UNISYS

Unisys Corporation
2021 Annual Report

A Letter to Our Shareholders

Unisys had an active and exciting year in 2021. Execution against our strategic initiatives resulted in year-over-year growth in full-year revenue, profitability and free cash flow, supported by year-over-year gross profit and gross margin increases in each of our three segments. We achieved all guided metrics for the year, and our investments in solutions, go-to-market, and workforce management planning have positioned us to advance our momentum in 2022.

Execution in 2021 and Momentum for 2022

During the year, we expanded and enhanced our solution portfolio in each segment, and we received validation of those new offerings in the form of industry analyst recognition and client receptivity. We invested in our sales force, solution architects and marketing initiatives, leading to year-over-year growth in pipeline. We are also investing in our brand and have brought in world-class agencies to support us in these branding efforts. We expect these investments to help accelerate revenue growth in 2022.

Adapting to Changing Macro Dynamics

We adapted quickly during the year to the competitive labor market with targeted talent attraction and retention initiatives, resulting in voluntary attrition for 2021 that was below pre-pandemic levels. We are continuing to adjust to the new realities of the marketplace for talent and other elements of the supply chain.

Delivering Strong Financial Results

Our efforts in 2021 resulted in the following key financial achievements:

- 2021 revenue grew 1.4% year over year
- 2021 gross profit grew 18.4% year over year, and gross profit margin was up 400 basis points year over year, supported by year-over-year gross profit and gross margin improvements in each of our three segments
- 2021 non-GAAP operating profit grew 25.6% year over year, and non-GAAP operating profit margin increased 180 basis points year over year
- 2021 adjusted EBITDA increased 15.3% year over year, and full-year adjusted EBITDA margin increased 220 basis points year over year
- We were free cash flow positive for the first time since 2016, with 2021 free cash flow up $843.6 million year over year to $32.3 million

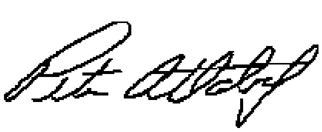
ESG & DEI

In 2021, we expanded our Environmental, Social, and Governance (ESG) commitments, such as joining the UN Global Compact and driving 75% of our key suppliers to disclose their ESG actions and commitments. We expect to reach our 2026 goal for reduced Scope 1 and 2 greenhouse gas emissions in 2022 and to release new ESG goals in 2022.

We are committed to advancing Diversity, Equity, and Inclusion (DEI) through training initiatives, leadership development and recruitment efforts. These resulted in a three-point increase in percentage representation from 2020 to 2021 at the leadership level for both women globally and associates from underrepresented ethnic groups in our U.S. population (we are tracking this data in the U.S.).

Thank You

Thank you for your continued support of Unisys. I am proud of the progress we made in 2021, and we look forward to continuing to execute on our goals in the year ahead.



Peter A. Altabef
Chair, President and CEO

PART I

ITEM 1. BUSINESS

General

Unisys Corporation, a Delaware corporation (Unisys, we, our, or the company), is a global information technology (IT) solutions company that delivers successful outcomes for the most demanding businesses and governments. Unisys offerings include digital workplace solutions, cloud and infrastructure solutions, enterprise computing solutions and business process solutions.

In January 2021, the company changed its organizational structure to more effectively address evolving client needs. As a result, our reportable segments are as follows:

- Digital Workplace Solutions (DWS), which provides solutions that transform digital workplaces securely and create exceptional end-user experiences;
- Cloud and Infrastructure Solutions (C&I), which provides solutions that drive modern IT service platforms, cloud applications development, intelligent services, and cybersecurity services; and
- Enterprise Computing Solutions (ECS), which provides solutions that harness secure, continuous high-intensity computing and enable digital services through software-defined operating environments.

During 2021, the company completed three acquisitions to accelerate its pace of innovation and capitalize on growing and evolving markets. In June and November, the company acquired Unify Square, Inc. and, the Mobinergy group of companies, respectively, to advance the company's experience-focused Digital Workplace Solutions set and to deliver higher-value solutions to its clients. In December, the company acquired CompuGain LLC to enhance the company's delivery of rapid and agile cloud migration, application modernization and data value realization to its clients. These acquisitions align with the company's strategy to invest in capabilities that complement its core solutions.

Principal Products and Services

We deliver advanced IT solutions to clients in our primary target markets: Government (national governments, other than directly to the U.S. federal government, and state and local governments globally), Commercial (e.g., travel and transportation and life sciences and healthcare), and Financial Services (e.g., commercial and retail banking).

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

Services

Our principal services include digital workplace solutions, cloud and infrastructure solutions, enterprise computing solutions and business process solutions.

- In digital workplace solutions, we help our clients create the world's leading digital workplace experiences by transforming their end-user experience to engage and retain employees; increase collaboration and innovation; and drive productivity and business growth.
- In cloud and infrastructure solutions, we help our clients achieve digital transformation by applying proven experience to solve the toughest business and technology challenges. Our solutions accelerate hybrid and multi-cloud adoption and enable application modernization. Our cybersecurity services drive more compliant and highly secure technology environments from strategy through implementation, operation and optimization.

- In enterprise computing solutions, we deliver high-intensity, cloud-based, software-defined operating environments and solutions. We partner with clients to evolve compute architectures as part of digital transformation in industries ranging from financial services to travel and transportation to telecommunications.

In addition, we deliver a range of next-generation capabilities that make government service easily accessible and efficient, enable law enforcement to solve more cases in less time and enhance the integrity of our clients' financial services processing and payment platforms. Our clients and their customers benefit from proficient and effective 24x7 operations and continuous optimization of their mission-critical business processes.

We deliver these outcomes through platforms that include:

- Unisys InteliServeTM, a service solution that transforms traditional service desk into an intelligent, user-centric experience aligned with the needs of the modern digital workplace. The service leverages the InteliServe platform, an integrated suite of technologies for omnichannel support, advanced analytics, automation, artificial intelligence, machine learning and identity authentication.
- Unisys CloudForte®, a comprehensive suite of digital services to help accelerate the secure move of data and applications to the cloud. The solution is available for hybrid and multi-cloud environments and includes the following features: an automated software-as-a-service platform to identify and provision private, public and hybrid cloud services, real-time analytics, and capabilities for industrial-grade modernization of legacy applications.
- PowerSuite™ is our market-leading packaged software tool used by enterprise IT to monitor, analyze, troubleshoot and secure collaboration and communications multi-platform environments. PowerSuite leverages patented AI/ML technology to proactively surface actionable insights and helps orchestrate and deliver effective, reliable and secure user experiences spanning both cloud and on-premises environments. Leveraging the PowerSuite SaaS offering IT gains a real-time panoramic view of all collaboration and communications platforms, making it easy to troubleshoot and remediate infrastructure issues, benchmark the user experience both internally and externally and expedite responses to service interruptions and threats.

Products

Our software products include:

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

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

Materials

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

Patents, Trademarks and Licenses

As of January 31, 2022, Unisys owns over 485 active U.S. patents and over 45 active patents granted in ten non-U.S. jurisdictions. These patents cover systems and methods related to a wide variety of technologies, including, but not limited to, information security, cloud computing, virtualization, database encryption/management and user interfaces. We have granted licenses covering both single patents, and particular groups of patents, to others. Likewise, we have active licensing agreements granting us rights under patents owned by other entities. Our business is not materially dependent upon any single patent, patent license, or related group thereof.

Unisys also maintains 23 U.S. trademark and service mark registrations, and over 480 additional trademark and service mark registrations in seventy-four non-U.S. jurisdictions as of January 31, 2022. These marks are valuable assets used on or in connection with our services and products, and as such are actively monitored, policed and protected by Unisys and its agents.

Seasonality

Our revenue is affected by such factors as the introduction of new services and products, the length of sales cycles and the seasonality of purchases. Seasonality generally has not resulted in material quarterly revenue changes.

Customers

No single client accounted for more than 10% of our revenue in the year ended December 31, 2021.

Backlog

At December 31, 2021, firm order backlog was $3.0 billion, compared to $3.6 billion at December 31, 2020. Approximately $1.2 billion (40%) of 2021 backlog is expected to be converted to revenue in 2022. Although we believe that this backlog is firm, we may, for commercial reasons, allow the orders to be canceled, with or without penalty.

Competition

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

Environmental Matters

Our capital expenditures, earnings and competitive position have not been materially affected by compliance with federal, state and local laws regulating the protection of the environment. Capital expenditures for environmental control facilities are not expected to be material in 2022 and 2023.

Human Capital

At December 31, 2021, the company employed approximately 16,300 professionals of which 18% are located in the United States and 82% are located in other countries around the world. Our associates ensure our success, and we are committed to providing a productive, ethical, diverse and safe working environment for each and every one of them.

We welcome associates of all ethnicities, races, ages, religions, abilities, genders and sexual orientations. We are committed to our culture of Diversity, Equity and Inclusion (DEI) not only as the "right thing to do," but also as a business imperative. Creating an equitable workplace improves our organization, local communities and society.

At Unisys, we are focused on having a workforce that represents the diverse communities in which we live and serve. Based on our continued efforts to improve diverse representation, women now make up 32% of our workforce globally and associates from Underrepresented Ethnic Groups (UREG) make up 30% within the U.S. Although we are proud of our progress, there is more work to do to build a more diverse workforce.

In addition to our efforts focused on representation, understanding our associates' perspectives and experiences—their engagement–is critical to our success. Each year we measure associate engagement and develop action plans to improve based on feedback. This year, more than 80% of our associates participated in the survey with 7 out of 10 associates indicating they are engaged. Fostering an inclusive culture is a key component of engagement and 80% of associates indicated they "feel comfortable being themselves at work." Our DEI initiatives are supported by our Inclusion and Diversity Council, which consists of 20 associates from around the world and includes several working groups that focus on specific aspects of issues including diversity, race and ethnicity, disability and gender equity. The Inclusion and Diversity Council's vision is to build and nurture a better, more inclusive culture at Unisys. Since 2020, the Council has sponsored multiple new Associate Impact Groups, which are associate-led groups that provide support, career development, and professional networking for their members.

The company recognizes that continuous learning and professional development are key factors in our success. We offer a range of development programs and opportunities that focus on leadership/management, information technology skills, regulatory compliance, diversity, anti-harassment, ethics, cybersecurity, ethics and more.

We are committed to the health, safety, and wellness of our employees. We provide our associates a wide range of offerings in this regard through a range of benefits and resources including health and welfare benefits, flexible time-off and employee assistance programs.

Our safety programs include education, safe work practice guides, monitoring, and corrective actions to make sure that we are keeping every associate safe. In addition, we regularly conduct compliance validation reviews and use third-party assessments at our locations to ensure compliance to established company best practices and country-specific environmental, health, and safety regulations. In fact, we have maintained a perfect safety record over the past decade with zero violations of environmental, health or safety regulations.

We also promote a culture of ethics and integrity through our Code of Ethics and Business Conduct, policies, and training and all associates must adhere to the company's Code. We assess risk using data analytics, an annual risk assessment, investigations, and other compliance-related initiatives.

Available Information

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

Board of Directors

Peter A. Altabef
Chair, President and Chief Executive Officer of Unisys Corporation

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

Nathaniel A. Davis
Lead Independent Director of Unisys Corporation and Chairman of the Board and Former Chief Executive Officer of Stride, Inc.

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

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

Philippe Germond
Partner at Barber Hauler Capital Advisers[3]

Deborah L. James
Former Secretary of the Air Force[2,3]

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

Regina Paolillo
President and Chief Global Operating Officer of TTEC Holdings, Inc.[1,4]

Troy K. Richardson
President of the Digital Thread group of PTC Inc. [1,4]

Lee D. Roberts
Chief Executive Officer and President of BlueWater Consulting, LLC [2,3]

Roxanne Taylor
Senior Vice President and Chief Marketing and Communications Officer of Memorial Sloan Kettering Cancer Center [2,3]

Board Committees
1 Audit and Finance Committee
2 Compensation and Human Resources Committee
3 Nominating and Corporate Governance Committee
4 Security & Risk Committee

Corporate Officers

Peter A. Altabef
Chair, President and Chief Executive Officer

Michael M. Thomson
Executive Vice President and Chief Financial Officer

Dwayne Allen
Senior Vice President, Solution Innovation and Architecture, and Chief Technology Officer

Katie Ebrahimi
Senior Vice President and Chief Human Resources Officer

Gerald P. Kenney
Senior Vice President, General Counsel and Secretary

Lisa Madion
Senior Vice President, Corporate Services

Mathew Newfield
Senior Vice President and Chief Security and Infrastructure Officer

Teresa Poggenpohl
Senior Vice President and Chief Marketing Officer

Shalabh Gupta
Vice President and Treasurer

Erin Mannix
Vice President, Chief Accounting Officer and Corporate Controller

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

Information concerning the executive officers of Unisys as of March 25, 2022 is set forth below.

Name	Age	Position with Unisys
Peter A. Altabef	62	Chair, President and Chief Executive Officer
Michael M. Thomson	53	Executive Vice President and Chief Financial Officer
Dwayne Allen	60	Senior Vice President, Solution Innovation and Architecture and Chief Technology Officer
Katie Ebrahimi	52	Senior Vice President and Chief Human Resources Officer
Gerald P. Kenney	70	Senior Vice President, General Counsel and Secretary
Lisa Madion	51	Senior Vice President, Corporate Services
Matthew Newfield	50	Senior Vice President and Chief Security and Infrastructure Officer
Teresa Poggenpohl	60	Senior Vice President and Chief Marketing Officer
Shalabh Gupta	60	Vice President and Treasurer
Erin Mannix	38	Vice President, Chief Accounting Officer and Corporate Controller

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

Mr. Altabef has served as Chair of the Board of Directors since 2018 and as Chief Executive Officer since 2015. He also served as President of the Company from 2015 to March 2020 and as President since December 2021. Prior to joining Unisys in 2015, Mr. Altabef was the President and Chief Executive Officer, and a member of the Board of Directors, of MICROS Systems, Inc. from 2013 through 2014, when MICROS Systems, Inc. was acquired by Oracle Corporation. He previously served as President and Chief Executive Officer of Perot Systems Corporation from 2004 until 2009, when Perot Systems was acquired by Dell, Inc. Thereafter, Mr. Altabef served as President of Dell Services (a unit of Dell Inc.) until his departure in 2011. Mr. Altabef is a member of the Boards of Directors of NiSource Inc. and Petrus Trust Company, L.T.A., and the Board of Merit Energy Company, LLC, a member of the President's National Security Telecommunications Advisory Committee, where he has served as co-chair of its Cybersecurity Moonshot subcommittee, and a trustee of the Committee for Economic Development (CED) of The Conference Board, where he serves as co-chair of the CED's Technology and Innovation Committee. He previously served as Senior Advisor to 2M Companies, Inc. in 2012, and served as a director of Belo Corporation from 2011 through 2013. Mr. Altabef has been an executive officer since 2015.

Mr. Thomson has been Chief Financial Officer since 2019 and has served as Executive Vice President since April 2021 after having served as Senior Vice President since 2019. Upon the hiring of a new Chief Financial Officer, Mr. Thomson will become President and Chief Operating Officer of the company. Prior to becoming Chief Financial Officer, Mr. Thomson served as Vice President and Corporate Controller from 2015 to 2019. Mr. Thomson served as Controller of Towers Watson & Co. from 2010 until 2015, and he previously held the same position at Towers Perrin from 2007 until the consummation of that firm's merger with Watson Wyatt in 2010. He also served as principal accounting officer of Towers Watson from 2012 until October 2015. Prior to that, Mr. Thomson worked for Towers Perrin as Director of Financial Systems from 2001 to 2004 and then Assistant Controller from 2004 to 2007. Prior to joining Towers Perrin, Mr. Thomson was with RCN Corporation, where he served as Director of Financial Reporting & Financial Systems from 1997 to 2001. Mr. Thomson has been an executive officer since 2015.

Mr. Allen has been Senior Vice President, Solution Innovation and Architecture and Chief Technology Officer since April 2021. Prior to joining Unisys, Mr. Allen was a Global Digital Strategist at Microsoft Corporation from 2019 to 2021. From 2017 to 2019, Mr. Allen served as Chief Information Officer at Masonite International. Mr. Allen has also held senior leadership positions in IT at Cummins (2009 to 2017), Fifth Third Bank (2003 to 2009) and Wells Fargo (1998 to 2003). Mr. Allen began his career at Marriott International. Mr. Allen has been an executive officer since April 2021.

Ms. Ebrahimi has been Senior Vice President and Chief Human Resources Officer since 2018. Ms. Ebrahimi served as Vice President of Human Resources, Global Delivery at DXC Technology from 2017 to 2018 prior to joining Unisys. From 2015 to 2017, she was Vice President of Human Resources, Enterprise Services, Global Practices & Solutioning for Hewlett-Packard

Enterprise. She also served in increasingly senior roles with Cisco Systems, Inc. (2009-2015), Sun Microsystems, Inc. (2000-2009) and McAfee, LLC. Ms. Ebrahimi has been an executive officer since 2018.

