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CHUNGHWA TELECOM CO LTD

Form 6-K

August 12, 2004

1934 Act Registration No. 1-31731

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

Dated AUG 11, 2004

Chunghwa Telecom Co., Ltd.
(Translation of Registrant's Name into English)

21-3 Hsinyi Road Sec. 1,
Taipei, Taiwan, 100 R.O.C.
(Address of Principal Executive Office)

(Indicate by check mark whether the registrant files or will file
annual reports under cover of form 20-F or Form 40-F.)

Form 20-F

Form 40-F

(Indicate by check mark whether the registrant by furnishing the
information contained in this form is also thereby furnishing the information to
the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of
1934.)

Yes

No

(If "Yes" is marked, indicated below the file number assigned to the
registrant in connection with Rule 12g3-2(b): Not applicable)

SIGNATURE

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

Date: 2004/08/11

Chunghwa Telecom Co., Ltd.

By: /s/ Hank H. C. Wang

Name: Hank H. C. Wang
Title: Senior Managing Director
Finance Department

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Exhibit

Exhibit -----	Description -----
1	Announcement on 2004/07/12: Chunghwa Telecom announced revenue growth for June 2004.
2	Announcement on 2004/08/09: To announce the foreign ownership limit of Chunghwa Telecom Co., Ltd.
3	Announcement on 2004/08/10: Outstanding performance of Chunghwa Telecom in July 2004.
4	Announcement on 2004/08/10: July 2004 sales

EXHIBIT 1

Chunghwa Telecom announced revenue growth for June 2004.

Date of events: 2004/07/12

Contents:

1. Date of occurrence of the event: 2004/07/12
2. Cause of occurrence: Chunghwa announced its revenue for June 2004 to be NT\$15.32 billion, 1.5% growth comparing with last year, while the accumulated for the first half representing 3.2% growth. The internal figure of the net income for June was about NT\$4.8 billion, and the accumulated was about NT\$26.3 billion. The EPS after tax for the first half was about NT\$2.73, which accomplished 63% of the company's forecast. Besides, ADSL subscribers number reached 2.72 million, among which 1.23 million subscribe for 2 Mbps.
3. Countermeasures: none
4. Any other matters that need to be specified: none

EXHIBIT 2

To announce the foreign ownership limit of Chunghwa Telecom Co., Ltd.

Date of events: 2004/08/09

Contents:

1. Date of occurrence of the event: 2004/08/09
2. Cause of occurrence: Regarding the percentage of direct and indirect shareholding by foreigners in Chunghwa Telecom as promulgated in Article 12.6 of the Telecommunications Act is now announced by the MOTC to be revised from 20% to 35%.
3. Countermeasures: None
4. Any other matters that need to be specified: None

EXHIBIT 3

Outstanding performance of Chunghwa Telecom in July 2004.

Date of events: 2004/08/10

Contents:

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1. Date of occurrence of the event: 2004/08/10
2. Cause of occurrence: Revenue of Chunghwa Telecom in July was NT\$15.2 billion, representing a 2% growth compared with July last year. The accumulated revenue for the first seven months of this year accounted for a 3% growth compared with the same period last year. Internal figures showed that the net income of July was NT\$4.5 billion and that for the first seven months was NT\$30.8 billion. Accumulated EPS after tax was NT\$3.2. In addition, the ADSL customers number is up to 2.79 million, among which 1.33 million are 2Mbps subscribers.
3. Countermeasures: None.
4. Any other matters that need to be specified: None.

EXHIBIT 4

Chunghwa Telecom

July 11, 2004

This is to report the changes or status of 1) Sales volume 2) Funds lent to other parties 3) Endorsements and guarantees 4) Financial derivative transactions for the period of July 2004

1) Sales volume (NT\$ Thousand)

Period	Items	2004	2003	Changes	%
July	Invoice amount	17,792,517	17,189,215	603,302	3.51%
Jan-July	Invoice amount	122,496,395	120,577,280	1,919,115	1.59%
July	Net sales	15,193,205	14,893,863	299,342	2.01%
Jan-July	Net sales	106,010,106	102,888,321	3,121,785	3.03%

b Trading purpose: None

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(39.3
)

(2.0
)
Changes in estimates

(8.0
)

0.1

(8.8
)

0.7

Translation adjustments

(4.0
)

—

(3.9
)

(0.1
)

Balance at December 31, 2018

\$
89.1

\$
6.1

\$
80.1

\$
2.9

Expected future payments on balance at December 31, 2018:

In 2019

\$
75.8

\$
5.6

\$
68.8

\$
1.4

Beyond 2019

13.3

0.5

11.3

1.5

Note 4 — Rental expense and commitments

Rental expense and income from subleases for the three years ended December 31, 2018 were as follows:

Year ended December 31,	2018	2017	2016
Rental expense, less income from subleases	\$67.4	\$71.7	\$77.4
Income from subleases	\$3.1	\$4.4	\$7.8

Minimum net rental commitments under noncancelable operating leases, including idle leases, outstanding at December 31, 2018, substantially all of which relate to real properties, were as follows:

Year	
2019	\$48.5
2020	42.1
2021	30.0
2022	20.8
2023	14.3
Thereafter	24.4
Total	\$180.1

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

At December 31, 2018, the company had outstanding standby letters of credit and surety bonds totaling approximately \$272 million related to performance and payment guarantees. On the basis of experience with these arrangements, the

company believes that any obligations that may arise will not be material. In addition, at December 31, 2018, the company had deposits and collateral of approximately \$15 million in other long-term assets, principally related to tax contingencies in Brazil.

Note 5 — Foreign currency

Effective July 1, 2018, the company's Argentinian subsidiary began to apply highly inflationary accounting due to cumulative inflation of approximately 100 percent or more over the last 3-year period. For those international subsidiaries operating in highly inflationary economies, the U.S. dollar is the functional currency, and as such, nonmonetary assets and liabilities are translated at historical exchange rates, and monetary assets and liabilities are translated at current exchange rates. Exchange gains and losses arising from translation are included in other income (expense), net. The impact of applying highly inflationary accounting in the third quarter of 2018 was immaterial. At December 31, 2018, the company's operations in Argentina had net monetary assets denominated in local currency of approximately \$5.1 million.

During the years ended December 31, 2018, 2017 and 2016, the company recognized foreign exchange gains (losses) in "Other income (expense), net" in its consolidated statements of income of \$(5.9) million, \$(9.9) million and \$2.3 million, respectively. The year ended December 31, 2017 also includes \$11.8 million of net foreign currency losses related to exiting foreign countries in connection with the company's restructuring plan.

Note 6 — Income taxes

Following is the total income (loss) before income taxes and the provision for income taxes for the three years ended December 31, 2018.

Year ended December 31,	2018	2017	2016
Income (loss) before income taxes			
United States	\$(53.6)	\$(152.7)	\$(88.3)
Foreign	196.8	80.6	108.8
Total income (loss) before income taxes	\$143.2	\$(72.1)	\$20.5
Provision for income taxes			
Current			
United States	\$4.7	\$(42.8)	\$6.7
Foreign	51.4	33.9	47.7
Total	56.1	(8.9)	54.4
Deferred			
Foreign	8.2	3.4	2.8
Total provision (benefit) for income taxes	\$64.3	\$(5.5)	\$57.2

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

Year ended December 31,	2018	2017	2016
United States statutory income tax provision (benefit)	\$30.1	\$(25.2)	\$7.2
Income and losses for which no provision or benefit has been recognized	22.2	70.3	65.5
Foreign rate differential and other foreign tax expense	9.5	(11.3)	(21.1)
Income tax withholdings	19.3	16.8	22.8
Permanent items	(5.0)	(3.0)	(4.7)
Enacted rate changes	(2.3)	(0.4)	3.5
Change in uncertain tax positions	(1.2)	2.3	0.4
Change in valuation allowances due to changes in judgment	(5.9)	(4.6)	(16.4)
Income tax credits, U.S.	(2.4)	(50.4)	—
Provision (benefit) for income taxes	\$64.3	\$(5.5)	\$57.2

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

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

The 2018 and 2016 provisions for income taxes included \$(2.2) million and \$3.5 million due to reductions in the Netherlands and U.K. income tax rates, respectively. The Netherlands rate reduction was enacted in the fourth quarter of 2018 and reduced the rate from 25% to 20.5% effective January 1, 2021. The U.K. rate reduction was enacted in the third quarter of 2016 and reduced the rate from 18% to 17% effective April 1, 2020.

