

Edgar Filing: UNISYS CORP - Form 10-Q

UNISYS CORP  
Form 10-Q  
July 31, 2009

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 June 30, 2009

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.)

Unisys Way  
Blue Bell, Pennsylvania  
(Address of principal executive offices)

19424  
(Zip Code)

Registrant's telephone number, including area code: (215) 986-4011

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES  NO

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

(Do not check if a smaller reporting company)

## Edgar Filing: UNISYS CORP - Form 10-Q

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES [ ]      NO [X]

Number of shares of Common Stock outstanding as of June 30, 2009  
370,338,334.

2

### Part I - FINANCIAL INFORMATION

#### Item 1. Financial Statements.

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

	June 30, 2009	December 31, 2008
	-----	-----
<b>Assets</b>		
-----		
Current assets		
Cash and cash equivalents	\$ 475.0	\$ 544.0
Accounts and notes receivable, net	739.9	818.5
Inventories:		
Parts and finished equipment	67.4	64.7
Work in process and materials	54.6	70.7
Deferred income taxes	16.8	23.8
Prepaid expenses and other current assets	132.0	116.7
	-----	-----
Total	1,485.7	1,638.4
	-----	-----
Properties	1,402.1	1,416.0
Less-Accumulated depreciation and amortization	1,149.6	1,139.5
	-----	-----
Properties, net	252.5	276.5
	-----	-----
Outsourcing assets, net	308.2	314.9
Marketable software, net	181.8	202.0
Prepaid postretirement assets	40.5	20.7
Deferred income taxes	90.8	87.6
Goodwill	195.5	189.4
Other long-term assets	171.1	94.6
	-----	-----
Total	\$2,726.1	\$2,824.1
	=====	=====
<b>Liabilities and stockholders' deficit</b>		
-----		
Current liabilities		
Current maturities of long-term debt	\$ 96.0	\$ 1.5
Accounts payable	310.6	379.2
Other accrued liabilities	945.4	1,045.7
	-----	-----
Total	1,352.0	1,426.4
	-----	-----
Long-term debt	965.2	1,059.1
Long-term postretirement liabilities	1,451.1	1,497.0
Other long-term liabilities	302.2	265.4

## Edgar Filing: UNISYS CORP - Form 10-Q

### Commitments and contingencies

Stockholders' deficit		
Common stock, shares issued:		
2009; 372.7, 2008; 372.1	3.7	3.7
Accumulated deficit	(2,582.3)	(2,596.0)
Treasury stock, shares at cost:		
2009; 2.4, 2008; 2.2	(44.9)	(44.8)
Paid-in capital	4,104.4	4,099.3
Accumulated other comprehensive loss	(2,852.2)	(2,904.6)
Noncontrolling interests	26.9	18.6
	-----	-----
Total stockholders' deficit	(1,344.4)	(1,423.8)
	-----	-----
Total	\$2,726.1	\$2,824.1
	=====	=====

See notes to consolidated financial statements.

3

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

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
	-----	-----	-----	-----
Revenue				
Services	\$1,030.0	\$1,197.0	\$2,013.8	\$2,334.1
Technology	98.7	143.0	214.8	307.2
	-----	-----	-----	-----
	1,128.7	1,340.0	2,228.6	2,641.3
Costs and expenses				
Cost of revenue:				
Services	804.5	954.4	1,609.6	1,876.6
Technology	54.5	81.8	126.3	167.7
	-----	-----	-----	-----
	859.0	1,036.2	1,735.9	2,044.3
Selling, general and administrative	169.2	251.0	342.8	483.5
Research and development	25.1	30.2	52.5	62.9
	-----	-----	-----	-----
	1,053.3	1,317.4	2,131.2	2,590.7
	-----	-----	-----	-----
Operating income	75.4	22.6	97.4	50.6
Interest expense	21.2	21.2	43.0	42.8
Other income (expense), net	3.0	(6.4)	(3.7)	(7.5)
	-----	-----	-----	-----
Income (loss) before income taxes	57.2	(5.0)	50.7	.3
Provision for income taxes	16.6	3.5	32.2	27.4
	-----	-----	-----	-----
Consolidated net income (loss)	40.6	(8.5)	18.5	(27.1)

Edgar Filing: UNISYS CORP - Form 10-Q

Net income attributable to noncontrolling interests	(2.5)	(5.5)	(4.8)	(10.3)
	-----	-----	-----	-----
Net income (loss) attributable to Unisys Corporation	\$ 38.1	\$ (14.0)	\$ 13.7	\$ (37.4)
	=====	=====	=====	=====
Earnings (loss) per share attributable to Unisys Corporation				
Basic	\$ .10	\$ (.04)	\$ .04	\$ (.10)
	=====	=====	=====	=====
Diluted	\$ .10	\$ (.04)	\$ .04	\$ (.10)
	=====	=====	=====	=====

See notes to consolidated financial statements.

4

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

	Six Months Ended June 30	
	2009	2008
	-----	-----
Cash flows from operating activities		
Consolidated net income (loss)	\$ 18.5	\$ (27.1)
Add (deduct) items to reconcile consolidated net income (loss) to net cash provided by operating activities:		
Employee stock compensation	3.8	11.9
Company stock issued for U.S. 401(k) plan	-	23.9
Depreciation and amortization of properties	48.4	53.7
Depreciation and amortization of outsourcing assets	75.7	83.9
Amortization of marketable software	49.7	60.9
Disposal of capital assets	5.6	5.6
Decrease in deferred income taxes, net	3.9	-
Decrease in receivables, net	101.7	89.4
Decrease in inventories	15.8	9.8
Decrease in accounts payable and other accrued liabilities	(206.2)	(207.2)
Increase (decrease) in other liabilities	21.8	(26.9)
Increase in other assets	(52.0)	(80.8)
Other	1.0	5.2
	-----	-----
Net cash provided by operating activities	87.7	2.3
	-----	-----
Cash flows from investing activities		
Proceeds from investments	200.9	3,276.9
Purchases of investments	(199.6)	(3,306.5)
Collateralized letters of credit	(72.3)	-
Investment in marketable software	(29.5)	(45.4)
Capital additions of properties	(18.1)	(32.1)
Capital additions of outsourcing assets	(53.2)	(58.6)
Purchases of businesses	(1.5)	(1.8)

Edgar Filing: UNISYS CORP - Form 10-Q

	-----	-----
Net cash used for investing activities	(173.3)	(167.5)
	-----	-----
Cash flows from financing activities		
Payment of long-term debt	-	(200.0)
Financing fees	(.7)	(.8)
	-----	-----
Net cash used for financing activities	(.7)	(200.8)
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	17.3	7.2
	-----	-----
Decrease in cash and cash equivalents	(69.0)	(358.8)
Cash and cash equivalents, beginning of period	544.0	830.2
	-----	-----
Cash and cash equivalents, end of period	\$ 475.0	\$ 471.4
	=====	=====

See notes to consolidated financial statements.

5

Unisys Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

In the opinion of management, the financial information furnished herein reflects all adjustments necessary for a fair presentation of the financial position, results of operations and cash flows 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 U.S. generally accepted accounting principles requires management to make estimates and assumptions about future events. These estimates and assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities and the reported amounts of revenue and expenses. Such estimates include the valuation of accounts receivable, inventories, outsourcing assets, marketable software, goodwill and other long-lived assets, legal contingencies, indemnifications, and assumptions used in the calculation of 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. Illiquid credit markets, volatile equity and foreign currency markets and reductions in information technology spending have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

The company's accounting policies are set forth in detail in note 1 of the notes

## Edgar Filing: UNISYS CORP - Form 10-Q

to the consolidated financial statements in the company's Annual Report on Form 10-K for the year ended December 31, 2008 filed with the Securities and Exchange Commission. Such Annual Report also contains a discussion of the company's critical accounting policies. The company believes that these critical accounting policies affect its more significant estimates and judgments used in the preparation of the company's consolidated financial statements. There have been no changes in the company's critical accounting policies from those disclosed in the company's Annual Report on Form 10-K for the year ended December 31, 2008.

a. The following table shows how earnings (loss) per share attributable to Unisys Corporation was computed for the three and six months ended June 30, 2009 and 2008 (dollars in millions, shares in thousands):

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
<b>Basic Earnings (Loss) Per Share</b>				
Net income (loss) attributable to Unisys Corporation	\$ 38.1	\$ (14.0)	\$ 13.7	\$ (37.4)
Weighted average shares	370,320	358,167	370,183	356,482
Basic earnings (loss) per share	\$ .10	\$ (.04)	\$ .04	\$ (.10)
<b>Diluted Earnings (Loss) Per Share</b>				
Net income (loss) attributable to Unisys Corporation	\$ 38.1	\$ (14.0)	\$ 13.7	\$ (37.4)
Weighted average shares	370,320	358,167	370,183	356,482
Plus incremental shares from assumed conversions of employee stock plans	4,175	-	2,594	-
Adjusted weighted average shares	374,495	358,167	372,777	356,482
Diluted earnings (loss) per share	\$ .10	\$ (.04)	\$ .04	\$ (.10)

6

At June 30, 2009 and 2008, 29.8 million and 34.3 million, respectively, of employee stock options were antidilutive and therefore excluded from the computation of diluted earnings per share.

b. A breakdown of the individual components of the company's cost-reduction charges follows (in millions of dollars):

		Work-Force Reductions		
	Headcount	Total	U.S.	Idle Lease Cost
Balance at December 31, 2008	787	\$ 95.8	\$ 25.1	\$ 27.2
Utilized	(714)	(48.1)	(17.9)	(19.4)
Changes in estimates				(10.8)

Edgar Filing: UNISYS CORP - Form 10-Q

and revisions	(32)	(9.4)	.1	(2.7)	(6.8)
Translation adjustments	-	1.6	-	(.6)	2.2
	-----	-----	-----	-----	-----
Balance at June 30, 2009	41	\$ 39.9	\$ 7.3	\$ 4.5	\$ 28.1
	=====	=====	=====	=====	=====
Expected future utilization:					
2009 remaining six months	41	\$ 16.8	\$ 7.3	\$ 4.5	\$ 5.0
Beyond 2009		23.1	-	-	23.1

Due to changes in estimates related to cost-reduction charges, \$7.0 million of income was recorded in the three months ended June 30, 2009 compared with \$2.5 million recorded as expense in the year-ago period, and \$9.4 million was recorded as income in the current six-month period compared with \$.8 million recorded as income in the year-ago six-month period.

