

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

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2021**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_.**

**Commission file number 1-8729**

**UNISYS CORPORATION**

**(Exact name of registrant as specified in its charter)**

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**38-0387840**

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

**801 Lakeview Drive, Suite 100**

**Blue Bell, Pennsylvania 19422**

**(215) 986-4011**

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

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

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

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

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

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

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

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

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

Number of shares of Common Stock outstanding as of September 30, 2021: 67,152,227

**UNISYS CORPORATION**  
**TABLE OF CONTENTS**

	<b>Page Number</b>
<b>PART I - FINANCIAL INFORMATION</b>	
<b>Item 1.</b> Consolidated Financial Statements (Unaudited)	
Consolidated Statements of Income (Loss)	<a href="#">2</a>
Consolidated Statements of Comprehensive Income	<a href="#">3</a>
Consolidated Balance Sheets	<a href="#">4</a>
Consolidated Statements of Cash Flows	<a href="#">5</a>
Consolidated Statements of Deficit	<a href="#">6</a>
Notes to Consolidated Financial Statements	<a href="#">7</a>
<b>Item 2.</b> Management's Discussion and Analysis of Financial Condition and Results of Operations	<a href="#">26</a>
<b>Item 3.</b> Quantitative and Qualitative Disclosures about Market Risk	<a href="#">33</a>
<b>Item 4.</b> Controls and Procedures	<a href="#">33</a>
<b>PART II - OTHER INFORMATION</b>	
<b>Item 1.</b> Legal Proceedings	<a href="#">34</a>
<b>Item 1A.</b> Risk Factors	<a href="#">34</a>
<b>Item 6.</b> Exhibits	<a href="#">35</a>
Exhibit Index	<a href="#">36</a>
Signatures	<a href="#">37</a>

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## Part I - FINANCIAL INFORMATION

### Item 1. Financial Statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue				
Services	\$ 417.9	\$ 426.0	\$ 1,268.8	\$ 1,247.9
Technology	70.1	69.2	246.3	201.5
	<u>488.0</u>	<u>495.2</u>	<u>1,515.1</u>	<u>1,449.4</u>
Costs and expenses				
Cost of revenue				
Services	343.1	345.9	1,019.7	1,061.6
Technology	18.0	29.4	87.1	79.9
	<u>361.1</u>	<u>375.3</u>	<u>1,106.8</u>	<u>1,141.5</u>
Selling, general and administrative	95.1	85.5	279.7	252.5
Research and development	6.7	6.7	19.1	16.1
	<u>462.9</u>	<u>467.5</u>	<u>1,405.6</u>	<u>1,410.1</u>
Operating income	25.1	27.7	109.5	39.3
Interest expense	8.5	2.4	27.0	20.9
Other (expense), net	(24.2)	(32.5)	(434.6)	(134.3)
Loss from continuing operations before income taxes	(7.6)	(7.2)	(352.1)	(115.9)
Provision for (benefit from) income taxes	10.9	6.1	(33.8)	26.6
Consolidated loss from continuing operations	(18.5)	(13.3)	(318.3)	(142.5)
Net income (loss) attributable to noncontrolling interests	0.2	—	(1.0)	0.5
Net loss from continuing operations attributable to Unisys Corporation	(18.7)	(13.3)	(317.3)	(143.0)
Income from discontinued operations, net of tax	—	0.4	—	1,066.8
Net (loss) income attributable to Unisys Corporation	<u>\$ (18.7)</u>	<u>\$ (12.9)</u>	<u>\$ (317.3)</u>	<u>\$ 923.8</u>
Earnings (loss) per share attributable to Unisys Corporation				
Basic				
Continuing operations	\$ (0.28)	\$ (0.21)	\$ (4.79)	\$ (2.27)
Discontinued operations	—	0.01	—	16.96
Total	<u>\$ (0.28)</u>	<u>\$ (0.20)</u>	<u>\$ (4.79)</u>	<u>\$ 14.69</u>
Diluted				
Continuing operations	\$ (0.28)	\$ (0.21)	\$ (4.79)	\$ (2.27)
Discontinued operations	—	0.01	—	16.96
Total	<u>\$ (0.28)</u>	<u>\$ (0.20)</u>	<u>\$ (4.79)</u>	<u>\$ 14.69</u>

See notes to consolidated financial statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Consolidated loss from continuing operations	\$ (18.5)	\$ (13.3)	\$ (318.3)	\$ (142.5)
Income from discontinued operations, net of tax	—	0.4	—	1,066.8
<b>Total</b>	<b>(18.5)</b>	<b>(12.9)</b>	<b>(318.3)</b>	<b>924.3</b>
Other comprehensive income (loss)				
Foreign currency translation	(36.5)	40.1	(36.8)	(41.1)
Postretirement adjustments, net of tax of \$7.4 and \$45.2 in 2021 and \$(7.8) and \$6.4 in 2020	63.4	8.2	408.6	139.4
<b>Total other comprehensive income</b>	<b>26.9</b>	<b>48.3</b>	<b>371.8</b>	<b>98.3</b>
Comprehensive income	8.4	35.4	53.5	1,022.6
Less comprehensive (loss) income attributable to noncontrolling interests	(0.8)	2.0	(0.5)	0.5
Comprehensive income attributable to Unisys Corporation	<u>\$ 9.2</u>	<u>\$ 33.4</u>	<u>\$ 54.0</u>	<u>\$ 1,022.1</u>

See notes to consolidated financial statements

**UNISYS CORPORATION**  
**CONSOLIDATED BALANCE SHEETS (Unaudited)**  
**(Millions)**

	September 30, 2021	December 31, 2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 615.4	\$ 898.5
Accounts receivable, net	356.0	460.5
Contract assets	51.3	44.3
Inventories	11.2	13.4
Prepaid expenses and other current assets	91.5	89.3
Total current assets	1,125.4	1,506.0
Properties	616.4	727.0
Less-accumulated depreciation and amortization	530.2	616.5
Properties, net	86.2	110.5
Outsourcing assets, net	136.8	173.9
Marketable software, net	184.8	193.6
Operating lease right-of-use assets	62.9	79.3
Prepaid postretirement assets	123.0	187.5
Deferred income taxes	147.0	136.2
Goodwill	242.9	108.6
Intangible assets, net	16.5	—
Restricted cash	9.1	8.2
Assets held for sale	20.0	—
Other long-term assets	166.8	204.1
Total assets	\$ 2,321.4	\$ 2,707.9
<b>Liabilities and deficit</b>		
Current liabilities:		
Current maturities of long-term-debt	\$ 18.8	\$ 102.8
Accounts payable	119.7	223.2
Deferred revenue	224.2	257.1
Other accrued liabilities	299.1	352.0
Total current liabilities	661.8	935.1
Long-term debt	514.1	527.1
Long-term postretirement liabilities	1,144.5	1,286.1
Long-term deferred revenue	153.0	137.9
Long-term operating lease liabilities	47.9	62.4
Other long-term liabilities	50.2	71.4
Commitments and contingencies (see Note 15)		
Deficit:		
Common stock, shares issued: 2021; 72.5, 2020; 66.8	0.7	0.7
Accumulated deficit	(1,277.8)	(960.5)
Treasury stock, shares at cost: 2021; 5.3, 2020; 3.8	(152.1)	(114.4)
Paid-in capital	4,703.1	4,656.9
Accumulated other comprehensive loss	(3,568.2)	(3,939.5)
Total Unisys Corporation stockholders' deficit	(294.3)	(356.8)
Noncontrolling interests	44.2	44.7
Total deficit	(250.1)	(312.1)
Total liabilities and deficit	\$ 2,321.4	\$ 2,707.9

See notes to consolidated financial statements

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

	Nine Months Ended September 30,	
	2021	2020
<b>Cash flows from operating activities</b>		
Consolidated net loss from continuing operations	\$ (318.3)	\$ (142.5)
Income from discontinued operations, net of tax	—	1,066.8
Adjustments to reconcile consolidated net loss to net cash provided by (used for) operating activities:		
Gain on sale of U.S. Federal business	—	(1,057.7)
Loss on debt extinguishment	—	28.5
Foreign currency losses	3.2	14.3
Non-cash interest expense	1.5	3.5
Employee stock compensation	11.5	11.1
Depreciation and amortization of properties	23.2	22.0
Depreciation and amortization of outsourcing assets	50.8	48.9
Amortization of marketable software	50.9	50.2
Amortization of intangible assets	1.7	—
Other non-cash operating activities	(0.1)	0.6
Loss on disposal of capital assets	1.5	3.3
Postretirement contributions	(43.6)	(344.5)
Postretirement expense	407.7	72.8
Deferred income taxes, net	(65.3)	(16.9)
Changes in operating assets and liabilities, net of acquisitions		
Receivables, net and contract assets	135.0	12.4
Inventories	2.2	1.5
Other assets	(4.1)	0.4
Accounts payable and current liabilities	(229.6)	(127.7)
Other liabilities	36.3	27.2
Net cash provided by (used for) operating activities	<u>64.5</u>	<u>(325.8)</u>
<b>Cash flows from investing activities</b>		
Purchase of business	(150.4)	—
Net proceeds from sale of U.S. Federal business	—	1,162.9
Proceeds from investments	3,286.4	2,550.2
Purchases of investments	(3,294.6)	(2,561.7)
Investment in marketable software	(42.1)	(54.8)
Capital additions of properties	(19.7)	(16.7)
Capital additions of outsourcing assets	(14.7)	(23.6)
Other	(0.9)	(0.5)
Net cash (used for) provided by investing activities	<u>(236.0)</u>	<u>1,055.8</u>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of long-term debt	1.5	7.1
Payments of long-term debt	(99.1)	(451.0)
Cash paid for debt extinguishment	—	(23.7)
Proceeds from exercise of stock options	4.5	—
Other	(7.7)	(4.8)
Net cash used for financing activities	<u>(100.8)</u>	<u>(472.4)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(9.9)	(25.3)
(Decrease) increase in cash, cash equivalents and restricted cash	(282.2)	232.3
Cash, cash equivalents and restricted cash, beginning of period	906.7	551.8
Cash, cash equivalents and restricted cash, end of period	<u>\$ 624.5</u>	<u>\$ 784.1</u>

