SPRINT NEXTEL CORP
Form 10-K
February 28, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

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

For the fiscal year ended December 31, 2012
or

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

For the transition period from to

Commission file number 1-04721
SPRINT NEXTEL CORPORATION
(Exact name of registrant as specified in its charter)

KANSAS	48-0457967
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6200 Sprint Parkway, Overland Park, Kansas	66251
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (800) 829-0965
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Series 1 common stock, $2.00 par value	New York Stock Exchange
Guarantees of Sprint Capital Corporation 6.875% Notes due 2028	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form

10-K. x

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

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer (Do not check if smaller reporting company)	o	Smaller reporting company	o

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

Aggregate market value of voting and non-voting common stock equity held by non-affiliates at June 30, 2012 was $9,762,996,418

COMMON SHARES OUTSTANDING AT FEBRUARY 25, 2013:

VOTING COMMON STOCK

Series 1	3,010,769,241

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SPRINT NEXTEL CORPORATION
SECURITIES AND EXCHANGE COMMISSION
ANNUAL REPORT ON FORM 10-K
PART I

Item 1. Business

OVERVIEW

Sprint Nextel Corporation, incorporated in 1938 under the laws of Kansas, is mainly a holding company, with its operations primarily conducted by its subsidiaries. Our Series 1 voting common stock trades on the New York Stock Exchange (NYSE) under the symbol “S.” Sprint Nextel Corporation and its subsidiaries (“Sprint,” “we,” “us,” “our” or the “Company”) is a communications company offering a comprehensive range of wireless and wireline communications products and services that are designed to meet the needs of individual consumers, businesses, government subscribers and resellers. Our operations are organized to meet the needs of our targeted subscriber groups through focused communications solutions that incorporate the capabilities of our wireless and wireline services. We are the third largest wireless communications company in the United States based on wireless revenue, one of the largest providers of wireline long distance services, and one of the largest Internet carriers in the nation. Our services are provided through our ownership of extensive wireless networks, an all-digital global long distance network and a Tier 1 Internet backbone.

We offer wireless and wireline voice and data transmission services to subscribers in all 50 states, Puerto Rico, and the U.S. Virgin Islands under the Sprint corporate brand, which includes our retail brands of Sprint®, Boost Mobile®, Virgin Mobile®, and Assurance Wireless® on networks that utilize third generation (3G) code division multiple access (CDMA), integrated Digital Enhanced Network (iDEN), or Internet protocol (IP) technologies. We also offer fourth generation (4G) services through our deployment of Long Term Evolution (LTE) as part of our network modernization plan, Network Vision, and also utilize Worldwide Interoperability for Microwave Access (WiMAX) technology through our mobile virtual network operator (MVNO) wholesale relationship with Clearwire Corporation and its subsidiary Clearwire Communications LLC (together, "Clearwire"). We utilize these networks to offer our wireless and wireline subscribers differentiated products and services whether through the use of a single network or a combination of these networks.

Recent Developments

On October 15, 2012, we entered into an Agreement and Plan of Merger (Merger Agreement) with SOFTBANK CORP., a kabushiki kaisha organized and existing under the laws of Japan, and certain of its wholly-owned subsidiaries (together, "SoftBank"). Upon consummation of the merger (SoftBank Merger), (i) Sprint will become a wholly-owned subsidiary of a subsidiary of SoftBank (New Sprint), (ii) New Sprint will be a publicly traded company, (iii) SoftBank will indirectly own approximately 70% of New Sprint on a fully diluted basis, and (iv) the former stockholders and other equityholders of Sprint will own approximately 30% of the fully diluted equity of New Sprint. The SoftBank merger is subject to various conditions, including receipt of required regulatory approvals and approval of Sprint's stockholders, and is expected to close in mid-2013.

In addition, on October 15, 2012, Sprint and SoftBank entered into a Bond Purchase Agreement (Bond Agreement), and on October 22, 2012, Sprint issued a convertible bond (Bond) under the Bond Agreement to New Sprint with a face amount of $3.1 billion, stated interest rate of 1%, and maturity date of October 15, 2019. The Bond is convertible into approximately 590 million shares of Sprint common stock, subject to adjustment. The Bond will convert into shares of Sprint common stock immediately prior to consummation of the SoftBank Merger and may not otherwise be converted prior to the termination of the Merger Agreement.

On November 6, 2012, Sprint entered into a definitive agreement with United States Cellular Corporation (U.S. Cellular) to acquire personal communications services (PCS) spectrum and approximately 585,000 customers in parts of Illinois, Indiana, Michigan, Missouri and Ohio, including the Chicago and St. Louis markets, for $480 million in cash. Sprint has agreed, in connection with the acquisition, to reimburse U.S. Cellular for certain network shut-down costs in these markets. These costs are expected to range from $130 million to $150 million on a net present value

basis, but in no event will Sprint's reimbursement obligation exceed $200 million on an undiscounted

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basis. The additional spectrum will be used to supplement Sprint's coverage in these areas. The transaction is subject to customary regulatory approvals and is expected to close in mid-2013.

On December 11, 2012, Sprint purchased the equity holdings of one of Clearwire's equityholders, Eagle River Holdings, LLC (Eagle River) comprised of 30.9 million shares of Clearwire Corporation Class A Common Stock and 2.7 million shares of Clearwire Communications LLC Class B Interests, for a total purchase price of $100 million in cash.

In addition, on December 17, 2012, Sprint entered into a merger agreement with Clearwire Corporation to acquire all of the remaining equity interests in Clearwire Corporation that we do not currently own for approximately $2.2 billion in cash, or $2.97 per share (Clearwire Acquisition). In connection with the Clearwire Acquisition, Clearwire Corporation and Sprint have entered into agreements that provide up to $800 million of additional financing for Clearwire in the form of exchangeable notes, which will be exchangeable for Clearwire common stock at $1.50 per share, subject to certain conditions and subject to adjustment. Under the financing agreements, Sprint has agreed to purchase $80 million of exchangeable notes per month for up to ten months beginning in January 2013, with some of the monthly purchases subject to certain funding conditions, including conditions relating to approval of the Clearwire Acquisition by Clearwire's shareholders and the parties agreeing to a network build out plan. On January 31, 2013 Sprint and Clearwire entered into an amendment to the financing agreement which extended the date the parties were to agree to a network build out plan from January 31, 2013 to February 28, 2013. The Clearwire Acquisition is subject to customary regulatory approvals, is contingent on the consummation of the SoftBank Merger, and is expected to close in mid-2013.

On February 26, 2013, Sprint and Clearwire amended the exchangeable notes agreement to remove the network build out condition to Sprint's obligation to provide financing for the last three draws (in August, September and October 2013). Accordingly, Clearwire, at its option, is eligible for the last three draws, totaling $240 million. In addition, Clearwire provided its first notification to Sprint of its election to draw $80 million, under the terms of the financing agreements, in March 2013.

See “Part II, Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations” and also refer to the Notes to the Consolidated Financial Statements for more information on the proposed business transactions and acquisitions noted above. Also see Item 1A, “Risk Factors" for risks related to the Softbank Merger and Clearwire Acquisition.

Our Business Segments

We operate two reportable segments: Wireless and Wireline. For information regarding our segments, see “Part II, Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations” and also refer to the Notes to the Consolidated Financial Statements.

Wireless

We offer wireless services on a postpaid and prepaid payment basis to retail subscribers and also on a wholesale and affiliate basis, which includes the sale of wireless services that utilize the Sprint network but are sold under the wholesaler's brand. We support the open development of applications, content, and devices on our network platforms through products and services such as Google Voice™, which allows for functionality such as one phone number for all devices (home, wireless, office, etc.), routing calls between devices, and in-call options to switch between devices during a call, and Google Wallet™, which provides the ability to store loyalty, gift and credit cards, and to tap and pay while you shop using your wireless device. We have recently introduced Sprint Guardian, a collection of mobile safety and device security bundles that provide families relevant tools to help stay safe and secure, and Pinsight Media+, a new advertising service giving advertisers the power to reach consumers on their mobile device by providing more relevant advertising based on information consumers choose to share about their location and mobile Web browsing history. In addition, we enable a variety of business and consumer third-party relationships, through our portfolio of machine-to-machine solutions, which we offer on a retail postpaid and wholesale basis. Our machine-to-machine solutions portfolio provides a secure, real-time and reliable wireless two-way data connection across a broad range of connected devices such as the Chrysler Group's UConnect® Access in-vehicle communications system which enables hand free phone calls, and the ability to access music, navigation, and other applications and services through cell connections built into the vehicle. Other connected devices include original

equipment manufacturer (OEM) devices and after-market in-vehicle connectivity and electric vehicle

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charging stations, point-of-sale systems, kiosks and vending machines, asset tracking, digital signage, security, smartgrid utilities, medical equipment, and a variety of other consumer electronics and appliances.

In our postpaid portfolio, we have reduced confusion over consumer pricing plans and complex bills with our Simply Everything® and Everything Data plans and our Any Mobile Anytime℠ feature. We also offer price plans tailored to business subscribers such as Business Advantage℠, which allows for the flexibility to mix and match plans that include voice, voice and messaging, or voice, messaging and data to meet individual business needs and also allows the Any Mobile Anytime feature with certain plans. In January 2013, we introduced Sprint As You Go℠ which offers unlimited talk, text and data while on the Sprint network paired with the flexibility of a monthly no-contract plan, which is available with select devices.

Our prepaid portfolio currently includes multiple brands, each designed to appeal to specific subscriber segments. Boost Mobile serves subscribers who are voice and text messaging-centric with its popular Monthly Unlimited plan with Shrinkage service where bills are reduced after six on-time payments. Virgin Mobile serves subscribers who are device and data-oriented with our Beyond Talk™ plans and our broadband plan, Broadband2Go, which offers subscribers control, flexibility and connectivity through various communication vehicles. Virgin Mobile is also designated as a Lifeline-only Eligible Telecommunications Carrier in certain states which provides service for the Lifeline program under our Assurance Wireless brand. Assurance Wireless provides eligible subscribers who meet income requirements or are receiving government assistance with a free wireless phone and 250 free minutes of local and long-distance monthly service.

