



Unisys Corporation 2020 Annual Report

A Letter to Our Shareholders

First and foremost, we hope that you and your families are staying well.

2020 was a year unlike any other. Our priorities in 2020 centered on the safety and well-being of our associates, clients and partners; providing the best service and most innovative solutions possible for our clients to help them through their challenges during this time; and positioning the company to emerge from the COVID-19 period in a position of strength. I thank our team of dedicated associates for helping drive these priorities over the year. We believe we were successful in emerging from 2020 stronger than we entered it, poised for both future growth and improvements to profitability.

Adjusting to the Changes of COVID-19

We moved quickly to encourage our associates to work from home, and within a very short period of time had more than 95% of our operations securely enabled for remote access. We implemented our ISO-certified Business Continuity Planning procedures and received “essential service” designations where needed. As we have supported our clients over the last year, our goal has been not just to “get through this,” but rather to do so in a way that stands out and inspires confidence in our ability to provide a broader spectrum of services and solutions.

Significant Capital Structure Improvements

One of our key objectives during 2020 was to improve our capital structure and financial flexibility. To do this, we sold a valuable asset, changed our debt structure and substantially reduced our pension obligations. In March 2020, we completed the sale of our U.S. Federal business for approximately \$1.2 billion. Proceeds from the sale were used to pay down our existing debt and to reduce our pension obligations. We then raised new debt, with an interest rate approximately 400 basis points lower than the previous debt, and used those proceeds to further reduce our pension obligations. We also began an additional effort to reduce pension liabilities in the fourth quarter of 2020 and into the first quarter of 2021. As a result of these efforts, Unisys ended 2020 with significant enhancements to our capital structure and liquidity.

Solutions Innovation to Support Clients’ Evolving Needs

Immediately following the sale of our U.S. Federal business, we began the process of refining and enhancing our strategy with the help of a globally-recognized strategic management consulting firm. By the beginning of the fourth quarter, we had concluded the strategy review portion of this process and had begun developing our implementation plan, with the assistance of another globally-recognized management consulting firm focused on execution. As a result of this work and the related reorganization within the company, we will be reporting in three new segments, effective as of the beginning of 2021. We are targeting higher-growth and higher-margin markets and solutions, with a particular focus on areas where we are recognized as a leader and have a clear differentiation.

Ongoing focus on DEI and ESG

We enhanced our commitment to Diversity, Equity and Inclusion (DEI), including through several programs aimed at building our pipeline of diverse talent (e.g., Women in Action, Women in Technology, and our Diversity Accelerator), as well as our Associate Interest Groups (AIGs) that help celebrate the differences among us (e.g., women: Women+ Network; people of color: United by Diversity; LGBTQ+: Unisys Pride; people with disabilities: Ability Innovation Group; and veterans). Our global Inclusion and Diversity Council’s mission is to drive toward true equity for all Unisys associates through a concerted focus on career development, training, opportunities and gender, race, ethnicity, and disability awareness. We have also added additional governance and approval oversight to mitigate bias and ensure broader and more diverse slates of candidates are presented for new roles and promotions. Please see our DEI report available at <https://www.unisys.com/offerings/brochure/diversity-equity-and-inclusion-report-id-5059> on our website, which contains more detail about our DEI efforts. Additionally, we continued to expand our Environmental, Social and Governance (ESG) activities, which are summarized in our ESG report at <https://www.unisys.com/about-us/environmental-social-and-governance> on our website. We will continue to advance both our DEI and ESG efforts over the coming years.

Focused Execution Leading to Strong Financial Results

Throughout the year, we remained focused on execution against our goals, which helped us deliver the following financial results:

- 2020 non-GAAP operating profit margin of 7.5%, up 30 bps year over year
- 2020 adjusted EBITDA margin of 15.8%, up 140 basis points year over year
- 2020 adjusted free cash flow of \$42.6 million, up 59.6% year over year
- 2020 ending cash balance of \$898.5 million versus \$538.8 million in the prior-year period

I am proud of how the Unisys team came together during the last year to enable us to emerge from 2020 in a stronger position than we entered it. I am also pleased at our progress in implementing strategic and operational change to drive improved growth and profitability going forward. It is an exciting time at Unisys.

Peter A. Altabef

Chair 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) services company that delivers successful outcomes for the most demanding businesses and governments. Unisys offerings include digital workplace services; cloud and infrastructure services; and software operating environments for high-intensity enterprise computing. Unisys integrates security into all of its solutions.

As of December 31, 2020, we operated in two business segments – Services and Technology. In January 2021, the company decided to make a number of changes to its organizational structure to more effectively address evolving client needs. With these changes, the company revised its reportable segments, but this did not impact the consolidated financial statements as of December 31, 2020. The company's reportable segments will be as follows: Digital Workplace Services, which will provide services and IP-led solutions that support clients' employees' productivity, satisfaction and ability to securely work anywhere, any time; Cloud & Infrastructure, which will provide hybrid and multi-cloud solutions in select markets to accelerate innovation and increase efficiency of our clients' businesses; ClearPath Forward[®], which will provide server systems and operating system software and services that are secure, innovative, and reliable for mission-critical processing; and Other, which is principally comprised of business processing outsourcing (BPO) solutions, which will provide management of critical processes and functions for clients in select industries, helping them improve performance and reduce costs. These changes will be reflected prospectively, with comparable prior period data, in the company's first quarter 2021 Form 10-Q.

Principal Products and Services

We deliver high-performance, security-centric, leveraged services and solutions across industries, industry-specific application solutions and technology solutions worldwide to our primary target markets: Government (national governments, other than directly to the U.S. federal government, and state and local governments globally), 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 deliver successful outcomes for our clients, enabling them to:

- 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, including secure access anywhere and any time;
- Simplify management of IT infrastructure and service delivery; and
- Enhance enterprise security.

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 solutions, 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 IntelliServe™, 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 IntelliServe 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 services for the Unisys Stealth® solution, and that is underpinned by our Zero Trust security approach.

In Technology, we offer a software operating environment and related applications for high-intensity enterprise computing, including the procurement of 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. Thus, ClearPath Forward provides clients with the flexibility to choose to deploy either as an integrated system, as a private cloud via software services or in a public cloud, starting with Microsoft Azure.
- 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 solutions help law enforcement agencies solve crime; social services case workers assist families; travel and transportation companies manage freight and distribution; and financial institutions deliver omnichannel banking.

On March 13, 2020, we completed the sale of our U.S. Federal business to Science Applications International Corporation for cash of \$1.2 billion. Our financial statements have been retroactively reclassified to report the U.S. Federal business as discontinued operations. As a result, all items relating to the business within the consolidated statements of income (loss) have been reported as income from discontinued operations, net of tax, and all items relating to the business within the consolidated balance sheets have been reported as either assets or liabilities of discontinued operations. Depreciation,

amortization, capital expenditures, and significant noncash operating and investing activities related to the U.S. Federal business were immaterial for all periods presented.

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, 2021, Unisys owns over 510 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 24 U.S. trademark and service mark registrations, and over 500 additional trademark and service mark registrations in eighty non-U.S. jurisdictions as of January 31, 2021. 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 generally has not resulted in material quarterly revenue changes.

Customers

No single client accounted for more than 10% of our revenue in the year ended December 31, 2020.

Backlog

In the Services segment, firm order backlog at December 31, 2020 was \$3.4 billion, compared to \$4.3 billion at December 31, 2019. Approximately \$1.3 billion (39%) of 2020 backlog is expected to be converted to revenue in 2021. Although we believe that this backlog is firm, we may, for commercial reasons, allow the orders to be cancelled, with or without penalty.

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 2021 and 2022.

Employees

At December 31, 2020, we employed approximately 17,200 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

Chair 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

Lead Independent Director of Unisys Corporation and Executive Chairman of the Board and Former Chief Executive Officer of Stride, 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

Partner at Barber Hauler Capital Advisers³

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

Former 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

Chair and Chief Executive Officer

Eric Hutto

President and Chief Operating Officer

Katie Ebrahimi

Senior Vice President, Chief Human Resources Officer

Gerald P. Kenney

Senior Vice President, General Counsel and Secretary

Lisa Madion

Senior Vice President, Corporate Services

Mathew Newfield

Senior Vice President and Chief Security and Infrastructure 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 12, 2021 is set forth below.

Name	Age	Position with Unisys
Peter A. Altabef	61	Chair and Chief Executive Officer
Eric Hutto	56	President and Chief Operating Officer
Katie Ebrahimi	51	Senior Vice President and Chief Human Resources Officer
Gerald P. Kenney	69	Senior Vice President, General Counsel and Secretary
Lisa Madion	50	Senior Vice President, Corporate Services
Matthew Newfield	49	Senior Vice President and Chief Security and Infrastructure Officer
Michael M. Thomson	52	Senior Vice President and Chief Financial Officer
Shalabh Gupta	59	Vice President, Strategy, Tax 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 Chair of the Board of Directors since 2018 and as Chief Executive Officer since 2015. He also served as President of the Company from 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 Resource Inc. and Petrus Trust Company, L.T.A., and the Board 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 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 April 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 HewlettPackard 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. 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.

Ms. Madion has been Senior Vice President, Corporate Services since January 2021. Ms. Madion served as Vice President, Global Operations and Strategy for Enterprise Solutions from 2016 to December 2020 after joining Unisys in 2015 as Director of Operations, Strategy and Planning for the U.S. and Canada region of the Enterprise Solutions organization. Prior to joining Unisys, she was Chief of Staff for the Travel and Transportation organization of Dell Services, and Chief of Staff for the Technical Sales Specialist team in Dell's Infrastructure, Cloud and Computing line of business. Prior to that, Ms. Madion held other management roles at Dell Services with increasing responsibilities. Ms. Madion has been an officer since January 2021.

Mr. Newfield has been Senior Vice President and Chief Security and Infrastructure Officer since January 2021. Mr. Newfield joined Unisys in 2018 as Chief Information Security Officer. Mr. Newfield currently serves on the Board of Directors of the National Technology Security Coalition. Prior to joining Unisys, he was Director of Global Managed Security Services for IBM and was the Business Unit Information Security Officer and Global Process Officer for IBM's Security Services Organization from 2014 to 2018. Prior to IBM, Mr. Newfield held senior security leadership roles at Cybertrust, RSA and DDC Advocacy. Mr. Newfield has been an officer since January 2021.

Mr. Thomson has been Senior Vice President and Chief Financial Officer since 2019. Mr. Thomson served as Vice President and Corporate Controller from 2015 to 2019. 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. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic, which continues to impact the U.S. and the world. The impact from the rapidly changing market and economic conditions due to the COVID-19 outbreak is uncertain, disrupting the business of our customers and partners, and has impacted our business and consolidated results of operations and could impact our financial condition in the future. For the year ended December 31, 2020, revenue declined by 8.8% from the prior-year. The decline was largely due to expected declines in the company's U.K. check-processing joint venture, impacts of COVID-19, including declines in field services, travel and entertainment and volume-based BPO contracts. The company is unable to accurately predict the full extent of the impact that COVID-19 will have due to numerous uncertainties, including the availability and effectiveness of a vaccine, the duration of the outbreak, actions that may be taken by governmental authorities, the impact to the business of our customers and partners and other factors identified in Part I, Item 1A "Risk Factors" in this Form 10-K. The company has taken steps to minimize the impact of COVID-19 on its business such as temporary salary reductions for the senior leadership team, reduction of third-party spend such as contractors, redeploying its workforce based on shifting needs of the business, limiting travel and unnecessary expenses and reducing discretionary capital expenditures where possible. The company will continue to evaluate the nature and extent of the impact to its business, consolidated results of operations, and financial condition.

On March 13, 2020, the company completed the sale of its U.S. Federal business to Science Applications International Corporation for a cash purchase price of \$1.2 billion. Beginning January 1, 2020, the historical results of the company's U.S. Federal business have been reflected in the company's consolidated financial statements as discontinued operations. Prior-periods financial statements have been reclassified to reflect the company's U.S. Federal business as discontinued operations. Depreciation, amortization, capital expenditures, and significant non-cash operating and investing activities related to the U.S. Federal business were immaterial for all periods.

On April 15, 2020, the company redeemed all \$440.0 million in aggregate principal amount of its outstanding 10.750% Senior Secured Notes due 2022 (the 2022 Notes) for a redemption price equal to 105.375% of the aggregate principal amount of the 2022 Notes redeemed plus accrued, but unpaid interest, to, but not including, the redemption date. The redemption price paid was \$487.3 million and is made up of the following: \$440.0 million principal amount due, \$23.65 million call premium and \$23.65 million of accrued interest through April 14, 2020. As a result, the company recorded a debt extinguishment charge in other expense, net of \$28.5 million consisting of the premium of \$23.65 million and write off of \$4.8 million of unamortized discount and fees related to the issuance of the 2022 Notes.

On October 29, 2020, the company issued \$485.0 million aggregate principal amount of its 6.875% Senior Secured Notes due 2027 (the 2027 Notes). The 2027 Notes will pay interest semiannually on May 1 and November 1, commencing on May 1, 2021, and will mature on November 1, 2027, unless earlier repurchased or redeemed. The net proceeds from the issuance of the 2027 Notes was contributed to the company's U.S. defined benefit pension plan.

Contemporaneously with the issuance of the 2027 Notes, the company and the subsidiary guarantors entered into an amendment and restatement of the company's secured revolving credit facility (the Amended and Restated ABL Credit Facility) that provides for revolving loans and letters of credit up to an aggregate amount of \$145.0 million (with a limit on letters of credit of \$40.0 million), with an accordion feature provision allowing for an increase in credit facility up to \$175.0 million. The amendment and restatement extended the maturity from October 2022 to October 2025 and modified certain other terms and covenants.

On November 25, 2020, the company gave notice to the holders of its 2021 Notes that it had elected to satisfy its conversion obligation in respect of such conversion by the combination settlement method, whereby the company shall pay and deliver to the converting holders in respect of each \$1,000 principal amount of the 2021 Notes being converted a settlement amount equal to the sum of \$1,000 plus shares of the company's common stock. Assuming that all of the

holders of the 2021 Notes convert their 2021 Notes into shares of the company's common stock, in March of 2021, the company will deliver to the note holders \$84.2 million of cash and approximately 4.6 million shares of the company's common stock. The company estimates that it will receive approximately 1.2 million shares upon exercise of the capped call transactions; therefore, the number of outstanding shares of common stock will increase by approximately 3.4 million shares.

In 2020, the company contributed \$791.1 million to its U.S. qualified pension plans. In December 2020, the company completed a lump-sum cash-out offer for eligible former associates who had deferred vested benefit under the company's U.S. defined benefit pension plans to receive the value of their entire pension benefit in a lump-sum payment. As a result, the pension plan trust made lump sum payments to approximately 3,500 former associates of \$276.0 million and the company recorded a non-cash pre-tax settlement charge of \$142.1 million.

In 2020, the company reported a net loss from continuing operations attributable to Unisys Corporation of \$317.7 million, or a loss of \$5.05 per diluted share, compared with a 2019 net loss of \$92.2 million, or a loss of \$1.65 per diluted share.

Results of operations

Company results

Revenue for 2020 was \$2.03 billion compared with \$2.22 billion for 2019, a decrease of 8.8%. Foreign currency fluctuations had a 1-percentage-point negative impact on revenue in the current year compared with the year-ago period.

Services revenue decreased 10.6% and Technology revenue increased 1.0%. Foreign currency fluctuations had a 1-percentage-point negative impact on Services revenue and a 1-percentage-point negative impact on Technology revenue in the current year compared with the year-ago period.