Mr. Kenney has been Senior Vice President, General Counsel and Secretary since 2013. Prior to joining Unisys, he had been with NEC Corporation of America, the North American subsidiary of global technology company NEC Corporation, since 1999, serving most recently as Senior Vice President, General Counsel and Corporate Secretary (2004-2013). Mr. Kenney has been an executive officer since 2013. Mr. Kenney will be leaving the company effective April 30, 2022.

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

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

Ms. Poggenpohl has been Senior Vice President and Chief Marketing Officer since May 2021. Prior to joining Unisys, Ms. Poggenpohl ran a consulting firm, Poggenpohl Consulting, which she founded in 2020. Ms. Poggenpohl served as the Chief Marketing and Communications Officer for North America at Accenture, from 2017 to 2020. Prior to this role, Ms. Poggenpohl held senior leadership positions within Accenture for more than twenty years. Ms. Poggenpohl has been an executive officer since May 2021.

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

Ms. Mannix has been Vice President, Chief Accounting Officer and Corporate Controller since December 2021. Ms. Mannix joined the company in September 2018 as Global Assistant Controller and was elected Vice President and Corporate Controller in December 2019. Prior to joining Unisys, she served as Head of Risk & Compliance Finance at FIS, an international provider of financial services technology and outsourcing services, from 2015 to 2018. From 2009 to 2015, Ms. Mannix held senior accounting positions at Laureate Education and Integral Systems, Inc. (acquired by Kratos in 2011). Earlier in her career, Ms. Mannix was an auditor at Grant Thornton LLP and a staff accountant at Haefele Flanagan. Ms. Mannix has been an executive officer since December 2021.

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

(For a discussion of 2020 compared with 2019, refer to Part II, Item 7 contained in the company's Form 10-K for the fiscal year ended December 31, 2020.)

Overview

During 2021, the company continued to execute its key strategies including revenue growth and gross profit margin improvement by expanding its solution portfolio organically and through strategic investments/acquisitions while managing the company's workforce to attract and retain talent in this competitive market. In 2021, revenue increased 1.4% and gross profit improved to 27.8%. Refer to Results of Operations for more information on the company's financial results.

In January 2021, to simplify and streamline the company's operations and more effectively address evolving client needs, the company changed its organizational structure. Refer to the Segment Results section for more information on the company's reportable segments.

One of the key elements of the company's strategy is to pursue acquisitions. During 2021, the company completed three acquisitions to accelerate its pace of innovation and capitalize on growing and emerging markets. In June and November, the company acquired Unify Square, Inc. (Unify Square) and the Mobinergy group of companies (Mobinergy), respectively, to advance the company's experience-focused Digital Workplace Solutions set and to deliver higher-value solutions to its clients. In December, the company acquired CompuGain LLC (CompuGain) to enhance the company's delivery of rapid and agile cloud migration, application modernization and data value realization to its clients. The company funded the cash consideration and acquisition-related costs for all the acquisitions with cash on hand, see Note 4, "Acquisitions," of the Notes to Consolidated Financial Statements for more information on each acquisition. As disclosed in Note 3, "Recent accounting pronouncements," of the Notes to Consolidated Financial Statements, the company expects to adopt Accounting Standards Update (ASU) No. 2021-08, Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, effective January 1, 2022. This guidance requires that an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 606, Revenue from Contracts with Customers, as if it originated the contracts. Had the company decided to retrospectively adopt this ASU on January 1, 2021, the difference in the value applied to contract assets and contract liabilities would have been immaterial.

Additionally, as the company continues its efforts to further de-risk its balance sheet, during 2021 the company, through a combination of transfers, annuity purchase arrangements and lump sum payments, settled gross defined benefit pension plan liabilities of approximately $1.2 billion. These actions resulted in pre-tax settlement losses of $499.4 million for the year ended December 31, 2021 related to the company's plans in the Netherlands, the United States and Switzerland.

- In January 2021, the company purchased a group annuity contract for $279 million to transfer projected benefit obligations related to approximately 11,600 retirees of the company's U.S. defined benefit pension plans. This action resulted in a pre-tax settlement loss of $158.0 million.
- Effective May 1, 2021, the company's primary pension plan related to its Dutch subsidiary was transferred to a multi-client circle within a multi-employer fund. This resulted in removing all of the plan's projected benefit obligations, valued at approximately $553 million, from the company's balance sheet. This action resulted in a pre-tax settlement loss of $182.5 million.
- In the second quarter of 2021, the company's Swiss subsidiary transferred its defined benefit pension plan to a multiple-employer collective foundation. This resulted in removing the projected benefit obligations related to retirees under the Swiss plan, valued at approximately $100 million, from the company's balance sheet. The transfer required a one-time additional contribution of approximately $10 million to the Swiss plan in 2021. This action resulted in a pre-tax settlement loss of $28.8 million.

- On October 14, 2021, the company purchased a group annuity contract for $235 million to transfer projected benefit obligations related to approximately 6,900 retirees of the company's U.S. defined benefit pension plans. This action resulted in a pre-tax settlement loss of $130.1 million.

On March 3, 2021, the company completed the conversion of $84.2 million aggregate principal amount of Convertible Senior Notes due 2021 (the 2021 Notes) that remained outstanding for a combination of cash and shares of the company's common stock. See Note 16, "Debt," of the Notes to Consolidated Financial Statements for details on the conversion.

Results of operations

Company results

Revenue for 2021 was $2.05 billion compared with $2.03 billion for 2020, an increase of 1.4%. Foreign currency fluctuations had a 2-percentage-point positive impact on revenue in the current year compared with the year-ago period.

Revenue from international operations for 2021 was $1.20 billion compared with $1.24 billion for 2020, a decrease of 3.7% principally due to decreases in Latin America and Asia/Pacific. Foreign currency had a 3-percentage-point positive impact on international revenue in 2021 compared with 2020. Revenue from U.S. operations was $856.2 million for 2021 compared with $781.5 million for 2020, an increase of 9.6%.

During 2021, the company recognized cost-reduction charges and other costs of $23.2 million. The net charges related to work-force reductions were $0.4 million, principally related to severance costs, and were comprised of: (a) a charge of $12.3 million and (b) a credit of $11.9 million for changes in estimates. In addition, the company recorded charges of $22.8 million comprised of $4.0 million for net foreign currency losses related to exiting foreign countries, $12.6 million for asset impairments and $6.2 million for other expenses related to cost-reduction efforts.

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

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

Year ended December 31,	**2021**	2020
Cost of revenue		
Services	**$ (2.5)**	$22.2
Technology	**7.6**	—
Selling, general and administrative	**11.1**	38.5
Research and development	**3.0**	2.5
Other (expenses), net	**4.0**	32.3
Total	**$23.2**	$95.5

Gross profit margin was 27.8% in 2021 and 23.8% in 2020. The increase in gross profit margin in 2021 was due in part to improvements in all the company's segments driven by higher sales of the company's enterprise software and improvements to efficiency.

Selling, general and administrative expenses were $389.5 million in 2021 (19.0% of revenue) and $369.4 million in 2020 (18.2% of revenue). The increase was primarily due to increased investments in the company's go-to-market efforts, primarily related to direct sales support and increases to non-cash-based compensation.

Research and development (R&D) expenses in 2021 were $28.5 million compared with $26.6 million in 2020.

In 2021, the company reported an operating profit of $154.0 million compared with an operating profit of $87.0 million in 2020. The increase in 2021 was due in part by improvements in all the company's segments driven by higher sales of the company's enterprise software and improvements to efficiency.

Interest expense was $35.4 million in 2021 compared with $29.2 million in 2020. The increase was principally due to the issuance of the 6.875% senior secured notes due 2027 in October 2020.

Other (expense), net was expense of $580.3 million in 2021 compared with expense of $329.6 million in 2020. Other (expense), net in 2021 includes $499.4 million of pension settlement losses compared with $142.1 million in 2020. See Note 7, "Other (expense), net," of the Notes to Consolidated Financial Statements for details of other (expense), net.

Pension expense for 2021 was $553.9 million compared with $235.3 million in 2020. The increase in 2021 was principally due to $499.4 million of settlement losses in 2021 related to defined benefits plans in the Netherlands, the United States and Switzerland compared to a $142.1 million settlement loss in 2020 related to U.S. defined benefit pension plans. See Note 18, "Employee plans," of the Notes to Consolidated Financial Statements for details of the settlement losses.

The loss from continuing operations before income taxes in 2021 was $461.7 million compared with a loss of $271.8 million in 2020. Included in the loss in 2021 and 2020 was $499.4 million and $142.1 million, respectively, of settlement losses related to the company's defined benefit pension plans as well as $23.2 million and $95.5 million of cost reduction charges in 2021 and 2020, respectively.

The benefit for income taxes in 2021 was $11.9 million compared with a provision of $45.4 million in 2020. The current period includes income tax benefits of $51.5 million related to the pension plan settlement losses in the Netherlands and Switzerland. In addition, in June 2021 the UK enacted an income tax rate increase from 19% to 25% for the fiscal year beginning April 1, 2023. The UK rate increase resulted in a deferred tax benefit of $17.7 million in 2021.

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

The realization of the company's net deferred tax assets as of December 31, 2021 is primarily dependent on the ability to generate sustained taxable income in various jurisdictions. Judgment is required to estimate forecasted future taxable income, which may be impacted by future business developments, actual results, strategic operational and tax initiatives, legislative, and other economic factors and developments. It is at least reasonably possible that the company's judgment about the need for, and level of, existing valuation allowances could change in the near term based on changes in objective evidence such as further sustained income or loss in certain jurisdictions, as well as the other factors discussed above, primarily in certain jurisdictions outside of the United States. As such, the company will continue to monitor income levels and mix among jurisdictions, potential changes to the company's operating and tax model, and other legislative or global developments in its determination. It is reasonably possible that such changes could result in a material impact to the company's valuation allowance within the next 12 months. Any increase or decrease in the valuation allowance would result in additional or lower income tax expense in such period and could have a significant impact on that period's earnings.

Net loss from continuing operations attributable to Unisys Corporation for 2021 was $448.5 million, or $6.75 per diluted share, compared with $317.7 million, or $5.05 per diluted share in 2020. Included in the loss in 2021 and 2020 was $447.9 million and $142.1 million, respectively, of after tax settlement losses related to the company's defined benefit pension plans.

Segment results

In January 2021, the company changed its organizational structure to more effectively address evolving client needs. With these changes, the company changed its reportable segments, but this did not impact the consolidated financial statements as of December 31, 2020.

The company's reportable segments are as follows:

- Digital Workplace Solutions (DWS), which provides solutions that transform digital workplaces securely and create exceptional end-user experiences;
- Cloud and Infrastructure Solutions (C&I), which provides solutions that drive modern IT service platforms, cloud applications development, intelligent services, and cybersecurity services; and
- Enterprise Computing Solutions (ECS), which provides solutions that harness secure, continuous high-intensity computing and enable digital services through software-defined operating environments.

The accounting policies of each segment are the same as those followed by the company as a whole. Intersegment sales and transfers are priced as if the sales or transfers were to third parties. Accordingly, the ECS segment records intersegment revenue and manufacturing profit on software and hardware shipments to customers under contracts of other segments. These segments, in turn, record customer revenue and marketing profits on such shipments of company hardware and software to customers. In the company's consolidated statements of income (loss), the manufacturing costs of products sourced from the ECS segment and sold to other segments' customers are reported in cost of revenue for these other segments.

Also included in the ECS segment's sales and gross profit are sales of software and hardware sold to other segments for internal use in their engagements. The amount of such profit included in gross profit of the ECS segment for the years ended December 31, 2021 and 2020 was $1.4 million and $7.8 million, respectively. The sale and profit on these transactions is eliminated in Corporate.

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

Corporate assets are principally cash and cash equivalents, prepaid postretirement assets and deferred income taxes. The expense or income related to corporate assets and centrally incurred costs are allocated to the business segments. See Note 21, "Segment information," of the Notes to Consolidated Financial Statements.

Information by reportable segment is presented below:

(millions)	Total Segments	DWS	C&I	ECS
2021				
Customer revenue	**$1,741.0**	**$567.0**	**$496.5**	**$677.5**
Intersegment	**1.4**	**–**	**–**	**1.4**
Total revenue	**$1,742.4**	**$567.0**	**$496.5**	**$678.9**
Gross profit	**32.2%**	**13.5%**	**11.4%**	**63.1%**
2020				
Customer revenue	$1,713.2	$588.3	$465.2	$659.7
Intersegment	0.1	–	–	0.1
Total revenue	$1,713.3	$588.3	$465.2	$659.8
Gross profit	26.5%	9.4%	5.0%	56.9%

Gross profit percent is as a percent of total revenue.

DWS revenue was $567.0 million in 2021 and $588.3 million in 2020. Revenue in 2021 was negatively impacted as the company exited certain non-strategic contracts that were not aligned to its targeted margin profile. Foreign currency fluctuations had a 2-percentage-point positive impact on DWS revenue in 2021 compared with 2020. Gross profit percent was 13.5% in 2021 and 9.4% in 2020. The increase in gross profit in 2021 compared with 2020 was due in part to improvements in efficiency as well as the company's focus on higher margin solutions.

C&I revenue was $496.5 million in 2021 and $465.2 million in 2020. The increase in revenue in 2021 compared with 2020 was driven by continued momentum with public sector clients as well as other highly-regulated industries. Foreign currency fluctuations had a 2-percentage-point positive impact on C&I revenue in 2021 compared with 2020. Gross profit percent was 11.4% in 2021 and 5.0% in 2020. The increase in gross profit in 2021 compared with 2020 was due in part to improvements in efficiency.

ECS revenue was $677.5 million in 2021 and $659.7 million in 2020. Foreign currency fluctuations had a 2 percentage-point positive impact on ECS revenue in 2021 compared with 2020. Gross profit percent was 63.1% in 2021 and 56.9% in 2020. The increase in revenue and gross profit in 2021 compared with 2020 was due- to higher sales of the company's enterprise software.

New accounting pronouncements

See Note 3, "Recent accounting pronouncements and accounting changes," of the Notes to Consolidated Financial Statements for a full description of recent accounting pronouncements, including the expected dates of adoption and estimated effects on the company's consolidated financial statements.

Financial condition

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

Cash and cash equivalents at December 31, 2021 were $552.9 million compared with $898.5 million at December 31, 2020.

As of December 31, 2021, $326.6 million of cash and cash equivalents were held by the company's foreign subsidiaries and branches operating outside of the U.S. The company may not be able to readily transfer up to one-third of these funds out of the country in which they are located as a result of local restrictions, contractual or other legal arrangements or commercial considerations. Additionally, any transfers of these funds to the U.S. in the future may require the company to accrue or pay withholding or other taxes on a portion of the amount transferred. See Note 8, "Income taxes," of the Notes to Consolidated Financial Statements regarding the company's intention to indefinitely reinvest earnings of foreign subsidiaries.

During 2021, cash provided by operating activities was $132.5 million compared with cash used for operations of $681.2 million during 2020. The operating cash improvement in 2021 was principally due to lower cash contributions to the company's postretirement plans of $56.4 million in 2021 compared to $832.2 million in 2020.

Cash used for investing activities during 2021 was $360.3 million compared with cash provided by investing activities of $1,041.6 million during 2020. During 2021, the company purchased Unify Square, Mobinergy and CompuGain for cash of $239.3 million. See Note 4, "Acquisitions," of the Notes to Consolidated Financial Statements for further information on each acquisition. On March 13, 2020, the company sold its U.S. Federal business and received net cash proceeds of $1,162.9 million. Net purchases of investments were $19.9 million in 2021 compared with net proceeds of $9.3 million in 2020. Proceeds from investments and purchases of investments represent derivative financial instruments used to manage the company's currency exposure to market risks from changes in foreign currency exchange rates. In addition, capital additions of properties were $27.3 million in 2021 compared with $27.7 million in 2020, capital additions of outsourcing assets were $18.5 million in 2021 compared with $30.1 million in 2020 and the investment in marketable software was $54.4 million in 2021 compared with $72.3 million in 2020.

Cash used for financing activities during 2021 was $105.5 million compared with cash provided by financing activities of $5.1 million during 2020. The cash used in 2021 was principally due to the convertible notes exchange.

The American Rescue Plan Act, which was signed into law in the U.S. on March 11, 2021, includes a provision for pension relief that extends the amortization period for required contributions from 7 to 15 years and provides for the stabilization of interest rates used to calculate future required contributions. As a result, the company was not required to make cash contributions in 2021 to its U.S. qualified defined benefit pension plans and did not make the previously-contemplated voluntary $200 million contribution to its U.S. pension plans in 2021. Based on year-end 2021 pension data and actuarial assumptions, which are likely to change in the future, the company is not expected to be required to make future cash contributions to its U.S. qualified defined benefit pension plans for at least the next 10 years.

Any future material deterioration in the value of the company's U.S. qualified defined benefit pension plan assets, as well as changes in pension legislation, discount rate changes, asset return changes, or changes in economic or demographic trends, could require the company to make cash contributions to its U.S. defined benefit pension plans that are not currently expected.

