UNISYS | Securing Your Tomorrow®

Unisys Corporation
2019 Annual Report

A Letter to Our Shareholders

Dear Shareholder,

2019 was a strong year for Unisys, as the company achieved both business and financial success. We also achieved guidance on all metrics for the fourth-consecutive year, since we reinstituted providing it. In addition, the March 13, 2020 sale of our U.S. Federal business, representing a 13x adjusted EBITDA multiple for the twelve-month period ending September 30, 2019, significantly improves our capital structure and increases our flexibility going forward. We are excited about the opportunities we expect this to create and the positioning of the business in 2020, although mindful of the global environment created by the COVID-19 virus.

Focused Execution Leading to Strong Results

In addition to the achievements noted above, continuing to execute against our strategy helped us produce the following results in 2019:

- 2019 non-GAAP adjusted revenue growth of 6.1%, the second consecutive year of growth and highest growth rate since 1998;
- 2019 Services non-GAAP adjusted revenue growth of 6.7% year-over-year, the highest annual growth rate since 2003, with 4Q 2019 marking the seventh-consecutive quarter of year-over-year growth for this segment;
- Non-GAAP operating profit margin expansion of 10 basis points year-over-year to 9.0%;
- Improvement in our cash flow with adjusted free cash flow growing $65 million year-over-year;

Driving Solutions and Shareholder Value

Security continues to be an important element of our strategy, providing standalone revenue opportunities and helping differentiate our broader offerings. We recently launched Unisys Stealth® 5.0, with expanded capabilities in containers and Kubernetes environments, and we now provide Dynamic Isolation™ capabilities to quickly isolate bad actors in an environment. InteliServe™ and CloudForte™ are also differentiating us in the marketplace and allow us to bid contracts at more attractive margins than otherwise would be possible. To learn more about these and our other solutions, please visit www.unisys.com.

Our associates are the core of our company and we are investing in their development for the future. Our reskilling and upskilling programs are focused on helping our associates enhance their capabilities in areas such as artificial intelligence, robotics, augmented reality, virtual reality and blockchain. We recently launched global certifications and digital badges to expand education in our core offerings. We have expanded our leadership development programs. Our new “We Believe in Better” recruiting initiative is focused on hiring people with outstanding skills that can help us today and the curiosity and desire for continuous learning that will help us tomorrow.

The momentum we saw in 2019 is exciting and due to the efforts of all of our associates around the globe. We rely on our talented associates as we continue both to work towards our goals and to protect our associates and our clients in the COVID-19 environment.

Peter A. Altabef

Chairman and CEO

PART I

ITEM 1. BUSINESS

General

Unisys Corporation, a Delaware corporation (Unisys, we, our, or the company), is a global information technology (IT) company that builds high-performance, security-centric solutions for clients across the Government, Financial Services and Commercial markets. Unisys offerings include security software and services; digital transformation and workplace services; industry applications and services; and innovative software operating environments for high-intensity enterprise computing.

We operate in two business segments – Services and Technology.

Principal Products and Services

We deliver high-performance, security-centric, leveraged services and solutions across industries, industry-specific application products and technology solutions worldwide to our primary target markets: Government (the U.S. federal government and other public sector organizations in the U.S. and around the world), Commercial (e.g., travel and transportation and life sciences and healthcare) and Financial Services (e.g., commercial and retail banking).

We market our products and services solutions primarily through a direct sales force. Complementing our direct sales force, we make use of a select group of resellers and alliance partners to market our services and product portfolio. In certain countries, we market primarily through distributors.

Our solutions are designed to build better outcomes - securely - for our clients, enabling them to:

- Enhance enterprise security;
- Transform core business processes to compete more effectively in their markets;
- Improve user engagement for customers and workers, streamline operations and enhance go-to-market efforts;
- Optimize IT infrastructure to meet digital-business requirements; and
- Simplify management of IT infrastructure and service delivery.

Within Services, our principal solutions include cloud and infrastructure services, application services and business process outsourcing services, each of which is delivered with advanced security built in.

- In cloud and infrastructure services, we help 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.
- In application services, we help 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.
- In business process outsourcing services, we assume management of critical processes and functions for clients in target industries, helping them improve performance and reduce costs.

We deliver some of these capabilities through our leveraged Services solutions, which include:

- Unisys InteliServe™, a service solution that transforms traditional service desk into an intelligent, user-centric experience aligned with the needs of the modern digital workplace. The service leverages the InteliServe platform, an integrated suite of technologies for omnichannel support, advanced analytics, automation, artificial intelligence, machine learning and identity authentication.

- Unisys CloudForte®, a comprehensive managed service offering to help accelerate the secure move of data and applications to the cloud. The solution is available for Microsoft Azure, AWS, and hybrid cloud environments and includes the following features: an automated software-as-a-service platform to identify and provision private, public and hybrid cloud services, real-time analytics, and capabilities for industrial-grade modernization of legacy applications.
- Unisys Security Solutions, a portfolio that includes managed security services, security consulting services, the Unisys Incident Response Ecosystem subscription service and the TrustCheck™ cyber risk management solution, and that is underpinned by the company's Zero Trust security approach.

In Technology, we design and develop software and offer hardware and other related products to help clients improve security and flexibility, reduce costs and improve the efficiency of their data-center environments. As a pioneer in large-scale computing, we offer deep experience and rich technological capabilities in transaction-intensive, mission-critical operating environments.

Our Technology products include:

- Unisys ClearPath Forward®, a secure, scalable software operating environment for high-intensity enterprise computing capable of delivering Unisys security across multiple platforms. The ClearPath Forward operating environment is hardware-independent and provides a tested, integrated stack of software products that run on a range of contemporary, commonly-deployed Intel x86 server platforms and select virtualization environments of the client's choice.
- Unisys Stealth® security software, which enables trusted identities to access micro-segmented critical assets and safely communicate through secure, encrypted channels. Stealth™ establishes user authentication, prevents lateral attacker movement and reduces data center, mobile and cloud attack surfaces and quickly isolates devices or users at the first sign of compromise. Stealth also reduces the cost and complexity of securing information and operation technology such as industrial control systems, allowing organizations to meet compliance and security mandates.

Our industry application products include solutions that securely help law enforcement agencies solve crime and social services case workers assist families; travel and transportation companies manage freight and distribution; and financial institutions deliver omnichannel banking.

On February 5, 2020, we entered into an asset purchase agreement to sell our U.S. Federal business to Science Applications International Corporation for a cash purchase price of $1.2 billion, subject to a net working capital adjustment. The U.S. Federal business provides certain products and services to U.S. federal government customers. The sale is expected to close in the first half of 2020 and is subject to receipt of regulatory clearance under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 as well as the satisfaction or waiver of other customary closing conditions. The U.S. Federal business, which has operations in both of our reporting segments of Services and Technology, generated 2019 revenue and pre-tax income of approximately $725 million and $100 million, respectively. The U.S. Federal business will be reported as discontinued operations in 2020.

When the sale is complete, we expect to report an after-tax gain on the sale of approximately $1 billion. Due to the company's U.S. tax position, no federal income tax is expected to be payable on the sale and, subject to the final purchase price allocation to the assets sold, state income taxes are expected to be minimal. We primarily intend to use the net proceeds from the sale to redeem our senior secured notes due 2022 and reduce our obligations under our U.S. defined benefit pension plans.

In connection with the entry into the asset purchase agreement to sell the U.S. Federal business, we also adopted a Tax Asset Protection Plan designed to protect our tax assets in contemplation of the sale transaction. This plan is similar to tax benefit protection plans adopted by other public companies with significant tax attributes and is designed to protect our valuable tax assets by reducing the likelihood of an “ownership change” through actions involving our securities. See “Risk Factors - Risks Related to the Announced Sale of the Company’s U.S. Federal Business - An ‘ownership change’ could limit the company’s ability to utilize net operating losses and certain other tax attributes to offset the gain from the pending sale of the U.S. Federal business” for more information.

Materials

Unisys purchases components and supplies from a number of suppliers around the world. For certain Technology products, we rely on a single or limited number of suppliers, although we make every effort to assure that alternative sources are available if the need arises. The failure of our suppliers to deliver components and supplies in sufficient quantities and in a timely manner could adversely affect our business. For more information on the risks associated with purchasing components and supplies, see “Risk Factors” (Part I, Item 1A of this Form 10-K).

Patents, Trademarks and Licenses

As of January 31, 2020, Unisys owns over 535 active U.S. patents and over 50 active patents granted in eleven non-U.S. jurisdictions. These patents cover systems and methods related to a wide variety of technologies, including, but not limited to, information security, cloud computing, virtualization, database encryption/management and user interfaces. We have granted licenses covering both single patents, and particular groups of patents, to others. Likewise, we have active licensing agreements granting us rights under patents owned by other entities. However, our business is not materially dependent upon any single patent, patent license, or related group thereof.

Unisys also maintains 27 U.S. trademark and service mark registrations, and over 525 additional trademark and service mark registrations in over eighty non-U.S. jurisdictions as of January 31, 2020. These marks are valuable assets used on or in connection with our services and products, and as such are actively monitored, policed and protected by Unisys and its agents.

Seasonality

Our revenue is affected by such factors as the introduction of new services and products, the length of sales cycles and the seasonality of purchases. Seasonality has generally resulted in higher fourth quarter revenues than in other quarters.

Customers

No single client accounted for more than 10% of our revenue in the year ended December 31, 2019. Sales of commercial services and products to various agencies of the U.S. government represented approximately 25% of total consolidated revenue in 2019. For more information on the risks associated with contracting with governmental entities, see “Risk Factors” (Part I, Item 1A of this Form 10-K).

Backlog

In the Services segment, firm order backlog at December 31, 2019 was $4.3 billion, compared to $4.8 billion at December 31, 2018. Approximately $1.8 billion (42%) of 2019 backlog is expected to be converted to revenue in 2020. Although we believe that this backlog is firm, we may, for commercial reasons, allow the orders to be cancelled, with or without penalty. In addition, funded government contracts included in this backlog are generally subject to termination, in whole or part, at the convenience of the government or if funding becomes unavailable. In such cases, we are generally entitled to receive payment for work completed plus allowable termination or cancellation costs.

Because of the relatively short cycle between order and shipment in our Technology segment, we believe that backlog information for this segment is not material to the understanding of our business.

Competition

Our business is affected by rapid change in technology in the information services and technology industries and aggressive competition from many domestic and foreign companies. Principal competitors are systems integrators, consulting and other professional services firms, outsourcing providers, infrastructure services providers, computer hardware manufacturers and software providers. We compete primarily on the basis of service, product performance, technological innovation, and price. We believe that our continued focused investment in engineering and research and development, coupled with our sales and marketing capabilities, will have a favorable impact on our competitive position. For more information on the competitive risks we face, see “Risk Factors” (Part I, Item 1A of this Form 10-K).

Environmental Matters

Our capital expenditures, earnings and competitive position have not been materially affected by compliance with federal, state and local laws regulating the protection of the environment. Capital expenditures for environmental control facilities are not expected to be material in 2020 and 2021.

Employees

At December 31, 2019, we employed approximately 21,000 employees serving clients around the world.

Available Information

Our Investor web site is located at www.unisys.com/investor. Through our web site, we make available, free of charge, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as reasonably practicable after this material is electronically filed with or furnished to the U.S. SEC. We also make available on our web site our Guidelines on Significant Corporate Governance Issues, the charters of the Audit and Finance Committee, Compensation Committee, Nominating and Corporate Governance Committee and Security and Risk Committee of our board of directors, and our Code of Ethics and Business Conduct. This information is also available in print to stockholders upon request. We do not intend for information on our web site to be part of this Annual Report on Form 10-K.

Board of Directors

Peter A. Altabef

Chairman and Chief Executive Officer of Unisys Corporation

Jared L. Cohon

President Emeritus and University Professor of Civil and Environmental Engineering and Engineering and Public Policy at Carnegie Mellon University [2,3]

Nathaniel A. Davis

Chairman of the Board and Chief Executive Officer of K12 Inc.

Matthew J. Desch

Chief Executive Officer and Director of Iridium Communications Inc.[2]

Denise K. Fletcher

Former Executive Vice President, Finance of Vulcan Inc.[1,4]

Philippe Germond

Senior Advisor to Barber Hauler Capital Advisers[3]

Lisa A. Hook

Former President and Chief Executive Officer at Neustar, Inc.[1,4]

Deborah L. James

Former Secretary of the Air Force[2,3]

Paul E. Martin

Senior Vice President, Chief Information Officer of Baxter International, Inc.[1,4]

Regina Paolillo

Executive Vice President, Chief Financial and Administrative Officer of TTEC Holdings, Inc.[1,4]

Lee D. Roberts

Chief Executive Officer and President of BlueWater Consulting LLC [2,3]

Board Committees

1 Audit and Finance Committee
2 Compensation Committee
3 Nominating and Corporate Governance Committee
4 Security & Risk Committee

Corporate Officers

Peter A. Altabef

Chairman and Chief Executive Officer

Eric Hutto

President and Chief Operating Officer

Katie Ebrahimi

Senior Vice President, Chief Human Resources Officer

Vishal Gupta

Senior Vice President, Technology, and Chief Technology Officer

Gerald P. Kenney

Senior Vice President, General Counsel and Secretary

Jeffrey E. Renzi

Senior Vice President and President, Global Sales

Ann S. Ruckstuhl

Senior Vice President and Chief Marketing Officer

Michael M. Thomson

Senior Vice President and Chief Financial Officer

Shalabh Gupta

Vice President and Treasurer

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

Information concerning the executive officers of Unisys as of March 13, 2020 is set forth below.

Name	Age	Position with Unisys
Peter A. Altabef	60	Chairman and Chief Executive Officer
Eric Hutto	55	President and Chief Operating Officer
Katie Ebrahimi	50	Senior Vice President and Chief Human Resources Officer
Vishal Gupta	48	Senior Vice President, Technology, and Chief Technology Officer
Gerald P. Kenney	68	Senior Vice President, General Counsel and Secretary
Jeffrey E. Renzi	59	Senior Vice President and President, Global Sales
Ann S. Ruckstuhl	57	Senior Vice President and Chief Marketing Officer
Michael M. Thomson	51	Senior Vice President and Chief Financial Officer
Shalabh Gupta	58	Vice President and Treasurer

There is no family relationship among any of the above-named executive officers. The By-Laws provide that the officers of Unisys shall be elected annually by the Board of Directors and that each officer shall hold office for a term of one year and until a successor is elected and qualified, or until the officer's earlier resignation or removal.

Mr. Altabef has served as Chairman of the Board of Directors since April 2018 and as Chief Executive Officer since January 2015. He also served as President of the Company from January 2015 to March 2020. Prior to joining Unisys in 2015, Mr. Altabef was the President and Chief Executive Officer, and a member of the board of directors, of MICROS Systems, Inc. from 2013 through 2014, when MICROS Systems, Inc. was acquired by Oracle Corporation. He previously served as President and Chief Executive Officer of Perot Systems Corporation from 2004 until 2009, when Perot Systems was acquired by Dell, Inc. Thereafter, Mr. Altabef served as President of Dell Services (a unit of Dell Inc.) until his departure in 2011. Mr. Altabef also serves on the President's National Security Telecommunications Advisory Committee, the Boards of Directors of NiSource Inc. and Petrus Trust Company, L.T.A., the Board of the East West Institute and the Board of Advisors of Merit Energy Company, LLC. He previously served as Senior Advisor to 2M Companies, Inc. in 2012, and served as a director of Belo Corporation from 2011 through 2013. Mr. Altabef has been an officer since 2015.

Mr. Hutto was elected President and Chief Operating Officer effective March 2020. From September 2015 to March 2020 he served as Senior Vice President and President, Enterprise Solutions. He joined Unisys in April 2015 as Vice President and General Manager, U.S. and Canada, Enterprise Solutions. Prior to joining Unisys, Mr. Hutto held senior leadership positions with Dell Services (a unit of Dell Inc.) (2006-2015), serving most recently as Global Vice President/General Manager, Infrastructure, Cloud and Consulting and Vice President/General Manager, Americas. Mr. Hutto has been an officer since 2015.

Ms. Ebrahimi has been Senior Vice President and Chief Human Resources Officer since 2018. Ms. Ebrahimi served as Vice President of Human Resources, Global Delivery at DXC Technology from 2017 to 2018 prior to joining Unisys. From 2015 to 2017, she was Vice President of Human Resources, Enterprise Services, Global Practices & Solutioning for Hewlett-Packard Enterprise. She also served in increasingly senior roles with Cisco Systems, Inc. (2009-2015), Sun Microsystems, Inc. (2000-2009) and McAfee, LLC. Ms. Ebrahimi has been an officer since 2018.

Mr. Vishal Gupta has been Senior Vice President, Technology, and Chief Technology Officer since 2018. Prior to joining Unisys, he served as Senior Vice President, Engineering at Symantec Corporation from 2015 to 2018. Prior to his tenure at Symantec, from 2014 to 2015, Mr. Gupta was Chief Product and IoT Officer for Silent Circle, a cybersecurity and privacy company in the mobile communications space. He has also held senior leadership roles with Cisco Systems (2006-2014), Metasolv Software (2002-2006), Nortel Networks (1996-2002) and Mercer Management Consulting (1994-1996). Mr. Gupta has been an officer since 2018.

Mr. Kenney has been Senior Vice President, General Counsel and Secretary since 2013. Prior to joining Unisys, he had been with NEC Corporation of America, the North American subsidiary of global technology company NEC Corporation, since 1999, serving most recently as Senior Vice President, General Counsel and Corporate Secretary (2004-2013). Mr. Kenney has been an officer since 2013.

Mr. Renzi has been Senior Vice President and President, Global Sales since 2014. Prior to joining Unisys, Mr. Renzi was Senior Vice President, Sales & Marketing, at Arise Virtual Solutions (2012-2013). From 2009 to 2012, Mr. Renzi held key sales and service management roles at Dell Corporation. From 2003 to 2009, Mr. Renzi served as Executive Vice President, Global Sales and Marketing, Alliances & Procurement, at Perot Systems. Prior to Perot Systems, he held a variety of sales leadership and individual sales contributor roles at Electronic Data Systems from 1989 to 2003. Mr. Renzi has been an officer since 2014.

Ms. Ruckstuhl has been Senior Vice President and Chief Marketing Officer since 2016. Prior to joining Unisys, she had been the Chief Marketing Officer at SOASTA, Inc., a digital performance management platform provider acquired by Akamai Technologies, Inc., from 2015 to 2016. Previously, Ms. Ruckstuhl was the Chief Marketing Officer at Live Ops (2012-2015), and head of marketing at Symantec's NortonLive Services (2009-2011). She has also held marketing leadership positions with several other technology companies including Sybase, Inc., eBay, Inc. and Hewlett-Packard. Ms. Ruckstuhl has been an officer since 2016.