Services and Products

Data & Voice Services

Wireless data communications services include mobile productivity applications, such as Internet access, messaging and email services; wireless photo and video offerings; location-based capabilities, including asset and fleet management, dispatch services and navigation tools; and mobile entertainment applications, including the ability to view live television, listen to satellite radio, download and listen to music, and play games with full-color graphics and polyphonic and real-music sounds from a wireless handset.

Wireless voice communications services include basic local and long distance wireless voice services throughout the United States, as well as voicemail, call waiting, three-way calling, caller identification, directory assistance and call forwarding. We also provide voice and data services to areas in numerous countries outside of the United States through roaming arrangements. We offer customized design, development, implementation and support for wireless services provided to large companies and government agencies.

Products

Our services are provided using a broad array of device selections and applications and services that run on these devices to meet the growing needs of customer mobility. Our multi-functional device portfolio includes many cutting edge devices from various OEMs. Our mobile broadband portfolio consists of devices such as hotspots, which allow the connection of multiple WiFi enabled devices and aircards. We generally sell these devices at prices below our cost in response to competition to attract new subscribers and as retention inducements for existing subscribers. Our networks can also be accessed through our portfolio of embedded tablets and laptops manufactured by various suppliers for use with our voice and data services. In addition, we sell accessories, such as carrying cases, hands-free devices, batteries, battery chargers and other items to subscribers, and we sell devices and accessories to agents and other third-party distributors for resale.

Wireless Network Technologies

We deliver wireless services to subscribers primarily through our existing networks or as a reseller of 4G WiMAX services through our MVNO wholesale relationship with Clearwire.

Our current Sprint platform, an all-digital wireless network with spectrum licenses that allow us to provide service in all 50 states, Puerto Rico and the U.S. Virgin Islands, uses a single frequency band and a digital spread-spectrum wireless technology, known as CDMA, that allows a large number of users to access the band by assigning a code to all voice and data bits, sending a scrambled transmission of the encoded bits over the air and reassembling the voice and data into its original format. We provide nationwide service through a combination of operating our own digital network in both major and smaller U.S. metropolitan areas and rural connecting routes,

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affiliations under commercial arrangements with third-party affiliates (Affiliates) and roaming on other providers' networks.

In 2009, our Sprint platform subscribers in certain markets began to have access to Clearwire's 4G WiMAX network through an MVNO wholesale arrangement that enables us to resell Clearwire's 4G wireless services under the Sprint brand name. The services supported by 4G WiMAX give subscribers with compatible devices high-speed access to the Internet.

In December 2010, we announced Network Vision, a multi-year network infrastructure initiative intended to provide subscribers with an enhanced network experience by improving voice quality, coverage, and data speeds, while enhancing network flexibility, reducing operating costs, and improving environmental sustainability through the utilization of multiple spectrum bands onto a single multi-mode base station. In addition to implementing these multi-mode base stations, this plan encompasses next-generation push-to-talk technology with broadband capabilities and the integration of multi-mode chipsets into smartphones, tablets and other broadband devices, including machine-to-machine products. Through the deployment of Network Vision, we are migrating to a single nationwide network allowing for the consolidation and optimization of our 800 megahertz (MHz), 1.9 gigahertz (GHz) spectrum, as well as other spectrum, into multi-mode stations allowing us to repurpose spectrum to enhance coverage, particularly around the in-building experience. The multi-mode technology also utilizes software-based solutions with interchangeable hardware to provide greater network flexibility, which has allowed for the deployment of LTE.

Our Nextel platform, which is expected to be shut-down by June 30, 2013, is an all-digital packet data network based on iDEN wireless technology provided by Motorola Solutions, Inc. We are the only national wireless service provider in the United States that utilizes this technology. Generally, Nextel platform devices are not enabled to roam on wireless networks that do not utilize iDEN technology. As a result of our plan to shut-down our Nextel platform, we will continue to pursue the retention of these customers through competitive offerings on the Sprint platform.

Sales, Marketing and Customer Care

We focus the marketing and sales of wireless services on targeted groups of retail subscribers: individual consumers, businesses and government.

We use a variety of sales channels to attract new subscribers of wireless services, including:

- direct sales representatives whose efforts are focused on marketing and selling wireless services primarily to mid-sized to large businesses and government agencies;
- retail outlets owned and operated by us, that focus on sales to the consumer market as well as third-party retailers;
- indirect sales agents that primarily consist of local and national non-affiliated dealers and independent contractors that market and sell services to businesses and the consumer market, and are generally paid through commissions; and
- subscriber-convenient channels, including web sales and telesales.

We market our postpaid services under the Sprint® brand. We generally offer these services on a contract basis typically for a two-year period, with services billed on a monthly basis according to the applicable pricing plan. In January 2013, we introduced a Sprint branded no contract service, Sprint As You Go. As we shut-down the Nextel platform, our efforts will continue to pursue the recapture of Nextel platform subscribers; however, prospectively we will continue our efforts to focus on profitable growth through service provided on an enhanced wireless network on the Sprint platform. We market our prepaid services under the Boost Mobile, Virgin Mobile, and Assurance Wireless brands as a means to provide value-driven prepaid service plans to particular markets. Our wholesale customers are resellers of our wireless services rather than end-use subscribers and market their products and services using their brands.

Although we market our services using traditional print and television advertising, we also provide exposure to our brand names and wireless services through various sponsorships, including the National Association for Stock Car Auto Racing (NASCAR®) and the National Basketball Association (NBA). The goal of these marketing initiatives is to increase brand awareness and sales.

Our customer management organization works to improve our customers' experience, with the goal of retaining subscribers of our wireless services. Customer service call centers, some of which are operated by us and some of which are operated by unrelated parties subject to Sprint standards of operation, receive and resolve inquiries from subscribers and proactively address subscriber needs.

Competition

We believe that the market for wireless services has been and will continue to be characterized by intense competition on the basis of price, the types of services and devices offered, and quality of service. We compete with a number of wireless carriers, including three other national wireless companies: AT&T, Verizon Wireless (Verizon) and T-Mobile. Our primary competitors offer voice, high-speed data, entertainment and location-based services and push-to-talk-type features that are designed to compete with our products and services. AT&T and Verizon also offer competitive wireless services packaged with local and long distance voice, high-speed Internet services and video. Our prepaid services compete with a number of carriers and resellers including Metro PCS Communications, Inc., Leap Wireless International, Inc. and TracFone Wireless, which offer competitively-priced calling plans that include unlimited local calling. Additionally, AT&T, T-Mobile and Verizon also offer competitive prepaid services and wholesale services to resellers. Competition will increase as a result of certain mergers and acquisitions, as new firms enter the market, and as a result of the introduction of other technologies such as LTE, the availability of previously unavailable spectrum bands, such as the 700 MHz spectrum band, and the potential introduction of new services using unlicensed spectrum. Wholesale services and products also contribute to increased competition. In some instances, resellers that use our network and offer like services compete against our offerings.

Most markets in which we operate have high rates of penetration for wireless services, thereby limiting the growth of subscribers of wireless services. As the wireless market has matured, it has become increasingly important to retain existing subscribers in addition to attracting new subscribers, particularly in less saturated growth markets such as those with non-traditional data demands. Wireless carriers are addressing the growth in non-traditional data needs by working with OEMs to develop connected devices such as after-market in-vehicle connectivity and electric vehicle charging stations, point-of-sale systems, kiosks and vending machines, asset tracking, digital signage, security, smartgrid utilities, medical equipment and a variety of other consumer electronics and appliances, which utilize wireless networks to increase consumer and business mobility. In addition, we and our competitors continue to offer more service plans that combine voice and data offerings, plans that allow users to add additional mobile devices to their plans at attractive rates, plans with a higher number of bundled minutes included in the fixed monthly charge for the plan, plans that offer the ability to share minutes among a group of related subscribers, or combinations of these features. Consumers respond to these plans by migrating to those they deem most attractive. In addition, wireless carriers also try to appeal to subscribers by offering certain devices at prices lower than their acquisition cost. We may offer higher cost devices at greater discounts than our competitors, with the expectation that the loss incurred on the cost of the device will be offset by future service revenue. As a result, we and our competitors recognize point-of-sale losses that are not expected to be recovered until future periods when services are provided. Our ability to effectively compete in the wireless business is dependent upon our ability to retain existing and attract new subscribers in an increasingly competitive marketplace. See Item 1A, “Risk Factors—If we are not able to retain and attract wireless subscribers, our financial performance will be impaired.”

Wireline

We provide a broad suite of wireline voice and data communications services to other communications companies and targeted business and consumer subscribers. In addition, we provide voice, data and IP communication services to our Wireless segment, and IP and other services to cable Multiple System Operators (MSOs). Cable MSOs resell our local and long distance services and use our back office systems and network assets in support of their telephone service provided over cable facilities primarily to residential end-use subscribers.

Services and Products

Our services and products include domestic and international data communications using various protocols such as multiprotocol label switching technologies (MPLS), IP, managed network services, Voice over Internet Protocol (VoIP), Session Initiated Protocol (SIP) and traditional voice services. Our IP services can also be combined with

wireless services. Such services include our Sprint Mobile Integration service, which enables a wireless handset to operate as part of a subscriber's wireline voice network, and our DataLink[SM] service, which uses our wireless networks to connect a subscriber location into their primarily wireline wide-area IP/MPLS data

network, making it easy for businesses to adapt their network to changing business requirements. In addition to providing services to our business customers, the wireline network is carrying increasing amounts of voice and data traffic for our Wireless segment as a result of growing usage by our wireless subscribers.

We continue to assess the portfolio of services provided by our Wireline business and are focusing our efforts on IP-based services and de-emphasizing stand-alone voice services and non-IP-based data services. We also provide wholesale voice local and long distance services to cable MSOs, which they offer as part of their bundled service offerings, as well as traditional voice and data services for their enterprise use. However, the digital voice services we provide to some of our cable MSOs have become large enough in scale that they have decided to in-source these services. We also continue to provide voice services to residential consumers. Our Wireline segment markets and sells its services primarily through direct sales representatives.

Competition

Our Wireline segment competes with AT&T, Verizon Communications, CenturyLink, Level 3 Communications, Inc., other major local incumbent operating companies, and cable operators as well as a host of smaller competitors in the provision of wireline services. Over the past few years, our long distance voice services have experienced an industry-wide trend of lower revenue from lower prices and increased competition from other wireline and wireless communications companies, as well as cable MSOs and Internet service providers.