Revenue from international operations in 2020 and 2019 was \$1.24 billion and \$1.40 billion, respectively. Foreign currency had a 2-percentage-point negative impact on international revenue in 2020 compared with 2019. Revenue from U.S. operations was \$0.78 billion in 2020 and \$0.82 billion in 2019.

The decline in Services revenue in 2020 compared with 2019 was largely due to expected declines in the company's U.K. check-processing joint venture; impacts of COVID-19, including declines in field services, travel and entertainment and volume-based BPO contracts.

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.

Revenue for 2019 was \$2.22 billion compared with \$2.25 billion for 2018, a decrease of 1.3%. Excluding the Topic 606 adjustment of \$53.0 million, revenue increased 1.1%. Services revenue increased 1.9% and Technology revenue decreased 16.1%. Excluding the Topic 606 adjustment, Technology revenue declined 3.1%.

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. Revenue from U.S. operations was \$0.82 billion in 2019 and \$0.67 billion in 2018. Excluding the Topic 606 adjustment, U.S. revenue in 2018 was \$0.66 billion.

During 2020, the company recognized cost-reduction charges and other costs of \$95.5 million. The charges (credits) related to work-force reductions were \$25.5 million, principally related to severance costs, and were comprised of: (a) a charge of

\$39.0 million and (b) a credit of \$13.5 million for changes in estimates. In addition, the company recorded charges of \$70.0 million comprised of \$32.3 million for foreign currency losses related to exiting foreign countries, \$24.0 million for asset impairments and \$13.7 million for other expenses related to the cost-reduction effort.

During 2019, the company recognized cost-reduction charges and other costs of \$28.7 million. The charges related to workforce reductions were \$22.1 million, principally related to severance costs, and were comprised of: (a) a charge of \$25.7 million and (b) a credit of \$3.6 million for changes in estimates. 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.

During 2018, the company recognized cost-reduction charges and other costs of \$19.7 million. The charges related to workforce reductions were \$19.0 million, principally related to severance costs, and were comprised of: (a) a charge of \$27.7 million and (b) a credit of \$8.7 million for changes in estimates. In addition, the company recorded a charge of \$0.7 million for changes in estimates related to idle leased facilities costs.

The cost reduction charges (credits) were recorded in the following statement of income classifications:

Year ended December 31,	2020	2019	2018
Cost of revenue			
Services	\$22.2	\$10.8	\$18.1
Technology	—	0.2	—
Selling, general and administrative	38.5	15.5	1.6
Research and development	2.5	2.2	—
Other (expenses), net	32.3	—	—
Total	\$95.5	\$28.7	\$19.7

Gross profit as a percent of total revenue, or gross profit percent, was 23.8% in 2020, 24.0% in 2019 and 26.0% in 2018. 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. Excluding this change, 2019 gross profit percent was 23.1%. Gross profit in 2018 was positively impacted by the Topic 606 adjustment described above. Excluding this adjustment, 2018 gross profit percent was 24.2%.

Selling, general and administrative expenses were \$369.4 million in 2020 (18.2% of revenue), \$364.8 million in 2019 (16.4% of revenue) and \$340.3 million in 2018 (15.1% of revenue). Exclusive of cost reduction charges in 2020 and 2019, selling, general and administrative expenses would have declined.

Research and development (R&D) expenses in 2020 were \$26.6 million compared with \$31.3 million in 2019 and \$31.9 million in 2018.

In 2020, the company reported an operating profit of \$87.0 million compared with an operating profit of \$137.9 million in 2019 and \$212.1 million in 2018. The decline in 2020 was principally due to higher cost reduction charges. Operating profit in 2018 was positively impacted by the Topic 606 adjustment described above. Excluding this adjustment, operating profit in 2018 was \$159.1 million.

Interest expense was \$29.2 million in 2020, \$62.1 million in 2019 and \$64.0 million in 2018. The decline in 2020 was principally due to the redemption of the company's 2022 Notes on April 14, 2020. See Note 15, "Debt," of the Notes to Consolidated Financial Statements.

Other (expense), net was \$329.6 million in 2020 compared with \$136.4 million in 2019 and \$77.1 million in 2018. In 2020, the company recorded a settlement charge of \$142.1 million related to its U.S. defined benefit pension plan and a foreign exchange charge of \$32.3 million related to substantial completion of liquidation of foreign subsidiaries. See Note 6, "Other (expense), net" of the Notes to Consolidated Financial Statements for details of other (expense), net.

Pension expense for 2020 was \$235.3 million compared with \$92.7 million in 2019 and \$79.7 million in 2018. The increase in 2020 was principally due to the \$142.1 million U.S. settlement charge, discussed above. For 2021, the company expects to recognize pension expense of approximately \$418.6 million, which includes estimated settlement charges of \$373 million related to plans in the Netherlands, the United States and Switzerland of \$186 million, \$158 million and \$29 million, respectively (see below, in financial condition, information concerning expected 2021 pension plan settlements). 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) from continuing operations before income taxes in 2020 was a loss of \$271.8 million compared with a loss of \$60.6 million in 2019 and income of \$71.0 million in 2018. Included in the loss in 2020 was the \$142.1 million U.S. pension settlement charge as well as \$95.5 million cost reduction charges. Income before income taxes in 2018 was positively impacted by the Topic 606 adjustment described above. Excluding this adjustment, income before income taxes in 2018 was \$18.0 million.

The provision for income taxes in 2020, 2019 and 2018 was \$45.4 million, \$27.7 million and \$46.0 million, respectively.

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, 2020 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 (loss) from continuing operations attributable to Unisys Corporation for 2020 was a loss of \$317.7 million, or \$5.05 per diluted share, compared with a loss of \$92.2 million, or \$1.65 per diluted share in 2019 and income of \$21.6 million, or \$0.42 per diluted 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) solutions. 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 operating environments and related applications for high-intensity enterprise computing, including the procurement of 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, 2020, 2019 and 2018 was \$7.8 million, \$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 20, "Segment information," of the Notes to Consolidated Financial Statements.

Information by business segment is presented below:

(millions)	Total	Corporate	Services	Technology
2020				
Customer revenue	\$2,026.3	\$ –	\$1,692.9	\$333.4
Intersegment	–	(16.3)	–	16.3
Total revenue	\$2,026.3	\$(16.3)	\$1,692.9	\$349.7
Gross profit percent	23.8%		16.5%	65.0%
Operating profit percent	4.3%		0.7%	40.8%
2019				
Customer revenue	\$2,222.8	\$ –	\$1,892.7	\$330.1
Intersegment	–	(15.2)	–	15.2
Total revenue	\$2,222.8	\$(15.2)	\$1,892.7	\$345.3
Gross profit percent	24.0%		16.2%	69.0%
Operating profit percent	6.2%		1.1%	46.1%
2018				
Customer revenue	\$2,251.2	\$ –	\$1,857.6	\$393.6
Intersegment	–	(24.7)	–	24.7
Total revenue	\$2,251.2	\$(24.7)	\$1,857.6	\$418.3
Gross profit percent	26.0%		15.9%	73.0%
Operating profit percent	9.4%		0.5%	53.6%

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, is presented below:

Year ended December 31 (millions)	2020	2019	Percentage Change	2018	Percentage Change
Services					
Cloud & infrastructure services	\$ 1,178.1	\$1,287.2	(8.5)%	\$1,225.4	5.0%
Application services	350.2	370.9	(5.6)%	381.7	(2.8)%
BPO solutions	164.6	234.6	(29.8)%	250.5	(6.3)%
Total Services	1,692.9	1,892.7	(10.6)%	1,857.6	1.9%
Technology	333.4	330.1	1.0%	393.6	(16.1)%
Total customer revenue	\$2,026.3	\$2,222.8	(8.8)%	\$2,251.2	(1.3)%

In the Services segment, customer revenue was \$1.7 billion in 2020, \$1.9 billion in 2019 and \$1.9 billion in 2018. Foreign currency fluctuations had a 1-percentage-point negative impact on revenue in 2020 compared with 2019. The decline in revenue in 2020 compared with 2019 was largely due to expected declines in the company's U.K. check-processing joint venture; impacts of COVID-19, including declines in field services, travel and entertainment and volume-based BPO contracts.

Revenue from cloud & infrastructure services was \$1.2 billion in 2020, down 8.5% compared with 2019. Revenue in 2019 was \$1.3 billion, up 5.0% compared with 2018. Foreign currency fluctuations had a 1-percentage-point negative impact on cloud & infrastructure services revenue in the current period compared with the year-ago period.

Application services revenue decreased 5.6% in 2020 compared with 2019. Revenue in 2019 was down 2.8% from 2018. Foreign currency fluctuations had a 3-percentage-point negative impact on application services revenue in the current period compared with the year-ago period.

Business process outsourcing solutions revenue decreased 29.8% in 2020 compared with 2019. Revenue in 2019 was down 6.3% from 2018. Foreign currency fluctuations had an insignificant impact on business process outsourcing solutions revenue in the current period compared with the year-ago period. The declines were due to reductions in volumes at the company's check-processing operations.

Services gross profit percent was 16.5% in 2020 compared with 16.2% in 2019 and 15.9% in 2018. Services operating profit percent was 0.7% in 2020 compared with 1.1% in 2019 and 0.5% in 2018. Operating profit in 2020 compared with 2019 was negatively impacted by the flow-through effect of lower revenues related to the COVID-19 impact.

In the Technology segment, customer revenue increased 1.0% to \$333.4 million in 2020 compared with \$330.1 million in 2019. Foreign currency translation had a 1-percentage-point negative impact on Technology revenue in 2020 compared with 2019. Technology revenue in 2019 was \$330.1 million compared with \$393.6 million in 2018, a decline of 16.1%. The decline in Technology revenue in 2019 compared with 2018 is principally attributable to the 2018 Topic 606 adjustment of \$53.0 million described above. Excluding the Topic adjustment, Technology customer revenue declined 3.1%.

Technology gross profit percent was 65.0% in 2020 compared with 69.0% in 2019 and 73.0% in 2018. The Technology operating profit percent was 40.8% in 2020 compared with 46.1% in 2019 and 53.6% in 2018. The decrease in gross profit percent and operating profit percent in 2020 compared with 2019 was primarily due to a lower mix of higher margin software sales. Excluding the impact of the Topic 606 adjustment, 2018 gross profit percent was 69.1% and the operating profit percent was 46.9%.

New accounting pronouncements

See Note 3, "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 ABL 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 the next twelve months.

Cash and cash equivalents at December 31, 2020 were \$898.5 million compared with \$538.8 million at December 31, 2019.

As of December 31, 2020, \$326.3 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 7, "Income taxes," of the Notes to Consolidated Financial Statements regarding the company's intention to indefinitely reinvest earnings of foreign subsidiaries.

During 2020, cash used for operating activities was \$681.2 million compared with cash provided by operations of \$123.9 million in 2019. The increase in cash usage during 2020 was principally due to higher cash contributions to the company's U.S. qualified defined benefit pension plans, discussed above.

Cash provided by investing activities in 2020 was \$1,041.6 million compared with cash usage of \$158.2 million in 2019. On March 13, 2020, the company sold its U.S. Federal business and received net cash proceeds of \$1,162.9 million (net of working capital adjustments and transaction costs). Net proceeds of investments were \$9.3 million in 2020 compared with net proceeds of \$2.8 million in 2019. 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 \$27.7 million in 2020 compared with \$38.0 million in 2019, capital additions of outsourcing assets were \$30.1 million in 2020 compared with \$48.8 million in 2019 and the investment in marketable software was \$72.3 million in 2020 compared with \$73.0 million in 2019.

Cash provided by financing activities during 2020 was \$5.1 million compared with cash used for financing activities of \$38.0 million in 2019. The increase in cash provided in 2020 is principally due to the 2019 convertible notes exchange partially offset by proceeds received from the issuance of debt as described below.

At December 31, 2020, total debt was \$629.9 million compared with \$579.4 million at December 31, 2019. The increase is primarily due to the issuance of the 6.875% senior secured notes, offset in part by the redemption of the 10.750%, both of which are described below.

On April 15, 2020, the company redeemed all \$440.0 million in aggregate principal amount of its outstanding 10.750% Senior Secured Notes due 2022 (the 2022 Notes) for a redemption price equal to 105.375% of the aggregate principal amount of the 2022 Notes redeemed plus accrued, but unpaid interest, to, but not including, the redemption date. The redemption price paid was \$487.3 million and is made up of the following: \$440.0 million principal amount due, \$23.65 million call premium and \$23.65 million of accrued interest through April 14, 2020. As a result, the company recorded a debt extinguishment charge in other expense, net of \$28.5 million consisting of the premium of \$23.65 million and write off of \$4.8 million of unamortized discount and fees related to the issuance of the 2022 Notes.

On October 29, 2020, the company issued \$485.0 million aggregate principal amount of its 6.875% Senior Secured Notes due 2027 (the 2027 Notes). The 2027 Notes will pay interest semiannually on May 1 and November 1, commencing on May 1, 2021, and will mature on November 1, 2027, unless earlier repurchased or redeemed. The 2027 Notes are fully and unconditionally guaranteed on a senior secured basis by Unisys Holding Corporation, Unisys NPL, Inc., and Unisys AP Investment Company I, each a Delaware corporation that is directly or indirectly owned by the company (the subsidiary guarantors).

The 2027 Notes and the related guarantees rank equally in right of payment with all of the existing and future senior debt of the company and its subsidiary guarantors and senior in right of payment to any future subordinated debt of the company and its subsidiary guarantors. The 2027 Notes and the related guarantees are structurally subordinated to all existing and future liabilities (including preferred stock, trade payables and pension liabilities) of the subsidiaries of the company that are not subsidiary guarantors. The 2027 Notes and the guarantees will be secured by liens on substantially all assets of the company and the subsidiary guarantors, other than certain excluded assets (the collateral). The liens securing the 2027 Notes on certain ABL collateral will be subordinated to the liens on ABL collateral in favor of the ABL secured parties and, in the future, the liens securing the 2027 Notes may be subordinated to liens on the collateral securing certain permitted first lien debt, subject to certain limitations and permitted liens.

The company may, at its option, redeem some or all of the 2027 Notes at any time on or after November 1, 2020 at a redemption price determined in accordance with the redemption schedule set forth in the indenture, plus accrued and unpaid interest, if any.

Prior to November 1, 2023 the company may, at its option, redeem some or all of the 2027 Notes at any time, at a price equal to 100% of the principal amount of the 2027 Notes redeemed plus a “make-whole” premium, plus accrued and unpaid interest, if any. The company may also redeem, at its option, up to 40% of the 2027 Notes at any time prior to November 1, 2023, using the proceeds of certain equity offerings at a redemption price of 106.875% of the principal amount thereof, plus accrued and unpaid interest, if any. On or after November 1, 2023, the company may, on any one or more occasions, redeem all or a part of the 2027 Notes at specified redemption premiums, declining to par for any redemptions on or after November 1, 2025.

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.

If the company experiences certain kinds of changes of control (as defined in the indenture), it will be required to offer to repurchase the 2027 Notes at 101% of the principal amount of the 2027 Notes, plus accrued and unpaid interest as of the repurchase date, if any. In addition, if the company sells assets under certain circumstances it must apply the proceeds towards an offer to repurchase the 2027 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 occur, would permit or require the principal, premium, if any, interest and any other monetary obligations on all the then outstanding 2027 Notes to be due and payable immediately.

Contemporaneously with the issuance of the 2027 Notes, the company and the subsidiary guarantors entered into an amendment and restatement of the company’s secured revolving credit facility (the Amended and Restated ABL Credit Facility) that provides for revolving loans and letters of credit up to an aggregate amount of \$145.0 million (with a limit on letters of credit of \$40.0 million), with an accordion feature provision allowing for an increase in credit facility up to \$175.0 million upon the satisfaction of certain conditions specified in the Amended and Restated ABL Credit Facility. The amendment and restatement extended the maturity from October 2022 to October 29, 2025 and modified certain other terms and covenants. Availability under the credit facility is subject to a borrowing base calculated by reference to the company’s receivables. At December 31, 2020, the company had no borrowings and \$5.7 million of letters of credit outstanding, and availability under the facility was \$112.9 million net of letters of credit issued.