Mr. Thomson has been Senior Vice President and Chief Financial Officer since September 2019. Mr. Thomson had been serving as the Company's interim Chief Financial Officer since April 2019 and as the Company's Vice President and Corporate Controller since 2015. Prior to joining Unisys, Mr. Thomson served as Controller of Towers Watson & Co. from 2010 until 2015, and he previously held the same position at Towers Perrin from 2007 until the consummation of that firm's merger with Watson Wyatt in 2010. He also served as principal accounting officer of Towers Watson from 2012 until October 2015. Prior to that, Mr. Thomson worked for Towers Perrin as Director of Financial Systems from 2001 to 2004 and then Assistant Controller from 2004 to 2007. Prior to joining Towers Perrin, Mr. Thomson was with RCN Corporation, where he served as Director of Financial Reporting & Financial Systems from 1997 to 2001. Mr. Thomson has been an officer since 2015.

Mr. Shalabh Gupta has been Vice President and Treasurer since 2017. Prior to Unisys, Mr. Gupta served as Vice President and Corporate Treasurer for Avon Products from 2012 until 2016. He also served as Treasurer for Evraz North America, Inc. (2011 - 2012) and held the roles of Senior Vice President and Corporate Treasurer (2007 - 2011), Vice President and Assistant Treasurer (2005 - 2007) and Managing Director, Capital Markets, Pensions, Foreign Exchange (2004 - 2005) at Sara Lee Corporation. Mr. Gupta also held treasury roles at Delphi Corporation and General Motors Corporation. Mr. Gupta has been an officer since 2017.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(For a discussion of 2018 compared with 2017, refer to Part II, Item 7 contained in the company's Form 10-K for the fiscal year ended December 31, 2018.)

Overview

Effective January 1, 2018, the company adopted the requirements of Accounting Standards Update (ASU) No. 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 2018 Technology revenue and profit of $53.0 million ($47.7 million, net of tax, or $0.65 per diluted share). 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 reported 2019 net loss attributable to Unisys Corporation of $17.2 million, or loss of $0.31 per share, compared with 2018 net income of $75.5 million, or income of $1.30 per diluted share. The company's financial results in the current year were impacted by increases in revenue due to new business principally driven by the company's U.S. business. In addition, the company recorded a charge of $20.1 million on the convertible note exchange as well as $28.7 million of cost-reduction and other costs. See Note 14, "Debt," and Note 3, "Cost-reduction actions," of the Notes to Consolidated Financial Statements for further detail.

On February 5, 2020, the company entered into an asset purchase agreement to sell its U.S. Federal business to Science Applications International Corporation for a cash purchase price of $1.2 billion, subject to a net working capital adjustment. The U.S. Federal business provides certain products and services to U.S. federal government customers. The sale is expected to close in the first half of 2020 and is subject to receipt of regulatory clearance under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 as well as the satisfaction or waiver of other customary closing conditions. The U.S. Federal business, which has operations in both of the company's reporting segments of Services and Technology, generated 2019 revenue and pre-tax income of approximately $725 million and $100 million, respectively. The U.S. Federal business will be reported as discontinued operations in 2020.

When the sale is complete, the company expects to report an after-tax gain on the sale of approximately $1 billion. Due to the company's U.S. tax position, no federal income tax is expected to be payable on the sale and, subject to the final purchase price allocation to the assets sold, state income taxes are expected to be minimal. The company primarily intends to use the net proceeds from the sale to redeem its senior secured notes due 2022 and reduce its obligations under its U.S. defined benefit pension plans.

In connection with the entry into the asset purchase agreement to sell the U.S. Federal business, the company also adopted a Tax Asset Protection Plan designed to protect the company's tax assets in contemplation of the sale transaction. This plan is similar to tax benefit protection plans adopted by other public companies with significant tax attributes and is designed to protect the company's valuable tax assets by reducing the likelihood of an "ownership change" through actions involving the company's securities. See "Risk Factors - Risks Related to the Announced Sale of the Company's U.S. Federal Business - An 'ownership change' could limit the company's ability to utilize net operating losses and certain other tax attributes to offset the gain from the pending sale of the U.S. Federal business" for more information.

Results of operations

Company results

Revenue for 2019 was $2.95 billion compared with $2.83 billion for 2018, an increase of 4.4% principally due to increases within the company's U.S. business offset in part by the impact of the $53.0 million Topic 606 adjustment described above.

Excluding this adjustment, revenue increased 6.4%. Foreign currency fluctuations had a 3-percentage-point negative impact on revenue in the current year compared with the year-ago period.

Services revenue increased 7.0% and Technology revenue decreased 9.7% year over year with the prior-year Topic 606 adjustment primarily contributing to the Technology revenue decline. Excluding the Topic 606 adjustment of $53.0 million, Technology revenue increased 2.7%. Foreign currency fluctuations had a 3-percentage-point negative impact on Services revenue and a 3-percentage-point negative impact on Technology revenue in the current year compared with the year-ago period.

Revenue from international operations in 2019 and 2018 was $1.40 billion and $1.59 billion, respectively. Without the Topic 606 adjustment, 2018 revenue from international operations was $1.54 billion. Foreign currency had a 4-percentage-point negative impact on international revenue in 2019 compared with 2018. Revenue from U.S. operations was $1.55 billion in 2019 and $1.24 billion in 2018. Excluding the Topic 606 adjustment, U.S. revenue was $1.23 billion in 2018.

During 2019, the company recognized cost-reduction charges and other costs of $28.7 million, principally related to a reduction in employees. The charges related to work-force reductions were $22.1 million, principally related to severance costs, and were comprised of: (a) a charge of $4.6 million for 509 employees and $(1.5) million for changes in estimates in the U.S. and (b) a charge of $21.1 million for 255 employees and $(2.1) million for changes in estimates outside the U.S. In addition, the company recorded charges of $6.6 million comprised of $4.6 million for lease abandonment costs, $1.1 million for asset write-offs and $0.9 million for other expenses related to the cost-reduction effort. The charges were recorded in the following statement of income classifications: cost of revenue - services, $10.8 million; cost of revenue - technology, $0.2 million; selling, general and administrative expenses, $15.5 million; and research and development expenses, $2.2 million.

During 2018, the company recognized cost-reduction charges and other costs of $19.7 million, principally related to a reduction in employees. The charges related to work-force reductions were $19.0 million, principally related to severance costs, and were comprised of : (a) a charge of $5.2 million for 264 employees and $0.1 million for changes in estimates in the U.S. and (b) a charge of $22.5 million for 325 employees and $(8.8) million for changes in estimates outside the U.S. In addition, the company recorded a charge of $0.7 million for changes in estimates related to idle leased facilities costs. The 2018 charges were recorded in the following statement of income classifications: cost of revenue - services, $18.1 million and selling, general and administrative expenses, $1.6 million.

Gross profit as a percent of total revenue, or gross profit percent, was 22.6% in 2019 and 24.3% in 2018. Gross profit in 2018 was positively impacted by the Topic 606 adjustment described above. Excluding the Topic 606 adjustment, total gross profit percent in the prior year was 22.8%. Gross profit in 2019 was positively impacted by $19.8 million related to the change in useful life of the company's proprietary enterprise software. See Note 1, "Summary of significant accounting policies," of the Notes to Consolidated Financial Statements for further detail.

Selling, general and administrative expenses were $396.9 million in 2019 (13.5% of revenue) and $370.3 million in 2018 (13.1% of revenue). 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 13.4% in 2018.

Research and development (R&D) expenses in 2019 were $31.3 million compared with $31.9 million in 2018.

In 2019, the company reported an operating profit of $238.2 million compared with an operating profit of $284.1 million in 2018. Operating profit margin in 2018 was positively impacted by the Topic 606 adjustment described above. Excluding this adjustment, total operating profit in 2018 was $231.1 million.

Interest expense was $62.1 million in 2019 and $64.0 million in 2018. The decline from the prior year was principally due to the convertible notes exchange. See Note 14, "Debt," of the Notes to Consolidated Financial Statements.

Other income (expense), net was expense of $136.4 million in 2019 compared with expense of $76.9 million in 2018. Included in 2019 was postretirement expense of $93.3 million, a loss on debt exchange of $20.1 million and foreign exchange losses of $10.4 million. Included in 2018 was postretirement expense of $80.3 million, a foreign non-income tax settlement gain of $13.9 million and $5.9 million of foreign exchange losses.

Pension expense for 2019 was $92.7 million compared with $79.7 million in 2018. For 2020, the company expects to recognize pension expense of approximately $90.0 million. The company records the service cost component of pension income or expense, as well as other employee-related costs such as payroll taxes and medical insurance costs, in operating income in the following income statement categories: cost of revenue; selling, general and administrative expenses; and research and development expenses. The amount allocated to each category is based on where the salaries of active employees are charged. All other components of pension income or expense are recorded in other income (expense), net in the consolidated statements of income.

Income (loss) before income taxes in 2019 was income of $39.7 million compared with income of $143.2 million in 2018.

The provision for income taxes in 2019 and 2018 was $53.0 million and $64.3 million, respectively. In 2018, the provision for income taxes 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 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 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 refundable tax credits and withholding taxes not creditable against future taxable income. As a result, the company's provision or benefit for taxes may vary significantly period to period depending on the geographic distribution of income.

The realization of the company's net deferred tax assets as of December 31, 2019 is primarily dependent on forecasted future taxable income within certain foreign jurisdictions. Any reduction in estimated forecasted future taxable income may require the company to record an additional valuation allowance against the remaining deferred tax assets. Any increase or decrease in the valuation allowance would result in additional or lower income tax expense in such period and could have a significant impact on that period's earnings.

Net income attributable to Unisys Corporation common shareholders for 2019 was a loss of $17.2 million, or $0.31 per common share, compared with income of $75.5 million, or $1.30 per diluted common share, in 2018.

Segment results

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

- Cloud and 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 software and hardware shipments to customers under Services contracts. The Services segment, in turn, recognizes customer revenue and marketing profits on such shipments of company software and hardware to customers. The Services segment also includes the sale of software and hardware 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 software and hardware 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 years ended December 31, 2019 and 2018 was $5.7 million and $4.2 million, respectively. The profit on these transactions is eliminated in Corporate.

The company evaluates business segment performance based on operating income exclusive 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. See Note 19, "Segment information," of the Notes to Consolidated Financial Statements.

Information by business segment for 2019 and 2018 is presented below:

(millions)	Total	Corporate	Services	Technology
2019				
Customer revenue	**$2,948.7**	**$ –**	**$2,552.7**	**$396.0**
Intersegment	**–**	**(15.2)**	**–**	**15.2**
Total revenue	**$2,948.7**	**$(15.2)**	**$2,552.7**	**$411.2**
Gross profit percent	**22.6%**		**16.6%**	**61.8%**
Operating profit percent	**8.1%**		**4.2%**	**41.9%**
2018				
Customer revenue	$2,825.0	$ –	$2,386.3	$438.7
Intersegment	–	(24.7)	–	24.7
Total revenue	$2,825.0	$(24.7)	$2,386.3	$463.4
Gross profit percent	24.3%		16.0%	69.4%
Operating profit percent	10.1%		2.8%	51.3%

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

Customer revenue by classes of similar products or services, by segment, for 2019 and 2018 is presented below:

Year ended December 31 (millions)	**2019**	2018	Percentage Change
Services			
Cloud & infrastructure services	**$1,567.7**	$1,363.4	15.0%
Application services	**750.4**	772.4	(2.8)%
BPO services	**234.6**	250.5	(6.3)%
Total Services	**2,552.7**	2,386.3	7.0%
Technology	**396.0**	438.7	(9.7)%
Total customer revenue	**$2,948.7**	$2,825.0	4.4%

In the Services segment, customer revenue was $2.6 billion in 2019 and $2.4 billion in 2018. The growth in revenue was principally due to increases within the company's U.S. business. Foreign currency fluctuations had a 2.6-percentage-point negative impact on revenue in 2019 compared with 2018.

Revenue from cloud & infrastructure services was $1.6 billion in 2019, up 15.0% compared with 2018. Foreign currency fluctuations had a 2.5-percentage-point negative impact on cloud & infrastructure services revenue in the current period compared with the year-ago period.

Application services revenue decreased 2.8% in 2019 compared with 2018. Foreign currency fluctuations had a 2.2-percentage-point negative impact on application services revenue in the current period compared with the year-ago period.

Business process outsourcing services revenue decreased 6.3% in 2019 compared with 2018. Foreign currency fluctuations had a 3.8-percentage-point negative impact on business process outsourcing services revenue in the current period compared with the year-ago period.

Services gross profit percent was 16.6% in 2019 compared with 16.0% in 2018. Services operating profit percent was 4.2% in 2019 compared with 2.8% in 2018. Current period Services margins reflect benefits derived from reduced costs of services delivery. 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 9.7% to $396.0 million in 2019 compared with $438.7 million in 2018. The decline is principally attributed to the prior-year Topic 606 adjustment of $53.0 million described above. Excluding the Topic 606 adjustment, customer revenue increased 2.7%. Foreign currency translation had a 2.6-percentage-point negative impact on Technology revenue in 2019 compared with 2018.

Technology gross profit percent was 61.8% in 2019 compared with 69.4% in 2018. Technology operating profit percent was 41.9% in 2019 compared with 51.3% in 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, gross profit percent was 65.4% and operating profit percent was 45.0% in 2018. The decrease in gross profit percent and operating profit percent, excluding the Topic 606 adjustment, is primarily due to a lower mix of higher margin software sales.

New accounting pronouncements

See Note 2, "Recent accounting pronouncements and accounting changes," 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 cash requirements through at least February 28, 2021.

Cash and cash equivalents at December 31, 2019 were $538.8 million compared with $605.0 million at December 31, 2018.

As of December 31, 2019, $303.1 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. See Note 6, "Income taxes," of the Notes to Consolidated Financial Statements regarding the company's intention to indefinitely reinvest earnings of foreign subsidiaries.

During 2019, cash provided by operations was $123.9 million compared with cash provided by operations of $73.9 million in 2018.

Cash used for investing activities in 2019 was $158.2 million compared with cash usage of $185.0 million in 2018. Net proceeds from investments in 2019 were $2.8 million compared with net purchases of $14.0 million in 2018. Proceeds from investments and purchases of investments represent derivative financial instruments used to manage the company's currency exposure to market risks from changes in foreign currency exchange rates. In addition, capital additions of properties were $38.0 million in 2019 compared with $35.6 million in 2018, capital additions of outsourcing assets were $48.8 million in 2019 compared with $73.0 million in 2018 and the investment in marketable software was $73.0 million in 2019 compared with $80.7 million in 2018. The decrease in capital expenditures is attributed in part to the company funding some of the 2019 additions by entering into installment payment and vendor agreements. 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 2019 was $38.0 million compared with cash used for financing activities of $4.8 million in 2018. The increase in cash usage in the current year is principally due to the convertible notes exchange partially offset by proceeds received from the issuance of debt as described below.

At December 31, 2019, total debt was $579.6 million compared with $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 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. Following the convertible note exchange, the capped call transactions remaining cover approximately 8.6 million shares of the company's common stock. As a result of the exchange, the company recognized a charge of $20.1 million.

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 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 December 31, 2019, the company had no borrowings and $5.9 million of letters of credit outstanding, and availability under the facility was $139.1 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 not 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.

At December 31, 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 through, at least, February 28, 2021.

At December 31, 2019, the company had outstanding standby letters of credit and surety bonds totaling approximately $258 million related to performance and payment guarantees. On the basis of experience with these arrangements, the company believes that any obligations that may arise will not be material.

As described more fully in Note 3, "Cost-reduction actions," Note 4, "Leases and commitments" and Note 14, "Debt," of the Notes to Consolidated Financial Statements, at December 31, 2019, the company had certain cash obligations, which are due as follows:

(millions)	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt (including current portion)	$589.3	$ 13.5	$ 552.1	$19.1	$ 4.6
Interest payments on debt	136.1	55.3	78.4	2.0	0.4
Operating leases	169.0	77.2	62.5	23.0	6.3
Work-force reductions	49.8	47.5	2.3	–	–
Total	$944.2	$ 193.5	$ 695.3	$44.1	$11.3

As described in Note 16, "Employee plans," of the Notes to Consolidated Financial Statements, in 2020, the company expects to make cash contributions of approximately $278.9 million to its worldwide defined benefit pension plans, which are comprised of $238.8 million for the company's U.S. qualified defined benefit pension plans and $40.1 million primarily for international 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, 2019, the company anticipates that its required contributions for 2020 through 2024 will be approximately $1.2 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 U.S. Internal Revenue Service (IRS) to defer a portion of the required contributions to its two U.S qualified defined benefit 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. The company 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 has explored, and expects to continue to explore, a variety of 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.

Critical accounting policies and estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates, judgments and assumptions that affect the amounts reported in the financial statements and accompanying notes. Certain accounting policies, methods and estimates are particularly important because of their significance to the financial statements and because of the possibility that future events affecting them may differ from management's current judgments. The company bases its estimates and judgments on historical experience and on other assumptions that it believes are reasonable under the circumstances; however, to the extent there are material differences between these estimates, judgments and assumptions and actual results, the financial statements will be affected. Although there are a number of accounting policies, methods and estimates affecting the company's financial statements as described in Note 1, "Summary of significant accounting policies," of the Notes to Consolidated Financial Statements, the following critical accounting policies reflect the significant estimates, judgments and assumptions. The development and selection of these critical accounting policies have been determined by management of the company and the related disclosures have been reviewed with the Audit and Finance Committee of the Board of Directors.

Revenue recognition

Many of the company's sales agreements contain standard business terms and conditions; however, some agreements contain multiple performance obligations or non-standard terms and conditions. As discussed in Note 1, "Summary of significant accounting policies," of the Notes to Consolidated Financial Statements, the company enters into arrangements, which may include any combination of hardware, software or services. As a result, significant contract interpretation is sometimes required to determine the appropriate accounting, including whether the performance obligations specified in an arrangement should be treated as separate performance obligations for revenue recognition purposes, and when to recognize revenue for each performance obligation.

The company must apply its judgment to determine the timing of the satisfaction of performance obligations as well as the transaction price and the amounts allocated to performance obligations including estimating variable consideration, adjusting the consideration for the effects of the time value of money and assessing whether an estimate of variable consideration is constrained.

Revenue and profit under systems integration contracts are recognized over time as the company transfers control of goods or services. The company measures its progress toward satisfaction of its performance obligations using the cost-to-cost method, or when services have been performed, depending on the nature of the project.