Some competitors are targeting the high-end data market and are offering deeply discounted rates in exchange for high-volume traffic as they attempt to utilize excess capacity in their networks. In addition, we face increasing competition from other wireless and IP-based service providers. Many carriers, including cable companies, are competing in the residential and small business markets by offering bundled packages of both local and long distance services. Competition in long distance is based on price and pricing plans, the types of services offered, customer service, and communications quality, reliability and availability. Our ability to compete successfully will depend on our ability to anticipate and respond to various competitive factors affecting the industry, including new services that may be introduced, changes in consumer preferences, demographic trends, economic conditions and pricing strategies. See Item 1A, "Risk Factors—Consolidation and competition in the wholesale market for wireline services, as well as consolidation of our roaming partners and access providers used for wireless services, could adversely affect our revenues and profitability" and "—The blurring of the traditional dividing lines among long distance, local, wireless, video and Internet services contributes to increased competition."

Legislative and Regulatory Developments

Overview

Communications services are subject to regulation at the federal level by the Federal Communications Commission (FCC) and in certain states by public utilities commissions (PUCs). The Communications Act of 1934 (Communications Act) preempts states from regulating the rates or entry of commercial mobile radio service (CMRS) providers, such as those in our Wireless segment, and imposes licensing and technical requirements, including provisions related to the acquisition, assignment or transfer of radio licenses. Depending upon state law, CMRS providers can be subject to state regulation of other terms and conditions of service. Our Wireline segment also is subject to federal and state regulation.

The following is a summary of the regulatory environment in which we operate and does not describe all present and proposed federal, state and local legislation and regulations affecting the communications industry. Some legislation and regulations are the subject of judicial proceedings, legislative hearings and administrative proceedings that could change the way our industry operates. We cannot predict the outcome of any of these matters or their potential impact on our business. See Item 1A, "Risk Factors—Government regulation could adversely affect our prospects and results of operations; the FCC and state regulatory commissions may adopt new regulations or take other actions that could adversely affect our business prospects, future growth or results of operations." Regulation in the communications industry is subject to change, which could adversely affect us in the future. The following discussion describes some of the significant communications-related regulations that affect us, but numerous other substantive areas of regulation not discussed here may also influence our business.

Regulation and Wireless Operations

The FCC regulates the licensing, construction, operation, acquisition and sale of our wireless operations and wireless spectrum holdings. FCC requirements impose operating and other restrictions on our wireless

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operations that increase our costs. The FCC does not currently regulate rates for services offered by CMRS providers, and states are legally preempted from regulating such rates and entry into any market, although states may regulate other terms and conditions. The Communications Act and FCC rules also require the FCC's prior approval of the assignment or transfer of control of an FCC license, although the FCC's rules permit spectrum lease arrangements for a range of wireless radio service licenses, including our licenses, with FCC oversight. Approval from the Federal Trade Commission and the Department of Justice, as well as state or local regulatory authorities, also may be required if we sell or acquire spectrum interests. The FCC sets rules, regulations and policies to, among other things:

- grant licenses in the 800 MHz band, 900 MHz band, 1.9 GHz PCS band, and license renewals;
- rule on assignments and transfers of control of FCC licenses, and leases covering our use of FCC licenses held by other persons and organizations;
- govern the interconnection of our networks with other wireless and wireline carriers;
- establish access and universal service funding provisions;
- impose rules related to unauthorized use of and access to customer information;
- impose fines and forfeitures for violations of FCC rules;
- regulate the technical standards governing wireless services; and
- impose other obligations that it determines to be in the public interest

We hold 1.9 GHz, 800 MHz, and 900 MHz FCC licenses authorizing the use of radio frequency spectrum to deploy our wireless services.

1.9 GHz PCS License Conditions

All PCS licenses are granted for ten-year terms. For purposes of issuing PCS licenses, the FCC utilizes major trading areas (MTAs) and basic trading areas (BTAs) with several BTAs making up each MTA. Each license is subject to build-out requirements which we have met in all of our MTA and BTA markets.

If applicable build-out conditions are met, these licenses may be renewed for additional ten-year terms. Renewal applications are not subject to auctions. If a renewal application is challenged, the FCC grants a preference commonly referred to as a license renewal expectancy to the applicant if the applicant can demonstrate that it has provided “substantial service” during the past license term and has substantially complied with applicable FCC rules and policies and the Communications Act. The licenses for the 10 MHz of spectrum in the 1.9 GHz band that we received as part of the FCC's Report and Order, described below, have ten-year terms and are not subject to specific build-out conditions, but are subject to renewal requirements that are similar to those for our PCS licenses.

800 MHz and 900 MHz License Conditions

Spectrum in our 800 MHz and 900 MHz bands originally was licensed in small groups of channels, therefore we hold thousands of these licenses, which together allow us to provide coverage across much of the continental United States. Our 800 MHz and 900 MHz licenses are subject to requirements that we meet population coverage benchmarks tied to the initial license grant dates. To date, we have met all of the construction requirements applicable to these licenses, except in the case of licenses that are not material to our business. Our 800 MHz and 900 MHz licenses have ten-year terms, at the end of which each license is subject to renewal requirements that are similar to those for our 1.9 GHz licenses.

Spectrum Reconfiguration Obligations

In 2004, the FCC adopted a Report and Order that included new rules regarding interference in the 800 MHz band and a comprehensive plan to reconfigure the 800 MHz band (the “Report and Order”). The Report and Order provides for the exchange of a portion of our 800 MHz FCC spectrum licenses, and requires us to fund the cost incurred by public safety systems and other incumbent licensees to reconfigure the 800 MHz spectrum band. Also, in exchange, we received licenses for 10 MHz of nationwide spectrum in the 1.9 GHz band; however, we were required to relocate and reimburse the incumbent licensees in this band for their costs of relocation to another band designated by the FCC. We completed all of our 1.9 GHz incumbent relocation and reimbursement obligations in the second half of 2010. The minimum cash obligation under the Report and Order is $2.8 billion. We are, however, obligated to pay the full amount of the costs relating to the reconfiguration plan, even if those costs exceed $2.8 billion. As

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required under the terms of the Report and Order, a letter of credit has been secured to provide assurance that funds will be available to pay the relocation costs of the incumbent users of the 800 MHz spectrum. We submit the qualified 800 MHz relocation costs to the FCC for review for potential letter of credit reductions on a periodic basis. As a result of these reviews, our letter of credit was reduced from $2.5 billion at the start of the project to $859 million as of December 31, 2012, as approved by the FCC. As required by the Report and Order, the letter of credit had a minimum of $850 million, which was largely intended to protect both the relocating licensees as well as the US Treasury should an anti-windfall payment be necessary. Given the significant progress that has been made, the total amounts spent to date, and the remaining forecasted amounts to be spent by the licensees, Sprint believes it is reasonable to allow the letter of credit to be reduced below $850 million. Accordingly, in January 2013, we submitted a Request for Declaratory Ruling to the FCC requesting two items: (i) that it declare that Sprint will not owe any anti-windfall payment to the US Treasury, because we have exceeded the $2.8 billion of required expenditures, and (ii) that the FCC remove the $850 million minimum for the letter of credit and allow further reductions based on quarterly estimates of remaining obligations. This Request for Declaratory Ruling is pending before the FCC.

Completion of the 800 MHz band reconfiguration was initially required by June 26, 2008. The FCC continues to grant 800 MHz public safety licensees additional time to complete their band reconfigurations which, in turn, delays our access to some of our 800 MHz replacement channels. Accordingly, we will continue to transition to our 800 MHz replacement channels consistent with public safety licensees' reconfiguration progress. We anticipate that continuing reconfiguration progress will be sufficient to support the 800 MHz portion of our Network Vision rollout. On May 24, 2012, the FCC revised its rules to authorize Sprint to deploy wireless broadband services, such as CDMA and LTE, on its 800 MHz spectrum, including channels that become available to Sprint upon completion of the 800 MHz band reconfiguration program.

New Spectrum Opportunities and Spectrum Auctions

Several FCC proceedings and initiatives are underway that may affect the availability of spectrum used or useful in the provision of commercial wireless services, which may allow new competitors to enter the wireless market. While in general we cannot predict when or whether the FCC will conduct any spectrum auctions or if it will release additional spectrum that might be useful to wireless carriers, including us, in the future, the FCC has taken steps to license spectrum designated for auction in the Middle Class Tax Relief and Job Creation Act of 2012. In particular, the FCC has initiated two proceedings to auction the Advanced Wireless Services H Block and to reallocate and auction broadcast spectrum in the 600 MHz Band.

911 Services

Pursuant to FCC rules, CMRS providers, including us, are required to provide enhanced 911 (E911) services in a two-tiered manner. Specifically, wireless carriers are required to transmit to a requesting public safety answering point (PSAP) both the 911 caller's telephone number and (a) the location of the cell site from which the call is being made, or (b) the location of the subscriber's handset using latitude and longitude, depending upon the capability of the PSAP. Implementation of E911 service must be completed within six months of a PSAP request for service in its area, or longer, based on the agreement between the individual PSAP and the carrier. The FCC is currently reviewing the accuracy standards for the provision of wireless 911 services indoors and may impose additional obligations, but we believe we comply with current requirements.

National Security

National security and disaster recovery issues continue to receive attention at the federal, state and local levels. For example, the new Congress is expected to again consider cyber security legislation to increase the security and resiliency of the Nation's digital infrastructure. It is also understood that the President may issue an Executive Order directing the Department of Homeland Security and other government agencies to take a number of steps to improve the security of the Nation's critical infrastructure. We cannot predict the cost impact of such measures. In addition, the FCC continues to examine issues of network resiliency and reliability, particularly in the wake of the weather-related disasters that struck the U.S. mainland in 2012 and may seek to impose additional regulations designed to reduce the severity and length of disruptions in communications. Again, we cannot predict the cost impact of any regulations the FCC adopts. The FCC, in conjunction with the Federal Emergency Management Agency and Department of Homeland Security, may also seek to enhance wireless emergency alerting systems. Sprint has been providing such

emergency alerts since January 2012.