The tax effects of temporary differences and carryforwards that give rise to significant portions of deferred tax assets and liabilities at December 31, 2018 and 2017 were as follows:

As of December 31,	2018	2017
Deferred tax assets		
Tax loss carryforwards	\$860.0	\$837.6
Postretirement benefits	440.3	437.7
Foreign tax credit carryforwards	221.6	127.0
Other tax credit carryforwards	29.8	29.1
Deferred revenue	37.1	40.9
Employee benefits and compensation	31.1	35.2
Purchased capitalized software	22.9	22.2
Depreciation	20.1	24.5
Warranty, bad debts and other reserves	4.8	5.3
Capitalized costs	5.1	3.1
Other	30.4	39.3
	1,703.2	1,601.9
Valuation allowance	(1,547.5)	(1,441.1)
Total deferred tax assets	\$155.7	\$160.8
Deferred tax liabilities		
Capitalized research and development	\$36.1	\$24.3
Other	30.2	25.8
Total deferred tax liabilities	\$66.3	\$50.1
Net deferred tax assets	\$89.4	\$110.7

2017 includes a remeasurement of U.S. deferred tax balances as the TCJA reduced the U.S. federal income tax rate from 35% to 21% effective January 1, 2018, with no net financial statement impact due to the valuation allowance recorded against all U.S. deferred tax assets.

At December 31, 2018, the company has tax effected tax loss carryforwards as follows:

As of December 31,	2018
U.S. Federal	\$349.6
State and local	257.5
Foreign	252.9
Total tax loss carryforwards	\$860.0

These carryforwards will expire as follows:

Year	
2019	\$7.7
2020	25.9
2021	14.1
2022	15.1
2023	14.3
Thereafter	782.9
Total	\$860.0

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

Year	
2019	\$11.8
2020	24.5
2021	41.9
2022	38.1
2023	27.0
Thereafter	108.1
Total	\$251.4

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

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

With this change in U.S. taxation of earnings of foreign subsidiaries under the TCJA, future distributions of earnings from foreign subsidiaries will generally be exempt from U.S. taxation. Consequently, the deferred income tax liability on undistributed earnings is generally limited to any foreign withholding or other foreign taxes that will be imposed on such distributions. As the company currently intends to indefinitely reinvest the earnings of certain foreign subsidiaries, no provision has been made for income taxes that may become payable upon distribution of the earnings of such subsidiaries. The unrecognized deferred income tax liability at December 31, 2018 approximated \$25.3 million.

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

Cash paid for income taxes, net of refunds, for the three years ended December 31, 2018, was as follows:

Year ended December 31,	2018	2017	2016
Cash paid for income taxes, net of refunds	\$39.1	\$34.3	\$46.4

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

Year ended December 31,	2018	2017	2016
Balance at January 1	\$27.9	\$35.8	\$27.7
Additions based on tax positions related to the current year	2.6	4.2	2.7
Changes for tax positions of prior years	(6.1)	(11.2)	12.0
Reductions as a result of a lapse of applicable statute of limitations	(2.4)	(2.7)	(2.8)
Settlements	(1.5)	(0.2)	(0.1)
Changes due to foreign currency	(1.6)	2.0	(3.7)
Balance at December 31	\$18.9	\$27.9	\$35.8

The company recognizes penalties and interest accrued related to income tax liabilities in the provision for income taxes in its consolidated statements of income. At December 31, 2018 and 2017, the company had an accrual of \$2.6 million and \$2.3 million, respectively, for the payment of penalties and interest.

At December 31, 2018, all of the company's liability for unrecognized tax benefits, if recognized, would affect the company's effective tax rate. Within the next 12 months, the company believes that it is reasonably possible that the amount of unrecognized tax benefits may significantly change; however, various events could cause this belief to change in the future.

The company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. Several U.S. state and foreign income tax audits are in process. The company is under an audit in India, for which years prior to 2007 are closed. For the most significant jurisdictions outside the U.S., the audit periods

through 2013 are closed

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for Brazil, and the audit periods through 2014 are closed for the United Kingdom. All of the various ongoing income tax audits throughout the world are not expected to have a material impact on the company's financial position. Internal Revenue Code Sections 382 and 383 provide annual limitations with respect to the ability of a corporation to utilize its net operating loss (as well as certain built-in losses) and tax credit carryforwards, respectively ("Tax Attributes"), against future U.S. taxable income, if the corporation experiences an "ownership change." In general terms, an ownership change may result from transactions increasing the ownership of certain stockholders in the stock of a corporation by more than 50 percentage points over a three-year period. The company regularly monitors ownership changes (as calculated for purposes of Section 382). The company has determined that, for purposes of the rules of Section 382 described above, an ownership change occurred in February 2011. Any future transaction or transactions and the timing of such transaction or transactions could trigger additional ownership changes under Section 382. As a result of the February 2011 ownership change, utilization for certain of the company's Tax Attributes, U.S. net operating losses and tax credits, is subject to an overall annual limitation of \$70.6 million. The cumulative limitation as of December 31, 2018 is approximately \$454.9 million. This limitation will be applied first to any recognized built in losses, then to any net operating losses, and then to any other Tax Attributes. Any unused limitation may be carried over to later years. Based on presently available information and the existence of tax planning strategies, the company does not expect to incur a U.S. cash tax liability in the near term. The company maintains a full valuation allowance against the realization of all U.S. deferred tax assets as well as certain foreign deferred tax assets in excess of deferred tax liabilities.

Note 7 — Earnings per common share

The following table shows how earnings (loss) per common share attributable to Unisys Corporation was computed for the three years ended December 31, 2018 (shares in thousands).

Year ended December 31,	2018	2017	2016
Basic earnings (loss) per common share computation:			
Net income (loss) attributable to Unisys Corporation common shareholders	\$ 75.5	\$(65.3)	\$(47.7)
Weighted average shares	50,946	50,409	50,060
Basic earnings (loss) per common share	\$ 1.48	\$(1.30)	\$(0.95)
Diluted earnings (loss) per common share computation:			
Net income (loss) attributable to Unisys Corporation common shareholders	\$ 75.5	\$(65.3)	\$(47.7)
Add interest expense on convertible senior notes, net of tax of zero	19.6	—	—
Net income (loss) attributable to Unisys Corporation for diluted earnings per share	\$ 95.1	\$(65.3)	\$(47.7)
Weighted average shares	50,946	50,409	50,060
Plus incremental shares from assumed conversions:			
Employee stock plans	541	—	—
Convertible senior notes	21,868	—	—
Adjusted weighted average shares	73,355	50,409	50,060
Diluted earnings (loss) per common share	\$ 1.30	\$(1.30)	\$(0.95)
Anti-dilutive weighted-average stock options and restricted stock units ⁽ⁱ⁾	1,226	2,206	3,553
Anti-dilutive weighted-average common shares issuable upon conversion of the 5.50% convertible senior notes ⁽ⁱ⁾	—	21,868	17,230

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

Note 8 — Accounts receivable

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

financial position. The collection policies and procedures of the company vary by credit class and prior payment history of customers.

Revenue recognized in excess of billings on services contracts, or unbilled accounts receivable, was \$94.4 million and \$109.4 million at December 31, 2018 and 2017, respectively.

As of December 31, 2018, receivables under sales-type leases before the allowance for unearned income were collectible as follows:

Year	
2019	\$36.2
2020	15.2
2021	10.7
2022	10.1
2023	10.2
Thereafter	8.6
Total	\$91.0

Unearned income, which is deducted from accounts receivable, was \$8.4 million and \$12.5 million at December 31, 2018 and 2017, respectively. The allowance for doubtful accounts, which is reported as a deduction from accounts receivable, was \$13.7 million and \$22.0 million at December 31, 2018 and 2017, respectively. The provision for doubtful accounts, which is reported in selling, general and administrative expenses in the consolidated statements of income, was (income) expense of \$(5.1) million, \$3.1 million and \$2.2 million, in 2018, 2017 and 2016, respectively. Note 9 — Financial instruments and concentration of credit risks

Due to its foreign operations, the company is exposed to the effects of foreign currency exchange rate fluctuations on the U.S. dollar, principally related to intercompany account balances. The company uses derivative financial instruments to reduce its exposure to market risks from changes in foreign currency exchange rates on such balances. The company enters into foreign exchange forward contracts, generally having maturities of three months or less, which have not been designated as hedging instruments. At December 31, 2018 and 2017, the notional amount of these contracts was \$384.7 million and \$514.0 million, respectively. The fair value of these forward contracts is based on quoted prices for similar but not identical financial instruments; as such, the inputs are considered Level 2 inputs. The following table summarizes the fair value of the company's foreign exchange forward contracts as of December 31, 2018 and 2017.

As of December 31,	2018	2017
Balance Sheet Location		
Prepaid expenses and other current assets	\$ 3.4	\$ 4.9
Other accrued liabilities	0.3	1.6
Total fair value	\$3.1	\$3.3

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

for the three years ended December 31, 2018.