The Amended and Restated ABL Credit Facility is subject to a springing maturity, under which the Amended and Restated ABL Credit Facility will immediately mature 91 days prior to any date on which contributions to pension funds in the United States

in an amount in excess of \$100.0 million are required to be paid unless the company is able to meet certain conditions, including that the company has the liquidity (as defined in the Amended and Restated ABL Credit Facility) to cash settle the amount of such pension payments, no default or event of default has occurred under the Amended and Restated ABL Credit Facility, the company's liquidity is above \$130.0 million and the company is in compliance with the then applicable fixed charge coverage ratio on a pro forma basis.

The Amended and Restated ABL Credit Facility is guaranteed by the subsidiary guarantors 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 Amended and Restated ABL Credit Facility falls below the greater of 10% of the lenders' commitments under the facility and \$14.5 million.

The Amended and Restated ABL Credit Facility contains customary representations and warranties, including, but not limited to, that there has been no material adverse change in the company's business, properties, operations or financial condition. The Amended and Restated ABL Credit Facility includes restrictions 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. These restrictions are subject to several important limitations and exceptions. 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, subject to relevant cure periods, as applicable.

On November 25, 2020, the company gave notice to the holders of its 2021 Notes that it had elected to satisfy its conversion obligation in respect of such conversion by the combination settlement method, whereby the company shall pay and deliver to the converting holders in respect of each \$1,000 principal amount of the 2021 Notes being converted a settlement amount equal to the sum of \$1,000 plus shares of the company's common stock. Assuming that all of the holders of the 2021 Notes convert their 2021 Notes into shares of the company's common stock, in March of 2021, the company will deliver to the note holders \$84.2 million of cash and approximately 4.6 million shares of the company's common stock. The company estimates that it will receive approximately 1.2 million shares upon exercise of the capped call transactions; therefore, the number of outstanding shares of common stock will increase by approximately 3.4 million shares.

At December 31, 2020, 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 the next twelve months.

At December 31, 2020, the company had outstanding standby letters of credit and surety bonds totaling approximately \$191 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 4, "Cost-reduction actions," Note 5, "Leases and commitments" and Note 15, "Debt," of the Notes to Consolidated Financial Statements, at December 31, 2020, 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)	\$ 638.8	\$ 103.6	\$ 34.7	\$12.6	\$487.9
Interest payments on debt	249.9	40.0	72.1	68.9	68.9
Operating leases	108.2	40.8	53.2	13.4	0.8
Work-force reductions	55.9	40.7	15.2	-	-
Total	\$1,052.8	\$ 225.1	\$ 175.2	\$94.9	\$557.6

As described in Note 17, “Employee plans,” of the Notes to Consolidated Financial Statements, in 2021, the company expects to make cash contributions of approximately \$250.6 million to its worldwide defined benefit pension plans, which are comprised of a voluntary contribution of \$200.0 million for the company’s U.S. qualified defined benefit pension plans and \$50.6 million primarily for international defined benefit pension plans.

In January of 2021, the company signed an agreement with an insurance company to purchase a group annuity contract for \$279 million to transfer projected benefit obligations related to approximately 11,600 retirees of the company’s U.S. defined benefit pension plans. This action is expected to result in a first quarter 2021 one-time, non-cash, pre-tax settlement charge of approximately \$158 million.

In late February or early March of 2021, the company’s Swiss subsidiary is expected to complete the transfer of its defined benefit pension plan to a multi-employer collective foundation. This is expected to result in removing the projected benefit obligations related to retirees under the Swiss plan, valued at approximately \$100 million, from the company’s balance sheet. The transfer requires a one-time additional contribution of approximately \$10 million to the Swiss plan. This action is expected to result in a first quarter 2021 one-time, non-cash, pre-tax settlement charge of approximately \$29 million.

In late March 2021, the company expects its Netherlands subsidiary to complete the transfer of its defined benefit pension plan from a single-client circle to a multi-client circle within a multi-employer general pension fund. This will result in removing the plan’s projected benefit obligations and assets, valued at approximately \$550 million and \$620 million, respectively, from the company’s balance sheet. This action is expected to result in a first quarter 2021 one-time, non-cash pre-tax settlement charge of approximately \$186 million.

In January 2021, the company decided to make a number of changes to its organizational structure to more effectively address evolving client needs. With these changes, the company revised its reportable segments, but this did not impact the consolidated financial statements as of December 31, 2020. The company’s reportable segments will be as follows: Digital Workplace Services, which will provide services and IP-led solutions that support clients’ employees’ productivity, satisfaction and ability to securely work anywhere, any time; Cloud & Infrastructure, which will provide hybrid and multi-cloud solutions in select markets to accelerate innovation and increase efficiency of our clients’ businesses; ClearPath Forward®, which will provide server systems and operating system software and services that are secure, innovative, and reliable for mission-critical processing; and Other, which is principally comprised of business processing outsourcing (BPO) solutions, which will provide management of critical processes and functions for clients in select industries, helping them improve performance and reduce costs. These changes will be reflected prospectively, with comparable prior period data, in the company’s first quarter 2021 Form 10-Q.

The company maintains a shelf registration statement with the Securities and Exchange Commission, which expires in June of 2021, that covers the offer and sale of up to \$700.0 million of debt or equity securities. The company expects to replace the current shelf registration statement before it expires with a new shelf registration statement. 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.

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.

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, 2020 and 2019, the company had deferred tax assets in excess of deferred tax liabilities of \$1,380.8 million and \$1,617.8 million, respectively. For the reasons cited below, at December 31, 2020 and 2019, management determined that it is more likely than not that \$109.3 million and \$93.1 million, respectively, of such assets will be realized, resulting in a valuation allowance of \$1,271.5 million and \$1,524.7 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, 2020 is approximately \$346.1 million. This limitation will be applied 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 7, "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.

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.

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.

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 2021, the company has assumed that the expected long-term rate of return on U.S. plan assets will be 6.07%, and on the company's non-U.S. plan assets will be 3.30%. 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 \$9 million and \$5 million, respectively, in 2021 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, 2020, for the company's U.S. qualified defined benefit pension plans, the calculated value of plan assets was \$3.85 billion and the fair value was \$3.71 billion.

At the end of each year, the company determines the discount rate to be used to calculate the present value of plan liabilities. Inherent in deriving the discount rate are significant assumptions with respect to the timing and magnitude of expected benefit payment obligations. 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, 2020, the company determined this rate to be 2.85% for its U.S. defined benefit pension plans, a decrease of 68 basis points from the rate used at December 31, 2019, and 1.23% for the company's non-U.S. defined benefit pension plans, a decrease of 59 basis points from the rate used at December 31, 2019. A change of 25 basis points in the U.S. and non-U.S. discount rates causes a change in 2021 pension expense of approximately \$2 million and \$100 thousand, respectively, and a change of approximately \$107 million and \$137 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.

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 23 years, respectively. At December 31, 2020, 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 \$2.35 billion and \$1.13 billion, respectively.

For the year ended December 31, 2020, the company recognized consolidated pension expense of \$235.3 million, compared with \$92.7 million for the year ended December 31, 2019. For 2021, the company expects to recognize pension expense of approximately \$418.6 million, which includes estimated settlement charges of \$373 million related to plans in the Netherlands, the United States and Switzerland of \$186 million, \$158 million and \$29 million, respectively. See Note 17, "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 and operating margins. 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, 2020, was as follows (dollars in millions):

Reporting unit	Carrying Value
Business process outsourcing	\$ 10.3
Technology	98.3
Total	\$108.6

As a result of the impairment review, the company concluded that none of its goodwill was impaired as of December 31, 2020, 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.

Factors that may affect future results

Factors that could affect future results include the following:

COVID-19

The company's business and results of operations will be, and our financial condition may be, impacted by the COVID-19 pandemic and such impact could be materially adverse.

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and workforce participation due to “shelter-in-place” restrictions by various governments worldwide and created significant volatility and disruption of financial markets. The full extent of the impact of the COVID-19 pandemic on our operational and financial performance, including our ability to execute our business strategies and initiatives in the expected time frame, will depend on future developments, including the duration and spread of the pandemic and related restrictions on travel and transportations, the effect on our customers and clients and demand for our products and services; our ability to sell and provide our products and services, including as a result of travel restrictions and people working from home; the ability of our clients to pay for our services and solutions; and any closures of our and our customers' and clients' offices and facilities all of which are uncertain and cannot be predicted. Continued impacts of the pandemic could materially adversely impact global economic conditions, our business, results of operations and financial condition, including our cash flow and liquidity, our potential to conduct financings on terms acceptable to us, if at all, and may require significant actions in response, including but not limited to expense reductions or discounting of pricing of our products, in an effort to mitigate such impacts. The full extent of the impact of the pandemic on our business and financial results will depend largely on future developments, including the duration of the spread of the COVID-19 virus, the availability and effectiveness of a vaccine, the impact on capital and financial markets and the related impact on the financial circumstances of our customers, all of which are highly uncertain and cannot be predicted. This situation is changing rapidly, and additional impacts may arise that we are not aware of currently.

IMPLEMENTATION OF BUSINESS STRATEGY IN INFORMATION TECHNOLOGY MARKETPLACE

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

The company's ability to retain, train and develop its existing associate base in the skills and solutions required to service its target markets with the appropriate solutions is critical to the company's future success. The company also needs to attract new talent to augment the skills required to deliver its solutions to its target markets. The failure of the company to attract new talent with the requisite skill set, retain key personnel or implement an appropriate succession plan could adversely impact the company's ability to successfully carry out its business strategy and retain other key personnel.

Future results may be adversely impacted if the company is unable to grow revenue and expand margin in its Digital Workplace Services and Cloud and Infrastructure businesses.

The company's strategy places an emphasis on an industry go-to-market approach with a focus within the company's Digital Workplace Services and Cloud and Infrastructure businesses on growing revenue, including specifically on higher-value and higher-margin offerings, while growing revenue and increasing margins with its other offerings such as business process outsourcing solutions. The company's ability to grow revenue and profitability in these businesses will depend on the level of demand for projects and the portfolio of solutions the company offers. It will also depend on an efficient utilization of services delivery personnel. Revenue and profit margins in these businesses are a function of both the portfolio of solutions sold in a given period and the rates the company is able to charge for services and the chargeability of its professionals. If the company is unable to attain sufficient rates and chargeability for its professionals, revenue and profit margins will be adversely affected. The rates the company is able to charge for services are affected by a number of factors, including

clients' perception of the company's ability to add value through its services; introduction of new services or products by the company or its competitors; pricing policies of competitors; and general economic conditions. Chargeability is also affected by a number of factors, including the company's ability to transition resources from completed projects to new engagements and across geographies, and its ability to forecast demand for services and thereby maintain appropriate resource levels. The company's results of operations and financial condition may be adversely impacted if sales of higher-margin offerings do not offset declines in revenue and profitability of lower-margin offerings.

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

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

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

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

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

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

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

The company has a number of significant long-term contracts with clients, including governmental entities, and its future success will depend, in part, on retaining its relationships with these clients. The company could lose clients for reasons such as contract expiration, conversion to a competing service provider, disputes with clients or a decision to in-source services. The company could also lose clients as a result of their merger, acquisition or business failure. The company may not be able to replace the revenue and earnings from any such lost client. The company is expecting revenue, margin and

market share expansion due to decisions by some of the company's competitors to exit or de-emphasize their focus on the company's target markets. If such competitor's change that position, it could impact the company's ability to gain market share.

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

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

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

The inability of the company to develop or acquire the capabilities to enhance the company's solutions could adversely impact the company's revenue and margins and result in the failure to expand the company's market share.

The company's financial objectives require it to develop, acquire or orchestrate with its strategic partnership network the prerequisite capabilities to enhance the company's solutions so they contain higher-growth, higher-margin offerings and allow for the expansion of market share. If the company is unable to do so, its financial performance may be adversely impacted.

An increase in the concentration of the company's business in the global commercial sector of the information technology industry may subject the company's financial results to increased volatility and greater risk.

The company's operational and financial profile has changed due to the sale of the company's former U.S. Federal business. As a result, the company's diversification of historical revenue sources has diminished, and the company's results of operations, cash flows, working capital and financing requirements may be subject to increased volatility and greater risk as a result of the concentration of its business in the global commercial sector of the information technology industry. Moreover, the shares of the company's common stock will represent an investment in a smaller company than in existence prior to the asset sale and the company's exposure to the risks inherent in its remaining businesses will increase. Additionally, the company's ability to return to the U.S. Federal market is restricted by the terms of the non-competition commitments made to Science Applications International Corporation pursuant to the terms of the asset purchase agreement governing the sale. As a result, the company's ability to capitalize on market disruptions and the acceleration of our target markets transformation to digital platforms could be impeded.

DEFINED BENEFIT PENSION PLANS

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

The company has significant unfunded obligations under its U.S. and non-U.S. defined benefit pension plans. In 2020, the company made cash contributions of \$826.2 million to its worldwide defined benefit pension plans, which were comprised of \$791.1 million for the company's U.S. qualified defined benefit pension plans and \$35.1 million primarily for non-U.S. defined benefit pension plans. Based on current legislation, global regulations, recent interest rates and expected returns, in 2021 the company estimates that it will make cash contributions to its worldwide defined benefit pension plans of approximately \$250.6 million, which are comprised of a voluntary contribution of \$200.0 million for the company's U.S. qualified defined benefit pension plans and approximately \$50.6 million primarily for non-U.S. defined benefit pension plans. Estimates for future cash contributions are likely to change based on a number of factors including market conditions and changes in discount rates. If estimates for future contributions change materially, the company

may need to obtain additional funding in order to make future contributions. In this event, there is no assurance that the company would be able to obtain such funding or that the company will have enough cash on hand to pay the required cash contributions.

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

TAX ASSETS

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

A corporation's ability to deduct its federal NOL carryforwards and utilize certain other available tax attributes can be substantially constrained under the general annual limitation rules of Section 382 of the Internal Revenue Code (Section 382) if it undergoes an "ownership change" as defined in Section 382 (generally where cumulative stock ownership changes among material shareholders exceed 50 percent during a rolling three-year period). Similar rules may apply under state tax laws. A future tax "ownership change" pursuant to Section 382, may severely limit or effectively eliminate our ability to utilize our NOL carryforwards and other tax attributes.

GENERAL BUSINESS RISKS

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

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

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

As part of the company's business strategy, it may from time to time consider acquiring complementary technologies, products and businesses, or disposing of existing technologies, products and businesses, including transactions of a material size. Any acquisitions may result in the incurrence of substantial additional indebtedness or contingent liabilities. Acquisitions could also result in potentially dilutive issuances of equity securities and an increase in amortization expenses related to intangible assets. Additional potential risks associated with acquisitions include integration difficulties; difficulties in maintaining or enhancing the profitability of any acquired business; risks of entering markets in which the company has no or limited prior experience; potential loss of employees or failure to maintain or renew any contracts of any acquired business; and expenses of any undiscovered or potential liabilities of the acquired product or business, including relating to employee benefits contribution obligations or environmental requirements. Potential risks with respect to dispositions include difficulty finding buyers or alternative exit strategies on acceptable terms in a timely manner; potential loss of employees or clients; dispositions at unfavorable prices or on unfavorable terms, including relating to retained liabilities; and post-closing indemnity claims. Further, with respect to both acquisitions and dispositions, management's attention could be

diverted from other business concerns. Adverse credit conditions could also affect the company's ability to consummate acquisitions or dispositions. The risks associated with acquisitions and dispositions could have a material adverse effect upon the company's business, financial condition and results of operations. There can be no assurance that the company will be successful in consummating future acquisitions or dispositions on favorable terms or at all.