*See notes to consolidated financial statements*

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

	Unisys Corporation							
	Total	Total Unisys Corporation	Common Stock Par Value	Accumulated Deficit	Treasury Stock At Cost	Paid-in Capital	Accumulated Other Comprehensive Loss	Non-controlling Interests
<b>Balance at December 31, 2020</b>	\$ (312.1)	\$ (356.8)	\$ 0.7	\$ (960.5)	\$ (114.4)	\$ 4,656.9	\$ (3,939.5)	\$ 44.7
Consolidated net (loss) income	(157.5)	(157.8)		(157.8)				0.3
Capped call on conversion of notes	—	—			(30.8)	30.8		
Stock-based activity	(1.3)	(1.3)			(6.7)	5.4		
Translation adjustments	(17.1)	(17.9)					(17.9)	0.8
Postretirement plans	202.2	202.2					202.2	—
<b>Balance at March 31, 2021</b>	<u>\$ (285.8)</u>	<u>\$ (331.6)</u>	<u>\$ 0.7</u>	<u>\$ (1,118.3)</u>	<u>\$ (151.9)</u>	<u>\$ 4,693.1</u>	<u>\$ (3,755.2)</u>	<u>\$ 45.8</u>
Consolidated net loss	(142.3)	(140.8)		(140.8)				(1.5)
Stock-based activity	4.5	4.5			(0.2)	4.7		
Translation adjustments	16.8	16.4					16.4	0.4
Postretirement plans	143.0	142.7					142.7	0.3
<b>Balance at June 30, 2021</b>	<u>\$ (263.8)</u>	<u>\$ (308.8)</u>	<u>\$ 0.7</u>	<u>\$ (1,259.1)</u>	<u>\$ (152.1)</u>	<u>\$ 4,697.8</u>	<u>\$ (3,596.1)</u>	<u>\$ 45.0</u>
Consolidated net (loss) income	(18.5)	(18.7)		(18.7)				0.2
Stock-based activity	5.3	5.3			—	5.3		
Translation adjustments	(36.5)	(33.9)					(33.9)	(2.6)
Postretirement plans	63.4	61.8					61.8	1.6
<b>Balance at September 30, 2021</b>	<u>\$ (250.1)</u>	<u>\$ (294.3)</u>	<u>\$ 0.7</u>	<u>\$ (1,277.8)</u>	<u>\$ (152.1)</u>	<u>\$ 4,703.1</u>	<u>\$ (3,568.2)</u>	<u>\$ 44.2</u>

	Unisys Corporation							
	Total	Total Unisys Corporation	Common Stock Par Value	Accumulated Deficit	Treasury Stock At Cost	Paid-in Capital	Accumulated Other Comprehensive Loss	Non-controlling Interests
<b>Balance at December 31, 2019</b>	\$ (1,228.3)	\$ (1,265.4)	\$ 0.7	\$ (1,711.2)	\$ (109.6)	\$ 4,643.3	\$ (4,088.6)	\$ 37.1
Consolidated net income	1,015.8	1,015.3		1,015.3				0.5
Stock-based activity	(0.5)	(0.5)			(4.6)	4.1		
Translation adjustments	(87.6)	(81.6)					(81.6)	(6.0)
Postretirement plans	91.2	87.5					87.5	3.7
<b>Balance at March 31, 2020</b>	<u>\$ (209.4)</u>	<u>\$ (244.7)</u>	<u>\$ 0.7</u>	<u>\$ (695.9)</u>	<u>\$ (114.2)</u>	<u>\$ 4,647.4</u>	<u>\$ (4,082.7)</u>	<u>\$ 35.3</u>
Consolidated net loss	(78.6)	(78.6)		(78.6)				
Stock-based activity	2.9	2.9			(0.1)	3.0		
Translation adjustments	6.4	6.5					6.5	(0.1)
Postretirement plans	40.0	39.6					39.6	0.4
<b>Balance at June 30, 2020</b>	<u>\$ (238.7)</u>	<u>\$ (274.3)</u>	<u>\$ 0.7</u>	<u>\$ (774.5)</u>	<u>\$ (114.3)</u>	<u>\$ 4,650.4</u>	<u>\$ (4,036.6)</u>	<u>\$ 35.6</u>
Consolidated net loss	(12.9)	(12.9)		(12.9)				
Stock-based activity	3.0	3.0			(0.1)	3.1		
Translation adjustments	40.1	38.6					38.6	1.5
Postretirement plans	8.2	7.7					7.7	0.5
<b>Balance at September 30, 2020</b>	<u>\$ (200.3)</u>	<u>\$ (237.9)</u>	<u>\$ 0.7</u>	<u>\$ (787.4)</u>	<u>\$ (114.4)</u>	<u>\$ 4,653.5</u>	<u>\$ (3,990.3)</u>	<u>\$ 37.6</u>

See notes to consolidated financial statements

## UNISYS CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

#### Note 1 - Basis of Presentation

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

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions about future events. These estimates and assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities and the reported amounts of revenue and expenses. Such estimates include the valuation of estimated credit losses, contract assets, operating lease right-of-use assets, outsourcing assets, marketable software, goodwill, purchased intangibles 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 September 30, 2021 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, purchased intangibles 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 September 30, 2021 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.

The company's accounting policies are set forth in detail in Note 1 of the Notes to Consolidated Financial Statements in the company's Annual Report on Form 10-K for the year ended December 31, 2020 filed with the Securities and Exchange Commission. Such Annual Report also contains a discussion of the company's critical accounting policies and estimates. The company believes that these critical accounting policies and estimates affect its more significant estimates and judgments used in the preparation of the company's consolidated financial statements.

#### 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 were \$1,162.9 million (net of working capital adjustments and transaction costs).



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

	Three Months Ended September 30, 2020*	Nine Months Ended September 30, 2020*
Revenue	\$ —	\$ 149.5
Income (loss):		
Operations	—	9.1
Gain on sale	(0.2)	1,060.6
	(0.2)	1,069.7
Income tax provision (benefit)	(0.6)	2.9
Income from discontinued operations, net of tax	\$ 0.4	\$ 1,066.8

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

### Note 3 - Acquisitions

On June 3, 2021, the company acquired 100% of Unify Square, Inc. (Unify Square) for a purchase price consideration of \$150.4 million on a cash-free, debt-free basis. The company funded the cash consideration and acquisition-related costs with cash on hand.

Headquartered in Bellevue, Washington, and with offices in the United Kingdom, Germany, Switzerland, India, Australia and Lithuania, Unify Square is a leading experience management provider for secure collaboration and communication platforms. The acquisition is expected to enhance the company's digital workplace solutions and enable the company to deliver higher value solutions to its clients.

The fair values of the total net assets acquired was as follows:

Receivables	\$ 3.4
Prepaid expenses and other current assets	0.6
Properties and other long-term assets	0.4
Operating lease right-of-use assets	1.7
Accounts payable and accruals	(3.8)
Deferred revenue	(2.7)
Long-term operating lease liabilities	(1.7)
Intangible assets	18.2
Goodwill	134.3
Total	\$ 150.4

During the three months ended September 30, 2021, the company finalized its valuation of assets acquired and liabilities assumed resulting in measurement period adjustments that increased goodwill by \$16.7 million primarily related to a decrease of \$16.3 million in the fair value of the acquired intangible assets.

Goodwill is the excess of the purchase price consideration over the fair value of the underlying intangible assets and net liabilities assumed. The goodwill represents intellectual capital and the acquired assembled workforce, none of which qualify for recognition as a separate intangible asset. Goodwill determined by the allocation of the purchase price has been recorded in the company's Digital Workplace Solutions segment and is not deductible for tax purpose.

The following table summarizes the fair value of the intangible assets acquired and the related weighted average amortization period:

	Weighted Average Amortization Period in Years	
Technology	3.2	\$ 10.0
Customer relationships - Software and Software Solutions	3.0	5.2
Customer relationships - Consulting	10.0	3.0
Total		<u>\$ 18.2</u>

For the three and nine months ended September 30, 2021, the company incurred and expensed acquisition-related costs of \$0.8 million and \$2.4 million, respectively, included within selling, general and administrative expense on the consolidated statements of income (loss).

The company's consolidated financial statements include the results of Unify Square commencing as of the acquisition date.

Pro forma information and revenue and operating results of Unify Square have not been presented as the impact is not material to the company's consolidated financial statements.

#### **Note 4 - Cost-Reduction Actions**

During the three months ended September 30, 2021, the company recognized cost-reduction charges and other costs of \$0.8 million. The charges (credits) related to work-force reductions were \$(0.6) million, principally related to severance costs, and were comprised of: (a) a charge of \$0.7 million and (b) a credit of \$(1.3) million for changes in estimates. In addition, the company recorded net charges (credits) of \$1.4 million comprised of a charge of \$1.3 million for net foreign currency losses related to exiting foreign countries, a charge of \$0.5 million for asset impairments and a credit of \$(0.4) million related to other cost-reduction efforts.

During the three months ended September 30, 2020, the company recognized cost-reduction charges and other costs of \$13.2 million. The charges (credits) related to work-force reductions were \$0.7 million, principally related to severance costs, and were comprised of: (a) a charge of \$2.7 million and (b) a credit of \$(2.0) million for changes in estimates. In addition, the company recorded a credit of \$(0.6) million for net foreign currency gains related to exiting foreign countries, a charge of \$7.5 million for asset impairments and a charge of \$5.6 million of other expenses.

During the nine months ended September 30, 2021, the company recognized cost-reduction charges and other costs of \$14.4 million. The charges (credits) related to work-force reductions were \$(2.5) million, principally related to severance costs, and were comprised of: (a) a charge of \$6.5 million and (b) a credit of \$(9.0) million for changes in estimates. In addition, the company recorded charges of \$16.9 million comprised of \$2.9 million for net foreign currency losses related to exiting foreign countries, \$7.3 million for asset impairments and \$6.7 million of other expenses related to the cost-reduction effort.