For contracts accounted for using the cost-to-cost method, revenue and profit recognized in any given accounting period are based on estimates of total projected contract costs. The estimates are continually reevaluated and revised, when necessary, throughout the life of a contract. The company follows this method because reasonably dependable estimates of the revenue and costs applicable to various elements of a contract can be made. The financial reporting of these contracts depends on estimates, which are assessed continually during the term of the contracts and therefore, recognized revenues and profit are subject to revisions as the contract progresses to completion. Revisions in profit estimates are reflected in the period in which the facts that give rise to the revision become known. Accordingly, favorable changes in estimates result in additional revenue and profit recognition, and unfavorable changes in estimates result in a reduction of recognized revenue and profit. When estimates indicate that a loss will be incurred on a contract upon completion, a provision for the expected loss is recorded in the period in which the loss becomes evident. As work progresses under a loss contract, revenue continues to be recognized, and a portion of the contract costs incurred in each period is charged to the contract loss reserve.

Outsourcing

Typically, the initial terms of the company's outsourcing contracts are between 3 and 5 years. Revenue under these contracts is recognized when the company performs the services or processes transactions in accordance with contractual performance standards. Customer prepayments (even if nonrefundable) are deferred (classified as a liability) and recognized systematically as revenue over the initial contract term.

Costs on outsourcing contracts are charged to expense as incurred. However, direct costs incurred related to the inception of an outsourcing contract (principally initial customer setup) are deferred and charged to expense over the initial contract term. In addition, the costs of equipment and software, some of which are internally developed, are capitalized and depreciated over the shorter of their life or the initial contract term.

Recoverability of outsourcing assets is subject to various business risks. Quarterly, the company compares the carrying value of the outsourcing assets with the undiscounted future cash flows expected to be generated by the outsourcing assets to determine if the assets are impaired. If impaired, the outsourcing assets are reduced to an estimated fair value on a discounted cash flow approach. The company prepares its cash flow estimates based on assumptions that it believes to be reasonable but are also inherently uncertain. Actual future cash flows could differ from these estimates.

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.

At December 31, 2019 and 2018, the company had deferred tax assets in excess of deferred tax liabilities of $1,617.8 million and $1,636.9 million, respectively. For the reasons cited below, at December 31, 2019 and 2018, management determined that it is more likely than not that $93.1 million and $89.4 million, respectively, of such assets will be realized, resulting in a valuation allowance of $1,524.7 million and $1,547.5 million, respectively.

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. Failure to achieve forecasted taxable income might affect the ultimate realization of the net deferred tax assets. Factors that may affect the company's ability to achieve sufficient forecasted taxable income include, but are not limited to, the following: increased competition, a decline in sales or margins, loss of market share, delays in product availability or technological obsolescence. See "Item 1A. Risk Factors."

Internal Revenue Code Sections 382 and 383 provide annual limitations with respect to the ability of a corporation to utilize its net operating loss (as well as certain built-in losses) and tax credit carryforwards, respectively (Tax Attributes), against future U.S. taxable income, if the corporation experiences an "ownership change." In general terms, an ownership change may result from transactions increasing the ownership of certain stockholders in the stock of a corporation by more than 50 percentage points over a three-year period. The company regularly monitors ownership changes (as calculated for purposes of Section 382). The company has determined that, for purposes of the rules of Section 382 described above, an ownership change occurred in February 2011. Any future transaction or transactions and the timing of such transaction or transactions could trigger additional ownership changes under Section 382.

As a result of the February 2011 ownership change, utilization for certain of the company's Tax Attributes, U.S. net operating losses and tax credits, is subject to an overall annual limitation of $70.6 million. The cumulative limitation as of December 31, 2019 is approximately $470.3 million. This limitation will be applied first to any recognized built in losses, then to any net operating losses, and then to any other Tax Attributes. Any unused limitation may be carried over to later years. Based on presently available information and the existence of tax planning strategies, the company does not expect to incur a U.S. cash tax liability in the near term. The company maintains a full valuation allowance against the realization of all U.S. deferred tax assets as well as certain foreign deferred tax assets in excess of deferred tax liabilities. See Note 6, "Income taxes," of the Notes to Consolidated Financial Statements.

The company's provision for income taxes and the determination of the resulting deferred tax assets and liabilities involve a significant amount of management judgment and are based on the best information available at the time. The company operates within federal, state and international taxing jurisdictions and is subject to audit in these jurisdictions. These audits can involve complex issues, which may require an extended period of time to resolve. As a result, the actual income tax liabilities in the jurisdictions with respect to any fiscal year are ultimately determined long after the financial statements have been published.

Accounting rules governing income taxes also prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The company maintains reserves for estimated tax exposures including penalties and interest. Income tax exposures include potential challenges of intercompany pricing and other tax matters. Exposures are settled primarily through the settlement of audits within these tax jurisdictions, but can also be affected by changes in applicable tax law or other factors, which could cause management of the company to believe a revision of past estimates is appropriate. Management believes that an appropriate liability has been established for estimated exposures; however, actual results may differ materially from these estimates. The liabilities are reviewed quarterly for their adequacy and appropriateness. See Note 6, "Income taxes," of the Notes to Consolidated Financial Statements.

Pensions

Accounting rules governing defined benefit pension plans require that amounts recognized in financial statements be determined on an actuarial basis. The measurement of the company's pension obligations, costs and liabilities is dependent on a variety of assumptions selected by the company and used by the company's actuaries. These assumptions include estimates of the present value of projected future pension payments to plan participants, taking into consideration the likelihood of potential future events such as demographic experience. The assumptions used in developing the required estimates include the following key factors: discount rates, retirement rates, inflation, expected return on plan assets and mortality rates.

As permitted for purposes of computing pension expense, the company uses a calculated value of plan assets (which is further described below). This allows the effects of the performance of the pension plan's assets on the company's computation of pension income or expense to be amortized over future periods. A substantial portion of the company's pension plan assets relates to its qualified defined benefit plans in the United States.

A significant element in determining the company's pension income or expense is the expected long-term rate of return on plan assets. The company sets the expected long-term rate of return based on the expected long-term return of the various asset categories in which it invests. The company considers the current expectations for future returns and the actual historical returns of each asset class. Also, because the company's investment policy is to actively manage certain asset classes where the potential exists to outperform the broader market, the expected returns for those asset classes are adjusted to reflect the expected additional returns. For 2020, the company has assumed that the expected long-term rate of return on U.S. plan assets will be 6.50%, and on the company's non-U.S. plan assets will be 3.50%. A change of 25 basis points in the expected long-term rate of return for the company's U.S. and non-U.S. pension plans causes a change of approximately $8 million and $7 million, respectively, in 2020 pension expense. The assumed long-term rate of return on assets is applied to a calculated value of plan assets, which recognizes changes in the fair value of plan assets in a systematic manner over four years. This produces the expected return on plan assets that is included in pension income or expense. The difference between this expected return and the actual return on plan assets is deferred. The net deferral of past asset gains or losses affects the calculated value of plan assets and, ultimately, future pension income or expense. At December 31, 2019, for the company's U.S. qualified defined benefit pension plans, the calculated value of plan assets was $3.33 billion and the fair value was $3.28 billion.

At the end of each year, the company determines the discount rate to be used to calculate the present value of plan liabilities. The discount rate is an estimate of the current interest rate at which the pension liabilities could be effectively settled at the end of the year. In estimating this rate, the company looks to rates of return on high-quality, fixed-income investments that (a) receive one of the two highest ratings given by a recognized ratings agency and (b) are currently available and expected to be available during the period to maturity of the pension benefits. At December 31, 2019, the company determined this rate to be 3.53% for its U.S. defined benefit pension plans, a decrease of 97 basis points from the rate used at December 31, 2018, and 1.82% for the company's non-U.S. defined benefit pension plans, a decrease of 73 basis points from the rate used at December 31, 2018. A change of 25 basis points in the U.S. and non-U.S. discount rates causes a change in 2020 pension expense of approximately $2 million and $400 thousand, respectively, and a change of approximately $114 million and $123 million, respectively, in the benefit obligation. These estimates are intended to be illustrative based on a single 25 basis point change. The sensitivity to rate changes is not linear and additional changes in rates may result in a different impact on the pension liability. The net effect of changes in the discount rate, as well as the net effect of other changes in actuarial assumptions and experience, has been deferred, as permitted.

Funding requirements for its U.S. qualified pension plans are calculated by the plan's actuaries based on certain assumptions including, as permitted under the Bi-partisan Budget Act of 2015, a discount rate constrained to be within 10% of the 25-year average of the relevant rates. The effect of this limitation is that the funding discount rate is higher than the GAAP discount rate applied for balance sheet purposes, and the liability is therefore lower. In addition, this constraint mitigates the effect of changes in market interest rates on the funding discount rate and the funding liability. Changes to the benefit obligation caused by a 25 basis point change noted above are related to the balance sheet obligation and are not necessarily indicative of the impact on the funding liability.

Gains and losses are defined as changes in the amount of either the projected benefit obligation or plan assets resulting from experience different from that assumed and from changes in assumptions. Because gains and losses may reflect refinements in estimates as well as real changes in economic values and because some gains in one period may be offset by losses in another and vice versa, the accounting rules do not require recognition of gains and losses as components of net pension cost of the period in which they arise.

At a minimum, amortization of an unrecognized net gain or loss must be included as a component of net pension cost for a year if, as of the beginning of the year, that unrecognized net gain or loss exceeds 10 percent of the greater of the projected benefit obligation or the calculated value of plan assets. If amortization is required, the minimum amortization is that excess above the 10 percent divided by the average remaining life expectancy of the plan participants. For the company's U.S. qualified defined benefit pension plans and the company's non-U.S. pension plans, that period is approximately 16 and 24 years, respectively. At December 31, 2019, the estimated unrecognized loss for the company's U.S. qualified defined benefit pension plans and the company's non-U.S. pension plans was $2.59 billion and $0.97 billion, respectively.

For the year ended December 31, 2019, the company recognized consolidated pension expense of $92.7 million, compared with $79.7 million for the year ended December 31, 2018. For 2020, the company expects to recognize pension expense of approximately $90.0 million. See Note 16, "Employee plans," of the Notes to Consolidated Financial Statements.

Goodwill

Accounting rules governing goodwill require a company test goodwill for impairment at least annually, as well as whenever there are events or changes in circumstances (triggering events) which suggest that the carrying amount may not be recoverable.

When determining the fair value of a reporting unit, as appropriate for the individual reporting unit, the company uses both an income and market approach. The methodology used to determine the fair values using the income and market approaches, as described below, are weighted to determine the fair value for each reporting unit.

The income approach is a forward-looking approach to estimating fair value and relies primarily on internal forecasts. Within the income approach, the method used is the discounted cash flow method. The company starts with a forecast of all expected net cash flows associated with the reporting unit, which includes the application of a terminal value, and then a reporting unit-specific discount rate is applied to arrive at a net present value amount. Some of the more significant estimates and assumptions inherent in this approach include the amount and timing of projected net cash flows, long-term growth rate and the discount rate. Cash flow projections are based on management's estimates of economic and market conditions, which drive key assumptions of revenue growth rates, operating margins, capital expenditures and working capital requirements. The discount rate in turn is based on various market factors and specific risk characteristics of each reporting unit.

The market approach relies primarily on external information for estimating the fair value. Some of the more significant estimates and assumptions inherent in this approach include the selection of appropriate guideline companies and the selected performance metric used in this approach.

Estimating the fair value of reporting units requires the use of estimates and significant judgments about key assumptions. There are a number of factors including potential events and changes in circumstances that could change in future periods, including: projected operating results; valuation multiples exhibited by the company and by companies considered comparable to the reporting units; and other macro-economic factors that could impact the discount rate. It is reasonably possible that the judgments and estimates described above could change in future periods.

Goodwill by reporting unit at December 31, 2019, was as follows (dollars in millions):

Reporting unit	Carrying Value
Cloud and infrastructure	$ 32.2
Application services	26.0
Business process outsourcing	10.3
Technology	108.7
Total	$177.2

As a result of the impairment review, the company concluded that none of its goodwill was impaired as of December 31, 2019, and does not believe that any of its reporting units are at risk of failing the impairment test since all reporting unit fair values were substantially in excess of carrying value as of the last impairment test.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk

The company has exposure to interest rate risk from its debt. In general, the company's long-term debt is fixed rate and, to the extent it has any, its short-term debt is variable rate. See Note 14, "Debt," of the Notes to Consolidated Financial Statements for components of the company's long-term debt. The company believes that the market risk assuming a hypothetical 10% increase in interest rates would not be material to the fair value of these financial instruments, or the related cash flows, or future results of operations.

Market risk

As of December 31, 2019, the company had outstanding $434.5 million ($440.0 million face value) of senior secured notes due 2022 and $80.0 million ($84.2 million face value) of convertible senior notes due 2021. The interest rates on these notes are fixed and therefore do not expose the company to risk related to rising interest rates. As of December 31, 2019, the fair value of the convertible senior notes was $115.8 million. In connection with the offering of the convertible senior notes, the company paid $27.3 million to purchase a capped call covering approximately 21.9 million shares of the company's common stock. If the price per share of the company's common stock is below $9.76, these capped call transactions would provide no benefit from potential dilution. If the price per share of the company's common stock is above $12.75, then to the extent of the excess, these capped call transactions would result in no additional benefit for potential dilution at conversion. As a result of the convertible note exchange in August 2019, the company unwound a pro rata portion of the capped call transactions and received proceeds of $7.2 million. Following the convertible note exchange, the capped call transactions remaining cover approximately 8.6 million shares of the company's common stock. See Note 14, "Debt," of the Notes to Consolidated Financial Statements.

Foreign currency exchange rate risk

The company is also exposed to foreign currency exchange rate risks. The company is a net receiver of currencies other than the U.S. dollar and, as such, can benefit from a weaker dollar, and can be adversely affected by a stronger dollar relative to currencies worldwide. Accordingly, changes in exchange rates, and in particular a strengthening of the U.S. dollar, may adversely affect consolidated revenue and operating margins as expressed in U.S. dollars. Currency exposure gains and losses are mitigated by purchasing components and incurring expenses in local currencies.

In addition, the company uses derivative financial instruments, primarily foreign exchange forward contracts, to reduce its exposure to market risks from changes in foreign currency exchange rates on intercompany balances. See Note 11, "Financial instruments and concentration of credit risks," of the Notes to Consolidated Financial Statements for additional information on the company's derivative financial instruments.

The company has performed a sensitivity analysis assuming a hypothetical 10% adverse movement in foreign currency exchange rates applied to these derivative financial instruments described above. As of December 31, 2019 and 2018, the analysis indicated that such market movements would have reduced the estimated fair value of these derivative financial instruments by approximately $44 million and $34 million, respectively. Based on changes in the timing and amount of interest rate and foreign currency exchange rate movements and the company's actual exposures and hedges, actual gains and losses in the future may differ from the above analysis.

UNISYS CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(Millions, except per share data)

Year ended December 31,	**2019**	2018	2017
Revenue			
Services	**$2,552.7**	$2,386.3	$2,328.2
Technology	**396.0**	438.7	413.6
	2,948.7	2,825.0	2,741.8
Costs and expenses			
Cost of revenue:			
Services	**2,134.1**	2,010.5	2,033.8
Technology	**148.2**	128.2	160.3
	2,282.3	2,138.7	2,194.1
Selling, general and administrative expenses	**396.9**	370.3	411.9
Research and development expenses	**31.3**	31.9	38.7
	2,710.5	2,540.9	2,644.7
Operating income	**238.2**	284.1	97.1
Interest expense	**62.1**	64.0	52.8
Other income (expense), net	**(136.4)**	(76.9)	(116.4)
Income (loss) before income taxes	**39.7**	143.2	(72.1)
Provision (benefit) for income taxes	**53.0**	64.3	(5.5)
Consolidated net income (loss)	**(13.3)**	78.9	(66.6)
Net income (loss) attributable to noncontrolling interests	**3.9**	3.4	(1.3)
Net income (loss) attributable to Unisys Corporation common shareholders	**$ (17.2)**	$ 75.5	$ (65.3)
Earnings (loss) per common share attributable to Unisys Corporation			
Basic	**$ (0.31)**	$ 1.48	$ (1.30)
Diluted	**$ (0.31)**	$ 1.30	$ (1.30)

See notes to consolidated financial statements.

UNISYS CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Millions)

Year ended December 31,	**2019**	2018	2017
Consolidated net income (loss)	**$(13.3)**	$ 78.9	$ (66.6)
Other comprehensive income			
Foreign currency translation	**24.4**	(81.8)	117.8
Postretirement adjustments, net of tax of $(11.3) in 2019, $7.1 in 2018 and $18.3 in 2017	**(38.9)**	33.8	265.1
Total other comprehensive income (loss)	**(14.5)**	(48.0)	382.9
Comprehensive income (loss)	**(27.8)**	30.9	316.3
Comprehensive income (loss) attributable to noncontrolling interests	**(6.8)**	15.7	44.6
Comprehensive income (loss) attributable to Unisys Corporation	**$(21.0)**	$ 15.2	$271.7

See notes to consolidated financial statements.

UNISYS CORPORATION

CONSOLIDATED BALANCE SHEETS

(Millions)

As of December 31,	2019	2018
Assets		
Current assets		
Cash and cash equivalents	$ 538.8	$ 605.0
Accounts receivable, net	495.0	509.2
Contract assets	53.0	29.7
Inventories:		
Parts and finished equipment	10.9	14.0
Work in process and materials	9.8	13.3
Prepaid expenses and other current assets	113.8	130.2
Total current assets	1,221.3	1,301.4
Properties	806.0	800.2
Less – Accumulated depreciation and amortization	681.6	678.9
Properties, net	124.4	121.3
Outsourcing assets, net	202.5	216.4
Marketable software, net	186.8	162.1
Operating lease right-of-use assets	127.1	–
Prepaid postretirement assets	136.2	147.6
Deferred income taxes	114.0	109.3
Goodwill	177.2	177.8
Restricted cash	13.0	19.1
Other long-term assets	201.5	202.6
Total assets	$ 2,504.0	$ 2,457.6
Liabilities and deficit		
Current liabilities:		
Current maturities of long-term debt	$ 13.5	$ 10.0
Accounts payable	252.0	268.9
Deferred revenue	288.6	294.4
Other accrued liabilities	373.2	350.0
Total current liabilities	927.3	923.3
Long-term debt	566.1	642.8
Long-term postretirement liabilities	1,960.2	1,956.5
Long-term deferred revenue	147.4	157.2
Long-term operating lease liabilities	83.6	–
Other long-term liabilities	47.7	77.4
Commitments and contingencies		
Deficit:		
Common stock, par value $.01 per share (150.0 million shares authorized; 65.9 million shares and 54.2 million shares issued)	0.7	0.5
Accumulated deficit	(1,711.2)	(1,694.0)
Treasury stock, at cost	(109.6)	(105.0)
Paid-in capital	4,643.3	4,539.8
Accumulated other comprehensive loss	(4,088.6)	(4,084.8)
Total Unisys stockholders’ deficit	(1,265.4)	(1,343.5)
Noncontrolling interests	37.1	43.9
Total deficit	(1,228.3)	(1,299.6)
Total liabilities and deficit	$ 2,504.0	$ 2,457.6

See notes to consolidated financial statements.