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

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

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

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

A failure to meet standards or expectations with respect to the company's environmental, social and governance practices could adversely impact the company's business and reputation.

Many governmental bodies and current and prospective investors, clients, partners, and employees are increasing their focus on corporate environmental, social and governance (ESG) practices. If the company fails to meet the standards or expectations of any of these groups, the company may suffer reputational damage, the company's business may be adversely impacted and the company may find it more difficult to recruit or retain key personnel.

If the company is unable to access the financing markets, it may adversely impact the company's business and liquidity.

Market conditions may impact the company's ability to access the financing markets on terms acceptable to the company or at all. If the company is unable to access the financing markets, the company would be required to use cash on hand to fund operations and the company's required pension contributions and repay outstanding debt as it comes due. There is no assurance that the company will generate sufficient cash to fund its operations and required pension contributions and refinance such debt. A failure by the company to generate such cash would have a material adverse effect on its business if the company were unable to access financing markets and may result in a default with respect to the company's pension obligation and under the

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

A reduction in the company's credit rating could adversely affect its business and/or the holders of its securities.

The credit rating agencies rating the company's indebtedness regularly evaluate the company, and credit ratings are based on a number of factors, including the company's financial strength and ability to generate earnings, as well as factors not entirely within the company's control, including conditions affecting the information technology industry and the economy

and changes in rating methodologies. There can be no assurance that the company will maintain its current credit ratings. A downgrade of the company's credit ratings could adversely affect its access to liquidity and capital, and could significantly increase its cost of funds, decrease the number of investors and counterparties willing to lend to the company or purchase its securities and impact the company's ability to utilize surety bonds or other financial instruments the company uses to conduct its business. This could affect the company's growth, profitability, and financial condition, including liquidity.

The company's business may be adversely affected by global economic conditions, acts of war, terrorism, natural disasters or the widespread outbreak of infectious diseases.

If global economic conditions deteriorate, the company could see reductions in demand and increased pressure on revenue and profit margins. The company could also see a further consolidation of clients, which could also result in a decrease in demand. The company's business could also be affected by acts of war, terrorism, natural disasters and the widespread outbreak of infectious diseases. Current world tensions could escalate, and this could have unpredictable consequences on the world economy and on the company's business. If, as a result of such an event, the company's clients in a particular industry were to suffer material adverse impacts, the company may experience a reduction in demand for its services and products from such clients, which may materially and adversely affect the company's business, results of operations and financial condition.

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

The impact of the United Kingdom's withdrawal from the European Union, commonly referred to as "Brexit", and the resulting effect on the political and economic future of the U.K. and the European Union is uncertain. Depending on the outcome, the company may decide to alter its European operations to respond to the new business, legal, regulatory, tax and trade environments that may result, which may adversely affect the company's financial results. In addition, uncertainty regarding Brexit could cause a slowdown in economic activity in the U.K., the European Union or globally. As a result of these possible effects, among others, Brexit could adversely impact the company's operations in the U.K., cause increased volatility in the measurement of the pension assets or benefit obligations in the company's U.K. pension plans, as well as adversely affect the funded status of the company's U.K. pension plans.

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

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

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

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

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

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

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

Various lawsuits, claims, investigations and proceedings that have been brought or asserted against the company in the past relating to matters arising 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 believes that it has valid defenses with respect to legal matters pending against it. Litigation is inherently unpredictable, however, and it is possible that the company's results of operations or cash flows could be materially affected in any particular period as a result of future developments of the legal matters pending against it, including the resolution of any such matters. Additional legal proceedings may arise in the future with respect to the company's existing and legacy operations that may adversely affect the company's business or reputation.

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

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 15, "Debt," of the Notes to Consolidated Financial Statements for components of the company's 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, 2020, the company had outstanding \$476.9 million (\$485.0 million face value) of senior secured notes due 2027 and \$83.6 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, 2020, the fair value of the senior secured notes due 2027 was \$532.3 million. As of December 31, 2020, the fair value of the convertible senior notes was \$169.8 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 15, "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 12, "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, 2020 and 2019, the analysis indicated that such market movements would have reduced the estimated fair value of these derivative financial instruments by approximately \$50 million and \$44 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 (LOSS)

(Millions, except per share data)

Year ended December 31,	2020	2019	2018
Revenue			
Services	\$1,692.9	\$1,892.7	\$1,857.6
Technology	333.4	330.1	393.6
	2,026.3	2,222.8	2,251.2
Costs and expenses			
Cost of revenue:			
Services	1,429.4	1,590.6	1,567.8
Technology	113.9	98.2	99.1
	1,543.3	1,688.8	1,666.9
Selling, general and administrative	369.4	364.8	340.3
Research and development	26.6	31.3	31.9
	1,939.3	2,084.9	2,039.1
Operating income	87.0	137.9	212.1
Interest expense	29.2	62.1	64.0
Other (expense), net	(329.6)	(136.4)	(77.1)
Income (loss) from continuing operations before income taxes	(271.8)	(60.6)	71.0
Provision for income taxes	45.4	27.7	46.0
Consolidated net income (loss) from continuing operations	(317.2)	(88.3)	25.0
Net income attributable to noncontrolling interests	0.5	3.9	3.4
Net income (loss) from continuing operations attributable to Unisys Corporation	(317.7)	(92.2)	21.6
Income from discontinued operations, net of tax	1,068.4	75.0	53.9
Net income (loss) attributable to Unisys Corporation	\$ 750.7	\$ (17.2)	\$ 75.5
Earnings (loss) per common share attributable to Unisys Corporation			
Basic			
Continuing operations	\$ (5.05)	\$ (1.65)	\$ 0.42
Discontinued operations	16.98	1.34	1.06
Total	\$ 11.93	\$ (0.31)	\$ 1.48
Diluted			
Continuing operations	\$ (5.05)	\$ (1.65)	\$ 0.42
Discontinued operations	16.98	1.34	1.05
Total	\$ 11.93	\$ (0.31)	\$ 1.47

See notes to consolidated financial statements.

UNISYS CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Millions)

Year ended December 31,	2020	2019	2018
Consolidated net income (loss) from continuing operations	\$ (317.2)	\$(88.3)	\$ 25.0
Income from discontinued operations, net of tax	1,068.4	75.0	53.9
Total	751.2	(13.3)	78.9
Other comprehensive income			
Foreign currency translation	49.3	24.4	(81.8)
Postretirement adjustments, net of tax of \$(9.2) in 2020, \$(11.3) in 2019 and \$7.1 in 2018	106.9	(38.9)	33.8
Total other comprehensive income (loss)	156.2	(14.5)	(48.0)
Comprehensive income (loss)	907.4	(27.8)	30.9
Comprehensive income (loss) attributable to noncontrolling interests	7.6	(6.8)	15.7
Comprehensive income (loss) attributable to Unisys Corporation	\$ 899.8	\$(21.0)	\$ 15.2

See notes to consolidated financial statements.

UNISYS CORPORATION

CONSOLIDATED BALANCE SHEETS

(Millions)

As of December 31,	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 898.5	\$ 538.8
Accounts receivable, net	460.5	417.7
Contract assets	44.3	38.4
Inventories	13.4	16.4
Prepaid expenses and other current assets	89.3	100.7
Current assets of discontinued operations	-	109.3
Total current assets	1,506.0	1,221.3
Properties	727.0	784.0
Less – Accumulated depreciation and amortization	616.5	668.0
Properties, net	110.5	116.0
Outsourcing assets, net	173.9	202.1
Marketable software, net	193.6	186.8
Operating lease right-of-use assets	79.3	71.4
Prepaid postretirement assets	187.5	136.2
Deferred income taxes	136.2	114.0
Goodwill	108.6	110.4
Restricted cash	8.2	13.0
Other long-term assets	204.1	198.9
Long-term assets of discontinued operations	-	133.9
Total assets	\$ 2,707.9	\$ 2,504.0
Liabilities and deficit		
Current liabilities:		
Current maturities of long-term debt	\$ 102.8	\$ 13.5
Accounts payable	223.2	204.3
Deferred revenue	257.1	246.4
Other accrued liabilities	352.0	316.7
Current liabilities of discontinued operations	-	146.4
Total current liabilities	935.1	927.3
Long-term debt	527.1	565.9
Long-term postretirement liabilities	1,286.1	1,960.2
Long-term deferred revenue	137.9	147.0
Long-term operating lease liabilities	62.4	56.0
Other long-term liabilities	71.4	47.6
Long-term liabilities of discontinued operations	-	28.3
Commitments and contingencies (see note 18)		
Deficit:		
Common stock, par value \$.01 per share (150.0 million shares authorized; 66.8 million shares and 65.9 million shares issued)	0.7	0.7
Accumulated deficit	(960.5)	(1,711.2)
Treasury stock, at cost	(114.4)	(109.6)
Paid-in capital	4,656.9	4,643.3
Accumulated other comprehensive loss	(3,939.5)	(4,088.6)
Total Unisys stockholders' deficit	(356.8)	(1,265.4)
Noncontrolling interests	44.7	37.1
Total deficit	(312.1)	(1,228.3)
Total liabilities and deficit	\$ 2,707.9	\$ 2,504.0

See notes to consolidated financial statements.

UNISYS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions)

Year ended December 31,	2020	2019	2018
Cash flows from operating activities			
Consolidated net income (loss) from continuing operations	\$ (317.2)	\$ (88.3)	\$ 25.0
Income from discontinued operations, net of tax	1,068.4	75.0	53.9
Adjustments to reconcile consolidated net income (loss) to net cash (used for) provided by operating activities:			
Gain on sale of U.S. Federal business	(1,060.0)	–	–
Foreign currency translation losses	36.2	11.0	7.4
Non-cash interest expense	4.6	9.2	10.5
Debt extinguishment charge	28.5	20.1	–
Employee stock compensation	14.5	13.2	13.2
Depreciation and amortization of properties	29.7	35.3	40.4
Depreciation and amortization of outsourcing assets	65.8	63.8	66.8
Amortization of marketable software	65.5	48.3	56.9
Other non-cash operating activities	(0.3)	(1.6)	(4.8)
Loss on disposal of capital assets	4.5	1.5	0.8
Gain on sale of properties	–	–	(7.3)
Postretirement contributions	(832.2)	(109.4)	(138.7)
Postretirement expense	239.2	96.6	84.1
Deferred income taxes, net	(13.4)	4.4	8.2
Changes in operating assets and liabilities:			
Receivables, net and contract assets	(74.8)	(8.3)	(50.5)
Inventories	3.0	6.1	(5.5)
Other assets	5.9	9.9	(23.9)
Accounts payable and current liabilities	3.4	(114.4)	(62.2)
Other liabilities	47.5	51.5	(0.4)
Net cash (used for) provided by operating activities	(681.2)	123.9	73.9
Cash flows from investing activities			
Net proceeds from sale of U.S. Federal business	1,162.9	–	–
Proceeds from investments	3,388.5	3,568.9	3,708.0
Purchases of investments	(3,379.2)	(3,566.1)	(3,722.0)
Capital additions of properties	(27.7)	(38.0)	(35.6)
Capital additions of outsourcing assets	(30.1)	(48.8)	(73.0)
Investment in marketable software	(72.3)	(73.0)	(80.7)
Net proceeds from sale of properties	–	(0.3)	19.2
Other	(0.5)	(0.9)	(0.9)
Net cash provided by (used for) investing activities	1,041.6	(158.2)	(185.0)
Cash flows from financing activities			
Payments of long-term debt	(454.8)	(14.4)	(2.3)
Proceeds from issuance of long-term debt	497.3	30.5	–
Cash paid in connection with debt extinguishment	(23.7)	(56.7)	–
Issuance costs relating to long-term debt	(7.9)	–	–
Proceeds from capped call transactions	–	7.2	–
Other	(5.8)	(4.6)	(2.5)
Net cash provided by (used for) financing activities	5.1	(38.0)	(4.8)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(10.6)	–	(24.1)
Increase (decrease) in cash, cash equivalents and restricted cash	354.9	(72.3)	(140.0)
Cash, cash equivalents and restricted cash, beginning of year	551.8	624.1	764.1
Cash, cash equivalents and restricted cash, end of year	\$ 906.7	\$ 551.8	\$ 624.1

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, 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
Consolidated net income	751.2	750.7		750.7				0.5
Stock-based activity	8.8	8.8			(4.8)	13.6		
Translation adjustments	49.3	46.3					46.3	3.0
Postretirement plans	106.9	102.8					102.8	4.1
Balance at December 31, 2020	\$ (312.1)	\$ (356.8)	\$0.7	\$ (960.5)	\$ (114.4)	\$4,656.9	\$(3,939.5)	\$44.7

See notes to consolidated financial statements.

UNISYS CORPORATION

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.

Use of estimates The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP) requires management to make estimates and assumptions about future events. These estimates and assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities and the reported amounts of revenue and expenses. Such estimates include the valuation of estimated credit losses, contract assets, operating lease right-of-use assets, outsourcing assets, marketable software, goodwill and other long-lived assets, legal contingencies, 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 materially from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

The company assessed certain accounting matters that generally require consideration of forecasted financial information in context with the information reasonably available to us and the unknown future impacts of COVID-19 as of December 31, 2020 and through the date of this report. The accounting matters assessed included, but were not limited to the valuation of estimated credit losses, contract assets, outsourcing assets, marketable software, goodwill and other long-lived assets, and retirement and other post-employment benefits. While there was not a material impact to our consolidated financial position as of December 31, 2020 resulting from our assessments, our future assessment of our current expectations at that time of the magnitude and duration of COVID-19, as well as other factors, could result in material impacts to our consolidated financial position in future reporting periods.

Cash and Cash equivalents Cash and cash equivalents consist of cash on hand, short-term investments purchased with an original 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.

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,	2020	2019
Cash and cash equivalents	\$898.5	\$538.8
Restricted cash	8.2	13.0
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	\$906.7	\$551.8

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 of 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. Effective January 1, 2019, the company changed the estimated revenue-producing lives of the company's proprietary enterprise software products from three years to five years. This change in estimate was applied prospectively and resulted in a \$19.8 million decrease to cost of revenue in 2019. For the company's proprietary enterprise software products, the amortization period is five years following product release, and for the remaining products, the amortization period is three years following product release. 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. As of December 31, 2020, 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.

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 gives more weighting to the income approach. The higher weighting assigned to the income approach takes 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. Management develops the actuarial assumptions used by its U.S. and international defined benefit pension plan obligations based upon the circumstances of each particular plan. The determination of the defined benefit pension plan obligations requires the use of estimates. 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. Management's significant assumption used in the determination of the defined benefit pension plan obligations, and settlement losses associated with respect to the U.S. pension plans, is the discount rate. Inherent in deriving the discount rate are significant assumptions with respect to the timing and magnitude of expected benefit payment obligations. 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 services that are substantially the same and that have the same pattern of transfer. The company applies a measure of progress (typically time-based) to any fixed consideration and allocates variable consideration to the 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 20).

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.

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 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., a 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 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 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 derivatives (see Note 12), long-term debt (see Note 15), and to its postretirement plan assets (see Note 17).