As described in Note 18, "Employee plans," of the Notes to Consolidated Financial Statements, the company expects to make cash contributions of approximately $40.2 million in 2022, primarily for its international defined benefit pension plans compared with cash contributions of $52.4 million in 2021.

At December 31, 2021, total debt was $529.4 million compared with $629.9 million at December 31, 2020. The reduction is primarily due to the conversion of the company's 2021 Notes, which is described below. See Note 16, "Debt," of the Notes to Consolidated Financial Statements for more detailed discussion of the company's debt financing agreements including maturities by fiscal year.

The company has commitments under operating leases for certain facilities and equipment used in its operations. As of December 31, 2021, the company's operating lease liabilities were $81.5 million. The company also have a number of finance leases for equipment, with lease liabilities totaling $2.7 million as of December 31, 2021. See Note 6, "Leases and commitments," of the Notes to Consolidated Financial Statements for more information pertaining to future minimum lease payments relating to the company's operating and finance lease obligations.

Additionally as described in Note 5, "Cost-reduction actions," of the Notes to Consolidated Financial Statements, the company expects to make payments of approximately $14.9 million in 2022 related to the company's work-force reduction actions and the company expects to make payments of approximately $1.4 million beyond 2022.

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

The company has a secured revolving credit facility (the Amended and Restated ABL Credit Facility) that expires on October 29, 2025 that provides for revolving loans and letters of credit up to an aggregate amount of $145.0 million (with a limit on letters of credit of $40.0 million), with an accordion feature provision allowing for the aggregate amount available under the credit facility to be increased up to $175.0 million upon the satisfaction of certain conditions specified in the Amended and Restated ABL Credit Facility. Availability under the credit facility is subject to a borrowing base calculated by reference to the company's receivables. At December 31, 2021, the company had no borrowings and $5.7 million of letters of credit outstanding, and availability under the facility was $80.4 million net of letters of credit issued.

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

The Amended and Restated ABL Credit Facility is guaranteed by Unisys Holding Corporation, Unisys NPL, Inc., Unisys AP Investment Company I, CompuGain LLC and CompuGain Public Services, LLC, each of which is a U.S. corporation or limited liability company that is directly or indirectly owned by the company (the subsidiary guarantors). The facility is secured by the assets of the company and the subsidiary guarantors, other than certain excluded assets, under a security agreement entered into by the company and the subsidiary guarantors in favor of JPMorgan Chase Bank, N.A., as agent for the lenders under the credit facility.

The company is required to maintain a minimum fixed charge coverage ratio if the availability under the Amended and Restated ABL Credit Facility falls below the greater of 10% of the lenders' commitments under the facility and $14.5 million.

The Amended and Restated ABL Credit Facility contains customary representations and warranties, including, but not limited to, that there has been no material adverse change in the company's business, properties, operations or financial condition. The Amended and Restated ABL Credit Facility includes restrictions on the ability of the company and its subsidiaries to, among other things, incur other debt or liens, dispose of assets and make acquisitions, loans and investments, repurchase its equity, and prepay other debt. These restrictions are subject to several important limitations and exceptions. Events of default include non-payment, failure to comply with covenants, materially incorrect representations and warranties, change of control and default under other debt aggregating at least $50.0 million, subject to relevant cure periods, as applicable.

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

At December 31, 2021, the company had outstanding standby letters of credit and surety bonds totaling approximately $198 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.

The company maintains a shelf registration statement with the Securities and Exchange Commission that covers the offer and sale of debt or equity securities. Subject to the company's ongoing compliance with securities laws, the company may offer and sell debt and equity securities from time to time under the shelf registration statement. In addition, from time to time the company has explored, and expects to continue to explore, a variety of debt and equity sources to fund its liquidity and capital needs.

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

Critical accounting policies and estimates

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

Revenue recognition

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

Income Taxes

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

At December 31, 2021 and 2020, the company had deferred tax assets in excess of deferred tax liabilities of $1,332.3 million and $1,380.8 million, respectively. For the reasons cited below, at December 31, 2021 and 2020, management determined that it is more likely than not that $106.1 million and $109.3 million, respectively, of such assets will be realized, resulting in a valuation allowance of $1,226.2 million and $1,271.5 million, respectively.

The company evaluates the realizability of its deferred tax assets by assessing its valuation allowance and by adjusting such amount, if necessary. The realization of the company's deferred tax assets is dependent on the ability to generate sustained taxable income in various jurisdictions. Judgment is required to estimate forecasted future taxable income, which may be impacted by future business developments, actual results, strategic operational and tax initiatives, legislative, and other economic factors and developments. See "Item 1A. Risk Factors." It is at least reasonably possible that the company's judgment about the need for, and level of, existing valuation allowances could change in the near term based on changes in objective evidence such as further sustained income or loss in certain jurisdictions, as well as the other factors discussed above, primarily in certain jurisdictions outside of the United States. As such, the company will continue to monitor income levels and mix among jurisdictions, potential changes to the company's operating and tax model, and other legislative or global developments in its determination. It is reasonably possible that such changes could result in a material impact to the Company's valuation allowance within the next 12 months.

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, 2021 is approximately $462.4 million. This limitation will be applied to any net operating losses and then to any other Tax Attributes. Any unused limitation may be carried over to later years. Based on presently available information and the existence of tax planning strategies, the company does not expect to incur a U.S. cash tax liability in the near term. The company maintains a full valuation allowance against the realization of all U.S. deferred tax assets as well as certain foreign deferred tax assets in excess of deferred tax liabilities. See Note 8, "Income taxes," of the Notes to Consolidated Financial Statements.

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

Pensions

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

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

Funding requirements for its U.S. qualified pension plans are calculated by the plan's actuaries based on certain assumptions as permitted under current regulations. Changes to the benefit obligation caused by a 25 basis point change noted below are related to the balance sheet obligation and are not necessarily indicative of the impact on the funding liability.

At the end of each year, the company determines the discount rate to be used to calculate the present value of plan liabilities. Inherent in deriving the discount rate are significant assumptions with respect to the timing and magnitude of expected benefit payment obligations. The discount rate is an estimate of the current interest rate at which the pension liabilities could be effectively settled at the end of the year. In estimating this rate, the company looks to rates of return on high-quality, fixed-income investments that (a) receive one of the two highest ratings given by a recognized ratings agency and (b) are currently available and expected to be available during the period to maturity of the pension benefits. At December 31, 2021, the company determined this rate to be 3.18% for its U.S. defined benefit pension plans, an increase of 33 basis points from the rate used at December 31, 2020, and 1.73% for the company's non-U.S. defined benefit pension plans, an increase of 50 basis points from the rate used at December 31, 2020. A change of 25 basis points in the U.S. and non-U.S. discount rates causes a change in 2022 pension expense of approximately $1 million and $200 thousand, respectively, and a change of approximately $83 million and $102 million, respectively, in the benefit obligation. These estimates are intended to be illustrative based on a single 25 basis point change. The sensitivity to rate changes is not linear and additional changes in rates may result in a different impact on the pension liability. The net effect of changes in the discount rate, as well as the net effect of other changes in actuarial assumptions and experience, has been deferred, as permitted.

A significant element in determining the company's pension income or expense is the expected long-term rate of return on plan assets. The company sets the expected long-term rate of return based on the expected long-term return of the various asset categories in which it invests. The company considers the current expectations for future returns and the actual historical returns of each asset class. Also, because the company's investment policy is to actively manage certain asset classes where the potential exists to outperform the broader market, the expected returns for those asset classes are adjusted to reflect the expected additional returns. For 2022, the company has assumed that the expected long-term rate of return on U.S. plan assets will be 6.50%, and on the company's non-U.S. plan assets will be 3.88%. A change of 25 basis points in the expected long-term rate of return for the company's U.S. and non-U.S. pension plans causes a change of approximately $7 million and $5 million, respectively, in 2022 pension expense. The assumed long-term rate of return on assets is applied to a calculated value of plan assets, which recognizes changes in the fair value of plan assets in a systematic manner over four years. This produces the expected return on plan assets that is included in pension income or expense. The difference between this expected return and the actual return on plan assets is deferred. The net deferral of past asset gains or losses affects the calculated value of plan assets and, ultimately, future pension income or expense. At December 31, 2021, for the company's U.S. qualified defined benefit pension plans, the calculated value of plan assets was $3.14 billion and the fair value was $3.07 billion.

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

At a minimum, amortization of an unrecognized net gain or loss must be included as a component of net pension cost for a year if, as of the beginning of the year, that unrecognized net gain or loss exceeds 10 percent of the greater of the projected benefit obligation or the calculated value of plan assets. If amortization is required, the minimum amortization is that excess above the 10 percent divided by the average remaining life expectancy of the plan participants. For the company's U.S. qualified defined benefit pension plans and the company's non-U.S. pension plans, that period is approximately 14 and 23 years, respectively. At December 31, 2021, the estimated unrecognized loss for the company's U.S. qualified defined benefit pension plans and the company's non-U.S. pension plans was $2.10 billion and $850 million, respectively.

For the year ended December 31, 2021, the company recognized consolidated pension expense of $553.9 million (which includes $499.4 million settlement losses), compared with $235.3 million for the year ended December 31, 2020 (which includes a $142.1 million settlement loss). For 2022, the company expects to recognize pension expense of approximately $42.3 million. See Note 18, "Employee plans," of the Notes to Consolidated Financial Statements.

Goodwill

The company tests goodwill for impairment annually in the fourth quarter using data as of September 30 of that year, as well as whenever there are events or changes in circumstances (triggering events) which suggest that the carrying amount may not be recoverable.

The company initially assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. This qualitative assessment considers all relevant factors specific to the reporting units, including macroeconomic conditions, industry and market considerations, overall financial performance, and relevant entity-specific events.

If, after completing the qualitative assessment, the company determines it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then the company proceeds to perform a subsequent quantitative goodwill impairment test. Alternatively, the company may elect to bypass the qualitative assessment and perform the quantitative impairment test. The quantitative goodwill impairment test compares each reporting unit's fair value to its carrying value. If the reporting unit's fair value exceeds its carrying value, no further procedures are required. However, if a reporting unit's fair value is less than its carrying value, then an impairment charge is recorded in the amount of the excess.

When the company performs the quantitative goodwill impairment test for a reporting unit, it estimates the fair value of the reporting unit using both the income approach and the market approach. The methodology used to determine the fair values using the income and market approaches, as described below, are weighted to determine the fair value for each reporting unit.

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

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

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

In January 2021, the company changed its organizational structure to more effectively address evolving client needs. With these changes, the company changed its reportable segments, operating segments and reporting units. The realignment and change was deemed a triggering event, resulting in the company performing an interim quantitative goodwill impairment test on the reporting units impacted by this segment change as of immediately before and immediately after the change. There were no impairment charges resulting from this analysis. As a result of the realignment, goodwill totaling $108.6 million was reallocated as follows: ECS, $98.3 million and Other, $10.3 million.

Goodwill by reporting unit at December 31, 2021, was as follows (dollars in millions):

Reporting unit	Carrying Amount
DWS	$140.9
C&I	65.5
ECS	98.3
Other	10.3
Total	$315.0

After performing the annual goodwill impairment qualitative analysis during the fourth quarter of 2021, the company determined it was not necessary to perform the quantitative goodwill impairment test.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk

The company has exposure to interest rate risk from its debt. In general, the company's long-term debt is fixed rate and, to the extent it has any, its short-term debt is variable rate. See Note 16, "Debt," of the Notes to Consolidated Financial Statements. The company believes that the market risk assuming a hypothetical 10% increase in interest rates would not be material to the fair value of these financial instruments, or the related cash flows, or future results of operations.

Market risk

As of December 31, 2021, the company had outstanding $478.1 million ($485.0 million face value) of senior secured notes due 2027. The interest rates on the notes are fixed and therefore do not expose the company to risk related to rising interest rates. As of December 31, 2021, the fair value of the senior secured notes due 2027 was $527.0 million.

Foreign currency exchange rate risk

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

In addition, the company uses derivative financial instruments, primarily foreign exchange forward contracts, to reduce its exposure to market risks from changes in foreign currency exchange rates on intercompany balances. See Note 13, "Financial instruments and concentration of credit risks," of the Notes to Consolidated Financial Statements for additional information on the company's derivative financial instruments.

The company has performed a sensitivity analysis assuming a hypothetical 10% adverse movement in foreign currency exchange rates applied to these derivative financial instruments described above. As of December 31, 2021 and 2020, the analysis indicated that such market movements would have reduced the estimated fair value of these derivative financial instruments by approximately $55 million and $50 million, respectively. Based on changes in the timing and amount of interest rate and foreign currency exchange rate movements and the company's actual exposures and hedges, actual gains and losses in the future may differ from the above analysis.

UNISYS CORPORATION

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(Millions, except per share data)

Year ended December 31,	2021	2020	2019
Revenue			
Services	**$1,699.3**	$1,692.9	$1,892.7
Technology	**355.1**	333.4	330.1
	2,054.4	2,026.3	2,222.8
Costs and expenses			
Cost of revenue:			
Services	**1,358.7**	1,429.4	1,590.6
Technology	**123.7**	113.9	98.2
	1,482.4	1,543.3	1,688.8
Selling, general and administrative	**389.5**	369.4	364.8
Research and development	**28.5**	26.6	31.3
	1,900.4	1,939.3	2,084.9
Operating income	**154.0**	87.0	137.9
Interest expense	**35.4**	29.2	62.1
Other (expense), net	**(580.3)**	(329.6)	(136.4)
Loss from continuing operations before income taxes	**(461.7)**	(271.8)	(60.6)
(Benefit) provision for income taxes	**(11.9)**	45.4	27.7
Consolidated net loss from continuing operations	**(449.8)**	(317.2)	(88.3)
Net (loss) income attributable to noncontrolling interests	**(1.3)**	0.5	3.9
Net loss from continuing operations attributable to Unisys Corporation	**(448.5)**	(317.7)	(92.2)
Income from discontinued operations, net of tax	**—**	1,068.4	75.0
Net (loss) income attributable to Unisys Corporation	**$ (448.5)**	$ 750.7	$ (17.2)
Earnings (loss) per common share attributable to Unisys Corporation			
Basic			
Continuing operations	**$ (6.75)**	$ (5.05)	$ (1.65)
Discontinued operations	**—**	16.98	1.34
Total	**$ (6.75)**	$ 11.93	$ (0.31)
Diluted			
Continuing operations	**$ (6.75)**	$ (5.05)	$ (1.65)
Discontinued operations	**—**	16.98	1.34
Total	**$ (6.75)**	$ 11.93	$ (0.31)

See notes to consolidated financial statements.

UNISYS CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Millions)

Year ended December 31,	**2021**	2020	2019
Consolidated net loss from continuing operations	**$(449.8)**	$ (317.2)	$(88.3)
Income from discontinued operations, net of tax	**—**	1,068.4	75.0
Total	**(449.8)**	751.2	(13.3)
Other comprehensive income (loss)			
Foreign currency translation	**(40.5)**	49.3	24.4
Postretirement adjustments, net of tax of $64.5 in 2021, $(9.2) in 2020 and $(11.3) in 2019	**721.8**	106.9	(38.9)
Total other comprehensive income (loss)	**681.3**	156.2	(14.5)
Comprehensive income (loss)	**231.5**	907.4	(27.8)
Comprehensive income (loss) attributable to noncontrolling interests	**4.6**	7.6	(6.8)
Comprehensive income (loss) attributable to Unisys Corporation	**$ 226.9**	$ 899.8	$(21.0)

See notes to consolidated financial statements.

UNISYS CORPORATION

CONSOLIDATED BALANCE SHEETS

(Millions)

As of December 31,	**2021**	2020
Assets		
Current assets		
Cash and cash equivalents	**$ 552.9**	$ 898.5
Accounts receivable, net	**451.7**	460.5
Contract assets	**42.0**	44.3
Inventories	**7.6**	13.4
Prepaid expenses and other current assets	**78.8**	89.3
Total current assets	**1,133.0**	1,506.0
Properties	**468.0**	727.0
Less – Accumulated depreciation and amortization	**381.5**	616.5
Properties, net	**86.5**	110.5
Outsourcing assets, net	**124.6**	173.9
Marketable software, net	**176.2**	193.6
Operating lease right-of-use assets	**62.7**	79.3
Prepaid postretirement assets	**159.7**	187.5
Deferred income taxes	**125.3**	136.2
Goodwill	**315.0**	108.6
Intangible assets, net	**34.9**	–
Restricted cash	**7.7**	8.2
Assets held-for-sale	**20.0**	–
Other long-term assets	**173.9**	204.1
Total assets	**$ 2,419.5**	$ 2,707.9
Liabilities and deficit		
Current liabilities:		
Current maturities of long-term debt	**$ 18.2**	$ 102.8
Accounts payable	**180.2**	223.2
Deferred revenue	**253.2**	257.1
Other accrued liabilities	**300.9**	352.0
Total current liabilities	**752.5**	935.1
Long-term debt	**511.2**	527.1
Long-term postretirement liabilities	**976.2**	1,286.1
Long-term deferred revenue	**150.7**	137.9
Long-term operating lease liabilities	**46.1**	62.4
Other long-term liabilities	**47.2**	71.4
Commitments and contingencies (see Note 19)		
Deficit:		
Common stock, par value $.01 per share (150.0 shares authorized; shares issued: 2021, 72.5 and 2020, 66.8)	**0.7**	0.7
Accumulated deficit	**(1,409.0)**	(960.5)
Treasury stock, shares at cost: 2021, 5.3 and 2020, 3.8	**(152.2)**	(114.4)
Paid-in capital	**4,710.9**	4,656.9
Accumulated other comprehensive loss	**(3,264.1)**	(3,939.5)
Total Unisys Corporation stockholders' deficit	**(113.7)**	(356.8)
Noncontrolling interests	**49.3**	44.7
Total deficit	**(64.4)**	(312.1)
Total liabilities and deficit	**$ 2,419.5**	$ 2,707.9

See notes to consolidated financial statements.

