustment - ASU No. 2014-09	(21.4)	(21.4)		(21.4)				
Consolidated net income	41.7	40.6		40.6				1.1
Stock-based activity	1.5	1.5			(2.1)	3.6		
Translation adjustments	(5.1)	(5.9)					(5.9)	0.8
Postretirement plans	39.0	38.6					38.6	0.4
Balance at March 31, 2018	<u>\$ (1,270.8)</u>	<u>\$ (1,301.3)</u>	<u>\$ 0.5</u>	<u>\$ (1,943.9)</u>	<u>\$ (104.8)</u>	<u>\$ 4,530.0</u>	<u>\$ (3,783.1)</u>	<u>\$ 30.5</u>
Consolidated net income	6.0	3.8		3.8				2.2
Stock-based activity	4.1	4.1				4.1		
Translation adjustments	(23.3)	(21.6)					(21.6)	(1.7)
Postretirement plans	39.9	39.5					39.5	0.4
Balance at June 30, 2018	<u>\$ (1,244.1)</u>	<u>\$ (1,275.5)</u>	<u>\$ 0.5</u>	<u>\$ (1,940.1)</u>	<u>\$ (104.8)</u>	<u>\$ 4,534.1</u>	<u>\$ (3,765.2)</u>	<u>\$ 31.4</u>
Reclassification pursuant to ASU No. 2018-02	—	—		208.7			(208.7)	
Consolidated net income	7.0	6.1		6.1				0.9
Stock-based activity	2.4	2.4			(0.1)	2.5		
Translation adjustments	(8.2)	(7.8)					(7.8)	(0.4)
Postretirement plans	39.1	38.8					38.8	0.3
Balance at September 30, 2018	<u>\$ (1,203.8)</u>	<u>\$ (1,236.0)</u>	<u>\$ 0.5</u>	<u>\$ (1,725.3)</u>	<u>\$ (104.9)</u>	<u>\$ 4,536.6</u>	<u>\$ (3,942.9)</u>	<u>\$ 32.2</u>

See notes to consolidated financial statements

UNISYS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(Dollars in millions, except share and per share amounts)

Note 1 - Basis of Presentation

The accompanying consolidated financial statements and footnotes of Unisys Corporation have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP). The financial statements and footnotes are unaudited. In the opinion of management, the financial information furnished herein reflects all adjustments necessary for a fair presentation of the results of operations, comprehensive income, financial position, cash flows and deficit for the interim periods specified. These adjustments consist only of normal recurring accruals except as disclosed herein. Because of seasonal and other factors, results for interim periods are not necessarily indicative of the results to be expected for the full year.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions about future events. These estimates and assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities and the reported amounts of revenue and expenses. Such estimates include the valuation of accounts receivable, contract assets, inventories, operating lease right-of-use assets, outsourcing assets, marketable software, goodwill and other long-lived assets, legal contingencies, indemnifications, assumptions used in the calculation for systems integration projects, income taxes and retirement and other post-employment benefits, among others. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

The company's accounting policies are set forth in detail in Note 1 of the Notes to Consolidated Financial Statements in the company's Annual Report on Form 10-K for the year ended December 31, 2018 (2018 Form 10-K) filed with the Securities and Exchange Commission. Such Annual Report also contains a discussion of the company's critical accounting policies and estimates. The company believes that these critical accounting policies and estimates affect its more significant estimates and judgments used in the preparation of the company's consolidated financial statements.

As described in Note 3, effective January 1, 2019 the company adopted the requirements of Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* using the effective date transition method. The company's updated accounting policy on leases is described in Note 2 of this Form 10-Q.

Note 2 - Summary of Significant Accounting Policies

Leases

The company determines if an arrangement is a lease at inception. This determination generally depends on whether the arrangement conveys to the company the right to control the use of an explicitly or implicitly identified asset for a period of time in exchange for consideration. Control of an underlying asset is conveyed to the company if the company obtains the rights to direct the use of and to obtain substantially all of the economic benefits from using the underlying asset. The company has lease agreements that include lease and non-lease components, which the company accounts for as a single lease component for all personal property leases. Lease expense for variable leases and short-term leases is recognized when the expense is incurred.

Operating leases are included in operating lease right-of-use (ROU) assets, other accrued liabilities and long-term operating lease liabilities on the consolidated balance sheets. Operating lease ROU assets and lease liabilities are recognized at the commencement date of the lease based on the present value of lease payments over the lease term. Operating lease payments are recognized as lease expense on a straight-line basis over the lease term.

Finance leases are included in outsourcing assets, net and long-term debt on the consolidated balance sheets. Finance lease ROU assets and lease liabilities are initially measured in the same manner as operating leases. Finance lease ROU assets are amortized using the straight-line method. Finance lease liabilities are measured at amortized cost using the effective interest method.

The company has not capitalized leases with terms of twelve months or less.

As most of the company's leases do not provide an implicit rate, the company uses its incremental borrowing rate, based on the information available at the lease commencement date, in determining the present value of lease payments.

The lease term for all of the company's leases includes the non-cancelable period of the lease plus any additional periods covered by either a company option to extend (or not to terminate) the lease that the company is reasonably certain to exercise, or an option to extend (or not to terminate) the lease controlled by the lessor.

Lease payments included in the measurement of the lease liability are comprised of fixed payments, variable payments that depend on index or rate, amounts expected to be payable under a residual value guarantee and the exercise of the company option to purchase the underlying asset, if reasonably certain.

Variable lease payments associated with the company's leases are recognized when the event, activity, or circumstance in the lease agreement on which those payments are assessed occurs. Variable lease payments are presented as an operating expense in the company's consolidated results of operations in the same line item as expense arising from fixed lease payments (operating leases) or amortization of the ROU asset (finance leases).

The company uses the long-lived assets impairment guidance in ASC Subtopic 360-10 *Property, Plant, and Equipment* to determine whether a ROU asset is impaired, and if so, the amount of the impairment loss to recognize. If impaired, ROU assets for operating and finance leases are reduced for any impairment losses.

The company monitors for events or changes in circumstances that require a reassessment of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the amount of the adjustment that would result in a negative ROU asset balance is recorded in the consolidated statement of income.

The company has commitments under operating leases for certain facilities and equipment used in its operations. The company also has finance leases for equipment. The company's leases generally have initial lease terms ranging from 1 year to 8 years, most of which include options to extend or renew the leases for up to 5 years, and some of which may include options to terminate the leases within 1 year. Certain lease agreements contain provisions for future rent increases.

The components of lease expense for the three and nine months ended September 30, 2019 are as follows:

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Operating lease cost	\$ 19.0	\$ 52.2
Finance lease cost		
Amortization of right-of-use assets	0.4	1.2
Interest on lease liabilities	0.2	0.2
Total finance lease cost	0.6	1.4
Short-term lease costs	0.2	0.4
Variable lease cost	5.1	11.8
Sublease income	(0.1)	(0.7)
Total lease cost	\$ 24.8	\$ 65.1

Supplemental balance sheet information related to leases is as follows:

	September 30, 2019
Operating Leases	
Operating lease right-of-use assets	\$ 126.8
Other accrued liabilities	69.2
Long-term operating lease liabilities	83.8
Total operating lease liabilities	<u>\$ 153.0</u>
Finance Leases	
Outsourcing assets, net	\$ 5.0
Current maturities of long-term debt	1.7
Long-term debt	4.0
Total finance lease liabilities	<u>\$ 5.7</u>
Weighted-Average Remaining Lease Term	
Operating leases	3.2
Finance leases	3.2
Weighted-Average Discount Rate	
Operating leases	6.3%
Finance leases	4.9%

Supplemental cash flow information related to leases is as follows:

	Nine Months Ended September 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Cash payments for operating leases included in operating activities	\$ 51.7
Cash payments for finance leases included in financing activities	1.3

Right-of-use assets obtained in exchange for lease obligations are as follows:

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Operating leases	\$ 8.2	\$ 51.1
Finance leases	1.1	1.5

Maturities of lease liabilities as of September 30, 2019 are as follows:

Year	Finance Leases	Operating Leases
2019	\$ 0.5	\$ 20.6
2020	2.0	70.1
2021	2.0	31.5
2022	1.4	18.9
2023	0.2	11.6
Thereafter	0.1	16.1
Total lease payments	6.2	168.8
Less imputed interest	0.5	15.8
Total	\$ 5.7	\$ 153.0

Maturities of lease liabilities as of December 31, 2018, prior to the adoption of ASU No. 2016-02 as described in Note 3 of this Form 10-Q are as follows:

Year	Finance Leases	Operating Leases ⁽ⁱ⁾
2019	\$ 1.6	\$ 48.5
2020	1.6	42.1
2021	1.6	30.0
2022	1.0	20.8
2023	—	14.3
Thereafter	—	24.4
Total	\$ 5.8	\$ 180.1

⁽ⁱ⁾Such rental commitments have been reduced by minimum sublease rentals of \$2.7 million, due in the future under noncancelable leases.

For transactions where the company is considered the lessor, revenue for operating leases is recognized on a monthly basis over the term of the lease and for sales-type leases at the inception of the lease term. These amounts were immaterial for the three and nine months ended September 30, 2019.

As of September 30, 2019, receivables under sales-type leases before the allowance for unearned income were collectible as follows:

Year	
2019	\$ 6.4
2020	18.2
2021	12.8
2022	12.3
2023	12.3
Thereafter	17.5
Total	\$ 79.5

Marketable software

The cost of development of computer software to be sold or leased, incurred subsequent to establishment of technological feasibility, is capitalized and amortized to cost of sales over the estimated revenue-producing lives of the products. In assessing the estimated revenue-producing lives and recoverability of the products, the company considers operating strategies, underlying technologies utilized, estimated economic life and external market factors, such as expected levels of competition, barriers to entry by potential competitors, stability in the market and governmental regulation. The company continually

reassesses the estimated revenue-producing lives of the products and any change in the company's estimate could result in the remaining amortization expense being accelerated or spread out over a longer period.

Previously, the estimated revenue-producing lives of the company's proprietary enterprise software was three years. Due to the maturity of the company's proprietary enterprise software product, the company increased the time between its major releases as its product has a longer useful life. In addition, the company modified its commitment to provide post-contract support from an average of three years to five years following each new proprietary enterprise software release. In the first quarter of 2019, the company validated that the revised extended timeline between major product releases and the revised post-contract support period has achieved market acceptance. The company's historical experience is that its significant customers typically renew the software on average every five years. As a result, the company adjusted the remaining useful life of its proprietary enterprise software product, which represents approximately 65% of the company's marketable software, to five years. This change in estimate was applied prospectively effective January 1, 2019. The adjustment resulted in a \$5.8 million decrease to cost of revenue in the three months ended September 30, 2019, and accordingly increased consolidated net income by \$5.8 million or \$0.10 per diluted earnings per share. For the nine months ended September 30, 2019, this adjustment resulted in a \$15.1 million decrease to cost of revenue, and accordingly increased consolidated net income by \$15.1 million or \$0.28 per diluted earnings per share. The useful lives of the remaining products classified as marketable software remain at three years, which is consistent with prior years. As of September 30, 2019, \$60.5 million of marketable software was in process and the remaining \$122.8 million has a weighted-average remaining life of 3.3 years. The company performs quarterly reviews to ensure that unamortized costs remain recoverable from future revenue. As of September 30, 2019, the company believes that all unamortized costs are fully recoverable.

Note 3 - Accounting Standards

Accounting Pronouncements Adopted

Effective January 1, 2019, the company adopted ASU No. 2016-02 *Leases (Topic 842)* issued by the Financial Accounting Standards Board (FASB) which is intended to improve financial reporting about leasing transactions. Topic 842 requires organizations that lease assets, referred to as lessees, to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The standard also requires disclosures to help investors and other financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. The company adopted the new standard using the effective date transition method by applying a cumulative-effect adjustment to the balance sheet through the addition of ROU assets and lease liabilities at January 1, 2019. Prior-period results were not restated.

The company applied certain practical expedients, including the package of practical expedients, permitted under the transition guidance within Topic 842 to leases that commenced before January 1, 2019. The election of the package of practical expedients resulted in the company not reassessing prior conclusions under FASB Topic 840 *Leases* related to lease identification, lease classification and initial direct costs for existing leases at January 1, 2019.

The adoption had a material impact on the consolidated financial position and did not have a material impact on the consolidated results of operations or cash flows as of and for the three and nine months ended September 30, 2019. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the company's accounting for finance leases remained substantially unchanged.

Accounting Pronouncements Not Yet Adopted

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* which clarifies the accounting for implementation costs incurred in a cloud computing arrangement that is a service contract. This update is effective for fiscal years ending after December 15, 2019, with earlier adoption permitted, including adoption in any interim period. The new guidance can be applied retrospectively or prospectively to all implementation costs incurred after the date of adoption. The company will adopt the new guidance on January 1, 2020, on a prospective basis, and does not expect the adoption to have a material impact on its consolidated results of operations and financial position.