Note 2 – Discontinued Operations

On March 13, 2020, the company completed the sale of its U.S. Federal business to Science Applications International Corporation for cash of \$1.2 billion. Net cash proceeds of the sale was \$1,162.9 million (net of working capital adjustments and transaction costs). The company's consolidated financial statements have been retroactively reclassified to report the U.S. Federal business as discontinued operations. As a result, all items relating to the business within the consolidated statements of income (loss) have been reported as income from discontinued operations, net of tax, and all items relating to the business within the consolidated balance sheets have been reported as either assets or liabilities of discontinued operations. In addition, all items related to the business within the relevant notes to the consolidated financial statements have been recast to reflect the effects of the discontinued operations. Depreciation, amortization, capital expenditures, and significant noncash operating and investing activities related to the U.S. Federal business were immaterial for all periods presented.

The results of the U.S. Federal business discontinued operations were as follows:

Year ended December 31,	2020*	2019	2018
Revenue	\$ 149.5	\$725.9	\$573.8
Income (loss)			
Operations	8.4	100.3	72.2
Gain on sale	1,060.7	-	-
	1,069.1	100.3	72.2
Income tax provision	0.7	25.3	18.3
Income from discontinued operations, net of tax	\$1,068.4	\$ 75.0	\$ 53.9

* Includes results of operations through the March 13, 2020 closing date.

Note 3 – Recent accounting pronouncements and accounting changes

Effective January 1, 2020, the company adopted 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. The company adopted the new guidance on a prospective basis and the adoption did not have a material impact on its consolidated results of operations and financial position.

Effective January 1, 2020, the company adopted 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, contract assets, loans and other financial instruments. The adoption did not have a material impact on the company’s consolidated results of operations and financial position.

Effective January 1, 2020, the company adopted ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes which removed certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new standard was applied to the presentation of the company’s U.S. Federal business, which is reflected in discontinued operations.

Note 4 – Cost-reduction actions

During 2020, the company recognized cost-reduction charges and other costs of \$95.5 million. The charges (credits) related to work-force reductions were \$25.5 million, principally related to severance costs, and were comprised of: (a) a charge of \$39.0 million and (b) a credit of \$13.5 million for changes in estimates. In addition, the company recorded charges of \$70.0 million comprised of \$32.3 million for foreign currency losses related to exiting foreign countries, \$24.0 million for asset impairments and \$13.7 million for other expenses related to the cost-reduction effort.

During 2019, the company recognized cost-reduction charges and other costs of \$28.7 million. The charges related to work-force reductions were \$22.1 million, principally related to severance costs, and were comprised of: (a) a charge of \$25.7 million and (b) a credit of \$3.6 million for changes in estimates. 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.

During 2018, the company recognized cost-reduction charges and other costs of \$19.7 million. The charges related to work-force reductions were \$19.0 million, principally related to severance costs, and were comprised of: (a) a charge of \$27.7 million and (b) a credit of \$8.7 million for changes in estimates. In addition, the company recorded a charge of \$0.7 million for changes in estimates related to idle leased facilities costs.

The charges (credits) were recorded in the following statement of income classifications:

Year ended December 31,	2020	2019	2018
Cost of revenue			
Services	\$22.2	\$10.8	\$18.1
Technology	–	0.2	–
Selling, general and administrative	38.5	15.5	1.6
Research and development	2.5	2.2	–
Other (expenses), net	32.3	–	–
Total	\$95.5	\$28.7	\$19.7

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

	Total	U.S.	International
Balance at December 31, 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
Additional provisions	39.0	13.8	25.2
Payments	(21.5)	(3.2)	(18.3)
Changes in estimates	(13.5)	(2.7)	(10.8)
Translation adjustments	2.1	–	2.1
Balance at December 31, 2020	\$ 55.9	\$13.1	\$ 42.8
Expected future payments on balance at December 31, 2020:			
In 2021	\$ 40.7	\$13.1	\$ 27.6
Beyond 2021	15.2	–	15.2

Note 5 – 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 are as follows:

Year ended December 31,	2020	2019
Operating lease cost	\$ 42.3	\$37.9
Finance lease cost		
Amortization of right-of-use assets	1.7	1.6
Interest on lease liabilities	0.2	0.3
Total finance lease cost	1.9	1.9
Short-term lease costs	1.4	0.6
Variable lease cost	10.3	13.7
Sublease income	(12.1)	(0.7)
Total lease cost	\$ 43.8	\$53.4

Effective January 1, 2019, the Company adopted ASU 2016-02. Prior-period results were not restated. Rental expense and income from subleases for the year ended December 31, 2018, prior to the adoption of ASU 2016-02 were as follows:

Year ended December 31,	2018
Rental expense, less income from subleases	\$ 55.5
Income from subleases	\$ 3.1

Supplemental balance sheet information related to leases is as follows:

As of December 31,	2020	2019
Operating Leases		
Operating lease right-of-use assets	\$79.3	\$71.4
Other accrued liabilities	37.1	34.1
Long-term operating lease liabilities	62.4	56.0
Total operating lease liabilities	\$99.5	\$90.1
Finance Leases		
Outsourcing assets, net	\$ 2.9	\$ 4.6
Current maturities of long-term debt	2.4	1.8
Long-term debt	3.1	3.5
Total finance lease liabilities	\$ 5.5	\$ 5.3
Weighted-Average Remaining Lease Term (in years)		
Operating leases	2.3	3.4
Finance leases	2.0	3.0
Weighted-Average Discount Rate		
Operating leases	6.4%	6.4%
Finance leases	5.2%	5.0%

Supplemental cash flow information related to leases is as follows:

Years ended December 31,	2020	2019
Cash paid for amounts included in the measurement of lease liabilities:		
Cash payments for operating leases included in operating activities	\$41.6	\$42.1
Cash payments for finance leases included in financing activities	1.8	1.7
Cash payments for finance lease included in operating activities	0.2	0.3

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

Years ended December 31,	2020	2019
Operating leases	\$40.9	\$17.4
Finance leases	-	1.5

Maturities of lease liabilities as of December 31, 2020 are as follows:

Year	Finance Leases	Operating Leases
2021	\$2.6	\$ 40.8
2022	2.0	33.6
2023	0.7	19.6
2024	0.4	9.0
2025	-	4.4
Thereafter	-	0.8
Total lease payments	5.7	108.2
Less imputed interest	0.2	8.7
Total	\$5.5	\$ 99.5

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 all periods presented. As of December 31, 2020, receivables under sales-type leases before the allowance for unearned income were collectible as follows:

Year	
2021	\$14.9
2022	26.5
2023	16.4
2024	16.6
2025	10.1
Thereafter	3.2
Total	\$87.7

Other Commitments

At December 31, 2020, the company had outstanding standby letters of credit and surety bonds totaling approximately \$191 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, 2020, the company had deposits and collateral of approximately \$8 million in other long-term assets, principally related to tax contingencies in Brazil.

Note 6 – Other (expense), net

Other (expense), net is comprised of the following:

Year ended December 31,	2020	2019	2018
Postretirement expense*	\$(235.9)	\$ (93.3)	\$(80.3)
Debt extinguishment charge	(28.5)	(20.1)	–
Foreign exchange losses**	(36.2)	(10.4)	(5.9)
Environmental costs and other, net	(29.0)	(12.6)	9.1
Total other expense, net	\$(329.6)	\$(136.4)	\$(77.1)

* Includes \$142.1 million settlement charge in 2020 related to the U.S. defined benefit pension plans.

** Includes \$32.3 million for foreign currency losses in 2020 related to substantial completion of liquidation of foreign subsidiaries.

Note 7 – Income taxes

Following is the total income (loss) from continuing operations before income taxes and the provision (benefit) for income taxes.

Year ended December 31,	2020	2019	2018
Income (loss) from continuing operations before income taxes			
United States	\$ (316.3)	\$ (148.4)	\$ (125.8)
Foreign	44.5	87.8	196.8
Total income (loss) before income taxes from continuing operations	\$(271.8)	\$ (60.6)	\$ 71.0
Provision (benefit) for income taxes			
Current			
United States	\$ 7.3	\$ (17.7)	\$ (13.6)
Foreign	51.5	41.0	51.4
Total	58.8	23.3	37.8
Deferred			
Foreign	(13.4)	4.4	8.2
Total provision for income taxes	\$ 45.4	\$ 27.7	\$ 46.0

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,	2020	2019	2018
United States statutory income tax provision (benefit)	\$(57.1)	\$(12.7)	\$14.9
Income and losses for which no provision or benefit has been recognized	78.6	23.9	19.1
Foreign rate differential and other foreign tax expense	5.9	3.2	9.5
Income tax withholdings	16.8	17.6	19.3
Permanent items	0.8	(2.5)	(5.0)
Enacted rate changes	(4.0)	0.5	(2.3)
Change in uncertain tax positions	3.6	0.2	(1.2)
Change in valuation allowances due to changes in judgment	2.9	(2.3)	(5.9)
Income tax credits, U.S.	(2.1)	(0.2)	(2.4)
Provision for income taxes	\$ 45.4	\$ 27.7	\$46.0

The tax effects of temporary differences and carryforwards that give rise to significant portions of deferred tax assets and liabilities were as follows:

As of December 31,	2020	2019
Deferred tax assets		
Tax loss carryforwards	\$ 795.2	\$ 841.1
Postretirement benefits	253.0	434.4
Foreign tax credit carryforwards	201.3	211.5
Other tax credit carryforwards	29.2	30.3
Deferred revenue	31.1	42.8
Employee benefits and compensation	25.3	31.2
Purchased capitalized software	24.1	31.2
Depreciation	28.2	28.1
Warranty, bad debts and other reserves	10.5	5.9
Capitalized costs	8.1	7.1
Other	52.0	27.9
	1,458.0	1,691.5
Valuation allowance	(1,271.5)	(1,524.7)
Total deferred tax assets	\$ 186.5	\$ 166.8
Deferred tax liabilities		
Capitalized research and development	\$ 47.4	\$ 44.7
Other	29.8	29.0
Total deferred tax liabilities	\$ 77.2	\$ 73.7
Net deferred tax assets	\$ 109.3	\$ 93.1

During 2020, the company's valuation allowance declined by \$253.2 million principally due to the recognition of a net income tax benefit of \$189.0 million including net tax expense of \$2.9 million, expired net operating losses/tax credits of \$28.9 million, translation adjustments of \$(20.9) million and other activity of \$56.2 million.

At December 31, 2020, the company has tax effected tax loss carryforwards as follows:

As of December 31,	2020
U.S. Federal	\$317.6
State and local	200.1
Foreign	277.5
Total tax loss carryforwards	\$795.2

These carryforwards will expire as follows:

Year	
2021	\$ 15.7
2022	17.5
2023	13.6
2024	11.9
2025	13.2
Thereafter	723.3
Total	\$795.2

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

Year	
2021	\$ 55.9
2022	38.1
2023	27.0
2024	22.5
2025	20.7
Thereafter	66.3
Total	\$230.5

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, distributions from foreign subsidiaries to U.S. shareholders are generally exempt from 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, 2020 approximated \$26.6 million.

Cash paid for income taxes, net of refunds was as follows:

Year ended December 31,	2020	2019	2018
Cash paid for income taxes, net of refunds	\$24.7	\$37.6	\$39.1

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

Year ended December 31,	2020	2019	2018
Balance at January 1	\$25.6	\$18.9	\$27.9
Additions based on tax positions related to the current year	8.5	11.1	2.6
Changes for tax positions of prior years	(0.7)	(0.6)	(6.1)
Reductions as a result of a lapse of applicable statute of limitations	(2.3)	(2.3)	(2.4)
Settlements	(1.8)	(1.1)	(1.5)
Changes due to foreign currency	1.6	(0.4)	(1.6)
Balance at December 31	\$30.9	\$25.6	\$18.9

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, 2020 and 2019, the company had an accrual of \$3.9 million and \$3.0 million, respectively, for the payment of penalties and interest.

At December 31, 2020, 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 decrease by \$2.3 million related to a statute of limitation expiration; 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 2007 are closed. For the most significant jurisdictions outside the U.S., the audit periods through 2015 are closed for Brazil, and the audit periods through 2016 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, 2020 is approximately \$346.1 million. This limitation will be applied 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 8 – 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, 2020 (shares in thousands).

Year ended December 31,	2020	2019	2018
Basic earnings (loss) per common share computation:			
Net income (loss) from continuing operations attributable to Unisys Corporation	\$ (317.7)	\$ (92.2)	\$ 21.6
Income from discontinued operations, net of tax	1,068.4	75.0	53.9
Net income (loss) attributable to Unisys Corporation	\$ 750.7	\$ (17.2)	\$ 75.5
Weighted average shares	62,932	55,961	50,946
Basic earnings (loss) per share attributable to Unisys Corporation			
Continuing operations	\$ (5.05)	\$ (1.65)	\$ 0.42
Discontinued operations	16.98	1.34	1.06
Total	\$ 11.93	\$ (0.31)	\$ 1.48
Diluted earnings (loss) per common share computation:			
Net income (loss) from continuing operations attributable to Unisys Corporation	\$ (317.7)	\$ (92.2)	\$ 21.6
Add interest expense on convertible senior notes, net of tax of zero	–	–	–
Net income (loss) from continuing operations attributable to Unisys Corporation for diluted earnings per share	(317.7)	(92.2)	21.6
Income from discontinued operations, net of tax	1,068.4	75.0	53.9
Net income (loss) attributable to Unisys Corporation for diluted earnings per share	\$ 750.7	\$ (17.2)	\$ 75.5
Weighted average shares	62,932	55,961	50,946
Plus incremental shares from assumed conversions:			
Employee stock plans	–	–	541
Convertible senior notes	–	–	–
Adjusted weighted average shares	62,932	55,961	51,487
Diluted earnings (loss) per common share attributable to Unisys Corporation			
Continuing operations	\$ (5.05)	\$ (1.65)	\$ 0.42
Discontinued operations	16.98	1.34	1.05
Total	\$ 11.93	\$ (0.31)	\$ 1.47
Anti-dilutive weighted-average stock options and restricted stock units ⁽ⁱ⁾	579	1,393	1,226
Anti-dilutive weighted-average common shares issuable upon conversion of the 5.50% convertible senior notes ⁽ⁱ⁾ (see Note 15)	3,425	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 9 – 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 \$63.3 million and \$60.8 million at December 31, 2020 and 2019, respectively.

The allowance for doubtful accounts, which is reported as a deduction from accounts receivable, was \$9.2 million and \$11.8 million at December 31, 2020 and 2019, 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 \$(0.3) million, \$(1.6) million and \$(5.1) million, in 2020, 2019 and 2018, respectively.

Note 10 – Contract assets and deferred revenue

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. Deferred revenue represents contract liabilities.

Net contract assets (liabilities) are as follows:

As of December 31,	2020	2019
Contract assets - current	\$ 44.3	\$ 38.4
Contract assets - long-term ⁽ⁱ⁾	20.7	21.6
Deferred revenue - current	(257.1)	(246.4)
Deferred revenue - long-term	(137.9)	(147.0)

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

Significant changes in the above contract asset and liability balances were as follows:

Year ended December 31,	2020	2019
Revenue recognized that was included in deferred revenue at the beginning of the period	\$236.1	\$270.1

Note 11 – 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 were as follows:

As of December 31,	2020	2019
Deferred commissions	\$8.7	\$9.1

Amortization expense related to deferred commissions was as follows:

Year ended December 31,	2020	2019	2018
Deferred commissions - amortization expense ⁽ⁱ⁾	\$3.2	\$3.1	\$6.5

⁽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 were as follows:

As of December 31,	2020	2019
Costs to fulfill a contract	\$74.4	\$75.8

Amortization expense related to costs to fulfill a contract was as follows:

Year ended December 31,	2020	2019	2018
Costs to fulfill a contract - amortization expense	\$27.5	\$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 12 – 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, 2020 and 2019, the notional amount of these contracts was \$588.5 million and \$437.0 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,	2020	2019
Balance Sheet Location		
Prepaid expenses and other current assets	\$1.4	\$2.1
Other accrued liabilities	1.0	0.1
Total fair value	\$0.4	\$2.0

The following table summarizes the location and amount of gains and losses recognized on foreign exchange forward contracts.