UNISYS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions)

Year ended December 31,	**2021**	2020	2019
Cash flows from operating activities			
Consolidated net loss from continuing operations	**$ (449.8)**	$ (317.2)	$ (88.3)
Income from discontinued operations, net of tax	**–**	1,068.4	75.0
Adjustments to reconcile consolidated net income (loss) to net cash provided by (used for) operating activities:			
Gain on sale of U.S. Federal business	**–**	(1,060.0)	–
Foreign currency losses	**2.6**	36.2	11.0
Non-cash interest expense	**1.8**	4.6	9.2
Debt extinguishment charge	**–**	28.5	20.1
Employee stock compensation	**18.8**	14.5	13.2
Depreciation and amortization of properties	**30.5**	29.7	35.3
Depreciation and amortization of outsourcing assets	**68.0**	65.8	63.8
Amortization of marketable software	**71.9**	65.5	48.3
Amortization of intangible assets	**3.0**	–	–
Other non-cash operating activities	**(0.6)**	(0.3)	(1.6)
Loss on disposal of capital assets	**2.2**	4.5	1.5
Postretirement contributions	**(56.4)**	(832.2)	(109.4)
Postretirement expense	**552.0**	239.2	96.6
Deferred income taxes, net	**(59.2)**	(13.4)	4.4
Changes in operating assets and liabilities, excluding the effect of acquisitions:			
Receivables, net and contract assets	**47.4**	(74.8)	(8.3)
Inventories	**6.0**	3.0	6.1
Other assets	**8.0**	5.9	9.9
Accounts payable and current liabilities	**(149.4)**	3.4	(114.4)
Other liabilities	**35.7**	47.5	51.5
Net cash provided by (used for) operating activities	**132.5**	(681.2)	123.9
Cash flows from investing activities			
Purchases of businesses, net of cash acquired	**(239.3)**	–	–
Net proceeds from sale of U.S. Federal business	**–**	1,162.9	–
Proceeds from investments	**4,148.2**	3,388.5	3,568.9
Purchases of investments	**(4,168.1)**	(3,379.2)	(3,566.1)
Capital additions of properties	**(27.3)**	(27.7)	(38.0)
Capital additions of outsourcing assets	**(18.5)**	(30.1)	(48.8)
Investment in marketable software	**(54.4)**	(72.3)	(73.0)
Net proceeds from sale of properties	**–**	–	(0.3)
Other	**(0.9)**	(0.5)	(0.9)
Net cash (used for) provided by investing activities	**(360.3)**	1,041.6	(158.2)
Cash flows from financing activities			
Proceeds from issuance of long-term debt	**1.5**	497.3	30.5
Payments of long-term debt	**(103.1)**	(454.8)	(14.4)
Cash paid for debt extinguishment	**–**	(23.7)	(56.7)
Issuance costs relating to long-term debt	**–**	(7.9)	–
Proceeds from exercise of stock options	**4.5**	–	–
Proceeds from capped call transactions	**–**	–	7.2
Other	**(8.4)**	(5.8)	(4.6)
Net cash (used for) provided by financing activities	**(105.5)**	5.1	(38.0)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	**(12.8)**	(10.6)	–
(Decrease) increase in cash, cash equivalents and restricted cash	**(346.1)**	354.9	(72.3)
Cash, cash equivalents and restricted cash, beginning of year	**906.7**	551.8	624.1
Cash, cash equivalents and restricted cash, end of year	**$ 560.6**	$ 906.7	$ 551.8

See notes to consolidated financial statements.

UNISYS CORPORATION

CONSOLIDATED STATEMENTS OF DEFICIT

(Millions)

		Unisys Corporation						
	Total	Total Unisys Corporation	Common Stock Par Value	Accumulated Deficit	Treasury Stock At Cost	Paid-in Capital	Accumulated Other Comprehensive Loss	Non-controlling Interests
Balance at December 31, 2018	$(1,299.6)	$(1,343.5)	$0.5	$(1,694.0)	$(105.0)	$4,539.8	$(4,084.8)	$43.9
Consolidated net income (loss)	(13.3)	(17.2)		(17.2)				3.9
Stock-based activity	8.0	8.0	0.1		(4.6)	12.5		
Debt exchange	83.9	83.9	0.1			83.8		
Capped call on debt exchange	7.2	7.2				7.2		
Translation adjustments	24.4	23.8					23.8	0.6
Postretirement plans	(38.9)	(27.6)					(27.6)	(11.3)
Balance at December 31, 2019	$(1,228.3)	$(1,265.4)	$0.7	$(1,711.2)	$(109.6)	$4,643.3	$(4,088.6)	$37.1
Consolidated net income	751.2	750.7		750.7				0.5
Stock-based activity	8.8	8.8			(4.8)	13.6		
Translation adjustments	49.3	46.3					46.3	3.0
Postretirement plans	106.9	102.8					102.8	4.1
Balance at December 31, 2020	$ (312.1)	$ (356.8)	$0.7	$ (960.5)	$(114.4)	$4,656.9	$(3,939.5)	$44.7
Consolidated net loss	(449.8)	(448.5)		(448.5)				(1.3)
Capped call on conversion of debt	–	–			(30.8)	30.8		
Stock-based activity	16.2	16.2			(7.0)	23.2		
Translation adjustments	(40.5)	(39.6)					(39.6)	(0.9)
Postretirement plans	721.8	715.0					715.0	6.8
Balance at December 31, 2021	$ (64.4)	$ (113.7)	$0.7	$(1,409.0)	$(152.2)	$4,710.9	$(3,264.1)	$49.3

See notes to consolidated financial statements.

UNISYS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Note 1 – Summary of significant accounting policies

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

Use of estimates The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP) requires management to make estimates and assumptions about future events. These estimates and assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities and the reported amounts of revenue and expenses. Such estimates include the valuation of estimated credit losses, contract assets, operating lease right-of-use assets, outsourcing assets, marketable software, goodwill, purchased intangibles and other long-lived assets, legal contingencies, assumptions used in the calculation for systems integration projects, income taxes and retirement and other post-employment benefits, among others. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ materially from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

The company assessed certain accounting matters that generally require consideration of forecasted financial information in context with the information reasonably available to us and the unknown future impacts of COVID-19 as of December 31, 2021 and through the date of this report. The accounting matters assessed included, but were not limited to the valuation of estimated credit losses, contract assets, outsourcing assets, marketable software, deferred tax assets, goodwill, purchased intangibles and other long-lived assets, and retirement and other post-employment benefits. While there was not a material impact to our consolidated financial position as of December 31, 2021 resulting from our assessments, our future assessment of our current expectations at that time of the future impacts and duration of COVID-19, as well as other factors, could result in material impacts to our consolidated financial position in future reporting periods.

Cash and Cash equivalents Cash and cash equivalents consist of cash on hand, short-term investments purchased with an original maturity of three months or less and certificates of deposit which may be withdrawn at any time at the discretion of the company without penalty. Cash and cash equivalents subject to contractual restrictions and not readily available are classified as restricted cash.

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

As of December 31,	**2021**	2020
Cash and cash equivalents	**$552.9**	$898.5
Restricted cash	**7.7**	8.2
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	**$560.6**	$906.7

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

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

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

Recoverability of these costs is subject to various business risks. Quarterly, the company compares the carrying value of these assets with the undiscounted future cash flows expected to be generated by them to determine if there is impairment. If impaired, these assets are reduced to an estimated fair value on a discounted cash flow basis. The company prepares its cash flow estimates based on assumptions that it believes to be reasonable but are also inherently uncertain. Actual future cash flows could differ from these estimates. The gross amount of outsourcing assets totaled $568.3 million and $692.1 million as of December 31, 2021 and 2020, respectively, and related accumulated amortization totaled $443.7 million and $518.2 million as of December 31, 2021 and 2020, respectively.

Marketable software The cost of development of computer software to be sold or leased, incurred subsequent to establishment of technological feasibility, is capitalized and amortized to cost of sales over the estimated revenue-producing lives of the products. For the company's proprietary enterprise software products, the amortization period is five years following product release, and for the remaining products, the amortization period is three years following product release. In assessing the estimated revenue-producing lives and recoverability of the products, the company considers operating strategies, underlying technologies utilized, estimated economic life and external market factors, such as expected levels of competition, barriers to entry by potential competitors, stability in the market and governmental regulation. The company continually reassesses the estimated revenue-producing lives of the products and any change in the company's estimate could result in the remaining amortization expense being accelerated or spread out over a longer period. As of December 31, 2021, the company believes that all unamortized costs are fully recoverable. The gross amount of marketable software totaled $2,266.1 million and $2,219.4 million as of December 31, 2021 and 2020, respectively, and related accumulated amortization totaled $2,089.9 million and $2,025.8 million as of December 31, 2021 and 2020, respectively.

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

Goodwill and Purchased Intangible Assets Goodwill arising from the acquisition of an entity represents the excess of the purchase price consideration over the fair value of the underlying identifiable intangible assets and net assets or liabilities assumed. Goodwill is initially recognized as an asset and is subsequently measured at cost less any accumulated impairment losses.

The company tests goodwill for impairment annually in the fourth quarter using data as of September 30 of that year, as well as whenever there are events or changes in circumstances (triggering events) that would more likely than not reduce the fair value of one or more reporting units below its respective carrying amount. The company initially assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. This qualitative assessment considers all relevant factors specific to the reporting units, including macroeconomic conditions, industry and market considerations, overall financial performance, and relevant entity-specific events.

If the company determines that it is not more likely that the carrying amount for a reporting unit is less than its fair value, then subsequent quantitative goodwill impairment testing is not required. If the company determines that it is more likely than not that the carrying amount for a reporting unit is greater than its fair value, then it proceeds with a subsequent quantitative goodwill impairment test. Under the quantitative test, the company compares the fair value of each of its reporting units to their respective carrying value. If the carrying value exceeds fair value, an impairment charge is recognized for the difference. Impaired goodwill is written down to its fair value through a charge to the consolidated statement of income (loss) in the period the impairment is identified.

In January 2021, the company changed its organizational structure to more effectively address evolving client needs. With these changes, the company changed its reportable segments, operating segments and reporting units. The realignment and change was deemed a triggering event, resulting in the company performing an interim quantitative goodwill impairment test on the reporting units impacted by this segment change as of immediately before and immediately after the change. There were no impairment charges resulting from this analysis. See Note 21, “Segment information” for additional information on the company’s operating and reportable segments.

During the fourth quarter of 2021, the company performed its annual qualitative goodwill assessment and determined it was not necessary to perform the quantitative goodwill impairment test.

When the company performs the quantitative goodwill impairment test for a reporting unit, it estimates the fair value of the reporting unit using both the income approach and the market approach.

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

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

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

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

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

Finite-lived intangible assets purchased in a business combination are recorded at fair value and amortized to selling, general and administrative expense over their estimated useful lives. Finite-lived intangible assets are tested for impairment whenever events or changes in circumstances would indicate that the carrying value may not be recoverable. An impairment charge would be recognized if the carrying value exceeds fair value in the consolidated statement of income (loss) in the period the impairment is identified.

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

At December 31 of each year, the company determines the fair value of its retirement benefits plan assets as well as the discount rate to be used to calculate the present value of plan liabilities. Management's significant assumption used in the determination of the defined benefit pension plan obligations, and settlement losses associated with respect to the U.S. pension plans, is the discount rate. Inherent in deriving the discount rate are significant assumptions with respect to the timing and magnitude of expected benefit payment obligations. The discount rate is an estimate of the interest rate at which the retirement benefits could be effectively settled. In estimating the discount rate, the company looks to rates of return on high-quality, fixed-income investments currently available and expected to be available during the period to maturity of the retirement benefits. The company uses a portfolio of fixed-income securities, which receive at least the second-highest rating given by a recognized ratings agency.

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

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

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

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

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

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

Revenue for operating leases is recognized on a monthly basis over the term of the lease and for sales-type leases at the inception of the lease term. Such revenue is not material to the company's consolidated results of operations.

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

Revenue and profit under systems integration contracts are recognized over time as the company transfers control of goods or services. The company measures its progress toward satisfaction of its performance obligations using the cost-to-cost method, or when services have been performed, depending on the nature of the project. For contracts accounted for using the cost-to-cost method, revenue and profit recognized in any given accounting period are based on estimates of total projected contract costs. The estimates are continually reevaluated and revised, when necessary, throughout the life of a contract. Any adjustments to revenue and profit resulting from changes in estimates are accounted for in the period of the change in estimate. When estimates indicate that a loss will be incurred on a contract upon completion, a provision for the expected loss is recorded in the period in which the loss becomes evident. Revenue from such contracts is not material to the company's consolidated results of operations.

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

Revenue from time-and-material contracts is recognized on an output basis as labor hours are delivered.

In managed services, application management, business process outsourcing and other cloud-based services arrangements, the arrangement generally consists of a single performance obligation comprised of services that are substantially the same and that have the same pattern of transfer. The promise to transfer the individual services is not separately identifiable from other promises in the contracts and, therefore, is not distinct. The company applies a measure of progress (typically time-based) to any fixed consideration and allocates variable consideration to the periods of service, which are typically monthly or quarterly, based on usage. As a result, revenue is recognized over the period the services are provided either on a straight-line basis or on a usage basis, depending on the terms of the arrangement (such as whether the company is standing ready to perform or whether the contract has usage-based metrics). This results in revenue recognition that corresponds with the value to the client of the services transferred to date relative to the remaining services promised.

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

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

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. For contracts with multiple performance obligations, the company allocates the contract's transaction price to each performance obligation using its best estimate of the standalone selling price of each distinct good or service in the contract. The primary methods used to estimate standalone selling price are as follows: (1) the expected cost plus margin approach, under which the company forecasts its expected costs of satisfying a performance obligation and then adds an appropriate margin for that distinct good or service and (2) the percent discount off of list price approach.

In the Digital Workplace Solutions (DWS) and the Cloud and Infrastructure Solutions (C&I) segments, substantially all of the company's performance obligations are satisfied over time as work progresses and therefore substantially all of the revenue in this segment is recognized over time. The company generally receives payment for these contracts over time as the performance obligations are satisfied.

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

The company discloses disaggregation of its customer revenue by geographic areas by segment (see Note 21, "Segment information").

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

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

Advertising costs All advertising costs are expensed as incurred.

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

Stock-based compensation plans Stock-based compensation represents the cost related to stock-based awards granted to employees and directors. Compensation expense for performance-based restricted stock and restricted stock unit awards is recognized as expense ratably for each installment from the date of the grant until the date the restrictions lapse and is based on the fair market value at the date of grant and the probability of achievement of the specific performance-related goals. Compensation expense for market-based awards is recognized as expense ratably over the measurement period, regardless of the actual level of achievement, provided the service requirement is met. The fair value of restricted stock and restricted stock units with time and performance conditions is determined based on the trading price of the company's common shares on the date of grant. The fair value of awards with market conditions is estimated using a Monte Carlo simulation. The company recognizes compensation expense for the fair value of stock options, which have graded vesting, on a straight-line basis over the requisite service period. The expense is recorded in selling, general and administrative expenses.

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

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

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

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

Fair value measurements Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value measurements for assets and liabilities required to be recorded at fair value, the company assumes that the transaction is an orderly transaction that assumes exposure to the market for a period before the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction (for example, a forced liquidation or distress sale). The fair value hierarchy has three levels of inputs that may be used to measure fair value: Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the company can access at the measurement date; Level 2 – Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3 – Unobservable inputs for the asset or liability. The company has applied fair value measurements to its derivatives (see Note 13, "Financial instruments and concentration of credit risks"), long-term debt (see Note 16, "Debt"), and to its postretirement plan assets (see Note 18, "Employee plans").

Note 2 – Discontinued operations

On March 13, 2020, the company completed the sale of its U.S. Federal business to Science Applications International Corporation for cash of $1.2 billion. Net cash proceeds of the sale was $1,162.9 million (net of working capital adjustments and transaction costs).

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

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

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

Note 3 – Recent accounting pronouncements and accounting changes

Effective January 1, 2020, the company adopted Accounting Standards Update (ASU) No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which removed certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new standard was applied to the presentation of the company's U.S. Federal business, which is reflected in discontinued operations.