During the nine months ended September 30, 2020, the company recognized cost-reduction charges and other costs of \$48.6 million. The charges (credits) related to work-force reductions were \$6.2 million, principally related to severance costs, and were comprised of: (a) a charge of \$14.0 million and (b) a credit of \$(7.8) million for changes in estimates. In addition, the company recorded charges of \$17.8 million for net foreign currency losses related to exiting foreign countries, \$19.0 million for asset impairments and \$5.6 million of other expenses.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Cost of revenue - services	\$ (0.2)	\$ 2.9	\$ 0.9	\$ 15.7
Selling, general and administrative	(0.1)	10.8	8.7	14.8
Research and development	(0.2)	0.1	1.9	0.3
Other expense, net	1.3	(0.6)	2.9	17.8
<b>Total</b>	<b>\$ 0.8</b>	<b>\$ 13.2</b>	<b>\$ 14.4</b>	<b>\$ 48.6</b>

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, 2020	\$ 55.9	\$ 13.1	\$ 42.8
Additional provisions	6.5	4.0	2.5
Payments	(31.8)	(11.8)	(20.0)
Changes in estimates	(9.0)	(0.5)	(8.5)
Translation adjustments	(1.3)	—	(1.3)
Balance at September 30, 2021	\$ 20.3	\$ 4.8	\$ 15.5
Expected future utilization on balance at September 30, 2021:			
Short-term	\$ 17.1	\$ 4.8	\$ 12.3
Long-term	\$ 3.2	\$ —	\$ 3.2

## Note 5 - Pension and Postretirement Benefits

Net periodic pension expense is presented below:

	Three Months Ended September 30, 2021			Three Months Ended September 30, 2020		
	Total	U.S. Plans	International Plans	Total	U.S. Plans	International Plans
Service cost <sup>(i)</sup>	\$ 0.7	\$ —	\$ 0.7	\$ 0.8	\$ —	\$ 0.8
Interest cost	38.2	29.4	8.8	54.1	40.6	13.5
Expected return on plan assets	(69.8)	(50.0)	(19.8)	(75.0)	(52.1)	(22.9)
Amortization of prior service benefit	(1.3)	(0.7)	(0.6)	(1.3)	(0.6)	(0.7)
Recognized net actuarial loss	45.8	34.0	11.8	44.8	33.8	11.0
Settlement losses	—	—	—	—	—	—
Net periodic pension expense	\$ 13.6	\$ 12.7	\$ 0.9	\$ 23.4	\$ 21.7	\$ 1.7

	Nine Months Ended September 30, 2021			Nine Months Ended September 30, 2020		
	Total	U.S. Plans	International Plans	Total	U.S. Plans	International Plans
Service cost <sup>(i)</sup>	\$ 2.4	\$ —	\$ 2.4	\$ 2.2	\$ —	\$ 2.2
Interest cost	116.2	88.2	28.0	161.7	121.8	39.9
Expected return on plan assets	(212.3)	(149.9)	(62.4)	(224.0)	(156.4)	(67.6)
Amortization of prior service benefit	(4.0)	(1.9)	(2.1)	(3.8)	(1.9)	(1.9)
Recognized net actuarial loss	138.6	101.8	36.8	133.8	101.6	32.2
Settlement losses	368.7	158.0	210.7	—	—	—
Net periodic pension expense	\$ 409.6	\$ 196.2	\$ 213.4	\$ 69.9	\$ 65.1	\$ 4.8

<sup>(i)</sup>Service cost is reported in selling, general and administrative expense. All other components of net periodic pension expense are reported in other (expense), net in the consolidated statements of income (loss).

In January of 2021, the company purchased 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 resulted in a first quarter 2021 pre-tax settlement loss of \$158.0 million.

Effective May 1, 2021, the company's primary pension plan related to its Dutch subsidiary was transferred to a multi-client circle within a multi-employer fund. This resulted in removing all of the plan's projected benefit obligations, valued at approximately \$553 million, from the company's balance sheet. This action resulted in a second quarter 2021 pre-tax settlement loss of \$182.6 million.

In the second quarter of 2021, the company's Swiss subsidiary transferred its defined benefit pension plan to a multiple-employer collective foundation. This resulted 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 required a one-time additional contribution of approximately \$10 million to the Swiss plan during the first quarter of 2021. This action resulted in a second quarter 2021 pre-tax settlement loss of \$28.1 million.

The American Rescue Plan Act, which was signed into law on March 11, 2021, includes a provision for pension relief that extends the amortization period for required contributions from 7 to 15 years and provides for the stabilization of interest rates used to calculate future required contributions. As a result, based on year-end 2020 pension data and assumptions, current projections indicate that the company will not be required to make future cash contributions to its U.S. qualified defined benefit pension plans for the period covered by such projections and the company has determined that it will not make the previously-contemplated voluntary \$200 million contribution to its U.S. pension plans in 2021.

Any future material deterioration in the value of the company's U.S. qualified defined benefit pension plan assets, as well as changes in pension legislation, discount rate changes, asset return changes, or changes in economic or demographic trends, could require the company to make cash contributions to its U.S. defined benefit pension plans.

In 2021, the company expects to make cash contributions of approximately \$48.3 million primarily for the company's international defined benefit pension plans. In 2020, the company made cash contributions of \$826.2 million to its worldwide defined benefit pension plans. For the nine months ended September 30, 2021 and 2020, the company made cash contributions of \$40.3 million and \$340.2 million, respectively.

Net periodic postretirement benefit (income) expense is presented below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Service cost <sup>(i)</sup>	\$ 0.1	\$ 0.1	\$ 0.3	\$ 0.3
Interest cost	0.5	1.1	1.3	3.3
Expected return on assets	(0.1)	(0.1)	(0.3)	(0.3)
Recognized net actuarial (gain) loss	(0.7)	0.3	(2.0)	0.8
Amortization of prior service cost	(0.4)	(0.4)	(1.2)	(1.2)
Net periodic postretirement benefit (income) expense	\$ (0.6)	\$ 1.0	\$ (1.9)	\$ 2.9

<sup>(i)</sup>Service cost is reported in selling, general and administrative expense. All other components of net periodic postretirement benefit expense are reported in other (expense), net in the consolidated statements of income (loss).

The company expects to make cash contributions of approximately \$5.0 million to its postretirement benefit plan in 2021 compared to \$6.0 million in 2020. For the nine months ended September 30, 2021 and 2020, the company made cash contributions of \$3.3 million and \$4.3 million, respectively.

## Note 6 - Stock Compensation

Under stockholder approved stock-based plans, stock options, stock appreciation rights, restricted stock and restricted stock units may be granted to officers, directors and other key employees.

As of September 30, 2021, the company has granted non-qualified stock options, restricted stock and restricted stock units under these plans. The company recognizes compensation cost, net of a forfeiture rate, in selling, general and administrative expense, and recognizes compensation cost only for those awards expected to vest. The company estimates the forfeiture rate based on its historical experience and its expectations about future forfeitures.

During the nine months ended September 30, 2021 and 2020, the company recorded \$11.5 million and \$11.1 million of share-based restricted stock and restricted stock unit compensation expense, respectively.

Restricted stock and restricted stock unit awards may contain time-based units, performance-based units, total shareholder return market-based units, or a combination of these units. Each performance-based and market-based unit will vest into zero to two shares depending on the degree to which the performance or market conditions are met. Compensation expense for performance-based awards is recognized as expense ratably for each installment from the date of grant until the date the restrictions lapse and is based on the fair market value at the date of grant and the probability of achievement of the specific performance-related goals. Compensation expense for market-related awards is recognized as expense ratably over the measurement period, regardless of the actual level of achievement, provided the service requirement is met. 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 and restricted stock unit (RSU) activity for the nine months ended September 30, 2021 follows (shares in thousands):

	Restricted Stock and RSU's	Weighted- Average Grant-Date Fair Value
Outstanding at December 31, 2020	1,726	\$ 17.87
Granted	1,270	27.96
Vested	(895)	16.57
Forfeited and expired	(127)	20.28
Outstanding at September 30, 2021	1,974	23.31

The aggregate weighted-average grant-date fair value of restricted stock and restricted stock units granted during the nine months ended September 30, 2021 and 2020 was \$32.4 million and \$17.2 million, respectively. The fair value of restricted stock and restricted stock units with time and performance conditions was determined based on the trading price of the company's common shares on the date of grant. The fair value of awards with market conditions was estimated using a Monte Carlo simulation with the following weighted-average assumptions:

	Nine Months Ended September 30,	
	2021	2020
Weighted-average fair value of grant	\$ 40.02	\$ 28.33
Risk-free interest rate <sup>(i)</sup>	0.27 %	1.35 %
Expected volatility <sup>(ii)</sup>	57.08 %	51.81 %
Expected life of restricted stock units in years <sup>(iii)</sup>	2.84	2.86
Expected dividend yield	— %	— %

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

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

<sup>(iii)</sup>Represents the remaining life of the longest performance period

As of September 30, 2021, there was \$28.7 million of total unrecognized compensation cost related to outstanding restricted stock and restricted stock units granted under the company's plans. That cost is expected to be recognized over a weighted-average period of 2.2 years. The aggregate weighted-average grant-date fair value of restricted stock and restricted stock units vested during the nine months ended September 30, 2021 and 2020 was \$14.8 million and \$13.0 million, respectively.

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

## Note 7 - Other (expense), net

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Postretirement expense*	\$ (12.2)	\$ (23.5)	\$ (405.0)	\$ (70.3)
Loss on debt extinguishment	—	—	—	(28.5)
Foreign exchange gains (losses)**	(2.1)	0.7	(3.0)	(14.2)
Environmental costs and other, net	(9.9)	(9.7)	(26.6)	(21.3)
Total other (expense), net	\$ (24.2)	\$ (32.5)	\$ (434.6)	\$ (134.3)

\*Includes \$368.7 million in the nine months ended September 30, 2021 of settlement losses related to defined benefit pension plans. See Note 5.

\*\*Includes net foreign currency losses of \$1.3 million for the three months ended September 30, 2021 and net foreign currency gains of \$0.6 million for the three months ended September 30, 2020, related to substantial completion of liquidation of foreign subsidiaries. Includes net foreign currency losses of \$2.9 million and \$17.8 million for the nine months ended September 30, 2021 and 2020, respectively, related to substantial completion of liquidation of foreign subsidiaries.