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Tower Siting

Wireless systems must comply with various federal, state and local regulations that govern the siting, lighting and construction of transmitter towers and antennas, including requirements imposed by the FCC and the Federal Aviation Administration. FCC rules subject certain cell site locations to extensive zoning, environmental and historic preservation requirements and mandate consultation with various parties, including State and Tribal Historic Preservation Offices. The FCC rules govern historic preservation review of projects, which can make it more difficult and expensive to deploy antenna facilities. The FCC has imposed a tower siting "shot clock" that requires local authorities to address tower applications within a specific timeframe, which can assist carriers in more rapid deployment of towers. Certain local jurisdictions sought review of the rule in the courts and a decision is expected in 2013 by the United States Supreme Court on the issue of federal agency deference in making such determinations. The decision could potentially impact the speed of deployment of some of Sprint's telecommunications facilities, including Network Vision. The FCC also modified its antenna structure registration process in order to help address public notice requirements when plans are made for construction of, or modification to, antenna structures required to be registered with the FCC, potentially adding to the delays and burdens associated with tower siting, including potential challenges from special interest groups. To the extent governmental agencies continue to impose additional requirements like this on the tower siting process, the time and cost to construct cell towers could be negatively impacted.

State and Local Regulation

While the Communications Act generally preempts state and local governments from regulating entry of, or the rates charged by, wireless carriers, certain state PUCs and local governments regulate customer billing, termination of service arrangements, advertising, certification of operation, use of handsets when driving, service quality, sales practices, management of customer call records and protected information and many other areas. Also, some state attorneys general have become more active in bringing lawsuits related to the sales practices and services of wireless carriers. Varying practices among the states may make it more difficult for us to implement national sales and marketing programs. States also may impose their own universal service support requirements on wireless and other communications carriers, similar to the contribution requirements that have been established by the FCC, and some states are requiring wireless carriers to help fund additional programs, including the implementation of E911 and the provision of intrastate relay services for consumers who are hearing impaired. We anticipate that these trends will continue to require us to devote legal and other resources to work with the states to respond to their concerns while attempting to minimize any new regulation and enforcement actions that could increase our costs of doing business.

Regulation and Wireline Operations

Competitive Local Service

The Telecommunications Act of 1996 (Telecom Act), which was the first comprehensive update of the Communications Act, was designed to promote competition, and it eliminated legal and regulatory barriers for entry into local and long distance communications markets. It also required incumbent local exchange carriers (ILECs) to allow resale of specified local services at wholesale rates, negotiate interconnection agreements, provide nondiscriminatory access to certain unbundled network elements and allow co-location of interconnection equipment by competitors. The rules implementing the Telecom Act remain subject to legal challenges. Thus, the scope of future local competition remains uncertain. These local competition rules impact us because we provide wholesale services to cable television companies that wish to compete in the local voice telephony market. Our communications and back-office services enable the cable companies to provide competitive local and long distance telephone services primarily in a VoIP format to their end-use customers.

Voice over Internet Protocol

We offer VoIP-based services to business subscribers and transport VoIP-originated traffic for various cable companies. The FCC issued an order in late 2010 reforming, among other things, its regulatory structure governing intercarrier compensation and again declined to classify VoIP services as either telecommunications services or information services. However, it prescribed the rates applicable to the exchange of traffic between a VoIP provider and a local exchange carrier providing service on the public switched telephone network (PSTN). The rate for toll VoIP-PSTN traffic is the interstate access rate applicable to non-VoIP traffic regardless of whether the traffic is

interstate or intrastate. The rate for non-toll VoIP-PSTN traffic is the applicable reciprocal

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compensation rate. These rates will be reduced over the next several years as the industry transitions to bill-and-keep methodology for the exchange of all traffic. Providers of interconnected VoIP will continue to be required to contribute to the federal Universal Service Fund (USF), offer E911 emergency calling capabilities to their subscribers, and comply with the electronic surveillance obligations set forth in the Communications Assistance for Law Enforcement Act (CALEA). Because we provide VoIP services and transport VoIP-originated traffic, the FCC's rate prescription decision is expected to reduce our costs for such traffic over time as well as reduce disputes between carriers that often result in litigation.

International Regulation

The wireline services we provide outside the United States are subject to the regulatory jurisdiction of foreign governments and international bodies. In general, we are required to obtain licenses to provide wireline services and comply with certain government requirements.

Other Regulations

Network Neutrality

On December 22, 2010, the FCC adopted so-called net neutrality rules. The FCC rules for fixed broadband Internet access services consist of: (a) an obligation to provide transparency to consumers regarding network management practices, performance characteristics, and commercial terms of service; (b) a prohibition on blocking access to lawful content, applications, services and devices; and (c) a prohibition on unreasonable discrimination. The FCC acknowledged, however, that mobile broadband is in its early stages of development and is rapidly changing and accordingly adopted lesser obligations for mobile providers. Mobile providers must: (a) provide transparency to consumers in the same manner as fixed providers; and (b) not block access to lawful websites and applications that compete with the provider's own voice or video telephony services. Other rules applicable to fixed broadband, including no blocking of other applications, services or devices, and the prohibition on "unreasonable discrimination," do not apply to mobile providers. Because the net neutrality rules applicable to mobile broadband are relatively narrow and because we have deployed open mobile operating platforms on our devices, such as the Android platform created in conjunction with Google and the Open Handset Alliance, the rules should not adversely affect the operation of our broadband networks or significantly constrain our ability to manage the networks and protect our users from harm caused by other users and devices.

Truth in Billing and Consumer Protection

The FCC's Truth in Billing rules generally require both wireline and wireless telecommunications carriers, such as us, to provide full and fair disclosure of all charges on their bills, including brief, clear, and non-misleading plain language descriptions of the services provided. In response to a petition from the National Association of State Utility Consumer Advocates, the FCC found that state regulation of CMRS rates, including line items on consumer bills, is preempted by federal statute. This decision was overturned by the 11th Circuit Court of Appeals and the Supreme Court denied further appeal. As a consequence, states may attempt to impose various regulations on the billing practices of wireless carriers. In addition, the FCC has opened several proceedings to address issues of consumer protection, including the use of early termination fees, the FCC has opened an investigation into “bill shock” concerning overage charges for voice, data and text usage, and the FCC has proposed new rules to address cramming. The wireless industry has proactively addressed many of these consumer issues by adopting industry best practices such as the addition of free notifications for voice, data, messaging and international roaming to address the FCC's bill shock proceeding. If these FCC proceedings or individIGN="bottom">

Weighted average shares				
	50,843	43,780	48,593	43,918
Total				
	$(.24)	$.47	$(1.35)	$(.31)

Diluted Earnings (Loss) Per Common Share

Net income (loss) attributable to Unisys Corporation common shareholders

$(12.1) $20.4 $(65.6) $(13.5)

Add preferred stock dividends

Net income (loss) attributable to Unisys Corporation for diluted earnings per share

$(12.1) $20.4 $(65.6) $(13.5)

Weighted average shares

50,843 43,780 48,593 43,918

Plus incremental shares from assumed conversions

Employee stock plans

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Preferred stock

Adjusted weighted average shares	50,843	44,195	48,593	43,918
Total	$(.24)	$.46	$(1.35)	$(.31)

In the six months ended June 30, 2014 and 2013, the following weighted-average number of stock options and restricted stock units were antidilutive and therefore excluded from the computation of diluted earnings per share (in thousands): 3,542 and 3,550, respectively. In the six months ended June 30, 2014 and 2013, the following weighted-average number of mandatory convertible preferred stock was antidilutive and therefore excluded from the computation of diluted earnings per share (in thousands): 877 and 2,587.

b. Pension and Postretirement Benefits. Net periodic pension expense for the three and six months ended June 30, 2014 and 2013 is presented below (in millions of dollars):

	Three Months Ended June 30, 2014			Three Months Ended June 30, 2013		
	Total	U.S. Plans	Int l. Plans	Total	U.S. Plans	Int l. Plans
Service cost	$ 1.9	$	$ 1.9	$ 2.6	$	$ 2.6
Interest cost	92.3	62.2	30.1	81.2	55.0	26.2
Expected return on plan assets	(112.9)	(72.0)	(40.9)	(107.4)	(72.7)	(34.7)
Amortization of prior service cost	(.3)	.2	(.5)	(.3)	.1	(.4)
Recognized net actuarial loss	37.5	27.0	10.5	46.7	34.1	12.6
Curtailment gain	(.6)		(.6)			
Net periodic pension expense	$ 17.9	$ 17.4	$ .5	$ 22.8	$ 16.5	$ 6.3

	Six Months Ended June 30, 2014			Six Months Ended June 30, 2013		
	Total	U.S. Plans	Int l. Plans	Total	U.S. Plans	Int l. Plans
Service cost	$ 4.3	$	$ 4.3	$ 5.2	$	$ 5.2
Interest cost	184.6	124.7	59.9	162.3	109.8	52.5
Expected return on plan assets	(225.6)	(144.0)	(81.6)	(215.4)	(145.7)	(69.7)
Amortization of prior service cost	(.6)	.4	(1.0)	(.4)	.3	(.7)
Recognized net actuarial loss	75.3	54.8	20.5	94.3	69.0	25.3
Curtailment gain	(.6)		(.6)			
Net periodic pension expense	$ 37.4	$ 35.9	$ 1.5	$ 46.0	$ 33.4	$ 12.6

In 2014, the company estimates that it will make cash contributions of approximately $235 million to its worldwide defined benefit pension plans, which is comprised of $109 million primarily for non-U.S. defined benefit pension plans and $126 million for the company s U.S. qualified defined benefit pension plan. In 2013, the company made cash contributions of $147.2 million to its worldwide defined benefit pension plans. For the six months ended June 30, 2014 and 2013, $103.1 million and $61.3 million, respectively, of cash contributions have been made.