UNISYS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions)

Year ended December 31,	2019	2018	2017
Cash flows from operating activities			
Consolidated net income (loss)	**$ (13.3)**	$ 78.9	$ (66.6)
Adjustments to reconcile consolidated net income (loss) to net cash provided by operating activities:			
Foreign currency transaction losses	**11.0**	7.4	21.7
Non-cash interest expense	**9.2**	10.5	9.5
Loss on debt exchange / extinguishment	**20.1**	–	1.5
Employee stock compensation	**13.2**	13.2	11.2
Depreciation and amortization of properties	**35.3**	40.4	39.7
Depreciation and amortization of outsourcing assets	**63.8**	66.8	53.7
Amortization of marketable software	**48.3**	56.9	63.1
Other non-cash operating activities	**(1.6)**	(4.8)	3.2
Loss on disposal of capital assets	**1.5**	0.8	5.0
Gain on sale of properties	**–**	(7.3)	–
Postretirement contributions	**(109.4)**	(138.7)	(150.6)
Postretirement expense	**96.6**	84.1	98.1
Decrease in deferred income taxes, net	**4.4**	8.2	3.4
Changes in operating assets and liabilities:			
Receivables, net	**(8.3)**	(50.5)	5.9
Inventories	**6.1**	(5.5)	4.1
Other assets	**9.9**	(23.9)	(27.5)
Accounts payable and other accrued liabilities	**(114.4)**	(62.2)	48.6
Other liabilities	**51.5**	(0.4)	42.4
Net cash provided by operating activities	**123.9**	73.9	166.4
Cash flows from investing activities			
Proceeds from investments	**3,568.9**	3,708.0	4,717.2
Purchases of investments	**(3,566.1)**	(3,722.0)	(4,692.4)
Capital additions of properties	**(38.0)**	(35.6)	(25.8)
Capital additions of outsourcing assets	**(48.8)**	(73.0)	(86.3)
Investment in marketable software	**(73.0)**	(80.7)	(64.4)
Net proceeds from sale of properties	**(0.3)**	19.2	–
Other	**(0.9)**	(0.9)	(0.8)
Net cash used for investing activities	**(158.2)**	(185.0)	(152.5)
Cash flows from financing activities			
Cash paid in connection with debt exchange	**(56.7)**	–	–
Proceeds from capped call transactions	**7.2**	–	–
Payments of long-term debt	**(14.4)**	(2.3)	(107.5)
Financing fees	**–**	(0.2)	(1.1)
Proceeds from issuance of long-term debt	**30.5**	–	452.9
Issuance costs relating to long-term debt	**–**	–	(12.1)
Other	**(4.6)**	(2.3)	(2.3)
Net cash (used for) provided by financing activities	**(38.0)**	(4.8)	329.9
Effect of exchange rate changes on cash, cash equivalents and restricted cash	**–**	(24.1)	19.2
(Decrease) increase in cash, cash equivalents and restricted cash	**(72.3)**	(140.0)	363.0
Cash, cash equivalents and restricted cash, beginning of year	**624.1**	764.1	401.1
Cash, cash equivalents and restricted cash, end of year	**$ 551.8**	$ 624.1	$ 764.1

See notes to consolidated financial statements.

UNISYS CORPORATION

CONSOLIDATED STATEMENTS OF DEFICIT

(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 December 31, 2016	$(1,647.4)	$(1,631.0)	$0.5	$(1,893.4)	$(100.5)	$4,515.2	$(4,152.8)	$(16.4)
Cumulative effect adjustment - ASU No. 2016-16	(4.4)	(4.4)		(4.4)				
Consolidated net loss	(66.6)	(65.3)		(65.3)				(1.3)
Stock-based activity	9.0	9.0			(2.2)	11.2		
Translation adjustments	117.8	110.1					110.1	7.7
Postretirement plans	265.1	226.9					226.9	38.2
Balance at December 31, 2017	$(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)				
Cumulative effect adjustment - ASU No. 2017-05	6.3	6.3		6.3				
Reclassification pursuant to ASU No. 2018-02	–	–		208.7			(208.7)	
Consolidated net income	78.9	75.5		75.5				3.4
Stock-based activity	11.1	11.1			(2.3)	13.4		
Translation adjustments	(81.8)	(79.7)					(79.7)	(2.1)
Postretirement plans	33.8	19.4					19.4	14.4
Balance at December 31, 2018	$(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)	**(13.3)**	**(17.2)**		**(17.2)**				**3.9**
Stock-based activity	**8.0**	**8.0**	**0.1**		**(4.6)**	**12.5**		
Debt exchange	**83.9**	**83.9**	**0.1**			**83.8**		
Capped call on debt exchange	**7.2**	**7.2**				**7.2**		
Translation adjustments	**24.4**	**23.8**					**23.8**	**0.6**
Postretirement plans	**(38.9)**	**(27.6)**					**(27.6)**	**(11.3)**
Balance at December 31, 2019	**$(1,228.3)**	**$(1,265.4)**	**$0.7**	**$ (1,711.2)**	**$(109.6)**	**$4,643.3**	**$(4,088.6)**	**$ 37.1**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except share and per share amounts)

Note 1 – Summary of significant accounting policies

Principles of consolidation The consolidated financial statements include the accounts of all majority-owned subsidiaries.

Liquidity and Capital Resources Management believes that cash and cash equivalents as of December 31, 2019, cash flows from operations and availability under the company's revolving line of credit are sufficient to maintain operations through at least February 28, 2021. On February 6, 2020, the company announced that it had entered into a definitive agreement to sell its U.S. federal business for $1.2 billion. The transaction is expected to close in the first half of 2020, subject to customary closing conditions. On September 27, 2019, the company applied for waivers with the U.S. Internal Revenue Service (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 2020. The IRS may choose not to grant the application, or to grant it for an amount less than the amount requested. There is no specified time frame in which the IRS must make a decision. If the sale of the U.S. federal business does not close and if the IRS deferral is not granted, the company will be required to reduce discretionary operating expenses and/or capital expenditures as well as utilize the availability under its revolving line of credit.

Use of estimates The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

Cash and Cash equivalents Cash and cash equivalents consist of cash on hand, short-term investments purchased with a maturity of three months or less and certificates of deposit which may be withdrawn at any time at the discretion of the company without penalty.

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.

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.

As of December 31,	**2019**	2018
Cash and cash equivalents	**$538.8**	$605.0
Restricted cash	**13.0**	19.1
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	**$551.8**	$624.1

Inventories Inventories are valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out method.

Properties Properties are carried at cost and are depreciated over the estimated lives of such assets using the straight-line method. The estimated lives used, in years, are as follows: buildings, 20 – 50; machinery and office equipment, 4 – 7; rental equipment, 4; and internal-use software, 3 – 10.

Outsourcing assets Costs on outsourcing contracts are generally expensed as incurred. However, certain costs incurred upon initiation of an outsourcing contract (principally initial customer setup) are deferred and expensed over the initial contract life. Fixed assets and software used in connection with outsourcing contracts are capitalized and depreciated over the shorter of the initial contract life or in accordance with the fixed asset policy described above.

Recoverability of these costs is subject to various business risks. Quarterly, the company compares the carrying value of these assets with the undiscounted future cash flows expected to be generated by them to determine if there is impairment. If impaired, these assets are reduced to an estimated fair value on a discounted cash flow basis. The company prepares its cash flow estimates based on assumptions that it believes to be reasonable but are also inherently uncertain. Actual future cash flows could differ from these estimates.

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 66% 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 $19.8 million decrease to cost of revenue in 2019, and accordingly increased consolidated net income by $19.8 million or $0.35 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 December 31, 2019, $67.1 million of marketable software was in process and the remaining $119.7 million has a weighted-average remaining life of 3.2 years. The company performs quarterly reviews to ensure that unamortized costs remain recoverable from future revenue. As of December 31, 2019, the company believes that all unamortized costs are fully recoverable.

Internal-use software The company capitalizes certain internal and external costs incurred to acquire or create internal-use software, principally related to software coding, designing system interfaces, and installation and testing of the software. These costs are amortized in accordance with the fixed asset policy described above.

Goodwill Goodwill arising from the acquisition of an entity represents the excess of the cost of acquisition over the fair value of the acquired identifiable assets, liabilities and contingent liabilities of the entity recognized at the date of acquisition. Goodwill is initially recognized as an asset and is subsequently measured at cost less any accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each balance sheet date.

The company tests goodwill for impairment annually in the fourth quarter using data as of September 30 of that year, as well as whenever there are events or changes in circumstances (triggering events) that would more likely than not reduce the fair value of one or more reporting units below its respective carrying amount. The company compares the fair value of each of its reporting units to their respective carrying value. If the carrying value exceeds fair value, an impairment charge is recognized for the difference. Impaired goodwill is written down to its fair value through a charge to the consolidated statement of income in the period the impairment is identified.

The company estimates the fair value of each reporting unit using a combination of the income approach and market approach.

The income approach incorporates the use of a discounted cash flow method in which the estimated future cash flows and terminal values for each reporting unit are discounted to present value. Cash flow projections are based on management's estimates of economic and market conditions, which drive key assumptions of revenue growth rates, operating margins, capital expenditures and working capital requirements. The discount rate in turn is based on various market factors and specific risk characteristics of each reporting unit.

The market approach estimates fair value by applying performance metric multiples to the reporting unit's prior and expected operating performance. The multiples are derived from comparable publicly traded companies with similar operating and investment characteristics as the reporting unit.

If the fair value of the reporting unit derived using the income approach is significantly different from the fair value estimate using the market approach, the company reevaluates its assumptions used in the two models. When considering the weighting between the market approach and income approach, the company gave more weighting to the income approach. The higher weighting assigned to the income approach took into consideration that the guideline companies used in the market approach generally represent larger diversified companies relative to the reporting units and may have different long-term growth prospects, among other factors.

In order to assess the reasonableness of the calculated reporting unit fair values, the company also compares the sum of the reporting units' fair values to its market capitalization (per share stock price multiplied by shares outstanding) and calculates an implied control premium (the excess of the sum of the reporting units' fair values over the market capitalization).

Estimating the fair value of reporting units requires the use of estimates and significant judgments that are based on a number of factors including actual operating results. It is reasonably possible that the judgments and estimates described above could change in future periods.

Retirement benefits Accounting rules covering defined benefit pension plans and other postretirement benefits require that amounts recognized in financial statements be determined on an actuarial basis. A significant element in determining the company's retirement benefits expense or income is the expected long-term rate of return on plan assets. This expected return is an assumption as to the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the projected pension benefit obligation. The company applies this assumed long-term rate of return to a calculated value of plan assets, which recognizes changes in the fair value of plan assets in a systematic manner over four years. This produces the expected return on plan assets that is included in retirement benefits expense or income. The difference between this expected return and the actual return on plan assets is deferred. The net deferral of past asset losses or gains affects the calculated value of plan assets and, ultimately, future retirement benefits expense or income.

At December 31 of each year, the company determines the fair value of its retirement benefits plan assets as well as the discount rate to be used to calculate the present value of plan liabilities. The discount rate is an estimate of the interest rate at which the retirement benefits could be effectively settled. In estimating the discount rate, the company looks to rates of return on high-quality, fixed-income investments currently available and expected to be available during the period to maturity of the retirement benefits. The company uses a portfolio of fixed-income securities, which receive at least the second-highest rating given by a recognized ratings agency.

Noncontrolling interest The company owns a fifty-one percent interest in Intelligent Processing Solutions Ltd. (iPSL), a U.K. business process outsourcing joint venture. The remaining interests, which are reflected as a noncontrolling interest in the company's financial statements, are owned by three financial institutions for which iPSL performs services.

Revenue recognition Revenue is recognized at an amount that reflects the consideration to which the company expects to be entitled in exchange for transferring goods and services to a customer. The company determines revenue recognition using the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the company satisfies a performance obligation.

Revenue excludes taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue producing transaction and collected by the company from a customer (e.g., sales, use and value-added taxes). Revenue includes payments for shipping and handling activities.

At contract inception, the company assesses the goods and services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either: (1) a good or service (or a bundle of goods or services) that is distinct or (2) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. The company recognizes revenue only when it satisfies a performance obligation by transferring a promised good or service to a customer.

The company must apply its judgment to determine the timing of the satisfaction of performance obligations as well as the transaction price and the amounts allocated to performance obligations including estimating variable consideration, adjusting the consideration for the effects of the time value of money and assessing whether an estimate of variable consideration is constrained.

Revenue from hardware sales is recognized upon the transfer of control to a customer, which is defined as an entity's ability to direct the use of and obtain substantially all of the remaining benefits of an asset.

Revenue from software licenses is recognized at the inception of either the initial license term or the inception of an extension or renewal to the license term.

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.

Revenue from equipment and software maintenance and post-contract support is recognized on a straight-line basis as earned over the terms of the respective contracts. Cost related to such contracts is recognized as incurred.

Revenue and profit under systems integration contracts are recognized over time as the company transfers control of goods or services. The company measures its progress toward satisfaction of its performance obligations using the cost-to-cost method, or when services have been performed, depending on the nature of the project. For contracts accounted for using the cost-to-cost method, revenue and profit recognized in any given accounting period are based on estimates of total projected contract costs. The estimates are continually reevaluated and revised, when necessary, throughout the life of a contract. Any adjustments to revenue and profit resulting from changes in estimates are accounted for in the period of the change in estimate. When estimates indicate that a loss will be incurred on a contract upon completion, a provision for the expected loss is recorded in the period in which the loss becomes evident.

In services arrangements, the company typically satisfies the performance obligation and recognizes revenue over time, because the client simultaneously receives and consumes the benefits provided as the company performs the services. The company's services are provided on a time-and-materials basis, as a fixed-price contract or as a fixed-price per measure of output contract.

Revenue from time-and-material contracts is recognized on an output basis as labor hours are delivered and/or direct expenses are incurred.

In outsourcing contracts, including managed services, application management, business process outsourcing and other cloud-based services arrangements, the arrangement generally consists of a single performance obligation comprised of a series of distinct services that are substantially the same and that have the same pattern of transfer (i.e., distinct days of service). The company applies a measure of progress (typically time-based) to any fixed consideration and allocates variable consideration to the distinct periods of service based on usage. As a result, revenue is generally recognized over the period the services are provided either on a straight-line basis or on a usage basis, depending on the terms of the arrangement (such as whether the company is standing ready to perform or whether the contract has usage-based metrics). This results in revenue recognition that corresponds with the value to the client of the services transferred to date relative to the remaining services promised.

The company also enters into arrangements, which may include any combination of hardware, software or services. For example, a client may purchase an enterprise server that includes operating system software. In addition, the arrangement may include post-contract support for the software and a contract for post-warranty maintenance for service of the hardware. These arrangements consist of multiple performance obligations, with control over hardware and software transferred in one reporting period and the software support and hardware maintenance services performed across multiple reporting periods. In another example, the company may provide desktop managed services to a client on a long-term multiple-year basis and periodically sell hardware and license software products to the client. The services are provided on a continuous basis across multiple reporting periods and control over the hardware and software products occurs in one reporting period. To the extent that a performance obligation in an arrangement is subject to specific guidance, that performance obligation is accounted for in accordance with such specific guidance. An example of such an arrangement may include leased assets which are subject to specific leasing accounting guidance.

The company allocates the total transaction price to be earned under an arrangement among the various performance obligations in proportion to their standalone selling prices (relative standalone selling price basis). The standalone selling price for a performance obligation is the price at which the company would sell a promised good or service separately to a customer.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Many of the company's contracts have a single performance obligation as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts and, therefore, not distinct. For contracts with multiple performance obligations, the company allocates the contract's transaction price to each performance obligation using its best estimate of the standalone selling price of each distinct good or service in the contract. The primary methods used to estimate standalone selling price are as follows: (1) the expected cost plus margin approach, under which the company forecasts its expected costs of satisfying a performance obligation and then adds an appropriate margin for that distinct good or service and (2) the percent discount off of list price approach.

In the Services segment, substantially all of the company's performance obligations are satisfied over time as work progresses and therefore substantially all of the revenue in this segment is recognized over time. The company generally receives payment for these contracts over time as the performance obligations are satisfied.

In the Technology segment, substantially all of the company's goods and services are transferred to customers at a single point in time. Revenue on these contracts is recognized when control over the product is transferred to the customer or a software license term begins. The company generally receives payment for these contracts upon signature or within 30 to 60 days.

The company discloses disaggregation of its customer revenue by geographic areas and by classes of similar products and services, by segment (see Note 19).

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables, contract assets and deferred revenue (contract liabilities).

Advertising costs All advertising costs are expensed as incurred. The amount charged to expense during 2019, 2018 and 2017 was $3.6 million, $2.8 million and $1.6 million, respectively.

Shipping and handling Costs related to shipping and handling are included in cost of revenue.

Stock-based compensation plans Stock-based compensation represents the cost related to stock-based awards granted to employees and directors. Compensation expense for performance-based restricted stock unit awards is recognized as expense ratably for each installment from the date of the 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-based awards is recognized as expense ratably over the measurement period, regardless of the actual level of achievement, provided the service requirement is met. The fair value of restricted stock units with time and performance conditions is 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 is estimated using a Monte Carlo simulation. The company recognizes compensation expense for the fair value of stock options, which have graded vesting, on a straight-line basis over the requisite service period. The company estimates the fair value of stock options using a Black-Scholes valuation model. The expense is recorded in selling, general and administrative expenses.

Income taxes Income taxes are based on income before taxes for financial reporting purposes and reflect a current tax liability for the estimated taxes payable in the current-year tax returns and changes in deferred taxes. Deferred tax assets or liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using enacted tax laws and rates. A valuation allowance is provided on deferred tax assets if it is determined that it is more likely than not that the asset will not be realized. The company releases the income tax effects of deferred tax balances that have a valuation allowance from accumulated other comprehensive income once the reason the tax effects were established ceases to exist (e.g. postretirement plan is liquidated). The company recognizes penalties and interest accrued related to income tax liabilities in provision for income taxes in its consolidated statements of income.

The company treats the global intangible low-taxed income tax, or GILTI, as a period cost when included in U.S. taxable income, and the base erosion and anti-abuse tax, or BEAT, as a period cost when incurred.

Translation of foreign currency The local currency is the functional currency for most of the company's international subsidiaries, and as such, assets and liabilities are translated into U.S. dollars at year-end exchange rates. Income and expense items are translated at average exchange rates during the year. Translation adjustments resulting from changes in exchange rates are reported in other comprehensive income (loss). Exchange gains and losses on intercompany balances are reported in other income (expense), net.