c. Net periodic pension expense (income) for the three and six months ended June 30, 2009 and 2008 is presented below (in millions of dollars):

	Three Months Ended June 30, 2009			Three Months Ended June 30, 2008		
	Total	U.S.	Int'l.	Total	U.S.	Int'l.
		Plans	Plans		Plans	Plans
Service cost	\$ 2.7	\$ -	\$ 2.7	\$ 7.9	\$ -	\$ 7.9
Interest cost	98.1	70.3	27.8	106.0	71.1	34.9
Expected return on plan assets	(127.3)	(95.9)	(31.4)	(142.6)	(101.6)	(41.0)
Amortization of prior service cost	.3	.2	.1	.2	.2	-
Recognized net actuarial loss	17.3	16.2	1.1	18.2	14.9	3.3
Curtailment loss	-	-	-	1.5	-	1.5
	-----	-----	-----	-----	-----	-----
Net periodic pension expense (income)	\$ (8.9)	\$ (9.2)	\$ .3	\$ (8.8)	\$ (15.4)	\$ 6.6
	=====	=====	=====	=====	=====	=====
	Six Months Ended June 30, 2009			Six Months Ended June 30, 2008		
	Total	U.S.	Int'l.	Total	U.S.	Int'l.
		Plans	Plans		Plans	Plans
Service cost	\$ 5.6	\$ -	\$ 5.6	\$ 16.2	\$ -	\$ 16.2
Interest cost	196.4	142.5	53.9	210.9	141.9	69.0
Expected return on plan assets	(253.6)	(192.4)	(61.2)	(285.3)	(203.7)	(81.6)
Amortization of prior service cost	.5	.4	.1	.5	.4	.1
Recognized net actuarial loss	39.3	37.1	2.2	35.9	28.7	7.2
Curtailment loss	-	-	-	1.5	-	1.5
	-----	-----	-----	-----	-----	-----
Net periodic pension expense (income)	\$ (11.8)	\$ (12.4)	\$ .6	\$ (20.3)	\$ (32.7)	\$ 12.4
	=====	=====	=====	=====	=====	=====

The company currently expects to make cash contributions of approximately \$100-\$105 million to its worldwide defined benefit pension plans in 2009 compared with \$78.1 million in 2008. For the six months ended June 30, 2009 and 2008, \$30.9 million and \$38.5 million, respectively, of cash contributions have been made. In accordance with regulations governing contributions to U.S. defined

Edgar Filing: UNISYS CORP - Form 10-Q

7

benefit pension plans, the company is not required to fund its U.S. qualified defined benefit pension plan in 2009.

The expense related to the company's match to the U.S. 401(k) plan for the six months ended June 30, 2009 and 2008 was zero and \$26.7 million, respectively. Effective January 1, 2009, the company match was suspended.

Net periodic postretirement benefit expense for the three and six months ended June 30, 2009 and 2008 is presented below (in millions of dollars):

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
	----	----	----	----
Service cost	\$ .1	\$ .1	\$ .2	\$ .4
Interest cost	2.9	3.1	5.9	6.5
Expected return on assets	(.1)	(.1)	(.2)	(.2)
Amortization of prior service cost	.4	.3	.7	1.2
Recognized net actuarial loss	.8	1.1	1.7	2.2
	----	----	----	----
Net periodic postretirement benefit expense	\$4.1	\$4.5	\$ 8.3	\$10.1
	=====	=====	=====	=====

The company expects to make cash contributions of approximately \$23 million to its postretirement benefit plan in 2009 compared with \$19.5 million in 2008. For the six months ended June 30, 2009 and 2008, \$10.0 million and \$10.2 million, respectively, of cash contributions have been made.

d. 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 manage 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 one month, which have not been designated as hedging instruments. At June 30, 2009, the fair value of such contracts was a net gain of \$.5 million, of which \$4.0 million has been recognized in "Prepaid expenses and other current assets" and \$3.5 million has been recognized in "Other accrued liabilities". Changes in the fair value of these instruments was a gain of \$.9 million and \$.3 million for the three months and six months ended June 30, 2009, respectively, which has been recognized in earnings in "Other income (expense), net" in the company's consolidated statement of income.

e. Under stockholder approved stock-based plans, stock options, stock appreciation rights, restricted stock and restricted stock units may be granted to officers, directors and other key employees. At June 30, 2009, 14.7 million shares of unissued common stock of the company were available for granting under these plans.

The fair value of stock option awards was estimated using the Black-Scholes option pricing model with the following assumptions and weighted-average fair



Edgar Filing: UNISYS CORP - Form 10-Q

values:

	Six Months Ended June 30,	
	2009	2008
Weighted-average fair value of grant	\$ .28	\$1.64
Risk-free interest rate	1.57%	3.63%
Expected volatility	58.28%	45.28%
Expected life of options in years	3.77	3.67
Expected dividend yield	-	-

Restricted stock unit awards may contain time-based units, performance-based units or a combination of both. Each performance-based unit will vest into zero to 1.5 shares depending on the degree to which the performance goals are met. Compensation expense resulting from these 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.

8

The company records all share-based expense in selling, general and administrative expense.

During the six months ended June 30, 2009 and 2008, the company recorded \$3.8 million and \$11.9 million of share-based compensation expense, respectively, which is comprised of \$2.6 million and \$11.6 million of restricted stock unit expense and \$1.2 million and \$.3 million of stock option expense, respectively.

A summary of stock option activity for the six months ended June 30, 2009 follows (shares in thousands):

Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (\$ in millions)
Outstanding at December 31, 2008	34,141	\$16.35		
Granted	11,552	.64		
Forfeited and expired	(4,663)	24.34		
Outstanding at June 30, 2009	41,030	11.08	2.71	\$9.5
Vested and expected to vest at June 30, 2009	39,870	11.37	2.66	8.6
Exercisable at June 30, 2009	28,306	15.69	1.87	-

The aggregate intrinsic value represents the total pretax value of the difference between the company's closing stock price on the last trading day of the period and the exercise price of the options, multiplied by the number of

## Edgar Filing: UNISYS CORP - Form 10-Q

in-the-money stock options that would have been received by the option holders had all option holders exercised their options on June 30, 2009. The intrinsic value of the company's stock options changes based on the closing price of the company's stock. The total intrinsic value of options exercised for the six months ended June 30, 2009 and for the six months ended June 30, 2008 was zero since no options were exercised. As of June 30, 2009, \$3.1 million of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of 2.5 years.

A summary of restricted stock unit activity for the six months ended June 30, 2009 follows (shares in thousands):

	Restricted Stock Units	Weighted- Average Grant Date Fair Value
	-----	-----
Outstanding at December 31, 2008	7,630	\$5.07
Granted	1,657	.64
Vested	(522)	5.25
Forfeited and expired	(2,808)	4.48
	-----	
Outstanding at June 30, 2009	5,957	4.09
	=====	

The fair value of restricted stock units is determined based on the trading price of the company's common shares on the date of grant. The weighted-average grant-date fair value of restricted stock units granted during the six months ended June 30, 2009 and 2008 was \$.64 and \$4.12, respectively. As of June 30, 2009, there was \$6.3 million of total unrecognized compensation cost related to outstanding restricted stock units granted under the company's plans. That cost is expected to be recognized over a weighted-average period of 1.3 years. The total fair value of restricted share units vested during the six months ended June 30, 2009 and 2008 was \$.4 million and \$.8 million, respectively.

Common stock issued upon exercise of stock options or upon lapse of restrictions on restricted stock units is newly issued shares. Cash received from the exercise of stock options for the six months ended June 30, 2009 and 2008 was

9

zero. In light of its tax position, the company is currently not recognizing any tax benefits from the exercise of stock options or upon issuance of stock upon lapse of restrictions on restricted stock units. Tax benefits resulting from tax deductions in excess of the compensation costs recognized are classified as financing cash flows.

f. The company has two business segments: Services and Technology. Revenue classifications by segment are as follows: Services - systems integration and consulting, outsourcing, infrastructure services and core maintenance; Technology - enterprise-class servers and specialized technologies.

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

## Edgar Filing: UNISYS CORP - Form 10-Q

consolidated statements of income, the manufacturing costs of products sourced from the Technology segment and sold to Services customers are reported in cost of revenue for Services.

Also included in the Technology segment's sales and operating profit are sales of hardware and software sold to the Services segment for internal use in Services engagements. The amount of such profit included in operating income of the Technology segment for the three months ended June 30, 2009 and 2008 was \$9.1 million and \$5.7 million, respectively. The amount for the six months ended June 30, 2009 and 2008 was \$10.6 million and \$11.2 million, respectively. The profit on these transactions is eliminated in Corporate.

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

A summary of the company's operations by business segment for the three and six month periods ended June 30, 2009 and 2008 is presented below (in millions of dollars):

	Total	Corporate	Services	Technology
Three Months Ended				
June 30, 2009				
-----				
Customer revenue	\$1,128.7		\$1,030.0	\$ 98.7
Intersegment		\$ (47.3)	1.6	45.7
	-----	-----	-----	-----
Total revenue	\$1,128.7	\$ (47.3)	\$1,031.6	\$ 144.4
	=====	=====	=====	=====
Operating income (loss)	\$ 75.4	\$ 1.4	\$ 81.9	\$ (7.9)
	=====	=====	=====	=====
Three Months Ended				
June 30, 2008				
-----				
Customer revenue	\$1,340.0		\$1,197.0	\$ 143.0
Intersegment	-	\$ (51.0)	2.7	48.3
	-----	-----	-----	-----
Total revenue	\$1,340.0	\$ (51.0)	\$1,199.7	\$ 191.3
	=====	=====	=====	=====
Operating income (loss)	\$ 22.6	\$ (9.6)	\$ 39.2	\$ (7.0)
	=====	=====	=====	=====

10

	Total	Corporate	Services	Technology
Six Months Ended				
June 30, 2009				
-----				
Customer revenue	\$2,228.6		\$2,013.8	\$ 214.8
Intersegment		\$ (85.2)	3.3	81.9
	-----	-----	-----	-----
Total revenue	\$2,228.6	\$ (85.2)	\$2,017.1	\$ 296.7
	=====	=====	=====	=====
Operating income (loss)	\$ 97.4	\$ 14.9	\$ 108.1	\$ (25.6)