Year Ended December 31,	2018	2017	2016
Statement of Income Location			
Other income (expense), net	\$(14.2)	\$27.5	\$(29.1)

Financial instruments also include temporary cash investments and customer accounts receivable. Temporary investments are placed with creditworthy financial institutions, primarily in money market funds, time deposits and certificate of deposits which may be withdrawn at any time at the discretion of the company without penalty. At December 31, 2018 and 2017, the company's cash equivalents principally have maturities of less than one month or can be withdrawn at any time at the discretion of the company without penalty. Due to the short maturities of these instruments, they are carried on the consolidated balance sheets at cost plus accrued interest, which approximates market value. Receivables are due from a large number of customers that are dispersed worldwide across many industries. At December 31, 2018 and 2017, the company had no significant concentrations of credit risk with any one customer. At December 31, 2018 and 2017, the company had \$85.8 million and \$75.8 million, respectively, of receivables due from various U.S. federal governmental agencies. At December 31, 2018 and 2017, the carrying amount of cash and cash equivalents approximated fair value.

Note 10 — Properties

Properties comprise the following:

As of December 31,	2018	2017
Land	\$2.3	\$2.8
Buildings	63.5	91.3
Machinery and office equipment	530.0	601.7
Internal-use software	164.7	157.4
Rental equipment	39.7	45.6
Total properties	\$800.2	\$898.8

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

Note 11 — Goodwill

During the fourth quarter of 2018, the company performed its annual impairment test of goodwill for all of our reporting units. The fair values of each of the reporting units exceeded their carrying values; therefore, no goodwill impairment was required.

At December 31, 2018, the amount of goodwill allocated to reporting units with negative net assets was as follows: Business Process Outsourcing Services, \$10.4.

Changes in the carrying amount of goodwill by segment for the years ended December 31, 2018 and 2017 were as follows:

	Total	Services	Technology
Balance at December 31, 2016	\$178.6	\$ 69.9	\$ 108.7
Translation adjustments	2.2	2.2	—
Balance at December 31, 2017	180.8	72.1	108.7
Translation adjustments	(3.0)	(3.0)	—
Balance at December 31, 2018	\$177.8	\$ 69.1	\$ 108.7

Note 12 — Debt

Long-term debt is comprised of the following:

As of December 31,	2018	2017
10.75% senior secured notes due April 15, 2022 (\$440.0 million face value less unamortized discount and fees of \$8.0 million and \$10.4 million at December 31, 2018 and 2017, respectively)	\$432.0	\$429.6
5.50% convertible senior notes due March 1, 2021 (\$213.5 million face value less unamortized discount and fees of \$19.3 million and \$27.2 million at December 31, 2018 and 2017, respectively)	194.2	186.3
Capital leases	5.8	7.5
Other debt	20.8	21.3
Total	652.8	644.7
Less – current maturities	10.0	10.8
Total long-term debt	\$642.8	\$633.9

Long-term debt is carried at amortized cost and its estimated fair value is based on market prices classified as Level 2 in the fair value hierarchy. Presented below are the estimated fair values of long-term debt as of December 31, 2018 and 2017.

As of December 31,	2018	2017
10.75% senior secured notes due April 15, 2022	\$486.8	\$492.8
5.50% convertible senior notes due March 1, 2021	298.5	237.9

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

Year	Total	Long-Term Debt	Capital Leases
2019	\$10.0	\$ 8.4	\$ 1.6
2020	2.5	0.9	1.6
2021	197.5	195.9	1.6
2022	434.8	433.8	1.0
2023	1.8	1.8	—
Thereafter	6.2	6.2	—
Total	\$652.8	\$ 647.0	\$ 5.8

Cash paid for interest and capitalized interest expense during the three years ended December 31, 2018 was as follows:

Year ended December 31,	2018	2017	2016
Cash paid for interest	\$59.5	\$39.9	\$22.1
Capitalized interest expense	\$6.0	\$4.2	\$3.0

Senior Secured Notes

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

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

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

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

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

The indenture also includes a covenant requiring that the company maintain a Collateral Coverage Ratio of not less than 1.50:1.00 (the “Required Collateral Coverage Ratio”) as of any test date. The Collateral Coverage Ratio is based on

the ratio of (A) Grantor unrestricted cash and cash equivalents plus 4.75 multiplied by of the greater of (x) Grantor EBITDA for the most recently ended four fiscal quarters and (y) (i) the average quarterly Grantor EBITDA for the most recently ended seven fiscal quarters, multiplied by (ii) four, to (B) secured indebtedness of the Grantors. The Collateral Coverage Ratio is tested quarterly.

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

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

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

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

Year ended December 31,	2018	2017	2016
Contractual interest coupon	\$47.3	\$33.2	\$ —
Amortization of debt issuance costs	2.4	1.7	—
Total	\$49.7	\$34.9	\$ —

Convertible Senior Notes

In 2016, the company issued \$213.5 million aggregate principal amount of Convertible Senior Notes due 2021 (the “2021 Notes”). The 2021 Notes, which are senior unsecured obligations, bear interest at a coupon rate of 5.50% (or 9.5% effective interest rate) per year until maturity, payable semiannually in arrears on March 1 and September 1 of each year. The 2021 Notes are not redeemable prior to maturity and are convertible into shares of the company’s common stock. The conversion rate for the 2021 Notes is 102.4249 shares of the company’s common stock per \$1,000 principal amount of the 2021 Notes (or a total amount of 21,867,716 shares), which is equivalent to an initial conversion price of approximately \$9.76 per share of the company’s common stock. Upon any conversion, the company will settle its conversion obligation in cash, shares of its common stock, or a combination of cash and shares of its common stock, at its election.

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

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

Year ended December 31,	2018	2017	2016
Contractual interest coupon	\$11.8	\$11.8	\$9.2
Amortization of debt discount	6.6	6.0	4.3
Amortization of debt issuance costs	1.2	1.2	1.0
Total	\$19.6	\$19.0	\$14.5

Revolving Credit Facility

The company has a secured revolving credit facility (the “Credit Agreement”) that provides for loans and letters of credit. During the second quarter of 2018, the maximum amount available under the facility was increased from \$125.0 million to \$145.0 million (with a limit on letters of credit of \$30.0 million). The accordion feature contained in the Credit Agreement that permitted this increase allows for an increase in the amount of the facility up to \$150.0 million. Availability under the credit facility is subject to a borrowing base calculated by reference to the company’s receivables. At December 31, 2018, the company had no borrowings and \$6.5 million of letters of credit outstanding, and availability under the facility was \$138.5 million net of letters of credit issued. The Credit Agreement expires October 5, 2022, subject to a springing maturity (i) on the date that is 91 days prior to the maturity date of the 2021

Notes unless, on such date, certain conditions are met; or (ii) on the date that is 60 days prior to the maturity date of the 2022 Notes unless, by such date, such secured notes have not been redeemed or refinanced.

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

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

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

At December 31, 2018, the company has met all covenants and conditions under its various lending agreements. The company expects to continue to meet these covenants and conditions.

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

The company's anticipated future cash expenditures include anticipated contributions to its defined benefit pension plans. The company believes that it has adequate sources of liquidity to meet its expected 2019 cash requirements.

Note 13 — Other accrued liabilities

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

As of December 31,	2018	2017
Payrolls and commissions	\$ 108.1	\$ 120.2
Cost-reduction	75.8	87.7
Accrued vacations	41.2	42.8
Income taxes	32.3	26.0
Taxes other than income taxes	31.2	29.1
Postretirement	14.8	18.5
Accrued interest	13.8	13.8
Other	32.8	53.4
Total other accrued liabilities	\$ 350.0	\$ 391.5

Note 14 — Employee plans

Stock plans Under stockholder approved stock-based plans, stock options, stock appreciation rights, restricted stock and restricted stock units may be granted to officers, directors and other key employees. At December 31, 2018, 2.4 million shares of unissued common stock of the company were available for granting under these plans.

As of December 31, 2018, the company has granted non-qualified stock options and restricted stock units under these plans. The company recognizes compensation cost, net of a forfeiture rate, in selling, general and administrative expenses, and recognizes the compensation cost for only those awards expected to vest. The company estimates the forfeiture rate based on its historical experience and its expectations about future forfeitures.

During the years ended December 31, 2018, 2017 and 2016, the company recognized \$13.2 million, \$11.2 million and \$9.5 million of share-based compensation expense, which is comprised of \$13.1 million, \$10.1 million and \$7.5 million of restricted stock unit expense and \$0.1 million, \$1.1 million and \$2.0 million of stock option expense, respectively.

There were no grants of stock option awards for the years ended December 31, 2018 and 2017. In 2016, the company granted 11 thousand stock option awards. The weighted-average fair value of the grant, which was estimated using the Black-Scholes option pricing model was \$4.53. As of December 31, 2018, 1.1 million stock option awards with a weighted-average exercise price of \$27.90 are outstanding.