Year Ended December 31,	2020	2019	2018
Statement of Income Location			
Other (expense), net	\$7.6	\$1.7	\$(14.2)

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, 2020 and 2019, 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, 2020 and 2019, the company had no significant concentrations of credit risk with any one customer. At December 31, 2020 and 2019, the carrying amount of cash and cash equivalents approximated fair value.

Note 13 – Properties

Properties comprise the following:

As of December 31,	2020	2019
Land	\$ 2.3	\$ 2.3
Buildings	63.5	63.5
Machinery and office equipment	466.7	521.5
Internal-use software	171.2	161.8
Rental equipment	23.3	34.9
Total properties	\$727.0	\$784.0

Note 14 – Goodwill

During the fourth quarter of 2020, 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, 2020, 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 were as follows:

	Total	Services	Technology
Balance at December 31, 2018	\$111.0	\$10.9	\$100.1
Translation adjustments	(0.6)	(0.6)	–
Balance at December 31, 2019	110.4	10.3	100.1
Translation adjustments	(1.8)	–	(1.8)
Balance at December 31, 2020	\$108.6	\$10.3	\$ 98.3

Note 15 – Debt

Long-term debt is comprised of the following:

As of December 31,	2020	2019
6.875% senior secured notes due November 1, 2027 (Face value of \$485.0 million less unamortized issuance costs of \$8.1 million at December 31, 2020)	\$476.9	\$ –
5.50% convertible senior notes due March 1, 2021 (Face value of \$84.2 million less unamortized discount and issuance costs of \$0.6 million and \$4.2 million at December 31, 2020 and 2019, respectively)	83.6	80.0
10.75% senior secured notes (\$440.0 million face value less unamortized issuance costs of \$5.5 million at December 31, 2019)	–	434.5
Finance leases	5.5	5.3
Other debt	63.9	59.6
Total	629.9	579.4
Less – current maturities	102.8	13.5
Total long-term debt	\$527.1	\$565.9

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,	2020	2019
6.875% senior secured notes due November 1, 2027	\$532.3	\$ –
5.50% convertible senior notes due March 1, 2021	169.8	115.8
10.75% senior secured notes	–	474.2

The company's principal sources of liquidity are cash on hand, cash from operations and its Amended and Restated ABL Credit Facility, discussed below. The company and certain international subsidiaries have access to uncommitted lines of credit from various banks.

At December 31, 2020, 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 the next twelve months.

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
2021	\$102.8	\$100.4	\$2.4
2022	18.2	16.2	2.0
2023	16.5	15.8	0.7
2024	9.8	9.4	0.4
2025	2.8	2.8	–
Thereafter	479.8	479.8	–
Total	\$629.9	\$624.4	\$5.5

Cash paid for interest and capitalized interest expense was as follows:

Year ended December 31,	2020	2019	2018
Cash paid for interest	\$32.9	\$61.5	\$59.5
Capitalized interest expense	\$ 4.6	\$ 6.6	\$ 6.0

Senior Secured Notes due 2027

On October 29, 2020, the company issued \$485.0 million aggregate principal amount of its 6.875% Senior Secured Notes due 2027 (the 2027 Notes). The 2027 Notes will pay interest semiannually on May 1 and November 1, commencing on May 1, 2021, and will mature on November 1, 2027, unless earlier repurchased or redeemed. The 2027 Notes are fully and unconditionally guaranteed on a senior secured basis by Unisys Holding Corporation, Unisys NPL, Inc., and Unisys AP Investment Company I, each a Delaware corporation that is directly or indirectly owned by the company (the subsidiary guarantors).

The 2027 Notes and the related guarantees rank equally in right of payment with all of the existing and future senior debt of the company and its subsidiary guarantors and senior in right of payment to any future subordinated debt of the company and its subsidiary guarantors. The 2027 Notes and the related guarantees are structurally subordinated to all existing and future liabilities (including preferred stock, trade payables and pension liabilities) of the subsidiaries of the company that are not subsidiary guarantors. The 2027 Notes and the guarantees will be secured by liens on substantially all assets of the company and the subsidiary guarantors, other than certain excluded assets (the collateral). The liens securing the 2027 Notes on certain ABL collateral will be subordinated to the liens on ABL collateral in favor of the ABL secured parties and, in the future, the liens securing the 2027 Notes may be subordinated to liens on the collateral securing certain permitted first lien debt, subject to certain limitations and permitted liens.

The company may, at its option, redeem some or all of the 2027 Notes at any time on or after November 1, 2020 at a redemption price determined in accordance with the redemption schedule set forth in the indenture, plus accrued and unpaid interest, if any.

Prior to November 1, 2023 the company may, at its option, redeem some or all of the 2027 Notes at any time, at a price equal to 100% of the principal amount of the 2027 Notes redeemed plus a “make-whole” premium, plus accrued and unpaid interest, if any. The company may also redeem, at its option, up to 40% of the 2027 Notes at any time prior to November 1, 2023, using the proceeds of certain equity offerings at a redemption price of 106.875% of the principal amount thereof, plus accrued and unpaid interest, if any. On or after November 1, 2023, the company may, on any one or more occasions, redeem all or a part of the 2027 Notes at specified redemption premiums, declining to par for any redemptions on or after November 1, 2025.

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.

If the company experiences certain kinds of changes of control (as defined in the indenture), it will be required to offer to repurchase the 2027 Notes at 101% of the principal amount of the 2027 Notes, plus accrued and unpaid interest as of the repurchase date, if any. In addition, if the company sells assets under certain circumstances it must apply the proceeds towards an offer to repurchase the 2027 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 occur, would permit or require the principal, premium, if any, interest and any other monetary obligations on all the then outstanding 2027 Notes to be due and payable immediately.

Interest expense related to the 2027 Notes is comprised of the following:

Year ended December 31,	2020
Contractual interest coupon	\$5.7
Amortization of issuance costs	0.2
Total	\$5.9

Senior Secured Notes due 2022

On April 15, 2020, the company redeemed all \$440.0 million in aggregate principal amount of its outstanding 10.750% Senior Secured Notes due 2022 (the 2022 Notes) for a redemption price equal to 105.375% of the aggregate principal amount of the 2022 Notes redeemed plus accrued but unpaid interest to, but not including, the redemption date. The redemption price paid was \$487.3 million and is made up of the following: \$440.0 million of principal amount due, \$23.65 million of call premium and \$23.65 million of accrued interest through April 14, 2020. The company recorded a loss on debt extinguishment in other expense, net of \$28.5 million consisting of the premium of \$23.65 million and write off of \$4.8 million of unamortized discount and fees related to the issuance of the 2022 Notes.

Interest expense related to the 2022 Notes is comprised of the following:

Year ended December 31,	2020	2019	2018
Contractual interest coupon	\$13.8	\$47.3	\$47.3
Amortization of issuance costs	0.7	2.4	2.4
Total	\$14.5	\$ 49.7	\$ 49.7

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 at issuance date 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.

On November 25, 2020, the company gave notice to the holders of its 2021 Notes that it had elected to satisfy its conversion obligation in respect of such conversion by the combination settlement method, whereby the company shall pay and deliver to the converting holders in respect of each \$1,000 principal amount of the 2021 Notes being converted a settlement amount equal to the sum of \$1,000 plus shares of the company's common stock. Assuming that all of the holders of the 2021 Notes convert their 2021 Notes into shares of the company's common stock, in March of 2021, the company will deliver to the note holders \$84.2 million of cash and approximately 4.6 million shares of the company's common stock. The company estimates that it will receive approximately 1.2 million shares upon exercise of the capped call transactions; therefore, the number of outstanding shares of common stock will increase by approximately 3.4 million shares.

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. In 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. Upon closing, \$84.2 million aggregate principal amount of 2021 Notes remained 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 2021 Notes 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 expense, net in 2019.

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

Year ended December 31,	2020	2019	2018
Contractual interest coupon	\$4.6	\$ 8.9	\$11.8
Amortization of debt discount	3.1	5.5	6.6
Amortization of debt issuance costs	0.5	0.9	1.2
Total	\$8.2	\$15.3	\$ 19.6

Other Debt

In 2019, the company entered into a \$27.7 million Installment Payment Agreement (IPA) maturing on December 20, 2023 with a syndicate of financial institutions to finance the acquisition of certain software licenses necessary for the provision of services to a client. 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. At December 31, 2020, \$6.5 million was reported in current maturities of long-term debt.

In 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 and for its own internal use. 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, 2020, \$3.6 million was reported in current maturities of long-term debt.

ABL Credit Facility

Contemporaneously with the issuance of the 2027 Notes, the company and the subsidiary guarantors entered into an amendment and restatement of the company's secured revolving credit facility (the Amended and Restated ABL Credit Facility) that provides for revolving loans and letters of credit up to an aggregate amount of \$145.0 million (with a limit on letters of credit of \$40.0 million), with an accordion feature provision allowing for an increase in credit facility up to \$175.0 million upon the satisfaction of certain conditions specified in the Amended and Restated ABL Credit Facility. The amendment and restatement extended the maturity from October 2022 to October 29, 2025 and modified certain other terms and covenants. Availability under the credit facility is subject to a borrowing base calculated by reference to the company's receivables. At December 31, 2020, the company had no borrowings and \$5.7 million of letters of credit outstanding, and availability under the facility was \$112.9 million net of letters of credit issued.

The Amended and Restated ABL Credit Facility is subject to a springing maturity, under which the Amended and Restated ABL Credit Facility will immediately mature 91 days prior to any date on which contributions to pension funds in the United States in an amount in excess of \$100.0 million are required to be paid unless the company is able to meet certain conditions, including that the company has the liquidity (as defined in the Amended and Restated ABL Credit Facility) to cash settle the amount of such pension payments, no default or event of default has occurred under the Amended and Restated ABL Credit Facility, the company's liquidity is above \$130.0 million and the company is in compliance with the then applicable fixed charge coverage ratio on a pro forma basis.

The Amended and Restated ABL Credit Facility is guaranteed by the subsidiary guarantors 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 Amended and Restated ABL Credit Facility falls below the greater of 10% of the lenders' commitments under the facility and \$14.5 million.

The Amended and Restated ABL Credit Facility contains customary representations and warranties, including, but not limited to, that there has been no material adverse change in the company's business, properties, operations or financial condition. The Amended and Restated ABL Credit Facility includes restrictions 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. These restrictions are subject to several important limitations and exceptions. 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, subject to relevant cure periods, as applicable.

Note 16 – Other accrued liabilities

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

As of December 31,	2020	2019
Payrolls and commissions	\$ 95.9	\$106.8
Income taxes	41.2	28.6
Cost reduction	40.7	47.5
Operating leases	37.1	34.1
Taxes other than income taxes	33.0	18.3
Accrued vacations	24.3	24.7
Postretirement	11.7	13.6
Accrued interest	8.0	11.8
Other	60.1	31.3
Total other accrued liabilities	\$352.0	\$316.7

Note 17 – 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, 2020, 8.1 million shares of unissued common stock of the company were available for granting under these plans.

As of December 31, 2020, 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, 2020, 2019 and 2018, the company recognized \$14.5 million, \$13.2 million and \$13.2 million of share-based compensation expense, which is comprised of \$14.5 million, \$13.2 million and \$13.1 million of restricted stock unit expense and zero, zero and \$0.1 million of stock option expense, respectively.

There were no grants of stock option awards for the years ended December 31, 2020, 2019 and 2018. As of December 31, 2020, 0.3 million stock option awards with a weighted-average exercise price of \$22.02 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, 2020 follows (shares in thousands):

	Restricted Stock Units	Weighted-Average Grant-Date Fair Value
Outstanding at December 31, 2019	2,040	\$14.17
Granted	752	22.48
Vested	(940)	13.80
Forfeited and expired	(126)	16.10
Outstanding at December 31, 2020	1,726	17.87

The aggregate weighted-average grant-date fair value of restricted stock units granted during the years ended December 31, 2020, 2019 and 2018 was \$17.4 million, \$16.9 million and \$17.9 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,	2020	2019
Weighted-average fair value of grant	\$28.33	\$16.58
Risk-free interest rate ⁽ⁱ⁾	1.35%	2.49%
Expected volatility ⁽ⁱⁱ⁾	51.81%	47.91%
Expected life of restricted stock units in years ⁽ⁱⁱⁱ⁾	2.86	2.87
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, 2020, there was \$12.6 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 1.9 years. The aggregate weighted-average grant-date fair value of restricted stock units vested during the years ended December 31, 2020, 2019 and 2018 was \$13.0 million, \$14.9 million and \$10.4 million, respectively.

Common stock issued upon exercise of stock options or upon lapse of restrictions on restricted stock units are newly issued shares. During 2020 and 2019, 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, 2020, 2019 and 2018, was \$8.8 million, \$8.2 million and \$7.0 million, respectively.

The company has defined contribution plans in certain locations outside the United States. The charge to income related to these plans was \$16.2 million, \$19.3 million and \$21.3 million, for the years ended December 31, 2020, 2019 and 2018, 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, 2020 and 2019, the liability to the participants of these plans was \$12.7 million and \$14.7 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. Management develops the actuarial assumptions used by its U.S. and international defined benefit pension plan obligations based upon the circumstances of each particular plan. The determination of the defined benefit pension plan obligations requires the use of estimates.

In December 2020, the company completed a lump-sum cash-out offer for eligible former associates who had deferred vested benefit under the company's U.S. defined benefit pension plans to receive the value of their entire pension benefit in a lump-sum payment. As a result, the pension plan trust made lump sum payments to approximately 3,500 former associates of \$276.0 million and the company recorded a non-cash pre-tax settlement charge of \$142.1 million.