## Note 8 - Income Taxes

For the nine months ended September 30, 2021, the benefit for income taxes was \$33.8 million, which includes income tax benefits of \$51.7 million related to the pension plan settlement losses in the Netherlands and Switzerland. In June 2021, the UK enacted an income tax rate increase from 19% to 25% for the financial year beginning April 1, 2023. The UK rate increase resulted in a deferred tax benefit of approximately \$17.7 million for the nine months ended September 30, 2021. For the nine months ended September 30, 2020, the provision for income taxes was \$26.6 million.

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

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

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

A corporation's ability to deduct its federal net operating loss (NOL) carryforwards and utilize certain other available tax attributes can be substantially constrained under the general annual limitation rules of Section 382 of the 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 the company's ability to utilize its NOL carryforwards and other tax attributes.

## Note 9 - Earnings (Loss) Per Share

The following table shows how earnings (loss) per share attributable to Unisys Corporation was computed (shares in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Basic earnings (loss) per common share computation:</b>				
Net loss from continuing operations attributable to Unisys Corporation	\$ (18.7)	\$ (13.3)	\$ (317.3)	\$ (143.0)
Income from discontinued operations, net of tax	—	0.4	—	1,066.8
Net (loss) income attributable to Unisys Corporation	<u>\$ (18.7)</u>	<u>\$ (12.9)</u>	<u>\$ (317.3)</u>	<u>\$ 923.8</u>
Weighted average shares	<u>67,131</u>	<u>63,032</u>	<u>66,211</u>	<u>62,897</u>
Basic earnings (loss) per share attributable to Unisys Corporation				
Continuing operations	\$ (0.28)	\$ (0.21)	\$ (4.79)	\$ (2.27)
Discontinued operations	—	0.01	—	16.96
Total	<u>\$ (0.28)</u>	<u>\$ (0.20)</u>	<u>\$ (4.79)</u>	<u>\$ 14.69</u>
<b>Diluted earnings (loss) per common share computation:</b>				
Net loss from continuing operations attributable to Unisys Corporation	\$ (18.7)	\$ (13.3)	\$ (317.3)	\$ (143.0)
Add interest expense on convertible senior notes, net of tax of zero	—	—	—	—
Net loss from continuing operations attributable to Unisys Corporation for diluted earnings per share	(18.7)	(13.3)	(317.3)	(143.0)
Income from discontinued operations, net of tax	—	0.4	—	1,066.8
Net income (loss) attributable to Unisys Corporation for diluted earnings per share	<u>\$ (18.7)</u>	<u>\$ (12.9)</u>	<u>\$ (317.3)</u>	<u>\$ 923.8</u>
Weighted average shares	67,131	63,032	66,211	62,897
Plus incremental shares from assumed conversions:				
Employee stock plans	—	—	—	—
Convertible senior notes	—	—	—	—
Adjusted weighted average shares	<u>67,131</u>	<u>63,032</u>	<u>66,211</u>	<u>62,897</u>
Diluted earnings (loss) per share attributable to Unisys Corporation				
Continuing operations	\$ (0.28)	\$ (0.21)	\$ (4.79)	\$ (2.27)
Discontinued operations	—	0.01	—	16.96
Total	<u>\$ (0.28)</u>	<u>\$ (0.20)</u>	<u>\$ (4.79)</u>	<u>\$ 14.69</u>
Anti-dilutive weighted-average stock options and restricted stock units <sup>(i)</sup>	764	998	857	892
Anti-dilutive weighted-average common shares issuable upon conversion of the convertible senior notes <sup>(i)</sup>	—	8,625	742	8,625

<sup>(i)</sup>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 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:

	September 30, 2021	December 31, 2020
Contract assets - current	\$ 51.3	\$ 44.3
Contract assets - long-term <sup>(i)</sup>	12.6	20.7
Deferred revenue - current	(224.2)	(257.1)
Deferred revenue - long-term	(153.0)	(137.9)

<sup>(i)</sup>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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue recognized that was included in deferred revenue at the beginning of the period	\$ 47.5	\$ 48.1	\$ 210.4	\$ 197.3

## 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. At September 30, 2021 and December 31, 2020, the company had \$6.8 million and \$8.7 million, respectively, of deferred commissions.

Amortization expense related to deferred commissions was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Deferred commissions - amortization expense <sup>(i)</sup>	\$ 0.6	\$ 0.8	\$ 2.2	\$ 2.3

<sup>(i)</sup>Reported in selling, general and administrative expense in the company's consolidated statements of income (loss)

Costs on outsourcing contracts are generally expensed as incurred. However, certain costs incurred upon initiation of an outsourcing contract (costs to fulfill a contract), principally initial customer setup, are capitalized and expensed over the initial contract life. These costs are included in outsourcing assets, net in the company's consolidated balance sheets. The amount of such costs at September 30, 2021 and December 31, 2020 was \$61.8 million and \$74.4 million, respectively. These costs are amortized over the initial contract life and reported in cost of revenue.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Costs to fulfill a contract - amortization expense	\$ 7.7	\$ 7.9	\$ 20.4	\$ 20.6

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 Fair Value Measurements

Due to its foreign operations, the company is exposed to the effects of foreign currency exchange rate fluctuations on the U.S. dollar, principally related to intercompany account balances. The company uses derivative financial instruments to reduce its exposure to market risks from changes in foreign currency exchange rates on such balances. The company enters into foreign exchange forward contracts, generally having maturities of three months or less, which have not been designated as hedging instruments. At September 30, 2021 and December 31, 2020, the notional amount of these contracts was \$572.9 million and \$588.5 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.

	September 30, 2021	December 31, 2020
<b>Balance Sheet Location</b>		
Prepaid expenses and other current assets	\$ 0.1	\$ 1.4
Other accrued liabilities	7.3	1.0
Total fair value	<u>\$ (7.2)</u>	<u>\$ 0.4</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<b>Statement of Income Location</b>				
Other (expense), net	\$ (11.4)	\$ 13.7	\$ (15.7)	\$ (10.9)

Financial assets with carrying values approximating fair value include cash and cash equivalents and accounts receivable. Financial liabilities with carrying values approximating fair value include accounts payable and other liabilities. The carrying amounts of these financial assets and liabilities approximate fair value due to their short maturities. Such financial instruments are not included in the following table that provides information about the estimated fair values of other financial instruments that are not measured at fair value in the consolidated balance sheets as of September 30, 2021 and December 31, 2020.

	September 30, 2021		December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt:				
6.875% senior secured notes due November 1, 2027	\$ 477.8	\$ 529.7	\$ 476.9	\$ 532.3
5.50% convertible senior notes due March 1, 2021	—	—	83.6	169.8

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

## Note 13 - Goodwill and Intangible Assets

### Goodwill

In January 2021, the company changed its organizational structure to more effectively address evolving client needs. With these changes, the company changed its reportable segments, operating segments and reporting units. The realignment and change was deemed a triggering event, resulting in the company performing an interim goodwill analysis on the reporting units impacted by this segment change as of immediately before and immediately after the change. There were no impairment

charges resulting from this analysis. See Note 18 for additional information on the company's operating and reportable segments.

As a result of the realignment, goodwill totaling \$108.6 million was reallocated to reporting units on a relative fair value basis. The amount of goodwill at March 31, 2021 and December 31, 2020 was as follows: Enterprise Computing Solutions (ECS), \$98.3 million and Other, \$10.3 million.

On June 3, 2021, the company acquired Unify Square, Inc. resulting in goodwill of \$134.3 million recorded in the company's Digital Workplace Solutions (DWS) segment (see Note 3).

Changes in the carrying value of goodwill by reporting unit were as follows:

	Total	DWS	C&I	ECS	Other
Balance at December 31, 2020	\$ 108.6	\$ —	\$ —	\$ 98.3	\$ 10.3
Acquisition (see Note 3)	134.3	134.3	—	—	—
Balance at September 30, 2021	\$ 242.9	\$ 134.3	\$ —	\$ 98.3	\$ 10.3

At September 30, 2021, the amount of goodwill allocated to reporting units with negative net assets within Other was \$10.3 million.

#### Intangible Assets, Net

Intangible assets, net (see Note 3) at September 30, 2021 consists of the following:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Technology	\$ 10.0	\$ 1.0	\$ 9.0
Customer relationships - Software and Software Solutions	5.2	0.6	4.6
Customer relationships - Consulting	3.0	0.1	2.9
Total	\$ 18.2	\$ 1.7	\$ 16.5

For the three and nine months ended September 30, 2021, amortization expense was \$1.2 million and \$1.7 million, respectively, included within selling, general and administrative expense on the consolidated statements of income (loss).

The future amortization relating to acquired intangible assets at September 30, 2021 was estimated as follows:

	Future Amortization Expense
Remainder of 2021	\$ 1.3
2022	5.2
2023	5.2
2024	2.9
2025	0.3
Thereafter	1.6
<b>Total</b>	<b>\$ 16.5</b>

## Note 14 - Debt

Long-term debt is comprised of the following:

	September 30, 2021	December 31, 2020
6.875% senior secured notes due November 1, 2027 (Face value of \$485.0 million less unamortized issuance costs of \$7.2 and \$8.1 million at September 30, 2021 and at December 31, 2020)	\$ 477.8	\$ 476.9
5.50% convertible senior notes (Face value of \$84.2 million less unamortized discount and fees of \$0.6 million at December 31, 2020)	—	83.6
Finance leases	3.2	5.5
Other debt	51.9	63.9
<b>Total</b>	<b>532.9</b>	<b>629.9</b>
Less – current maturities	18.8	102.8
<b>Total long-term debt</b>	<b>\$ 514.1</b>	<b>\$ 527.1</b>

See Note 12 for the fair value of the notes.

### 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 pay interest semiannually on May 1 and November 1 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., Unisys AP Investment Company I, and Unify Square, Inc., each 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 are 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 are 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.

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:

	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2021
Contractual interest coupon	\$ 8.3	\$ 25.0
Amortization of issuance costs	0.3	0.9
<b>Total</b>	<b>\$ 8.6</b>	<b>\$ 25.9</b>

#### **Senior Secured Notes Due 2022**

On April 15, 2020, the company redeemed all \$440.0 million in aggregate principal amount of its outstanding 10.75% 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. In the second quarter of 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 was as follows:

	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2020
Contractual interest coupon	\$ —	\$ 13.8
Amortization of issuance costs	—	0.7
<b>Total</b>	<b>\$ —</b>	<b>\$ 14.5</b>

#### **Convertible Senior Notes Due 2021**

In 2016, the company issued \$213.5 million aggregate principal amount of Convertible Senior Notes due 2021 (the 2021 Notes). Following the completion of separate, privately negotiated exchange agreements in 2019, \$84.2 million aggregate principal amount of 2021 Notes remained outstanding.