In June 2016, the FASB issued ASU No. 2016-13 *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* which introduces a new model for recognizing credit losses on financial instruments based on an estimate of current expected losses. This includes trade and other receivables, loans and other financial instruments. This update is effective for annual periods beginning after December 15, 2019, with earlier adoption permitted. The company will adopt the new guidance on January 1, 2020 through a cumulative-effect adjustment to retained earnings, and does not expect the adoption to have a material impact on its consolidated results of operations and financial position.

Note 4 - Cost-Reduction Actions

During the three months ended September 30, 2019, the company recognized cost-reduction charges and other costs of \$0.2 million. Charges were comprised of \$0.7 million for lease abandonment costs and \$(0.5) million for changes in estimates principally related to work-force reductions. The charges were recorded in the following statement of income classifications: cost of revenue – services, \$(1.9) million and selling, general and administrative expenses, \$2.1 million.

During the nine months ended September 30, 2019, the company recognized cost-reduction charges and other costs of \$5.4 million. Charges were comprised of \$5.0 million for lease abandonment costs and asset write-offs and \$0.4 million for changes in estimates principally related to work-force reductions. The charges were recorded in the following statement of income classifications: cost of revenue – services, \$(6.6) million; selling, general and administrative expenses, \$10.7 million; and research and development expenses, \$1.3 million.

No provisions for cost-reduction actions were recorded during the nine months ended September 30, 2018; however, a benefit of \$0.9 million and \$3.1 million, respectively, was recorded for changes in estimates during the three and nine months ended September 30, 2018. For the three months ended September 30, 2018, the charge was recorded in the following statement of income classifications: cost of revenue - services, \$0.7 million and selling, general and administrative expenses, \$0.2 million. For the nine months ended September 30, 2018, the benefit was recorded in the following statement of income classifications: cost of revenue - services, \$4.2 million and selling, general and administrative expenses, \$(1.1) million.

Liabilities and expected future payments related to the company's work-force reduction actions are as follows:

	Total	U.S.	International
Balance at December 31, 2018	\$ 86.2	\$ 6.1	\$ 80.1
Payments	(40.9)	(3.0)	(37.9)
Changes in estimates	0.2	(1.1)	1.3
Translation adjustments	(2.5)	—	(2.5)
Balance at September 30, 2019	<u>\$ 43.0</u>	<u>\$ 2.0</u>	<u>\$ 41.0</u>
Expected future utilization on balance at September 30, 2019:			
2019 remaining three months	\$ 29.2	\$ 1.5	\$ 27.7
Beyond 2019	\$ 13.8	\$ 0.5	\$ 13.3

Note 5 - Pension and Postretirement Benefits

Net periodic pension expense for the three and nine months ended September 30, 2019 and 2018 is presented below:

	Three Months Ended September 30, 2019			Three Months Ended September 30, 2018		
	Total	U.S. Plans	International Plans	Total	U.S. Plans	International Plans
Service cost ⁽¹⁾	\$ 0.7	\$ —	\$ 0.7	\$ 0.8	\$ —	\$ 0.8
Interest cost	66.1	49.6	16.5	63.1	46.8	16.3
Expected return on plan assets	(80.1)	(54.7)	(25.4)	(85.7)	(57.7)	(28.0)
Amortization of prior service benefit	(1.2)	(0.6)	(0.6)	(1.5)	(0.6)	(0.9)
Recognized net actuarial loss	37.9	29.6	8.3	41.9	31.4	10.5
Net periodic pension expense (benefit)	<u>\$ 23.4</u>	<u>\$ 23.9</u>	<u>\$ (0.5)</u>	<u>\$ 18.6</u>	<u>\$ 19.9</u>	<u>\$ (1.3)</u>

	Nine Months Ended September 30, 2019			Nine Months Ended September 30, 2018		
	Total	U.S. Plans	International Plans	Total	U.S. Plans	International Plans
Service cost ⁽¹⁾	\$ 2.1	\$ —	\$ 2.1	\$ 2.4	\$ —	\$ 2.4
Interest cost	199.3	148.1	51.2	191.1	140.0	51.1
Expected return on plan assets	(242.2)	(163.7)	(78.5)	(259.9)	(172.9)	(87.0)
Amortization of prior service benefit	(3.7)	(1.9)	(1.8)	(4.7)	(1.9)	(2.8)
Recognized net actuarial loss	113.1	87.5	25.6	126.0	93.8	32.2
Net periodic pension expense (benefit)	<u>\$ 68.6</u>	<u>\$ 70.0</u>	<u>\$ (1.4)</u>	<u>\$ 54.9</u>	<u>\$ 59.0</u>	<u>\$ (4.1)</u>

⁽¹⁾Service cost is reported in selling, general and administrative expense. All other components of net periodic pension expense are reported in other income (expense), net in the consolidated statements of income.

In 2019, the company expects to make cash contributions of approximately \$103.4 million to its worldwide defined benefit pension plans, which are comprised of \$67.2 million for the company's U.S. qualified defined benefit pension plans and \$36.2 million primarily for the company's international defined benefit pension plans. In 2018, the company made cash contributions of \$129.7 million to its worldwide defined benefit pension plans. For the nine months ended September 30, 2019 and 2018, the company made cash contributions of \$78.8 million and \$117.5 million, respectively.

Net periodic postretirement benefit expense for the three and nine months ended September 30, 2019 and 2018 is presented below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Service cost ⁽¹⁾	\$ 0.1	\$ 0.2	\$ 0.3	\$ 0.5
Interest cost	1.2	1.1	3.6	3.5
Expected return on assets	(0.1)	(0.1)	(0.3)	(0.3)
Recognized net actuarial loss	0.2	0.4	0.5	0.9
Amortization of prior service benefit	(0.4)	(0.5)	(1.2)	(1.3)
Net periodic postretirement benefit expense	<u>\$ 1.0</u>	<u>\$ 1.1</u>	<u>\$ 2.9</u>	<u>\$ 3.3</u>

⁽¹⁾Service cost is reported in selling, general and administrative expense. All other components of net periodic postretirement benefit expense are reported in other income (expense), net in the consolidated statements of income.

The company expects to make cash contributions of approximately \$6.0 million to its postretirement benefit plans in 2019 compared to \$9.0 million in 2018. For the nine months ended September 30, 2019 and 2018, the company made cash contributions of \$3.5 million and \$7.0 million, respectively.

Note 6 - Stock Compensation

Under stockholder approved stock-based plans, stock options, stock appreciation rights, restricted stock and restricted stock units may be granted to officers, directors and other key employees. At September 30, 2019, 5.5 million shares of unissued common stock of the company were available for granting under these plans.

As of September 30, 2019, the company has granted non-qualified stock options and restricted stock units under these plans. The company recognizes compensation cost, net of a forfeiture rate, in selling, general and administrative expense, and recognizes compensation cost only for those awards expected to vest. The company estimates the forfeiture rate based on its historical experience and its expectations about future forfeitures.

During the nine months ended September 30, 2019 and 2018, the company recorded \$10.1 million and \$10.0 million of share-based compensation expense, respectively, which was comprised of \$10.1 million and \$9.9 million of restricted stock unit expense and zero and \$0.1 million of stock option expense, respectively.

There were no grants of stock option awards during the nine months ended September 30, 2019 and 2018. As of September 30, 2019, 543,673 stock option awards with a weighted-average exercise price of \$23.53 are outstanding.

Restricted stock unit awards may contain time-based units, performance-based units, total shareholder return market-based units, or a combination of these units. Each performance-based and market-based unit will vest into zero to two shares depending on the degree to which the performance or market conditions are met. Compensation expense for performance-based awards is recognized as expense ratably for each installment from the date of grant until the date the restrictions lapse, and is based on the fair market value at the date of grant and the probability of achievement of the specific performance-related goals. Compensation expense for market-related awards is recognized as expense ratably over the measurement period, regardless of the actual level of achievement, provided the service requirement is met. Time-based restricted stock unit grants for the company's directors vest upon award and compensation expense for such awards is recognized upon grant.

A summary of restricted stock unit activity for the nine months ended September 30, 2019 follows (shares in thousands):

	Restricted Stock Units	Weighted- Average Grant-Date Fair Value
Outstanding at December 31, 2018	2,151	\$ 12.90
Granted	1,319	15.04
Vested	(1,121)	13.24
Forfeited and expired	(274)	13.78
Outstanding at September 30, 2019	<u>2,075</u>	<u>14.17</u>

The aggregate weighted-average grant-date fair value of restricted stock units granted during the nine months ended September 30, 2019 and 2018 was \$16.8 million and \$17.9 million, respectively. The fair value of restricted stock units with time and performance conditions was determined based on the trading price of the company's common shares on the date of grant. The fair value of awards with market conditions was estimated using a Monte Carlo simulation with the following weighted-average assumptions:

	Nine Months Ended September 30,	
	2019	2018
Weighted-average fair value of grant	\$ 16.58	\$ 15.20
Risk-free interest rate ⁽ⁱ⁾	2.49%	2.26%
Expected volatility ⁽ⁱⁱ⁾	47.91%	52.97%
Expected life of restricted stock units in years ⁽ⁱⁱⁱ⁾	2.87	2.88
Expected dividend yield	—%	—%

⁽ⁱ⁾Represents the continuously compounded semi-annual zero-coupon U.S. treasury rate commensurate with the remaining performance period

⁽ⁱⁱ⁾Based on historical volatility for the company that is commensurate with the length of the performance period

⁽ⁱⁱⁱ⁾Represents the remaining life of the longest performance period

As of September 30, 2019, there was \$15.2 million of total unrecognized compensation cost related to outstanding restricted stock units granted under the company's plans. That cost is expected to be recognized over a weighted-average period of 2.0 years. The aggregate weighted-average grant-date fair value of restricted stock units vested during the nine months ended September 30, 2019 and 2018 was \$14.8 million and \$10.3 million, respectively.

Common stock issued upon exercise of stock options or upon lapse of restrictions on restricted stock units are newly issued shares. In light of its tax position, the company is currently not recognizing any tax benefits from the exercise of stock options or upon issuance of stock upon lapse of restrictions on restricted stock units.

Note 7 - Income Taxes

Accounting rules governing income taxes require that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of temporary differences between the book and tax bases of recorded assets and liabilities. These rules also require that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or the entire deferred tax asset will not be realized.

The company evaluates the realizability of its deferred tax assets by assessing its valuation allowance and by adjusting the amount of such allowance, if necessary. The factors used to assess the likelihood of realization are the company's historical profitability, forecast of future taxable income and available tax-planning strategies that could be implemented to realize the net deferred tax assets. The company uses tax-planning strategies to realize or renew net deferred tax assets to avoid the potential loss of future tax benefits.

A full valuation allowance is currently maintained for all U.S. and certain foreign deferred tax assets in excess of deferred tax liabilities. The company will record a tax provision or benefit for those international subsidiaries that do not have a full valuation allowance against their net deferred tax assets. Any profit or loss recorded for the company's U.S. operations will have no provision or benefit associated with it due to such valuation allowance, except with respect to withholding taxes not creditable against future taxable income. As a result, the company's provision or benefit for taxes may vary significantly depending on the geographic distribution of income.

During the three months ended September 30, 2018, the company recognized a benefit of \$6.6 million due to the release of a valuation allowance on certain foreign deferred tax assets (net operating losses) as a result of the identification of an additional source of taxable income available in prior periods.

Note 8 — Earnings Per Share

The following table shows how earnings per share attributable to Unisys Corporation was computed for the three and nine months ended September 30, 2019 and 2018 (shares in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Basic earnings (loss) per common share computation:				
Net income (loss) attributable to Unisys Corporation	\$ (13.2)	\$ 6.1	\$ (6.4)	\$ 50.5
Weighted average shares	58,245	51,021	53,815	50,918
Basic earnings (loss) per common share	\$ (0.23)	\$ 0.12	\$ (0.12)	\$ 0.99
Diluted earnings (loss) per common share computation:				
Net income (loss) attributable to Unisys Corporation	\$ (13.2)	\$ 6.1	\$ (6.4)	\$ 50.5
Add interest expense on convertible senior notes, net of tax of zero	—	—	—	14.6
Net income (loss) attributable to Unisys Corporation for diluted earnings per share	\$ (13.2)	\$ 6.1	\$ (6.4)	\$ 65.1
Weighted average shares	58,245	51,021	53,815	50,918
Plus incremental shares from assumed conversions:				
Employee stock plans	—	697	—	479
Convertible senior notes	—	—	—	21,868
Adjusted weighted average shares	58,245	51,718	53,815	73,265
Diluted earnings (loss) per common share	\$ (0.23)	\$ 0.12	\$ (0.12)	\$ 0.89
Anti-dilutive weighted-average stock options and restricted stock units ⁽ⁱ⁾	1,462	1,136	1,394	1,274
Anti-dilutive weighted-average common shares issuable upon conversion of the 5.50% convertible senior notes ⁽ⁱ⁾	13,951	21,868	19,229	—

⁽ⁱ⁾Amounts represent shares excluded from the computation of diluted earnings per share, as their effect, if included, would have been anti-dilutive for the periods presented.

Note 9 - Contract Assets and Contract Liabilities

Contract assets represent rights to consideration in exchange for goods or services transferred to a customer when that right is conditional on something other than the passage of time. Contract liabilities represent deferred revenue.