Edgar Filing: UNISYS CORP - Form 10-Q

	=====	=====	=====	=====
Six Months Ended June 30, 2008 -----				
Customer revenue	\$2,641.3		\$2,334.1	\$ 307.2
Intersegment	-	\$ (94.7)	5.4	89.3
	-----	-----	-----	-----
Total revenue	\$2,641.3	\$ (94.7)	\$2,339.5	\$ 396.5
	=====	=====	=====	=====
Operating income (loss)	\$ 50.6	\$ (9.9)	\$ 65.9	\$ (5.4)
	=====	=====	=====	=====

Presented below is a reconciliation of total business segment operating income (loss) to consolidated income (loss) before income taxes (in millions of dollars):

	Three Months Ended June 30 -----		Six Months Ended June 30 -----	
	2009	2008	2009	2008
	----	----	----	----
Total segment operating income	\$ 74.0	\$ 32.2	\$ 82.5	\$ 60.5
Interest expense	(21.2)	(21.2)	(43.0)	(42.8)
Other income (expense), net	3.0	(6.4)	(3.7)	(7.5)
Corporate and eliminations	1.4	(9.6)	14.9	(9.9)
	-----	-----	-----	-----
Total income (loss) before income taxes	\$ 57.2	\$ (5.0)	\$ 50.7	\$ .3
	=====	=====	=====	=====

Customer revenue by classes of similar products or services, by segment, is presented below (in millions of dollars):

	Three Months Ended June 30 -----		Six Months Ended June 30 -----	
	2009	2008	2009	2008
	----	----	----	----
Services				
Systems integration and consulting	\$ 351.7	\$ 389.4	\$ 691.2	\$ 733.5
Outsourcing	457.9	520.2	883.3	1,014.7
Infrastructure services	143.8	191.9	286.0	393.6
Core maintenance	76.6	95.5	153.3	192.3
	-----	-----	-----	-----
	1,030.0	1,197.0	2,013.8	2,334.1
Technology				
Enterprise-class servers	77.1	114.6	156.7	243.4
Specialized technologies	21.6	28.4	58.1	63.8
	-----	-----	-----	-----
	98.7	143.0	214.8	307.2
	-----	-----	-----	-----
Total	\$1,128.7	\$1,340.0	\$2,228.6	\$2,641.3
	=====	=====	=====	=====

## Edgar Filing: UNISYS CORP - Form 10-Q

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

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
United States	\$ 542.1	\$ 571.8	\$1,080.6	\$1,108.7
United Kingdom	136.3	200.1	266.4	409.6
Other international	450.3	568.1	881.6	1,123.0
<b>Total</b>	<b>\$1,128.7</b>	<b>\$1,340.0</b>	<b>\$2,228.6</b>	<b>\$2,641.3</b>

g. Comprehensive income (loss) for the three and six months ended June 30, 2009 and 2008 includes the following components (in millions of dollars):

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
Consolidated net income (loss)	\$ 40.6	\$ (8.5)	\$ 18.5	\$ (27.1)
Other comprehensive income (loss)				
Cash flow hedges				
Loss	-	(.1)	-	(.6)
Reclassification adjustments	-	.2	-	.5
Foreign currency translation adjustments	59.5	14.0	45.7	(.3)
Postretirement adjustments	(21.7)	19.4	10.2	25.4
<b>Total other comprehensive income</b>	<b>37.8</b>	<b>33.5</b>	<b>55.9</b>	<b>25.0</b>
Consolidated comprehensive income (loss)	78.4	25.0	74.4	(2.1)
Comprehensive income attributable to noncontrolling interests	6.6	5.1	8.3	9.5
<b>Comprehensive income attributable to Unisys Corporation</b>	<b>\$ 85.0</b>	<b>\$ 30.1</b>	<b>\$ 82.7</b>	<b>\$ 7.4</b>

Accumulated other comprehensive loss as of December 31, 2008 and June 30, 2009 is as follows (in millions of dollars):

	Total	Translation Adjustments	Post- retirement Plans
Balance at December 31, 2008	\$(2,904.6)	\$(701.5)	\$(2,203.1)
Change during period	52.4	40.3	12.1
<b>Balance at June 30, 2009</b>	<b>\$(2,852.2)</b>	<b>\$(661.2)</b>	<b>\$(2,191.0)</b>

Noncontrolling interests as of December 31, 2008 and June 30, 2009 is as follows (in millions of dollars):

Non-  
Controlling

Edgar Filing: UNISYS CORP - Form 10-Q

	Interests
	-----
Balance at December 31, 2008	\$ 18.6
Net income	4.8
Translation adjustments	5.4
Postretirement plans	(1.9)
	-----
Balance at June 30, 2009	\$ 26.9
	=====

h. For equipment manufactured by the company, the company warrants that it will substantially conform to relevant published specifications for 12 months after shipment to the customer. The company will repair or replace, at its option and expense, items of equipment that do not meet this warranty. For company software, the company warrants that it will conform substantially to then-

12

current published functional specifications for 90 days from customer's receipt. The company will provide a workaround or correction for material errors in its software that prevents its use in a production environment.

The company estimates the costs that may be incurred under its warranties and records a liability in the amount of such costs at the time revenue is recognized. Factors that affect the company's warranty liability include the number of units sold, historical and anticipated rates of warranty claims and cost per claim. The company assesses quarterly the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

Presented below is a reconciliation of the aggregate product warranty liability (in millions of dollars):

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
	-----	-----	-----	-----
Balance at beginning of period	\$ 4.5	\$ 5.8	\$ 5.2	\$ 6.9
Accruals for warranties issued during the period	.6	.7	1.1	1.4
Settlements made during the period	(.7)	(.7)	(1.4)	(1.4)
Changes in liability for pre-existing warranties during the period, including expirations	.2	(.7)	(.3)	(1.8)
	-----	-----	-----	-----
Balance at June 30	\$ 4.6	\$ 5.1	\$ 4.6	\$ 5.1
	=====	=====	=====	=====

i. Cash paid during the six months ended June 30, 2009 and 2008 for income tax was \$40.0 million and \$25.0 million, respectively.

Cash paid during the six months ended June 30, 2009 and 2008 for interest was \$46.1 million and \$38.2 million, respectively.

## Edgar Filing: UNISYS CORP - Form 10-Q

j. Effective January 1, 2009, the company adopted Statement of Financial Accounting Standards No. 141 (revised 2007), "Business Combinations" (SFAS No. 141R). SFAS No. 141R replaced SFAS No. 141, "Business Combinations," and established principles and requirements for how the acquirer: (a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; (b) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and (c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141R applies to business combinations for which the acquisition date is on or after January 1, 2009.

Effective January 1, 2009, the company adopted Statement of Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements - an amendment to ARB No. 51" (SFAS No. 160). SFAS No. 160 describes a noncontrolling interest, sometimes called a minority interest, as the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent. SFAS No. 160 establishes accounting and reporting standards that require, among other items: (a) the ownership interests in subsidiaries held by parties other than the parent be clearly identified, labeled, and presented in the consolidated statement of financial position within equity, but separate from the parent's equity; (b) the amount of consolidated net income (loss) attributable to the parent and the noncontrolling interests be clearly identified and presented on the face of the consolidated statement of income; and (c) entities provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. As required by SFAS No. 160, the presentation and disclosure requirements have been applied retrospectively for all periods presented. See note (m).

Effective January 1, 2009, the company adopted Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities" (SFAS No. 161). SFAS No. 161 requires enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative

13

instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. See note (d).

Effective June 30, 2009, the company adopted Statement of Financial Accounting Standards No. 165, "Subsequent Events" (SFAS No. 165). SFAS No. 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before the date the financial statements are issued or available to be issued. SFAS No. 165 requires companies to reflect in their financial statements the effects of subsequent events that provide additional evidence about conditions at the balance-sheet date. Subsequent events that provide evidence about conditions that arose after the balance-sheet date should be disclosed if the financial statements would otherwise be misleading. Disclosures should include the nature of the event and either an estimate of its financial effect or a statement that an estimate cannot be made. See note (o).

Effective June 30, 2009, the company adopted FSP FAS 107-1 and Accounting Principles Board (APB) 28-1 "Interim Disclosures about Fair Value of Financial Instruments". The FSP amends SFAS No. 107 "Disclosures about Fair Value of Financial Instruments" to require an entity to provide disclosures about fair value of financial instruments in interim financial statements. See note (p).

## Edgar Filing: UNISYS CORP - Form 10-Q

In December 2008, the FASB issued FSP FAS 132(R)-1 "Employers' Disclosures about Postretirement Benefit Plan Assets." This FSP provides guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. Specifically, employers will be required to disclose information about how investment allocation decisions are made, the fair value of each major category of plan assets and information about the inputs and valuation techniques used to develop the fair value measurements of plan assets. The disclosures about plan assets required by FSP FAS 132(R)-1 shall be provided for fiscal years ending after December 15, 2009, which is December 31, 2009 for the company.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 166, "Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140" (SFAS No. 166). Among other changes, SFAS No. 166 eliminates the concept of a "qualifying special-purpose entity," changes the requirements for derecognizing financial assets, defines the term participating interest to establish specific conditions for reporting a transfer of a portion of a financial asset as a sale and requires additional disclosures. SFAS No. 166 is effective as of the beginning of a reporting entity's first annual reporting period that begins after November 15, 2009 (which for the company is January 1, 2010), for interim periods within the first annual reporting period and for interim and annual reporting periods thereafter. Earlier application is prohibited. The recognition and measurement provisions of SFAS No. 166 are effective for transfers occurring on or after the effective date. Based on an initial review, the company believes that its current U.S. trade accounts receivable facility will no longer meet the requirements to be treated as a sale of receivables, and that it will be accounted for as a secured borrowing with pledge of collateral.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 167, "Amendments to FASB Interpretation No. 46(R)" (SFAS No. 167). SFAS No. 167 changes how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design and a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance. SFAS No. 167 is effective as of the beginning of a reporting entity's first annual reporting period that begins after November 15, 2009 (which for the company is January 1, 2010), for interim periods within the first annual reporting period and for interim and annual reporting periods thereafter. Earlier application is prohibited. The company is currently assessing the impact of the adoption of SFAS No. 167 on its consolidated results of operations, financial position and cash flows.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162" (the Codification), which will be effective for financial statements issued for interim and annual reporting periods ending after September 15, 2009. The Codification is not expected to change U.S. generally accepted accounting principles but combines all nongovernmental authoritative standards into a comprehensive, topically organized online database. All other accounting literature excluded from the Codification will be considered nonauthoritative. The company will adopt the use of the Codification for the quarter ending September 30, 2009. The company is currently evaluating the effect on its



## Edgar Filing: UNISYS CORP - Form 10-Q

accounting literature will be references in accordance with the Codification.

k. 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 and intellectual property. 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 affected in any particular period by the resolution of one or more of the legal matters pending against it.