In October 2021, the Financial Accounting Standards Board issued ASU No. 2021-08, Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. This guidance requires that an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 606, Revenue from Contracts with Customers, as if it had originated the contracts. Deferred revenue acquired in a business combination is no longer required to be measured at its fair value, which had historically resulted in a deferred revenue impairment at the date of acquisition. The amendment is effective January 1, 2023 and early adoption is permitted. The company expects to adopt this new guidance effective January 1, 2022.

Note 4 – Acquisitions

Unify Square, Inc.

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

Headquartered in Bellevue, Washington, and with offices in the United Kingdom, Germany, Switzerland, India, Australia and Lithuania, Unify Square is a leading experience management provider for secure collaboration and communication platforms.

The acquisition is expected to enhance the company's digital workplace solutions and enable the company to deliver higher value solutions to its clients.

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

Receivables	$ 3.4
Prepaid expenses and other current assets	0.6
Properties and other long-term assets	0.4
Operating lease right-of-use assets	1.7
Accounts payable and accruals	(3.8)
Deferred revenue	(2.7)
Long-term operating lease liabilities	(1.7)
Intangible assets	19.6
Goodwill	132.9
Total	$150.4

The company has finalized the purchase accounting related to Unify Square and the above amounts represent final fair values.

The goodwill represents expected synergies, intellectual capital and the acquired assembled workforce, none of which qualify for recognition as a separate intangible asset. Goodwill determined by the allocation of the purchase price has been recorded in the company's DWS segment and is not deductible for tax purposes.

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

	Weighted Average Amortization Period in Years	
Technology	3.2	$10.0
Customer Relationships - Software and Software Solutions	3.0	6.6
Customer Relationships - Consulting	10.0	3.0
Total		$19.6

During 2021, the company incurred and expensed acquisition-related costs of $2.4 million, included within selling, general and administrative expense on the consolidated statements of income (loss).

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

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

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

CompuGain

On December 14, 2021, the company acquired 100% of CompuGain LLC (CompuGain), a leading cloud solutions provider, for a purchase price consideration of $87.0 million on a cash-free, debt-free basis. The purchase price is subject to customary adjustments based on closing cash, indebtedness and working capital. The company funded the cash consideration and acquisition-related costs with cash on hand.

The acquisition is expected to enhance the company's delivery of rapid and agile cloud migration, application modernization and data value realization to our clients.

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

Receivables	$ 7.8
Prepaid expenses and other current assets	0.7
Properties and other long-term assets	0.2
Operating lease right-of-use assets	0.2
Accounts payable and accruals	(5.6)
Long-term operating lease liabilities	(0.1)
Intangible assets	18.3
Goodwill	65.5
Total	$87.0

At December 31, 2021, the company has not finalized the purchase accounting related to CompuGain and the above amounts represent preliminary estimated values. The preliminary purchase price allocation is subject to change as the company completes its determination of the final working capital and the fair values of the acquired assets and liabilities assumed, the impact of which could be material.

The goodwill represents expected synergies, intellectual capital and the acquired assembled workforce, none of which qualify for recognition as a separate intangible asset. Goodwill determined by the allocation of the purchase price will be recorded in the company's C&I segment and is expected to be deductible for tax purposes.

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

	Weighted Average Amortization Period in Years	
Customer Relationships	8.5	$17.4
Marketing	4.0	0.9
Total		$18.3

During 2021, the company incurred and expensed acquisition-related costs of $1.1 million, included within selling, general and administrative expense on the consolidated statements of income (loss).

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

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

Mobinergy

On November 18, 2021, the company acquired 100% of the Mobinergy group of companies (Mobinergy), a leader in unified endpoint management. The purchase price consideration was not material. The acquisition is expected to enhance the company's digital workplace solutions and enable the company to deliver higher value solutions to its clients.

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

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

Note 5 – Cost-reduction actions

During 2021, the company recognized cost-reduction charges and other costs of $23.2 million. The net charges related to work-force reductions were $0.4 million, principally related to severance costs, and were comprised of: (a) a charge of $12.3 million and (b) a credit of $11.9 million for changes in estimates. In addition, the company recorded charges of $22.8 million comprised of $4.0 million for net foreign currency losses related to exiting foreign countries, $12.6 million for asset impairments and $6.2 million for other expenses related to cost-reduction efforts.

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

During 2019, the company recognized cost-reduction charges and other costs of $28.7 million. The net charges related to work-force reductions were $22.1 million, principally related to severance costs, and were comprised of: (a) a charge of $25.7 million and (b) a credit of $3.6 million for changes in estimates. In addition, the company recorded charges of $6.6 million comprised of $4.6 million for lease abandonment costs, $1.1 million for asset write-offs and $0.9 million for other expenses related to cost-reduction efforts.

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

Year ended December 31,	**2021**	2020	2019
Cost of revenue			
Services	**$ (2.5)**	$22.2	$10.8
Technology	**7.6**	–	0.2
Selling, general and administrative	**11.1**	38.5	15.5
Research and development	**3.0**	2.5	2.2
Other (expenses), net	**4.0**	32.3	–
Total	**$23.2**	$95.5	$28.7

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

	Total	U.S.	International
Balance at December 31, 2018	$ 86.2	$ 6.1	$ 80.1
Additional provisions	25.7	4.6	21.1
Payments	(57.7)	(4.0)	(53.7)
Changes in estimates	(3.6)	(1.5)	(2.1)
Translation adjustments	(0.8)	–	(0.8)
Balance at December 31, 2019	49.8	5.2	44.6
Additional provisions	39.0	13.8	25.2
Payments	(21.5)	(3.2)	(18.3)
Changes in estimates	(13.5)	(2.7)	(10.8)
Translation adjustments	2.1	–	2.1
Balance at December 31, 2020	**55.9**	**13.1**	**42.8**
Additional provisions	**12.3**	**7.9**	**4.4**
Payments	**(38.5)**	**(13.2)**	**(25.3)**
Changes in estimates	**(11.9)**	**(2.1)**	**(9.8)**
Translation adjustments	**(1.5)**	**–**	**(1.5)**
Balance at December 31, 2021	**$ 16.3**	**$ 5.7**	**$ 10.6**
Expected future payments on balance at December 31, 2021:			
In 2022	**$ 14.9**	**$ 5.7**	**$ 9.2**
Beyond 2022	**1.4**	**–**	**1.4**

Note 6 – Leases and commitments

Leases

The company determines if an arrangement is a lease at inception. This determination generally depends on whether the arrangement conveys to the company the right to control the use of an explicitly or implicitly identified asset for a period of time in exchange for consideration. Control of an underlying asset is conveyed to the company if the company obtains the rights to direct the use of and to obtain substantially all of the economic benefits from using the underlying asset. The company is the lessee in lease agreements that include lease and non-lease components, which the company accounts for as a single lease component for all personal property leases. The company also has lease agreements in which it is the lessor that include lease and non-lease components. For these agreements, the company accounts for these components as a single lease component. Lease expense for variable leases and short-term leases is recognized when the expense is incurred.

Operating leases are included in operating lease right-of-use (ROU) assets, other accrued liabilities and long-term operating lease liabilities on the consolidated balance sheets. Operating lease ROU assets and lease liabilities are recognized at the commencement date of the lease based on the present value of lease payments over the lease term. Operating lease payments are recognized as lease expense on a straight-line basis over the lease term.

Finance leases are included in outsourcing assets, net and long-term debt on the consolidated balance sheets. Finance lease ROU assets and lease liabilities are initially measured in the same manner as operating leases. Finance lease ROU assets are amortized using the straight-line method. Finance lease liabilities are measured at amortized cost using the effective interest method.

The company has not capitalized leases with terms of twelve months or less.

As most of the company’s leases do not provide an implicit rate, the company uses its incremental borrowing rate, based on the information available at the lease commencement date, in determining the present value of lease payments. The company determines the incremental borrowing rate using the portfolio approach considering lease term and lease currency.

The lease term for all of the company’s leases includes the non-cancelable period of the lease plus any additional periods covered by either a company option to extend (or not to terminate) the lease that the company is reasonably certain to exercise, or an option to extend (or not to terminate) the lease controlled by the lessor.

Lease payments included in the measurement of the lease liability are comprised of fixed payments, variable payments that depend on index or rate, amounts expected to be payable under a residual value guarantee and the exercise of the company option to purchase the underlying asset, if reasonably certain.

Variable lease payments associated with the company’s leases are recognized when the event, activity, or circumstance in the lease agreement on which those payments are assessed occurs. Variable lease payments are presented as an operating expense in the company’s consolidated results of operations in the same line item as expense arising from fixed lease payments (operating leases) or amortization of the ROU asset (finance leases).

The company uses the long-lived assets impairment guidance in ASC Subtopic 360-10 *Property, Plant, and Equipment* to determine whether a ROU asset is impaired, and if so, the amount of the impairment loss to recognize. If impaired, ROU assets for operating and finance leases are reduced for any impairment losses.

The company monitors for events or changes in circumstances that require a reassessment of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the amount of the adjustment that would result in a negative ROU asset balance is recorded in the consolidated statement of income (loss).

The company has commitments under operating leases for certain facilities and equipment used in its operations. The company also has finance leases for equipment. The company’s leases generally have initial lease terms ranging from 1 year to 8 years, most of which include options to extend or renew the leases for up to 5 years, and some of which may include options to terminate the leases within 1 year. Certain lease agreements contain provisions for future rent increases.

The components of lease expense are as follows:

Year ended December 31,	**2021**	2020	2019
Operating lease cost	**$39.7**	$ 42.3	$37.9
Finance lease cost			
Amortization of right-of-use assets	**1.8**	1.7	1.6
Interest on lease liabilities	**0.1**	0.2	0.3
Total finance lease cost	**1.9**	1.9	1.9
Short-term lease costs	**0.9**	1.4	0.6
Variable lease cost	**11.5**	10.3	13.7
Sublease income	**(4.4)**	(12.1)	(0.7)
Total lease cost	**$49.6**	$ 43.8	$53.4

Supplemental balance sheet information related to leases is as follows:

As of December 31,	**2021**	2020
Operating Leases		
Operating lease right-of-use assets	**$62.7**	$79.3
Other accrued liabilities	**35.4**	37.1
Long-term operating lease liabilities	**46.1**	62.4
Total operating lease liabilities	**$81.5**	$99.5
Finance Leases		
Outsourcing assets, net	**$ 1.2**	$ 2.9
Current maturities of long-term debt	**1.6**	2.4
Long-term debt	**1.1**	3.1
Total finance lease liabilities	**$ 2.7**	$ 5.5
Weighted-Average Remaining Lease Term (in years)		
Operating leases	**2.7**	2.3
Finance leases	**1.2**	2.0
Weighted-Average Discount Rate		
Operating leases	**6.1%**	6.4%
Finance leases	**5.5%**	5.2%

Supplemental cash flow information related to leases is as follows:

Years ended December 31,	**2021**	2020
Cash paid for amounts included in the measurement of lease liabilities:		
Cash payments for operating leases included in operating activities	**$44.9**	$41.6
Cash payments for finance leases included in financing activities	**1.9**	1.8
Cash payments for finance lease included in operating activities	**0.1**	0.2

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

Years ended December 31,	**2021**	2020
Operating leases	**$20.4**	$40.9

Maturities of lease liabilities as of December 31, 2021 are as follows:

Year	Finance Leases	Operating Leases
2022	**$1.6**	**$39.2**
2023	**0.7**	**25.6**
2024	**0.5**	**15.8**
2025	**–**	**6.1**
2026	**–**	**2.0**
Thereafter	**–**	**–**
Total lease payments	**2.8**	**88.7**
Less imputed interest	**0.1**	**7.2**
Total	**$2.7**	**$81.5**

For transactions where the company is considered the lessor, revenue for operating leases is recognized on a monthly basis over the term of the lease and for sales-type leases at the inception of the lease term. These amounts were immaterial for all periods presented. As of December 31, 2021, receivables under sales-type leases before the allowance for unearned income were collectible as follows:

Year	
2022	$36.4
2023	10.3
2024	11.6
2025	7.4
2026	5.2
Thereafter	0.5
Total	$71.4

Other Commitments

At December 31, 2021, the company had outstanding standby letters of credit and surety bonds totaling approximately $198 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, 2021, the company had deposits and collateral of approximately $8 million in other long-term assets, principally related to tax contingencies in Brazil.

Note 7 – Other (expense), net

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

Year ended December 31,	**2021**	2020	2019
Postretirement expense*	**$(548.6)**	$(235.9)	$ (93.3)
Debt extinguishment charge	**–**	(28.5)	(20.1)
Foreign exchange losses**	**(2.5)**	(36.2)	(10.4)
Environmental costs and other, net	**(29.2)**	(29.0)	(12.6)
Total other (expense), net	**$(580.3)**	$(329.6)	$(136.4)

* Includes $499.4 million of settlement losses in 2021 related to the company’s defined benefit pension plans and $142.1 million settlement loss in 2020 related to the U.S. defined benefit pension plans. See Note 18, “Employee plans.”

** Includes charges of $4.0 million and $32.3 million, respectively, in 2021 and 2020 for net foreign currency losses related to substantial completion of liquidation of foreign subsidiaries.

Note 8 – Income taxes

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

Year ended December 31,	**2021**	2020	2019
Income (loss) from continuing operations before income taxes			
United States	**$(443.5)**	$(316.3)	$(148.4)
Foreign	**(18.2)**	44.5	87.8
Total income (loss) from continuing operations before income taxes	**$(461.7)**	$(271.8)	$ (60.6)
Provision (benefit) for income taxes			
Current			
United States	**$ 9.1**	$ 7.3	$ (17.7)
Foreign	**38.1**	51.5	41.0
Total	**47.2**	58.8	23.3
Deferred			
Foreign	**(59.1)**	(13.4)	4.4
Total (benefit) provision for income taxes	**$ (11.9)**	$ 45.4	$ 27.7

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

Year ended December 31,	**2021**	2020	2019
United States statutory income tax provision (benefit)	**$(96.9)**	$(57.1)	$(12.7)
Income and losses for which no provision or benefit has been recognized	**91.1**	78.6	23.9
Foreign rate differential and other foreign tax expense	**0.4**	5.9	3.2
Income tax withholdings	**13.5**	16.8	17.6
Permanent items	**(1.8)**	0.8	(2.5)
Enacted rate changes	**(17.1)**	(4.0)	0.5
Change in uncertain tax positions	**(0.3)**	3.6	0.2
Change in valuation allowances due to changes in judgment	**(0.8)**	2.9	(2.3)
Income tax credits, U.S.	**–**	(2.1)	(0.2)
(Benefit) provision for income taxes	**$(11.9)**	$ 45.4	$ 27.7

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

As of December 31,	**2021**	2020
Deferred tax assets		
Tax loss carryforwards	**$ 840.4**	$ 795.2
Postretirement benefits	**211.8**	253.0
Foreign tax credit carryforwards	**145.9**	201.3
Other tax credit carryforwards	**31.9**	29.2
Deferred revenue	**35.8**	31.1
Employee benefits and compensation	**25.8**	25.3
Purchased capitalized software	**24.2**	24.1
Depreciation	**31.6**	28.2
Warranty, bad debts and other reserves	**7.5**	10.5
Capitalized costs	**3.9**	8.1
Other	**46.1**	52.0
	1,404.9	1,458.0
Valuation allowance	**(1,226.2)**	(1,271.5)
Total deferred tax assets	**$ 178.7**	$ 186.5
Deferred tax liabilities		
Capitalized research and development	**$ 43.1**	$ 47.4
Other	**29.5**	29.8
Total deferred tax liabilities	**$ 72.6**	$ 77.2
Net deferred tax assets	**$ 106.1**	$ 109.3

During 2021, the company's valuation allowance declined by $45.3 million principally due to the recognition of a net income tax expense of $(102.1) million including net tax benefit of $0.8 million, expired net operating losses/tax credits of $50.0 million, translation adjustments of $18.4 million and other activity of $79.0 million.

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

At December 31, 2021, the company has tax effected tax loss carryforwards as follows:

As of December 31,	**2021**
U.S. Federal	**$370.7**
State and local	**203.4**
Foreign	**266.3**
Total tax loss carryforwards	**$840.4**

These carryforwards will expire as follows:

Year	
2022	$ 13.8
2023	13.0
2024	13.0
2025	15.5
2026	10.3
Thereafter	502.3
Unlimited	272.5
Total	$840.4

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

Year	
2022	$ 38.1
2023	27.0
2024	22.5
2025	20.7
2026	33.7
Thereafter	35.8
Total	$177.8

The realization of the company's net deferred tax assets as of December 31, 2021 is primarily dependent on the ability to generate sustained taxable income in various jurisdictions. Judgment is required to estimate forecasted future taxable income, which may be impacted by future business developments, actual results, strategic operational and tax initiatives, legislative, and other economic factors and developments. It is at least reasonably possible that the company's judgment about the need for, and level of, existing valuation allowances could change in the near term based on changes in objective evidence such as further sustained income or loss in certain jurisdictions, as well as the other factors discussed above, primarily in certain jurisdictions outside of the United States. As such, the company will continue to monitor income levels and mix among jurisdictions, potential changes to the company's operating and tax model, and other legislative or global developments in its determination. It is reasonably possible that such changes could result in a material impact to the company's valuation allowance within the next 12 months. Any increase or decrease in the valuation allowance would result in additional or lower income tax expense in such period and could have a significant impact on that period's earnings.