Net periodic postretirement benefit expense for the three and six months ended June 30, 2014 and 2013 is presented below (in millions of dollars):

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Service cost	$ .1	$ .2	$ .3	$ .3
Interest cost	2.0	2.0	4.0	4.0
Expected return on assets	(.2)	(.1)	(.3)	(.2)
Amortization of prior service cost	.5	.5	.9	.9
Recognized net actuarial loss	.9	1.3	1.7	2.7
Net periodic postretirement benefit expense	$ 3.3	$ 3.9	$ 6.6	$ 7.7

The company expects to make cash contributions of approximately $19 million to its postretirement benefit plan in 2014 compared with $18.0 million in 2013. For the six months ended June 30, 2014 and 2013, $6.4 million and $7.0 million, respectively, of cash contributions have been made.

c. Fair Value Measurements. Due to its foreign operations, the company is exposed to the effects of foreign currency exchange rate fluctuations on the U.S. dollar, principally related to intercompany account balances. The company uses derivative financial instruments to reduce its exposure to market risks from changes in foreign currency exchange rates on such balances. The company enters into foreign exchange forward contracts, generally having maturities of one month, which have not been designated as hedging instruments. At June 30, 2014 and 2013, the notional amount of these contracts was $525.1 million and $469.1 million, respectively. At June 30, 2014 and 2013, the fair value of such contracts was a net loss of $.5 million and $.9 million, respectively, of which $1.3 million and $1.8 million, respectively, has been recognized in Prepaid expenses and other current assets and $1.8 and $2.7 million, respectively, has been recognized in Other accrued liabilities in the company s consolidated balance sheet. For the six months ended June 30, 2014 and 2013, changes in the fair value of these instruments was a gain of $8.0 million and a loss of $2.7 million, respectively, which has been recognized in earnings in Other income (expense), net in the company s consolidated statement of income. 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.

Financial assets with carrying values approximating fair value include cash and cash equivalents and accounts receivable. Financial liabilities with carrying values approximating fair value include accounts payable and other accrued liabilities. The carrying amounts of these financial assets and liabilities approximate fair value due to their short maturities. At June 30, 2014 and December 31, 2013, the carrying amount of long-term debt was less than fair value, which is based on market prices (Level 2 inputs), of such debt by approximately $18 million and $15 million, respectively.

d. Stock Options. Under stockholder approved stock-based plans, stock options, stock appreciation rights, restricted stock and restricted stock units may be granted to officers, directors and other key employees. At June 30, 2014, 2.4 million shares of unissued common stock of the company were available for granting under these plans.

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

	Six Months Ended June 30,	
	2014	2013
Weighted-average fair value of grant	$ 11.27	$ 8.76
Risk-free interest rate	1.04%	.54%
Expected volatility	45.65%	50.19%
Expected life of options in years	3.71	3.69
Expected dividend yield		

Restricted stock unit awards may contain time-based units, performance-based units or a combination of both. Each performance-based unit will vest into zero to 1.5 shares depending on the degree to which the performance goals are met. Compensation expense resulting from these awards is recognized as expense ratably for each installment from the date of grant until the date the restrictions lapse and is based on the fair market value at the date of grant and the probability of achievement of the specific performance-related goals.

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

During the six months ended June 30, 2014 and 2013, the company recorded $9.3 million and $8.9 million of share-based compensation expense, respectively, which is comprised of $3.2 million and $3.1 million of restricted stock unit expense and $6.1 million and $5.8 million of stock option expense, respectively.

A summary of stock option activity for the six months ended June 30, 2014 follows (shares in thousands):

Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value ($ in millions)
Outstanding at December 31, 2013	2,698	$ 32.74		
Granted	747	32.28		
Exercised	(241)	13.52		
Forfeited and expired	(167)	114.73		
Outstanding at June 30, 2014	3,037	29.65	2.85	$ 3.7
Expected to vest at June 30, 2014	1,418	27.36	3.98	1.6
Exercisable at June 30, 2014	1,576	31.74	1.80	2.1

The aggregate intrinsic value represents the total pretax value of the difference between the company s closing stock price on the last trading day of the period and the exercise price of the options, multiplied by the number of in-the-money stock options that would have been received by the option holders had all option holders exercised their options on June 30, 2014. The intrinsic value of the company s stock options changes based on the closing price of the company s stock. The total intrinsic value of options exercised for the six months ended June 30, 2014 and 2013 was $4.6 million and $2.1 million, respectively. As of June 30, 2014, $5.1 million of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of 2.0 years.

A summary of restricted stock unit activity for the six months ended June 30, 2014 follows (shares in thousands):

	Restricted Stock Units	Weighted-Average Grant-Date Fair Value
Outstanding at December 31, 2013	401	$ 23.45
Granted	394	32.20
Vested	(101)	26.85
Forfeited and expired	(189)	23.98
Outstanding at June 30, 2014	505	29.39

The fair value of restricted stock units is determined based on the trading price of the company s common shares on the date of grant. The aggregate weighted-average grant-date fair value of restricted stock units granted during the six months ended June 30, 2014 and 2013 was $12.7 million and $4.9 million, respectively. As of June 30, 2014, there was $10.8 million of total unrecognized compensation cost related to outstanding restricted stock units granted under the company s plans. That cost is expected to be recognized over a weighted-average period of 2.6 years. The aggregate weighted-average grant-date fair value of restricted stock units vested during the six months ended June 30,

2014 and 2013 was $2.7 million and $4.3 million, respectively.

Common stock issued upon exercise of stock options or upon lapse of restrictions on restricted stock units is newly issued shares. Cash received from the exercise of stock options for the six months ended June 30, 2014 and 2013 was $2.8 million and $1.2 million, respectively. In light of its tax position, the company is currently not recognizing any tax benefits from the exercise of stock options or upon issuance of stock upon lapse of restrictions on restricted stock units. Tax benefits resulting from tax deductions in excess of the compensation costs recognized are classified as financing cash flows.

e. Segment Information. The company has two business segments: Services and Technology. Revenue classifications by segment are as follows: Services systems integration and consulting, outsourcing, infrastructure services and core maintenance; Technology enterprise-class software and servers and other technology.

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

Also included in the Technology segment s sales and operating profit are sales of hardware and software sold to the Services segment for internal use in Services engagements. The amount of such profit included in operating income of the Technology segment for the three months ended June 30, 2014 and 2013 was zero and $2.4 million, respectively. The amount for the six months ended June 30, 2014 and 2013 was $.4 million and $2.7 million, respectively. The profit on these transactions is eliminated in Corporate.

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

A summary of the company s operations by business segment for the three and six month periods ended June 30, 2014 and 2013 is presented below (in millions of dollars):

	Total	Corporate	Services	Technology
Three Months Ended June 30, 2014				
Customer revenue	$ 806.4		$ 712.9	$ 93.5
Intersegment		$ (13.8)	.1	13.7
Total revenue	$ 806.4	$ (13.8)	$ 713.0	$ 107.2
Operating income	$ 15.8	$ (14.7)	$ 28.5	$ 2.0
Three Months Ended June 30, 2013				
Customer revenue	$ 858.6		$ 739.7	$ 118.9
Intersegment		$ (16.9)	.4	16.5
Total revenue	$ 858.6	$ (16.9)	$ 740.1	$ 135.4
Operating income	$ 38.0	$ (23.5)	$ 29.2	$ 32.3
Six Months Ended June 30, 2014				
Customer revenue	$ 1,568.1		$ 1,403.8	$ 164.3
Intersegment		$ (23.4)	.3	23.1
Total revenue	$ 1,568.1	$ (23.4)	$ 1,404.1	$ 187.4

Operating income (loss)	$ (4.1)	$ (31.0)	$ 41.9	$ (15.0)
Six Months Ended June 30, 2013				
Customer revenue	$ 1,668.5		$ 1,462.7	$ 205.8
Intersegment		$ (34.2)	.9	33.3
Total revenue	$ 1,668.5	$ (34.2)	$ 1,463.6	$ 239.1
Operating income	$ 39.6	$ (44.7)	$ 51.8	$ 32.5

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

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Total segment operating income	$ 30.5	$ 61.5	$ 26.9	$ 84.3
Interest expense	(2.3)	(2.6)	(4.3)	(5.3)
Other income (expense), net	(2.5)	14.1	(12.3)	9.2
Corporate and eliminations	(14.7)	(23.5)	(31.0)	(44.7)
Total income (loss) before income taxes	$ 11.0	$ 49.5	$ (20.7)	$ 43.5

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

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Services				
Systems integration and consulting	$ 216.4	$ 234.7	$ 427.4	$ 446.5
Outsourcing	362.0	354.7	703.5	716.0
Infrastructure services	89.0	105.5	181.8	210.6
Core maintenance	45.5	44.8	91.1	89.6
	712.9	739.7	1,403.8	1,462.7
Technology				
Enterprise-class software and servers	90.8	112.2	153.4	192.2
Other technology	2.7	6.7	10.9	13.6
	93.5	118.9	164.3	205.8
Total	$ 806.4	$ 858.6	$ 1,568.1	$ 1,668.5

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

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
United States	$ 308.4	$ 344.0	$ 619.7	$ 671.1
United Kingdom	126.6	95.3	222.9	197.4
Other international	371.4	419.3	725.5	800.0
Total	$ 806.4	$ 858.6	$ 1,568.1	$ 1,668.5

f. Accumulated Other Comprehensive Income. Accumulated other comprehensive loss as of December 31, 2013 and June 30, 2014 is as follows (in millions of dollars):

	Total	Translation Adjustments	Postretirement Plans
Balance at December 31, 2013	$ (3,333.4)	$ (676.8)	$ (2,656.6)
Other comprehensive income before reclassifications	21.7	38.9	(17.2)
Amounts reclassified from accumulated other comprehensive income	71.9		71.9
Current period other comprehensive income	93.6	38.9	54.7
Balance at June 30, 2014	$ (3,239.8)	$ (637.9)	$ (2,601.9)

Amounts related to postretirement plans not reclassified in their entirety out of accumulated other comprehensive income for the three and six months ended June 30, 2014 and 2013 were as follows (in millions of dollars):

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Amortization of:				
Prior service cost*	$ .1	$ .3	$ .1	$ .5
Actuarial losses*	37.3	47.0	75.3	95.3
Curtailment gain*	(.6)		(.6)	
Total before tax	36.8	47.3	74.8	95.8
Income tax benefit	(1.5)	(1.9)	(2.9)	(3.7)
Net of tax	$ 35.3	$ 45.4	$ 71.9	$ 92.1

* These items are included in net periodic postretirement cost (see note (b)).