In 2002, the company and the Transportation Security Administration (TSA) entered into a competitively awarded contract providing for the establishment of secure information technology environments in airports. The Civil Division of the Department of Justice, working with the Inspector General's Office of the Department of Homeland Security, is reviewing issues relating to labor categorization and overtime on the TSA contract. The Civil Division is also reviewing issues relating to cyber intrusion protection under the TSA and follow-on contracts. The company is working cooperatively with the Civil Division. The company does not know whether the Civil Division will pursue these matters, or, if pursued, what effect they might have on the company.

The company has contracts with the General Services Administration (GSA), known as Multiple Award Schedule Contracts, under which various U.S. governmental agencies can purchase products and services from the company. Auditors from the GSA's Office of Inspector General are reviewing the company's compliance with the disclosure and pricing provisions under two of these contracts, and whether the company has potentially overcharged the government under the contracts. Separately, the company has made voluntary disclosures about these matters to the responsible GSA contracting officers. The company is providing pricing and other information to the GSA auditors and is working cooperatively with them. As the audit is on-going, the company cannot predict the outcome at this time.

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

In December 2007, Lufthansa AG sued Unisys Deutschland GmbH, a Unisys subsidiary (Unisys Germany), in the District Court of Frankfurt, Germany, for allegedly failing to perform properly its obligations during the initial phase of a 2004 software design and development contract relating to a Lufthansa customer loyalty program. Under the contract, either party was free to withdraw from the project at the conclusion of the initial design phase. Rather than withdraw, Lufthansa instead terminated the contract and failed to pay the balance owed to Unisys Germany for the initial phase. Lufthansa's lawsuit alleges that Unisys

## Edgar Filing: UNISYS CORP - Form 10-Q

Germany breached the contract by failing to deliver a proper design for the new system and seeks approximately 21.4 million euros in damages. The company believes it has valid defenses and has filed its defense and a counterclaim in the amount of approximately 1.5 million euros. The litigation is proceeding.

In July 2008, Lufthansa Systems Passenger Services GmbH sued Unisys Germany in the District Court of Frankfurt, Germany, in connection with a 2005 agreement under which Unisys Germany was to develop passenger management software for Lufthansa Systems. Lufthansa Systems purported to terminate the agreement for cause in July 2007 claiming that Unisys Germany failed to deliver satisfactory software in a timely manner. The lawsuit seeks a monetary recovery of approximately 49 million euros. The company believes it has valid defenses and

15

has filed its defense and a counterclaim in the amount of approximately 8.6 million euros. The litigation is proceeding.

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 June 30, 2009, it has adequate provisions for any such matters.

1. 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. In addition, 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 quarterly 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 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.

In 2005, based upon the level of historical taxable income and projections of future taxable income over the periods during which the deferred tax assets are deductible, management concluded that it is more likely than not that the U.S. and certain foreign deferred tax assets in excess of deferred tax liabilities would not be realized. A full valuation allowance was recognized in 2005 and 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 deferred tax assets. Any profit or loss recorded for the company's U.S. operations will have no provision or benefit associated with it. As a result, the company's provision or benefit for taxes will vary significantly depending on the geographic distribution of income.

m. Certain prior year amounts have been reclassified due to the adoption of SFAS No. 160, see note (j). As a result of the adoption, the following retroactive adjustment was made: the December 31, 2008 noncontrolling interests' balance of \$30.5 million, previously presented in other long-term liabilities, has been presented as part of stockholders' deficit. Also, in connection with the adoption, the December 31, 2008 noncontrolling interests portion of the postretirement plans of \$11.9 million, which had previously been included in Accumulated Other Comprehensive Income, has been reported as a reduction in the noncontrolling interests included in stockholders' deficit.

## Edgar Filing: UNISYS CORP - Form 10-Q

n. On July 31, 2009, the company completed offers to exchange its 6 7/8% senior notes due 2010 (the 2010 Notes), its 8% senior notes due 2012 (the 2012 Notes), its 8 1/2% senior notes due 2015 (the 2015 Notes) and its 12 1/2% senior notes due 2016 (the 2016 Notes) in private placements for new 12 3/4% senior secured notes due 2014 (the First Lien Notes), new 14 1/4% senior secured notes due 2015 (the Second Lien Notes and, together with First Lien Notes, the New Secured Notes), shares of the company's common stock and cash. On that date, the company issued approximately \$385.0 million aggregate principal amount of First Lien Notes, approximately \$246.6 million aggregate principal amount of Second Lien Notes and approximately 52.4 million shares of common stock and paid \$30.0 million in cash in exchange for approximately \$235.1 million aggregate principal amount of 2010 Notes, approximately \$331.9 million aggregate principal amount of 2012 Notes, approximately \$134.0 million aggregate principal amount of 2015 Notes, and approximately \$59.4 million aggregate principal amount of 2016 Notes. The New Secured Notes are guaranteed by Unisys Holding Corporation, a wholly-owned Delaware corporation that directly or indirectly holds the shares of substantially all of the company's foreign subsidiaries, and by certain of the company's other current and future U.S. subsidiaries. The First Lien Notes and Second Lien Notes are secured by first-priority liens and second priority liens, respectively, (in each case, subject to permitted prior liens) by substantially all of the company's assets, except (i) accounts receivable that are subject to one or more receivables facilities, (ii) real estate located outside the U.S., (iii) cash or cash equivalents securing reimbursement obligations under letters of credit or surety bonds and (iv) certain other excluded assets. As a result of the exchange, the company's current maturities of long-term debt at June 30, 2009 were reduced to \$96.0 million, principally consisting of \$64.9 million of 6 7/8% of notes due March 2010 not tendered plus \$30.0 million of cash consideration paid at closing to the holders of the 2010 notes tendered. Following completion of the exchange, the company's net long-term debt was reduced by \$128.8 million. The company is currently evaluating the accounting

16

treatment of the exchange offer and will record any gain or loss in the quarter ending September 30, 2009.

o. The company has evaluated subsequent events (events occurring after June 30, 2009) for recognition or disclosure in these financial statements up to July 31, 2009.

p. 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 accrued liabilities. The carrying amounts of these financial assets and liabilities approximate fair value due to their short maturities. At June 30, 2009, the carrying amount of long-term debt, which included current maturities of long-term debt, exceeded fair value, which is based on market prices, of such debt by approximately \$356 million.

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

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

OVERVIEW

Despite a decline in revenue, the company reported significantly improved profitability and cash flow for the first six months of 2009 as its results

## Edgar Filing: UNISYS CORP - Form 10-Q

benefited from ongoing actions to concentrate its resources more effectively and reduce its cost base.

Revenue in the first half of 2009 compared with the year-ago period was impacted by weakness in global economic conditions as well as negative foreign currency translation. The company reported first-half 2009 revenue of \$2.23 billion, down 16% compared with first-half 2008 revenue of \$2.64 billion. Foreign currency exchange rates had an approximately 9 percentage-point negative impact on revenue in the first half of 2009. On a constant currency basis, revenue declined 7% in the first six months of 2009 compared to the prior-year period.

For the six months ended June 30, 2009, operating income increased to \$97.4 million compared with \$50.6 million in the first six months of 2008. Operating profit percent increased to 4.4% for the first six months of 2009 compared with 1.9% in the year-ago period. After a tax provision of \$32.2 million, the company reported net income attributable to Unisys Corporation of \$13.7 million, or \$.04 per share, for the first six months of 2009. This compared with a year-ago net loss attributable to Unisys Corporation of \$37.4 million, or \$.10 per share, which included a tax provision of \$27.4 million.

Cash from operating activities increased to \$87.7 million in the first half of 2009 compared with \$2.3 million in the same period of 2008.

### RESULTS OF OPERATIONS

#### COMPANY RESULTS

Revenue for the quarter ended June 30, 2009 was \$1.13 billion compared with \$1.34 billion for the second quarter of 2008, a decrease of 16% from the prior year. Foreign currency fluctuations had an 8-percentage-point negative impact on revenue in the second quarter compared with the year-ago period. Services revenue declined 14% and Technology revenue declined 31% in the second quarter compared with the year-ago period. U.S. revenue was down 5% in the second quarter compared with the year-ago period, principally driven by declines in commercial revenue which were partially offset by increases in Federal government revenue. International revenue decreased 24% in the three months ended June 30, 2009 due to declines in all major regions. On a constant currency basis, international revenue declined 10% in the three months ended June 30, 2009 compared with the three months ended June 30, 2008.

Total gross profit margin was 23.9% in the three months ended June 30, 2009 compared with 22.7% in the three months ended June 30, 2008. The increase in gross profit margin reflects the benefits from cost reduction actions.

Selling, general and administrative expense in the three months ended June 30, 2009 was \$169.2 million (15.0% of revenue) compared with \$251.0 million (18.7% of revenue) in the year-ago period. The decrease in selling, general and administrative expense reflects the benefits from cost reduction actions as well as foreign currency exchange fluctuations. Included in selling, general and administrative expense for the three months ended June 30, 2008 was a charge of \$5.5 million related to a lease guarantee.

17

Research and development (R&D) expenses in the second quarter of 2009 were \$25.1 million compared with \$30.2 million in the second quarter of 2008. The decrease in R&D expenses in 2009 compared with 2008 principally reflects changes in the company's development model as the company has focused its investments on software development versus hardware design.

For the second quarter of 2009, the company reported an operating income of

## Edgar Filing: UNISYS CORP - Form 10-Q

\$75.4 million compared with operating income of \$22.6 million in the second quarter of 2008.

For the three months ended June 30, 2009 pension income was \$8.9 million compared with pension income of \$8.8 million for the three months ended June 30, 2008. The expense related to the company's match to the U.S. 401(k) plan for the three months ended June 30, 2009 and 2008 was zero and \$14.6 million, respectively. Effective January 1, 2009, the company match was suspended. The company records pension income or expense, as well as other employee-related costs such as 401(k) match, payroll taxes and medical insurance costs, in operating income in the following income statement categories: cost of revenue; selling, general and administrative expenses; and research and development expenses. The amount allocated to each category is based on where the salaries of active employees are charged.