Retirement plans' funded status and amounts recognized in the company's consolidated balance sheets follows:

As of December 31,	U.S. Plans		International Plans	
	2020	2019	2020	2019
Change in projected benefit obligation				
Benefit obligation at beginning of year	\$4,755.6	\$ 4,558.0	\$3,143.8	\$2,829.5
Service cost	-	-	2.8	2.8
Interest cost	162.5	197.5	53.4	68.3
Plan participants' contributions	-	-	1.1	1.3
Plan curtailment	-	-	(1.6)	(1.6)
Plan settlement	(277.3)	-	-	(3.5)
Actuarial loss	253.9	357.7	226.5	284.1
Benefits paid	(349.4)	(357.6)	(119.0)	(118.1)
Foreign currency translation adjustments	-	-	161.0	81.0
Benefit obligation at end of year	\$4,545.3	\$ 4,755.6	\$3,468.0	\$3,143.8
Change in plan assets				
Fair value of plan assets at beginning of year	\$3,334.2	\$ 3,112.8	\$2,816.4	\$2,539.4
Actual return on plan assets	347.2	505.2	254.7	300.0
Employer contribution	793.1	73.8	33.1	30.1
Plan participants' contributions	-	-	1.1	1.3
Plan settlement	(277.3)	-	-	(3.5)
Benefits paid	(349.4)	(357.6)	(119.0)	(118.1)
Foreign currency translation adjustments	-	-	143.1	67.2
Fair value of plan assets at end of year	\$3,847.8	\$ 3,334.2	\$3,129.4	\$2,816.4
Funded status at end of year	\$ (697.5)	\$(1,421.4)	\$ (338.6)	\$(327.4)
Amounts recognized in the consolidated balance sheets consist of:				
Prepaid postretirement assets	\$ 27.2	\$ -	\$ 160.3	\$ 135.9
Other accrued liabilities	(6.1)	(6.8)	(0.2)	(0.2)
Long-term postretirement liabilities	(718.6)	(1,414.6)	(498.7)	(463.1)
Total funded status	\$ (697.5)	\$(1,421.4)	\$ (338.6)	\$(327.4)
Accumulated other comprehensive loss, net of tax				
Net loss	\$2,510.4	\$ 2,672.7	\$1,116.9	\$1,067.2
Prior service credit	\$ (32.3)	\$ (34.8)	\$ (45.9)	\$ (46.4)
Accumulated benefit obligation	\$4,545.3	\$ 4,755.6	\$3,360.4	\$3,035.3

Information for defined benefit retirement plans with an accumulated benefit obligation in excess of plan assets follows:

As of December 31,	2020	2019
Accumulated benefit obligation	\$6,060.7	\$6,896.5
Fair value of plan assets	\$4,839.5	\$5,014.1

Information for defined benefit retirement plans with a projected benefit obligation in excess of plan assets follows:

As of December 31,	2020	2019
Projected benefit obligation	\$6,063.0	\$6,898.7
Fair value of plan assets	\$4,839.5	\$5,014.1

Net periodic pension cost (income) includes the following components:

Year ended December 31,	U.S. Plans			International Plans		
	2020	2019	2018	2020	2019	2018
Service cost ⁽ⁱ⁾	\$ -	\$ -	\$ -	\$2.8	\$ 2.8	\$3.2
Interest cost	162.5	197.5	186.6	53.4	68.3	67.3
Expected return on plan assets	(208.6)	(218.2)	(230.6)	(90.6)	(104.6)	(114.4)
Amortization of prior service credit	(2.5)	(2.5)	(2.5)	(2.5)	(2.5)	(3.7)
Recognized net actuarial loss	135.5	116.6	125.1	43.2	34.2	42.3
Curtailment gain	-	-	-	-	(0.1)	-
Settlement loss	142.1	-	-	-	1.2	6.4
Net periodic pension cost (income)	\$ 229.0	\$ 93.4	\$ 78.6	\$6.3	\$ (0.7)	\$1.1

⁽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 expense, net in the consolidated statements of income.

Management's significant assumption used in the determination of the defined benefit pension plan obligations, and settlement losses associated with respect to the U.S. pension plans, is the discount rate. Weighted-average assumptions used to determine net periodic pension cost were as follows:

Year ended December 31,	U.S. Plans			International Plans		
	2020	2019	2018	2020	2019	2018
Discount rate	3.53%	4.50%	3.87%	1.82%	2.55%	2.24%
Expected long-term rate of return on assets	6.50%	6.80%	6.80%	3.50%	4.18%	4.38%

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

Discount rate	2.85%	3.53%	4.50%	1.23%	1.82%	2.55%
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The company's investment policy targets and ranges for each asset category are as follows:

Asset Category	U.S.		International	
	Target	Range	Target	Range
Equity securities	32%	26-38%	19%	16-23%
Debt securities	53%	49-57%	61%	54-67%
Real estate	0%	0%	1%	0-3%
Cash	0%	0-5%	1%	0-5%
Other	15%	5-25%	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 in equity securities in the U.S. and for international plans by investing in appropriate asset classes, subject to the constraints of each plan's asset allocation targets, as discussed above, 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. plans 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 2021, the company expects to make cash contributions of \$250.6 million to its worldwide defined benefit pension plans, which are comprised of a voluntary contribution of \$200.0 million for the company's U.S. qualified defined benefit pension plans and \$50.6 million primarily for international defined benefit pension plans.

As of December 31, 2020, the following benefit payments are expected to be paid from the defined benefit pension plans:

Year ending December 31,	U.S.	International
2021	\$ 352.8	\$114.8
2022	346.5	117.7
2023	339.6	121.1
2024	331.9	125.0
2025	323.0	126.9
2026 – 2030	1,453.2	677.3

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

As of December 31,	2020	2019
Change in accumulated benefit obligation		
Benefit obligation at beginning of year	\$ 95.7	\$ 96.2
Service cost	0.5	0.5
Interest cost	4.4	4.8
Plan participants' contributions	2.3	2.7
Actuarial loss (gain)	(13.8)	1.0
Benefits paid	(8.8)	(8.9)
Foreign currency translation and other adjustments	(0.1)	(0.6)
Benefit obligation at end of year	<u>\$ 80.2</u>	<u>\$ 95.7</u>
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 6.9	\$ 7.8
Actual return on plan assets	(0.4)	(0.2)
Employer contributions	6.0	5.5
Plan participants' contributions	2.3	2.7
Benefits paid	(8.8)	(8.9)
Fair value of plan assets at end of year	<u>\$ 6.0</u>	<u>\$ 6.9</u>
Funded status at end of year	<u>\$ (74.2)</u>	<u>\$ (88.8)</u>
Amounts recognized in the consolidated balance sheets consist of:		
Prepaid postretirement assets	\$ -	\$ 0.3
Other accrued liabilities	(5.4)	(6.6)
Long-term postretirement liabilities	(68.8)	(82.5)
Total funded status	<u>\$ (74.2)</u>	<u>\$ (88.8)</u>
Accumulated other comprehensive loss, net of tax		
Net loss	\$ (3.0)	\$ 11.1
Prior service credit	(4.9)	(6.6)

Net periodic postretirement benefit cost follows:

Year ended December 31,	2020	2019	2018
Service cost ⁽ⁱ⁾	\$ 0.5	\$ 0.5	\$ 0.6
Interest cost	4.4	4.8	4.8
Expected return on assets	(0.4)	(0.4)	(0.4)
Amortization of prior service cost	(1.6)	(1.7)	(1.6)
Recognized net actuarial loss	1.0	0.7	1.0
Net periodic benefit cost	<u>\$ 3.9</u>	<u>\$ 3.9</u>	<u>\$ 4.4</u>

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

Weighted-average assumptions used to determine net periodic postretirement benefit cost were as follows:

Year ended December 31,	2020	2019	2018
Discount rate	5.13%	5.67%	5.30%
Expected return on plan assets	<u>5.50%</u>	<u>5.50%</u>	<u>5.50%</u>

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

Year ended December 31,	2020	2019	2018
Discount rate	2.21%	5.13%	5.67%

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 2021, the company expects to contribute approximately \$5 million to its postretirement benefit plans.

Assumed health care cost trend rates at December 31,	2020	2019
Health care cost trend rate assumed for next year	5.4%	5.8%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.5%	4.5%
Year that the rate reaches the ultimate trend rate	2025	2025

As of December 31, 2020, the following benefits are expected to be paid from the company's postretirement plans:

Year ending December 31,	Expected Payments
2021	\$ 6.3
2022	6.0
2023	5.6
2024	5.3
2025	4.9
2026 – 2030	19.9

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, 2020.

As of December 31, 2020	U.S. Plans				International Plans			
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
<i>Pension plans</i>								
<i>Equity Securities</i>								
Common Stocks	\$ 774.1	\$ 771.2	\$ 2.9	\$ –	\$ –	\$ –	\$ –	\$ –
Commingled Funds	640.6		640.6		153.4		153.4	
<i>Debt Securities</i>								
U.S. Govt. Securities	388.5	388.5						
Other Fixed Income	589.9		589.9		125.8		125.8	
Insurance Contracts					127.5			127.5
Commingled Funds	689.9		689.9		471.2		471.2	
<i>Real Estate</i>								
Real Estate Investment Trusts	112.1	112.1			2.0		2.0	
<i>Other</i>								
Derivatives ⁽ⁱ⁾	(67.3)	5.0	(72.3)		20.5		20.5	
Commingled Funds					381.4		381.4	
Pooled Funds	233.4		233.4		178.0		178.0	
Cumulative futures contracts variation margin paid to brokers	(1.1)	(1.1)						
Cash	21.8	21.8			111.7	111.7		
Receivables	28.8	28.8			2.1	2.1		
Payables	(7.3)	(7.3)			(20.7)	(20.7)		
Total plan assets in fair value hierarchy	\$3,403.4	\$1,319.0	\$2,084.4	\$ –	\$1,552.9	\$93.1	\$1,332.3	\$127.5
Plan assets measured using NAV as a practical expedient ⁽ⁱⁱ⁾ :								
<i>Commingled Funds</i>								
Equity	\$ –				\$ 429.9			
Debt	121.7				1,067.4			
Other	104.2				27.4			
Private Real Estate	208.0				51.8			
Private Equity	10.5				–			
Total pension plan assets	\$3,847.8				\$3,129.4			
<i>Other postretirement plans</i>								
Insurance Contracts	\$ 6.0			\$6.0				

⁽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, 2019.

As of December 31, 2019	U.S. Plans				International Plans			
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
<i>Pension plans</i>								
<i>Equity Securities</i>								
Common Stocks	\$ 955.3	\$ 952.8	\$ 2.5	\$ -	\$ -	\$-	\$-	\$-
Commingled Funds	578.8		578.8		176.7		176.7	
<i>Debt Securities</i>								
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	
<i>Real Estate</i>								
<i>Real Estate Investment Trusts</i>								
Trusts	14.0	14.0			1.0		1.0	
Commingled Funds	186.5		186.5					
<i>Other</i>								
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	
<i>Cumulative futures contracts variation margin received from brokers</i>								
	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
<i>Plan assets measured using NAV as a practical expedient⁽ⁱⁱ⁾:</i>								
<i>Commingled Funds</i>								
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			
<i>Other postretirement plans</i>								
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 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, 2020.

	January 1, 2020	Realized gains (losses)	Purchases or acquisitions	Sales or dispositions	Currency and unrealized gains (losses) relating to instruments still held at December 31, 2020	December 31, 2020
<i>U.S. plans</i>						
<i>Other postretirement plans</i>						
Insurance Contracts	\$ 6.9	\$(0.4)	\$ -	\$(0.5)	\$ -	\$ 6.0
<i>International pension plans</i>						
Insurance Contracts	\$123.1	\$ -	\$4.1	\$(11.5)	\$11.8	\$127.5

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						
<i>Other postretirement plans</i>						
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 presents additional information about plan assets valued using the net asset value as a practical expedient within the fair value hierarchy table.

	2020				2019			
	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	\$ 121.7	\$ –	Monthly	45 days	\$ 86.3	\$ –	Monthly	45 days
Other	104.2	–	Monthly	5 days	127.0	–	Monthly	5 days
Private Real								
Estate ⁽ⁱ⁾	208.0	15.7	Quarterly	60-90 days	189.0	44.4	Quarterly	60-90 days
Private Equity ⁽ⁱⁱ⁾	10.5	20.9			0.4	–		
Total	\$ 444.4	\$36.6			\$ 402.7	\$ 44.4		
International pension plans								
Commingled								
Funds								
Equity	\$ 429.9	\$ –	Weekly	Up to 2 days	\$ 406.9	\$ –	Weekly	Up to 2 days
Debt	1,067.4	86.2	Weekly, Bimonthly, Monthly, Quarterly	Up to 120 days	941.0	117.9	Daily, Weekly, Biweekly, Bimonthly, Monthly, Quarterly	Up to 120 days
Other	27.4	–	Monthly	Up to 30 days	24.8	–	Monthly	Up to 30 days
Private Real Estate	51.8	–	Monthly	Up to 90 days	31.4	–	Monthly	Up to 90 days
Total	\$1,576.5	\$86.2			\$1,404.1	\$117.9		

⁽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 secondaries markets, U.S. buyouts and venture capital. The investments can never be redeemed.

Note 18 – 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 flow could be materially affected in any particular period by the resolution of one or more of the legal matters pending against it.

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, 2020, 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 \$81 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 it has incurred damages of approximately \$48 million for the period July 1, 1989 through September 4, 2012, plus interest. On November 23, 2020, the parties reached a settlement in the amount of \$10.6 million.

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, 2020, it has adequate provisions for any such matters.

Note 19 – 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, 2020, 18.7 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) attributable to Unisys Corporation is as follows:

	Total	Translation Adjustments	Postretirement Plans
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)
Other comprehensive income before reclassifications	489.4	78.6	410.8
Amounts reclassified from accumulated other comprehensive income	(340.3)	(32.3)	(308.0)
Current period other comprehensive income	149.1	46.3	102.8
Balance at December 31, 2020	\$(3,939.5)	\$(826.6)	\$(3,112.9)

Amounts reclassified out of accumulated other comprehensive loss are as follows:

Year ended December 31,	2020	2019	2018
Translation Adjustments:			
Adjustment for substantial completion of liquidation of foreign subsidiaries ⁽ⁱ⁾	\$ (32.3)	\$ –	\$ –
Postretirement Plans:			
Amortization of prior service cost ⁽ⁱⁱ⁾	5.9	5.9	7.1
Amortization of actuarial losses ⁽ⁱⁱ⁾	(177.3)	(149.7)	(165.9)
Settlement loss ⁽ⁱⁱ⁾	(142.1)	(1.1)	(3.9)
Total before tax	(345.8)	(144.9)	(162.7)
Income tax benefit	5.5	4.3	5.7
Total reclassifications for the period	\$(340.3)	\$(140.6)	\$(157.0)

⁽ⁱ⁾ Reported in other expense, net in the consolidated statements of income

⁽ⁱⁱ⁾ Included in net periodic postretirement cost (see Note 17)

The following table summarizes the changes in shares of common stock and treasury stock:

	Common Stock	Treasury Stock
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
Stock-based compensation	0.9	0.3
Balance at December 31, 2020	66.8	3.8

Note 20 – Segment information

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) solutions. 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 operating environments and related applications for high-intensity enterprise computing, including the procurement of 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, 2020, 2019 and 2018 was \$7.8 million, \$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. No single customer accounts for more than 10% of revenue.