Noncontrolling interests as of December 31, 2013 and June 30, 2014 are as follows (in millions of dollars):

	Noncontrolling Interests
Balance at December 31, 2013	$ 36.6
Net income	6.3
Translation adjustments	2.7
Postretirement plans	.2
Sale of subsidiary	1.5
Balance at June 30, 2014	$ 47.3

g. Supplemental Cash Flow Information. Cash paid, net of refunds, during the six months ended June 30, 2014 and 2013 for income taxes was $42.8 million and $33.4 million, respectively.

Cash paid during the six months ended June 30, 2014 and 2013 for interest was $6.6 million and $6.4 million, respectively.

h. Commitments 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 and employment compensation in Brazil. 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.

In April 2007, the Ministry of Justice of Belgium sued Unisys Belgium SA-NV, a Unisys subsidiary (Unisys Belgium), in the Court of First Instance of Brussels. The Belgian government had engaged the company to design and develop software for a computerized system to be used to manage the Belgian court system. The Belgian State terminated the contract and in its lawsuit has alleged that the termination was justified because Unisys Belgium failed to deliver satisfactory software in a timely manner. It claims damages of approximately 28 million Euros. Unisys Belgium filed its defense and counterclaim in April 2008, in the amount of approximately 18.5 million Euros. The company believes it has valid defenses to the claims and contends that the Belgian State s termination of the contract was unjustified.

In December 2007, Lufthansa AG sued Unisys Deutschland GmbH, a Unisys subsidiary (Unisys Germany), in the District Court of Frankfurt, Germany, for allegedly failing to perform properly its obligations during the initial phase of a 2004 software design and development contract relating to a Lufthansa customer loyalty program. Under the contract, either party was free to withdraw from the project at the conclusion of the initial design phase. Rather than withdraw, Lufthansa instead terminated the contract and failed to pay the balance owed to Unisys Germany for the initial phase. Lufthansa s lawsuit alleges that Unisys Germany breached the contract by failing to deliver a proper design for the new system and seeks approximately 21.4 million Euros in damages. The company believes it has valid defenses and filed its defense and a counterclaim in the amount of approximately 1.5 million Euros. In July 2013, the District Court issued a decision finding Unisys Germany liable for failing to perform its obligations under the initial phase of the contract. It also dismissed Unisys Germany s counterclaim. The District Court did not conduct the damage phase of the proceeding. Unisys Germany appealed the decision on liability in August 2013. The company and outside counsel believe that the District Court decision is flawed and that there are very good arguments to challenge it. Under German law, the appellate court will review the case *de novo* without deference to the factual findings or legal conclusions of the District Court.

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 matters. The company believes that appropriate accruals have been established for such matters based on information currently available. At June 30, 2014, 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 $145 million.

The company has been involved in a matter arising from the sale of its Health Information Management (HIM) business to Molina Information Systems, LLC (Molina) under a 2010 Asset Purchase Agreement (APA). The HIM business provided system solutions and services to state governments, including the state of Idaho, for administering Medicaid programs. In August 2012, Molina sued the company in Federal District Court in Delaware alleging breaches of contract, negligent misrepresentation and intentional misrepresentation with respect to the APA and the Medicaid contract with Idaho. Molina sought compensatory damages, punitive damages, lost profits, indemnification, and declaratory relief. Molina alleged losses of approximately $35 million in the complaint. In June 2013, the District Court granted the company s motion to dismiss the complaint and allowed Molina to replead certain claims and file an amended complaint. In August 2013, Molina filed an amended complaint. Molina continues to allege losses of approximately $35 million and again seeks compensatory damages, punitive damages, lost profits, indemnification and declaratory relief. Unisys has filed a motion to dismiss the amended complaint.

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 June 30, 2014, it has adequate provisions for any such matters.

i. 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.

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

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

j. Foreign Currency Translation. Due to inflation rates in recent years, the company s Venezuelan subsidiary has applied highly inflationary accounting beginning January 1, 2010. For those international subsidiaries operating in highly inflationary economies, the U.S. dollar is the functional currency, and as such, nonmonetary assets and liabilities are translated at historical exchange rates, and monetary assets and liabilities are translated at current exchange rates. Exchange gains and losses arising from translation are included in other income (expense), net. Effective February 13, 2013, the Venezuelan government devalued its currency, the bolivar, by resetting the official exchange rate from 4.30 to the U.S. dollar to 6.30 to the U.S. dollar. As a result, the company recorded a pretax foreign exchange loss in the first quarter of 2013 of $6.5 million.

In January of 2014, the Venezuelan government announced that the exchange rate to be applied to the settlement of certain transactions, including foreign investments and royalties would be changed to the Complementary System of Foreign Currency Administration (SICAD I) auction rate. As a result, the company changed the exchange rate used to remeasure its Venezuelan subsidiary s financial statements in U.S. dollars from the official rate of 6.3 bolivars to the new SICAD I rate. At March 31, 2014, the SICAD I exchange rate used was 10.7 bolivars to the U.S. dollar. This resulted in the company recording a pretax foreign exchange loss in the first quarter of 2014 of $5.8 million. The company believes that using the SICAD I exchange rate is more economically representative of what it might expect to receive in a dividend transaction than the official exchange rate.

At June 30, 2014, the SICAD I exchange rate used was 10.6 bolivars to the U.S. dollar. An additional pretax foreign exchange loss of $.5 million was recorded in the June 2014 quarter. At June 30, 2014, the company s operations in Venezuela had net monetary assets denominated in local currency equivalent to approximately $8 million. As indicated above, the SICAD I exchange rate is determined by periodic auctions and, therefore, the potential exists for it to change significantly in future quarters. Additionally, the Venezuelan government may make further changes or introduce new exchange rate mechanisms which could result in further changes in the exchange rate used by the company to remeasure its Venezuelan subsidiary s financial statements in U.S. dollars.

k. Stockholder s Equity. On December 10, 2012, the company announced that its Board of Directors had authorized the company to purchase up to an aggregate of $50 million of the company s common stock and mandatory convertible preferred stock through December 31, 2014. During the six months ended June 30, 2014, the company repurchased an aggregate of 552,806 shares of common stock for approximately $14.0 million. Actual cash disbursements for repurchased shares may differ if the settlement dates for shares repurchased occurs after the end of the quarter. At June 30, 2014, there remained approximately $24.3 million available for future repurchases under the Board authorization.

On March 1, 2014, all of the outstanding shares of 6.25% mandatory convertible preferred stock (2,587,400 shares) were automatically converted (in accordance with its terms) into 6,912,756 shares of the company s common stock.

Because March 1, 2014 was not a business day, the mandatory conversion was effected on Monday, March 3, 2014. Annualized cash dividends on such preferred stock were approximately $16.2 million.

l. Statement of Cash Flows. In the fourth quarter of 2013, the company began to report its defined benefit pension plans expense as a separate line item within the operating cash flow section of its consolidated statements of cash flows.

Prior period s statements of cash flows have been changed to present pension plans expense separately and to adjust the amounts presented for other assets and liabilities. There was no change to total net cash provided by operating activities in the prior year.

m. Accounting Standards. In April of 2014, the Financial Accounting Standards Board (FASB) issued final accounting guidance on reporting discontinued operations. The new guidance is aimed at reducing the frequency of disposals reported as discontinued operations by focusing on strategic shifts that have or are expected to have a major effect on an entity s operations and financial results. Such a shift could include the disposal of a major line of business, a major geographical area, a major equity method investment or other major parts of the entity. In another change from current US GAAP, the guidance permits companies to have continuing cash flows and significant continuing involvement with the disposed component. The guidance does not change the presentation requirements for discontinued operations in the statement of income. The guidance requires expanded disclosures for discontinued operations and new disclosures for individually material disposals that do not meet the definition of a discontinued operation. The company has adopted this guidance effective January 1, 2014. Since the company did not dispose of any operations in the six months ended June 30, 2014, adoption of the guidance did not have an impact on the company s consolidated financial statements.

In May of 2014, the FASB issued a new revenue recognition standard entitled Revenue from Contracts with Customers. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows from a contract with a customer. The standard is effective for annual reporting periods beginning after December 15, 2016, which for the company is January 1, 2017. Earlier application is not permitted. The standard allows for either full retrospective adoption, meaning the standard is applied to all periods presented, or modified retrospective adoption, meaning the standard is applied only to the most current period presented in the financial statements. The company is currently assessing which method it will choose for adoption, and is evaluating the impact of the adoption on its consolidated results of operations and financial position.

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

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

Overview

The company s results in the first half of 2014 were impacted by lower revenue from enterprise servers, systems integration and infrastructure services. The lower revenue as well as execution issues on a few projects impacted margins and resulted in a net loss for the first six months of 2014.

The company reported a first half 2014 net loss attributable to Unisys Corporation common shareholders of $65.6 million, or $1.35 per diluted share, compared with first half 2013 net loss attributable to Unisys Corporation common shareholders of $13.5 million, or $.31 per diluted share.

Revenue for the six months ended June 30, 2014 declined 6 percent to $1,568.1 million compared with $1,668.5 million for the six months ended June 30, 2013.

Results of operations

Company results

Three months ended June 30, 2014 compared with the three months ended June 30, 2013

Revenue for the quarter ended June 30, 2014 was $806.4 million compared with $858.6 million for the second quarter of 2013, a decrease of 6% from the prior year. Foreign currency fluctuations had a 1-percentage-point positive impact on revenue in the current period compared with the year-ago period.

Services revenue decreased 4% and Technology revenue decreased 21% in the current quarter compared with the year-ago period. U.S. revenue decreased 10% in the second quarter compared with the year-ago period, principally due to a decline in Technology revenue. International revenue decreased 3% in the current quarter principally due to declines in Asia/Pacific and Latin America,

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excluding Brazil, partially offset by increases in Europe and Brazil. Foreign currency had a 1-percentage-point positive impact on international revenue in the three months ended June 30, 2014 compared with the three months ended June 30, 2013.

Total gross profit margin was 20.5% in the three months ended June 30, 2014 compared with 23.4% in the three months ended June 30, 2013, reflecting lower margins in both the Technology and Services segments.

Selling, general and administrative expense in the three months ended June 30, 2014 was $133.6 million (16.6% of revenue) compared with $144.9 million (16.9% of revenue) in the year-ago period. Continuing tight cost controls contributed to the decline.