Restricted stock unit awards may contain time-based units, performance-based units, total shareholder return market-based units, or a combination of these units. Each performance-based and market-based unit will vest into zero to two shares depending on the degree to which the performance or market conditions are met. Compensation expense for performance-based awards is recognized as expense ratably for each installment from the date of grant until the date the restrictions lapse and is based on the fair market value at the date of grant and the probability of achievement of the specific performance-related goals. Compensation expense for market-based awards is recognized as expense

ratably over the measurement period, regardless of the actual level of achievement, provided the service requirement is met. Time-based restricted stock unit grants for the company's directors vest upon award and compensation expense for such awards is recognized upon grant.

A summary of restricted stock unit activity for the year ended December 31, 2018 follows (shares in thousands):

	Restricted Stock Units	Weighted-Average Grant-Date Fair Value
Outstanding at December 31, 2017	1,688	\$ 13.39
Granted	1,449	12.53
Vested	(778)	13.43
Forfeited and expired	(208)	12.53
Outstanding at December 31, 2018	2,151	12.90

The aggregate weighted-average grant-date fair value of restricted stock units granted during the years ended December 31, 2018, 2017 and 2016 was \$17.9 million, \$14.4 million and \$12.9 million, respectively. The fair value of restricted stock units with time and performance conditions is determined based on the trading price of the company's common shares on the date of grant. The fair value of awards with market conditions is estimated using a Monte Carlo simulation with the following weighted-average assumptions.

Year Ended December 31,	2018
Weighted-average fair value of grant	\$15.20
Risk-free interest rate ⁽ⁱ⁾	2.26 %
Expected volatility ⁽ⁱⁱ⁾	52.97 %
Expected life of restricted stock units in years ⁽ⁱⁱⁱ⁾	2.88
Expected dividend yield	—

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

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

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

As of December 31, 2018, there was \$12.2 million of total unrecognized compensation cost related to outstanding restricted stock units granted under the company's plans. That cost is expected to be recognized over a weighted-average period of 1.9 years. The aggregate weighted-average grant-date fair value of restricted stock units vested during the years ended December 31, 2018, 2017 and 2016 was \$10.4 million, \$7.4 million and \$3.5 million, respectively.

Common stock issued upon exercise of stock options or upon lapse of restrictions on restricted stock units are newly issued shares. During 2018 and 2017, the company did not recognize any tax benefits from the exercise of stock options or upon issuance of stock upon lapse of restrictions on restricted stock units because of its tax position. Any such tax benefits resulting from tax deductions in excess of the compensation costs recognized are classified as operating cash flows.

Defined contribution and compensation plans U.S. employees are eligible to participate in an employee savings plan. Under this plan, employees may contribute a percentage of their pay for investment in various investment alternatives. The company matches 50 percent of the first 6 percent of eligible pay contributed by participants to the plan on a before-tax basis (subject to IRS limits). The company funds the match with cash. The charge to income related to the company match for the years ended December 31, 2018, 2017 and 2016, was \$11.1 million, \$10.8 million and \$10.7 million, respectively.

The company has defined contribution plans in certain locations outside the United States. The charge to income related to these plans was \$21.3 million, \$18.5 million and \$19.0 million, for the years ended December 31, 2018, 2017 and 2016, respectively.

The company has non-qualified compensation plans, which allow certain highly compensated employees and directors to defer the receipt of a portion of their salary, bonus and fees. Participants can earn a return on their deferred balance that is based on hypothetical investments in various investment vehicles. Changes in the market value of these investments are reflected as an adjustment to the liability with an offset to expense. As of December 31, 2018 and 2017, the liability to the participants of these plans was \$11.6 million and \$13.4 million, respectively. These amounts reflect the accumulated participant deferrals and earnings thereon as of that date. The company makes no

contributions to the deferred compensation plans and remains contingently liable to the participants.
Retirement benefits For the company's more significant defined benefit pension plans, including the U.S., U.K. and the Netherlands, accrual of future benefits under the plans has ceased.

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

Retirement plans' funded status and amounts recognized in the company's consolidated balance sheets at December 31, 2018 and 2017 follows:

	U.S. Plans		International Plans	
	2018	2017	2018	2017
As of December 31,				
Change in projected benefit obligation				
Benefit obligation at beginning of year	\$5,001.6	\$4,972.0	\$3,189.7	\$3,076.2
Service cost	—	—	3.2	5.1
Interest cost	186.6	211.3	67.3	72.8
Plan participants' contributions	—	—	1.5	1.9
Plan amendment	—	—	20.6	(52.5)
Plan curtailment	—	—	—	(2.2)
Plan settlement	—	—	(16.4)	—
Actuarial loss (gain)	(270.7)	177.0	(169.5)	(93.8)
Benefits paid	(359.5)	(358.7)	(108.7)	(117.1)
Foreign currency translation adjustments	—	—	(158.2)	299.3
Benefit obligation at end of year	\$4,558.0	\$5,001.6	\$2,829.5	\$3,189.7
Change in plan assets				
Fair value of plan assets at beginning of year	\$3,578.4	\$3,452.1	\$2,833.9	\$2,429.7
Actual return on plan assets	(193.3)	424.0	(75.4)	172.3
Employer contribution	87.2	61.0	42.5	77.4
Plan participants' contributions	—	—	1.5	1.9
Plan settlement	—	—	(16.4)	—
Benefits paid	(359.5)	(358.7)	(108.7)	(117.1)
Foreign currency translation and other adjustments	—	—	(138.0)	269.7
Fair value of plan assets at end of year	\$3,112.8	\$3,578.4	\$2,539.4	\$2,833.9
Funded status at end of year	\$(1,445.2)	\$(1,423.2)	\$(290.1)	\$(355.8)
Amounts recognized in the consolidated balance sheets consist of:				
Prepaid postretirement assets	\$—	\$—	\$146.4	\$147.4
Other accrued liabilities	(6.7)	(6.8)	(0.1)	(0.2)
Long-term postretirement liabilities	(1,438.5)	(1,416.4)	(436.4)	(503.0)
Total funded status	\$(1,445.2)	\$(1,423.2)	\$(290.1)	\$(355.8)
Accumulated other comprehensive loss, net of tax				
Net loss	\$2,718.6	\$2,960.6	\$988.0	\$1,067.8
Prior service credit	\$(37.3)	\$(39.8)	\$(46.8)	\$(69.8)
Accumulated benefit obligation	\$4,558.0	\$5,001.6	\$2,828.2	\$3,188.0
Information for defined benefit retirement plans with an accumulated benefit obligation in excess of plan assets at December 31, 2018 and 2017 follows:				
As of December 31,	2018	2017		
Accumulated benefit obligation	\$6,433.6	\$7,151.7		
Fair value of plan assets	\$4,553.2	\$5,227.0		

Information for defined benefit retirement plans with a projected benefit obligation in excess of plan assets at December 31, 2018 and 2017 follows:

As of December 31,	2018	2017
Projected benefit obligation	\$6,434.9	\$7,153.4
Fair value of plan assets	\$4,553.2	\$5,227.0

Net periodic pension cost (income) for 2018, 2017 and 2016 includes the following components:

Year ended December 31,	U.S. Plans			International Plans		
	2018	2017	2016	2018	2017	2016
Service cost ⁽ⁱ⁾	\$—	\$—	\$—	\$3.2	\$5.1	\$7.4
Interest cost	186.6	211.3	231.3	67.3	72.8	87.8
Expected return on plan assets	(230.6)	(235.2)	(253.1)	(114.4)	(127.5)	(139.5)
Amortization of prior service credit	(2.5)	(2.5)	(2.5)	(3.7)	(2.4)	(3.0)
Recognized net actuarial loss	125.1	126.4	116.0	42.3	49.8	40.3
Curtailement gain	—	—	—	—	(5.4)	(2.0)
Settlement loss	—	—	—	6.4	—	—
Net periodic pension cost (income)	\$78.6	\$100.0	\$91.7	\$1.1	\$(7.6)	\$(9.0)

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

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

Year ended December 31,	U.S. Plans			International Plans		
	2018	2017	2016	2018	2017	2016
Discount rate	3.87 %	4.38 %	4.56 %	2.24 %	2.34 %	3.30 %
Expected long-term rate of return on assets	6.80 %	6.80 %	6.80 %	4.38 %	5.30 %	5.99 %

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

Discount rate	4.50 %	3.87 %	4.38 %	2.55 %	2.24 %	2.34 %
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The company's investment policy targets and ranges for each asset category are as follows:

Asset Category	U.S.		International	
	Target	Range	Target	Range
Equity securities	42 %	36-48%	22 %	16-28%
Debt securities	38 %	35-41%	62 %	55-68%
Real estate	0 %	0%	1 %	0-3%
Cash	0 %	0-5%	1 %	0-5%
Other	20 %	10-30%	14 %	7-21%

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

The objectives of the company's investment strategies are as follows: (a) to provide a total return that, over the long term, increases the ratio of plan assets to liabilities by maximizing investment return on assets, at a level of risk deemed appropriate, (b) to maximize return on assets by investing primarily in equity securities in the U.S. and for international plans by investing in appropriate asset classes, subject to the constraints of each plan design and local regulations, (c) to diversify investments

within asset classes to reduce the impact of losses in single investments, and (d) for the U.S. plan to invest in compliance with the Employee Retirement Income Security Act of 1974 (“ERISA”), as amended and any subsequent applicable regulations and laws, and for international plans to invest in a prudent manner in compliance with local applicable regulations and laws.