On March 3, 2021, the company completed the conversion of \$84.2 million aggregate principal amount of the 2021 Notes that remained outstanding for a combination of cash and shares of the company's common stock. As a result of the conversion of the outstanding 2021 Notes, the company delivered to the holders (i) aggregate cash payments totaling approximately \$86.5 million, which included an aggregate cash payment for outstanding principal of approximately \$84.2 million, an aggregate cash payment for accrued interest of approximately \$2.3 million and a nominal cash payment in lieu of fractional shares, and (ii) the issuance of 4,537,123 shares of the company's common stock. The issuance of the common stock was made in exchange for the 2021 Notes pursuant to an exemption from the registration requirements provided by Section 3(a)(9) of the Securities Act of 1933, as amended.

The company also received 1,251,460 shares of its common stock, now held in treasury stock, from the settlement of the capped call transactions that the company had entered into with the initial purchasers and/or affiliates of the initial purchasers of the 2021 Notes in connection with the issuance of the 2021 Notes. As a result, the net number of outstanding shares of the company's common stock following the conversion of the 2021 Notes increased by 3,285,663 shares.

Interest expense related to the 2021 Notes was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Contractual interest coupon	\$ —	\$ 1.2	\$ 0.8	\$ 3.5
Amortization of debt discount	—	0.7	0.5	2.3
Amortization of debt issuance costs	—	0.2	0.1	0.4
<b>Total</b>	<b>\$ —</b>	<b>\$ 2.1</b>	<b>\$ 1.4</b>	<b>\$ 6.2</b>

### **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 September 30, 2021, \$5.9 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 September 30, 2021, \$3.8 million was reported in current maturities of long-term debt.

### **Asset Based Lending (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 September 30, 2021, the company had no borrowings and \$5.7 million of letters of credit outstanding, and availability under the facility was \$75.1 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.

At September 30, 2021, the company has met all covenants and conditions under its various lending and funding agreements. For at least the next twelve months, the company expects to continue to meet these covenants and conditions.

### **Note 15 - 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 September 30, 2021, 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 \$76 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 September 30, 2021, it has adequate provisions for any such matters.

## Note 16 - Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss is as follows:

	Total	Translation Adjustments	Postretirement Plans
Balance at December 31, 2020	\$ (3,939.5)	\$ (826.6)	\$ (3,112.9)
Other comprehensive (loss) income before reclassifications	(16.1)	(32.5)	16.4
Amounts reclassified from accumulated other comprehensive loss	387.4	(2.9)	390.3
Current period other comprehensive income (loss)	371.3	(35.4)	406.7
Balance at September 30, 2021	<u>\$ (3,568.2)</u>	<u>\$ (862.0)</u>	<u>\$ (2,706.2)</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Translation adjustments:				
Adjustment for substantial completion of liquidation of foreign subsidiaries <sup>(i)</sup>	\$ (1.3)	\$ 0.6	\$ (2.9)	\$ (17.8)
Postretirement plans <sup>(ii)</sup> :				
Amortization of prior service cost	(1.6)	(1.5)	(4.7)	(4.4)
Amortization of actuarial losses	44.3	44.5	134.3	132.8
Settlement losses	—	—	300.7	—
Total before tax	41.4	43.6	427.4	110.6
Income tax benefit	(1.4)	(1.4)	(40.0)	(4.1)
Total reclassifications for the period	<u>\$ 40.0</u>	<u>\$ 42.2</u>	<u>\$ 387.4</u>	<u>\$ 106.5</u>

<sup>(i)</sup> Reported in other (expense), net in the consolidated statements of income (loss).

<sup>(ii)</sup> These items are included in net periodic postretirement cost (see Note 5).

## Note 17 - Supplemental Cash Flow Information

	Nine Months Ended September 30,	
	2021	2020
Cash paid during the period for:		
Income taxes, net of refunds	\$ 43.5	\$ 14.8
Interest	\$ 22.7	\$ 31.9

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

	September 30, 2021	December 31, 2020
Cash and cash equivalents	\$ 615.4	\$ 898.5
Restricted cash	9.1	8.2
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	\$ 624.5	\$ 906.7

Cash and cash equivalents subject to contractual restrictions and are therefore not readily available are classified as restricted cash.

## Note 18 - Segment Information

In January 2021, the company changed its organizational structure to more effectively address evolving client needs. With these changes, the company changed its reportable segments, but this did not impact the consolidated financial statements as of December 31, 2020. In addition, during the second quarter of 2021, the company renamed its ClearPath Forward® segment as Enterprise Computing Solutions to better represent the nature of the segment's operations. There was no change to the composition of the segment or its historical results.

The company's reportable segments are as follows:

- Digital Workplace Solutions (DWS), which provides services and IP-led solutions that support clients' employees' productivity, satisfaction and ability to securely work anywhere, any time;
- Cloud & Infrastructure Solutions (C&I), which provides hybrid and multi-cloud solutions in select markets to accelerate innovation and increase efficiency of our clients' businesses; and
- Enterprise Computing Solutions (ECS), which provides server systems and operating system software and services that are secure, innovative, and reliable for mission-critical processing.

The accounting policies of each 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 ECS segment records intersegment revenue and manufacturing profit on hardware and software shipments to customers under contracts of other segments. These segments, in turn, record customer revenue and marketing profits on such shipments of company hardware and software to customers. In the company's consolidated statements of income, the manufacturing costs of products sourced from the ECS segment and sold to other segments' customers are reported in cost of revenue for these other segments. Also included in the ECS segment's sales and gross profit are sales of hardware and software sold to other segments for internal use in their engagements. The amount of such profit included in gross profit of the ECS segment for the three months ended September 30, 2021 and 2020 was \$0.3 million and \$5.3 million, respectively. The amount for the nine months ended September 30, 2021 and 2020 was \$1.4 million and \$5.3 million, respectively. The sales and profit on these transactions are eliminated in Corporate.

The company evaluates segment performance based on gross profit exclusive of the service cost component of postretirement income or expense, restructuring charges, amortization of purchased intangibles and unusual and nonrecurring items, which are included in Corporate. During the first quarter of 2021, the company also changed its internal measurement of segment profitability. Prior period amounts have therefore been reclassified to be comparable to the current period's presentation.



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

	Total Segments	DWS	C&I	ECS
<b>Three Months Ended September 30, 2021</b>				
Customer revenue	\$ 409.4	\$ 141.3	\$ 118.9	\$ 149.2
Intersegment	—	—	—	—
<b>Total revenue</b>	<b>\$ 409.4</b>	<b>\$ 141.3</b>	<b>\$ 118.9</b>	<b>\$ 149.2</b>
Gross profit	\$ 123.1	\$ 16.8	\$ 9.3	\$ 97.0
<b>Three Months Ended September 30, 2020</b>				
Customer revenue	\$ 411.8	\$ 148.3	\$ 116.9	\$ 146.6
Intersegment	—	—	—	—
<b>Total revenue</b>	<b>\$ 411.8</b>	<b>\$ 148.3</b>	<b>\$ 116.9</b>	<b>\$ 146.6</b>
Gross profit	\$ 101.2	\$ 21.6	\$ 4.3	\$ 75.3
	Total Segments	DWS	C&I	ECS
<b>Nine Months Ended September 30, 2021</b>				
Customer revenue	\$ 1,281.8	\$ 428.9	\$ 366.6	\$ 486.3
Intersegment	1.4	—	—	1.4
<b>Total revenue</b>	<b>\$ 1,283.2</b>	<b>\$ 428.9</b>	<b>\$ 366.6</b>	<b>\$ 487.7</b>
Gross profit	\$ 398.9	\$ 57.7	\$ 36.9	\$ 304.3
<b>Nine Months Ended September 30, 2020</b>				
Customer revenue	\$ 1,215.3	\$ 442.0	\$ 334.1	\$ 439.2
Intersegment	0.1	—	—	0.1
<b>Total revenue</b>	<b>\$ 1,215.4</b>	<b>\$ 442.0</b>	<b>\$ 334.1</b>	<b>\$ 439.3</b>
Gross profit	\$ 277.5	\$ 37.9	\$ 7.4	\$ 232.2

Presented below is a reconciliation of total segment revenue to total consolidated revenue:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Total segment revenue	\$ 409.4	\$ 411.8	\$ 1,283.2	\$ 1,215.4
Other revenue	78.6	83.4	233.3	234.1
Elimination of intercompany revenue	—	—	(1.4)	(0.1)
Total consolidated revenue	\$ 488.0	\$ 495.2	\$ 1,515.1	\$ 1,449.4

Other revenue and, in the table below, other gross profit, is comprised of an aggregation of a number of immaterial business activities that principally provide for the management of critical processes and functions for clients in select industries, helping them improve performance and reduce costs.

Presented below is a reconciliation of total segment gross profit to consolidated loss from continuing operations before income taxes:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Total segment gross profit	\$ 123.1	\$ 101.2	\$ 398.9	\$ 277.5
Other gross profit	3.8	18.7	9.4	30.4
Total gross profit	126.9	119.9	408.3	307.9
Selling, general and administrative expense	(95.1)	(85.5)	(279.7)	(252.5)
Research and development expense	(6.7)	(6.7)	(19.1)	(16.1)
Interest expense	(8.5)	(2.4)	(27.0)	(20.9)
Other (expense), net	(24.2)	(32.5)	(434.6)	(134.3)
Total loss from continuing operations before income taxes	\$ (7.6)	\$ (7.2)	\$ (352.1)	\$ (115.9)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
United States	\$ 191.1	\$ 193.6	\$ 627.2	\$ 584.0
United Kingdom	53.1	58.6	225.2	176.9
Other foreign	243.8	243.0	662.7	688.5
Total	\$ 488.0	\$ 495.2	\$ 1,515.1	\$ 1,449.4

### Note 19 - Remaining Performance Obligations

Remaining performance obligations represent the transaction price of firm orders for which work has not been performed and excludes (1) contracts with an original expected length of one year or less and (2) contracts for which the company recognizes revenue at the amount to which it has the right to invoice for services performed. At September 30, 2021, the company had approximately \$0.8 billion of remaining performance obligations of which approximately 12% is estimated to be recognized as revenue by the end of 2021 and an additional 38% by the end of 2022.