Net contract assets (liabilities) as of September 30, 2019 and December 31, 2018 are as follows:

	September 30, 2019	December 31, 2018
Contract assets - current	\$ 38.3	\$ 29.7
Contract assets - long-term ⁽ⁱ⁾	22.4	22.2
Deferred revenue - current	(236.0)	(294.4)
Deferred revenue - long-term	(142.4)	(157.2)

⁽ⁱ⁾Reported in other long-term assets on the company's consolidated balance sheets

As of September 30, 2019 and December 31, 2018, deposit liabilities of \$16.8 million and \$21.2 million, respectively, were principally included in current deferred revenue. These deposit liabilities represent upfront consideration received from customers for services such as post-contract support and maintenance that allow the customer to terminate the contract at any time for convenience.

Significant changes during the three and nine months ended September 30, 2019 and 2018 in the above contract asset and liability balances were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenue recognized that was included in deferred revenue at December 31, 2018	\$ 46.0		\$ 236.6	
Revenue recognized that was included in deferred revenue at December 31, 2017		\$ 64.6		\$ 255.5

Note 10 - Capitalized Contract Costs

The company's incremental direct costs of obtaining a contract consist of sales commissions which are deferred and amortized ratably over the initial contract life. These costs are classified as current or noncurrent based on the timing of when the company expects to recognize the expense. The current and noncurrent portions of deferred commissions are included in prepaid expenses and other current assets and in other long-term assets, respectively, in the company's consolidated balance sheets. At September 30, 2019 and December 31, 2018, the company had \$11.2 million and \$12.1 million, respectively, of deferred commissions.

Amortization expense related to deferred commissions for the three and nine months ended September 30, 2019 and 2018 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Deferred commissions - amortization expense ⁽ⁱ⁾	\$ 0.9	\$ 1.8	\$ 2.9	\$ 5.2

⁽ⁱ⁾Reported in selling, general and administrative expense in the company's consolidated statements of income

Costs on outsourcing contracts are generally expensed as incurred. However, certain costs incurred upon initiation of an outsourcing contract (costs to fulfill a contract), principally initial customer setup, are capitalized and expensed over the initial contract life. These costs are included in outsourcing assets, net in the company's consolidated balance sheets. The amount of such cost at September 30, 2019 and December 31, 2018 was \$78.1 million and \$79.5 million, respectively. These costs are amortized over the initial contract life and reported in Services cost of sales.

During the three and nine months ended September 30, 2019 and 2018, amortization expense related to costs to fulfill a contract was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Costs to fulfill a contract - amortization expense	\$ 5.9	\$ 4.2	\$ 17.8	\$ 14.9

The remaining balance of outsourcing assets, net is comprised of fixed assets and software used in connection with outsourcing contracts. These costs are capitalized and depreciated over the shorter of the initial contract life or in accordance with the company's fixed asset policy.

Note 11 - Financial Instruments and Fair Value Measurements

Due to its foreign operations, the company is exposed to the effects of foreign currency exchange rate fluctuations on the U.S. dollar, principally related to intercompany account balances. The company uses derivative financial instruments to reduce its exposure to market risks from changes in foreign currency exchange rates on such balances. The company enters into foreign exchange forward contracts, generally having maturities of three months or less, which have not been designated as hedging instruments. At September 30, 2019 and December 31, 2018, the notional amount of these contracts was \$394.9 million and \$384.7 million, respectively. The fair value of these forward contracts is based on quoted prices for similar but not identical financial instruments; as such, the inputs are considered Level 2 inputs.

The following table summarizes the fair value of the company's foreign exchange forward contracts as of September 30, 2019 and December 31, 2018.

	September 30, 2019	December 31, 2018
Balance Sheet Location		
Prepaid expenses and other current assets	\$ 0.1	\$ 3.4
Other accrued liabilities	3.2	0.3
Total fair value	\$ (3.1)	\$ 3.1

The following table summarizes the location and amount of gains and losses recognized on foreign exchange forward contracts for the three and nine months ended September 30, 2019 and 2018.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Statement of Income Location				
Other income (expense), net	\$ (11.9)	\$ (2.7)	\$ (17.1)	\$ (9.6)

Financial assets with carrying values approximating fair value include cash and cash equivalents and accounts receivable. Financial liabilities with carrying values approximating fair value include accounts payable and other liabilities. The carrying amounts of these financial assets and liabilities approximate fair value due to their short maturities. Such financial instruments are not included in the following table that provides information about the estimated fair values of other financial instruments that are not measured at fair value in the consolidated balance sheets as of September 30, 2019 and December 31, 2018.

	September 30, 2019		December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt:				
10.75% senior secured notes due 2022	\$ 433.9	\$ 481.3	\$ 432.0	\$ 486.8
5.50% convertible senior notes due 2021	\$ 79.1	\$ 92.9	\$ 194.2	\$ 298.5

Long-term debt is carried at amortized cost and its estimated fair value is based on market prices classified as Level 2 in the fair value hierarchy.

Note 12 - Goodwill

At September 30, 2019, the amount of goodwill allocated to reporting units with negative net assets was as follows: Business Process Outsourcing Services, \$10.1 million.

Changes in the carrying amount of goodwill by segment for the nine months ended September 30, 2019 were as follows:

	Total	Services	Technology
Balance at December 31, 2018	\$ 177.8	\$ 69.1	\$ 108.7
Translation adjustments	(1.6)	(1.6)	—
Balance at September 30, 2019	\$ 176.2	\$ 67.5	\$ 108.7

Note 13 - Debt

Long-term debt is comprised of the following:

	September 30, 2019	December 31, 2018
10.75% senior secured notes due April 15, 2022 (\$440.0 million face value less unamortized discount and fees of \$6.1 million and \$8.0 million at September 30, 2019 and December 31, 2018, respectively)	\$ 433.9	\$ 432.0
5.50% convertible senior notes due March 1, 2021 (Face value of \$84.2 million and \$213.5 million less unamortized discount and fees of \$5.1 million and \$19.3 million at September 30, 2019 and December 31, 2018, respectively)	79.1	194.2
Finance leases	5.7	5.8
Other debt	58.3	20.8
Total	577.0	652.8
Less – current maturities	13.4	10.0
Total long-term debt	\$ 563.6	\$ 642.8

See Note 11 for the fair value of the notes.

Senior Secured Notes

In 2017, the company issued \$440.0 million aggregate principal amount of 10.75% Senior Secured Notes due 2022 (the “2022 Notes”). The 2022 Notes are initially fully and unconditionally guaranteed on a senior secured basis by Unisys Holding Corporation, Unisys AP Investment Company I and Unisys NPL, Inc. (together with the Company, the “Grantors”). In the future, the 2022 Notes will be guaranteed by each material domestic subsidiary and each restricted subsidiary that guarantees the secured revolving credit facility and other indebtedness of the company or another subsidiary guarantor. The 2022 Notes and the guarantees will rank equally in right of payment with all of the existing and future senior debt of the company and the subsidiary guarantors. The 2022 Notes and the guarantees will be structurally subordinated to all existing and future liabilities (including preferred stock, trade payables and pension liabilities) of the company’s subsidiaries that are not subsidiary guarantors.

The 2022 Notes pay interest semiannually on April 15 and October 15 at an annual rate of 10.75%, and will mature on April 15, 2022, unless earlier repurchased or redeemed.

The company may, at its option, redeem some or all of the 2022 Notes at any time on or after April 15, 2020 at a redemption price determined in accordance with the redemption schedule set forth in the indenture governing the 2022 Notes (the “indenture”), plus accrued and unpaid interest, if any.

Prior to April 15, 2020, the company may, at its option, redeem some or all of the 2022 Notes at any time, at a price equal to 100% of the principal amount of the 2022 Notes redeemed plus a “make-whole” premium, plus accrued and unpaid interest, if any. The company may also redeem, at its option, up to 35% of the 2022 Notes at any time prior to April 15, 2020, using the proceeds of certain equity offerings at a redemption price of 110.75% of the principal amount thereof, plus accrued and unpaid interest, if any. In addition, the company may redeem all (but not less than all) of the 2022 Notes at any time that the Collateral Coverage Ratio is less than the Required Collateral Coverage Ratio (as such terms are described below and further defined in the indenture) at a price equal to 100% of the principal amount of the 2022 Notes plus accrued and unpaid interest, if any.

The indenture contains covenants that limit the ability of the company and its restricted subsidiaries to, among other things: (i) incur additional indebtedness and guarantee indebtedness; (ii) pay dividends or make other distributions or repurchase or redeem its capital stock; (iii) prepay, redeem or repurchase certain debt; (iv) make certain prepayments in respect of pension obligations; (v) issue certain preferred stock or similar equity securities; (vi) make loans and investments (including investments by the company and subsidiary guarantors in subsidiaries that are not guarantors); (vii) sell assets; (viii) create or incur liens; (ix) enter into transactions with affiliates; (x) enter into agreements restricting its subsidiaries’ ability to pay dividends; and (xi) consolidate, merge or sell all or substantially all of its assets. These covenants are subject to several important limitations and exceptions.

The indenture also includes a covenant requiring that the company maintain a Collateral Coverage Ratio of not less than 1.50:1.00 (the “Required Collateral Coverage Ratio”) as of any test date. The Collateral Coverage Ratio is based on the ratio of (A) Grantor unrestricted cash and cash equivalents plus 4.75 multiplied by of the greater of (x) Grantor EBITDA for the most recently ended four fiscal quarters and (y) (i) the average quarterly Grantor EBITDA for the most recently ended seven fiscal quarters, multiplied by (ii) four, to (B) secured indebtedness of the Grantors. The Collateral Coverage Ratio is tested quarterly.

If the Collateral Coverage Ratio is less than the Required Collateral Coverage Ratio as of any test date, and the company has not redeemed the 2022 Notes within 90 days thereafter, this will be an event of default under the indenture.

If the company experiences certain kinds of changes of control, it must offer to purchase the 2022 Notes at 101% of the principal amount of the 2022 Notes, plus accrued and unpaid interest, if any. In addition, if the company sells assets under certain circumstances it must apply the proceeds towards an offer to repurchase the 2022 Notes at a price equal to par plus accrued and unpaid interest, if any.

The indenture also provides for events of default, which, if any of them occurs, would permit or require the principal, premium, if any, interest and any other monetary obligations on all the then outstanding 2022 Notes to be due and payable immediately.

Interest expense related to the 2022 notes for the three and nine month periods ended September 30, 2019 and 2018 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Contractual interest coupon	\$ 11.9	\$ 11.9	\$ 35.5	\$ 35.5
Amortization of debt issuance costs	0.6	0.6	1.8	1.8
Total	\$ 12.5	\$ 12.5	\$ 37.3	\$ 37.3

Convertible Senior Notes

In 2016, the company issued \$213.5 million aggregate principal amount of Convertible Senior Notes due 2021 (the “2021 Notes”). The 2021 Notes, which are senior unsecured obligations, bear interest at a coupon rate of 5.50% (or 9.5% effective interest rate) per year until maturity, payable semiannually in arrears on March 1 and September 1 of each year. The 2021 Notes are not redeemable by the company prior to maturity. The 2021 Notes are convertible by the holders into shares of the company’s common stock if certain conditions set forth in the indenture governing the 2021 Notes have been satisfied. The conversion rate for the 2021 Notes is 102.4249 shares of the company’s common stock per \$1,000 principal amount of the 2021 Notes (or a total amount of 21,867,716 shares), which is equivalent to an initial conversion price of approximately \$9.76 per share of the company’s common stock. Upon any conversion, the company will settle its conversion obligation in cash, shares of its common stock, or a combination of cash and shares of its common stock, at its election. On the maturity date, the company will be required to repay in cash the principal amount, plus accrued and unpaid interest, of any 2021 Notes that remain outstanding on that date.

In connection with the issuance of the 2021 Notes, the company also paid \$27.3 million to enter into privately negotiated capped call transactions with the initial purchasers and/or affiliates of the initial purchasers. The capped call transactions will cover, subject to customary anti-dilution adjustments, the number of shares of the company’s common stock that will initially underlie the 2021 Notes. The capped call transactions will effectively raise the conversion premium on the 2021 Notes from approximately 22.5% to approximately 60%, which raises the initial conversion price from approximately \$9.76 per share of common stock to approximately \$12.75 per share of common stock. The capped call transactions are expected to reduce potential dilution to the company’s common stock and/or offset potential cash payments the company is required to make in excess of the principal amount upon any conversion of the 2021 Notes.

On August 2, 2019, the company entered into separate, privately negotiated exchange agreements pursuant to which it (i) issued an aggregate of 10,593,930 shares of its common stock, and (ii) paid cash in an aggregate amount of \$59.4 million, such cash amount included \$3.1 million of accrued and unpaid interest on the exchanged 2021 Notes up to, but excluding, the settlement date, in exchange for \$129.3 million in aggregate principal amount of its outstanding 2021 Notes. The transactions closed on August 6, 2019. Upon closing, \$84.2 million aggregate principal amount of 2021 Notes remain outstanding. In connection with the transactions, the company unwound a pro rata portion of the capped call transactions described above and received proceeds of \$7.2 million. As a result of the exchange, the company recognized a charge of \$20.2 million, or \$0.35 per diluted share, in other income (expense), net in the three months ended September 30, 2019.