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

In 2019, the company expects to make cash contributions of \$105.6 million to its worldwide defined benefit pension plans, which are comprised of \$38.4 million primarily for international defined benefit pension plans and \$67.2 million for the company’s U.S. qualified defined benefit pension plans.

As of December 31, 2018, the following benefit payments are expected to be paid from the defined benefit pension plans:

Year ending December 31,	U.S.	International
2019	\$362.2	\$ 97.8
2020	359.4	101.2
2021	357.1	104.2
2022	354.4	112.2
2023	350.9	118.2
2024 - 2028	1,652.1	627.4

Other postretirement benefits A reconciliation of the benefit obligation, fair value of the plan assets and the funded status of the postretirement benefit plans at December 31, 2018 and 2017, follows:

As of December 31,	2018	2017
Change in accumulated benefit obligation		
Benefit obligation at beginning of year	\$103.2	\$120.1
Service cost	0.6	0.5
Interest cost	4.8	5.6
Plan participants’ contributions	3.1	3.5
Amendments	—	(7.4)
Actuarial gain	(4.2)	(4.3)
Federal drug subsidy	0.2	0.3
Benefits paid	(11.5)	(15.7)
Foreign currency translation and other adjustments	—	0.6
Benefit obligation at end of year	\$96.2	\$103.2
Change in plan assets		
Fair value of plan assets at beginning of year	\$7.6	\$7.9
Actual return on plan assets	(0.4)	(0.3)
Employer contributions	9.0	12.2
Plan participants’ contributions	3.1	3.5
Benefits paid	(11.5)	(15.7)
Fair value of plan assets at end of year	\$7.8	\$7.6
Funded status at end of year	\$(88.4)	\$(95.6)
Amounts recognized in the consolidated balance sheets consist of:		
Prepaid postretirement assets	\$1.2	\$0.9
Other accrued liabilities	(8.0)	(11.5)
Long-term postretirement liabilities	(81.6)	(85.0)
Total funded status	\$(88.4)	\$(95.6)
Accumulated other comprehensive loss, net of tax		

Net loss	\$10.5	\$14.9
Prior service credit	(8.2)	(9.8)

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Net periodic postretirement benefit cost for 2018, 2017 and 2016, follows:

Year ended December 31,	2018	2017	2016
Service cost ⁽ⁱ⁾	\$0.6	\$0.5	\$0.4
Interest cost	4.8	5.6	6.2
Expected return on assets	(0.4)	(0.5)	(0.4)
Amortization of prior service cost	(1.6)	(0.7)	—
Recognized net actuarial loss	1.0	0.8	0.5
Net periodic benefit cost	\$4.4	\$5.7	\$6.7

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

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

Year ended December 31,	2018	2017	2016
Discount rate	5.30 %	5.53 %	5.61 %
Expected return on plan assets	5.50 %	5.50 %	5.50 %

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

Year ended December 31,	2018	2017	2016
Discount rate	5.67 %	5.30 %	5.53 %

The company reviews its asset allocation periodically, taking into consideration plan liabilities, plan payment streams and then-current capital market assumptions. The company sets the long-term expected return on asset assumption, based principally on the long-term expected return on debt securities. These return assumptions are based on a combination of current market conditions, capital market expectations of third-party investment advisors and actual historical returns of the asset classes. In 2019, the company expects to contribute approximately \$8 million to its postretirement benefit plans.

Assumed health care cost trend rates at December 31,	2018	2017
Health care cost trend rate assumed for next year	6.8 %	6.6 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.8 %	4.8 %
Year that the rate reaches the ultimate trend rate	2023	2023

As of December 31, 2018, the following benefits are expected to be paid from the company's postretirement plans:

Year ending December 31,	Expected Payments
2019	\$ 9.1
2020	9.6
2021	9.1
2022	8.5
2023	7.9
2024 – 2028	30.9

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

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

Level 2 – These investments include the following:

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

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

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

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

Level 3 – These investments include the following:

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

Certain investments are valued using net asset value (“NAV”) as a practical expedient. These investments may not be redeemable on a daily basis and may have redemption notice periods of up to 90 days. These investments include the following:

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

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

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

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

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

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

The following table sets forth by level, within the fair value hierarchy, the plans' assets (liabilities) at fair value at December 31, 2017.

As of December 31, 2017	U.S. Plans				International Plans			
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Pension plans								
Equity Securities								
Common Stocks	\$1,465.1	\$1,461.9	\$3.2	\$ —	\$—	\$—	\$—	\$—
Commingled Funds	584.4		584.4		84.0		84.0	
Debt Securities								
U.S. Govt. Securities	139.8	139.8						
Other Fixed Income	830.6		830.6		254.1	2.6	251.5	
Insurance Contracts					135.8			135.8
Commingled Funds					267.5		267.5	
Real Estate								
Real Estate Investment Trusts	113.5	113.5			1.4	0.4	1.0	
Other								
Derivatives	2.6	13.1	(10.5)		1.2		1.2	
Commingled Funds					357.1		357.1	
Pooled Funds	228.0		228.0		29.2		29.2	
Cash	34.8	34.8			25.1	25.1		
Receivables	58.1	58.1			19.9	19.9		
Payables	(116.7)	(116.7)			(1.5)	(1.5)		
Total plan assets in fair value hierarchy	\$3,340.2	\$1,704.5	\$1,635.7	\$ —	\$1,173.8	\$46.5	\$991.5	\$135.8
Plan assets measured using NAV as a practical expedient ⁽ⁱ⁾ :								
Commingled Funds								
Equity	\$—				\$780.7			
Debt	19.8				837.7			
Other	105.1				25.2			
Private Real Estate	112.4				16.5			
Private Equity	0.9				—			
Total pension plan assets	\$3,578.4				\$2,833.9			
Other postretirement plans								
Insurance Contracts	\$7.6			\$ 7.6				

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

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

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

The following table sets forth a summary of changes in the fair value of the plans' Level 3 assets for the year ended December 31, 2017.

	January 1, 2017	Realized gains (losses)	Purchases or acquisitions	Sales or dispositions	Currency and unrealized gains (losses) relating to instruments still held at December 31, 2017	December 31, 2017
U.S. plans						
Other postretirement plans						
Insurance Contracts	\$ 7.9	\$ (0.2)	\$ 0.2	\$ (0.3)	\$ —	\$ 7.6
International pension plans						
Insurance Contracts	\$ 116.2	\$ —	\$ 10.8	\$ (11.4)	\$ 20.2	\$ 135.8

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

	2018				2017			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period Range	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period Range
U.S. plans								
Commingled Funds								
Debt	\$—	\$ —	—	—	\$19.8	\$ —	Daily	5 days
Other	110.2	—	Monthly	5 days	105.1	—	Monthly	5 days
Private Real Estate ⁽ⁱ⁾	179.1	—	Quarterly	60-90 days	112.4	—	Quarterly	Up to 90 days
Private Equity ⁽ⁱⁱ⁾	0.6	—	—	—	0.9	—	—	—
Total	\$289.9	\$ —	—	—	\$238.2	\$ —	—	—
International pension plans								
Commingled Funds								
Equity	\$454.9	\$ —	Weekly	Up to 2 days	\$780.7	\$ —	Weekly, Monthly	Up to 30 days
Debt	814.0	—	Daily, Weekly, Biweekly, Bimonthly	Up to 30 days	837.7	—	Weekly, Biweekly, Bimonthly, Monthly	Up to 30 days
Other	23.9	—	Monthly	Up to 30 days	25.2	—	Monthly	Up to 30 days
Private Real Estate	16.8	—	Monthly	Up to 90 days	16.5	—	Monthly	Up to 90 days
Total	\$1,309.6	\$ —	—	—	\$1,660.1	\$ —	—	—

⁽ⁱ⁾ Includes investments in private real estate funds and limited partnerships. The funds invest in U.S. real estate and allow redemptions quarterly, though queues, restrictions and gates may extend the period. The limited partnerships include investments in primarily U.S. real estate, and can never be redeemed. The partnerships are all currently being wound up, and are expected to make all distributions over the next year.

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

Note 15 — Litigation and contingencies

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

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

the resolution of one or more of the legal matters pending against it.