Due to changes in estimates related to cost reduction charges, during the three months ended June 30, 2009, \$7.0 million was recorded as income compared with \$2.5 million recorded as expense in the year-ago period. In addition, during the three months ended June 30, 2009, the company recorded a benefit of \$11.2 million (a \$5.4 million benefit in other income, a \$6.1 million benefit in cost of revenue and an expense of \$.3 million in selling, general and administrative expense related to legal fees) relating to a change in Brazilian law involving a gross receipt tax.

Interest expense for the three months ended June 30, 2009 was \$21.2 million compared with \$21.2 million for the three months ended June 30, 2008.

Other income (expense), net was income of \$3.0 million in the second quarter of 2009, compared with expense of \$6.4 million in 2008. The decrease in expense was principally due to foreign exchange gains of \$1.4 million in the three months ended June 30, 2009 compared with losses of \$2.5 million in the three months ended June 30, 2008 and the income of \$5.4 million in the second quarter of 2009 related to the Brazilian law change discussed above.

The company reported income before income taxes for the three months ended June 30, 2009 of \$57.2 million compared with a loss before income taxes of \$5.0 million in 2008. The provision for income taxes was \$16.6 million in the second quarter compared with a provision of \$3.5 million in the year-ago period. Included in the tax provision for the three months ended June 30, 2009 was a U.S. refundable credit of \$4.0 million and included in the tax provision for the three months ended June 30, 2008 was a \$5.1 million benefit related to prior years' intercompany royalties. 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 will record a tax provision or benefit for those international subsidiaries that do not have a full valuation allowance against their deferred tax assets. Any profit or loss recorded for the company's U.S. operations will have no provision or benefit associated with it. As a result, the company's provision or benefit for taxes will vary significantly quarter to quarter depending on the geographic distribution of income.

The net income attributable to Unisys Corporation for the three months ended June 30, 2009 was \$38.1 million, or \$.10 per share, compared with a net loss attributable to Unisys Corporation of \$14.0 million, or \$.04 per share, for the three months ended June 30, 2008.

Revenue for the six months ended June 30, 2009 was \$2.23 billion compared with \$2.64 billion for the six months ended June 30, 2008, a decrease of 16% from the prior year. Foreign currency fluctuations had a 9-percentage-point negative impact on revenue in the current period compared with the year-ago period. Services revenue declined 14% and Technology revenue declined 30% for the six months ended June 30, 2009 compared with the year-ago period. U.S.

## Edgar Filing: UNISYS CORP - Form 10-Q

revenue was down 3% in the first half of 2009 compared with the year-ago period, principally driven by declines in commercial revenue which were partially offset by increases in Federal government revenue. International revenue decreased 25% in the first half of 2009 due to declines in all major regions. On a constant currency basis, international revenue declined 10% in the six months ended June 30, 2009 compared with the six months ended June 30, 2008.

18

Total gross profit margin was 22.1% in the six months ended June 30, 2009 compared with 22.6% in the six months ended June 30, 2008. The decrease in gross profit margin principally reflects the decline in revenue which more than offset the benefits from cost reduction actions.

Selling, general and administrative expense in the six months ended June 30, 2009 was \$342.8 million (15.4% of revenue) compared with \$483.5 million (18.3% of revenue) in the year-ago period. The decrease in selling, general and administrative expense reflects the benefits from cost reduction actions as well as foreign currency exchange fluctuations.

Research and development (R&D) expenses in the first half of 2009 were \$52.5 million compared with \$62.9 million in the first half of 2008. The decrease in R&D expenses in 2009 compared with 2008 principally reflects changes in the company's development model as the company has focused its investments on software development versus hardware design.

For the six months ended June 30, 2009, the company reported operating income of \$97.4 million compared with operating income of \$50.6 million for the six months ended June 30, 2008.

For the six months ended June 30, 2009 pension income was \$11.8 million compared with pension income of \$20.3 million for the six months ended June 30, 2008. The decrease in pension income in 2009 from 2008 was principally due to lower returns on plan assets worldwide. The expense related to the company's match to the U.S. 401(k) plan for the six months ended June 30, 2009 and 2008 was zero and \$26.7 million, respectively.

Due to changes in estimates related to cost reduction charges, during the six months ended June 30, 2009, \$9.4 million was recorded as income compared with \$.8 million recorded as income in the year-ago period. In addition, during the six months ended June 30, 2009, the company recorded a benefit of \$11.2 million (a \$5.4 million benefit in other income, a \$6.1 million benefit in cost of revenue and an expense of \$.3 million in selling, general and administrative expense related to legal fees) relating to a change in Brazilian law involving a gross receipt tax.

Interest expense for the six months ended June 30, 2009 was \$43.0 million compared with \$42.8 million for the six months ended June 30, 2008.

Other income (expense), net was an expense of \$3.7 million for the six months ended June 30, 2009, compared with expense of \$7.5 million for the six months ended June 30, 2008. The decrease in expense was principally due to foreign exchange losses of \$5.6 million in the six months ended June 30, 2009 compared with foreign exchange losses of \$2.8 million in the six months ended June 30, 2008 and the income of \$5.4 million in the first half of 2009 related to the Brazilian law change discussed above.

The company reported income before income taxes for the six months ended June 30, 2009 of \$50.7 million compared with income of \$.3 million in 2008. The provision for income taxes was \$32.2 million in the first half of 2009 compared with a provision of \$27.4 million in the year-ago period. Included in the tax

## Edgar Filing: UNISYS CORP - Form 10-Q

provision for the six months ended June 30, 2009 was a U.S. refundable credit of \$6.0 million and a foreign tax refund of \$2.7 million related to a 2008 refund claim. Included in the tax provision for the six months ended June 30, 2008 was a \$5.1 million benefit related to prior years' intercompany royalties.

The net income attributable to Unisys Corporation for the six months ended June 30, 2009 was \$13.7 million, or \$.04 per share, compared with a net loss attributable to Unisys Corporation of \$37.4 million, or \$.10 per share, for the six months ended June 30, 2008.

### SEGMENT RESULTS

The company has two business segments: Services and Technology. Revenue classifications by segment are as follows: Services - systems integration and consulting, outsourcing, infrastructure services and core maintenance; Technology - enterprise-class servers and specialized technologies. The accounting policies of each business segment are the same as those followed by the company as a whole. Intersegment sales and transfers are priced as if the sales or transfers were to third parties. Accordingly, the Technology segment recognizes intersegment revenue and manufacturing profit on hardware and software shipments to customers under Services contracts. The Services segment, in turn, recognizes customer revenue and marketing profit on such shipments of company hardware and software to customers. The Services segment also includes the sale of hardware and software products sourced from third parties that are sold to customers through the company's Services channels. In the company's consolidated statements of income, the manufacturing costs of products sourced from the Technology segment and sold to Services customers are reported in cost of revenue for Services.

19

Also included in the Technology segment's sales and operating profit are sales of hardware and software sold to the Services segment for internal use in Services engagements. The amount of such profit included in operating income of the Technology segment for the three months ended June 30, 2009 and 2008 was \$9.1 million and \$5.7 million, respectively. The amount for the six months ended June 30, 2009 and 2008 was \$10.6 million and \$11.2 million, respectively. The profit on these transactions is eliminated in Corporate.

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

Information by business segment is presented below (in millions of dollars):

	Total -----	Elimi- nations -----	Services -----	Technology -----
Three Months Ended				
June 30, 2009				
-----				
Customer revenue	\$1,128.7		\$1,030.0	\$ 98.7
Intersegment	-	\$ (47.3)	1.6	45.7
	-----	-----	-----	-----
Total revenue	\$1,128.7	\$ (47.3)	\$1,031.6	\$ 144.4
	=====	=====	=====	=====
Gross profit percent	23.9%		21.0%	40.4%
	=====		=====	=====

Edgar Filing: UNISYS CORP - Form 10-Q

Operating income (loss) percent	6.7%		7.9%	(5.4)%
	=====		=====	=====
Three Months Ended June 30, 2008 -----				
Customer revenue	\$1,340.0		\$1,197.0	\$ 143.0
Intersegment	-	\$ (51.0)	2.7	48.3
	-----	-----	-----	-----
Total revenue	\$1,340.0	\$ (51.0)	\$1,199.7	\$ 191.3
	=====	=====	=====	=====
Gross profit percent	22.7%		19.2%	39.2%
	=====		=====	=====
Operating income (loss) percent	1.7%		3.3%	(3.7)%
	=====		=====	=====

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

20

Customer revenue by classes of similar products or services, by segment, is presented below (in millions of dollars):

	Three Months Ended June 30		Percent Change
	2009	2008	
	-----	-----	-----
Services			
Systems integration and consulting	\$ 351.7	\$ 389.4	(9.7)%
Outsourcing	457.9	520.2	(12.0)%
Infrastructure services	143.8	191.9	(25.1)%
Core maintenance	76.6	95.5	(19.8)%
	-----	-----	
	1,030.0	1,197.0	(14.0)%
Technology			
Enterprise-class servers	77.1	114.6	(32.7)%
Specialized technologies	21.6	28.4	(23.9)%
	-----	-----	
	98.7	143.0	(31.0)%
	-----	-----	
Total	\$1,128.7	\$1,340.0	(15.8)%
	=====	=====	

In the Services segment, customer revenue was \$1,030.0 million for the three months ended June 30, 2009 down 14.0% from the three months ended June 30, 2008. Services revenue in the second quarter of 2009 when compared with the year-ago period was impacted by continued world wide weak demand and foreign currency exchange rates. Foreign currency translation had an 8-percentage-point negative impact on Services revenue in the current quarter compared with the year-ago period.

Revenue from systems integration and consulting decreased 9.7% from \$389.4 million in the June 2008 quarter to \$351.7 million in the June 2009 quarter.

Outsourcing revenue decreased 12.0% for the three months June 30, 2009, as both



## Edgar Filing: UNISYS CORP - Form 10-Q

information technology outsourcing (ITO) and business processing outsourcing (BPO) declined.

Infrastructure services revenue declined 25.1% for the three months ended June 30, 2009. The decline was due to weakness in demand for network design and consulting projects, as well as the shift of project-based infrastructure work to managed outsourcing contracts.