Interest expense related to the 2021 notes for the three and nine month periods ended September 30, 2019 and 2018 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Contractual interest coupon	\$ 1.8	\$ 2.9	\$ 7.7	\$ 8.8
Amortization of debt discount	1.2	1.7	4.7	4.9
Amortization of debt issuance costs	0.2	0.3	0.8	0.9
Total	\$ 3.2	\$ 4.9	\$ 13.2	\$ 14.6

Revolving Credit Facility

The company has a secured revolving credit facility (the "Credit Agreement") that provides for loans and letters of credit up to an aggregate amount of \$145.0 million (with a limit on letters of credit of \$30.0 million). The Credit Agreement includes an accordion feature allowing for an increase in the amount of the facility up to \$150.0 million. Availability under the credit facility is subject to a borrowing base calculated by reference to the company's receivables. At September 30, 2019, the company had no borrowings and \$5.7 million of letters of credit outstanding, and availability under the facility was \$139.3 million net of letters of credit issued. The Credit Agreement expires October 5, 2022, subject to a springing maturity (i) on the date that is 91 days prior to the maturity date of the 2021 Notes unless, on such date, certain conditions are met; or (ii) on the date that is 60 days prior to the maturity date of the 2022 Notes unless, by such date, such secured notes have been redeemed or refinanced.

The credit facility is guaranteed by Unisys Holding Corporation, Unisys NPL, Inc., Unisys AP Investment Company I and any future material domestic subsidiaries. The facility is secured by the assets of the company and the subsidiary guarantors, other than certain excluded assets, under a security agreement entered into by the company and the subsidiary guarantors in favor of JPMorgan Chase Bank, N.A., as agent for the lenders under the credit facility.

The company is required to maintain a minimum fixed charge coverage ratio if the availability under the credit facility falls below the greater of 10% of the lenders' commitments under the facility and \$15.0 million.

The Credit Agreement contains customary representations and warranties, including that there has been no material adverse change in the company's business, properties, operations or financial condition. The Credit Agreement includes limitations on the ability of the company and its subsidiaries to, among other things, incur other debt or liens, dispose of assets and make acquisitions, loans and investments, repurchase its equity, and prepay other debt. Events of default include non-payment, failure to comply with covenants, materially incorrect representations and warranties, change of control and default under other debt aggregating at least \$50.0 million.

Other

On March 27, 2019, the company entered into an Installment Payment Agreement (IPA) with a syndicate of financial institutions to finance the acquisition of certain software licenses necessary for the provision of services to a client. The IPA was in the amount of \$27.7 million, of which \$4.8 million matures on March 30, 2022 and \$22.9 million matures on December 30, 2023. Interest accrues at an annual rate of 7.0% and the company is required to make monthly principal and interest payments on each agreement in arrears.

On September 5, 2019, the company entered into a vendor agreement in the amount of \$19.3 million to finance the acquisition of certain software licenses used to provide services to our clients. Interest accrues at an annual rate of 5.47% and the company is required to make annual principal and interest payments in advance with the last payment due on March 1, 2024.

Note 14 - Commitments and Contingencies

There are various lawsuits, claims, investigations and proceedings that have been brought or asserted against the company, which arise in the ordinary course of business, including actions with respect to commercial and government contracts, labor and employment, employee benefits, environmental matters, intellectual property and non-income tax matters. The company records a provision for these matters when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Any provisions are reviewed at least quarterly and are adjusted to reflect the impact and status of settlements, rulings, advice of counsel and other information and events pertinent to a particular matter.

The company believes that it has valid defenses with respect to legal matters pending against it. Based on its experience, the company also believes that the damage amounts claimed in the lawsuits disclosed below are not a meaningful indicator of the company's potential liability. Litigation is inherently unpredictable, however, and it is possible that the company's results of

operations or cash flow could be materially affected in any particular period by the resolution of one or more of the legal matters pending against it.

In April 2007, the Ministry of Justice of Belgium sued Unisys Belgium SA-NV, a Unisys subsidiary (Unisys Belgium), in the Court of First Instance of Brussels. The Belgian government had engaged the company to design and develop software for a computerized system to be used to manage the Belgian court system. The Belgian State terminated the contract and in its lawsuit has alleged that the termination was justified because Unisys Belgium failed to deliver satisfactory software in a timely manner. It claims damages of approximately €28 million. Unisys Belgium filed its defense and counterclaim in April 2008, in the amount of approximately €18.5 million. The company believes it has valid defenses to the claims and contends that the Belgian State's termination of the contract was unjustified.

The company's Brazilian operations, along with those of many other companies doing business in Brazil, are involved in various litigation matters, including numerous governmental assessments related to indirect and other taxes, as well as disputes associated with former employees and contract labor. The tax-related matters pertain to value-added taxes, customs, duties, sales and other non-income-related tax exposures. The labor-related matters include claims related to compensation matters. The company believes that appropriate accruals have been established for such matters based on information currently available. At September 30, 2019, excluding those matters that have been assessed by management as being remote as to the likelihood of ultimately resulting in a loss, the amount related to unreserved tax-related matters, inclusive of any related interest, is estimated to be up to approximately \$98 million.

On June 26, 2014, the State of Louisiana filed a Petition for Damages against, among other defendants, the company and Molina Information Systems, LLC, in the Parish of East Baton Rouge, 19th Judicial District. The State alleged that between 1989 and 2012 the defendants, each acting successively as the State's Medicaid fiscal intermediary, utilized an incorrect reimbursement formula for the payment of pharmaceutical claims causing the State to pay excessive amounts for prescription drugs. The State contends overpayments of approximately \$68 million for the period January 2002 through July 2011 and sought data to identify the claims at issue for the remaining time period. On August 14, 2018, the Louisiana Court of Appeal for the First Circuit dismissed the case. On October 26, 2018, the State applied for a writ of review to the Louisiana Supreme Court, which was granted on January 18, 2019. On May 8, 2019 the Supreme Court issued an opinion vacating the decision of the appellate court and remanding the matter back to the state court for further proceedings.

With respect to the specific legal proceedings and claims described above, except as otherwise noted, either (i) the amount or range of possible losses in excess of amounts accrued, if any, is not reasonably estimable or (ii) the company believes that the amount or range of possible losses in excess of amounts accrued that are estimable would not be material.

Litigation is inherently unpredictable and unfavorable resolutions could occur. Accordingly, it is possible that an adverse outcome from such matters could exceed the amounts accrued in an amount that could be material to the company's financial condition, results of operations and cash flows in any particular reporting period.

Notwithstanding that the ultimate results of the lawsuits, claims, investigations and proceedings that have been brought or asserted against the company are not currently determinable, the company believes that at September 30, 2019, it has adequate provisions for any such matters.

Note 15 - Accumulated Other Comprehensive Income

Accumulated other comprehensive income (loss) as of December 31, 2018 and September 30, 2019 is as follows:

	Total	Translation Adjustments	Postretirement Plans
Balance at December 31, 2018	\$ (4,084.8)	\$ (896.7)	\$ (3,188.1)
Other comprehensive income before reclassifications	(18.1)	(93.4)	75.3
Amounts reclassified from accumulated other comprehensive income	104.9		104.9
Current period other comprehensive income	86.8	(93.4)	180.2
Balance at September 30, 2019	\$ (3,998.0)	\$ (990.1)	\$ (3,007.9)

Amounts reclassified out of accumulated other comprehensive income for the three and nine months ended September 30, 2019 and 2018 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Postretirement Plans⁽ⁱ⁾:				
Amortization of prior service cost	\$ (1.4)	\$ (1.7)	\$ (4.4)	\$ (5.3)
Amortization of actuarial losses	37.6	41.5	112.3	124.9
Total before tax	36.2	39.8	107.9	119.6
Income tax benefit	(1.0)	(1.3)	(3.0)	(3.8)
Total reclassification for the period	\$ 35.2	\$ 38.5	\$ 104.9	\$ 115.8

⁽ⁱ⁾These items are included in net periodic postretirement cost (see Note 5).

Note 16 - Supplemental Cash Flow Information

	Nine Months Ended September 30,	
	2019	2018
Cash paid during the period for:		
Income taxes, net of refunds	\$ 44.7	\$ 37.4
Interest	\$ 36.3	\$ 35.7

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the consolidated balance sheets to the total of the amounts shown in the consolidated statements of cash flows.

	September 30, 2019	December 31, 2018
Cash and cash equivalents	\$ 425.4	\$ 605.0
Restricted cash	7.9	19.1
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	\$ 433.3	\$ 624.1

Cash and cash equivalents subject to contractual restrictions and not readily available are classified as restricted cash. Restricted cash includes cash the company is contractually obligated to maintain in accordance with the terms of its U.K. business process outsourcing joint venture agreement and other cash that is restricted from withdrawal.

Note 17 - Segment Information

Effective January 1, 2018, the company adopted the requirements of ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which resulted in an adjustment to Technology revenue and profit of \$53.0 million in the first quarter of 2018. The adjustment represents revenue from software license extensions and renewals, which were contracted for in the fourth quarter of 2017 and properly recorded as revenue at that time under the revenue recognition rules then in effect (Topic 605). Topic 606 requires revenue related to software license renewals or extensions to be recorded when the new license term begins, which in the case of the \$53.0 million, was January 1, 2018.

The company has two business segments: Services and Technology. Revenue classifications within the Services and Technology segments are as follows:

- Cloud & infrastructure services. This represents revenue from helping clients apply cloud and as-a-service delivery models to capitalize on business opportunities, make their end users more productive and manage and secure their IT infrastructure and operations more economically.
- Application services. This represents revenue from helping clients transform their business processes by developing and managing new leading-edge applications for select industries, offering advanced data analytics and modernizing existing enterprise applications.
- Business process outsourcing (BPO) services. This represents revenue from the management of critical processes and functions for clients in target industries, helping them improve performance and reduce costs.
- Technology. This represents revenue from designing and developing software and offering hardware and other related products to help clients improve security and flexibility, reduce costs and improve the efficiency of their data-center environments.

The accounting policies of each business segment are the same as those followed by the company as a whole. Intersegment sales and transfers are priced as if the sales or transfers were to third parties. Accordingly, the Technology segment recognizes intersegment revenue and manufacturing profit on hardware and software shipments to customers under Services contracts. The Services segment, in turn, recognizes customer revenue and marketing profits on such shipments of company hardware and software to customers. The Services segment also includes the sale of hardware and software products sourced from third parties that are sold to customers through the company's Services channels. In the company's consolidated statements of income, the manufacturing costs of products sourced from the Technology segment and sold to Services customers are reported in cost of revenue for Services.

Also included in the Technology segment's sales and operating profit are sales of hardware and software sold to the Services segment for internal use in Services engagements. The amount of such profit included in operating income of the Technology segment for the three months ended September 30, 2019 and 2018 was zero and \$0.1 million, respectively. The amount for the nine months ended September 30, 2019 and 2018 was \$0.2 million and \$2.3 million, respectively. The sales and profit on these transactions are eliminated in Corporate.

The company evaluates business segment performance based on operating income exclusive of the service cost component of postretirement income or expense, restructuring charges and unusual and nonrecurring items, which are included in Corporate. All other corporate and centrally incurred costs are allocated to the business segments based principally on revenue, employees, square footage or usage.