In April 2007, the Ministry of Justice of Belgium sued Unisys Belgium SA-NV, a Unisys subsidiary (“Unisys Belgium”), in the Court of First Instance of Brussels. The Belgian government had engaged the company to design and develop software for a computerized system to be used to manage the Belgian court system. The Belgian State terminated the contract and in its lawsuit has alleged that the termination was justified because Unisys Belgium failed to deliver satisfactory software in a timely manner. It claims damages of approximately €28.0 million. Unisys Belgium filed its defense and counterclaim in April 2008, in the amount of approximately €18.5 million. The company believes it has valid defenses to the claims and contends that the Belgian State’s termination of the contract was unjustified.

The company's Brazilian operations, along with those of many other companies doing business in Brazil, are involved in various litigation matters, including numerous governmental assessments related to indirect and other taxes, as well as disputes associated with former employees and contract labor. The tax-related matters pertain to value-added taxes, customs, duties, sales and other non-income-related tax exposures. The labor-related matters include claims related to compensation. The company believes that appropriate accruals have been established for such matters based on information currently available. At December 31, 2018, excluding those matters that have been assessed by management as being remote as to the likelihood of ultimately resulting in a loss, the amount related to unreserved tax-related matters, inclusive of any related interest, is estimated to be up to approximately \$101.0 million.

On June 26, 2014, the State of Louisiana filed a Petition for Damages against, among other defendants, the company and Molina Information Systems, LLC, in the Parish of East Baton Rouge, 19th Judicial District. The State alleged that between 1989 and 2012 the defendants, each acting successively as the State's Medicaid fiscal intermediary, utilized an incorrect reimbursement formula for the payment of pharmaceutical claims causing the State to pay excessive amounts for prescription drugs. The State contends overpayments of approximately \$68.0 million for the period January 2002 through July 2011 and sought data to identify the claims at issue for the remaining time period. On August 14, 2018, the Louisiana Court of Appeal for the First Circuit dismissed the case. On September 27, 2018, the Court denied the State's motion for a rehearing. On October 26, 2018, the State applied for a writ of review to the Louisiana Supreme Court, which was granted on January 18, 2019. The Louisiana Supreme Court will calendar the case for further briefing.

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

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

Notwithstanding that the ultimate results of the lawsuits, claims, investigations and proceedings that have been brought or asserted against the company are not currently determinable, the company believes that at December 31, 2018, it has adequate provisions for any such matters.

Note 16 — Stockholders' equity

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

At December 31, 2018, 34.4 million shares of unissued common stock of the company were reserved for stock-based incentive plans and the company's convertible senior notes.

Accumulated other comprehensive income (loss) as of December 31, 2018, 2017 and 2016, is as follows:

	Total	Translation Adjustments	Postretirement Plans	
Balance at December 31, 2015	\$(3,945.3)	\$ (833.8	) \$ (3,111.5)
Other comprehensive income before reclassifications	(64.9	) (93.3	) 28.4	
Amounts reclassified from accumulated other comprehensive income	(142.6	) —	(142.6)
Current period other comprehensive income	(207.5	) (93.3	) (114.2)
Balance at December 31, 2016	(4,152.8	) (927.1	) (3,225.7)
Other comprehensive income before reclassifications	506.8	121.9	384.9	
Amounts reclassified from accumulated other comprehensive income	(169.8	) (11.8	) (158.0)
Current period other comprehensive income	337.0	110.1	226.9	
Balance at December 31, 2017	(3,815.8	) (817.0	) (2,998.8)
Reclassification pursuant to ASU No. 2018-02	(208.7	) —	(208.7)
Other comprehensive income before reclassifications	96.7	(79.7	) 176.4	
Amounts reclassified from accumulated other comprehensive income	(157.0	) —	(157.0)
Current period other comprehensive income	(269.0) (79.7) (189.3)

Balance at December 31, 2018	\$ (4,084.8)	\$ (896.7)	\$ (3,188.1)
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Amounts reclassified out of accumulated other comprehensive income for the three years ended December 31, 2018 are as follows:

Year ended December 31,	2018	2017	2016
Translation Adjustments:			
Adjustment for substantial completion of liquidation of foreign subsidiaries ⁽ⁱ⁾	\$—	\$(11.8)	\$—
Postretirement Plans:			
Amortization of prior service cost ⁽ⁱⁱ⁾	7.1	5.6	5.6
Amortization of actuarial losses ⁽ⁱⁱ⁾	(165.9)	(174.1)	(155.2)
Curtailement gain ⁽ⁱⁱ⁾	—	5.4	2.0
Settlement loss ⁽ⁱⁱ⁾	(3.9)	—	—
Total before tax	(162.7)	(174.9)	(147.6)
Income tax benefit	5.7	5.1	5.0
Total reclassifications for the period	\$(157.0)	\$(169.8)	\$(142.6)

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

⁽ⁱⁱ⁾ Included in net periodic postretirement cost (see Note 14)

The following table summarizes the changes in shares of common stock and treasury stock during the three years ended December 31, 2018:

	Common Stock	Treasury Stock
Balance at December 31, 2015	52.6	2.7
Stock-based compensation	0.2	—
Balance at December 31, 2016	52.8	2.7
Stock-based compensation	0.6	0.2
Balance at December 31, 2017	53.4	2.9
Stock-based compensation	0.8	0.2
Balance at December 31, 2018	54.2	3.1

Note 17 — Segment information

As described in Note 2, effective January 1, 2018, the company adopted the requirements of Topic 606 which resulted in an adjustment to Technology revenue and profit of \$53.0 million in the first quarter of 2018. The adjustment represents revenue from software license extensions and renewals, which were contracted for in the fourth quarter of 2017 and properly recorded as revenue at that time under the revenue recognition rules then in effect (Topic 605).

Topic 606 requires revenue related to software license renewals or extensions to be recorded when the new license term begins, which in the case of the \$53.0 million, is January 1, 2018.

Effective January 1, 2018, the company changed the grouping of certain of its classes of services. As a result, prior-periods' customer revenue by classes of similar services have been reclassified to conform to the current-year period.

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

Cloud and infrastructure services. This represents revenue from helping clients apply cloud and as-a-service delivery models to capitalize on business opportunities, make their end users more productive and manage and secure their IT infrastructure and operations more economically.

Application services. This represents revenue from helping clients transform their business processes by developing and managing new leading-edge applications for select industries, offering advanced data analytics and modernizing existing enterprise applications.

Business process outsourcing (“BPO”) services. This represents revenue from the management of critical processes and functions for clients in target industries, helping them improve performance and reduce costs.

Technology. This represents revenue from designing and developing software and offering hardware and other related products to help clients improve security, reduce costs and flexibility and improve the efficiency of their data-center environments.

The accounting policies of each business segment are the same as those followed by the company as a whole. Intersegment sales and transfers are priced as if the sales or transfers were to third parties. Accordingly, the Technology segment recognizes

intersegment revenue and manufacturing profit on software and hardware shipments to customers under Services contracts. The Services segment, in turn, recognizes customer revenue and marketing profits on such shipments of company software and hardware to customers. The Services segment also includes the sale of software and hardware products sourced from third parties that are sold to customers through the company's Services channels. In the company's consolidated statements of income, the manufacturing costs of products sourced from the Technology segment and sold to Services customers are reported in cost of revenue for Services.

Also included in the Technology segment's sales and operating profit are sales of software and hardware sold to the Services segment for internal use in Services engagements. The amount of such profit included in operating income of the Technology segment for the years ended December 31, 2018, 2017 and 2016 was \$4.2 million, \$6.3 million and \$0.7 million, respectively. The profit on these transactions is eliminated in Corporate.

The company evaluates business segment performance based on operating income exclusive of postretirement income or expense, restructuring charges and unusual and nonrecurring items, which are included in Corporate. All other corporate and centrally incurred costs are allocated to the business segments based principally on revenue, employees, square footage or usage. No single customer accounts for more than 10% of revenue. Revenue from various agencies of the U.S. Government, which is reported in both business segments, was approximately \$574 million, \$571 million and \$564 million in 2018, 2017 and 2016, respectively.

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

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

Year ended December 31,	2018	2017	2016
Services			
Cloud & infrastructure services	\$1,363.4	\$1,334.3*	\$1,356.4*
Application services	772.4	791.0	* 855.5 *
BPO services	250.5	202.9	194.4
Total Services	2,386.3	2,328.2	2,406.3
Technology	438.7	413.6	414.4
Total customer revenue	\$2,825.0	\$2,741.8	\$2,820.7

*Amounts were changed to conform to the current-year presentation.