For those international subsidiaries operating in highly inflationary economies, the U.S. dollar is the functional currency, and as such, nonmonetary assets and liabilities are translated at historical exchange rates, and monetary assets and liabilities are translated at current exchange rates. Exchange gains and losses arising from translation are included in other income (expense), net.

Fair value measurements Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value measurements for assets and liabilities required to be recorded at fair value, the company assumes that the transaction is an orderly transaction that assumes exposure to the market for a period before the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction (for example, a forced liquidation or distress sale). The fair value hierarchy has three levels of inputs that may be used to measure fair value: Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the company can access at the measurement date; Level 2 – Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3 – Unobservable inputs for the asset or liability. The company has applied fair value measurements to its long-term debt (see Note 14), derivatives (see Note 11) and to its postretirement plan assets (see Note 16).

Note 2 – Recent accounting pronouncements and accounting changes

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. The ASU 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 year ended December 31, 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.

Effective January 1, 2018, the company adopted ASU No. 2014-09 *Revenue from Contracts with Customers (Topic 606)* issued by the FASB which establishes principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. Topic 606 allows for either "full retrospective" adoption, meaning the standard is applied to all periods presented, or "modified retrospective" adoption, meaning the standard is applied only to the most current period presented in the financial statements. Topic 606 requires the company to recognize revenue for certain transactions, including extended payment term software licenses and short-term software licenses, sooner than the prior rules would allow and requires the company to recognize software license extensions and renewals (the most significant impact upon adoption), later than the prior rules would allow. Topic 606 also requires significantly expanded disclosure requirements. The company has adopted the standard using the modified retrospective method and applied the standard to all contracts that were not completed as of January 1, 2018. The cumulative effect of the adoption was recognized as an increase in the company's accumulated deficit of $21.4 million on January 1, 2018.

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 beginning after December 15, 2019. 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. 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 3 – Cost-reduction actions

During 2019, the company recognized cost-reduction charges and other costs of $28.7 million, principally related to a reduction in employees. The charges related to work-force reductions were $22.1 million, principally related to severance costs, and were comprised of: (a) a charge of $4.6 million for 509 employees and $(1.5) million for changes in estimates in the U.S. and (b) a charge of $21.1 million for 255 employees and $(2.1) million for changes in estimates outside the U.S. In addition, the company recorded charges of $6.6 million comprised of $4.6 million for lease abandonment costs, $1.1 million for asset write-offs and $0.9 million for other expenses related to the cost-reduction effort. The charges were recorded in the following statement of income classifications: cost of revenue - services, $10.8 million; cost of revenue - technology, $0.2 million; selling, general and administrative expenses, $15.5 million; and research and development expenses, $2.2 million.

During 2018, the company recognized cost-reduction charges and other costs of $19.7 million, principally related to a reduction in employees. The charges related to work-force reductions were $19.0 million, principally related to severance costs, and were comprised of: (a) a charge of $5.2 million for 264 employees and $0.1 million for changes in estimates in the U.S. and (b) a charge of $22.5 million for 325 employees and $(8.8) million for changes in estimates outside the U.S. In addition, the company recorded a charge of $0.7 million for changes in estimates related to idle leased facilities costs. The charges were recorded in the following statement of income classifications: cost of revenue - services, $18.1 million and selling, general and administrative expenses, $1.6 million.

During 2017, the company recognized cost-reduction charges and other costs of $146.8 million, principally related to a reduction in employees. The charges related to work-force reductions were $117.9 million, principally related to severance costs, and were comprised of: (a) a charge of $9.4 million for 542 employees and $(1.3) million for changes in estimates in the U.S. and (b) a charge of $109.4 million for 2,274 employees, $8.2 million for additional benefits provided in 2017 and $(7.8) million for changes in estimates outside the U.S. In addition, the company recorded charges of $28.9 million comprised of $4.7 million for idle leased facilities costs, $5.4 million for contract amendment and termination costs, $5.2 million for professional fees and other expenses related to the cost-reduction effort, $1.8 million for net asset sales and write-offs and $11.8 million for net foreign currency losses related to exiting foreign countries. The charges were recorded in the following statement of income classifications: cost of revenue - services, $99.6 million; cost of revenue - technology, $0.4 million; selling, general and administrative expenses, $33.6 million; research and development expenses, $1.4 million; and other income (expense), net, $11.8 million.

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

	Total	U.S.	International
Balance at January 1, 2017	$ 35.2	$ 1.8	$ 33.4
Additional provisions	127.0	9.4	117.6
Payments	(47.3)	(6.0)	(41.3)
Changes in estimates	(9.1)	(1.3)	(7.8)
Translation adjustments	7.7	–	7.7
Balance at December 31, 2017	113.5	3.9	109.6
Additional provisions	27.7	5.2	22.5
Payments	(42.4)	(3.1)	(39.3)
Changes in estimates	(8.7)	0.1	(8.8)
Translation adjustments	(3.9)	–	(3.9)
Balance at December 31, 2018	**86.2**	**6.1**	**80.1**
Additional provisions	**25.7**	**4.6**	**21.1**
Payments	**(57.7)**	**(4.0)**	**(53.7)**
Changes in estimates	**(3.6)**	**(1.5)**	**(2.1)**
Translation adjustments	**(0.8)**	–	**(0.8)**
Balance at December 31, 2019	**$ 49.8**	**$ 5.2**	**$ 44.6**
Expected future payments on balance at December 31, 2019:			
In 2020	**$ 47.5**	**$ 4.8**	**$ 42.7**
Beyond 2020	**2.3**	**0.4**	**1.9**

Note 4 – Leases and commitments

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 is the lessee in lease agreements that include lease and non-lease components, which the company accounts for as a single lease component for all personal property leases. The company also has lease agreements in which it is the lessor that include lease and non-lease components. For these agreements, the company accounts for these components as a single lease component. 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 company determines the incremental borrowing rate using the portfolio approach considering lease term and lease currency.

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 year ended December 31, 2019 are as follows:

Year ended December 31,	**2019**
Operating lease cost	**$69.8**
Finance lease cost	
Amortization of right-of-use assets	**1.6**
Interest on lease liabilities	**0.3**
Total finance lease cost	**1.9**
Short-term lease costs	**0.6**
Variable lease cost	**16.6**
Sublease income	**(0.7)**
Total lease cost	**$88.2**

Rental expense and income from subleases for the years ended December 31, 2018 and 2017, prior to the adoption of ASU 2016-02 as described in Note 2 of this Form 10-K were as follows:

Year ended December 31,	2018	2017
Rental expense, less income from subleases	$ 67.4	$ 71.7
Income from subleases	$ 3.1	$ 4.4

Supplemental balance sheet information related to leases is as follows:

As of December 31,	2019
Operating Leases	
Operating lease right-of-use assets	**$ 127.1**
Other accrued liabilities	**70.0**
Long-term operating lease liabilities	**83.6**
Total operating lease liabilities	**$153.6**
Finance Leases	
Outsourcing assets, net	**$ 4.6**
Current maturities of long-term debt	**1.8**
Long-term debt	**3.5**
Total finance lease liabilities	**$ 5.3**
Weighted-Average Remaining Lease Term (in years)	
Operating leases	**3.1**
Finance leases	**3.0**
Weighted-Average Discount Rate	
Operating leases	**6.3%**
Finance leases	**5.0%**

Supplemental cash flow information related to leases is as follows:

Year ended December 31,	2019
Cash paid for amounts included in the measurement of lease liabilities:	
Cash payments for operating leases included in operating activities	**$73.2**
Cash payments for finance leases included in financing activities	**1.7**
Cash payments for finance lease included in operating activities	**0.3**

ROU assets obtained in exchange for lease obligations are as follows:

Year ended December 31,	2019
Operating leases	**$69.6**
Finance leases	**1.5**

Maturities of lease liabilities as of December 31, 2019 are as follows:

Year	Finance Leases	Operating Leases
2020	**$2.0**	**$ 77.2**
2021	**2.0**	**38.7**
2022	**1.4**	**23.8**
2023	**0.3**	**12.7**
2024	**0.1**	**10.3**
Thereafter	**–**	**6.3**
Total lease payments	**5.8**	**169.0**
Less imputed interest	**0.5**	**15.4**
Total	**$5.3**	**$153.6**

Maturities of lease liabilities as of December 31, 2018, prior to the adoption of ASU No. 2016-02 as described in Note 2 of this Form 10-K 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 year ended December 31, 2019.

As of December 31, 2019, receivables under sales-type leases before the allowance for unearned income were collectible as follows:

Year	
2020	$19.7
2021	13.7
2022	12.6
2023	12.5
2024	12.0
Thereafter	5.4
Total	$75.9

Other Commitments

At December 31, 2019, the company had outstanding standby letters of credit and surety bonds totaling approximately $258 million related to performance and payment guarantees. On the basis of experience with these arrangements, the company believes that any obligations that may arise will not be material. In addition, at December 31, 2019, the company had deposits and collateral of approximately $12 million in other long-term assets, principally related to tax contingencies in Brazil.

Note 5 – Foreign currency

Effective July 1, 2018, the company's Argentinian subsidiary began to apply highly inflationary accounting due to cumulative inflation of approximately 100 percent or more over the last 3-year period. For those international subsidiaries operating in highly inflationary economies, the U.S. dollar is the functional currency, and as such, nonmonetary assets and liabilities are translated at historical exchange rates, and monetary assets and liabilities are translated at current exchange rates. Exchange gains and losses arising from translation are included in other income (expense), net. At December 31, 2019, the company's operations in Argentina had net monetary assets denominated in local currency of approximately $6.2 million.

During the years ended December 31, 2019, 2018 and 2017, the company recognized foreign exchange gains (losses) in "Other income (expense), net" in its consolidated statements of income of $(10.4) million, $(5.9) million and $(9.9) million, respectively. The year ended December 31, 2017 also includes $11.8 million of net foreign currency losses related to exiting foreign countries in connection with the company's restructuring plan.

Note 6 – Income taxes

Following is the total income (loss) before income taxes and the provision (benefit) for income taxes for the three years ended December 31, 2019.

Year ended December 31,	**2019**	2018	2017
Income (loss) before income taxes			
United States	**$(48.1)**	$ (53.6)	$(152.7)
Foreign	**87.8**	196.8	80.6
Total income (loss) before income taxes	**$ 39.7**	$143.2	$ (72.1)
Provision for income taxes			
Current			
United States	**$ 7.6**	$ 4.7	$ (42.8)
Foreign	**41.0**	51.4	33.9
Total	**48.6**	56.1	(8.9)
Deferred			
Foreign	**4.4**	8.2	3.4
Total provision (benefit) for income taxes	**$ 53.0**	$ 64.3	$ (5.5)

Following is a reconciliation of the provision (benefit) for income taxes at the United States statutory tax rate to the provision for income taxes as reported:

Year ended December 31,	**2019**	2018	2017
United States statutory income tax provision (benefit)	**$ 8.3**	$30.1	$(25.2)
Income and losses for which no provision or benefit has been recognized	**28.2**	22.2	70.3
Foreign rate differential and other foreign tax expense	**3.2**	9.5	(11.3)
Income tax withholdings	**17.6**	19.3	16.8
Permanent items	**(2.5)**	(5.0)	(3.0)
Enacted rate changes	**0.5**	(2.3)	(0.4)
Change in uncertain tax positions	**0.2**	(1.2)	2.3
Change in valuation allowances due to changes in judgment	**(2.3)**	(5.9)	(4.6)
Income tax credits, U.S.	**(0.2)**	(2.4)	(50.4)
Provision (benefit) for income taxes	**$53.0**	$64.3	$ (5.5)

The Tax Cuts & Jobs Act (TCJA) reduced the U.S. federal income tax rate from 35% to 21% effective January 1, 2018, with no net financial statement impact due to the valuation allowance recorded against all U.S. deferred tax assets.

Included in 2017 was a benefit of $50.4 million principally related to the TCJA's elimination of the corporate Alternative Minimum Tax (AMT) and refund of all remaining AMT credits.

The 2018 provision for income taxes included $(2.2) million due to a reduction in the Netherlands income tax rate, which was enacted in the fourth quarter of 2018 and reduced the rate from 25% to 20.5% effective January 1, 2021.

The tax effects of temporary differences and carryforwards that give rise to significant portions of deferred tax assets and liabilities at December 31, 2019 and 2018 were as follows:

As of December 31,	**2019**	2018
Deferred tax assets		
Tax loss carryforwards	**$ 841.1**	$ 860.0
Postretirement benefits	**434.4**	440.3
Foreign tax credit carryforwards	**211.5**	221.6
Other tax credit carryforwards	**30.3**	29.8
Deferred revenue	**42.8**	37.1
Employee benefits and compensation	**31.2**	31.1
Purchased capitalized software	**31.2**	22.9
Depreciation	**28.1**	20.1
Warranty, bad debts and other reserves	**5.9**	4.8
Capitalized costs	**7.1**	5.1
Other	**27.9**	30.4
	1,691.5	1,703.2
Valuation allowance	**(1,524.7)**	(1,547.5)
Total deferred tax assets	**$ 166.8**	$ 155.7
Deferred tax liabilities		
Capitalized research and development	**$ 44.7**	$ 36.1
Other	**29.0**	30.2
Total deferred tax liabilities	**$ 73.7**	$ 66.3
Net deferred tax assets	**$ 93.1**	$ 89.4

At December 31, 2019, the company has tax effected tax loss carryforwards as follows:

As of December 31,	**2019**
U.S. Federal	**$348.2**
State and local	**247.8**
Foreign	**245.1**
Total tax loss carryforwards	**$841.1**

These carryforwards will expire as follows:

Year	
2020	$ 23.9
2021	13.5
2022	15.8
2023	13.3
2024	12.2
Thereafter	762.4
Total	**$841.1**

The company also has available tax credit carryforwards, which will expire as follows:

Year	
2020	$ 31.5
2021	35.0
2022	38.1
2023	27.0
2024	22.5
Thereafter	87.7
Total	**$241.8**

Failure to achieve forecasted taxable income might affect the ultimate realization of the company's net deferred tax assets. Factors that may affect the company's ability to achieve sufficient forecasted taxable income include, but are not limited to, the following: increased competition, a decline in sales or margins, loss of market share, the impact of the economic environment, delays in product availability and technological obsolescence.

Under U.S. tax law effective through December 31, 2017, undistributed earnings of foreign subsidiaries were generally taxable upon repatriation to the U.S shareholder. Under the TCJA, effective January 1, 2018, distributions from foreign subsidiaries to U.S. shareholders are generally exempt from taxation.

With this change in U.S. taxation of earnings of foreign subsidiaries under the TCJA, future distributions of earnings from foreign subsidiaries will generally be exempt from U.S. taxation. Consequently, the deferred income tax liability on undistributed earnings is generally limited to any foreign withholding or other foreign taxes that will be imposed on such distributions. As the company currently intends to indefinitely reinvest the earnings of certain foreign subsidiaries, no provision has been made for income taxes that may become payable upon distribution of the earnings of such subsidiaries. The unrecognized deferred income tax liability at December 31, 2019 approximated $29.2 million.

As of January 1, 2018 the U.S. taxable income included GILTI, which essentially includes net foreign subsidiaries' earnings above a routine 10% return on their aggregate specified tangible assets. At December 31, 2017, the company made an accounting policy election to treat the GILTI as a period cost when included in U.S. taxable income.

Cash paid for income taxes, net of refunds, for the three years ended December 31, 2019, was as follows:

Year ended December 31,	**2019**	2018	2017
Cash paid for income taxes, net of refunds	**$37.6**	$39.1	$34.3

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Year ended December 31,	**2019**	2018	2017
Balance at January 1	**$18.9**	$27.9	$ 35.8
Additions based on tax positions related to the current year	**11.1**	2.6	4.2
Changes for tax positions of prior years	**(0.6)**	(6.1)	(11.2)
Reductions as a result of a lapse of applicable statute of limitations	**(2.3)**	(2.4)	(2.7)
Settlements	**(1.1)**	(1.5)	(0.2)
Changes due to foreign currency	**(0.4)**	(1.6)	2.0
Balance at December 31	**$25.6**	$18.9	$ 27.9

The company recognizes penalties and interest accrued related to income tax liabilities in the provision for income taxes in its consolidated statements of income. At December 31, 2019 and 2018, the company had an accrual of $3.0 million and $2.6 million, respectively, for the payment of penalties and interest.

At December 31, 2019, all of the company's liability for unrecognized tax benefits, if recognized, would affect the company's effective tax rate. Within the next 12 months, the company believes that it is reasonably possible that the amount of unrecognized tax benefits may significantly change; however, various events could cause this belief to change in the future.

The company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. Several U.S. state and foreign income tax audits are in process. The company is under an audit in India, for which years prior to 2009 are closed. For the most significant jurisdictions outside the U.S., the audit periods through 2014 are closed for Brazil, and the audit periods through 2015 are closed for the United Kingdom. All of the various ongoing income tax audits throughout the world are not expected to have a material impact on the company's financial position.

Internal Revenue Code Sections 382 and 383 provide annual limitations with respect to the ability of a corporation to utilize its net operating loss (as well as certain built-in losses) and tax credit carryforwards, respectively (Tax Attributes), against future U.S. taxable income, if the corporation experiences an "ownership change." In general terms, an ownership change may result from transactions increasing the ownership of certain stockholders in the stock of a corporation by more than 50 percentage points over a three-year period. The company regularly monitors ownership changes (as calculated for purposes of Section 382). The company has determined that, for purposes of the rules of Section 382 described above, an ownership change occurred in February 2011. Any future transaction or transactions and the timing of such transaction or transactions could trigger additional ownership changes under Section 382.

As a result of the February 2011 ownership change, utilization for certain of the company's Tax Attributes, U.S. net operating losses and tax credits, is subject to an overall annual limitation of $70.6 million. The cumulative limitation as of December 31, 2019 is approximately $470.3 million. This limitation will be applied first to any recognized built in losses, then to any net operating losses, and then to any other Tax Attributes. Any unused limitation may be carried over to later years. Based on presently available information and the existence of tax planning strategies, the company does not expect to incur a U.S. cash tax liability in the near term. The company maintains a full valuation allowance against the realization of all U.S. deferred tax assets as well as certain foreign deferred tax assets in excess of deferred tax liabilities.

Note 7 – Earnings per common share

The following table shows how earnings (loss) per common share attributable to Unisys Corporation was computed for the three years ended December 31, 2019 (shares in thousands).