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,	2020	2019	2018
Services			
Cloud & infrastructure services	\$ 1,178.1	\$ 1,287.2	\$ 1,225.4
Application services	350.2	370.9	381.7
BPO solutions	164.6	234.6	250.5
Total Services	1,692.9	1,892.7	1,857.6
Technology	333.4	330.1	393.6
Total customer revenue	\$2,026.3	\$2,222.8	\$2,251.2

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

Year ended December 31,	2020	2019	2018
Total segment operating income	\$ 154.8	\$ 180.1	\$ 233.4
Interest expense	(29.2)	(62.1)	(64.0)
Other (expense), net	(329.6)	(136.4)	(77.1)
Cost reduction charges ⁽ⁱ⁾	(63.2)	(28.7)	(19.7)
Corporate and eliminations	(4.6)	(13.5)	(1.6)
Total income (loss) from continuing operations before income taxes	\$ (271.8)	\$ (60.6)	\$ 71.0

⁽ⁱ⁾ Year ended December 31, 2020 excludes \$32.3 million for net foreign currency losses related to exiting foreign countries which are reported in other 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,	2020	2019	2018
Total segment assets	\$1,302.3	\$1,263.4	\$1,254.7
Cash and cash equivalents	898.5	538.8	605.0
Deferred income taxes	136.2	114.0	109.3
Operating lease right-of-use assets	79.3	71.4	-
Prepaid postretirement assets	187.5	136.2	147.6
Assets of discontinued operations	-	243.2	181.9
Other corporate assets	104.1	137.0	159.1
Total assets	\$2,707.9	\$2,504.0	\$2,457.6

A summary of the company's operations by business segment is presented below:

	Total	Corporate	Services	Technology
2020				
Customer revenue	\$2,026.3	\$ -	\$1,692.9	\$333.4
Intersegment	-	(16.3)	-	16.3
Total revenue	\$2,026.3	\$ (16.3)	\$1,692.9	\$349.7
Operating income (loss)	\$ 87.0	\$ (67.8)	\$ 12.2	\$142.6
Depreciation and amortization	161.0	-	70.9	90.1
Total assets	2,707.9	1,405.6	850.5	451.8
Capital expenditures	130.1	2.5	49.2	78.4
2019				
Customer revenue	\$2,222.8	\$ -	\$1,892.7	\$330.1
Intersegment	-	(15.2)	-	15.2
Total revenue	\$2,222.8	\$ (15.2)	\$1,892.7	\$345.3
Operating income (loss)	\$ 137.9	\$ (42.2)	\$ 20.8	\$159.3
Depreciation and amortization	147.4	-	91.9	55.5
Total assets	2,504.0	1,240.6	864.2	399.2
Capital expenditures	159.8	7.1	74.0	78.7
2018				
Customer revenue	\$2,251.2	\$ -	\$1,857.6	\$393.6
Intersegment	-	(24.7)	-	24.7
Total revenue	\$2,251.2	\$ (24.7)	\$1,857.6	\$418.3
Operating income (loss)	\$ 212.1	\$ (21.3)	\$ 9.1	\$224.3
Depreciation and amortization	164.1	-	97.2	66.9
Total assets	2,457.6	1,202.9	846.9	407.8
Capital expenditures	189.3	8.0	92.9	88.4

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,	2020	2019	2018
Revenue			
United States	\$ 781.5	\$ 824.0	\$ 666.2
United Kingdom	228.0	334.3	360.7
Other foreign	1,016.8	1,064.5	1,224.3
Total Revenue	\$2,026.3	\$2,222.8	\$2,251.2
Properties, net			
United States	\$ 82.0	\$ 82.3	\$ 75.9
United Kingdom	9.2	10.5	5.3
Other foreign	19.3	23.2	30.7
Total Properties, net	\$ 110.5	\$ 116.0	\$ 111.9
Outsourcing assets, net			
United States	\$ 93.1	\$ 99.5	\$ 97.6
United Kingdom	55.3	71.7	86.5
Australia	19.3	21.5	21.7
Other foreign	6.2	9.4	10.6
Total Outsourcing assets, net	\$ 173.9	\$ 202.1	\$ 216.4

Note 21 – 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, 2020, the company had approximately \$0.85 billion of remaining performance obligations of which approximately 40% is estimated to be recognized as revenue by the end of 2021.

Note 22 – Subsequent events

In January of 2021, the company signed an agreement with an insurance company to purchase a group annuity contract for \$279 million to transfer projected benefit obligations related to approximately 11,600 retirees of the company's U.S. defined benefit pension plans. This action is expected to result in a first quarter 2021 one-time, non-cash, pre-tax settlement charge of approximately \$158 million.

In January 2021, the company decided to make a number of changes to its organizational structure to more effectively address evolving client needs. With these changes, the company revised its reportable segments, but this did not impact the consolidated financial statements as of December 31, 2020. The company's reportable segments will be as follows: Digital Workplace Services, which will provide services and IP-led solutions that support clients' employees' productivity, satisfaction and ability to securely work anywhere, any time; Cloud & Infrastructure, which will provide hybrid and multi-cloud solutions in select markets to accelerate innovation and increase efficiency of our clients' businesses; ClearPath Forward®, which will provide server systems and operating system software and services that are secure, innovative, and reliable for mission-critical processing; and Other, which is principally comprised of business processing outsourcing (BPO) solutions, which will provide management of critical processes and functions for clients in select industries, helping them improve performance and reduce costs. These changes will be reflected prospectively, with comparable prior period data, in the company's first quarter 2021 Form 10-Q.

Note 23 – Quarterly financial information (unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2020					
Revenue	\$ 515.4	\$ 438.8	\$ 495.2	\$ 576.9	\$2,026.3
Gross profit	113.1	74.9	119.9	175.1	483.0
Income (loss) from continuing operations before income taxes	(41.9)	(66.8)	(7.2)	(155.9)	(271.8)
Income (loss) from discontinued operations, net of tax	1,068.5	(2.1)	0.4	1.6	1,068.4
Net income (loss) attributable to Unisys Corporation	1,015.3	(78.6)	(12.9)	(173.1)	750.7
Earnings (loss) per common share attributable to Unisys Corporation					
Basic					
Continuing operations	\$ (0.85)	\$ (1.21)	\$ (0.21)	\$ (2.77)	\$ (5.05)
Discontinued operations	17.06	(0.04)	0.01	0.02	16.98
Total	\$ 16.21	\$ (1.25)	\$ (0.20)	\$ (2.75)	\$ 11.93
Diluted					
Continuing operations	\$ (0.85)	\$ (1.21)	\$ (0.21)	\$ (2.77)	\$ (5.05)
Discontinued operations	17.06	(0.04)	0.01	0.02	16.98
Total	\$ 16.21	\$ (1.25)	\$ (0.20)	\$ (2.75)	\$ 11.93
2019					
Revenue	\$ 554.5	\$ 569.4	\$ 552.1	\$ 546.8	\$2,222.8
Gross profit	125.1	152.6	140.0	116.3	534.0
Income (loss) from continuing operations before income taxes	(20.7)	7.9	(15.0)	(32.8)	(60.6)
Income from discontinued operations, net of tax	13.3	25.5	16.0	20.2	75.0
Net income (loss) attributable to Unisys Corporation	(19.4)	26.2	(13.2)	(10.8)	(17.2)
Earnings (loss) per common share attributable to Unisys Corporation					
Basic					
Continuing operations	\$ (0.64)	\$ 0.01	\$ (0.50)	\$ (0.50)	\$ (1.65)
Discontinued operations	0.26	0.50	0.27	0.33	1.34
Total	\$ (0.38)	\$ 0.51	\$ (0.23)	\$ (0.17)	\$ (0.31)
Diluted					
Continuing operations	\$ (0.64)	\$ 0.01	\$ (0.50)	\$ (0.50)	\$ (1.65)
Discontinued operations	0.26	0.49	0.27	0.33	1.34
Total	\$ (0.38)	\$ 0.50	\$ (0.23)	\$ (0.17)	\$ (0.31)

On March 13, 2020, the company completed the sale of its U.S. Federal business to Science Applications International Corporation for cash of \$1.2 billion. The company's financial statements have been retroactively reclassified to report the U.S. Federal business as discontinued operations. As a result, all items relating to the business within the consolidated statements of income (loss) have been reported as income from discontinued operations, net of tax, and all items relating to the business within the consolidated balance sheets have been reported as either assets or liabilities of discontinued operations. Depreciation, amortization, capital expenditures, and significant noncash operating and investing activities related to the U.S. Federal business were immaterial for all periods presented.

In the fourth quarter of 2020, the company recorded a pension settlement charge of \$142.1 million. See Note 17, "Employee Plans," of the Notes to Consolidated Financial Statements.

In the second quarter of 2020 and the third quarter of 2019, the company recorded a pretax charge on debt extinguishment of \$28.5 million and \$20.1 million, respectively. See Note 15, "Debt," of the Notes to Consolidated Financial Statements.

In the first, second, third and fourth quarters of 2020, the company recorded pretax cost-reduction and other charges of \$27.5 million, \$7.9 million, \$13.2 million and \$46.9 million, respectively. See Note 4, "Cost reduction actions," 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 4, "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.

PricewaterhouseCoopers LLP, an independent registered public accounting firm, has audited the company's 2020 consolidated 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 PricewaterhouseCoopers 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.

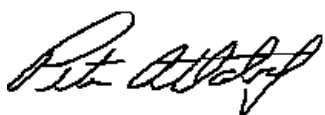
Management's Report on Internal Control Over Financial Reporting

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, 2020, 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, 2020, based on the specified criteria.

PricewaterhouseCoopers LLP, an independent registered public accounting firm, has audited the company's internal control over financial reporting as of December 31, 2020, as stated in its report that appears herein.



Peter A. Altabef
Chair and Chief Executive Officer



Michael M. Thomson
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Unisys Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheet of Unisys Corporation and its subsidiaries (the “Company”) as of December 31, 2020, and the related consolidated statements of income (loss), comprehensive income (loss), deficit and cash flows for the year then ended, including the related notes and schedule of valuation and qualifying accounts for the year ended December 31, 2020 listed under Item 15(1) (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and the results of its operations and its cash flows for the year ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 3 of the consolidated financial statements, the Company changed the manner in which it accounts for income taxes in 2020.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, 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 opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (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 the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audit of the consolidated financial statements 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 audit 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. 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 opinions.

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 (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) 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 (iii) 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.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of the U.S. and Certain International Defined Benefit Pension Plan Obligations

As described in Notes 1 and 17 to the consolidated financial statements, the Company's consolidated defined benefit pension plan obligation was \$8,013 million as of December 31, 2020. Additionally, the Company recorded settlement losses associated with U.S. pension plans of \$142 million for the year ended December 31, 2020. Management develops the actuarial assumptions used by its U.S. and international defined benefit pension plan obligations based upon the circumstances of each particular plan. The determination of the defined benefit pension plan obligations requires the use of estimates. Management's significant assumption used in the determination of the defined benefit pension plan obligations, and settlement losses associated with respect to the U.S. pension plans, is the discount rate.

The principal considerations for our determination that performing procedures relating to the valuation of the U.S. and certain international defined benefit pension plan obligations is a critical audit matter are the (i) significant judgment by management to determine the defined benefit pension plan obligations; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate management's significant assumption related to the discount rates; (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the valuation of the U.S. and certain international defined benefit pension plan obligations, including controls over the Company's methods, significant assumption, and data. These procedures also included, among others, testing the completeness, accuracy and relevance of the underlying data used in developing the estimate, and the involvement of professionals with specialized skill and knowledge to assist in (i) evaluating the appropriateness of the actuarial methods used to estimate the defined benefit pension plan obligations, and (ii) evaluating the reasonableness of management's significant assumption related to the discount rate. Evaluating the reasonableness of management's significant assumption related to the discount rate included (i) developing an independent range of discount rates for each U.S. and certain international defined benefit pension plan obligations based on publicly available market data for high-quality, fixed income investments, and (ii) comparing management's discount rate to the independently developed range to evaluate the reasonableness of the discount rate assumption.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 26, 2021

We have served as the Company's auditor since 2020.

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 sheet of Unisys Corporation and subsidiaries (the Company) as of December 31, 2019, the related consolidated statements of income (loss), comprehensive income (loss), cash flows, and deficit for each of the years in the two-year period ended December 31, 2019, and the related notes and financial statement schedule II (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 the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

Change in Accounting Principle

As discussed in Note 5 to the consolidated financial statements, the Company changed its method of accounting for leases effective January 1, 2019 due the adoption of Accounting Standards Update No. 2016-02, *Leases* (Topic 842).

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 Public Company Accounting Oversight Board (United States) (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 audits 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

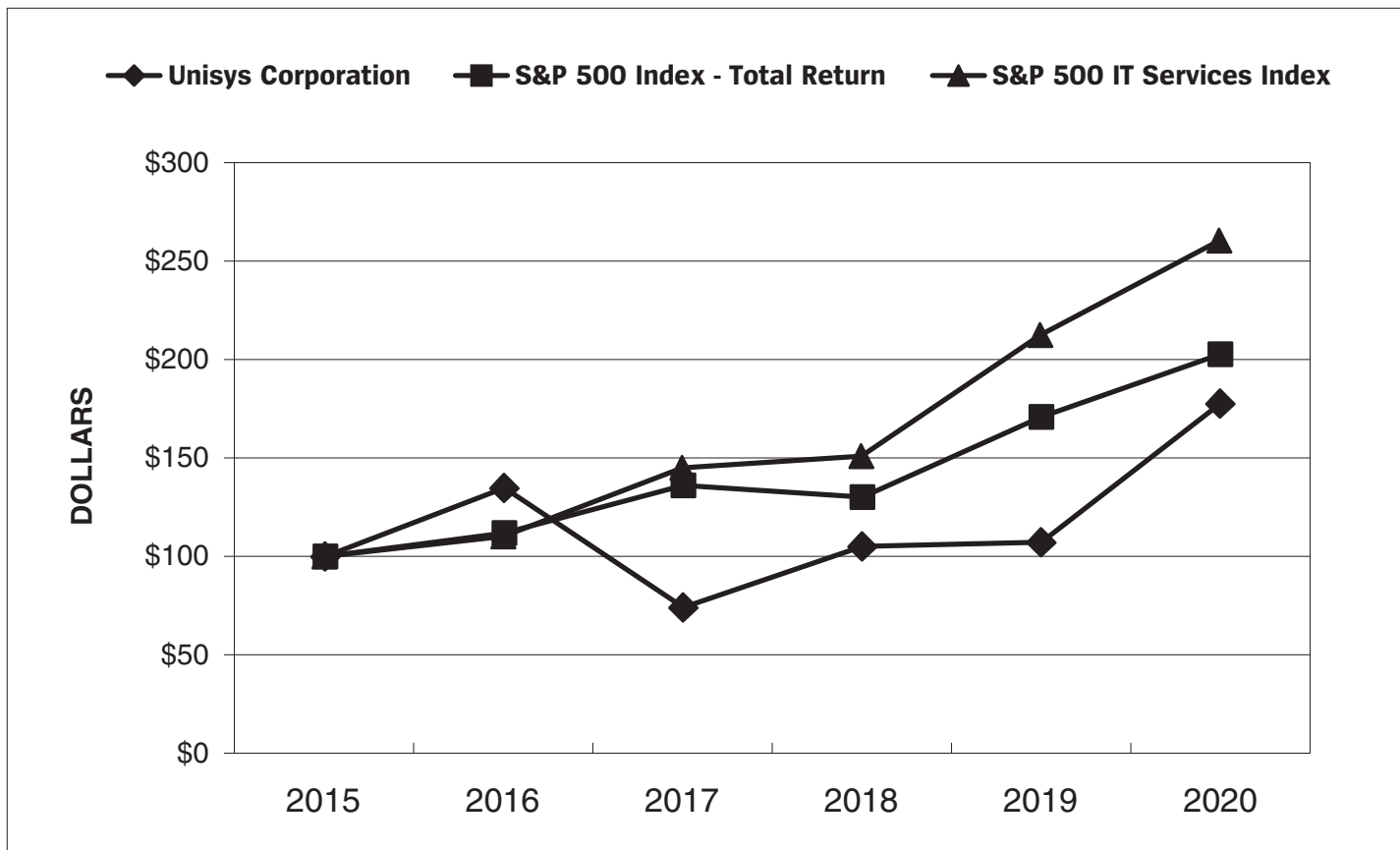
We served as the Company's auditor from 2008 to 2020.

Philadelphia, Pennsylvania

February 28, 2020, except for Note 2, as to which the date is February 26, 2021

Stock Performance

The following graph compares the cumulative total stockholder return on Unisys common stock during the five fiscal years ended December 31, 2020, 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, 2015, in Unisys common stock and in each of such indices and assumes reinvestment of any dividends.



	2015	2016	2017	2018	2019	2020
Unisys Corporation	\$ 100	\$ 135	\$ 74	\$ 105	\$ 107	\$ 178
S&P 500	\$ 100	\$ 112	\$ 136	\$ 130	\$ 171	\$ 203
S&P 500 IT Services	\$ 100	\$ 110	\$ 145	\$ 151	\$ 213	\$ 261

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, 2020, there were approximately 63.0 million shares outstanding and approximately 4,700 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, 2020, 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 2021 Annual Meeting of Stockholders, which will be held virtually online at www.virtualshareholdermeeting.com/UIS2021 on April 23, 2021, 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 12, 2021, to stockholders of record as of March 8, 2021.

Independent Auditors

KPMG LLP Philadelphia, Pennsylvania

PricewaterhouseCoopers 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
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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 SEC filings, annual report releases and quarterly financial releases 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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