Under U.S. tax law, distributions from foreign subsidiaries to U.S. shareholders are generally exempt from taxation. Consequently, the deferred income tax liability on undistributed earnings is generally limited to any foreign withholding or other foreign taxes that will be imposed on such distributions. As the company currently intends to indefinitely reinvest the earnings of certain foreign subsidiaries, no provision has been made for income taxes that may become payable upon distribution of the earnings of such subsidiaries. The unrecognized deferred income tax liability at December 31, 2021 approximated $28.0 million.

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

Year ended December 31,	**2021**	2020	2019
Cash paid for income taxes, net of refunds	**$53.7**	$24.7	$37.6

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

Year ended December 31,	**2021**	2020	2019
Balance at January 1	**$30.9**	$25.6	$18.9
Additions based on tax positions related to the current year	**3.5**	8.5	11.1
Changes for tax positions of prior years	**(8.8)**	(0.7)	(0.6)
Reductions as a result of a lapse of applicable statute of limitations	**(2.6)**	(2.3)	(2.3)
Settlements	**(0.3)**	(1.8)	(1.1)
Changes due to foreign currency	**(1.1)**	1.6	(0.4)
Balance at December 31	**$21.6**	$30.9	$25.6

The company recognizes penalties and interest accrued related to income tax liabilities in the provision for income taxes in its consolidated statements of income (loss). At December 31, 2021 and 2020, the company had an accrual of $3.8 million and $3.9 million, respectively, for the payment of penalties and interest.

At December 31, 2021, all of the company's liability for unrecognized tax benefits, if recognized, would affect the company's effective tax rate. Within the next 12 months, the company believes that it is reasonably possible that the amount of unrecognized tax benefits may decrease by $1.9 million related to a statute of limitation expiration; however, various events could cause this belief to change in the future.

The company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. Several U.S. state and foreign income tax audits are in process. The company is under an audit in India, for which years prior to 2007 are closed. For the most significant jurisdictions outside the U.S., the audit periods through 2016 are closed for Brazil, and the audit periods through 2017 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, 2021 is approximately $462.4 million. This limitation will be applied to any net operating losses and then to any other Tax Attributes. Any unused limitation may be carried over to later years. Based on presently available information and the existence of tax planning strategies, the company does not expect to incur a U.S. cash tax liability in the near term. The company maintains a full valuation allowance against the realization of all U.S. deferred tax assets as well as certain foreign deferred tax assets in excess of deferred tax liabilities.

Note 9 – Earnings (loss) 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, 2021 (shares in thousands).

Year ended December 31,	**2021**	2020	2019
Basic earnings (loss) per common share computation:			
Net loss from continuing operations attributable to Unisys Corporation	**$ (448.5)**	$ (317.7)	$ (92.2)
Income from discontinued operations, net of tax	**–**	1,068.4	75.0
Net (loss) income attributable to Unisys Corporation	**$ (448.5)**	$ 750.7	$ (17.2)
Weighted average shares	**66,451**	62,932	55,961
Basic earnings (loss) per share attributable to Unisys Corporation			
Continuing operations	**$ (6.75)**	$ (5.05)	$ (1.65)
Discontinued operations	**–**	16.98	1.34
Total	**$ (6.75)**	$ 11.93	$ (0.31)
Diluted earnings (loss) per common share computation:			
Net loss from continuing operations attributable to Unisys Corporation	**$ (448.5)**	$ (317.7)	$ (92.2)
Add interest expense on convertible senior notes, net of tax of zero	**–**	–	–
Net loss from continuing operations attributable to Unisys Corporation for diluted earnings per share	**(448.5)**	(317.7)	(92.2)
Income from discontinued operations, net of tax	**–**	1,068.4	75.0
Net (loss) income attributable to Unisys Corporation for diluted earnings per share	**$ (448.5)**	$ 750.7	$ (17.2)
Weighted average shares	**66,451**	62,932	55,961
Plus incremental shares from assumed conversions:			
Employee stock plans	**–**	–	–
Convertible senior notes	**–**	–	–
Adjusted weighted average shares	**66,451**	62,932	55,961
Diluted earnings (loss) per common share attributable to Unisys Corporation			
Continuing operations	**$ (6.75)**	$ (5.05)	$ (1.65)
Discontinued operations	**–**	16.98	1.34
Total	**$ (6.75)**	$ 11.93	$ (0.31)
Anti-dilutive weighted-average stock options and restricted stock units[i]	**871**	579	1,393
Anti-dilutive weighted-average common shares issuable upon conversion of the 5.50% convertible senior notes(i) (see Note 16, "Debt")	**557**	3,425	**16,578**

[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 10 – 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 $73.1 million and $63.3 million at December 31, 2021 and 2020, respectively.

The allowance for doubtful accounts, which is reported as a deduction from accounts receivable, was $8.0 million and $9.2 million at December 31, 2021 and 2020, respectively. The provision for doubtful accounts, which is reported in selling, general and administrative expenses in the consolidated statements of income (loss), was (income) expense of $(0.6) million, $(0.3) million and $(1.6) million, in 2021, 2020 and 2019, respectively.

Additionally, long-term receivables were $49.1 million and $84.4 million at December 31, 2021 and 2020, respectively, and are reported in other long-term assets on the company's consolidated balance sheets.

Note 11 – Contract assets and deferred revenue

Contract assets represent rights to consideration in exchange for goods or services transferred to a customer when that right is conditional on something other than the passage of time. Deferred revenue represents contract liabilities.

Net contract assets (liabilities) are as follows:

As of December 31,	**2021**	2020
Contract assets - current	**$ 42.0**	$ 44.3
Contract assets - long-term[i]	**17.4**	20.7
Deferred revenue - current	**(253.2)**	(257.1)
Deferred revenue - long-term	**(150.7)**	(137.9)

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

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

Year ended December 31,	**2021**	2020
Revenue recognized that was included in deferred revenue at the beginning of the period	**$245.8**	$236.1

Note 12 – Capitalized contract costs

The company's incremental direct costs of obtaining a contract consist of sales commissions which are deferred and amortized ratably over the initial contract life. These costs are classified as current or noncurrent based on the timing of when the company expects to recognize the expense. The current and noncurrent portions of deferred commissions are included in prepaid expenses and other current assets and in other long-term assets, respectively, in the company's consolidated balance sheets.

Deferred commissions were as follows:

As of December 31,	**2021**	2020
Deferred commissions	**$6.7**	$8.7

Amortization expense related to deferred commissions was as follows:

Year ended December 31,	**2021**	2020	2019
Deferred commissions - amortization expense[i]	**$2.9**	$3.2	$3.1

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

Costs on outsourcing contracts are generally expensed as incurred. However, certain costs incurred upon initiation of an outsourcing contract (costs to fulfill a contract), principally initial customer setup, are capitalized and expensed over the initial contract life. These costs are included in outsourcing assets, net in the company's consolidated balance sheets, and are amortized over the initial contract life and reported in cost of revenue.

Costs to fulfill a contract were as follows:

As of December 31,	**2021**	2020
Costs to fulfill a contract	**$56.2**	$74.4

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

Year ended December 31,	**2021**	2020	2019
Costs to fulfill a contract - amortization expense	**$27.9**	$27.5	$24.2

The remaining balance of outsourcing assets, net is comprised of fixed assets and software used in connection with outsourcing contracts. These costs are capitalized and depreciated over the shorter of the initial contract life or in accordance with the company's fixed asset policy.

Note 13 – 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, 2021 and 2020, the notional amount of these contracts was $552.2 million and $588.5 million, respectively. The fair value of these forward contracts is based on quoted prices for similar but not identical financial instruments; as such, the inputs are considered Level 2 inputs.

The following table summarizes the fair value of the company's foreign exchange forward contracts.

As of December 31,	**2021**	2020
Balance Sheet Location		
Prepaid expenses and other current assets	**$3.6**	$1.4
Other accrued liabilities	**2.1**	1.0
Total fair value	**$1.5**	$0.4

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

Year Ended December 31,	**2021**	2020	2019
Statement of Income Location			
Other (expense), net	**$(18.8)**	$7.6	$1.7

Financial instruments 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, 2021 and 2020, 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 fair value. Receivables are due from a large number of customers that are dispersed worldwide across many industries. At December 31, 2021 and 2020, the company had no significant concentrations of credit risk with any one customer.

Note 14 – Properties

Properties comprise the following:

As of December 31,	**2021**	2020
Land	**$ –**	$ 2.3
Buildings	**0.3**	63.5
Machinery and office equipment	**267.8**	466.7
Internal-use software	**186.0**	171.2
Rental equipment	**13.9**	23.3
Total properties	**$468.0**	$727.0

Long-lived assets to be sold are classified as held-for-sale in the period in which they meet all the criteria for the disposal of long-lived assets. The company measures assets held-for-sale at the lower of their carrying amount or fair value less cost to sell. Additionally, the company determined that such assets comprise operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the company.

In September 2021, the company entered into a letter of intent (LOI) with a third party for the sale of certain facilities, land and equipment related to a data center facility located in Eagan, Minnesota. Upon the execution of the LOI, these assets were classified as held-for-sale in the company's consolidated balance sheet and measured at the lower of their carrying amount or fair value less cost to sell.

Note 15 – Goodwill and intangible assets

Goodwill

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

	Total	DWS	C&I	ECS	Other
Balance at December 31, 2019	$110.4	$ –	$ –	$98.3	$12.1
Translation adjustments	(1.8)	–	–	–	(1.8)
Balance at December 31, 2020	108.6	–	–	98.3	10.3
Acquisitions[i]	206.3	140.8	65.5	–	–
Translation adjustments	0.1	0.1	–	–	–
Balance at December 31, 2021	**$315.0**	**$140.9**	**$65.5**	**$98.3**	**$10.3**

[i] During 2021, the company acquired Unify Square and Mobinergy resulting in goodwill of $132.9 million and $7.9 million, respectively, recorded in the company's DWS segment and CompuGain resulting in goodwill of $65.5 million recorded in the company's C&I segment. See Note 4, "Acquisitions."

At December 31, 2021, the amount of goodwill allocated to reporting units with negative net assets within Other was $10.3 million.

Intangible Assets, Net

Intangible assets, net (see Note 4, "Acquisitions") at December 31, 2021 consists of the following:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Technology	$10.0	$1.8	$ 8.2
Customer Relationships	27.0	1.2	25.8
Marketing	0.9	–	0.9
Total	$37.9	$3.0	$34.9

Amortization expense was $3.0 million for the year ended December 31, 2021.

The future amortization relating to acquired intangible assets at December 31, 2021 was estimated as follows:

Year	Future Amortization Expense
2022	$ 8.3
2023	7.9
2024	5.4
2025	2.6
2026	2.3
Thereafter	8.4
Total	$34.9

Note 16 – Debt

Long-term debt is comprised of the following:

As of December 31,	**2021**	2020
6.875% senior secured notes due November 1, 2027 (Face value of $485.0 million less unamortized issuance costs of $6.9 million and $8.1 million at December 31, 2021 and 2020, respectively)	**$478.1**	$476.9
5.50% convertible senior notes (Face value of $84.2 million less unamortized discount and issuance costs of $0.6 million at December 31, 2020)	**–**	83.6
Finance leases	**2.7**	5.5
Other debt	**48.6**	63.9
Total	**529.4**	629.9
Less – current maturities	**18.2**	102.8
Total long-term debt	**$511.2**	$527.1

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,	**2021**	2020
6.875% senior secured notes due November 1, 2027	**$527.0**	$532.3
5.50% convertible senior notes due March 1, 2021	**–**	169.8

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

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

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

Year	Total	Long-Term Debt	Finance Leases
2022	$ 18.2	$ 16.6	$1.6
2023	17.0	16.3	0.7
2024	10.3	9.9	0.4
2025	3.0	3.0	–
2026	1.9	1.9	–
Thereafter	479.0	479.0	–
Total	$529.4	$526.7	$2.7

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

Year ended December 31,	**2021**	2020	2019
Cash paid for interest	**$40.1**	$32.9	$61.5
Capitalized interest expense	**$ 4.5**	$ 4.6	$ 6.6

Senior Secured Notes due 2027

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

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

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

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

If the company experiences certain kinds of changes of control (as defined in the indenture), it will be required to offer to repurchase the 2027 Notes at 101% of the principal amount of the 2027 Notes, plus accrued and unpaid interest as of the repurchase date, if any. In addition, if the company sells assets under certain circumstances it must apply the proceeds towards an offer to repurchase the 2027 Notes at a price equal to par plus accrued and unpaid interest, if any.

The indenture also provides for events of default, which, if any of them occur, would permit or require the principal, premium, if any, interest and any other monetary obligations on all the then outstanding 2027 Notes to be due and payable immediately.

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

Year ended December 31,	**2021**	2020
Contractual interest coupon	**$33.3**	$5.7
Amortization of issuance costs	**1.2**	0.2
Total	**$34.5**	$5.9

Senior Secured Notes due 2022

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

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

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

Convertible Senior Notes Due 2021

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

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

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

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

Year ended December 31,	**2021**	2020	2019
Contractual interest coupon	**$0.8**	$4.6	$ 8.9
Amortization of debt discount	**0.5**	3.1	5.5
Amortization of debt issuance costs	**0.1**	0.5	0.9
Total	**$1.4**	$8.2	$15.3

Other Debt

In 2019, the company entered into a $27.7 million Installment Payment Agreement (IPA) maturing on December 20, 2023 with a syndicate of financial institutions to finance the acquisition of certain software licenses necessary for the provision of services to a client. Interest accrues at an annual rate of 7.0% and the company is required to make monthly principal and interest payments on each agreement in arrears. At December 31, 2021 and 2020, $5.5 million and $6.5 million, was reported in current maturities of long-term debt, respectively.

In 2019, the company entered into a vendor agreement in the amount of $19.3 million to finance the acquisition of certain software licenses used to provide services to our clients and for its own internal use. Interest accrues at an annual rate of 5.47% and the company is required to make annual principal and interest payments in advance with the last payment due on March 1, 2024. At December 31, 2021 and 2020, $3.8 million and $3.6 million was reported in current maturities of long-term debt, respectively.

Asset Based Lending (ABL) Credit Facility

Contemporaneously with the issuance of the 2027 Notes, the company and the subsidiary guarantors entered into an amendment and restatement of the company's secured revolving credit facility (the Amended and Restated ABL Credit Facility) that provides for revolving loans and letters of credit up to an aggregate amount of $145.0 million (with a limit on letters of credit of $40.0 million), with an accordion feature provision allowing for the aggregate amount available under the credit facility to be increased up to $175.0 million upon the satisfaction of certain conditions specified in the Amended and Restated ABL Credit Facility. The amendment and restatement extended the maturity from October 2022 to October 29, 2025 and modified certain other terms and covenants. Availability under the credit facility is subject to a borrowing base calculated by reference to the company's receivables. At December 31, 2021, the company had no borrowings and $5.7 million of letters of credit outstanding, and availability under the facility was $80.4 million net of letters of credit issued.

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

The Amended and Restated ABL Credit Facility is guaranteed by the subsidiary guarantors and any future material domestic subsidiaries. The facility is secured by the assets of the company and the subsidiary guarantors, other than certain excluded assets, under a security agreement entered into by the company and the subsidiary guarantors in favor of JPMorgan Chase Bank, N.A., as agent for the lenders under the credit facility.

The company is required to maintain a minimum fixed charge coverage ratio if the availability under the Amended and Restated ABL Credit Facility falls below the greater of 10% of the lenders' commitments under the facility and $14.5 million.

The Amended and Restated ABL Credit Facility contains customary representations and warranties, including, but not limited to, that there has been no material adverse change in the company's business, properties, operations or financial condition. The Amended and Restated ABL Credit Facility includes restrictions on the ability of the company and its subsidiaries to, among other things, incur other debt or liens, dispose of assets and make acquisitions, loans and investments, repurchase its equity, and prepay other debt. These restrictions are subject to several important limitations and exceptions. Events of default include non-payment, failure to comply with covenants, materially incorrect representations and warranties, change of control and default under other debt aggregating at least $50.0 million, subject to relevant cure periods, as applicable.

Note 17 – Other accrued liabilities

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

As of December 31,	**2021**	2020
Payrolls and commissions	**$ 99.1**	$ 95.9
Income taxes	**37.7**	41.2
Operating leases	**35.4**	37.1
Taxes other than income taxes	**26.6**	33.0
Accrued vacations	**20.8**	24.3
Cost reduction	**14.9**	40.7
Postretirement	**12.1**	11.7
Accrued interest	**6.1**	8.0
Other	**48.2**	60.1
Total other accrued liabilities	**$300.9**	$352.0

Note 18 – 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, 2021, 6.8 million shares of unissued common stock of the company were available for granting under these plans.