A summary of the company's operations by business segment for the three and nine month periods ended September 30, 2019 and 2018 is presented below:

	Total	Corporate	Services	Technology
Three Months Ended September 30, 2019				
Customer revenue	\$ 757.6	\$ —	\$ 654.1	\$ 103.5
Intersegment	—	(2.3)	—	2.3
Total revenue	\$ 757.6	\$ (2.3)	\$ 654.1	\$ 105.8
Operating income (loss)	\$ 70.9	\$ (0.1)	\$ 36.1	\$ 34.9
Three Months Ended September 30, 2018				
Customer revenue	\$ 688.3	\$ —	\$ 605.6	\$ 82.7
Intersegment	—	(4.3)	—	4.3
Total revenue	\$ 688.3	\$ (4.3)	\$ 605.6	\$ 87.0
Operating income	\$ 55.8	\$ 2.7	\$ 18.6	\$ 34.5
Nine Months Ended September 30, 2019				
Customer revenue	\$ 2,207.2	\$ —	\$ 1,919.6	\$ 287.6
Intersegment	—	(6.8)	—	6.8
Total revenue	\$ 2,207.2	\$ (6.8)	\$ 1,919.6	\$ 294.4
Operating income (loss)	\$ 200.8	\$ (9.1)	\$ 90.5	\$ 119.4
Nine Months Ended September 30, 2018				
Customer revenue	\$ 2,064.1	\$ —	\$ 1,760.8	\$ 303.3
Intersegment	—	(18.3)	—	18.3
Total revenue	\$ 2,064.1	\$ (18.3)	\$ 1,760.8	\$ 321.6
Operating income	\$ 211.6	\$ 2.6	\$ 54.3	\$ 154.7

Presented below is a reconciliation of total business segment operating income to consolidated income before income taxes:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Total segment operating income	\$ 71.0	\$ 53.1	\$ 209.9	\$ 209.0
Interest expense	(15.2)	(15.9)	(46.9)	(48.2)
Other income (expense), net	(49.2)	(17.7)	(108.5)	(58.3)
Cost-reduction (charges) benefit	(0.2)	0.9	(5.4)	3.1
Corporate and eliminations	0.1	1.8	(3.7)	(0.5)
Total income before income taxes	\$ 6.5	\$ 22.2	\$ 45.4	\$ 105.1

Customer revenue by classes of similar products or services, by segment, is presented below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Services				
Cloud & infrastructure services	\$ 405.9	\$ 348.3	\$ 1,158.4	\$ 1,000.2
Application services	188.3	191.2	574.1	578.1
Business process outsourcing services	59.9	66.1	187.1	182.5
	654.1	605.6	1,919.6	1,760.8
Technology	103.5	82.7	287.6	303.3
Total	\$ 757.6	\$ 688.3	\$ 2,207.2	\$ 2,064.1

Geographic information about the company's revenue, which is principally based on location of the selling organization, is presented below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
United States	\$ 418.9	\$ 313.2	\$ 1,144.5	\$ 905.0
United Kingdom	72.4	82.0	272.0	277.7
Other foreign	266.3	293.1	790.7	881.4
Total	\$ 757.6	\$ 688.3	\$ 2,207.2	\$ 2,064.1

Note 18 - Remaining Performance Obligations

Remaining performance obligations represent the transaction price of firm orders for which work has not been performed and excludes (1) contracts with an original expected length of one year or less and (2) contracts for which the company recognizes revenue at the amount to which it has the right to invoice for services performed. At September 30, 2019, the company had approximately \$1.0 billion of remaining performance obligations of which approximately 13% is estimated to be recognized as revenue by the end of 2019 and an additional 34% by the end of 2020.

Note 19 - Properties

In the second quarter of 2018, the company sold a building and land located in the United Kingdom. The company received net proceeds of \$19.2 million and recorded a pretax gain of \$7.3 million which was recorded in selling, general and administrative expense in the consolidated statements of income.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

This discussion and analysis of the company’s financial condition and results of operations should be read in conjunction with the consolidated financial statements and the related notes included elsewhere in this quarterly report. In this discussion and analysis of the company’s financial condition and results of operations, the company has included information that may constitute “forward-looking” statements, as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements provide current expectations of future events and include any statement that does not directly relate to any historical or current fact. Words such as “anticipates,” “believes,” “expects,” “intends,” “plans,” “projects” and similar expressions may identify such forward-looking statements. All forward-looking statements rely on assumptions and are subject to risks, uncertainties and other factors that could cause the company’s actual results to differ materially from expectations. Factors that could affect future results include, but are not limited to, those discussed under “Risk Factors” in Part II, Item 1A. Any forward-looking statement speaks only as of the date on which that statement is made. The company assumes no obligation to update any forward-looking statement to reflect events or circumstances that occur after the date on which the statement is made.

Overview

Effective January 1, 2018, the company adopted the requirements of Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* using the modified retrospective method whereby prior periods were not restated. This resulted in an adjustment to Technology revenue and profit of \$53.0 million (\$47.7 million, net of tax) in the first quarter of 2018. The adjustment represents revenue from software license extensions and renewals, which were contracted for in the fourth quarter of 2017 and properly recorded as revenue at that time under the revenue recognition rules then in effect (Topic 605). Topic 606 requires revenue related to software license renewals or extensions to be recorded when the new license term begins, which in the case of the \$53.0 million, was January 1, 2018.

The company’s financial results in the current period were positively impacted by increases in revenue due to new business principally driven by the company’s U.S. Federal government business as well as the impact of new business in the remainder of the company’s U.S. business. In addition, the company recorded a charge of \$20.2 million, or \$0.35 per diluted share, on the convertible note exchange. See Note 13 of the Notes to Consolidated Financial Statements for further detail.

For the nine months ended September 30, 2019, the company reported a net loss attributable to Unisys Corporation of \$6.4 million, or loss of \$0.12 per diluted share, compared with net income of \$50.5 million, or income of \$0.89 per diluted share for the nine months ended September 30, 2018.

Results of operations

Company results

Three months ended September 30, 2019 compared with the three months ended September 30, 2018

Revenue for the quarter ended September 30, 2019 was \$757.6 million compared with \$688.3 million for the third quarter of 2018, an increase of 10.1% from the prior year principally due to increases within the company’s U.S. Federal government business as well as the impact of new business in the remainder of the company’s U.S. business. Foreign currency fluctuations had a 2 percentage-point negative impact on revenue in the current period compared with the year-ago period.

Services revenue increased 8.0% and Technology revenue increased 25.2% in the current quarter compared with the year-ago period. U.S. revenue increased 33.7% in the third quarter compared with the prior-year quarter. International revenue decreased 9.7% in the current quarter primarily due to decreases in the European and Asia Pacific regions partially offset by an increase in Latin America. Foreign currency had a 3 percentage-point negative impact on international revenue in the three months ended September 30, 2019 compared with the three months ended September 30, 2018.

During the three months ended September 30, 2019, the company recognized cost-reduction charges and other costs of \$0.2 million. The charges were comprised of \$0.7 million for lease abandonment costs and \$(0.5) million for changes in estimates principally related to work-force reductions. The charges were recorded in the following statement of income classifications: cost of revenue – services, \$(1.9) million and selling, general and administrative expenses, \$2.1 million.

No cost-reduction charges were recorded during the three months ended September 30, 2018; however, a benefit of \$0.9 million was recorded in the prior-year quarter for changes in estimates. The benefit was recorded in the following statement of income classifications: cost of revenue - services, \$0.7 million and selling, general and administrative expenses, \$0.2 million.

Total gross profit margin was 22.8% in the three months ended September 30, 2019 compared with 22.3% in the three months ended September 30, 2018. Gross profit margin in 2019 was positively impacted by \$5.8 million related to the change in useful

life of the company's proprietary enterprise software. See Note 2 of the Notes to Consolidated Financial Statements for further detail.

Selling, general and administrative expense in the three months ended September 30, 2019 was \$95.6 million (12.6% of revenue) compared with \$90.9 million (13.2% of revenue) in the year-ago period.

Research and development (R&D) expense in the third quarter of 2019 was \$5.9 million compared with \$7.1 million in the third quarter of 2018.

For the third quarter of 2019, the company reported an operating profit of \$70.9 million compared with an operating profit of \$55.8 million in the third quarter of 2018.

Interest expense for the three months ended September 30, 2019 was \$15.2 million compared with \$15.9 million for the three months ended September 30, 2018. The decline from the prior-year quarter was principally due to the convertible notes exchange (see Note 13 of the Notes to Consolidated Financial Statements).

Other income (expense), net was expense of \$49.2 million in the third quarter of 2019 compared with expense of \$17.7 million in the third quarter of 2018. Included in 2019 was postretirement expense of \$23.6 million, a loss on debt exchange of \$20.2 million and foreign exchange losses of \$1.3 million. The prior-year period included postretirement expense of \$18.7 million and \$1.7 million of foreign exchange gains.

For the three months ended September 30, 2019, pension expense was \$23.4 million compared with \$18.6 million for the three months ended September 30, 2018. The increase in pension expense in 2019 was principally due to lower expected returns on plan assets and higher interest costs partially offset by lower amortization of net actuarial losses for the company's U.S. defined benefit pension plans. For the full year 2019, the company expects to recognize pension expense of approximately \$91.6 million compared with \$79.7 million for the full year of 2018. The company records the service cost component of pension income or expense in cost of revenue and selling, general and administrative expense. All other components of pension income or expense are recorded in other income (expense), net in the consolidated statements of income.

Income before income taxes for the three months ended September 30, 2019 was \$6.5 million compared with income of \$22.2 million for the three months ended September 30, 2018.

The provision for income taxes was \$15.9 million in the current quarter compared with \$15.2 million in the year-ago period. During the three months ended September 30, 2018, the company recognized a benefit of \$6.6 million due to the release of a valuation allowance on certain foreign deferred tax assets (net operating losses) as a result of the identification of an additional source of taxable income available in prior periods.

The company evaluates quarterly the realizability of its deferred tax assets by assessing its valuation allowance and by adjusting the amount of such allowance, if necessary. The company records a tax provision or benefit for those international subsidiaries that do not have a full valuation allowance against their net deferred tax assets. Any profit or loss recorded for the company's U.S. operations will have no provision or benefit associated with it due to the company's valuation allowance, except with respect to withholding taxes not creditable against future taxable income. As a result, the company's provision or benefit for taxes may vary significantly quarter to quarter depending on the geographic distribution of income.

Net loss attributable to Unisys Corporation for the three months ended September 30, 2019 was \$13.2 million, or a loss of \$0.23 per diluted share, compared with income of \$6.1 million, or income of \$0.12 per diluted share, for the three months ended September 30, 2018.

Nine months ended September 30, 2019 compared with the nine months ended September 30, 2018

Revenue for the nine months ended September 30, 2019 was \$2,207.2 million compared with \$2,064.1 million for the nine months ended September 30, 2018, an increase of 6.9% from the prior year principally due to new business offset in part by the impact of the \$53.0 million Topic 606 adjustment described above. Excluding this adjustment, revenue increased 9.8%. Foreign currency fluctuations had a 3 percentage-point negative impact on revenue in the current period compared with the year-ago period.

Services revenue increased 9.0% and Technology revenue decreased 5.2% for the nine months ended September 30, 2019 compared with the year-ago period with the prior-year Topic 606 adjustment primarily contributing to the Technology revenue decline. Excluding this adjustment of \$53.0 million, Technology revenue increased 14.9%. U.S. revenue increased 26.5% in the current period compared with the year-ago period. International revenue decreased 8.3% in the current period with all regions contributing to the decline. Without the prior-year Topic 606 adjustment, U.S. revenue increased 27.2% and international revenue decreased 4.4%. Foreign currency had a 5 percentage-point negative impact on international revenue in the nine months ended September 30, 2019 compared with the nine months ended September 30, 2018.

During the nine months ended September 30, 2019, the company recognized cost-reduction charges and other costs of \$5.4 million. Charges were comprised of \$5.0 million for lease abandonment costs and asset write-offs and \$0.4 million for changes in estimates principally related to work-force reductions. The charges were recorded in the following statement of income classifications: cost of revenue – services, \$(6.6) million; selling, general and administrative expenses, \$10.7 million; and research and development expenses, \$1.3 million.

No cost-reduction charges were recorded during the nine months ended September 30, 2018; however, a benefit of \$3.1 million was recorded in the prior-year period for changes in estimates. The benefit was recorded in the following statement of income classifications: cost of revenue - services, \$4.2 million and selling, general and administrative expenses, \$(1.1) million.

Total gross profit margin was 23.4% in the nine months ended September 30, 2019 compared with 24.6% in the nine months ended September 30, 2018. Gross profit margin in 2018 was positively impacted by the Topic 606 adjustment described above. Excluding this adjustment, total gross profit margin in the prior-year period was 22.6%. Gross profit margin in 2019 was positively impacted by \$15.1 million related to the change in useful life of the company's proprietary enterprise software. See Note 2 of the Notes to Consolidated Financial Statements for further detail.

Selling, general and administrative expense in the nine months ended September 30, 2019 was \$293.3 million (13.3% of revenue) compared with \$274.5 million (13.3% of revenue) in the year-ago period. Included in the prior year was a \$7.3 million gain on the sale of property in the U.K. Excluding the Topic 606 adjustment of \$53.0 million, selling, general and administrative expense as a percentage of revenue was 13.6% in the nine months ended September 30, 2018.

R&D expense for the nine months ended September 30, 2019 was \$22.1 million compared with \$21.8 million in the prior-year period.

For the nine months ended September 30, 2019, the company reported an operating profit of \$200.8 million compared with an operating profit of \$211.6 million in the prior-year period. Excluding the Topic 606 adjustment, operating profit in the nine months ended September 30, 2018 was \$158.6 million.

Interest expense for the nine months ended September 30, 2019 was \$46.9 million compared with \$48.2 million for the nine months ended September 30, 2018. The decline from the prior-year period was principally due to the convertible notes exchange (see Note 13 of the Notes to Consolidated Financial Statements).

Other income (expense), net was expense of \$108.5 million in the nine months ended September 30, 2019 compared with expense of \$58.3 million in 2018. Included in 2019 was postretirement expense of \$69.1 million, a loss on debt exchange of \$20.2 million, foreign exchange losses of \$6.3 million and a \$10.3 million increase in the reserve for environmental matters. The prior-year period included postretirement expense of \$55.3 million and \$0.7 million of foreign exchange losses.

For the nine months ended September 30, 2019, pension expense was \$68.6 million compared with pension expense of \$54.9 million for the nine months ended September 30, 2018. The increase in pension expense in 2019 was principally due to lower expected returns on plan assets and higher interest costs partially offset by lower amortization of net actuarial losses for the company's U.S. defined benefit pension plans.