Research and development (R&D) expenses in the second quarter of 2014 were $15.8 million compared with $17.8 million in the second quarter of 2013.

For the second quarter of 2014, the company reported an operating profit of $15.8 million compared with $38.0 million in the second quarter of 2013.

For the three months ended June 30, 2014, pension expense was $17.9 million compared with pension expense of $22.8 million for the three months ended June 30, 2013. For the full year 2014, the company expects to recognize pension expense of approximately $75 million compared with $93.5 million for the full year of 2013. The company records pension income or expense, as well as other employee-related costs such as payroll taxes and medical insurance costs, in operating income in the following income statement categories: cost of revenue; selling, general and administrative expenses; and research and development expenses. The amount allocated to each category is principally based on where the salaries of active employees are charged.

Interest expense for the three months ended June 30, 2014 was $2.3 million compared with $2.6 million for the three months ended June 30, 2013.

Other income (expense), net was an expense of $2.5 million in the second quarter of 2014 compared with income of $14.1 million in 2013. Included in the second quarter of 2014 and 2013 were foreign exchange losses of $4.0 million and foreign exchange gains of $15.7 million, respectively.

Income before income taxes for the three months ended June 30, 2014 was $11.0 million compared with $49.5 million for the three months ended June 30, 2013. The provision for income taxes was $19.9 million in the current quarter compared with $22.7 million in the year-ago period. As discussed in note (i) of the Notes to Consolidated Financial Statements, the company evaluates quarterly the realizability of its deferred tax assets by assessing its valuation allowance and by adjusting the amount of such allowance, if necessary. The company records a tax provision or benefit for those international subsidiaries that do not have a full valuation allowance against their net deferred tax assets. Any profit or loss recorded for the company s U.S. operations has no provision or benefit associated with it due to a full valuation allowance. As a result, the company s provision or benefit for taxes may vary significantly quarter to quarter depending on the geographic distribution of income.

Net income attributable to Unisys Corporation common shareholders for the three months ended June 30, 2014 was a loss of $12.1 million, or a loss of $.24 per diluted share, compared with net income attributable to Unisys Corporation common shareholders of $20.4 million, or $.46 per diluted share, for the three months ended June 30, 2013.

Six months ended June 30, 2014 compared with the six months ended June 30, 2013

Revenue for the six months ended June 30, 2014 was $1,568.1 million compared with $1,668.5 million for the six months ended June 30, 2013. Foreign currency fluctuations had a negligible impact on revenue in the current period

compared with the year-ago period.

Services revenue decreased 4% and Technology revenue decreased 20% in the first half of 2014 compared with the year-ago period. U.S. revenue decreased 8% in the first half of 2014 compared with the year-ago period, principally due to a decline in Technology revenue. International revenue decreased 5% in the current period principally due to declines in Asia/Pacific and Latin America partially offset by an increase in Europe. Foreign currency had a 1-percentage-point negative impact on international revenue in the six months ended June 30, 2014 compared with the six months ended June 30, 2013.

Total gross profit margin was 19.0% in the six months ended June 30, 2014 compared with 21.7% in the six months ended June 30, 2013, reflecting lower margins in both the Technology and Services segments.

Selling, general and administrative expense in the six months ended June 30, 2014 was $272.1 million (17.4% of revenue) compared with $287.1 million (17.2% of revenue) in the year-ago period.

Research and development (R&D) expenses in the first half of 2014 were $30.2 million compared with $34.8 million in the first half of 2013.

For the first half of 2014, the company reported an operating loss of $4.1 million compared with an operating profit of $39.6 million in the first half of 2013.

For the six months ended June 30, 2014, pension expense was $37.4 million compared with pension expense of $46.0 million for the six months ended June 30, 2013.

Interest expense for the six months ended June 30, 2014 was $4.3 million compared with $5.3 million for the six months ended June 30, 2013.

Other income (expense), net was an expense of $12.3 million in the first half of 2014 compared with income of $9.2 million in 2013. Included in the first half of 2014 and 2013 were foreign exchange losses of $13.1 million and foreign exchange gains of $11.5 million, respectively.

Income before income taxes for the six months ended June 30, 2014 was a loss of $20.7 million compared with income of $43.5 million for the six months ended June 30, 2013. The provision for income taxes was $35.9 million in the current period compared with $44.1 million in the year-ago period.

Segment results

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

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

Also included in the Technology segment s sales and operating profit are sales of hardware and software sold to the Services segment for internal use in Services engagements. The amount of such profit included in operating income of the Technology segment for the three months ended June 30, 2014 and 2013 was zero and $2.4 million, respectively. The amount for the six months ended June 30, 2014 and 2013 was $.4 million and $2.7 million, respectively. The profit on these transactions is eliminated in Corporate.

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

square footage or usage.

Three months ended June 30, 2014 compared with the three months ended June 30, 2013

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

	Total	Eliminations	Services	Technology
Three Months Ended June 30, 2014				
Customer revenue	$ 806.4		$ 712.9	$ 93.5
Intersegment		$ (13.8)	.1	13.7
Total revenue	$ 806.4	$ (13.8)	$ 713.0	$ 107.2
Gross profit percent	20.5%		16.8%	50.2%
Operating profit percent	2.0%		4.0%	1.9%
Three Months Ended June 30, 2013				
Customer revenue	$ 858.6		$ 739.7	$ 118.9
Intersegment		$ (16.9)	.4	16.5
Total revenue	$ 858.6	$ (16.9)	$ 740.1	$ 135.4
Gross profit percent	23.4%		18.2%	59.4%
Operating profit percent	4.4%		4.0%	23.9%

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

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

	Three Months Ended June 30		Percent
	2014	2013	Change
Services			
Systems integration and consulting	$ 216.4	$ 234.7	(7.8)%
Outsourcing	362.0	354.7	2.1%
Infrastructure services	89.0	105.5	(15.6)%
Core maintenance	45.5	44.8	1.6%
	712.9	739.7	(3.6)%
Technology			
Enterprise-class software and servers	90.8	112.2	(19.1)%
Other technology	2.7	6.7	(59.7)%
	93.5	118.9	(21.4)%

	$ 806.4	$ 858.6	(6.1)%

In the Services segment, customer revenue was $712.9 million for the three months ended June 30, 2014, down 3.6% from the three months ended June 30, 2013. Foreign currency translation had a negligible impact on Services revenue in the current quarter compared with the year-ago period.

Revenue from systems integration and consulting, which was impacted by execution issues on a few projects as well as lower in-quarter project work when compared with the prior-year period, decreased 7.8% to $216.4 million in the June 2014 quarter from $234.7 million in the June 2013 quarter.

Outsourcing revenue increased 2.1% for the three months ended June 30, 2014 to $362.0 million compared with the three months ended June 30, 2013. Infrastructure services revenue decreased 15.6% for the three month period ended June 30, 2014 compared with the three month period ended June 30, 2013. The decline reflects lower volume on some existing contracts and the conclusion of other contracts.

Core maintenance revenue increased 1.6% in the current quarter compared with the prior-year quarter.

Services gross profit was 16.8% in the second quarter of 2014 compared with 18.2% in the year-ago period. The current period gross profit margin was impacted by lower volume in the systems integration and infrastructure services businesses as well as execution issues on a few IT services projects. Services operating income percent was 4.0% in the three months ended June 30, 2014 compared with 4.0% in the three months ended June 30, 2013, as lower operating expenses offset the decline in gross profit margin.

In the Technology segment, customer revenue decreased 21.4% to $93.5 million in the current quarter compared with $118.9 million in the year-ago period, driven by lower sales of ClearPath products. Foreign currency translation had a positive impact of approximately 1-percentage point on Technology revenue in the current period compared with the prior-year period.

Revenue from the company s enterprise-class software and servers decreased 19.1% for the three months ended June 30, 2014 compared with the three months ended June 30, 2013. The decrease was due to lower sales of the company s ClearPath products.

Revenue from other technology decreased $4.0 million for the three months ended June 30, 2014 compared with the three months ended June 30, 2013, principally due to lower sales of third-party technology products.

Technology gross profit was 50.2% in the current quarter compared with 59.4% in the year-ago quarter. Technology operating profit percent was 1.9% in the three months ended June 30, 2014 compared with 23.9% in the three months ended June 30, 2013. The Technology segment s margins were down due to lower sales of ClearPath products.

Six months ended June 30, 2014 compared with the six months ended June 30, 2013

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

	Total	Eliminations	Services	Technology
Six Months Ended June 30, 2014				
Customer revenue	$ 1,568.1		$ 1,403.8	$ 164.3
Intersegment		$ (23.4)	.3	23.1
Total revenue	$ 1,568.1	$ (23.4)	$ 1,404.1	$ 187.4
Gross profit percent	19.0%		16.3%	46.9%
Operating profit (loss) percent	(.3)%		3.0%	(8.0)%
Six Months Ended June 30, 2013				
Customer revenue	$ 1,668.5		$ 1,462.7	$ 205.8
Intersegment		$ (34.2)	.9	33.3

Total revenue	$ 1,668.5	$ (34.2)	$ 1,463.6	$ 239.1
Gross profit percent	21.7%		17.8%	53.5%
Operating profit percent	2.4%		3.5%	13.6%

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

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

	Six Months Ended June 30		Percent
	2014	2013	Change
Services			
Systems integration and consulting	$ 427.4	$ 446.5	(4.3)%
Outsourcing	703.5	716.0	(1.7)%
Infrastructure services	181.8	210.6	(13.7)%
Core maintenance	91.1	89.6	1.7%
	1,403.8	1,462.7	(4.0)%
Technology			
Enterprise-class software and servers	153.4	192.2	(20.2)%
Other technology	10.9	13.6	(19.9)%
	164.3	205.8	(20.2)%
Total	$ 1,568.1	$ 1,668.5	(6.0)%

In the Services segment, customer revenue was $1,403.8 million for the six months ended June 30, 2014, a decline of 4.0% when compared with the six months ended June 30, 2013. Foreign currency translation had a negligible impact on Services revenue in the current period compared with the year-ago period.

Revenue from systems integration and consulting was $427.4 million for the six months ended June 30, 2014 compared with $446.5 million for the six months ended June 30, 2013. The current-year period was impacted by execution issues on a few projects as well as lower in-period project work when compared with the prior-year period.