As of December 31, 2021, the company has granted non-qualified stock options, restricted stock and restricted stock units under these plans. The company recognizes compensation cost, net of a forfeiture rate, in selling, general and administrative 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, 2021, 2020 and 2019, the company recorded $18.8 million, $14.5 million and $13.2 million of restricted stock and restricted stock unit compensation expense, respectively.

Restricted stock and restricted stock unit awards may contain time-based units, performance-based units, total shareholder return market-based units, or a combination of these units. Each performance-based and market-based unit will vest into zero to two shares depending on the degree to which the performance or market conditions are met. Compensation expense for performance-based awards is recognized as expense ratably for each installment from the date of grant until the date the restrictions lapse and is based on the fair market value at the date of grant and the probability of achievement of the specific performance-related goals. Compensation expense for market-based awards is recognized as expense ratably over the measurement period, regardless of the actual level of achievement, provided the service requirement is met. Restricted stock unit grants for the company's directors vest upon award and compensation expense for such awards is recognized upon grant.

A summary of restricted stock and restricted stock unit (RSU) activity for the year ended December 31, 2021 follows (shares in thousands):

	Restricted Stock and RSU's	Weighted-Average Grant-Date Fair Value
Outstanding at December 31, 2020	1,726	$17.87
Granted	1,590	25.38
Vested	(923)	16.60
Forfeited and expired	(269)	19.02
Outstanding at December 31, 2021	2,124	22.73

The aggregate weighted-average grant-date fair value of restricted stock and restricted stock units granted during the years ended December 31, 2021, 2020 and 2019 was $37.5 million, $17.4 million and $16.9 million, respectively. The fair value of restricted stock and 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,	**2021**	2020
Weighted-average fair value of grant	**$40.02**	$28.33
Risk-free interest rate[(i)]	**0.27%**	1.35%
Expected volatility[(ii)]	**57.08%**	51.81%
Expected life of restricted stock units in years[(iii)]	**2.84**	2.86
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, 2021, there was $25.0 million of total unrecognized compensation cost related to outstanding restricted stock and restricted stock units granted under the company's plans. That cost is expected to be recognized over a weighted-average period of 2.3 years. The aggregate weighted-average grant-date fair value of restricted stock and restricted stock units vested during the years ended December 31, 2021, 2020 and 2019 was $15.3 million, $13.0 million and $14.9 million, respectively.

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

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, 2021, 2020 and 2019, was $7.5 million, $8.8 million and $8.2 million, respectively.

The company has defined contribution plans in certain locations outside the United States. The charge to income related to these plans was $16.4 million, $16.2 million and $19.3 million, for the years ended December 31, 2021, 2020 and 2019, 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, 2021 and 2020, the liability to the participants of these plans was $10.6 million and $12.7 million, respectively. These amounts reflect the accumulated participant deferrals and earnings thereon as of that date. The company makes no contributions to the deferred compensation plans and remains contingently liable to the participants.

Retirement benefits For the company’s more significant defined benefit pension plans, including the U.S. and U.K., accrual of future benefits under the plans has ceased. Management develops the actuarial assumptions used by its U.S. and international defined benefit pension plan obligations based upon the circumstances of each particular plan. The determination of the defined benefit pension plan obligations requires the use of estimates.

In January of 2021, the company purchased a group annuity contract for $279 million to transfer projected benefit obligations related to approximately 11,600 retirees of the company’s U.S. defined benefit pension plans. This action resulted in a pre-tax settlement loss of $158.0 million.

Effective May 1, 2021, the company’s primary pension plan related to its Dutch subsidiary was transferred to a multi-client circle within a multi-employer fund. This resulted in removing all of the plan’s projected benefit obligations, valued at approximately $553 million, from the company’s balance sheet. This action resulted in a pre-tax settlement loss of $182.5 million.

In the second quarter of 2021, the company’s Swiss subsidiary transferred its defined benefit pension plan to a multiple-employer collective foundation. This resulted in removing the projected benefit obligations related to retirees under the Swiss plan, valued at approximately $100 million, from the company’s balance sheet. The transfer required a one-time additional contribution of approximately $10 million to the Swiss plan in 2021. This action resulted in a pre-tax settlement loss of $28.8 million.

On October 14, 2021, the company purchased a group annuity contract for approximately $235 million to transfer projected benefit obligations related to approximately 6,900 retirees of the company’s U.S. defined benefit pension plans. This action resulted in a pre-tax settlement loss of $130.1 million.

The American Rescue Plan Act, which was signed into law in the U.S. on March 11, 2021, includes a provision for pension relief that extends the amortization period for required contributions from 7 to 15 years and provides for the stabilization of interest rates used to calculate future required contributions. As a result, the company was not required to make cash contributions to its U.S. qualified defined benefit pension plans in 2021.

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

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

	U.S. Plans		International Plans	
As of December 31,	**2021**	2020	**2021**	2020
Change in projected benefit obligation				
Benefit obligation at beginning of year	**$4,545.3**	$4,755.6	**$3,468.0**	$3,143.8
Service cost	**–**	–	**3.0**	2.8
Interest cost	**117.6**	162.5	**36.7**	53.4
Plan participants' contributions	**–**	–	**1.0**	1.1
Plan curtailment	**–**	–	**–**	(1.6)
Plan settlement	**(513.8)**	(277.3)	**(726.8)**	–
Actuarial loss	**(108.4)**	253.9	**2.0**	226.5
Benefits paid	**(331.1)**	(349.4)	**(106.5)**	(119.0)
Foreign currency translation adjustments	**–**	–	**(63.0)**	161.0
Benefit obligation at end of year	**$3,709.6**	$4,545.3	**$2,614.4**	$3,468.0
Change in plan assets				
Fair value of plan assets at beginning of year	**$3,847.8**	$3,334.2	**$3,129.4**	$2,816.4
Actual return on plan assets	**130.4**	347.2	**134.0**	254.7
Employer contribution	**6.0**	793.1	**46.4**	33.1
Plan participants' contributions	**–**	–	**1.0**	1.1
Plan settlement	**(513.8)**	(277.3)	**(726.8)**	–
Benefits paid	**(331.1)**	(349.4)	**(106.5)**	(119.0)
Foreign currency translation adjustments	**–**	–	**(45.9)**	143.1
Fair value of plan assets at end of year	**$3,139.3**	$3,847.8	**$2,431.6**	$3,129.4
Funded status at end of year	**$ (570.3)**	$ (697.5)	**$ (182.8)**	$ (338.6)
Amounts recognized in the consolidated balance sheets consist of:				
Prepaid postretirement assets	**$ 33.9**	$ 27.2	**$ 125.8**	$ 160.3
Other accrued liabilities	**(5.9)**	(6.1)	**(0.1)**	(0.2)
Long-term postretirement liabilities	**(598.3)**	(718.6)	**(308.5)**	(498.7)
Total funded status	**$ (570.3)**	$ (697.5)	**$ (182.8)**	$ (338.6)
Accumulated other comprehensive loss, net of tax				
Net loss	**$2,047.6**	$2,510.4	**$ 797.6**	$1,116.9
Prior service credit	**$ (29.7)**	$ (32.3)	**$ (40.2)**	$ (45.9)
Accumulated benefit obligation	**$3,709.6**	$4,545.3	**$2,612.7**	$3,360.4

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

As of December 31,	**2021**	2020
Accumulated benefit obligation	**$4,498.8**	$6,060.7
Fair value of plan assets	**$3,587.7**	$4,839.5

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

As of December 31,	**2021**	2020
Projected benefit obligation	**$4,500.5**	$6,063.0
Fair value of plan assets	**$3,587.7**	$4,839.5

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

	U.S. Plans			International Plans		
Year ended December 31,	**2021**	2020	2019	**2021**	2020	2019
Service cost[(i)]	**$ –**	$ –	$ –	**$ 3.0**	$2.8	$ 2.8
Interest cost	**117.6**	162.5	197.5	**36.7**	53.4	68.3
Expected return on plan assets	**(199.8)**	(208.6)	(218.2)	**(81.6)**	(90.6)	(104.6)
Amortization of prior service credit	**(2.5)**	(2.5)	(2.5)	**(2.8)**	(2.5)	(2.5)
Recognized net actuarial loss	**135.6**	135.5	116.6	**48.3**	43.2	34.2
Curtailment gain	**–**	–	–	**–**	–	(0.1)
Settlement loss	**288.1**	142.1	–	**211.3**	–	1.2
Net periodic pension cost (income)	**$ 339.0**	$ 229.0	$ 93.4	**$214.9**	$6.3	$(0.7)

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

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

	U.S. Plans			International Plans		
Year ended December 31,	**2021**	2020	2019	**2021**	2020	2019
Discount rate	**2.85%**	3.53%	4.50%	**1.23%**	1.82%	2.55%
Expected long-term rate of return on assets	**6.07%**	6.50%	6.80%	**3.30%**	3.50%	4.18%

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

Discount rate	**3.18%**	**2.85%**	**3.53%**	**1.73%**	**1.23%**	**1.82%**

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

	U.S.		International	
Asset Category	Target	Range	Target	Range
Equity securities	52%	47-57%	18%	15-20%
Debt securities	34%	29-39%	62%	57-66%
Cash	0%	0-5%	0%	0-5%
Other	14%	9-19%	20%	17-24%

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

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

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

In 2022, the company expects to make cash contributions of $40.2 million, primarily for international defined benefit pension plans.

As of December 31, 2021, the following benefit payments are expected to be paid from the defined benefit pension plans:

Year	U.S.	International
2022	$ 308.6	$ 87.9
2023	302.4	90.9
2024	295.5	94.4
2025	287.6	96.1
2026	279.1	99.6
2027 - 2030	1,240.5	538.2

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

As of December 31,	**2021**	2020
Change in accumulated benefit obligation		
Benefit obligation at beginning of year	**$ 80.2**	$ 95.7
Service cost	**0.4**	0.5
Interest cost	**1.8**	4.4
Plan participants' contributions	**1.7**	2.3
Amendments	**1.2**	–
Actuarial loss (gain)	**1.8**	(13.8)
Benefits paid	**(5.9)**	(8.8)
Foreign currency translation and other adjustments	**(0.1)**	(0.1)
Benefit obligation at end of year	**$ 81.1**	$ 80.2
Change in plan assets		
Fair value of plan assets at beginning of year	**$ 6.0**	$ 6.9
Actual return on plan assets	**(0.2)**	(0.4)
Employer contributions	**4.0**	6.0
Plan participants' contributions	**1.7**	2.3
Benefits paid	**(5.9)**	(8.8)
Fair value of plan assets at end of year	**$ 5.6**	$ 6.0
Funded status at end of year	**$(75.5)**	$(74.2)
Amounts recognized in the consolidated balance sheets consist of:		
Other accrued liabilities	**$ (6.1)**	$ (5.4)
Long-term postretirement liabilities	**(69.4)**	(68.8)
Total funded status	**$(75.5)**	$(74.2)
Accumulated other comprehensive loss, net of tax		
Net loss (income)	**$ 1.4**	$ (3.0)
Prior service credit	**(2.1)**	(4.9)

Net periodic postretirement benefit cost follows:

Year ended December 31,	**2021**	2020	2019
Service cost[i]	**$ 0.4**	$ 0.5	$ 0.5
Interest cost	**1.8**	4.4	4.8
Expected return on assets	**(0.3)**	(0.4)	(0.4)
Amortization of prior service cost	**(1.7)**	(1.6)	(1.7)
Recognized net actuarial (gain) loss	**(2.1)**	1.0	0.7
Net periodic benefit cost	**$(1.9)**	$ 3.9	$ 3.9

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

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

Year ended December 31,	**2021**	2020	2019
Discount rate	**2.21%**	5.13%	5.67%
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,	**2021**	2020	2019
Discount rate	**2.70%**	2.21%	5.13%

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 2022, the company expects to contribute approximately $6 million to its postretirement benefit plans.

Assumed health care cost trend rates at December 31,	**2021**	2020
Health care cost trend rate assumed for next year	**6.5%**	5.4%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	**4.5%**	4.5%
Year that the rate reaches the ultimate trend rate	**2033**	2025

As of December 31, 2021, the following benefits are expected to be paid from the company's postretirement plans:

Year	Expected Payments
2022	$ 7.1
2023	6.7
2024	6.2
2025	5.7
2026	5.3
2027 – 2031	21.1

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

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

Level 2 – These investments include the following:

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

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

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

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

Level 3 – These investments include the following:

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

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

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

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

The following table sets forth by level, within the fair value hierarchy, the plans' assets (liabilities) at fair value at December 31, 2021.

	U.S. Plans				International Plans			
As of December 31, 2021	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Pension plans								
Equity Securities								
Common Stocks	$ 654.3	$ 652.4	$ 1.9	$ –	$ –	$ –	$ –	$ –
Commingled Funds	398.9		398.9		34.1		34.1	
Debt Securities								
U.S. Govt. Securities	413.2	413.2						
Other Fixed Income	479.3		479.3		3.0		3.0	
Insurance Contracts					110.2			110.2
Commingled Funds	525.2		525.2		383.8		383.8	
Real Estate								
Real Estate Investment Trusts	154.1	154.1						
Other								
Derivatives[i]	(53.7)	5.8	(59.5)					
Commingled Funds					390.0		390.0	
Pooled Funds	108.4		108.4					
Cumulative futures contracts variation margin paid to brokers	(5.8)	(5.8)						
Cash	0.2	0.2			28.7	28.7		
Receivables	15.7	15.7						
Payables	(1.1)	(1.1)						
Total plan assets in fair value hierarchy	$2,688.7	$1,234.5	$1,454.2	$ –	$ 949.8	$28.7	$810.9	$110.2
Plan assets measured using NAV as a practical expedient[ii]:								
Commingled Funds								
Equity	$ –				$ 404.5			
Debt	78.6				1,077.3			
Other	112.5							
Private Real Estate	234.2							
Private Equity	25.3							
Total pension plan assets	$3,139.3				$2,431.6			
Other postretirement plans								
Insurance Contracts	$ 5.6			$ 5.6				

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

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

The following table sets forth by level, within the fair value hierarchy, the plans' assets (liabilities) at fair value at December 31, 2020.

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

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

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

The following table sets forth a summary of changes in the fair value of the plans' Level 3 assets for the year ended December 31, 2021.

	January 1, 2021	Realized gains (losses)	Purchases or acquisitions	Sales or dispositions	Currency and unrealized gains (losses) relating to instruments still held at December 31, 2021	December 31, 2021
U.S. plans						
Other postretirement plans						
Insurance Contracts	**$ 6.0**	**$(0.1)**	**$ –**	**$ (0.3)**	**$ –**	**$ 5.6**
International pension plans						
Insurance Contracts	**$127.5**	**$ –**	**$36.1**	**$(48.7)**	**$(4.7)**	**$110.2**

The following table sets forth a summary of changes in the fair value of the plans' Level 3 assets for the year ended December 31, 2020.

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

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.

	2021				2020			
	Fair Value	**Unfunded Commit-ments**	Redemption Frequency	Redemption Notice Period Range	Fair Value	Unfunded Commit-ments	Redemption Frequency	Redemption Notice Period Range
U.S. plans								
Commingled Funds								
Debt	**$ 78.6**	**$ –**	Monthly	45 days	$ 121.7	$ –	Monthly	45 days
Other	**112.5**	**–**	Monthly	5 days	104.2	–	Monthly	5 days
Private Real Estate[i]	**234.2**	**–**	Quarterly	60-90 days	208.0	15.7	Quarterly	60-90 days
Private Equity[ii]	**25.3**	**28.6**			10.5	20.9		
Total	**$ 450.6**	**$ 28.6**			$ 444.4	$36.6		
International pension plans								
Commingled Funds								
Equity	**$ 404.5**	**$ –**	Weekly	Up to 2 days	$ 429.9	$ –	Weekly	Up to 2 days
Debt	**1,077.3**	**138.9**	Weekly, Monthly, Quarterly	Up to 120 days	1,067.4	86.2	Weekly, Bimonthly, Monthly, Quarterly	Up to 120 days
Other	**–**	**–**			27.4	–	Monthly	Up to 30 days
Private Real Estate	**–**	**–**			51.8	–	Monthly	Up to 90 days
Total	**$1,481.8**	**$138.9**			$1,576.5	$86.2		

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

(ii) Includes investments in limited partnerships, which invest primarily in secondary markets and private credit. The investments can never be redeemed.

Note 19 – Litigation and contingencies

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

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

The company's Brazilian operations, along with those of many other companies doing business in Brazil, are involved in various litigation matters, including numerous governmental assessments related to indirect and other taxes, as well as disputes associated with former employees and contract labor. The tax-related matters pertain to value-added taxes, customs, duties, sales and other non-income-related tax exposures. The labor-related matters include claims related to compensation. The company believes that appropriate accruals have been established for such matters based on information currently available. At December 31, 2021, excluding those matters that have been assessed by management as being remote as to the likelihood of ultimately resulting in a loss, the amount related to unreserved tax-related matters, inclusive of any related interest, is estimated to be up to approximately $75 million.

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

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

Notwithstanding that the ultimate results of the lawsuits, claims, investigations and proceedings that have been brought or asserted against the company are not currently determinable, the company believes that at December 31, 2021, it has adequate provisions for any such matters.