Income before income taxes for the nine months ended September 30, 2019 was \$45.4 million compared with income of \$105.1 million for the nine months ended September 30, 2018.

The provision for income taxes was \$41.8 million in the current period compared with \$50.4 million in the year-ago period. The prior-year period includes expense of \$5.3 million related to the Topic 606 adjustment described above and a benefit of \$6.6 million due to the release of a valuation allowance on certain foreign deferred tax assets (net operating losses) as a result of the identification of an additional source of taxable income available in prior periods.

Net loss attributable to Unisys Corporation for the nine months ended September 30, 2019 was \$6.4 million, or a loss of \$0.12 per diluted share, compared with income of \$50.5 million, or income of \$0.89 per diluted share, for the nine months ended September 30, 2018.

Segment results

The company has two business segments: Services and Technology. Revenue classifications within the Services and Technology segments are as follows:

- Cloud & infrastructure services. This represents revenue from helping clients apply cloud and as-a-service delivery models to capitalize on business opportunities, make their end users more productive and manage and secure their IT infrastructure and operations more economically.
- Application services. This represents revenue from helping clients transform their business processes by developing and managing new leading-edge applications for select industries, offering advanced data analytics and modernizing existing enterprise applications.

- Business process outsourcing (BPO) services. This represents revenue from the management of critical processes and functions for clients in target industries, helping them improve performance and reduce costs.
- Technology. This represents revenue from designing and developing software and offering hardware and other related products to help clients improve security and flexibility, reduce costs and improve the efficiency of their data-center environments.

The accounting policies of each business segment are the same as those followed by the company as a whole. Intersegment sales and transfers are priced as if the sales or transfers were to third parties. Accordingly, the Technology segment recognizes intersegment revenue and manufacturing profit on hardware and software shipments to customers under Services contracts. The Services segment, in turn, recognizes customer revenue and marketing profits on such shipments of company hardware and software to customers. The Services segment also includes the sale of hardware and software products sourced from third parties that are sold to customers through the company's Services channels. In the company's consolidated statements of income, the manufacturing costs of products sourced from the Technology segment and sold to Services customers are reported in cost of revenue for Services.

Also included in the Technology segment's sales and operating profit are sales of hardware and software sold to the Services segment for internal use in Services engagements. The amount of such profit included in operating income of the Technology segment for the three months ended September 30, 2019 and 2018 was zero and \$0.1 million, respectively. The amount for the nine months ended September 30, 2019 and 2018 was \$0.2 million and \$2.3 million, respectively. The sales and profit on these transactions are eliminated in Corporate.

The company evaluates business segment performance based on operating income exclusive of the service cost component of pension income or expense, restructuring charges and unusual and nonrecurring items, which are included in Corporate. All other corporate and centrally incurred costs are allocated to the business segments based principally on revenue, employees, square footage or usage.

Three months ended September 30, 2019 compared with the three months ended September 30, 2018

Information by business segment is presented below:

	Total	Eliminations	Services	Technology
Three Months Ended September 30, 2019				
Customer revenue	\$ 757.6	\$ —	\$ 654.1	\$ 103.5
Intersegment	—	(2.3)	—	2.3
Total revenue	\$ 757.6	\$ (2.3)	\$ 654.1	\$ 105.8
Gross profit percent	22.8%		17.6%	51.1%
Operating profit percent	9.4%		5.5%	33.0%

Three Months Ended September 30, 2018				
Customer revenue	\$ 688.3	\$ —	\$ 605.6	\$ 82.7
Intersegment	—	(4.3)	—	4.3
Total revenue	\$ 688.3	\$ (4.3)	\$ 605.6	\$ 87.0
Gross profit percent	22.3%		15.9%	62.4%
Operating profit percent	8.1%		3.1%	39.7%

Gross profit and operating profit percent are as a percent of total revenue.

Customer revenue by classes of similar products or services, by segment, is presented below:

	Three Months Ended September 30,		Percent Change
	2019	2018	
Services			
Cloud & infrastructure services	\$ 405.9	\$ 348.3	16.5 %
Application services	188.3	191.2	(1.5)%
Business process outsourcing services	59.9	66.1	(9.4)%
	654.1	605.6	8.0 %
Technology	103.5	82.7	25.2 %
Total	<u>\$ 757.6</u>	<u>\$ 688.3</u>	10.1 %

In the Services segment, customer revenue was \$654.1 million for the three months ended September 30, 2019, up 8.0% from the three months ended September 30, 2018. Foreign currency translation had a 2 percentage-point negative impact on Services revenue in the current quarter compared with the year-ago quarter.

Revenue from cloud & infrastructure services was \$405.9 million in the current quarter, up 16.5% compared with the prior-year quarter. Foreign currency fluctuations had a 2 percentage-point negative impact on cloud & infrastructure services revenue in the current period compared with the year-ago period.

Application services revenue decreased 1.5% for the three-month period ended September 30, 2019 compared with the three-month period ended September 30, 2018. Foreign currency fluctuations had a 1 percentage-point negative impact on application services revenue in the current period compared with the year-ago period.

Business process outsourcing services revenue decreased 9.4% in the current quarter compared with the prior-year quarter. Foreign currency fluctuations had a 5 percentage-point negative impact on business process outsourcing services revenue in the current period compared with the year-ago period.

Services gross profit was 17.6% in the third quarter of 2019 compared with 15.9% in the year-ago period. Services operating profit percent was 5.5% in the three months ended September 30, 2019 compared with 3.1% in the three months ended September 30, 2018. Current period Services margins reflect benefits derived from reduced costs of services delivery partially offset by the negative impact of new contracts in implementation stage as costs are incurred ahead of revenue being recognized. The prior year operating profit margin was positively impacted by a gain on the sale of property in the U.K.

In the Technology segment, customer revenue increased 25.2% to \$103.5 million in the current quarter compared with \$82.7 million in the year-ago period. The increase in revenue is primarily due to a Technology sale in the company's U.S. Federal government business that had a large third-party equipment delivery in the current quarter. Foreign currency translation had a 1 percentage-point negative impact on Technology revenue in the current quarter compared with the year-ago period.

Technology gross profit was 51.1% in the current quarter compared with 62.4% in the year-ago quarter. Technology operating profit percent was 33.0% in the three months ended September 30, 2019 compared with 39.7% in the three months ended September 30, 2018. The decrease in gross profit percent and operating profit percent in 2019 is primarily due to the large third-party equipment delivery in the company's U.S. Federal government business noted above which has lower margins.

Nine months ended September 30, 2019 compared with the nine months ended September 30, 2018

Information by business segment is presented below:

	Total	Eliminations	Services	Technology
Nine Months Ended September 30, 2019				
Customer revenue	\$ 2,207.2	\$ —	\$ 1,919.6	\$ 287.6
Intersegment	—	(6.8)	—	6.8
Total revenue	\$ 2,207.2	\$ (6.8)	\$ 1,919.6	\$ 294.4
Gross profit percent	23.4%		17.0%	60.9%
Operating profit percent	9.1%		4.7%	40.6%
Nine Months Ended September 30, 2018				
Customer revenue	\$ 2,064.1	\$ —	\$ 1,760.8	\$ 303.3
Intersegment	—	(18.3)	—	18.3
Total revenue	\$ 2,064.1	\$ (18.3)	\$ 1,760.8	\$ 321.6
Gross profit percent	24.6%		16.3%	66.7%
Operating profit percent	10.3%		3.1%	48.1%

Gross profit and operating profit percent are as a percent of total revenue.

Customer revenue by classes of similar products or services, by segment, is presented below:

	Nine Months Ended September 30,		Percent Change
	2019	2018	
Services			
Cloud & infrastructure services	\$ 1,158.4	\$ 1,000.2	15.8 %
Application services	574.1	578.1	(0.7)%
Business process outsourcing services	187.1	182.5	2.5 %
	1,919.6	1,760.8	9.0 %
Technology	287.6	303.3	(5.2)%
Total	\$ 2,207.2	\$ 2,064.1	6.9 %

In the Services segment, customer revenue was \$1,919.6 million for the nine months ended September 30, 2019, up 9.0% from the nine months ended September 30, 2018. The growth in revenue was principally due to increases within the company's U.S. Federal business as well as the impact of new business in the remainder of the company's U.S. business. Foreign currency translation had a 3 percentage-point negative impact on Services revenue in the current period compared with the year-ago period.

Revenue from cloud & infrastructure services was \$1,158.4 million for the nine months ended September 30, 2019, up 15.8% compared with the year-ago period. Foreign currency fluctuations had a 3 percentage-point negative impact on cloud & infrastructure services revenue in the current period compared with the year-ago period.

Application services revenue decreased 0.7% for the nine-month period ended September 30, 2019 compared with the nine-month period ended September 30, 2018. Foreign currency fluctuations had a 3 percentage-point negative impact on application services revenue in the current period compared with the year-ago period.

Business process outsourcing services revenue increased 2.5% in the current period compared with the prior-year period. Foreign currency fluctuations had a 5 percentage-point negative impact on business process outsourcing services revenue in the current period compared with the year-ago period.

Services gross profit was 17.0% for the nine months ended September 30, 2019 compared with 16.3% in the year-ago period. Services operating profit percent was 4.7% for the nine months ended September 30, 2019 compared with 3.1% for the nine months ended September 30, 2018. Current period Services margins reflect benefits derived from reduced costs of services delivery offset in part by the negative impact of new contracts in implementation stage as costs are incurred ahead of revenue being recognized. The prior-year operating profit margin was positively impacted by the gain on the sale of property in the U.K.

In the Technology segment, customer revenue decreased 5.2% to \$287.6 million in the current period compared with \$303.3 million in the year-ago period. The decline is principally attributed to the prior-year Topic 606 adjustment of \$53.0 million described above. Excluding this adjustment, customer revenue increased 14.9%. The increase in revenue, excluding the Topic 606 adjustment, is due to a Technology sale in the company's U.S. Federal government business that had a large third-party equipment delivery. Also contributing to the increase were higher sales of the company's proprietary enterprise software in the current period principally reflecting higher renewals than the company experienced in the prior-year period. Foreign currency translation had a 3 percentage-point negative impact on Technology revenue in the current period compared with the year-ago period.

Technology gross profit was 60.9% in the current period compared with 66.7% in the year-ago period. Technology operating profit percent was 40.6% in the nine months ended September 30, 2019 compared with 48.1% in the nine months ended September 30, 2018. The decrease in gross profit and operating profit percent in 2019 was primarily due to the prior-year Topic 606 adjustment. Excluding the impact of the Topic 606 adjustment of \$53.0 million, gross profit percent was 60.1% and operating profit percent was 37.9% in the prior year. The increase in gross profit percent and operating profit percent, excluding the Topic 606 adjustment, is due to a larger mix of higher margin software sales partially offset by the large third-party equipment delivery in the company's U.S. Federal government business noted above which has lower margins.

New accounting pronouncements

See Note 3 of the Notes to Consolidated Financial Statements for a full description of recent accounting pronouncements, including the expected dates of adoption and estimated effects on the company's consolidated financial statements.

Financial condition

The company's principal sources of liquidity are cash on hand, cash from operations and its revolving credit facility, discussed below. The company and certain international subsidiaries have access to uncommitted lines of credit from various banks. The company believes that it will have adequate sources of liquidity to meet its expected near-term cash requirements.

Cash and cash equivalents at September 30, 2019 were \$425.4 million compared to \$605.0 million at December 31, 2018.

As of September 30, 2019, \$255.0 million of cash and cash equivalents were held by the company's foreign subsidiaries and branches operating outside of the U.S. The company may not be able to readily transfer up to one-third of these funds out of the country in which they are located as a result of local restrictions, contractual or other legal arrangements or commercial considerations. Additionally, any transfers of these funds to the U.S. in the future may require the company to accrue or pay withholding or other taxes on a portion of the amount transferred.

During the nine months ended September 30, 2019, cash used for operations was \$1.8 million compared to cash usage of \$77.4 million for the nine months ended September 30, 2018.

Cash used for investing activities during the nine months ended September 30, 2019 was \$141.7 million compared to cash usage of \$125.9 million during the nine months ended September 30, 2018. Net purchases of investments were \$10.9 million for the nine months ended September 30, 2019 compared with net purchases of \$3.1 million in the prior-year period. Proceeds from investments and purchases of investments represent derivative financial instruments used to reduce the company's currency exposure to market risks from changes in foreign currency exchange rates. In the current period, the investment in marketable software was \$56.2 million compared with \$61.7 million in the year-ago period, capital additions of properties were \$29.1 million in 2019 compared with \$25.0 million in 2018 and capital additions of outsourcing assets were \$44.4 million in 2019 compared with \$54.4 million in 2018. The prior-year period includes net proceeds of \$19.2 million related to the sale of property in the U.K.

Cash used for financing activities during the nine months ended September 30, 2019 was \$37.3 million compared to cash usage of \$4.4 million during the nine months ended September 30, 2018. The fluctuation is principally attributed to the convertible notes exchange partially offset by proceeds received from the issuance of \$28.6 million of debt as described below.