Year ended December 31,	**2019**	2018	2017
Basic earnings (loss) per common share computation:			
Net income (loss) attributable to Unisys Corporation common shareholders	**$ (17.2)**	$ 75.5	$ (65.3)
Weighted average shares	**55,961**	50,946	50,409
Basic earnings (loss) per common share	**$ (0.31)**	$ 1.48	$ (1.30)
Diluted earnings (loss) per common share computation:			
Net income (loss) attributable to Unisys Corporation common shareholders	**$ (17.2)**	$ 75.5	$ (65.3)
Add interest expense on convertible senior notes, net of tax of zero	–	19.6	–
Net income (loss) attributable to Unisys Corporation for diluted earnings per share	**$ (17.2)**	$ 95.1	$ (65.3)
Weighted average shares	**55,961**	50,946	50,409
Plus incremental shares from assumed conversions:			
Employee stock plans	–	541	–
Convertible senior notes	–	21,868	–
Adjusted weighted average shares	**55,961**	73,355	50,409
Diluted earnings (loss) per common share	**$ (0.31)**	$ 1.30	$ (1.30)
Anti-dilutive weighted-average stock options and restricted stock units[i]	**1,393**	1,226	2,206
Anti-dilutive weighted-average common shares issuable upon conversion of the 5.50% convertible senior notes[i]	**16,578**	–	**21,868**

[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 8 – Accounts receivable

Accounts receivable consist principally of trade accounts receivable from customers and are generally unsecured and due within 30 to 90 days. Credit losses relating to these receivables consistently have been within management's expectations. Expected credit losses are recorded as an allowance for doubtful accounts in the consolidated balance sheets. Estimates of expected credit losses are based primarily on the aging of the accounts receivable balances. The company records a specific reserve for individual accounts when it becomes aware of a customer's inability to meet its financial obligations, such as in the case of bankruptcy filings or deterioration in the customer's operating results or financial position. The collection policies and procedures of the company vary by credit class and prior payment history of customers.

Revenue recognized in excess of billings on services contracts, or unbilled accounts receivable, was $102.8 million and $94.4 million at December 31, 2019 and 2018, respectively.

Unearned income, which is deducted from accounts receivable, was $8.7 million and $8.4 million at December 31, 2019 and 2018, respectively. The allowance for doubtful accounts, which is reported as a deduction from accounts receivable, was $11.8 million and $13.7 million at December 31, 2019 and 2018, respectively. The provision for doubtful accounts, which is reported in selling, general and administrative expenses in the consolidated statements of income, was (income) expense of $(1.6) million, $(5.1) million and $3.1 million, in 2019, 2018 and 2017, respectively.

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 December 31, 2019 and 2018 are as follows:

As of December 31,	**2019**	2018
Contract assets - current	**$ 53.0**	$ 29.7
Contract assets - long-term[i]	**21.6**	22.2
Deferred revenue - current	**(288.6)**	(294.4)
Deferred revenue - long-term	**(147.4)**	(157.2)

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

As of December 31, 2019 and 2018, deposit liabilities of $25.3 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 years ended December 31, 2019 and 2018 in the above contract asset and liability balances were as follows:

Year ended December 31,	**2019**	2018
Revenue recognized that was included in deferred revenue at the beginning of the period	**$287.9**	$307.1

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.

Deferred commissions as of December 31, 2019 and 2018 were as follows:

As of December 31,	**2019**	2018
Deferred commissions	**$12.4**	$12.1

Amortization expense related to deferred commissions for the years ended December 31, 2019 and 2018 was as follows:

Year ended December 31,	**2019**	2018
Deferred commissions - amortization expense[i]	**$3.8**	$6.9

[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, and are amortized over the initial contract life and reported in Services cost of sales.

Costs to fulfill a contract as of December 31, 2019 and 2018 were as follows:

As of December 31,	**2019**	2018
Costs to fulfill a contract	**$75.9**	$79.5

During the years ended December 31, 2019 and 2018, amortization expense related to costs to fulfill a contract was as follows:

Year ended December 31,	**2019**	2018
Costs to fulfill a contract - amortization expense	**$24.2**	$21.7

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 concentration of credit risks

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 December 31, 2019 and 2018, the notional amount of these contracts was $437.0 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 December 31, 2019 and 2018.

As of December 31,	**2019**	2018
Balance Sheet Location		
Prepaid expenses and other current assets	**$2.1**	$3.4
Other accrued liabilities	**0.1**	0.3
Total fair value	**$2.0**	$3.1

The following table summarizes the location and amount of gains and losses recognized on foreign exchange forward contracts for the three years ended December 31, 2019.

Year Ended December 31,	**2019**	2018	2017
Statement of Income Location			
Other income (expense), net	**$1.7**	$(14.2)	$27.5

Financial instruments also include temporary cash investments and customer accounts receivable. Temporary investments are placed with creditworthy financial institutions, primarily in money market funds, time deposits and certificate of deposits which may be withdrawn at any time at the discretion of the company without penalty. At December 31, 2019 and 2018, the company's cash equivalents principally have maturities of less than one month or can be withdrawn at any time at the discretion of the company without penalty. Due to the short maturities of these instruments, they are carried on the consolidated balance sheets at cost plus accrued interest, which approximates market value. Receivables are due from a large number of customers that are dispersed worldwide across many industries. At December 31, 2019 and 2018, the company had no significant concentrations of credit risk with any one customer. At December 31, 2019 and 2018, the company had $77.3 million and $85.8 million, respectively, of receivables due from various U.S. federal governmental agencies. At December 31, 2019 and 2018, the carrying amount of cash and cash equivalents approximated fair value.

Note 12 – Properties

Properties comprise the following:

As of December 31,	**2019**	2018
Land	**$ 2.3**	$ 2.3
Buildings	**63.5**	63.5
Machinery and office equipment	**534.3**	530.0
Internal-use software	**171.0**	164.7
Rental equipment	**34.9**	39.7
Total properties	**$806.0**	$800.2

In 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 expenses in the consolidated statements of income.

Note 13 – Goodwill

During the fourth quarter of 2019, the company performed its annual impairment test of goodwill for all of its reporting units. The fair values of each of the reporting units exceeded their carrying values; therefore, no goodwill impairment was required.

At December 31, 2019, the amount of goodwill allocated to reporting units with negative net assets was as follows: Business Process Outsourcing Services, $10.3 million.

Changes in the carrying amount of goodwill by segment for the years ended December 31, 2019 and 2018 were as follows:

	Total	Services	Technology
Balance at December 31, 2017	$180.8	$72.1	$108.7
Translation adjustments	(3.0)	(3.0)	–
Balance at December 31, 2018	177.8	69.1	108.7
Translation adjustments	**(0.6)**	**(0.6)**	–
Balance at December 31, 2019	**$177.2**	**$68.5**	**$108.7**

Note 14 – Debt

Long-term debt is comprised of the following:

As of December 31,	**2019**	2018
10.75% senior secured notes due April 15, 2022 ($440.0 million face value less unamortized discount and fees of $5.5 million and $8.0 million at December 31, 2019 and 2018, respectively)	**$434.5**	$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 $4.2 million and $19.3 million at December 31, 2019 and 2018, respectively)	**80.0**	194.2
Finance leases	**5.3**	5.8
Other debt	**59.8**	20.8
Total	**579.6**	652.8
Less – current maturities	**13.5**	10.0
Total long-term debt	**$566.1**	$642.8

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. Presented below are the estimated fair values of long-term debt as of December 31, 2019 and 2018.

As of December 31,	**2019**	2018
10.75% senior secured notes due April 15, 2022	**$474.2**	$486.8
5.50% convertible senior notes due March 1, 2021	**115.8**	298.5

Maturities of long-term debt, including finance leases, in each of the next five years and thereafter are as follows:

Year	Total	Long-Term Debt	Finance Leases
2020	$ 13.5	$ 11.7	$1.8
2021	94.6	92.8	1.8
2022	447.8	446.4	1.4
2023	12.2	12.0	0.2
2024	6.9	6.8	0.1
Thereafter	4.6	4.6	–
Total	$579.6	$574.3	$5.3

Cash paid for interest and capitalized interest expense during the three years ended December 31, 2019 was as follows:

Year ended December 31,	**2019**	2018	2017
Cash paid for interest	**$61.5**	$59.5	$39.9
Capitalized interest expense	**$ 6.6**	$ 6.0	$ 4.2

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 require interest payments 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 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 is comprised of the following:

Year ended December 31,	**2019**	2018	2017
Contractual interest coupon	**$47.3**	$47.3	$33.2
Amortization of debt issuance costs	**2.4**	2.4	1.7
Total	**$49.7**	$ 49.7	$ 34.9

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. Following the convertible note exchange, the capped call transactions remaining cover approximately 8.6 million shares of the company's common stock. As a result of the exchange, the company recognized a charge of $20.1 million in other income (expense), net in 2019.

Interest expense related to the 2021 Notes is comprised of the following:

Year ended December 31,	**2019**	2018	2017
Contractual interest coupon	**$ 8.9**	$11.8	$11.8
Amortization of debt discount	**5.5**	6.6	6.0
Amortization of debt issuance costs	**0.9**	1.2	1.2
Total	**$15.3**	$ 19.6	$ 19.0

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 December 31, 2019, the company had no borrowings and $5.9 million of letters of credit outstanding, and availability under the facility was $139.1 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 not 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.

At December 31, 2019, the company has met all covenants and conditions under its various lending agreements. The company expects to continue to meet these covenants and conditions through, at least, February 28, 2021.

The company's principal sources of liquidity are cash on hand, cash from operations and its revolving credit facility, discussed above. The company and certain international subsidiaries have access to uncommitted lines of credit from various banks.

The company's anticipated future cash expenditures include anticipated contributions to its defined benefit pension plans. The company believes that it has adequate sources of liquidity to meet its expected cash requirements through at least February 28, 2021.

Note 15 – Other accrued liabilities

Other accrued liabilities (current) are comprised of the following:

As of December 31,	**2019**	2018
Payrolls and commissions	**$ 117.1**	$108.1
Operating leases	**70.0**	–
Cost-reduction	**47.5**	75.8
Accrued vacations	**31.7**	41.2
Income taxes	**28.6**	32.3
Taxes other than income taxes	**18.3**	31.2
Postretirement	**13.6**	14.8
Accrued interest	**11.8**	13.8
Other	**34.6**	32.8
Total other accrued liabilities	**$373.2**	$350.0

Note 16 – Employee plans

Stock plans 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 December 31, 2019, 5.8 million shares of unissued common stock of the company were available for granting under these plans.

As of December 31, 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 expenses, and recognizes the compensation cost for only those awards expected to vest. The company estimates the forfeiture rate based on its historical experience and its expectations about future forfeitures.

During the years ended December 31, 2019, 2018 and 2017, the company recognized $13.2 million, $13.2 million and $11.2 million of share-based compensation expense, which is comprised of $13.2 million, $13.1 million and $10.1 million of restricted stock unit expense and zero, $0.1 million and $1.1 million of stock option expense, respectively.

There were no grants of stock option awards for the years ended December 31, 2019, 2018 and 2017. As of December 31, 2019, 0.5 million stock option awards with a weighted-average exercise price of $23.60 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-based 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 year ended December 31, 2019 follows (shares in thousands):

	Restricted Stock Units	Weighted-Average Grant-Date Fair Value
Outstanding at December 31, 2018	2,151	$12.90
Granted	1,321	15.03
Vested	(1,129)	13.23
Forfeited and expired	(303)	13.81
Outstanding at December 31, 2019	2,040	14.17

The aggregate weighted-average grant-date fair value of restricted stock units granted during the years ended December 31, 2019, 2018 and 2017 was $16.9 million, $17.9 million and $14.4 million, respectively. The fair value of restricted stock units with time and performance conditions is 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 is estimated using a Monte Carlo simulation with the following weighted-average assumptions.

Year Ended December 31,	**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 December 31, 2019, there was $11.8 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 1.8 years. The aggregate weighted-average grant-date fair value of restricted stock units vested during the years ended December 31, 2019, 2018 and 2017 was $14.9 million, $10.4 million and $7.4 million, respectively.

Common stock issued upon exercise of stock options or upon lapse of restrictions on restricted stock units are newly issued shares. During 2019 and 2018, the company did not recognize any tax benefits from the exercise of stock options or upon issuance of stock upon lapse of restrictions on restricted stock units because of its tax position. Any such tax benefits resulting from tax deductions in excess of the compensation costs recognized are classified as operating cash flows.

Defined contribution and compensation plans U.S. employees are eligible to participate in an employee savings plan. Under this plan, employees may contribute a percentage of their pay for investment in various investment alternatives. The company matches 50 percent of the first 6 percent of eligible pay contributed by participants to the plan on a before-tax basis (subject to IRS limits). The company funds the match with cash. The charge to income related to the company match for the years ended December 31, 2019, 2018 and 2017, was $12.8 million, $11.1 million and $10.8 million, respectively.

The company has defined contribution plans in certain locations outside the United States. The charge to income related to these plans was $19.3 million, $21.3 million and $18.5 million, for the years ended December 31, 2019, 2018 and 2017, respectively.

The company has non-qualified compensation plans, which allow certain highly compensated employees and directors to defer the receipt of a portion of their salary, bonus and fees. Participants can earn a return on their deferred balance that is based on hypothetical investments in various investment vehicles. Changes in the market value of these investments are reflected as an adjustment to the liability with an offset to expense. As of December 31, 2019 and 2018, the liability to the participants of these plans was $14.7 million and $11.6 million, respectively. These amounts reflect the accumulated participant deferrals and earnings thereon as of that date. The company makes no contributions to the deferred compensation plans and remains contingently liable to the participants.

Retirement benefits For the company's more significant defined benefit pension plans, including the U.S., U.K. and the Netherlands, accrual of future benefits under the plans has ceased.

During 2018, cash lump-sum payments were paid to certain plan participants in two of the company's international defined benefit pension plans which resulted in a non-cash pension settlement charge of $6.4 million for the year ended December 31, 2018.

Retirement plans' funded status and amounts recognized in the company's consolidated balance sheets at December 31, 2019 and 2018 follows:

	U.S. Plans		International Plans	
As of December 31,	**2019**	2018	**2019**	2018
Change in projected benefit obligation				
Benefit obligation at beginning of year	**$ 4,558.0**	$ 5,001.6	**$2,829.5**	$3,189.7
Service cost	**–**	–	**2.8**	3.2
Interest cost	**197.5**	186.6	**68.3**	67.3
Plan participants' contributions	**–**	–	**1.3**	1.5
Plan amendment	**–**	–	**–**	20.6
Plan curtailment	**–**	–	**(1.6)**	–
Plan settlement	**–**	–	**(3.5)**	(16.4)
Actuarial loss (gain)	**357.7**	(270.7)	**284.1**	(169.5)
Benefits paid	**(357.6)**	(359.5)	**(118.1)**	(108.7)
Foreign currency translation adjustments	**–**	–	**81.0**	(158.2)
Benefit obligation at end of year	**$ 4,755.6**	$ 4,558.0	**$3,143.8**	$2,829.5
Change in plan assets				
Fair value of plan assets at beginning of year	**$ 3,112.8**	$ 3,578.4	**$2,539.4**	$2,833.9
Actual return on plan assets	**505.2**	(193.3)	**300.0**	(75.4)
Employer contribution	**73.8**	87.2	**30.1**	42.5
Plan participants' contributions	**–**	–	**1.3**	1.5
Plan settlement	**–**	–	**(3.5)**	(16.4)
Benefits paid	**(357.6)**	(359.5)	**(118.1)**	(108.7)
Foreign currency translation and other adjustments	**–**	–	**67.2**	(138.0)
Fair value of plan assets at end of year	**$ 3,334.2**	$ 3,112.8	**$2,816.4**	$2,539.4
Funded status at end of year	**$(1,421.4)**	$(1,445.2)	**$ (327.4)**	$ (290.1)
Amounts recognized in the consolidated balance sheets consist of:				
Prepaid postretirement assets	**$ –**	$ –	**$ 135.9**	$ 146.4
Other accrued liabilities	**(6.8)**	(6.7)	**(0.2)**	(0.1)
Long-term postretirement liabilities	**(1,414.6)**	(1,438.5)	**(463.1)**	(436.4)
Total funded status	**$(1,421.4)**	$(1,445.2)	**$ (327.4)**	$ (290.1)
Accumulated other comprehensive loss, net of tax				
Net loss	**$ 2,672.7**	$ 2,718.6	**$1,067.2**	$ 988.0
Prior service credit	**$ (34.8)**	$ (37.3)	**$ (46.4)**	$ (46.8)
Accumulated benefit obligation	**$ 4,755.6**	$ 4,558.0	**$3,035.3**	$2,828.2

Information for defined benefit retirement plans with an accumulated benefit obligation in excess of plan assets at December 31, 2019 and 2018 follows:

As of December 31,	**2019**	2018
Accumulated benefit obligation	**$6,896.5**	$6,433.6
Fair value of plan assets	**$5,014.1**	$4,553.2

Information for defined benefit retirement plans with a projected benefit obligation in excess of plan assets at December 31, 2019 and 2018 follows:

As of December 31,	**2019**	2018
Projected benefit obligation	**$6,898.7**	$6,434.9
Fair value of plan assets	**$5,014.1**	$4,553.2

Net periodic pension cost (income) for 2019, 2018 and 2017 includes the following components:

	U.S. Plans			International Plans		
Year ended December 31,	**2019**	2018	2017	**2019**	2018	2017
Service cost[i]	**$ –**	$ –	$ –	**$ 2.8**	$3.2	$ 5.1
Interest cost	**197.5**	186.6	211.3	**68.3**	67.3	72.8
Expected return on plan assets	**(218.2)**	(230.6)	(235.2)	**(104.6)**	(114.4)	(127.5)
Amortization of prior service credit	**(2.5)**	(2.5)	(2.5)	**(2.5)**	(3.7)	(2.4)
Recognized net actuarial loss	**116.6**	125.1	126.4	**34.2**	42.3	49.8
Curtailment gain	**–**	–	–	**(0.1)**	–	(5.4)
Settlement loss	**–**	–	–	**1.2**	6.4	–
Net periodic pension cost (income)	**$ 93.4**	$ 78.6	$ 100.0	**$(0.7)**	$1.1	$(7.6)

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

Weighted-average assumptions used to determine net periodic pension cost for the years ended December 31 were as follows:

	U.S. Plans			International Plans		
Year ended December 31,	**2019**	2018	2017	**2019**	2018	2017
Discount rate	**4.50%**	3.87%	4.38%	**2.55%**	2.24%	2.34%
Expected long-term rate of return on assets	**6.80%**	6.80%	6.80%	**4.18%**	4.38%	5.30%

Weighted-average assumptions used to determine benefit obligations at December 31 were as follows:

Discount rate	**3.53%**	4.50%	3.87%	**1.82%**	2.55%	2.24%

The company's investment policy targets and ranges for each asset category are as follows:

	U.S.		International	
Asset Category	Target	Range	Target	Range
Equity securities	42%	36-48%	19%	16-23%
Debt securities	38%	35-41%	61%	54-67%
Real estate	0%	0%	1%	0-3%
Cash	0%	0-5%	1%	0-5%
Other	20%	10-30%	18%	11-26%

The company periodically reviews its asset allocation, taking into consideration plan liabilities, local regulatory requirements, plan payment streams and then-current capital market assumptions. The actual asset allocation for each plan is monitored at least quarterly, relative to the established policy targets and ranges. If the actual asset allocation is close to or out of any of the ranges, a review is conducted. Rebalancing will occur toward the target allocation, with due consideration given to the liquidity of the investments and transaction costs.