Note 20 – 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, 2021, 13.0 million shares of unissued common stock of the company were reserved principally for future issuance under stock-based incentive plans.

Accumulated other comprehensive loss is as follows:

	Total	Translation Adjustments	Postretirement Plans
Balance at December 31, 2018	$(4,084.8)	$(896.7)	$(3,188.1)
Other comprehensive income before reclassifications	136.8	23.8	113.0
Amounts reclassified from accumulated other comprehensive loss	(140.6)	–	(140.6)
Current period other comprehensive (loss) income	(3.8)	23.8	(27.6)
Balance at December 31, 2019	(4,088.6)	(872.9)	(3,215.7)
Other comprehensive income before reclassifications	489.4	78.6	410.8
Amounts reclassified from accumulated other comprehensive loss	(340.3)	(32.3)	(308.0)
Current period other comprehensive income	149.1	46.3	102.8
Balance at December 31, 2020	(3,939.5)	(826.6)	(3,112.9)
Other comprehensive income (loss) before reclassifications	**58.6**	**(43.6)**	**102.2**
Amounts reclassified from accumulated other comprehensive loss	**616.8**	**4.0**	**612.8**
Current period other comprehensive income (loss)	**675.4**	**(39.6)**	**715.0**
Balance at December 31, 2021	**$(3,264.1)**	**$(866.2)**	**$(2,397.9)**

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

Year ended December 31,	**2021**	2020	2019
Translation Adjustments:			
Adjustment for substantial completion of liquidation of foreign subsidiaries[i]	**$ 4.0**	$ (32.3)	$ –
Postretirement Plans:			
Amortization of prior service cost[ii]	**(6.2)**	5.9	5.9
Amortization of actuarial losses[ii]	**178.9**	(177.3)	(149.7)
Settlement loss[ii]	**499.4**	(142.1)	(1.1)
Total before tax	**676.1**	(345.8)	(144.9)
Income tax benefit	**(59.3)**	5.5	4.3
Total reclassifications for the period	**$616.8**	$(340.3)	$(140.6)

(i) Reported in other (expense), net in the consolidated statements of income (loss)
(ii) Included in net periodic postretirement cost (see Note 18, "Employee plans")

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

	Common Stock	Treasury Stock
Balance at December 31, 2018	54.2	3.1
Debt exchange	10.6	–
Stock-based compensation	1.1	0.4
Balance at December 31, 2019	65.9	3.5
Stock-based compensation	0.9	0.3
Balance at December 31, 2020	66.8	3.8
Debt exchange	4.6	1.2
Stock-based compensation	1.1	0.3
Balance at December 31, 2021	72.5	5.3

Note 21 – Segment information

In January 2021, the company changed its organizational structure to more effectively address evolving client needs. With these changes, the company changed its reportable segments, but this did not impact the consolidated financial statements as of December 31, 2020 and 2019.

The company's reportable segments are as follows:

- Digital Workplace Solutions (DWS), which provides solutions that transform digital workplaces securely and create exceptional end-user experiences;
- Cloud and Infrastructure Solutions (C&I), which provides solutions that drive modern IT service platforms, cloud applications development, intelligent services, and cybersecurity services; and
- Enterprise Computing Solutions (ECS), which provides solutions that harness secure, continuous high-intensity computing and enable digital services through software-defined operating environments.

The accounting policies of each segment are the same as those followed by the company as a whole. Intersegment sales and transfers are priced as if the sales or transfers were to third parties. Accordingly, the ECS segment records intersegment revenue and manufacturing profit on hardware and software shipments to customers under contracts of other segments. These segments, in turn, record customer revenue and marketing profits on such shipments of company hardware and software to customers. In the company's consolidated statements of income (loss), the manufacturing costs of products sourced from the ECS segment and sold to other segments' customers are reported in cost of revenue for these other segments. Also included in the ECS segment's sales and gross profit are sales of hardware and software sold to other segments for internal use in their engagements. The amount of such profit included in gross profit of the ECS segment for the years ended December 31, 2021, 2020 and 2019 was $1.4 million, $7.8 million and $5.7 million, respectively. The sales and profit on these transactions is eliminated in Corporate.

The company evaluates segment performance based on gross profit exclusive of the service cost component of postretirement income or expense, restructuring charges, amortization of purchased intangibles and unusual and nonrecurring items, which are included in Corporate. In 2021, the company also changed its internal measurement of segment profitability. Prior period amounts have therefore been reclassified to be comparable to the current period's presentation. No single customer accounts for more than 10% of revenue.

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

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

	Total Segments	DWS	C&I	ECS
2021				
Customer revenue	**$1,741.0**	**$567.0**	**$496.5**	**$677.5**
Intersegment	**1.4**	**–**	**–**	**1.4**
Total revenue	**$1,742.4**	**$567.0**	**$496.5**	**$678.9**
Gross profit	**$ 561.5**	**$ 76.3**	**$ 56.6**	**$428.6**
Depreciation and amortization	**$ 129.1**	**$ 18.5**	**$ 55.1**	**$ 55.5**
Total assets	**$1,236.6**	**$352.7**	**$290.7**	**$593.2**
Capital expenditures	**$ 78.8**	**$ 13.4**	**$ 13.2**	**$ 52.2**
2020				
Customer revenue	$1,713.2	$588.3	$465.2	$659.7
Intersegment	0.1	–	–	0.1
Total revenue	$1,713.3	$588.3	$465.2	$659.8
Gross profit	$ 454.2	$ 55.3	$ 23.2	$375.7
Depreciation and amortization	$ 119.3	$ 14.5	$ 49.3	$ 55.5
Total assets	$1,005.3	$220.7	$203.6	$581.0
Capital expenditures	$ 83.4	$ 13.6	$ 24.6	$ 45.2
2019				
Customer revenue	$1,878.4	$641.2	$527.1	$710.1
Intersegment	–	–	–	–
Total revenue	$1,878.4	$641.2	$527.1	$710.1
Gross profit	$ 512.9	$ 65.2	$ 33.5	$414.2
Depreciation and amortization	$ 116.7	$ 18.0	$ 54.1	$ 44.6
Total assets	$ 962.8	$182.2	$231.1	$549.5
Capital expenditures	$ 120.2	$ 15.2	$ 42.1	$ 62.9

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

Year ended December 31,	**2021**	2020	2019
Total segment revenue	**$1,742.4**	$1,713.3	$1,878.4
Other revenue	**313.4**	313.1	344.4
Elimination of intercompany revenue	**(1.4)**	(0.1)	–
Total consolidated revenue	**$2,054.4**	$2,026.3	$2,222.8

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

Year ended December 31,	**2021**	2020	2019
Total segment gross profit	**$ 561.5**	$ 454.2	$ 512.9
Other gross profit	**10.5**	28.8	21.1
Total gross profit	**572.0**	483.0	534.0
Selling, general and administrative expense	**(389.5)**	(369.4)	(364.8)
Research and development expense	**(28.5)**	(26.6)	(31.3)
Interest expense	**(35.4)**	(29.2)	(62.1)
Other (expense), net	**(580.3)**	(329.6)	(136.4)
Total loss from continuing operations before income taxes	**$(461.7)**	$(271.8)	$ (60.6)

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

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

As of December 31,	**2021**	2020	2019
Total segment assets	**$1,236.6**	$1,005.3	$ 962.8
Other assets	**207.3**	297.0	300.6
Cash and cash equivalents	**552.9**	898.5	538.8
Deferred income taxes	**125.3**	136.2	114.0
Operating lease right-of-use assets	**62.7**	79.3	71.4
Prepaid postretirement assets	**159.7**	187.5	136.2
Assets of discontinued operations	**–**	–	243.2
Other corporate assets	**75.0**	104.1	137.0
Total assets	**$2,419.5**	$2,707.9	$2,504.0

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,	**2021**	2020	2019
Revenue			
United States	**$ 856.2**	$ 781.5	$ 824.0
United Kingdom	**284.9**	228.0	334.3
Other foreign	**913.3**	1,016.8	1,064.5
Total Revenue	**$2,054.4**	$2,026.3	$2,222.8
Properties, net			
United States	**$ 62.5**	$ 82.0	$ 82.3
Other foreign	**24.0**	28.5	33.7
Total Properties, net	**$ 86.5**	$ 110.5	$ 116.0
Outsourcing assets, net			
United States	**$ 66.2**	$ 93.1	$ 99.5
United Kingdom	**36.3**	55.3	71.7
Australia	**16.7**	19.3	21.5
Other foreign	**5.4**	6.2	9.4
Total Outsourcing assets, net	**$ 124.6**	$ 173.9	$ 202.1

Note 22 – Remaining performance obligations

Remaining performance obligations represent the transaction price of firm orders for which work has not been performed and excludes (1) contracts with an original expected length of one year or less and (2) contracts for which the company recognizes revenue at the amount to which it has the right to invoice for services performed. At December 31, 2021, the company had approximately $0.7 billion of remaining performance obligations of which approximately 4% is estimated to be recognized as revenue by the end of 2022.

Report of Management

Management's Report on the Financial Statements

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

PricewaterhouseCoopers LLP, an independent registered public accounting firm, has audited the company's 2021 consolidated financial statements. Its accompanying report is based on an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States).

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

Management's Report on Internal Control Over Financial Reporting

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

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

Management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, we concluded that the company maintained effective internal control over financial reporting as of December 31, 2021, based on the specified criteria.

PricewaterhouseCoopers LLP, an independent registered public accounting firm, has audited the company's internal control over financial reporting as of December 31, 2021, as stated in its report that appears herein.

Peter A. Altabef
Chair, President and Chief Executive Officer

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

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Unisys Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheet of Unisys Corporation and its subsidiaries (the "Company") as of December 31, 2021 and 2020, and the related consolidated statements of income (loss), of comprehensive income (loss), of deficit and of cash flows for each of the two years in the period ended December 31, 2021, including the related notes and schedule of valuation and qualifying accounts for each of the two years in the period ended December 31, 2021 listed under Item 15(1) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

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

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

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

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

Critical Audit Matters

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

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

As described in Notes 1 and 18 to the consolidated financial statements, the Company's consolidated defined benefit pension plan obligation was $6,324 million as of December 31, 2021. Additionally, the Company recorded settlement losses associated with its pension plans of $499 million for the year ended December 31, 2021. Management develops the actuarial assumptions used by its U.S. and international defined benefit pension plan obligations based upon the circumstances of each particular plan. The determination of the defined benefit pension plan obligations requires the use of estimates. Management's significant assumption used in the determination of the defined benefit pension plan obligations, and settlement losses associated with respect to the U.S. pension plans, is the discount rate.

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

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

PricewaterhouseCoopers LLP.

Philadelphia, Pennsylvania

February 22, 2022

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

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors

Unisys Corporation:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of income (loss), comprehensive income (loss), cash flows, and deficit for the year ended December 31, 2019, and the related notes and financial statement schedule II (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the results of its operations and its cash flows for the year ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

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

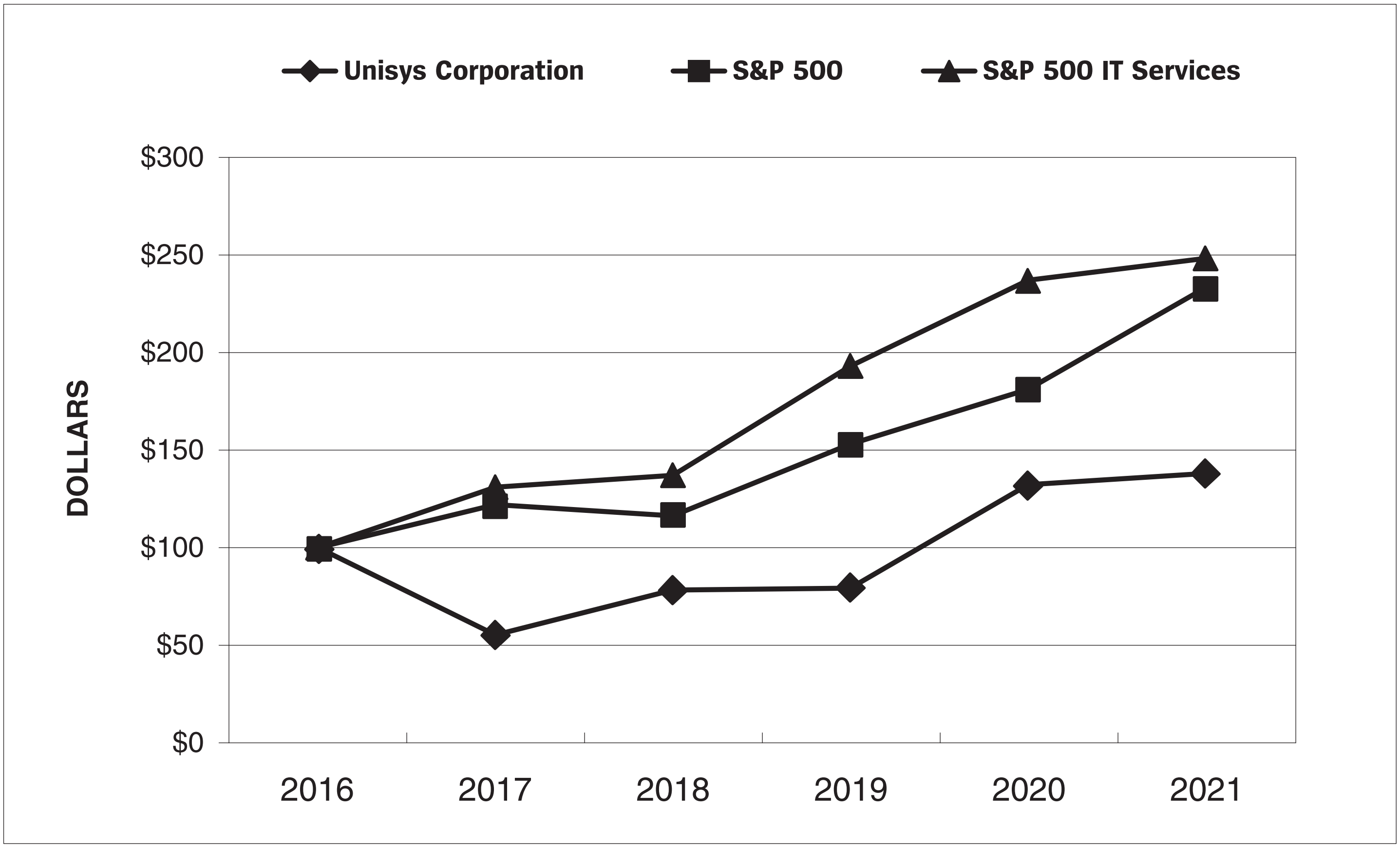
We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing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

KPMG LLP

We served as the Company's auditor from 2008 to 2020.
Philadelphia, Pennsylvania
February 28, 2020, except for Note 2 and Note 21, as to which the dates are February 26, 2021 and February 22, 2022, respectively

Stock Performance

The following graph compares the cumulative total stockholder return on Unisys common stock during the five fiscal years ended December 31, 2021, with the cumulative total return on the Standard & Poor's 500 Stock Index and the Standard & Poor's 500 IT Services Index. The comparison assumes $100 was invested on December 31, 2016, in Unisys common stock and in each of such indices and assumes reinvestment of any dividends.



	2016	2017	2018	2019	2020	2021
Unisys Corporation	$ 100	$ 55	$ 78	$ 79	$ 132	$ 138
S&P 500	$ 100	$ 122	$ 116	$ 153	$ 181	$ 233
S&P 500 IT Services	$ 100	$ 131	$ 137	$ 193	$ 237	$ 248

Investor Information

Stock Information

- **Common Stock:** The company has the authority to issue 150 million shares of common stock, par value $0.01 per share. At December 31, 2021, there were approximately 67.2 million shares outstanding and approximately 4,400 stockholders of record. Unisys common stock is listed for trading on the New York Stock Exchange (trading symbol “UIS”) and the London Stock Exchange (code “USY”).
- **Preferred Stock:** The company has the authority to issue 40 million shares of preferred stock, par value $1 per share, issuable in series. At December 31, 2021, there were no shares of preferred stock outstanding.
- **Voting Rights:** Each share of Unisys common stock outstanding on the record date for the annual meeting is entitled to one vote on each matter to be voted upon at the meeting.

Annual Meeting

Stockholders are invited to attend the Unisys 2022 Annual Meeting of Stockholders, which will be held virtually online at www.virtualshareholdermeeting.com/UIS2022 on May 5, 2022, at 8:00 a.m. Eastern Time. Formal notice of the meeting, along with the proxy statement and proxy materials, was mailed or otherwise made available on or about March 25, 2022, to stockholders of record as of March 7, 2022.

Independent Auditors

KPMG LLP Philadelphia, Pennsylvania (served as the Company’s auditor from 2008 to 2020)

PricewaterhouseCoopers Philadelphia, Pennsylvania (served as the Company’s auditor since 2020)

Stockholder Services

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

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

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

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

Telephone within the U.S. and Canada:

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

Telephone outside the U.S.:

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

Investor Relations

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

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

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

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