### Note 20 - Subsequent Event

On October 14, 2021, the company purchased a group annuity contract for approximately \$235 million to transfer projected benefit obligations related to approximately 6,900 retirees of the company's U.S. defined benefit pension plans. This action is expected to result in a fourth quarter 2021 non-cash, pre-tax settlement loss of approximately \$130 million.

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

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

### Overview

During the nine months ended September 30, 2021, through a combination of transfers, annuity purchase arrangements and lump sum payments, the company settled gross defined benefit pension plan liabilities of approximately \$932 million.

In January of 2021, the company purchased 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 resulted in a first quarter 2021 pre-tax settlement loss of \$158.0 million.

Effective May 1, 2021, the company’s primary pension plan related to its Dutch subsidiary was transferred to a multi-client circle within a multi-employer fund. This resulted in removing all of the plan’s projected benefit obligations, valued at approximately \$553 million, from the company’s balance sheet. This action resulted in a second quarter 2021 pre-tax settlement loss of \$182.6 million.

In the second quarter of 2021, the company’s Swiss subsidiary transferred its defined benefit pension plan to a multiple-employer collective foundation. This resulted 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 required a one-time additional contribution of approximately \$10 million to the Swiss plan during the first quarter of 2021. This action resulted in a second quarter 2021 pre-tax settlement loss of \$28.1 million.

In addition, on October 14, 2021, the company purchased a group annuity contract for approximately \$235 million to transfer projected benefit obligations related to approximately 6,900 retirees of the company’s U.S. defined benefit pension plans. This action is expected to result in a fourth quarter 2021 non-cash, pre-tax settlement loss of approximately \$130 million. With this settlement, the total value of gross defined pension liabilities settled in the past twelve months (including the fourth quarter of 2020 settlement of approximately \$276 million), totaled approximately \$1.45 billion including approximately \$800 million attributable to the company’s U.S. defined benefit pension plans.

The American Rescue Plan Act, which was signed into law on March 11, 2021, includes a provision for pension relief that extends the amortization period for required contributions from 7 to 15 years and provides for the stabilization of interest rates used to calculate future required contributions. As a result, based on year-end 2020 pension data and assumptions, current projections indicate that the company will not be required to make future cash contributions to its U.S. qualified defined benefit pension plans for the period covered by such projections and the company has determined that it will not make the previously-contemplated voluntary \$200 million contribution to its U.S. pension plans in 2021.

Any future material deterioration in the value of the company’s U.S. qualified defined benefit pension plan assets, as well as changes in pension legislation, discount rate changes, asset return changes, or changes in economic or demographic trends, could require the company to make cash contributions to its U.S. defined benefit pension plans.

In 2021, the company expects to make cash contributions of approximately \$48.3 million primarily for the company’s international defined benefit pension plans. In 2020, the company made cash contributions of \$826.2 million to its worldwide defined benefit pension plans. For the nine months ended September 30, 2021 and 2020, the company made cash contributions of \$40.3 million and \$340.2 million, respectively.

On March 3, 2021, the company completed the conversion of \$84.2 million aggregate principal amount of Convertible Senior Notes due 2021 (the 2021 Notes) that remained outstanding for a combination of cash and shares of the company’s common stock. As a result of the conversion of the outstanding 2021 Notes, the company delivered to the holders (i) cash payments totaling approximately \$86.5 million, which included an aggregate cash payment for outstanding principal of approximately \$84.2 million, an aggregate cash payment for accrued interest of approximately \$2.3 million and a nominal cash payment in lieu

of fractional shares, and (ii) the issuance of 4,537,123 shares of the company's common stock. The issuance of the common stock was made in exchange for the 2021 Notes pursuant to an exemption from the registration requirements provided by Section 3(a)(9) of the Securities Act of 1933, as amended.

The company also received 1,251,460 shares of its common stock, now held in treasury stock, from the settlement of the capped call transactions that the company had entered into with the initial purchasers and/or affiliates of the initial purchasers of the 2021 Notes in connection with the issuance of the 2021 Notes. As a result, the net number of outstanding shares of the company's common stock following the conversion of the 2021 Notes increased by 3,285,663 shares.

On June 3, 2021, the company acquired 100% of Unify Square, Inc. for a purchase price consideration of \$150.4 million on a cash-free, debt free basis. The company funded the cash consideration and acquisition-related costs with cash on hand, see Note 3 of the Notes to Consolidated Financial Statements.

During the three months ended September 30, 2021, the company recognized cost-reduction charges and other costs of \$0.8 million. The charges (credits) related to work-force reductions were \$(0.6) million, principally related to severance costs, and were comprised of: (a) a charge of \$0.7 million and (b) a credit of \$(1.3) million for changes in estimates. In addition, the company recorded net charges (credits) of \$1.4 million comprised of a charge of \$1.3 million for net foreign currency losses related to exiting foreign countries, a charge of \$0.5 million for asset impairments and a credit of \$(0.4) million related to other cost-reduction efforts.

During the three months ended September 30, 2020, the company recognized cost-reduction charges and other costs of \$13.2 million. The charges (credits) related to work-force reductions were \$0.7 million, principally related to severance costs, and were comprised of: (a) a charge of \$2.7 million and (b) a credit of \$(2.0) million for changes in estimates. In addition, the company recorded a credit of \$(0.6) million for net foreign currency gains related to exiting foreign countries, a charge of \$7.5 million for asset impairments and a charge of \$5.6 million of other expenses.

During the nine months ended September 30, 2021, the company recognized cost-reduction charges and other costs of \$14.4 million. The charges (credits) related to work-force reductions were \$(2.5) million, principally related to severance costs, and were comprised of: (a) a charge of \$6.5 million and (b) a credit of \$(9.0) million for changes in estimates. In addition, the company recorded charges of \$16.9 million comprised of \$2.9 million for net foreign currency losses related to exiting foreign countries, \$7.3 million for asset impairments and \$6.7 million of other expenses related to the cost-reduction effort.

During the nine months ended September 30, 2020, the company recognized cost-reduction charges and other costs of \$48.6 million. The charges (credits) related to work-force reductions were \$6.2 million, principally related to severance costs, and were comprised of: (a) a charge of \$14.0 million and (b) a credit of \$(7.8) million for changes in estimates. In addition, the company recorded charges of \$17.8 million for net foreign currency losses related to exiting foreign countries, \$19.0 million for asset impairments and \$5.6 million of other expenses.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Cost of revenue	\$ (0.2)	\$ 2.9	\$ 0.9	\$ 15.7
Selling, general and administrative	(0.1)	10.8	8.7	14.8
Research and development	(0.2)	0.1	1.9	0.3
Other expense, net	1.3	(0.6)	2.9	17.8
<b>Total</b>	<b>\$ 0.8</b>	<b>\$ 13.2</b>	<b>\$ 14.4</b>	<b>\$ 48.6</b>

## Results of operations

### Company results

#### *Three months ended September 30, 2021 compared with the three months ended September 30, 2020*

Revenue for the three months ended September 30, 2021 was \$488.0 million compared with \$495.2 million for the three months of 2020, a decrease of 1.5% from the prior year. Foreign currency fluctuations had a 2 percentage-point positive impact on revenue in the current period compared with the year-ago period.

U.S. revenue decreased 1.3% in the current period compared with the year-ago period. International revenue decreased 1.6% in the current period compared with the prior-year period principally due to decreases in Latin America and Asia/Pacific. Foreign currency had a 3 percentage-point positive impact on international revenue in the three months ended September 30, 2021 compared with the three months ended September 30, 2020.

Gross profit margin was 26.0% in the three months ended September 30, 2021 compared with 24.2% in the three months ended September 30, 2020. The increase was principally due to higher sales of the company's enterprise software.

Selling, general and administrative expense in the three months ended September 30, 2021 was \$95.1 million (19.5% of revenue) compared with \$85.5 million (17.3% of revenue) in the year-ago period. The increase was principally due compensation expense increases, the majority of which was related to direct sales support.

Research and development (R&D) expense for each of the three months ended September 30, 2021 and 2020 was \$6.7 million.

For the three months ended September 30, 2021, the company reported an operating profit of \$25.1 million compared with an operating profit of \$27.7 million for prior year period.

Interest expense for the three months ended September 30, 2021 was \$8.5 million compared with \$2.4 million for the three months ended September 30, 2020. The increase was principally due to the issuance of the 6.875% senior secured notes due 2027 in October 2020.

Other (expense), net was expense of \$24.2 million for the three months ended September 30, 2021 compared with expense of \$32.5 million for the three months ended September 30, 2020. See Note 7 of the Notes to Consolidated Financial Statements for details of other (expense), net.

The loss from continuing operations before income taxes for the three months ended September 30, 2021 was \$7.6 million compared with a loss of \$7.2 million for the three months ended September 30, 2020.

The provision for income taxes was \$10.9 million in the current period compared with a provision of \$6.1 million in the year-ago period.

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

Net loss from continuing operations attributable to Unisys Corporation for the three months ended September 30, 2021 was \$18.7 million, or a loss of \$0.28 per diluted share, compared with a loss of \$13.3 million, or a loss of \$0.21 per diluted share, for the three months ended September 30, 2020.

#### ***Nine months ended September 30, 2021 compared with the nine months ended September 30, 2020***

Revenue for the nine months ended September 30, 2021 was \$1,515.1 million compared with \$1,449.4 million for the nine months of 2020, an increase of 4.5% from the prior year. Foreign currency fluctuations had a 3 percentage-point positive impact on revenue in the current period compared with the year-ago period.

U.S. revenue increased 7.4% in the current period compared with the year-ago period. International revenue increased 2.6% in the current period compared with the prior-year period principally due to increases in Europe. Foreign currency had a 5 percentage-point positive impact on international revenue in the nine months ended September 30, 2021 compared with the nine months ended September 30, 2020.