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

Year ended December 31,	2018	2017	2016
Total segment operating income	\$305.4	\$235.4	\$208.4
Interest expense	(64.0)	(52.8)	(27.4)
Other income (expense), net	(76.9)	(116.4)*	(81.3)*
Cost reduction charges ⁽ⁱ⁾	(19.7)	(135.0)	(82.1)
Corporate and eliminations	(1.6)	(3.3)*	2.9 *
Total income (loss) before income taxes	\$143.2	\$(72.1)	\$20.5

*Amounts were changed to conform to the current-year presentation. See Note 2

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

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

As of December 31,	2018	2017	2016
Total segment assets	\$1,436.6	\$1,364.5	\$1,339.0
Cash and cash equivalents	605.0	733.9	370.6
Deferred income taxes	109.3	119.9	146.1
Prepaid postretirement assets	147.6	148.3	33.3
Other corporate assets	159.1	175.8	132.6
Total assets	\$2,457.6	\$2,542.4	\$2,021.6

A summary of the company's operations by business segment for 2018, 2017 and 2016 is presented below:

	Total	Corporate	Services	Technology
2018				
Customer revenue	\$2,825.0	\$—	\$2,386.3	\$ 438.7
Intersegment	—	(24.7)	—	24.7
Total revenue	\$2,825.0	\$(24.7)	\$2,386.3	\$ 463.4
Operating income (loss)	\$284.1	\$(21.3)	\$67.6	\$ 237.8
Depreciation and amortization	164.1	—	97.2	66.9
Total assets	2,457.6	1,021.0	1,013.1	423.5
Capital expenditures	189.3	8.0	92.9	88.4
2017				
Customer revenue	\$2,741.8	\$—	\$2,328.2	\$ 413.6
Intersegment	—	(25.9)	—	25.9
Total revenue	\$2,741.8	\$(25.9)	\$2,328.2	\$ 439.5
Operating income (loss)	\$97.1	* \$(138.3)*	\$64.8	\$ 170.6
Depreciation and amortization	156.5	—	84.6	71.9
Total assets	2,542.4	1,177.9	985.9	378.6
Capital expenditures	176.5	4.3	102.7	69.5
2016				
Customer revenue	\$2,820.7	\$—	\$2,406.3	\$ 414.4
Intersegment	—	(22.6)	—	22.6
Total revenue	\$2,820.7	\$(22.6)	\$2,406.3	\$ 437.0
Operating income (loss)	\$129.2	* \$(79.2)*	\$46.9	\$ 161.5
Depreciation and amortization	155.6	—	81.8	73.8
Total assets	2,021.6	682.6	963.3	375.7
Capital expenditures	147.1	3.0	74.8	69.3

*Amounts were changed to conform to the current-year presentation. See Note 2

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

Year ended December 31,	2018	2017	2016
Revenue			
United States	\$1,240.0	\$1,257.0	\$1,309.3
United Kingdom	360.7	315.8	348.0
Other foreign	1,224.3	1,169.0	1,163.4
Total Revenue	\$2,825.0	\$2,741.8	\$2,820.7
Properties, net			
United States	\$85.3	\$85.8	\$91.4
United Kingdom	5.3	16.7	15.1
Other foreign	30.7	40.0	38.8
Total Properties, net	\$121.3	\$142.5	\$145.3
Outsourcing assets, net			
United States	\$97.6	\$81.1	\$105.1
United Kingdom	86.5	89.9	39.0
Australia	21.7	18.1	11.5
Other foreign	10.6	13.2	16.9
Total Outsourcing assets, net	\$216.4	\$202.3	\$172.5

Note 18 — Quarterly financial information (unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2018					
Revenue	\$708.4	\$667.4	\$688.3	\$760.9	\$2,825.0
Gross profit	201.2	152.9	153.8	178.4	686.3
Income before income taxes	62.6	20.3	22.2	38.1	143.2
Net income attributable to Unisys Corporation common shareholders	40.6	3.8	6.1	25.0	75.5
Earnings per common share attributable to Unisys Corporation					
Basic	0.80	0.07	0.12	0.49	1.48
Diluted	0.62	0.07	0.12	0.41	1.30
2017					
Revenue	\$664.5	\$666.2	\$666.3	\$744.8	\$2,741.8
Gross profit	138.6 *	118.7 *	103.6 *	186.8 *	547.7 *
Income (loss) before income taxes	(16.8)	(42.3)	(40.4)	27.4	(72.1)
Net income (loss) attributable to Unisys Corporation common shareholders	(32.7)	(42.0)	(41.1)	50.5	(65.3)
Earnings (loss) per					

common
share
attributable
to
Unisys
Corporation

Basic (0.65) (0.83) (0.81) 1.00 (1.30)

Diluted (0.65) (0.83) (0.81) 0.76 (1.30)

*Amounts were changed to conform to the current-year presentation. See Note 2

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

In the first, second, third and fourth quarters of 2017, the company recorded pretax cost-reduction and other charges of \$25.4 million, \$27.5 million, \$46.1 million and \$47.8 million, respectively. See Note 3, "Cost reduction actions," of the Notes to Consolidated Financial Statements.

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

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report, management performed, with the participation of the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”), an evaluation of the effectiveness of the company’s disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the “Exchange Act”). In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Based upon that evaluation, the CEO and the CFO concluded that, as of December 31, 2018, the company’s disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the SEC, and that such information is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Management’s Report on Internal Control Over Financial Reporting

Refer to Management’s Report on Internal Control over Financial Reporting on page 29.

Changes in Internal Control over Financial Reporting

During the fourth quarter ended December 31, 2017, we reported the following material weakness in the company’s internal control over financial reporting:

Our risk assessment procedures over Technology revenue did not adequately identify risks and consider changes in business operations and the demands on personnel created by the efforts required to adopt the new revenue accounting pronouncement that will impact future financial reporting. As a result, the company had missing process level controls and insufficient trained personnel to operate process level controls over the measurement and recognition of multiple-element arrangements within Technology revenue.

Throughout fiscal year 2018, we implemented the following measures which resulted in the remediation of this material weakness during the the year ended December 31, 2018:

• Implemented enhanced procedures and controls relative to our comprehensive reviews which are being performed for certain Technology transactions

• Enhanced processes, reviews and controls relative to the recording of revenue related to all major multiple-element transactions

• Provided additional revenue recognition training to responsible staff

- Added resources with an appropriate level of U.S. GAAP revenue recognition knowledge and experience by hiring additional resources or by internal realignment
- Supplemented existing revenue recognition resources with consultants where necessary

• Added data elements that support enhanced analytics and controls to the revenue recognition process

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding our executive officers appears in Part I, Item 1 of this Form 10-K.

The following information is incorporated herein by reference to our Definitive Proxy Statement for the 2019 Annual Meeting of Stockholders (the "Proxy Statement"):

Information regarding our directors is set forth under the heading "Information Regarding Nominees."

Information regarding the Unisys Code of Ethics and Business Conduct is set forth under the heading "Code of Ethics and Business Conduct."

Information regarding our audit and finance committee and audit committee financial experts is set forth under the heading "Committees."

Information regarding compliance with Section 16(a) is set forth under the heading "Section 16(a) Beneficial Ownership Reporting Compliance."

Information regarding our director nomination process is set forth under the heading "Director Nomination Process."

ITEM 11. EXECUTIVE COMPENSATION

Information regarding executive compensation is set forth under the heading "EXECUTIVE COMPENSATION" in the Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following information is incorporated herein by reference to the Proxy Statement:

Information regarding securities authorized for issuance under equity compensation plans is set forth under the heading "EQUITY COMPENSATION PLAN INFORMATION."

Information regarding the security ownership of certain beneficial owners, directors and executive officers is set forth under the heading "SECURITY OWNERSHIP BY CERTAIN BENEFICIAL OWNERS AND MANAGEMENT."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The following information is incorporated herein by reference to the Proxy Statement:

Information regarding transactions with related persons is set forth under the heading "Related Party Transactions."

Information regarding director independence is set forth under the heading "Independence of Directors."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information concerning fees and services of the company's principal accountants is set forth under the heading "Independent Registered Public Accounting Firm Fees and Services" in the Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

1. Unisys Corporation's consolidated financial statements are filed as a part of this report on Form 10-K in Item 8, Financial Statements and Supplementary Data, and a list of Unisys Corporation's consolidated financial statements are found on page 28 on this report. Schedule II, Valuation and Qualifying Accounts, is found on page 76 on this report; all other financial statement schedules are omitted because the required information is not applicable, or because the information required is included in the consolidated financial statements and notes thereto.