At September 30, 2019, total debt was \$577.0 million compared to \$652.8 million at December 31, 2018. The decrease is primarily due to the convertible notes exchange offset in part by the issuance of debt as described below.

On August 2, 2019, the company entered into separate, privately negotiated exchange agreements pursuant to which it (i) issued an aggregate of 10,593,930 shares of its common stock, and (ii) paid cash in an aggregate amount of \$59.4 million, such cash amount included \$3.1 million of accrued and unpaid interest on the exchanged Convertible Senior Notes due 2021 (the "2021 Notes") up to, but excluding, the settlement date, in exchange for \$129.3 million in aggregate principal amount of its outstanding 2021 Notes. The transactions closed on August 6, 2019. Upon closing, \$84.2 million aggregate principal amount of 2021 Notes remain outstanding. In connection with the transactions, the company unwound a pro rata portion of the capped call transactions that it entered into with the initial purchasers and/or affiliates of the initial purchasers of the 2021 Notes and

received proceeds of \$7.2 million. As a result of the exchange, the company recognized a charge of \$20.2 million, or \$0.35 per diluted share, in other income (expense), net in the three months ended September 30, 2019.

On March 27, 2019, the company entered into an Installment Payment Agreement (IPA) with a syndicate of financial institutions to finance the acquisition of certain software licenses necessary for the provision of services to a client. The IPA was in the amount of \$27.7 million, of which \$4.8 million matures on March 30, 2022 and \$22.9 million matures on December 30, 2023. Interest accrues at an annual rate of 7.0% and the company is required to make monthly principal and interest payments on each agreement in arrears.

On September 5, 2019, the company entered into a vendor agreement in the amount of \$19.3 million to finance the acquisition of certain software licenses used to provide services to our clients. Interest accrues at an annual rate of 5.47% and the company is required to make annual principal and interest payments in advance with the last payment due on March 1, 2024.

The company has a secured revolving credit facility (the "Credit Agreement") that provides for loans and letters of credit up to an aggregate amount of \$145.0 million (with a limit on letters of credit of \$30.0 million). The Credit Agreement includes an accordion feature allowing for an increase in the amount of the facility up to \$150.0 million. Availability under the credit facility is subject to a borrowing base calculated by reference to the company's receivables. At September 30, 2019, the company had no borrowings and \$5.7 million of letters of credit outstanding, and availability under the facility was \$139.3 million net of letters of credit issued. The Credit Agreement expires October 5, 2022, subject to a springing maturity (i) on the date that is 91 days prior to the maturity date of the company's convertible notes due 2021 unless, on such date, certain conditions are met; or (ii) on the date that is 60 days prior to the maturity date of the company's secured notes due 2022 unless, by such date, such secured notes have been redeemed or refinanced.

The credit facility is guaranteed by Unisys Holding Corporation, Unisys NPL, Inc., Unisys AP Investment Company I and any future material domestic subsidiaries. The facility is secured by the assets of the company and the subsidiary guarantors, other than certain excluded assets, under a security agreement entered into by the company and the subsidiary guarantors in favor of JPMorgan Chase Bank, N.A., as agent for the lenders under the new credit facility.

The company is required to maintain a minimum fixed charge coverage ratio if the availability under the credit facility falls below the greater of 10% of the lenders' commitments under the facility and \$15.0 million.

The Credit Agreement contains customary representations and warranties, including that there has been no material adverse change in the company's business, properties, operations or financial condition. The Credit Agreement includes limitations on the ability of the company and its subsidiaries to, among other things, incur other debt or liens, dispose of assets and make acquisitions, loans and investments, repurchase its equity, and prepay other debt. Events of default include non-payment, failure to comply with covenants, materially incorrect representations and warranties, change of control and default under other debt aggregating at least \$50.0 million.

At September 30, 2019, the company has met all covenants and conditions under its various lending and funding agreements. The company expects to continue to meet these covenants and conditions.

In 2019, the company expects to make cash contributions of approximately \$103.4 million to its worldwide defined benefit pension plans, which are comprised of \$36.2 million primarily for international defined benefit pension plans and \$67.2 million for the company's U.S. qualified defined benefit pension plans. Although estimates for future cash contributions are likely to change based on a number of factors including market conditions and changes in discount rates, based on conditions as of December 31, 2018, the company anticipates that its required cash contributions for 2020 through 2024 will be approximately \$1.3 billion in the aggregate. The company currently anticipates that it may need to obtain additional funding in order to make these contributions. There is no assurance that the company will be able to obtain such funding.

On September 27, 2019, the company applied for waivers with the IRS to defer a portion of the required contributions to its two U.S. pension plans, which if granted would reduce total required cash contributions by approximately \$115 million in calendar year 2020. If the company's application is approved by the IRS, the company anticipates that these deferred contributions will be paid over a five-year period. Unisys filed the application for these waivers under Section 412(c) of the Internal Revenue Code. The IRS considers funding waiver applications based on the facts and circumstances applicable to the request. There is no specified time frame in which the IRS must make a decision. The IRS may choose not to grant the application, or to grant it for an amount less than the amount requested.

The company maintains a shelf registration statement with the Securities and Exchange Commission that covers the offer and sale of up to \$700.0 million of debt or equity securities. Subject to the company's ongoing compliance with securities laws, the company may offer and sell debt and equity securities from time to time under the shelf registration statement. In addition, from time to time, the company may explore a variety of institutional debt and equity sources to fund its liquidity and capital needs.

The company may, from time to time, redeem, tender for, or repurchase its securities in the open market or in privately negotiated transactions depending upon availability, market conditions and other factors.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no material change in the company's assessment of its sensitivity to market risk since its disclosure in its 2018 Form 10-K.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

- (a) The company's management, with the participation of the company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Based on this evaluation, the company's Chief Executive Officer and Chief Financial Officer concluded that, as of the end of such period, the company's disclosure controls and procedures are effective. Such evaluation did not identify any change in the company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter to which this report relates that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.
- (b) No change in our internal control over financial reporting occurred during the quarter ended September 30, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We implemented internal controls to ensure we adequately evaluated our leases and properly assessed the impact of the new accounting standard related to leases on our consolidated financial statements to facilitate the adoption of this standard on January 1, 2019 as well as the ongoing accounting under the new standard. There were no significant changes to our internal control over financial reporting during 2019 as a result of the ongoing accounting under the new accounting standard.

Part II - OTHER INFORMATION

Item 1. Legal Proceedings

Information with respect to litigation is set forth in Note 14 of the Notes to Consolidated Financial Statements, and such information is incorporated herein by reference.

Item 1A. Risk Factors

Factors that could affect future results include the following:

Future results may be adversely impacted if the company is unable to improve revenue and margins in its Services business.

The company's strategy places an emphasis on an industry go-to-market approach with an increased focus within the company's Services business on improving revenue trends, including specifically on higher value and higher margin offerings. The company's ability to grow revenue and profitability in this business will depend on the level of demand for projects and the portfolio of solutions the company offers for specific industries. It will also depend on an efficient utilization of services delivery personnel. Revenue and profit margins in this business are a function of both the portfolio of solutions sold in a given period and the rates the company is able to charge for services and the chargeability of its professionals. If the company is unable to attain sufficient rates and chargeability for its professionals, revenue and profit margins will be adversely affected. The rates the company is able to charge for services are affected by a number of factors, including clients' perception of the company's ability to add value through its services; introduction of new services or products by the company or its competitors; pricing policies of competitors; and general economic conditions. Chargeability is also affected by a number of factors, including the company's ability to transition resources from completed projects to new engagements and across geographies, and its ability to forecast demand for services and thereby maintain appropriate resource levels. The company's results of operations and financial condition may be adversely impacted if sales of higher margin offerings do not offset declines resulting from lower margin offerings.

The company has significant pension obligations and required cash contributions and may be required to make additional significant cash contributions to its defined benefit pension plans.

The company has significant unfunded obligations under its U.S. and non-U.S. defined benefit pension plans. In 2018, the company made cash contributions of \$129.7 million to its worldwide defined benefit pension plans. Based on current legislation, global regulations, recent interest rates and expected returns, in 2019 the company estimates that it will make cash contributions to its worldwide defined benefit pension plans of approximately \$103.4 million, which are comprised of approximately \$67.2 million for the company's U.S. qualified defined benefit pension plans and approximately \$36.2 million primarily for non-U.S. defined benefit pension plans. Although estimates for future cash contributions are likely to change based on a number of factors including market conditions and changes in discount rates, the company currently anticipates that its required cash contributions will increase significantly in 2020 and for the next several years. Based on conditions as of December 31, 2018, the company anticipates that its required cash contributions for 2020 through 2024 will be approximately \$1.3 billion in the aggregate. The company currently anticipates that it may need to obtain additional funding in order to make these contributions. There is no assurance that the company will be able to obtain such funding.

Deterioration in the value of the company's worldwide defined benefit pension plan assets, as well as discount rate changes or changes in economic or demographic trends, could require the company to make cash contributions to its defined benefit pension plans in the future in an amount larger than currently anticipated. Increased cash contribution requirements or an acceleration in the due date of such cash contributions would further reduce the cash available for working capital, capital expenditures and other corporate uses and may worsen the adverse impact on the company's operations, financial condition and liquidity.

If the company is unable to access the financing markets, it may adversely impact the company's business and liquidity and may result in a default with respect to the company's pension obligations and under the company's debt agreements.

Market conditions may impact the company's ability to access the financing markets on terms acceptable to the company or at all. Based on the most recent estimates for the required cash contributions to the company's worldwide defined benefit pension plans for the period from 2020 to 2024, the company anticipates that it will need to obtain additional financing in order to fund these contributions. If the company is unable to access the financing markets, the company would be required to use cash on hand to fund operations and the company's required pension contributions and repay outstanding debt as it comes due. There is no assurance that the company will generate sufficient cash to fund its operations and required pension contributions and refinance such debt. A failure by the company to generate such cash would have a material adverse effect on its business if the company were unable to access financing markets and may result in a default with respect to the company's pension obligations

and under the company's debt agreements. Market conditions may also impact the company's ability to utilize surety bonds, letters of credit, foreign exchange derivatives or other financial instruments the company uses to conduct its business.

Future results may be adversely impacted if the company is unable to maintain its installed base and sell new solutions.

The company continues to invest in its ClearPath Forward operating system software in order to retain existing clients in its Technology business. If clients do not believe in the value proposition provided by ClearPath Forward or choose not to renew their contracts for any other reason, there may not be a meaningful return on these investments, and revenue could decline meaningfully. Furthermore, if ClearPath Forward is sold as a Software as a Service (SaaS) at an accelerated pace, this would have a negative impact on the company's short- and medium-term cash position and could adversely impact the company's operations, financial condition and liquidity. The company also continues to invest in its Stealth family of software, as well as in other software and solutions for its focus industries. If the company is unsuccessful in selling these Stealth products or other solutions and related services, there may not be a meaningful return on these investments. Further, the revenues generated by Stealth and other new solutions and related services may be insufficient to offset any revenue declines caused if the company is unable to retain its installed base.

The company faces aggressive competition in the information services and technology marketplace, which could lead to reduced demand for the company's services and products and could have an adverse effect on the company's business.

The information services and technology markets in which the company operates include a large number of companies vying for customers and market share both domestically and internationally. The company's competitors include systems integrators, consulting and other professional services firms, outsourcing providers, infrastructure services providers, computer hardware manufacturers and software providers. Some of the company's competitors may develop competing services and products that offer better price-performance or that reach the market in advance of the company's offerings. Some competitors also have or may develop greater financial and other resources than the company, with enhanced ability to compete for market share, in some instances through significant economic incentives to secure contracts. Some also may be better able to compete for skilled professionals. Any of these factors could lead to reduced demand for the company's services and products and could have an adverse effect on the company's business. Future results will depend on the company's ability to mitigate the effects of aggressive competition on revenues, pricing and margins and on the company's ability to attract and retain talented people.

Cybersecurity breaches could result in the company incurring significant costs and could harm the company's business and reputation.

The company's business includes managing, processing, storing and transmitting proprietary and confidential data, including personal information, intellectual property and proprietary business information, within the company's own IT systems and those that the company designs, develops, hosts or manages for clients. Cybersecurity breaches involving these systems by hackers, other third parties or the company's employees, despite established security controls, could disrupt these systems or result in the loss or corruption of data or the unauthorized disclosure or misuse of information of the company, its clients or others. This could result in claims, investigations, litigation and legal liability for the company, lead to the loss of existing or potential clients and adversely affect the market's perception of the security and reliability of the company's services and products. In addition, such breaches could subject the company to fines and penalties for violations of laws and result in the company incurring other significant costs. This may negatively impact the company's reputation and financial results.

A U.S. Federal government shutdown may adversely affect the company's results of operations and cash flows.

Approximately 25% of the company's total consolidated revenue is derived from sales of commercial services and products to various agencies of the U.S. Federal government. The impact of a U.S. Federal government shutdown for a significant duration could result in the suspension of work on contracts in process or in payment delays which could have an adverse effect on the company's revenue, profit and cash flows.

The company's future results may be adversely impacted if it is unable to effectively anticipate and respond to volatility and rapid technological innovation in its industry.