The objectives of the company's investment strategies are as follows: (a) to provide a total return that, over the long term, increases the ratio of plan assets to liabilities by maximizing investment return on assets, at a level of risk deemed appropriate, (b) to maximize return on assets by investing primarily in equity securities in the U.S. and for international plans by investing in appropriate asset classes, subject to the constraints of each plan design and local regulations, (c) to diversify investments within asset classes to reduce the impact of losses in single investments, and (d) for the U.S. plan to invest in compliance with the Employee Retirement Income Security Act of 1974 (ERISA), as amended and any subsequent applicable regulations and laws, and for international plans to invest in a prudent manner in compliance with local applicable regulations and laws.

The company sets the expected long-term rate of return based on the expected long-term return of the various asset categories in which it invests. The company considered the current expectations for future returns and the actual historical returns of each asset class. Also, since the company's investment policy is to actively manage certain asset classes where the potential exists to outperform the broader market, the expected returns for those asset classes were adjusted to reflect the expected additional returns.

In 2020, the company expects to make cash contributions of $278.9 million to its worldwide defined benefit pension plans, which are comprised of $238.8 million for the company's U.S. qualified defined benefit pension plans and $40.1 million primarily for international defined benefit pension plans.

As of December 31, 2019, the following benefit payments are expected to be paid from the defined benefit pension plans:

Year ending December 31,	U.S.	International
2020	$ 358.3	$104.4
2021	355.0	106.3
2022	351.5	115.1
2023	347.6	120.6
2024	342.5	125.2
2025 – 2029	1,585.7	649.0

Other postretirement benefits A reconciliation of the benefit obligation, fair value of the plan assets and the funded status of the postretirement benefit plans at December 31, 2019 and 2018, follows:

As of December 31,	**2019**	2018
Change in accumulated benefit obligation		
Benefit obligation at beginning of year	**$ 96.2**	$103.2
Service cost	**0.5**	0.6
Interest cost	**4.8**	4.8
Plan participants' contributions	**2.7**	3.1
Actuarial loss (gain)	**1.0**	(4.2)
Federal drug subsidy	**–**	0.2
Benefits paid	**(8.9)**	(11.5)
Foreign currency translation and other adjustments	**(0.6)**	–
Benefit obligation at end of year	**$ 95.7**	$ 96.2
Change in plan assets		
Fair value of plan assets at beginning of year	**$ 7.8**	$ 7.6
Actual return on plan assets	**(0.2)**	(0.4)
Employer contributions	**5.5**	9.0
Plan participants' contributions	**2.7**	3.1
Benefits paid	**(8.9)**	(11.5)
Fair value of plan assets at end of year	**$ 6.9**	$ 7.8
Funded status at end of year	**$(88.8)**	$ (88.4)
Amounts recognized in the consolidated balance sheets consist of:		
Prepaid postretirement assets	**$ 0.3**	$ 1.2
Other accrued liabilities	**(6.6)**	(8.0)
Long-term postretirement liabilities	**(82.5)**	(81.6)
Total funded status	**$(88.8)**	$ (88.4)
Accumulated other comprehensive loss, net of tax		
Net loss	**$ 11.1**	$ 10.5
Prior service credit	**(6.6)**	(8.2)

Net periodic postretirement benefit cost for 2019, 2018 and 2017, follows:

Year ended December 31,	**2019**	2018	2017
Service cost[(i)]	**$ 0.5**	$ 0.6	$ 0.5
Interest cost	**4.8**	4.8	5.6
Expected return on assets	**(0.4)**	(0.4)	(0.5)
Amortization of prior service cost	**(1.7)**	(1.6)	(0.7)
Recognized net actuarial loss	**0.7**	1.0	0.8
Net periodic benefit cost	**$ 3.9**	$ 4.4	$ 5.7

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

Weighted-average assumptions used to determine net periodic postretirement benefit cost for the years ended December 31 were as follows:

Year ended December 31,	**2019**	2018	2017
Discount rate	**5.67%**	5.30%	5.53%
Expected return on plan assets	**5.50%**	5.50%	5.50%

Weighted-average assumptions used to determine benefit obligation at December 31 were as follows:

Year ended December 31,	**2019**	2018	2017
Discount rate	**5.13%**	5.67%	5.30%

The company reviews its asset allocation periodically, taking into consideration plan liabilities, plan payment streams and then-current capital market assumptions. The company sets the long-term expected return on asset assumption, based principally on the long-term expected return on debt securities. These return assumptions are based on a combination of current market conditions, capital market expectations of third-party investment advisors and actual historical returns of the asset classes. In 2020, the company expects to contribute approximately $7 million to its postretirement benefit plans.

Assumed health care cost trend rates at December 31,	**2019**	2018
Health care cost trend rate assumed for next year	**5.8%**	6.8%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	**4.5%**	4.8%
Year that the rate reaches the ultimate trend rate	**2025**	2023

As of December 31, 2019, the following benefits are expected to be paid from the company's postretirement plans:

Year ending December 31,	Expected Payments
2020	$ 7.7
2021	6.7
2022	6.3
2023	6.0
2024	5.6
2025 – 2029	22.3

The following provides a description of the valuation methodologies and the levels of inputs used to measure fair value, and the general classification of investments in the company's U.S. and international defined benefit pension plans, and the company's other postretirement benefit plan.

Level 1 – These investments include cash, common stocks, real estate investment trusts, exchange traded funds, futures and options and U.S. government securities. These investments are valued using quoted prices in an active market. Payables, receivables and cumulative futures contracts variation margin received from brokers are also included as Level 1 investments and are valued at face value.

Level 2 – These investments include the following:

Pooled Funds – These investments are comprised of money market funds and fixed income securities. The money market funds are valued using the readily determinable fair value (RDFV) provided by trustees of the funds. The fixed income securities are valued based on quoted prices for identical or similar investments in markets that may not be active.

Commingled Funds – These investments are comprised of debt, equity and other securities and are valued using the RDFV provided by trustees of the funds. The fair value per share for these funds are published and are the basis for current transactions.

Other Fixed Income – These investments are comprised of corporate and government fixed income investments and asset and mortgage-backed securities for which there are quoted prices for identical or similar investments in markets that may not be active.

Derivatives – These investments include forward exchange contracts and options, which are traded on an active market, but not on an exchange; therefore, the inputs may not be readily observable. These investments also include fixed income futures and other derivative instruments.

Level 3 – These investments include the following:

Insurance Contracts – These investments are insurance contracts which are carried at book value, are not publicly traded and are reported at a fair value determined by the insurance provider.

Certain investments are valued using net asset value (NAV) as a practical expedient. These investments may not be redeemable on a daily basis and may have redemption notice periods of up to 120 days. These investments include the following:

Commingled Funds – These investments are comprised of debt, equity and other securities.

Private Real Estate and Private Equity – These investments represent interests in limited partnerships which invest in privately-held companies or privately-held real estate or other real assets. Net asset values are developed and reported by the general partners that manage the partnerships. These valuations are based on property appraisals, utilization of market transactions that provide valuation information for comparable companies, discounted cash flows, and other methods. These valuations are reported quarterly and adjusted as necessary at year end based on cash flows within the most recent period.

The following table sets forth by level, within the fair value hierarchy, the plans' assets (liabilities) at fair value at December 31, 2019.

	U.S. Plans				International Plans			
As of December 31, 2019	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Pension plans								
Equity Securities								
Common Stocks	$ 955.3	$ 952.8	$ 2.5	$ –	$ –	$ –	$ –	$ –
Commingled Funds	578.8		578.8		176.7		176.7	
Debt Securities								
U.S. Govt. Securities	436.0	436.0						
Other Fixed Income	278.1		278.1		91.0		91.0	
Insurance Contracts					123.1			123.1
Commingled Funds	433.6		433.6		441.0		441.0	
Real Estate								
Real Estate Investment Trusts	14.0	14.0			1.0		1.0	
Commingled Funds	186.5		186.5					
Other								
Derivatives[i]	(103.5)	(8.2)	(95.3)		6.5		6.5	
Commingled Funds					372.8		372.8	
Pooled Funds	135.5		135.5		189.2		189.2	
Cumulative futures contracts variation margin paid to brokers	8.2	8.2						
Cash	2.0	2.0			18.1	18.1		
Receivables	14.4	14.4			0.2	0.2		
Payables	(7.4)	(7.4)			(7.3)	(7.3)		
Total plan assets in fair value hierarchy	$2,931.5	$1,411.8	$1,519.7	$ –	$1,412.3	$11.0	$1,278.2	$123.1
Plan assets measured using NAV as a practical expedient[ii]:								
Commingled Funds								
Equity	$ –				$ 406.9			
Debt	86.3				941.0			
Other	127.0				24.8			
Private Real Estate	189.0				31.4			
Private Equity	0.4				–			
Total pension plan assets	$3,334.2				$2,816.4			
Other postretirement plans								
Insurance Contracts	$ 6.9			$6.9				

(i) Level 1 derivatives represent unrealized appreciation or depreciation on open futures contracts. The value of open futures contracts includes derivatives and the cumulative futures contracts variation margin paid to or received from brokers.

(ii) Investments measured at fair value using NAV as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table for these investments are included to permit reconciliation of the fair value hierarchy to the total plan assets.

The following table sets forth by level, within the fair value hierarchy, the plans' assets (liabilities) at fair value at December 31, 2018.

	U.S. Plans				International Plans			
As of December 31, 2018	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Pension plans								
Equity Securities								
Common Stocks	$ 911.7	$ 909.0	$ 2.7		$ –	$–	$–	$–
Commingled Funds	494.8		494.8		165.6		165.6	
Debt Securities								
U.S. Govt. Securities	498.5	498.5						
Other Fixed Income	374.6		374.6		145.5	0.2	145.3	
Insurance Contracts					123.7			123.7
Commingled Funds	196.6		196.6		321.4		321.4	
Real Estate								
Real Estate Investment Trusts	17.0	17.0			1.3		1.3	
Commingled Funds	156.7		156.7					
Other								
Derivatives[i]	35.8	33.6	2.2		2.4		2.4	
Commingled Funds					317.0		317.0	
Pooled Funds	143.7		143.7		123.6		123.6	
Cumulative futures contracts variation margin received from brokers	(29.3)	(29.3)						
Cash	3.7	3.7			29.6	29.6		
Receivables	20.5	20.5			2.0	2.0		
Payables	(1.4)	(1.4)			(2.3)	(2.3)		
Total plan assets in fair value hierarchy	$2,822.9	$1,451.6	$1,371.3	$–	$1,229.8	$29.5	$1,076.6	$123.7
Plan assets measured using NAV as a practical expedient[ii]:								
Commingled Funds								
Equity	$ –				$ 454.9			
Debt	–				814.0			
Other	110.2				23.9			
Private Real Estate	179.1				16.8			
Private Equity	0.6				–			
Total pension plan assets	$ 3,112.8				$2,539.4			
Other postretirement plans								
Insurance Contracts	$ 7.8			$7.8				

(i) Level 1 derivatives represent unrealized appreciation or depreciation on open futures contracts. The value of open futures contracts includes derivatives and the cumulative futures contracts variation margin received from brokers.

(ii) Investments measured at fair value using NAV as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table for these investments are included to permit reconciliation of the fair value hierarchy to the total plan assets.

The following table sets forth a summary of changes in the fair value of the plans' Level 3 assets for the year ended December 31, 2019.

	January 1, 2019	Realized gains (losses)	Purchases or acquisitions	Sales or dispositions	Currency and unrealized gains (losses) relating to instruments still held at December 31, 2019	December 31, 2019
U.S. plans						
Other postretirement plans						
Insurance Contracts	**$ 7.8**	**$(0.3)**	**$ –**	**$ (0.6)**	**$ –**	**$ 6.9**
International pension plans						
Insurance Contracts	**$123.7**	**$ –**	**$6.4**	**$(12.0)**	**$5.0**	**$123.1**

The following table sets forth a summary of changes in the fair value of the plans' Level 3 assets for the year ended December 31, 2018.

	January 1, 2018	Realized gains (losses)	Purchases or acquisitions	Sales or dispositions	Currency and unrealized gains (losses) relating to instruments still held at December 31, 2018	December 31, 2018
U.S. plans						
Other postretirement plans						
Insurance Contracts	$ 7.6	$(0.4)	$0.6	$ –	$ –	$ 7.8
International pension plans						
Insurance Contracts	$135.8	$ –	$3.5	$(11.7)	$(3.9)	$123.7

The following table presents additional information about plan assets valued using the net asset value as a practical expedient within the fair value hierarchy table.

	2019				2018			
	Fair Value	**Unfunded Commit-ments**	Redemption Frequency	Redemption Notice Period Range	Fair Value	Unfunded Commit-ments	Redemption Frequency	Redemption Notice Period Range
U.S. plans								
Commingled Funds								
Debt	**$ 86.3**	**$ –**	Monthly	45 days	$ –	$–		
Other	**127.0**	**–**	Monthly	5 days	110.2	–	Monthly	5 days
Private Real Estate[(i)]	**189.0**	**44.4**	Quarterly	60-90 days	179.1	–	Quarterly	60-90 days
Private Equity[(ii)]	**0.4**	**–**			0.6	–		
Total	**$ 402.7**	**$ 44.4**			$ 289.9	$–		
International pension plans								
Commingled Funds								
Equity	**$ 406.9**	**$ –**	Weekly	Up to 2 days	$ 454.9	$–	Weekly	Up to 2 days
Debt	**941.0**	**117.9**	Daily, Weekly, Biweekly, Bimonthly, Monthly, Quarterly	Up to 120 days	814.0	–	Daily, Weekly, Biweekly, Bimonthly	Up to 30 days
Other	**24.8**	**–**	Monthly	Up to 30 days	23.9	–	Monthly	Up to 30 days
Private Real Estate	**31.4**	**–**	Monthly	Up to 90 days	16.8	–	Monthly	Up to 90 days
Total	**$1,404.1**	**$117.9**			$1,309.6	$–		

(i) Includes investments in private real estate funds. The funds invest in U.S. real estate and allow redemptions quarterly, though queues, restrictions and gates may extend the period. A redemption has been requested from one fund, which has a redemption queue with estimates of full receipt of three to four years.

(ii) Includes investments in limited partnerships, which invest primarily in U.S. buyouts and venture capital. The investments can never be redeemed. The partnerships are all currently being wound up, and are expected to make all distributions over the next three years.

Note 17 – Litigation 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 flows 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 €28.0 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. The company believes that appropriate accruals have been established for such matters based on information currently available. At December 31, 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 $103 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 $100 million for the period 1995 through 2012. The company believes that it has valid defenses to Louisiana's claims and is asserting them in the pending litigation.

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 December 31, 2019, it has adequate provisions for any such matters.

Note 18 – Stockholders' equity

The company has 150 million authorized shares of common stock, par value $.01 per share, and 40 million shares of authorized preferred stock, par value $1 per share, issuable in series.

At December 31, 2019, 22.6 million shares of unissued common stock of the company were reserved for stock-based incentive plans and the company's convertible senior notes.

Accumulated other comprehensive income (loss) as of December 31, 2019, 2018 and 2017, is as follows:

	Total	Translation Adjustments	Postretirement Plans
Balance at December 31, 2016	$(4,152.8)	$(927.1)	$(3,225.7)
Other comprehensive income before reclassifications	506.8	121.9	384.9
Amounts reclassified from accumulated other comprehensive income	(169.8)	(11.8)	(158.0)
Current period other comprehensive income	337.0	110.1	226.9
Balance at December 31, 2017	(3,815.8)	(817.0)	(2,998.8)
Reclassification pursuant to ASU No. 2018-02	(208.7)	–	(208.7)
Other comprehensive income before reclassifications	96.7	(79.7)	176.4
Amounts reclassified from accumulated other comprehensive income	(157.0)	–	(157.0)
Current period other comprehensive income	(269.0)	(79.7)	(189.3)
Balance at December 31, 2018	(4,084.8)	(896.7)	(3,188.1)
Other comprehensive income before reclassifications	**136.8**	**23.8**	**113.0**
Amounts reclassified from accumulated other comprehensive income	**(140.6)**	**–**	**(140.6)**
Current period other comprehensive income	**(3.8)**	**23.8**	**(27.6)**
Balance at December 31, 2019	**$(4,088.6)**	**$(872.9)**	**$(3,215.7)**

Amounts reclassified out of accumulated other comprehensive income for the three years ended December 31, 2019 are as follows:

Year ended December 31,	**2019**	2018	2017
Translation Adjustments:			
Adjustment for substantial completion of liquidation of foreign subsidiaries[i]	**$ –**	$ –	$ (11.8)
Postretirement Plans:			
Amortization of prior service cost[ii]	**5.9**	7.1	5.6
Amortization of actuarial losses[ii]	**(149.7)**	(165.9)	(174.1)
Curtailment gain[ii]	**–**	–	5.4
Settlement loss[ii]	**(1.1)**	(3.9)	–
Total before tax	**(144.9)**	(162.7)	(174.9)
Income tax benefit	**4.3**	5.7	5.1
Total reclassifications for the period	**$(140.6)**	$(157.0)	$(169.8)

[i] Reported in other income (expense), net in the consolidated statements of income
[ii] Included in net periodic postretirement cost (see Note 16)

The following table summarizes the changes in shares of common stock and treasury stock during the three years ended December 31, 2019:

	Common Stock	Treasury Stock
Balance at December 31, 2016	52.8	2.7
Stock-based compensation	0.6	0.2
Balance at December 31, 2017	53.4	2.9
Stock-based compensation	0.8	0.2
Balance at December 31, 2018	54.2	3.1
Debt exchange	**10.6**	**–**
Stock-based compensation	**1.1**	**0.4**
Balance at December 31, 2019	**65.9**	**3.5**

Note 19 – 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, is January 1, 2018.

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

- Cloud and 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, reduce costs and flexibility 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 software and hardware shipments to customers under Services contracts. The Services segment, in turn, recognizes customer revenue and marketing profits on such shipments of company software and hardware to customers. The Services segment also includes the sale of software and hardware 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 software and hardware 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 years ended December 31, 2019, 2018 and 2017 was $5.7 million, $4.2 million and $6.3 million, respectively. The profit on these transactions is eliminated in Corporate.

The company evaluates business segment performance based on operating income exclusive 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. No single customer accounts for more than 10% of revenue. Revenue from various agencies of the U.S. Government, which is reported in both business segments, was approximately $726 million, $574 million and $571 million in 2019, 2018 and 2017, respectively.