Core maintenance revenue declined 19.8% in the second quarter compared with the prior-year quarter. The company expects the secular decline of core maintenance to continue.

Services gross profit was 21.0% in the second quarter of 2009 compared with 19.2% in the year-ago period. Services operating income percent was 7.9% in the three months ended June 30, 2009 compared with 3.3% in the three months ended June 30, 2008. Contributing to the increase in Services operating profit margin was benefits from cost reduction actions.

In the Technology segment, customer revenue was \$98.7 million in the June 2009 quarter compared with \$143.0 million in the year-ago period for a decrease of 31.0%. Foreign currency translation had a negative impact of approximately 5-percentage points on Technology revenue in the June 2009 quarter compared with the prior-year period. The decline in Technology revenue in 2009 reflects lower sales of high-end mainframe systems, primarily in Europe and Japan, as clients deferred planned purchases in a weak economic environment.

Revenue from the company's enterprise-class servers, which includes the company's ClearPath and ES7000 product families, decreased 32.7% for the three months ended June 30, 2009 compared with the three months ended June 30, 2008. As mentioned above, technology sales during the quarter slowed as clients tightened spending on information technology projects due to economic concerns. Also contributing to the decrease in revenue was the secular decline in the enterprise-class server market, which the company expects to continue.

Revenue from specialized technologies, which includes third-party technology products and the company's payment systems products, decreased 23.9% for the three months ended June 30, 2009 compared with the prior year period.

Technology gross profit was 40.4% in the current quarter compared with 39.2% in the year-ago quarter. Technology operating income (loss) percent was (5.4)% in the three months ended June 30, 2009 compared with (3.7)% in the three months ended June 30, 2008. The decline in operating profit margin in 2009 compared with 2008 reflects the lower levels of mainframe sales.

21

Information by business segment is presented below (in millions of dollars):

	Total	Elimi- nations	Services	Technology
	-----	-----	-----	-----
Six Months Ended June 30, 2009				
-----				
Customer revenue	\$2,228.6		\$2,013.8	\$ 214.8
Intersegment	-	\$ (85.2)	3.3	81.9
	-----	-----	-----	-----
Total revenue	\$2,228.6	\$ (85.2)	\$2,017.1	\$ 296.7
	=====	=====	=====	=====
Gross profit percent	22.1%		18.7%	36.7%
	=====		=====	=====
Operating income				

Edgar Filing: UNISYS CORP - Form 10-Q

(loss) percent	4.4%		5.4%	(8.6)%
	=====		=====	=====
Six Months Ended June 30, 2008				
-----				
Customer revenue	\$2,641.3		\$2,334.1	\$ 307.2
Intersegment	-	\$ (94.7)	5.4	89.3
	-----	-----	-----	-----
Total revenue	\$2,641.3	\$ (94.7)	\$2,339.5	\$ 396.5
	=====	=====	=====	=====
Gross profit percent	22.6%		18.8%	41.1%
	=====		=====	=====
Operating income (loss) percent	1.9%		2.8%	(1.4)%
	=====		=====	=====

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

Customer revenue by classes of similar products or services, by segment, is presented below (in millions of dollars):

	Six Months Ended June 30		Percent Change
	2009	2008	
	----	----	-----
Services			
Systems integration and consulting	\$ 691.2	\$ 733.5	(5.8)%
Outsourcing	883.3	1,014.7	(12.9)%
Infrastructure services	286.0	393.6	(27.3)%
Core maintenance	153.3	192.3	(20.3)%
	-----	-----	
	2,013.8	2,334.1	(13.7)%
Technology			
Enterprise-class servers	156.7	243.4	(35.6)%
Specialized technologies	58.1	63.8	(8.9)%
	-----	-----	
	214.8	307.2	(30.1)%
Total	\$2,228.6	\$2,641.3	(15.6)%
	=====	=====	

In the Services segment, customer revenue was \$2,013.8 million for the six months ended June 30, 2009 down 13.7% from the six months ended June 30, 2008. Services revenue in the first half of 2009 when compared with the year-ago period was impacted by continued world wide weak demand and foreign currency exchange rates. Foreign currency translation had a 10-percentage-point negative impact on Services revenue in the first half of 2009 compared with the year-ago period.

Revenue from systems integration and consulting decreased 5.8% from \$733.5 million for the six months ended June 30, 2008 to \$691.2 million for the six months ended June 30, 2009.

Outsourcing revenue decreased 12.9% for the six months June 30, 2009, as both

## Edgar Filing: UNISYS CORP - Form 10-Q

information technology outsourcing (ITO) and business processing outsourcing (BPO) declined.

Infrastructure services revenue declined 27.3% for the six months ended June 30, 2009. The decline was due to weakness in demand for network design and consulting projects, as well as the shift of project-based infrastructure work to managed outsourcing contracts.

Core maintenance revenue declined 20.3% in the six months ended June 30, 2009 compared with the prior-year period. The company expects the secular decline of core maintenance to continue.

Services gross profit was 18.7% for the six months ended June 30, 2009 compared with 18.8% in the year-ago period. Services operating income percent was 5.4% for the six months ended June 30, 2009 compared with 2.8% for the six months ended June 30, 2008. Contributing to the increase in Services operating profit margin was benefits from cost reduction actions.

In the Technology segment, customer revenue was \$214.8 million in the six months ended June 30, 2009 compared with \$307.2 million in the year-ago period for a decrease of 30.1%. Foreign currency translation had a negative impact of approximately 5-percentage points on Technology revenue in the first half of 2009 compared with the prior-year period. The decline in Technology revenue in 2009 reflects lower sales of high-end mainframe systems, primarily in Europe and Japan, as clients deferred planned purchases in a weak economic environment, as well as the expiration of a royalty from Nihon Unisys Limited (NUL). The company had recognized revenue of \$18.8 million per quarter (\$8.5 million in enterprise-class servers and \$10.3 million in specialized technologies) under this royalty agreement over the three-year period ended March 31, 2008. The expiration of this royalty from NUL contributed about 6 percentage points of the technology segment's 30% decline in revenue.

Revenue from the company's enterprise-class servers, which includes the company's ClearPath and ES7000 product families, decreased 35.6% for the six months ended June 30, 2009 compared with the six months ended June 30, 2008. As mentioned above, technology sales during the period slowed as clients tightened spending on information technology projects due to economic concerns. Also contributing to the decrease in revenue was the secular decline in the enterprise-class server market, which the company expects to continue.

Revenue from specialized technologies, which includes third-party technology products and the company's payment systems products, decreased 8.9% for the six months ended June 30, 2009 compared with the six months ended June 30, 2008.

Technology gross profit was 36.7% in the first half of 2009 compared with 41.1% in the year-ago period. Technology operating income (loss) percent was (8.6)% for the six months ended June 30, 2009 compared with (1.4)% for the six months ended June 30, 2008. The declines in gross profit and operating profit margin in 2009 compared with 2008 reflect the lower levels of mainframe sales, primarily in Europe and Japan, and loss of the NUL royalty.

### NEW ACCOUNTING PRONOUNCEMENTS

See note (j) of the Notes to Consolidated Financial Statements for a full description of recent accounting pronouncements, including the expected dates of adoption and estimated effects on results of operations and financial condition.

### FINANCIAL CONDITION

## Edgar Filing: UNISYS CORP - Form 10-Q

Cash and cash equivalents at June 30, 2009 were \$475.0 million compared with \$544.0 million at December 31, 2008.

The company's principal sources of liquidity are cash on hand, cash from operations and its U.S. trade accounts receivable facility, which is discussed below. The company's revolving credit facility, which provided for loans and letters of credit up to an aggregate of \$275 million, expired on May 31, 2009. As discussed below, on July 31, 2009 the company closed private offers to exchange its outstanding senior notes, for new senior secured notes due in 2014, new senior secured notes due in 2015, common stock and \$30 million of cash. As a result of these exchange offers, \$205.1 million of 2010 Notes which would have been classified as a current liability as of June 30, 2009 has been reclassified as long-term debt. The company also utilizes surety bonds, letters of credit, foreign exchange derivatives and other financial instruments to conduct its business.

23

The company's anticipated future cash expenditures include contributions to its defined benefit pension plans and payments in respect of cost-reduction actions. In addition to actions to reduce its cost structure, the company will continue to focus on working capital management and to tightly manage capital expenditures. Given these actions and its cash on hand at June 30, 2009, the company believes that it will have adequate sources of liquidity to meet its expected near-term cash requirements.

During the six months ended June 30, 2009, cash provided by operations was \$87.7 million compared with cash provided of \$2.3 million for the six months ended June 30, 2008. Cash expenditures for the six months ended June 30, 2009 related to cost-reduction actions (which are included in operating activities) were approximately \$46.4 million compared with \$43.5 million for the prior-year period. Cash expenditures for prior year cost-reduction actions are expected to be approximately \$16.8 million for the remainder of 2009, resulting in an expected cash expenditure of approximately \$63.2 million in 2009 compared with \$60.4 million in 2008. The current six month period includes a payment of \$13.4 million related to a tax audit settlement.

Cash used for investing activities for the six months ended June 30, 2009 was \$173.3 million compared with cash usage of \$167.5 million during the six months ended June 30, 2008. Items affecting cash used for investing activities were the following: Net proceeds from investments were \$1.3 million for the six months ended June 30, 2009 compared with net purchases of \$29.6 million in the prior-year period. Proceeds from investments and purchases of investments represent derivative financial instruments used to manage the company's currency exposure to market risks from changes in foreign currency exchange rates. The amount of proceeds and purchases of investments has declined significantly from last year, principally reflecting the fact that in the fourth quarter of 2008, the company capitalized certain intercompany balances for foreign subsidiaries which reduced the need for these derivatives. During the six months ended June 30, 2009, the company used \$72.3 million of cash to collateralize letters of credit. In addition, in the current six month period, the investment in marketable software was \$29.5 million compared with \$45.4 million in the year-ago period, capital additions of properties were \$18.1 million in 2009 compared with \$32.1 million in 2008 and capital additions of outsourcing assets were \$53.2 million in 2009 compared with \$58.6 million in 2008. The company has announced that it plans to reduce capital expenditures from \$294.5 million in 2008 to approximately \$200 - \$225 million in 2009.