Gross profit margin was 26.9% in the nine months ended September 30, 2021 compared with 21.2% in the nine months ended September 30, 2020. The increase was due in part by improvements in all the company's segments driven by higher sales of the company's enterprise software, improvements to efficiency and related cost-reduction initiatives.

Selling, general and administrative expense in the nine months ended September 30, 2021 was \$279.7 million (18.5% of revenue) compared with \$252.5 million (17.4% of revenue) in the year-ago period.

Research and development (R&D) expense for the nine months ended September 30, 2021 was \$19.1 million compared with \$16.1 million for the nine months ended September 30, 2020.

For the nine months ended September 30, 2021, the company reported an operating profit of \$109.5 million compared with an operating profit of \$39.3 million for prior year period. The increase was due in part by improvements in all the company's segments driven by higher sales of the company's enterprise software, improvements to efficiency and related cost-reduction initiatives.

Interest expense for the nine months ended September 30, 2021 was \$27.0 million compared with \$20.9 million for the nine months ended September 30, 2020. The increase was principally due to the issuance of the 6.875% senior secured notes due 2027 in October 2020.

Other (expense), net was expense of \$434.6 million for the nine months ended September 30, 2021 compared with expense of \$134.3 million for the nine months ended September 30, 2020. Other (expense), net for the nine months ended September 30, 2021 includes \$368.7 million of pension settlement losses. See Note 7 of the Notes to Consolidated Financial Statements for details of other (expense), net.

The loss from continuing operations before income taxes for the nine months ended September 30, 2021 was \$352.1 million compared with a loss of \$115.9 million for the nine months ended September 30, 2020. The decline was principally due to the pension settlement losses discussed above.

The benefit for income taxes was \$33.8 million for the nine months ended September 30, 2021 compared with a provision of \$26.6 million for the nine months ended September 30, 2020. The current period includes income tax benefits of \$51.7 million related to the pension plan settlement losses in the Netherlands and Switzerland. In June 2021, the UK enacted an income tax rate increase from 19% to 25% for the financial year beginning April 1, 2023. The UK rate increase resulted in a deferred tax benefit of approximately \$17.7 million for the nine months ended September 30, 2021.

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

Net loss from continuing operations attributable to Unisys Corporation for the nine months ended September 30, 2021 was \$317.3 million, or a loss of \$4.79 per diluted share, compared with a loss of \$143.0 million, or a loss of \$2.27 per diluted share, for the nine months ended September 30, 2020.

### **Segment results**

In January 2021, the company changed its organizational structure to more effectively address evolving client needs. With these changes, the company changed its reportable segments, but this did not impact the consolidated financial statements as of December 31, 2020. In addition, during the second quarter of 2021, the company renamed its ClearPath Forward® segment as Enterprise Computing Solutions to better represent the nature of the segment's operations. There was no change to the composition of the segment or its historical results.

The company's reportable segments are as follows:

- Digital Workplace Solutions (DWS), which provides services and IP-led solutions that support clients' employees' productivity, satisfaction and ability to securely work anywhere, any time;
- Cloud & Infrastructure Solutions (C&I), which provides hybrid and multi-cloud solutions in select markets to accelerate innovation and increase efficiency of our clients' businesses; and
- Enterprise Computing Solutions (ECS), which provides server systems and operating system software and services that are secure, innovative, and reliable for mission-critical processing.

The accounting policies of each 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 ECS segment records intersegment revenue and manufacturing profit on hardware and software shipments to customers under contracts of other segments. These segments, in turn, record customer revenue and marketing profits on such shipments of company hardware and software to customers. In the company's consolidated statements of income, the manufacturing costs of products sourced from the ECS segment and sold to other segments' customers are reported in cost of revenue for these other segments. Also included in the ECS segment's sales and gross profit are sales of hardware and software sold to other segments for internal use in their engagements. The amount of such profit included in gross profit of the ECS segment for the three months ended September 30, 2021 and 2020 was \$0.3 million and \$5.3 million, respectively. The amount of such profit included in gross profit of the ECS segment for the nine months ended September 30, 2021 and 2020 was \$1.4 million and \$5.3 million, respectively. The sales and profit on these transactions are eliminated in Corporate.

The company evaluates segment performance based on gross profit exclusive of the service cost component of postretirement income or expense, restructuring charges, amortization of purchased intangibles and unusual and nonrecurring items, which are included in Corporate. During the first quarter of 2021, the company also changed its internal measurement of segment profitability. Prior period amounts have therefore been reclassified to be comparable to the current period's presentation.

**Three months ended September 30, 2021 compared with the three months ended September 30, 2020**

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

	Total Segments	DWS	C&I	ECS
<b>Three Months Ended September 30, 2021</b>				
Customer revenue	\$ 409.4	\$ 141.3	\$ 118.9	\$ 149.2
Intersegment	—	—	—	—
Total revenue	\$ 409.4	\$ 141.3	\$ 118.9	\$ 149.2
Gross profit percent	30.1 %	11.9 %	7.8 %	65.0 %
<b>Three Months Ended September 30, 2020</b>				
Customer revenue	\$ 411.8	\$ 148.3	\$ 116.9	\$ 146.6
Intersegment	—	—	—	—
Total revenue	\$ 411.8	\$ 148.3	\$ 116.9	\$ 146.6
Gross profit percent	24.6 %	14.6 %	3.7 %	51.4 %

Gross profit percent is as a percent of total revenue.

Revenue from DWS was \$141.3 million in the current quarter a decline of 4.7% compared with the prior-year quarter. Foreign currency fluctuations had a 1 percentage-point positive impact on DWS revenue in the current period compared with the year-ago period. Gross profit percent was 11.9% in the current period compared with 14.6% in the year ago period. Revenue and gross profit were negatively impacted as the company exited some contracts there were not core to how the company plans to grow this segment. Additionally, during the current quarter the company experienced some supply chain shortages, which resulted in a decline in revenue and gross profit.

C&I revenue was \$118.9 million for the three-month period ended September 30, 2021, an increase of 1.7% compared with the three-month period ended September 30, 2020. Foreign currency fluctuations had a 1 percentage-point positive impact on C&I revenue in the current period compared with the year-ago period. Gross profit percent was 7.8% in the current period compared with 3.7% in the year ago period. The increase in gross profit reflected increased revenue from higher-margin offerings and improvements driven by efficiency enhancements.

ECS revenue was \$149.2 million for the three-month period ended September 30, 2021, an increase of 1.8% compared with the three-month period ended September 30, 2020. Foreign currency fluctuations had a 2 percentage-point positive impact on ECS revenue in the current period compared with the year-ago period. Gross profit percent was 65.0% in the current period compared with 51.4% in the year ago period. The increase in both revenue and gross profit was principally due to higher sales of the company's enterprise software.

**Nine months ended September 30, 2021 compared with the nine months ended September 30, 2020**

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

	Total Segments	DWS	C&I	ECS
<b>Nine Months Ended September 30, 2021</b>				
Customer revenue	\$ 1,281.8	\$ 428.9	\$ 366.6	\$ 486.3
Intersegment	1.4	—	—	1.4
Total revenue	\$ 1,283.2	\$ 428.9	\$ 366.6	\$ 487.7
Gross profit percent	31.1 %	13.5 %	10.1 %	62.4 %
<b>Nine Months Ended September 30, 2020</b>				
Customer revenue	\$ 1,215.3	\$ 442.0	\$ 334.1	\$ 439.2
Intersegment	0.1	—	—	0.1
Total revenue	\$ 1,215.4	\$ 442.0	\$ 334.1	\$ 439.3
Gross profit percent	22.8 %	8.6 %	2.2 %	52.9 %

Gross profit percent is as a percent of total revenue.

Revenue from DWS was \$428.9 million for the nine-month period ended September 30, 2021, a decline of 3.0% compared with the nine-month period ended September 30, 2020. Revenue for the nine-month period ended September 30, 2021 was negatively impacted as the company exited some contracts that were not core to how the company plans to grow this segment. Additionally, during the nine-month period ended September 30, 2021 the company experienced some supply chain shortages, which resulted in a decrease in revenue. Foreign currency fluctuations had a 3 percentage-point positive impact on DWS revenue in the current period compared with the year-ago period. Gross profit percent was 13.5% in the current period compared with 8.6% in the year ago period. The increase in gross profit was due in part by improvements driven by efficiency and related cost-reduction initiatives.

C&I revenue was \$366.6 million for the nine-month period ended September 30, 2021, an increase of 9.7% compared with the nine-month period ended September 30, 2020. The increase was driven by continued momentum with public sector clients as well as other highly-regulated industries. Foreign currency fluctuations had a 3 percentage-point positive impact on C&I revenue in the current period compared with the year-ago period. Gross profit percent was 10.1% in the current period compared with 2.2% in the year ago period. The increase in gross profit reflected increased revenue from higher-margin offerings and improvements driven by efficiency enhancements.

ECS revenue was \$486.3 million for the nine-month period ended September 30, 2021, an increase of 10.7% compared with the nine-month period ended September 30, 2020. Foreign currency fluctuations had a 2 percentage-point positive impact on ECS revenue in the current period compared with the year-ago period. Gross profit percent was 62.4% in the current period compared with 52.9% in the year ago period. The increase in both revenue and gross profit was principally due to higher sales of the company's enterprise software.

## Financial condition

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

Cash and cash equivalents at September 30, 2021 were \$615.4 million compared to \$898.5 million at December 31, 2020.

As of September 30, 2021, \$285.2 million of cash and cash equivalents were held by the company's foreign subsidiaries and branches operating outside of the U.S. The company may not be able to readily transfer up to one-third of these funds out of the country in which they are located as a result of local restrictions, contractual or other legal arrangements or commercial considerations. Additionally, any transfers of these funds to the U.S. in the future may require the company to accrue or pay withholding or other taxes on a portion of the amount transferred.

During the nine months ended September 30, 2021, cash provided by operations was \$64.5 million compared to cash usage of \$325.8 million for the nine months ended September 30, 2020. The decrease in cash usage was principally due to lower cash contributions to the company's U.S. qualified defined benefit pension plans in the current period.