Corporate assets are principally cash and cash equivalents, prepaid postretirement assets and deferred income taxes. The expense or income related to corporate assets is allocated to the business segments.

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

Year ended December 31,	**2019**	2018	2017
Services			
Cloud & infrastructure services	**$1,567.7**	$1,363.4	$1,334.3
Application services	**750.4**	772.4	791.0
BPO services	**234.6**	250.5	202.9
Total Services	**2,552.7**	2,386.3	2,328.2
Technology	**396.0**	438.7	413.6
Total customer revenue	**$2,948.7**	$2,825.0	$2,741.8

Presented below is a reconciliation of segment operating income to consolidated income (loss) before income taxes:

Year ended December 31,	**2019**	2018	2017
Total segment operating income	**$ 280.4**	$305.4	$ 235.4
Interest expense	**(62.1)**	(64.0)	(52.8)
Other income (expense), net	**(136.4)**	(76.9)	(116.4)
Cost reduction charges[i]	**(28.7)**	(19.7)	(135.0)
Corporate and eliminations	**(13.5)**	(1.6)	(3.3)
Total income (loss) before income taxes	**$ 39.7**	$143.2	$ (72.1)

[i] Year ended December 31, 2017 excludes $11.8 million for net foreign currency losses related to exiting foreign countries which are reported in other income (expense), net in the consolidated statements of income.

Presented below is a reconciliation of total business segment assets to consolidated assets:

As of December 31,	**2019**	2018	2017
Total segment assets	**$1,450.9**	$1,436.6	$1,364.5
Cash and cash equivalents	**538.8**	605.0	733.9
Deferred income taxes	**114.0**	109.3	119.9
Operating lease right-of-use assets	**127.1**	–	–
Prepaid postretirement assets	**136.2**	147.6	148.3
Other corporate assets	**137.0**	159.1	175.8
Total assets	**$2,504.0**	$2,457.6	$2,542.4

A summary of the company's operations by business segment for 2019, 2018 and 2017 is presented below:

	Total	Corporate	Services	Technology
2019				
Customer revenue	**$2,948.7**	**$ –**	**$2,552.7**	**$396.0**
Intersegment	**–**	**(15.2)**	**–**	**15.2**
Total revenue	**$2,948.7**	**$ (15.2)**	**$2,552.7**	**$411.2**
Operating income (loss)	**$ 238.2**	**$ (42.2)**	**$ 108.2**	**$172.2**
Depreciation and amortization	**147.4**	**–**	**91.9**	**55.5**
Total assets	**2,504.0**	**1,053.1**	**1,037.7**	**413.2**
Capital expenditures	**159.8**	**7.1**	**74.0**	**78.7**
2018				
Customer revenue	$2,825.0	$ –	$2,386.3	$438.7
Intersegment	–	(24.7)	–	24.7
Total revenue	$2,825.0	$ (24.7)	$2,386.3	$463.4
Operating income (loss)	$ 284.1	$ (21.3)	$ 67.6	$237.8
Depreciation and amortization	164.1	–	97.2	66.9
Total assets	2,457.6	1,021.0	1,013.1	423.5
Capital expenditures	189.3	8.0	92.9	88.4
2017				
Customer revenue	$2,741.8	$ –	$2,328.2	$413.6
Intersegment	–	(25.9)	–	25.9
Total revenue	$2,741.8	$ (25.9)	$2,328.2	$439.5
Operating income (loss)	$ 97.1	$ (138.3)	$ 64.8	$170.6
Depreciation and amortization	156.5	–	84.6	71.9
Total assets	2,542.4	1,177.9	985.9	378.6
Capital expenditures	176.5	4.3	102.7	69.5

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

Year ended December 31,	**2019**	2018	2017
Revenue			
United States	**$1,549.9**	$1,240.0	$1,257.0
United Kingdom	**334.3**	360.7	315.8
Other foreign	**1,064.5**	1,224.3	1,169.0
Total Revenue	**$2,948.7**	$2,825.0	$2,741.8
Properties, net			
United States	**$ 90.7**	$ 85.3	$ 85.8
United Kingdom	**10.5**	5.3	16.7
Other foreign	**23.2**	30.7	40.0
Total Properties, net	**$ 124.4**	$ 121.3	$ 142.5
Outsourcing assets, net			
United States	**$ 99.9**	$ 97.6	$ 81.1
United Kingdom	**71.7**	86.5	89.9
Australia	**21.5**	21.7	18.1
Other foreign	**9.4**	10.6	13.2
Total Outsourcing assets, net	**$ 202.5**	$ 216.4	$ 202.3

Note 20 – 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 December 31, 2019, the company had approximately $1.0 billion of remaining performance obligations of which approximately 44% is estimated to be recognized as revenue by the end of 2020.

Note 21 – Subsequent event

On February 5, 2020, the company entered into an asset purchase agreement to sell its U.S. Federal business to Science Applications International Corporation for a cash purchase price of $1.2 billion, subject to a net working capital adjustment. The U.S. Federal business provides certain products and services to U.S. federal government customers. The sale is expected to close in the first half of 2020 and is subject to receipt of regulatory clearance under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 as well as the satisfaction or waiver of other customary closing conditions. The U.S. Federal business, which has operations in both of the company's reporting segments of Services and Technology, generated 2019 revenue and pre-tax income of approximately $725 million and $100 million, respectively. The U.S. Federal business will be reported as discontinued operations in 2020.

When the sale is complete, the company expects to report an after-tax gain on the sale of approximately $1 billion. Due to the company's U.S. tax position, no federal income tax is expected to be payable on the sale and, subject to the final purchase price allocation to the assets sold, state income taxes are expected to be minimal. The company primarily intends to use the net proceeds from the sale to redeem its senior secured notes due 2022 and reduce its obligations under its U.S. defined benefit pension plans.

In connection with the entry into the asset purchase agreement to sell the U.S. Federal business, the company also adopted a Tax Asset Protection Plan designed to protect the company's tax assets in contemplation of the sale transaction. This plan is similar to tax benefit protection plans adopted by other public companies with significant tax attributes and is designed to protect the company's valuable tax assets by reducing the likelihood of an "ownership change" through actions involving the company's securities. See "Risk Factors — Risks Related to the Announced Sale of the Company's U.S. Federal Business— An 'ownership change' could limit the company's ability to utilize net operating losses and certain other tax attributes to offset the gain from the pending sale of the U.S. Federal business" for more information.

Note 22 – Quarterly financial information (unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2019					
Revenue	**$ 695.8**	**$ 753.8**	**$ 757.6**	**$741.5**	**$2,948.7**
Gross profit	**149.9**	**193.9**	**172.4**	**150.2**	**666.4**
Income (loss) before income taxes	**(3.0)**	**41.9**	**6.5**	**(5.7)**	**39.7**
Net income (loss) attributable to Unisys Corporation common shareholders	**(19.4)**	**26.2**	**(13.2)**	**(10.8)**	**(17.2)**
Earnings (loss) per common share attributable to Unisys Corporation					
Basic	**$ (0.38)**	**$ 0.51**	**$ (0.23)**	**$ (0.17)**	**$ (0.31)**
Diluted	**$ (0.38)**	**$ 0.42**	**$ (0.23)**	**$ (0.17)**	**$ (0.31)**
2018					
Revenue	$ 708.4	$ 667.4	$ 688.3	$760.9	$2,825.0
Gross profit	201.2	152.9	153.8	178.4	686.3
Income before income taxes	62.6	20.3	22.2	38.1	143.2
Net income attributable to Unisys Corporation common shareholders	40.6	3.8	6.1	25.0	75.5
Earnings per common share attributable to Unisys Corporation					
Basic	$ 0.80	$ 0.07	$ 0.12	$ 0.49	$ 1.48
Diluted	$ 0.62	$ 0.07	$ 0.12	$ 0.41	$ 1.30

In the third quarter of 2019, the company recorded a pretax loss on debt exchange of $20.1 million. See Note 14, "Debt," of the Notes to Consolidated Financial Statements.

In the first, second, third and fourth quarters of 2019, the company recorded pretax cost-reduction and other charges of $2.6 million, $2.6 million, $0.2 million and $23.3 million, respectively. See Note 3, "Cost reduction actions," of the Notes to Consolidated Financial Statements.

In the first, second, third and fourth quarters of 2018, the company recorded pretax cost-reduction and other charges (benefits) of $(2.9) million, $0.7 million, $(0.9) million and $22.8 million, respectively. See Note 3, "Cost reduction actions," of the Notes to Consolidated Financial Statements.

The individual quarterly per-share amounts may not total to the per-share amount for the full year because of accounting rules governing the computation of earnings per share.

Report of Management

Management's Report on the Financial Statements

The management of the company is responsible for the integrity of its financial statements. These statements have been prepared in conformity with U.S. generally accepted accounting principles and include amounts based on the best estimates and judgments of management. Financial information included elsewhere in this report is consistent with that in the financial statements.

KPMG LLP, an independent registered public accounting firm, has audited the company's financial statements. Its accompanying report is based on an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States).

The Board of Directors, through its Audit and Finance Committee, which is composed entirely of independent directors, oversees management's responsibilities in the preparation of the financial statements and selects the independent registered public accounting firm, subject to stockholder ratification. The Audit and Finance Committee meets regularly with the independent registered public accounting firm, representatives of management, and the internal auditors to review the activities of each and to assure that each is properly discharging its responsibilities. To ensure complete independence, the internal auditors and representatives of KPMG LLP have full access to meet with the Audit and Finance Committee, with or without management representatives present, to discuss the results of their audits and their observations on the adequacy of internal controls and the quality of financial reporting.

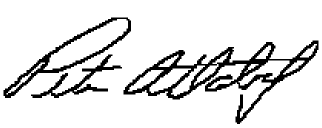
Management's Report on Internal Control Over Financial Reporting

The management of the company is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, we concluded that the company maintained effective internal control over financial reporting as of December 31, 2019, based on the specified criteria.

KPMG LLP, an independent registered public accounting firm, has audited the company's internal control over financial reporting as of December 31, 2019, as stated in its report that appears herein.



Peter A. Altabef
Chairman, President and Chief Executive Officer

Michael M. Thomson
Senior Vice President and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the stockholders and board of directors

Unisys Corporation:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Unisys Corporation and subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income (loss), cash flows and deficit for each of the years in the three-year period ended December 31, 2019, and the related notes and financial statement Schedule II referred to in Item 15(1) of this Form 10-K (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 28, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Changes in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for leases effective January 1, 2019 due to the adoption of Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*.

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for revenue recognition effective January 1, 2018 due to the adoption of ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

KPMG LLP

We have served as the Company's auditor since 2008.

Philadelphia, Pennsylvania
February 28, 2020

Report of Independent Registered Public Accounting Firm

To the stockholders and board of directors

Unisys Corporation:

Opinion on Internal Control Over Financial Reporting

We have audited Unisys Corporation and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income (loss), cash flows and deficit for each of the years in the three-year period ended December 31, 2019, and the related notes and financial statement Schedule II referred to in Item 15(1) of this Form 10-K (collectively, the consolidated financial statements), and our report dated February 28, 2020 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

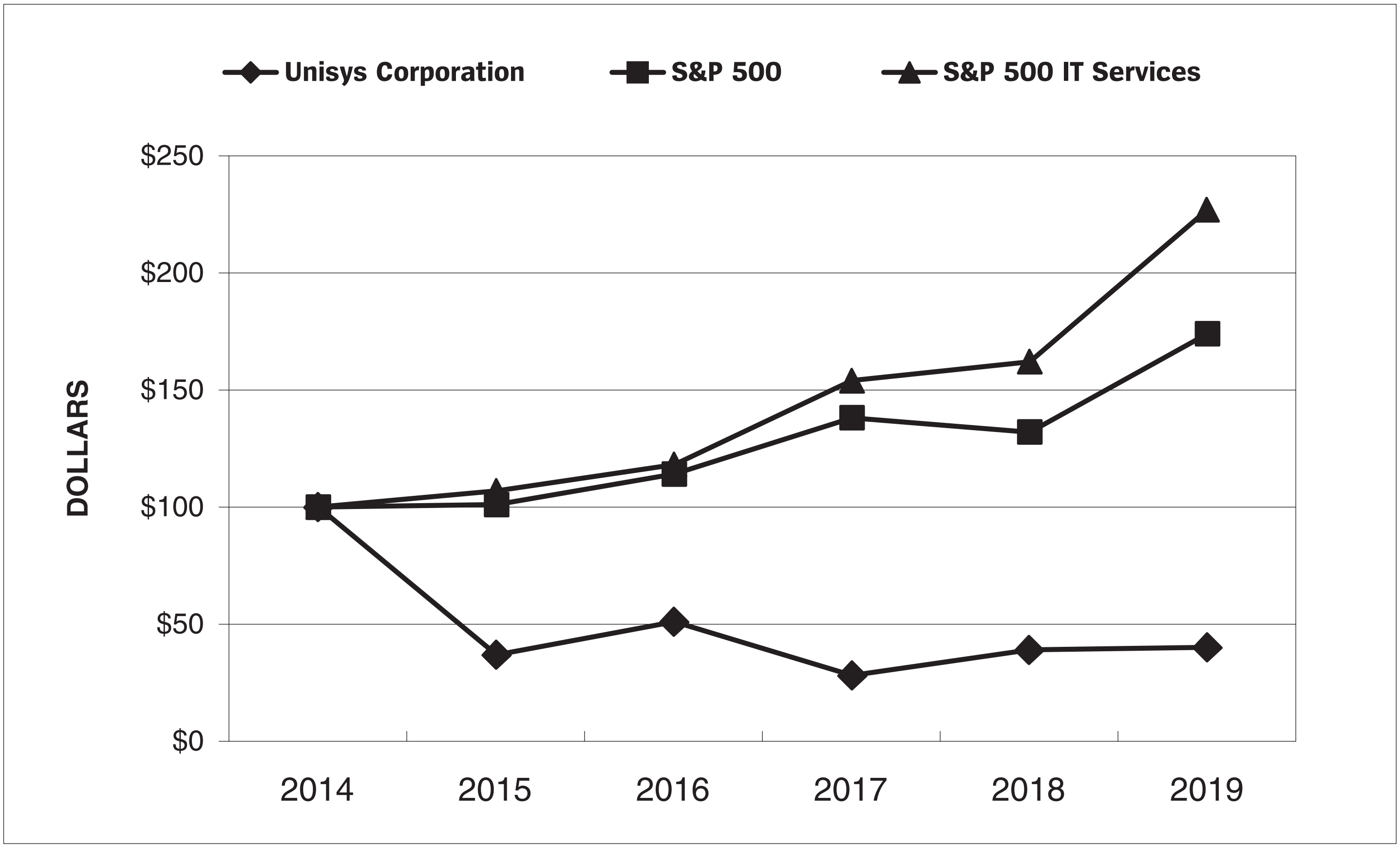
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

KPMG LLP

Philadelphia, Pennsylvania
February 28, 2020

Stock Performance

The following graph compares the cumulative total stockholder return on Unisys common stock during the five fiscal years ended December 31, 2019, with the cumulative total return on the Standard & Poor's 500 Stock Index and the Standard & Poor's 500 IT Services Index. The comparison assumes $100 was invested on December 31, 2014, in Unisys common stock and in each of such indices and assumes reinvestment of any dividends.



	2014	2015	2016	2017	2018	2019
Unisys Corporation	$ 100	$ 37	$ 51	$ 28	$ 39	$ 40
S&P 500	$ 100	$ 101	$ 114	$138	$132	$174
S&P 500 IT Services	$ 100	$ 107	$ 118	$154	$162	$227

Investor Information

Stock Information

- **Common Stock:** The company has the authority to issue 150 million shares of common stock, par value $0.01 per share. At December 31, 2019, there were approximately 62.4 million shares outstanding and approximately 4,900 stockholders of record. Unisys common stock is listed for trading on the New York Stock Exchange (trading symbol "UIS") and the London Stock Exchange (code "USY").
- **Preferred Stock:** The company has the authority to issue 40 million shares of preferred stock, par value $1 per share, issuable in series. At December 31, 2019, there were no shares of preferred stock outstanding.
- **Voting Rights:** Each share of Unisys common stock outstanding on the record date for the annual meeting is entitled to one vote on each matter to be voted upon at the meeting.

Annual Meeting

Stockholders are invited to attend the Unisys 2020 Annual Meeting of Stockholders, which will be held virtually online at www.virtualshareholdermeeting.com/UIS2020 on May 7, 2020, at 8:00 a.m. Eastern Time. Formal notice of the meeting, along with the proxy statement and proxy materials, was mailed or otherwise made available on or about March 27, 2020, to stockholders of record as of March 9, 2020.

Independent Auditors

KPMG LLP Philadelphia, Pennsylvania

Stockholder Services

Computershare Inc. is the company's stock transfer agent and registrar.

Note: Effective October 23, 2009, Unisys declared a one-for-ten reverse split of its common stock. Pre-split stock certificates must be submitted for exchange into post-split shares. If you are holding pre-split stock certificates, please contact Computershare.

Administrative inquiries relating to stockholder records, lost stock certificates, change of ownership or change of address should be directed to: Unisys Corporation, c/o Computershare, PO BOX 505000, Louisville, KY 40233-5000.

Account Access & Share Selling Program: www.computershare.com/investor

Telephone within the U.S. and Canada:

- Telephone toll free: 866-405-6564
- TDD for hearing impaired: 800-231-5469

Telephone outside the U.S.:

- Telephone: 201-680-6578
- TDD for hearing impaired: 201-680-6610

Investor Relations

- **Web Site:** The Unisys Investor Web site at www.unisys.com/investor-relations provides news and events as well as quarterly earnings releases and financial data, Unisys stock price and tools, officer and board biographies, corporate governance materials, annual reports and more. We invite you to visit www.unisys.com/investor-relations to learn more about Unisys.
- **Email:** Unisys provides investor-related news releases, SEC filings, webcast and event details, and daily/weekly stock information via email. To sign up for email or to amend your current investor e-mail selection, visit www.unisys.com/ investor-relations.
- **Printed Materials:** Visit www.unisys.com/investor-relations to select from the current list of printed materials offered. Printed materials also may be requested by calling 215-986-6999.
- **General Investor Inquiries and Correspondence:** Investors with general questions about the company are invited to contact Unisys Investor Relations by calling 215-986-6999, emailing us at investor@unisys.com, or writing to us at: Investor Relations, Unisys Corporation, 801 Lakeview Drive, Suite 100, Blue Bell, PA 19422.

For more information, visit www.unisys.com/investor-relations

Statements made by Unisys in this annual report that are not historical facts, including those regarding future performance, are forward-looking statements under the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations and assumptions and involve risks and uncertainties that could cause actual results to differ from expectations. These risks and uncertainties are discussed in the Management's Discussion and Analysis section under "Factors that may affect future results."

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