Cash used for financing activities during the six months ended June 30, 2009 was \$.7 million compared with \$200.8 million of cash used during the six months ended June 30, 2008. The decrease was principally due to the January 2008 redemption, at par, of all \$200 million of the company's 7 7/8% senior notes

## Edgar Filing: UNISYS CORP - Form 10-Q

due April 1, 2008.

At both June 30, 2009 and December 31, 2008, total debt was \$1.06 billion.

On July 31, 2009, the company completed offers to exchange its 6 7/8% senior notes due 2010 (the 2010 Notes), its 8% senior notes due 2012 (the 2012 Notes), its 8 1/2% senior notes due 2015 (the 2015 Notes) and its 12 1/2% senior notes due 2016 (the 2016 Notes) in private placements for new 12 3/4% senior secured notes due 2014 (the First Lien Notes), new 14 1/4% senior secured notes due 2015 (the Second Lien Notes and, together with First Lien Notes, the New Secured Notes), shares of the company's common stock and cash. On that date, the company issued approximately \$385.0 million aggregate principal amount of First Lien Notes, approximately \$246.6 million aggregate principal amount of Second Lien Notes and approximately 52.4 million shares of common stock and paid \$30.0 million in cash in exchange for approximately \$235.1 million aggregate principal amount of 2010 Notes, approximately \$331.9 million aggregate principal amount of 2012 Notes, approximately \$134.0 million aggregate principal amount of 2015 Notes, and approximately \$59.4 million aggregate principal amount of 2016 Notes. The New Secured Notes are guaranteed by Unisys Holding Corporation, a wholly-owned Delaware corporation that directly or indirectly holds the shares of substantially all of the company's foreign subsidiaries, and by certain of the company's other current and future U.S. subsidiaries. The First Lien Notes and Second Lien Notes are secured by first-priority liens and second priority liens, respectively, (in each case, subject to permitted prior liens) by substantially all of the company's assets, except (i) accounts receivable that are subject to one or more receivables facilities, (ii) real estate located outside the U.S., (iii) cash or cash equivalents securing reimbursement obligations under letters of credit or surety bonds and (iv) certain other excluded assets. As a result of the exchange, the company's current maturities of long-term debt at June 30, 2009 were reduced to \$96.0 million, principally consisting of \$64.9 million of 6 7/8% of notes due March 2010 not tendered plus \$30.0 million of cash consideration paid at closing to the holders of the 2010 notes tendered. Following completion of the exchange, the company's net long-term debt was reduced by \$128.8 million. The company is currently evaluating the accounting treatment of the exchange offer and will record any gain or loss in the quarter ending September 30, 2009.

24

The company's revolving credit facility, which provided for loans and letters of credit up to an aggregate of \$275 million expired on May 31, 2009.

On May 16, 2008, the company entered into a three-year, U.S. trade accounts receivable facility. Under this facility, the company has agreed to sell, on an ongoing basis, through Unisys Funding Corporation I, a wholly owned subsidiary, up to \$150 million of interests in eligible U.S. trade accounts receivable. Under the facility, receivables are sold at a discount that reflects, among other things, a yield based on LIBOR subject to a minimum rate. The facility includes customary representations and warranties, including no material adverse change in the company's business, assets, liabilities, operations or financial condition. It also requires the company to maintain a minimum fixed charge coverage ratio and requires the maintenance of certain ratios related to the sold receivables. The facility will be subject to early termination if, as of February 28, 2010, the 2010 Notes have not been refinanced or extended to a date later than May 16, 2011. Other termination events include failure to perform covenants, materially incorrect representations and warranties, change of control and default under debt aggregating at least \$25 million. At June 30, 2009 and December 31, 2008, the company had sold \$130 million and \$141 million, respectively, of eligible receivables.

## Edgar Filing: UNISYS CORP - Form 10-Q

In addition, the company and certain international subsidiaries have access to uncommitted lines of credit from various banks.

At June 30, 2009, the company has met all covenants and conditions under its various lending and funding agreements. The company expects to continue to meet these covenants and conditions.

The company currently expects to make cash contributions of approximately \$100-\$105 million to its worldwide, primarily non-U.S., defined benefit pension plans in 2009. In accordance with regulations governing contributions to U.S. defined benefit pension plans, the company is not required to fund its U.S. qualified defined benefit pension plan in 2009. Previously, the company had expected to be required to contribute a maximum of approximately \$90 million of cash to its U.S. qualified defined benefit pension plan in 2010. Under recently clarified IRS regulations, the company does not expect to be required to make a cash contribution in 2010 to fund its U.S. qualified defined benefit pension plan.

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. The company has on file with the Securities and Exchange Commission an effective registration statement covering \$1.1 billion of debt or equity securities, which enables the company to be prepared for future market opportunities.

### FACTORS THAT MAY AFFECT FUTURE RESULTS

From time to time, the company provides information containing "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 below. 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.

Factors that could affect future results include the following:

THE COMPANY'S BUSINESS IS AFFECTED BY THE ECONOMIC AND BUSINESS ENVIRONMENT. The company's recent financial results have been impacted by the global economic slowdown. The company has seen this slowdown particularly in its financial services business but also in other key commercial industries, as clients reacted to economic uncertainties by reducing information technology spending. Decreased demand for the company's services and products has impacted its revenue and profit margins. If current economic conditions continue or worsen, including if the company's customers are unable to obtain financing to purchase the company's services and products due to tight credit conditions, the company could see further reductions in demand and increased pressure on revenue and profit margins. The company could also see a further consolidation of firms in the financial services industry, which could also result in a decrease in demand. In addition, during the recent period of disruption in the financial markets, the market price for the company's common shares has been volatile. The company's business could also be affected by acts of war, terrorism or natural disasters. Current world tensions could escalate, and this could have unpredictable consequences on the world economy

## Edgar Filing: UNISYS CORP - Form 10-Q

and on the company's business.

25

THE COMPANY'S FUTURE RESULTS MAY DEPEND ON ITS ABILITY TO ACCESS EXTERNAL CREDIT MARKETS. The capital and credit markets have been experiencing extreme volatility and disruption. In addition, the commercial lending market has contracted, with limited new loan originations or refinancings taking place. Based on the current lending environment, the company expects to have difficulty accessing significant additional capital in the credit markets on acceptable terms. Given tight credit markets, along with the company's credit rating, the company did not replace its revolving credit facility that expired on May 31, 2009. Also, the company's ability to refinance the senior notes that remain outstanding after the closing of the exchange offers could be affected by credit market conditions. The turmoil and volatility in financial markets may also impact the company's ability to utilize surety bonds, letters of credit, foreign exchange derivatives and other financial instruments the company uses to conduct its business. Although the company intends to use cash on hand to address its liquidity needs, its ability to do so assumes that its operations will continue to generate sufficient cash and that its cash requirements will not materially exceed current estimates.

THE COMPANY HAS SIGNIFICANT PENSION OBLIGATIONS. The company has unfunded obligations under its U.S. and non-U.S. defined benefit pension plans. The company expects to make cash contributions of approximately \$100-\$105 million to its worldwide, primarily non-U.S., defined benefit pension plans in 2009. In accordance with regulations governing contributions to U.S. defined benefit pension plans, the company is not required to fund its U.S. qualified defined benefit pension plan in 2009. In addition, under IRS regulations issued in March 2009, the company currently believes that it will not be required to fund its U.S. qualified defined benefit pension plan in 2010. A further deterioration in the value of the company's worldwide defined benefit pension plan assets could require the company to make larger cash contributions to its defined benefit pension plans in the future. In addition, the funding of plan deficits over a shorter period of time than currently anticipated could result in making cash contributions to these plans on a more accelerated basis. Either of these events would reduce the cash available for working capital and other corporate uses and may have an adverse impact on the company's operations, financial condition and liquidity.

THE COMPANY'S FUTURE RESULTS WILL DEPEND ON THE SUCCESS OF ITS TURNAROUND PROGRAM. Over the past several years, the company has implemented and is continuing to implement, significant cost-reduction measures intended to achieve profitability. The company has incurred significant cost reduction charges in connection with these efforts. Future results will also depend in part on the success of the company's program to focus its global resources and simplify its business structure. This program is based on various assumptions, including assumptions regarding market segment growth, client demand, and the proper skill set of and training for sales and marketing management and personnel, all of which are subject to change. Furthermore, the company's institutional stockholders may attempt to influence these strategies.

THE COMPANY FACES AGGRESSIVE COMPETITION IN THE INFORMATION SERVICES AND TECHNOLOGY MARKETPLACE. The information services and technology markets in which the company operates include a large number of companies vying for customers and market share both domestically and internationally. The company's competitors include consulting and other professional services firms, systems integrators, outsourcing providers, infrastructure services providers, computer hardware manufacturers and software providers. Some of the company's competitors may develop competing products and services that offer better price-performance or that reach the market in advance of the company's offerings. Some competitors also have or may develop greater financial and other resources

## Edgar Filing: UNISYS CORP - Form 10-Q

than the company, with enhanced ability to compete for market share, in some instances through significant economic incentives to secure contracts. Some also may be better able to compete for skilled professionals. Any of these factors could lead to reduced demand for the company's products and services and could have an adverse effect on the company's business. Future results will depend on the company's ability to mitigate the effects of aggressive competition on revenues, pricing and margins and on the company's ability to attract and retain talented people.

26

THE COMPANY FACES VOLATILITY AND RAPID TECHNOLOGICAL CHANGE IN ITS INDUSTRY. The company operates in a highly volatile industry characterized by rapid technological change, evolving technology standards, short product life cycles and continually changing customer demand patterns. Future success will depend in part on the company's ability to anticipate and respond to these market trends and to design, develop, introduce, deliver or obtain new and innovative products and services on a timely and cost-effective basis. The company may not be successful in anticipating or responding to changes in technology, industry standards or customer preferences, and the market may not demand or accept its services and product offerings. In addition, products and services developed by competitors may make the company's offerings less competitive.

THE COMPANY'S FUTURE RESULTS WILL DEPEND ON ITS ABILITY TO RETAIN SIGNIFICANT CLIENTS. The company has a number of significant long-term contracts with clients, including governmental entities, and its future success will depend, in part, on retaining its relationships with these clients. The company could lose clients for such reasons as contract expiration, conversion to a competing service provider, disputes with clients or a decision to in-source services, including for contracts with governmental entities as part of the rebid process. The company could also lose clients as a result of their merger, acquisition or business failure. The company may not be able to replace the revenue and earnings from any such lost client.