2. Exhibits required to be filed by Item 601 of Regulation S-K:

Exhibit
Number Description

- | | |
|-------------|---|
| <u>3.1</u> | Restated Certificate of Incorporation of Unisys Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on April 30, 2010) |
| <u>3.2</u> | Certificate of Amendment of the Restated Certificate of Incorporation of Unisys Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on April 28, 2011) |
| <u>3.3</u> | Certificate of Amendment of the Restated Certificate of Incorporation of Unisys Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on April 28, 2017) |
| <u>3.4</u> | By-Laws of Unisys Corporation, as amended through April 30, 2015 (incorporated by reference to Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q filed on April 30, 2015) |
| 4.1 | Agreement to furnish to the Commission on request a copy of any instrument defining the rights of the holders of long-term debt which authorizes a total amount of debt not exceeding 10% of the total assets of the Company (incorporated by reference to Exhibit 4 to the Company's Annual Report on Form 10-K for the year ended December 31, 1982 (File No. 1-145)) |
| <u>4.2</u> | Indenture, dated as of March 15, 2016, between Unisys Corporation and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on March 15, 2016) |
| <u>4.3</u> | Indenture, dated as of April 17, 2017, among Unisys Corporation, Unisys Holding Corporation, Unisys AP Investment Company I, Unisys NPL, Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K filed on April 17, 2017) |
| <u>4.4</u> | Specimen Stock Certificate representing the Company's common stock, par value \$.01 share (incorporated by reference to Exhibit 4.9 to the Company's Form S-3 filed on June 12, 2018) |
| 10.1 | Form of Indemnification Agreement between Unisys Corporation and each of its Directors (incorporated by reference to Exhibit B to the Company's Proxy Statement, dated March 22, 1988, for its 1988 Annual Meeting of Stockholders) |
| <u>10.2</u> | Unisys Corporation Director Stock Unit Plan, as amended and restated effective September 22, 2000 (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000) |

- 10.3 Deferred Compensation Plan for Directors of Unisys Corporation, as amended and restated effective April 22, 2004 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2004)
- 10.4 2005 Deferred Compensation Plan for Directors of Unisys Corporation, as amended and restated effective December 2, 2010 except as otherwise noted therein (incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the year ended December 31, 2010)
- 10.5 Unisys Corporation 2003 Long-Term Incentive and Equity Compensation Plan, as amended and restated effective January 1, 2009 (incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the year ended December 31, 2008)
- 10.6 Amendment to Unisys Corporation 2003 Long-Term Incentive and Equity Compensation Plan, effective February 12, 2009 (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the year ended December 31, 2008)

10.7 Unisys Corporation 2007 Long-Term Incentive and Equity Compensation Plan, as amended and restated effective January 1, 2009 (incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K for the year ended December 31, 2008)

10.8 Amendment to Unisys Corporation 2007 Long-Term Incentive and Equity Compensation Plan, effective February 12, 2009 (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K for the year ended December 31, 2008)

10.9 Unisys Corporation 2010 Long-Term Incentive and Equity Compensation Plan (incorporated by reference to Appendix E to the Company's Proxy Statement, dated March 18, 2010, for its 2010 Annual Meeting of Stockholders)

10.10 Unisys Corporation 2016 Long-Term Incentive and Equity Compensation Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016)

10.11 Form of Performance-Based Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the year ended December 31, 2015)

10.12 Form of Performance-Based Restricted Stock Unit Agreement

10.13 Form of Time-Based Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014)

10.14 Form of Stock Option Agreement (incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014)

10.15 Form of Performance Cash Award Agreement (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016)

10.16 Unisys Executive Annual Variable Compensation Plan (incorporated by reference to Exhibit A to the Company's Proxy Statement, dated March 23, 1993, for its 1993 Annual Meeting of Stockholders)

10.17 Unisys Corporation Deferred Compensation Plan as amended and restated effective September 22, 2000 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000)

10.18 Unisys Corporation 2005 Deferred Compensation Plan, as amended and restated effective September 19, 2014 except as otherwise noted therein (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2014)

10.19 Form of Executive Employment Agreement for U.S. executive officers (incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K for the year ended December 31, 2012)

10.20 Form of letter agreement by and between Unisys Corporation and each of its executive officers who report directly to the Chief Executive Officer (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on December 16, 2014)

10.21 Unisys Corporation Executive Life Insurance Program, as amended and restated effective April 22, 2004 (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K for the year ended

December 31, 2005)

Amendment to the Unisys Corporation Executive Life Insurance Program, effective January 1, 2009
10.22 (incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K for the year ended December 31, 2008)

Unisys Corporation Supplemental Executive Retirement Income Plan, as amended and restated effective January
10.23 1, 2009 (incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K for the year ended December 31, 2008)

Unisys Corporation Savings Plan, as amended and restated effective January 1, 2016 (incorporated by reference
10.24 to Exhibit 10.23 to the Company's Annual Report on Form 10-K for the year ended December 31, 2015)

Amendment 2017-1 to the Unisys Savings Plan effective January 1, 2017 (incorporated by reference to Exhibit
10.25 10.27 to the Company's Annual Report on Form 10-K for the year ended December 31, 2016)

Summary of supplemental benefits provided to elected officers of Unisys Corporation (incorporated by
10.26 reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014)

Letter Agreement, dated December 12, 2014, between Unisys Corporation and Peter Altabef (incorporated by
10.27 reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 16, 2014)

10.28 Employment Agreement, dated December 12, 2014, between Unisys Corporation and Peter Altabef (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 16, 2014)

10.29 Security Agreement dated as of April 17, 2017 by and among Unisys Corporation, Unisys Holding Corporation, Unisys AP Investment Company I, Unisys NPL, Inc. and Wells Fargo Bank, National Association, as agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 17, 2017)

10.30 Collateral Trust Agreement dated as of April 17, 2017 by and among Unisys Corporation, Unisys Holding Corporation, Unisys AP Investment Company I, Unisys NPL, Inc. and Wells Fargo Bank, National Association, as agent (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on April 17, 2017)

10.31 Credit Agreement dated as of October 5, 2017 by and among Unisys Corporation, the lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 6, 2017)

10.32 Amendment No. 1 dated as of June 15, 2018 to Credit Agreement dated as of October 5, 2017 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018)

10.33 Security Agreement dated as of October 5, 2017 by Unisys Corporation, Unisys Holding Corporation, Unisys NPL, Inc., and Unisys AP Investment Company I in favor of JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on October 6, 2017)

10.34 Intercreditor Agreement dated as of October 5, 2017 by and among JPMorgan Chase Bank, N.A., as Administrative Agent, Wells Fargo Bank, National Association, as Collateral Trustee, and Unisys Corporation, Unisys Holding Corporation, Unisys NPL, Inc., and Unisys AP Investment Company I (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on October 6, 2017)

21 Subsidiaries of the Company

23 Consent of KPMG LLP

24 Power of Attorney

31.1 Certification of Peter A. Altabef required by Rule 13a-14(a) or Rule 15d-14(a)

31.2 Certification of Inder M. Singh required by Rule 13a-14(a) or Rule 15d-14(a)

32.1 Certification of Peter A. Altabef required by Rule 13a-14(b) or Rule 15d-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350

32.2 Certification of Inder M. Singh required by Rule 13a-14(b) or Rule 15d-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350

101.INSXBRL Instance Document

101.SCHXBRL Taxonomy Extension Schema Document

101.CALXBRL Taxonomy Extension Calculation Linkbase Document

101.LABXBRL Taxonomy Extension Labels Linkbase Document

101.PREXBRL Taxonomy Extension Presentation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

ITEM 16. FORM 10-K SUMMARY

None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

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

Date: March 4, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 4, 2019.

/s/ Peter A. Altabef Peter A. Altabef Chairman, President and Chief Executive Officer (principal executive officer)	*Denise K. Fletcher Denise K. Fletcher Director
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/s/ Inder M. Singh Inder M. Singh Senior Vice President and Chief Financial Officer (principal financial officer)	*Philippe Germond Philippe Germond Director
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/s/ Michael M. Thomson Michael M. Thomson Vice President and Corporate Controller (principal accounting officer)	*Lisa A. Hook Lisa A. Hook Director
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*Jared L. Cohon Jared L. Cohon Director	*Deborah Lee James Deborah Lee James Director
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*Nathaniel A. Davis Nathaniel A. Davis Director	*Paul E. Martin Paul E. Martin Director
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*Matthew J. Desch Matthew J. Desch Director	*Regina M. Paolillo Regina M. Paolillo Director
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*Lee D. Roberts Lee D. Roberts Director

*By: /s/ Peter A. Altabef
Peter A. Altabef
Attorney-in-fact

UNISYS CORPORATION
 SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
 (Millions)

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions ⁽ⁱ⁾	Balance at End of Period
Allowance for doubtful accounts (deducted from accounts receivable):				
Year Ended December 31, 2016	\$ 21.1	\$ 2.2	\$ (0.5)	\$ 22.8
Year Ended December 31, 2017	\$ 22.8	\$ 3.1	\$ (3.9)	\$ 22.0
Year Ended December 31, 2018	\$ 22.0	\$ (5.1)	\$ (3.2)	\$ 13.7

⁽ⁱ⁾Includes write-off of bad debts less recoveries, reclassifications from other current liabilities and foreign currency translation adjustments.