Cash used for investing activities during the nine months ended September 30, 2021 was \$236.0 million compared to cash provided of \$1,055.8 million during the nine months ended September 30, 2020. On June 3, 2021, the company purchased Unify Square, Inc. for \$150.4 million, see Note 3 of the Notes to Consolidated Financial Statements. On March 13, 2020, the company sold its U.S. Federal business and received net cash proceeds of \$1,162.9 million. Net purchases of investments were \$8.2 million for the nine months ended September 30, 2021 compared with net purchases of \$11.5 million in the prior-year period. Proceeds from investments and purchases of investments represent derivative financial instruments used to reduce the company's currency exposure to market risks from changes in foreign currency exchange rates. In the current period, the investment in marketable software was \$42.1 million compared with \$54.8 million in the year-ago period, capital additions of properties were \$19.7 million in 2021 compared with \$16.7 million in 2020 and capital additions of outsourcing assets were \$14.7 million in 2021 compared with \$23.6 million in 2020.

Cash used for financing activities during the nine months ended September 30, 2021 was \$100.8 million compared to cash used of \$472.4 million during the nine months ended September 30, 2020. The decrease in cash used was principally due to higher redemptions of debt in the prior year period.

The American Rescue Plan Act, which was signed into law on March 11, 2021, includes a provision for pension relief that extends the amortization period for required contributions from 7 to 15 years and provides for the stabilization of interest rates used to calculate future required contributions. As a result, based on year-end 2020 pension data and assumptions, current projections indicate that the company will not be required to make future cash contributions to its U.S. qualified defined benefit pension plans for the period covered by such projections and the company has determined that it will not make the previously-contemplated voluntary \$200 million contribution to its U.S. pension plans in 2021.



Any future material deterioration in the value of the company's U.S. qualified defined benefit pension plan assets, as well as changes in pension legislation, discount rate changes, asset return changes, or changes in economic or demographic trends, could require the company to make cash contributions to its U.S. defined benefit pension plans.

In 2021, the company expects to make cash contributions of approximately \$48.3 million primarily for the company's international defined benefit pension plans. In 2020, the company made cash contributions of \$826.2 million to its worldwide defined benefit pension plans. For the nine months ended September 30, 2021 and 2020, the company made cash contributions of \$40.3 million and \$340.2 million, respectively.

At September 30, 2021, total debt was \$532.9 million compared to \$629.9 million at December 31, 2020. The reduction was principally due to the conversion of the company's 2021 Notes.

On March 3, 2021, the company completed the conversion of \$84.2 million aggregate principal amount of the 2021 Notes that remained outstanding for a combination of cash and shares of the company's common stock. As a result of the conversion of the outstanding 2021 Notes, the company delivered to the holders (i) aggregate cash payments totaling approximately \$86.5 million, which included an aggregate cash payment for outstanding principal of approximately \$84.2 million, an aggregate cash payment for accrued interest of approximately \$2.3 million and a nominal cash payment in lieu of fractional shares, and (ii) the issuance of 4,537,123 shares of the company's common stock. The issuance of the common stock was made in exchange for the 2021 Notes pursuant to an exemption from the registration requirements provided by Section 3(a)(9) of the Securities Act of 1933, as amended.

The company also received 1,251,460 shares of its common stock, now held in treasury stock, from the settlement of the capped call transactions that the company had entered into with the initial purchasers and/or affiliates of the initial purchasers of the 2021 Notes in connection with the issuance of the 2021 Notes. As a result, the net number of outstanding shares of the company's common stock following the conversion of the 2021 Notes increased by 3,285,663 shares.

The company has a secured revolving credit facility (the Amended and Restated ABL Credit Facility) that expires on October 29, 2025 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. Availability under the credit facility is subject to a borrowing base calculated by reference to the company's receivables. At September 30, 2021, the company had no borrowings and \$5.7 million of letters of credit outstanding, and availability under the facility was \$75.1 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 Unisys Holding Corporation, Unisys NPL, Inc., Unisys AP Investment Company I, and Unify Square, Inc., each is directly or indirectly owned by the company (the subsidiary guarantors). 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.

At September 30, 2021, the company has met all covenants and conditions under its various lending and funding agreements. For at least the next twelve months, the company expects to continue to meet these covenants and conditions.

The company maintains a shelf registration statement with the Securities and Exchange Commission that covers the offer and sale of debt or equity securities. Subject to the company's ongoing compliance with securities laws, the company may offer and

sell debt and equity securities from time to time under the shelf registration statement. In addition, from time to time, the company may explore a variety of institutional debt and equity sources to fund its liquidity and capital needs.

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

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There has been no material change in the company's assessment of its sensitivity to market risk since its disclosure in its 2020 Form 10-K.

### **Item 4. Controls and Procedures**

The company's management, with the participation of the company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Based on this evaluation, the company's Chief Executive Officer and Chief Financial Officer concluded that, as of the end of such period, the company's disclosure controls and procedures are effective. Such evaluation did not identify any change in the company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter to which this report relates that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.

## Part II - OTHER INFORMATION

### Item 1. Legal Proceedings

Information with respect to litigation is set forth in Note 15 of the Notes to Consolidated Financial Statements, and such information is incorporated herein by reference.

### Item 1A. Risk Factors

There have been no significant changes to the “Risk Factors” in Part I, Item 1A of the company’s 2020 Form 10-K except for the risk factor relating to defined benefit pension plans which was changed in the company’s Form 10-Q for the quarterly period ended March 31, 2021.

#### CAUTIONARY STATEMENT PURSUANT TO THE U.S. PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Risks and uncertainties that could cause the company’s future results to differ materially from those expressed in “forward-looking” statements include:

#### **COVID-19**

- uncertainty of the magnitude, duration and spread of the novel coronavirus (COVID-19) pandemic and the impact of COVID-19 and governments’ responses to it on the global economy and our business, growth, reputation, projections, financial condition, operations, cash flows and liquidity;

#### **Implementation of Business Strategy in Information Technology Marketplace**

- our ability to attract, motivate and retain experienced personnel in key positions;
- our ability to grow revenue and expand margin in our Digital Workplace Solutions and Cloud and Infrastructure Solutions businesses;
- our ability to maintain our installed base and sell new solutions;
- the potential adverse effects of aggressive competition in the information services and technology marketplace;
- our ability to effectively anticipate and respond to volatility and rapid technological innovation in our industry;
- our ability to retain significant clients and attract new clients;
- our contracts may not be as profitable as expected or provide the expected level of revenues;
- our ability to develop or acquire the capabilities to enhance the company’s solutions;
- the potential adverse effects of the concentration of the company’s business in the global commercial sector of the information technology industry;

#### **Defined Benefit Pension Plans**

- we have significant underfunded pension obligations;

#### **Tax Assets**

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

#### **General Business Risks**

- the risks of doing business internationally when a significant portion of our revenue is derived from international operations;
- the business and financial risk in implementing future acquisitions or dispositions;
- cybersecurity breaches could result in significant costs and could harm our business and reputation;
- the performance and capabilities of third parties with whom we have commercial relationships;
- a failure to meet standards or expectations with respect to the company’s environmental, social and governance practices;
- our ability to access financing markets;
- a reduction in our credit rating;

- the adverse effects of global economic conditions, acts of war, terrorism, natural disasters or the widespread outbreak of infectious diseases;
- 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;
- a significant disruption in our IT systems could adversely affect our business and reputation;
- we may face damage to our reputation or legal liability if our clients are not satisfied with our services or products;
- the potential for intellectual property infringement claims to be asserted against us or our clients; and
- the possibility that legal proceedings could affect our results of operations or cash flow or may adversely affect our business or reputation.

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

## **Item 6. Exhibits**

See Exhibit Index

## EXHIBIT INDEX

<b>Exhibit Number</b>	<b>Description</b>
<a href="#">3.1</a>	Restated Certificate of Incorporation of Unisys Corporation (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K filed on April 30, 2010)
<a href="#">3.2</a>	Certificate of Amendment of the Restated Certificate of Incorporation of Unisys Corporation (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K filed on April 28, 2011)
<a href="#">3.3</a>	Certificate of Amendment of the Restated Certificate of Incorporation of Unisys Corporation (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K filed on April 28, 2017)
<a href="#">3.4</a>	Bylaws of Unisys Corporation, as amended through May 10, 2019 (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K filed on May 15, 2019)
<a href="#">31.1</a>	Certification of Peter A. Altabef required by Rule 13a-14(a) or Rule 15d-14(a)
<a href="#">31.2</a>	Certification of Michael M. Thomson required by Rule 13a-14(a) or Rule 15d-14(a)
<a href="#">32.1</a>	Certification of Peter A. Altabef required by Rule 13a-14(b) or Rule 15d-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
<a href="#">32.2</a>	Certification of Michael M. Thomson required by Rule 13a-14(b) or Rule 15d-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
101	The following financial information from Unisys Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 formatted in iXBRL (Inline Extensible Business Reporting Language): (i) Consolidated Statements of Income, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Deficit, and (vi) Notes to Consolidated Financial Statements
104	Cover page Interactive Data File (the cover page XBRL tags are embedded within the iXBRL (Inline Extensible Business Reporting Language) document)

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNISYS CORPORATION

Date: November 2, 2021

By: /s/ Michael M. Thomson  
Michael M. Thomson  
Executive Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)

## Exhibit 31.1

### CERTIFICATION

I, Peter A. Altabef, certify that:

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

Date: November 2, 2021

Name: /s/ Peter A. Altabef  
Peter A. Altabef  
Title: Chair and Chief Executive Officer

## Exhibit 31.2

### CERTIFICATION

I, Michael M. Thomson, certify that:

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

Date: November 2, 2021

	/s/ Michael M. Thomson
Name:	Michael M. Thomson
Title:	Executive Vice President and Chief Financial Officer



## Exhibit 32.1

### CERTIFICATION OF PERIODIC REPORT

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

- (1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2021 (the “Report”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 2, 2021

/s/ Peter A. Altabef

Peter A. Altabef  
Chair and Chief Executive Officer

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

## Exhibit 32.2

### CERTIFICATION OF PERIODIC REPORT

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

- (1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2021 (the “Report”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 2, 2021

/s/ Michael M. Thomson

Michael M. Thomson

Executive Vice President and Chief Financial Officer

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