THE COMPANY'S FUTURE RESULTS WILL DEPEND IN PART ON ITS ABILITY TO GROW OUTSOURCING. The company's outsourcing contracts are multiyear engagements under which the company takes over management of a client's technology operations, business processes or networks. In a number of these arrangements, the company hires certain of its clients' employees and may become responsible for the related employee obligations, such as pension and severance commitments. In addition, system development activity on outsourcing contracts may require the company to make significant upfront investments. The company will need to have available sufficient financial resources in order to take on these obligations and make these investments.

Recoverability of outsourcing assets is dependent on various factors, including the timely completion and ultimate cost of the outsourcing solution, and realization of expected profitability of existing outsourcing contracts. These risks could result in an impairment of a portion of the associated assets, which are tested for recoverability quarterly.

As long-term relationships, outsourcing contracts provide a base of recurring revenue. However, outsourcing contracts are highly complex and can involve the design, development, implementation and operation of new solutions and the transitioning of clients from their existing business processes to the new environment. In the early phases of these contracts, gross margins may be lower than in later years when an integrated solution has been implemented, the duplicate costs of transitioning from the old to the new system have been eliminated and the work force and facilities have been rationalized for efficient operations. Future results will depend on the company's ability to effectively and timely complete these implementations, transitions and rationalizations.



## Edgar Filing: UNISYS CORP - Form 10-Q

FUTURE RESULTS WILL ALSO DEPEND IN PART ON THE COMPANY'S ABILITY TO DRIVE PROFITABLE GROWTH IN CONSULTING AND SYSTEMS INTEGRATION. The company's ability to grow profitably in this business will depend on the level of demand for systems integration projects and the portfolio of solutions the company offers for specific industries. It will also depend on an improvement in the utilization of services delivery personnel and on the company's ability to work through disruptions in this business related to the turnaround program. In addition, profit margins in this business are largely a function of the rates the company is able to charge for services and the chargeability of its professionals. If the company is unable to attain sufficient rates and chargeability for its professionals, profit margins will suffer. The rates the company is able to charge for services are affected by a number of factors, including clients' perception of the company's ability to add value through its services; introduction of new services or products by the company or its competitors; pricing policies of competitors; and general economic conditions. Chargeability is also affected by a number of factors, including the company's ability to transition employees from completed projects to new engagements, and its ability to forecast demand for services and thereby maintain an appropriate headcount.

27

FUTURE RESULTS WILL ALSO DEPEND, IN PART, ON MARKET DEMAND FOR THE COMPANY'S HIGH-END ENTERPRISE SERVERS AND MAINTENANCE ON THESE SERVERS. In the company's technology business, high-end enterprise servers and maintenance on these servers continue to experience secular revenue declines. The company continues to apply its resources to develop value-added software capabilities and optimized solutions for these server platforms which provide competitive differentiation. Future results will depend, in part, on customer acceptance of ClearPath systems and the company's ability to maintain its installed base for ClearPath and to develop next-generation ClearPath products that are purchased by the installed base. Future results of the technology business will also depend, in part, on the successful execution of the company's arrangements with NEC.

THE COMPANY'S CONTRACTS WITH U.S. GOVERNMENTAL AGENCIES MAY BE SUBJECT TO AUDITS, CRIMINAL PENALTIES, SANCTIONS AND OTHER EXPENSES AND FINES. The company frequently enters into contracts with governmental entities. U.S. government agencies, including the Defense Contract Audit Agency and the Department of Labor, routinely audit government contractors. These agencies review a contractor's performance under its contracts, cost structure and compliance with applicable laws, regulations and standards. The U.S. government also may review the adequacy of, and a contractor's compliance with contract terms and conditions, its systems and policies, including the contractor's purchasing, property, estimating, billing, accounting, compensation and management information systems. Any costs found to be overcharged or improperly allocated to a specific contract or any amounts improperly billed for products or services will be subject to reimbursement to the government. If an audit uncovers improper or illegal activities, the company may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines and suspension or prohibition from doing business with the U.S. government.

THE COMPANY'S CONTRACTS MAY NOT BE AS PROFITABLE AS EXPECTED OR PROVIDE THE EXPECTED LEVEL OF REVENUES. A number of the company's long-term contracts for infrastructure services, outsourcing, help desk and similar services do not provide for minimum transaction volumes. As a result, revenue levels are not guaranteed. In addition, some of these contracts may permit customer termination or may impose other penalties if the company does not meet the performance levels specified in the contracts.

## Edgar Filing: UNISYS CORP - Form 10-Q

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

Certain of the company's outsourcing agreements require that the company's prices be benchmarked and provide for a downward adjustment to those prices if the pricing for similar services in the market has changed. As a result, anticipated revenues from these contracts may decline.

Some of the company's systems integration contracts are fixed-price contracts under which the company assumes the risk for delivery of the contracted services and products at an agreed-upon fixed price. At times the company has experienced problems in performing some of these fixed-price contracts on a profitable basis and has provided periodically for adjustments to the estimated cost to complete them. Future results will depend on the company's ability to perform these services contracts profitably.

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

28

FUTURE RESULTS WILL DEPEND IN PART ON THE PERFORMANCE AND CAPABILITIES OF THIRD PARTIES. The company has commercial relationships with suppliers, channel partners and other parties that have complementary products, services or skills. Future results will depend, in part, on the performance and capabilities of these third parties, on the ability of external suppliers to deliver components at reasonable prices and in a timely manner, and on the financial condition of, and the company's relationship with, distributors and other indirect channel partners.

THE COMPANY IS SUBJECT TO THE RISKS OF DOING BUSINESS INTERNATIONALLY. More than half of the company's total revenue is derived from international operations. The risks of doing business internationally include foreign currency exchange rate fluctuations, changes in political or economic conditions, trade protection measures, import or export licensing requirements, multiple and possibly overlapping and conflicting tax laws, new tax legislation, weaker intellectual property protections in some jurisdictions and additional legal and regulatory compliance requirements applicable to businesses that operate internationally, including the Foreign Corrupt Practices Act and non-U.S. laws and regulations.

THE COMPANY COULD FACE BUSINESS AND FINANCIAL RISK IN IMPLEMENTING FUTURE DISPOSITIONS OR ACQUISITIONS. As part of the company's business strategy, it may from time to time consider disposing of existing technologies, products and businesses that may no longer be in alignment with its strategic direction, including transactions of a material size or acquiring complementary technologies, products and businesses. Potential risks with respect to

## Edgar Filing: UNISYS CORP - Form 10-Q

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

THE COMPANY'S SERVICES OR PRODUCTS MAY INFRINGE UPON THE INTELLECTUAL PROPERTY RIGHTS OF OTHERS. The company cannot be sure that its services and products do not infringe on the intellectual property rights of third parties, and it may have infringement claims asserted against it or against its clients. These claims could cost the company money, prevent it from offering some services or products, or damage its reputation.

PENDING LITIGATION COULD AFFECT THE COMPANY'S RESULTS OF OPERATIONS OR CASH FLOW. 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 and intellectual property. See note (k) of the Notes to Consolidated Financial Statements for more information on litigation. The company believes that it has valid defenses with respect to legal matters pending against it. Litigation is inherently unpredictable, however, and it is possible that the company's results of operations or cash flow could be affected in any particular period by the resolution of one or more of the legal matters pending against it.

29

### 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 Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

### 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 of June 30, 2009. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective for gathering, analyzing and disclosing the information the Company is required to disclose in the reports it files under the Securities Exchange

## Edgar Filing: UNISYS CORP - Form 10-Q

Act of 1934, within the time periods specified in the SEC's rules and forms. Such evaluation did not identify any change in the Company's internal control over financial reporting that occurred during the quarter ended June 30, 2009 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 (k) of the Notes to Consolidated Financial statements, and such information is incorporated herein by reference.

#### Item 1A. Risk Factors

See "Factors that may affect future results" in Management's Discussion and Analysis of Financial Condition and Results of Operations for a discussion of risk factors.

#### Item 4. Submission of Matters to a Vote of Security Holders

(a) The company's 2009 Annual Meeting of Stockholders (Annual Meeting) was held on May 28, 2009.

(b) The following matters were voted upon at the Annual Meeting and received the following votes:

(1) Election of Directors as follows:

J. Edward Coleman - 329,080,856 votes for; 9,124,285 votes withheld

Leslie F. Kenne - 325,081,867 votes for; 13,123,274 votes withheld

(2) Ratification of the selection of KPMG LLP as the company's independent registered public accounting firm for 2009 - 331,316,265 votes for; 4,976,954 votes against; 1,911,922 abstentions.

(3) Approval of an amendment to the company's Restated Certificate of Incorporation to (a) effect a reverse stock split of the company's common stock at a reverse split ratio of between 1-for-5 and 1-for-20, which ratio will be selected by the company's Board of Directors, and (b) decrease the number of authorized shares of common stock on a basis proportional to the reverse stock split approved by the Board of Directors - 300,929,407 votes for; 35,106,252 votes against; 2,169,482 abstentions.

#### Item 6. Exhibits

(a) Exhibits

See Exhibit Index

# Edgar Filing: UNISYS CORP - Form 10-Q

## 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: July 31, 2009

By: /s/ Janet Brutschea Haugen

-----  
Janet Brutschea Haugen  
Senior Vice President and  
Chief Financial Officer  
(Principal Financial Officer)

By: /s/ Scott Hurley

-----  
Scott Hurley  
Vice President and  
Corporate Controller  
(Chief Accounting Officer)

31

## EXHIBIT INDEX

Exhibit Number -----	Description -----
3.1	Restated Certificate of Incorporation of Unisys Corporation (incorporated by reference to Exhibit 3.1 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999)
3.2	Bylaws of Unisys Corporation, as amended through December 6, 2007 (incorporated by reference to Exhibit 3 to the registrant's Current Report on Form 8-K dated December 6, 2007)
12	Statement of Computation of Ratio of Earnings to Fixed Charges
31.1	Certification of J. Edward Coleman required by Rule 13a-14(a) or Rule 15d-14(a)
31.2	Certification of Janet Brutschea Haugen required by Rule 13a-14(a) or Rule 15d-14(a)
32.1	Certification of J. Edward Coleman required by Rule 13a-14(b) or Rule 15d-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
32.2	Certification of Janet Brutschea Haugen 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