The company operates in a highly volatile industry characterized by rapid technological innovation, evolving technology standards, short product life cycles and continually changing customer demand patterns. Future success will depend in part on the company's ability to anticipate and respond to these market trends and to design, develop, introduce, deliver or obtain new and innovative services and products on a timely and cost-effective basis using new delivery models such as cloud computing. The company may not be successful in anticipating or responding to changes in technology, industry standards or customer preferences, and the market may not demand or accept its services and product offerings. In addition, services and products developed by competitors may make the company's offerings less competitive.

The company's future results will depend on its ability to retain significant clients.

The company has a number of significant long-term contracts with clients, including governmental entities, and its future success will depend, in part, on retaining its relationships with these clients. The company could lose clients for reasons such as contract expiration, conversion to a competing service provider, disputes with clients or a decision to in-source services,

including contracts with governmental entities as part of the rebid process. The company could also lose clients as a result of their merger, acquisition or business failure. The company may not be able to replace the revenue and earnings from any such lost client.

The company's contracts may not be as profitable as expected or provide the expected level of revenues.

In a number of the company's long-term services contracts, the company's revenue is based on the volume of services and products provided. As a result, revenue levels anticipated at the contract's inception are not guaranteed. In addition, some of these contracts may permit termination at the customer's discretion before the end of the contract's term or may permit termination or impose other penalties if the company does not meet the performance levels specified in the contracts.

The company's contracts with governmental entities are subject to the availability of appropriated funds. These contracts also contain provisions allowing the governmental entity to terminate the contract at the governmental entity's discretion before the end of the contract's term. In addition, if the company's performance is unacceptable to the customer under a government contract, the government retains the right to pursue remedies under the affected contract, which remedies could include termination.

Certain of the company's services agreements require that the company's prices be benchmarked if the customer requests it and provide that those prices may be adjusted downward if the pricing for similar services in the market has changed. As a result, revenues anticipated at the beginning of the terms of these contracts may decline in the future.

Some of the company's services contracts are fixed-price contracts under which the company assumes the risk for delivery of the contracted services and products at an agreed-upon fixed price. Should the company experience problems in performing fixed-price contracts on a profitable basis, adjustments to the estimated cost to complete may be required. Future results will depend on the company's ability to perform these services contracts profitably.

A significant portion of the company's revenue is derived from operations outside of the United States, and the company is subject to the risks of doing business internationally.

A significant portion of the company's total revenue is derived from international operations. The risks of doing business internationally include foreign currency exchange rate fluctuations, currency restrictions and devaluations, changes in political or economic conditions, trade protection measures, import or export licensing requirements, multiple and possibly overlapping and conflicting tax laws, new tax legislation, weaker intellectual property protections in some jurisdictions and additional legal and regulatory compliance requirements applicable to businesses that operate internationally, including the U.S. Foreign Corrupt Practices Act, economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Control, regulations in the European Union such as the General Data Protection Regulation, the U.K. Bribery Act and other U.S. and non-U.S. laws and regulations.

The company could face business and financial risk in implementing future acquisitions or dispositions.

As part of the company's business strategy, it may from time to time consider acquiring complementary technologies, products and businesses, or disposing of existing technologies, products and businesses that may no longer be in alignment with its strategic direction, including transactions of a material size. Any acquisitions may result in the incurrence of substantial additional indebtedness or contingent liabilities. Acquisitions could also result in potentially dilutive issuances of equity securities and an increase in amortization expenses related to intangible assets. Additional potential risks associated with acquisitions include integration difficulties; difficulties in maintaining or enhancing the profitability of any acquired business; risks of entering markets in which the company has no or limited prior experience; potential loss of employees or failure to maintain or renew any contracts of any acquired business; and expenses of any undiscovered or potential liabilities of the acquired product or business, including relating to employee benefits contribution obligations or environmental requirements. Potential risks with respect to dispositions include difficulty finding buyers or alternative exit strategies on acceptable terms in a timely manner; potential loss of employees or clients; dispositions at unfavorable prices or on unfavorable terms, including relating to retained liabilities; and post-closing indemnity claims. Further, with respect to both acquisitions and dispositions, management's attention could be diverted from other business concerns. Adverse credit conditions could also affect the company's ability to consummate acquisitions or dispositions. The risks associated with acquisitions and dispositions could have a material adverse effect upon the company's business, financial condition and results of operations. There can be no assurance that the company will be successful in consummating future acquisitions or dispositions on favorable terms or at all.

The impact of Brexit could adversely affect the company's operations in the United Kingdom as well as the funded status of the company's U.K. pension plans.

The impact of the decision by the United Kingdom to withdraw from the European Union, commonly referred to as "Brexit", and the resulting effect on the political and economic future of the U.K. and the European Union is uncertain. Depending on the outcome, the company may decide to alter its European operations to respond to the new business, legal, regulatory, tax and trade environments that may result, which may adversely affect the company's financial results. In addition, uncertainty regarding Brexit could cause a slowdown in economic activity in the U.K., the European Union or globally. As a result of these

possible effects, among others, Brexit could adversely impact the company's operations in the U.K., cause increased volatility in the measurement of the pension assets or benefit obligations in the company's U.K. pension plans, as well as adversely affect the funded status of the company's U.K. pension plans.

If the company is unable to attract, motivate and retain experienced and knowledgeable personnel in key positions, its future results could be adversely impacted.

The success of the company's business is dependent upon its ability to employ and train individuals with the requisite knowledge, skills and experience to execute the company's business model and achieve its business objectives. The failure of the company to retain key personnel or implement an appropriate succession plan could adversely impact the company's ability to successfully carry out its business strategy and retain other key personnel.

The company's contracts with U.S. governmental agencies may subject the company to audits, criminal penalties, sanctions and other expenses and fines.

The company frequently enters into contracts with governmental entities. U.S. government agencies, including the Defense Contract Audit Agency and the Department of Labor, routinely audit government contractors. These agencies review a contractor's performance under its contracts, cost structure and compliance with applicable laws, regulations and standards. The U.S. government also may review the adequacy of, and a contractor's compliance with, contract terms and conditions, and its systems and policies, including the contractor's purchasing, property, estimating, billing, accounting, compensation and management information systems. Any costs found to be overcharged or improperly allocated to a specific contract or any amounts improperly billed or charged for products or services will be subject to reimbursement to the government. In addition, government contractors, such as the company, are required to disclose credible evidence of certain violations of law and contract overcharging to the federal government. If the company is found to have participated in improper or illegal activities, the company may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines and suspension or prohibition from doing business with the U.S. government. Any negative publicity related to such contracts, regardless of the accuracy of such publicity, may adversely affect the company's business or reputation.

A significant disruption in the company's IT systems could adversely affect the company's business and reputation.

We rely extensively on our IT systems to conduct our business and perform services for our clients. Our systems are subject to damage or interruption from power outages, telecommunications failures, computer viruses and malicious attacks, cybersecurity breaches and catastrophic events. If our systems are accessed without our authorization, damaged or fail to function properly, we could incur substantial repair or replacement costs, experience data loss and impediments to our ability to conduct our business, and damage the market's perception of our services and products. In addition, a disruption could result in the company failing to meet performance standards and obligations in its client contracts, which could subject the company to liability, penalties and contract termination. This may adversely affect the company's reputation and financial results.

The company may face damage to its reputation or legal liability if its clients are not satisfied with its services or products.

The success of the company's business is dependent on strong, long-term client relationships and on its reputation for responsiveness and quality. As a result, if a client is not satisfied with the company's services or products, its reputation could be damaged and its business adversely affected. Allegations by private litigants or regulators of improper conduct, as well as negative publicity and press speculation about the company, whatever the outcome and whether or not valid, may harm its reputation. In addition to harm to reputation, if the company fails to meet its contractual obligations, it could be subject to legal liability, which could adversely affect its business, operating results and financial condition.

Future results will depend in part on the performance and capabilities of third parties with whom the company has commercial relationships.

The company maintains business relationships with suppliers, channel partners and other parties that have complementary products, services or skills. Future results will depend, in part, on the performance and capabilities of these third parties, on the ability of external suppliers to deliver components at reasonable prices and in a timely manner, and on the financial condition of, and the company's relationship with, distributors and other indirect channel partners, which can affect the company's capacity to effectively and efficiently serve current and potential customers and end users.

An involuntary termination of the company's U.S. qualified defined benefit pension plans would adversely affect the company's financial condition and results of operations.

As of December 31, 2018, the company had approximately \$1.4 billion of underfunded pension obligations under its U.S. qualified defined benefit pension plans. The Pension Benefit Guaranty Corporation (the "PBGC") has authority under the Employment Retirement Income Security Act of 1974, as amended, to terminate an underfunded defined benefit pension plan under certain circumstances, including when (1) the plan has not met the minimum funding requirements, (2) the plan cannot pay current benefits when due, or (3) the loss to the PBGC is reasonably expected to increase unreasonably over time if the plan is not terminated. If the PBGC were to terminate the company's U.S. qualified defined benefit pension plans, the

company's obligations with respect to such plans would become due and payable in full. Any such event or the failure by the company to pay its pension plan insurance premiums with respect to its U.S. qualified defined benefit pension plans could result in the PBGC obtaining a lien on the company's assets. Such an event would result in an event of default under the company's debt agreements and would materially and adversely affect the Company's financial condition and results of operations.

The company's services or products may infringe upon the intellectual property rights of others.

The company cannot be sure that its services and products do not infringe on the intellectual property rights of third parties, and it may have infringement claims asserted against it or against its clients. These claims could cost the company money, prevent it from offering some services or products, or damage its reputation.

Legal proceedings could affect the company's results of operations or cash flow or may adversely affect the company's business or reputation.

There are various lawsuits, claims, investigations and proceedings that have been brought or asserted against the company, which arise in the ordinary course of business, including actions with respect to commercial and government contracts, labor and employment, employee benefits, environmental matters, intellectual property and non-income tax matters. See Note 14, "Commitments and Contingencies," of the Notes to Consolidated Financial Statements (Part I, Item 1 of this Form 10-Q) for more information on litigation. The company believes that it has valid defenses with respect to legal matters pending against it. Litigation is inherently unpredictable, however, and it is possible that the company's results of operations or cash flows could be materially affected in any particular period by the resolution of one or more of the legal matters pending against it. Additional legal proceedings may arise in the future with respect to the company's existing and legacy operations, and may adversely affect the company's business or reputation.

The company's business can be adversely affected by global economic conditions, acts of war, terrorism or natural disasters.

If global economic conditions deteriorate, the company could see reductions in demand and increased pressure on revenue and profit margins. The company could also see a further consolidation of clients, which could also result in a decrease in demand. The company's business could also be affected by acts of war, terrorism or natural disasters. Current world tensions could escalate, and this could have unpredictable consequences on the world economy and on the company's business.

Other factors discussed in this report, although not listed here, also could materially affect our future results.

Item 6. Exhibits

See Exhibit Index

EXHIBIT INDEX

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of Unisys Corporation (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K filed on April 30, 2010)
3.2	Certificate of Amendment of the Restated Certificate of Incorporation of Unisys Corporation (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K filed on April 28, 2011)
3.3	Certificate of Amendment of the Restated Certificate of Incorporation of Unisys Corporation (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K filed on April 28, 2017)
3.4	Bylaws of Unisys Corporation, as amended through May 10, 2019 (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K filed on May 15, 2019)
31.1	Certification of Peter A. Altabef required by Rule 13a-14(a) or Rule 15d-14(a)
31.2	Certification of Michael M. Thomson required by Rule 13a-14(a) or Rule 15d-14(a)
32.1	Certification of Peter A. Altabef required by Rule 13a-14(b) or Rule 15d-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
32.2	Certification of Michael M. Thomson required by Rule 13a-14(b) or Rule 15d-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
101	The following financial information from Unisys Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 formatted in iXBRL (Inline Extensible Business Reporting Language): (i) Consolidated Statements of Income, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Deficit, and (vi) Notes to Consolidated Financial Statements
104	Cover page Interactive Data File (the cover page XBRL tags are embedded within the iXBRL (Inline Extensible Business Reporting Language) document)

Exhibit 31.1

CERTIFICATION

I, Peter A. Altabef, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Unisys Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 29, 2019

	/s/ Peter A. Altabef
Name:	Peter A. Altabef
Title:	Chairman, President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Michael M. Thomson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Unisys Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 29, 2019

	<u>/s/ Michael M. Thomson</u>
Name:	Michael M. Thomson
Title:	Senior Vice President, Chief Financial Officer and Corporate Controller

Exhibit 32.1

CERTIFICATION OF PERIODIC REPORT

I, Peter A. Altabef, Chairman, President and Chief Executive Officer of Unisys Corporation (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2019 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 29, 2019

/s/ Peter A. Altabef

Peter A. Altabef

Chairman, President and
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION OF PERIODIC REPORT

I, Michael M. Thomson, Senior Vice President, Chief Financial Officer and Corporate Controller of Unisys Corporation (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2019 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 29, 2019

/s/ Michael M. Thomson

Michael M. Thomson

Senior Vice President, Chief Financial Officer and
Corporate Controller

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.