Outsourcing revenue decreased 1.7% for the six months ended June 30, 2014 to $703.5 million compared with the six months ended June 30, 2013.

Infrastructure services revenue decreased 13.7% for the six month period ended June 30, 2014 compared with the six month period ended June 30, 2013. The decline reflects lower volume on some existing contracts and the conclusion of other contracts.

Core maintenance revenue increased 1.7% in the current six-month period compared with the prior-year period.

Services gross profit was 16.3% in the first half of 2014 compared with 17.8% in the year-ago period. Services operating profit percent was 3.0% in the six months ended June 30, 2014 compared with 3.5% in the six months ended June 30, 2013. The current period was impacted by lower volume in the systems integration and infrastructure services businesses as well as execution issues on a few IT services projects.

In the Technology segment, customer revenue decreased 20.2% to $164.3 million in the first half of 2014 compared with $205.8 million in the year-ago period. Foreign currency translation had a negligible impact on Technology revenue in the current period compared with the prior-year period.

Revenue from the company s enterprise-class software and servers decreased 20.2% for the six months ended June 30, 2014 compared with the six months ended June 30, 2013. The decrease was due to lower sales of the company s

ClearPath products.

Revenue from other technology decreased $2.7 million for the six months ended June 30, 2014 compared with the six months ended June 30, 2013.

Technology gross profit was 46.9% in the current six-month period compared with 53.5% in the year-ago period. Technology operating profit (loss) percent was (8.0)% in the six months ended June 30, 2014 compared with 13.6% in the six months ended June 30, 2013. The Technology segment s margins were down due to lower sales of ClearPath products.

New accounting pronouncements

See note (m) 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 near-term cash requirements.

Cash and cash equivalents at June 30, 2014 were $574.2 million compared with $639.8 million at December 31, 2013.

As of June 30, 2014, $378.8 million of cash and cash equivalents were held by the company s foreign subsidiaries. In the future, if these funds are needed for the company s operations in the U.S., the company may be required to accrue and pay taxes to repatriate these funds.

During the six months ended June 30, 2014, cash provided by operations was $23.4 million compared with $30.2 million for the six months ended June 30, 2013. Cash provided by operations during the first half of 2014 was negatively impacted by an increase in cash contributions to the company s defined benefit pension plans. During the first half of 2014, the company contributed cash of $103.1 million to such plans compared with $61.3 million during the first half of 2013. The principal reason for the increase was that in the current period, the company contributed $44.0 million to its U.S. qualified defined benefit pension plan compared with $6.9 million in the prior-year period.

Cash used for investing activities during the six months ended June 30, 2014 was $77.7 million compared with cash usage of $67.4 million during the six months ended June 30, 2013. Net proceeds of investments were $10.1 million for the six months ended June 30, 2014 compared with net purchases of $2.7 million in the prior-year period. Proceeds from investments and purchases of investments represent derivative financial instruments used to reduce the company s currency exposure to market risks from changes in foreign currency exchange rates. In addition, in the current period, the investment in marketable software was $40.3 million compared with $29.6 million in the year-ago period, capital additions of properties were $29.0 million in 2014 compared with $16.2 million in 2013 and capital additions of outsourcing assets were $20.1 million in 2014 compared with $18.3 million in 2013. The higher capital expenditures largely reflected increased investments in new products, as well as expenditures on automation tools and leasehold improvements that support further consolidation of the company s real estate.

Cash used for financing activities during the six months ended June 30, 2014 was $15.1 million compared with cash usage of $18.2 million during the six months ended June 30, 2013.

In June 2011, the company entered into a five-year secured revolving credit facility which provides for loans and letters of credit up to an aggregate amount of $150 million (with a limit on letters of credit of $100 million). Borrowing limits under the credit agreement are based upon the amount of eligible U.S. accounts receivable. At June 30, 2014, the company had no borrowings and $22.8 million of letters of credit outstanding under the facility. At June 30, 2014, availability under the facility was $78.9 million net of letters of credit issued. Borrowings under the facility will bear interest based on short-term rates. The credit agreement contains customary representations and warranties, including that there has been no material adverse change in the company s business, properties, operations or financial condition. It also contains financial covenants requiring the company to maintain a minimum fixed charge coverage ratio and, if the company s consolidated cash plus availability under the credit facility falls below $130 million, a maximum secured leverage ratio. The credit agreement allows the company to pay dividends on its

preferred stock unless the company is in default

and to, among other things, repurchase its equity, prepay other debt, incur other debt or liens, dispose of assets and make acquisitions, loans and investments, provided the company complies with certain requirements and limitations set forth in the agreement. 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 million. The credit facility is guaranteed by Unisys Holding Corporation, Unisys NPL, Inc., Unisys AP Investment Company I and any future material domestic subsidiaries. The facility is secured by the assets of Unisys Corporation and the subsidiary guarantors, other than certain excluded assets. The company may elect to prepay or terminate the credit facility without penalty.

At June 30, 2014, 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.

In 2014, the company expects to make cash contributions to its worldwide defined benefit pension plans of approximately $235 million, which is comprised of $109 million primarily for non-U.S. defined benefit pension plans and $126 million for the company s U.S. qualified defined benefit pension plan.

The company has on file with the Securities and Exchange Commission an effective registration statement, expiring in June of 2015, covering debt or equity securities, which enables the company to be prepared for future market opportunities.

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.

On December 10, 2012, the company announced that its Board of Directors had authorized the company to purchase up to an aggregate of $50 million of the company s common stock and mandatory convertible preferred stock through December 31, 2014. During the six months ended June 30, 2014, the company repurchased an aggregate of 552,806 shares of common stock for approximately $14.0 million. Actual cash disbursements for repurchased shares may differ if the settlement dates for shares repurchased occurs after the end of the quarter. At June 30, 2014, there remained approximately $24.3 million available for future repurchases under the Board authorization.

On March 1, 2014, all of the outstanding shares of 6.25% mandatory convertible preferred stock (2,587,400 shares) were automatically converted (in accordance with its terms) into 6,912,756 shares of the company s common stock. Because March 1, 2014 was not a business day, the mandatory conversion was effected on Monday, March 3, 2014. Annualized cash dividends on such preferred stock were approximately $16.2 million.

Factors that may affect future results

From time to time, the company provides information containing forward-looking statements, as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements provide current expectations of future events and include any statement that does not directly relate to any historical or current fact. Words such as anticipates, believes, expects, intends, plans, projects and similar expressions may identify such forward-looking statements forward-looking statements rely on assumptions and are subject to risks, uncertainties and other factors that could cause the company s actual results to differ materially from expectations. Factors that could affect future results include, but are not limited to, those discussed below. Any forward-looking statement speaks only as of the date on which that statement is made. The company assumes no obligation to update any forward-looking statement to reflect events or circumstances that occur after the date on which the statement is made.

Factors that could affect future results include the following:

The company s future results will depend upon its ability to effectively anticipate and respond to volatility and rapid technological change in its industry. The company operates in a highly volatile industry characterized by rapid technological change, evolving technology standards, short product life cycles and continually changing customer demand patterns. Future success will depend in part on the company s ability to anticipate and respond to these market trends and to design, develop, introduce, deliver or obtain new and innovative products, services and software on a timely and cost-effective basis

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using new delivery models such as cloud computing. The company may not be successful in anticipating or responding to changes in technology, industry standards or customer preferences, and the market may not demand or accept its services and product offerings. In addition, products and services developed by competitors may make the company s offerings less competitive.

Future results will depend on the company s ability to drive profitable growth in consulting and systems integration. The company s ability to grow profitably in this business will depend on the level of demand for systems integration projects and the portfolio of solutions the company offers for specific industries. It will also depend on an efficient utilization of services delivery personnel. In addition, profit margins in this business are a function of both the portfolio of solutions sold in a given period and the rates the company is able to charge for services and the chargeability of its professionals. If the company is unable to attain sufficient rates and chargeability for its professionals, profit margins will be adversely affected. The rates the company is able to charge for services are affected by a number of factors, including clients perception of the company s ability to add value through its services; introduction of new services or products by the company or its competitors; pricing policies of competitors; and general economic conditions. Chargeability is also affected by a number of factors, including the company s ability to transition employees from completed projects to new engagements, and its ability to forecast demand for services and thereby maintain an appropriate headcount.

The company s future results will depend on its ability to profitably grow its outsourcing business. The company s outsourcing contracts are multiyear engagements under which the company takes over management and support of a client s data center operations, end user devices, business processes or applications. System development activity on outsourcing contracts may require the company to make upfront investments. The company will need to have available sufficient financial resources in order to make these investments. Outsourcing contracts can be highly complex and can involve the design, development, implementation and operation of new solutions and the transitioning of clients from their existing processes to the new environment. Future results will depend on the company s ability to effectively and timely complete these implementations and transitions.

Future results will also depend on the company s ability to maintain and grow its technology business. The company continues to invest in developing new high-end enterprise server products, cybersecurity software, cloud-based products and other offerings to meet client needs. Future results will depend on the company s ability to effectively market and sell these new products while maintaining its installed base for ClearPath and developing next-generation ClearPath products.

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

The company s future results will depend on its ability to retain significant clients. The company has a number of significant long-term contracts with clients, including governmental entities, and its future success will depend, in part, on retaining its relationships with these clients. The company could lose clients for such reasons as contract

expiration, conversion to a competing service provider, disputes with clients or a decision to in-source services, including for contracts with governmental entities as part of the rebid process. The company could also lose clients as a result of their merger, acquisition or business failure. The company may not be able to replace the revenue and earnings from any such lost client.

The company s contracts may not be as profitable as expected or provide the expected level of revenues. In a number of the company s long-term contracts for infrastructure services, outsourcing, help desk and similar services, the company s revenue is based on the volume of products and services provided. As a result, revenue levels anticipated at the contract s inception are not guaranteed. In addition, some of these contracts may permit termination at the customer s discretion before the end of the contract s term or may permit termination or impose other penalties if the company does not meet the performance levels specified in the contracts.

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

Certain of the company s outsourcing agreements require that the company s prices be benchmarked if the customer requests it and provide that those prices may be adjusted downward if the pricing for similar services in the market has changed. As a result, revenues anticipated at the beginning of the terms of these contracts may decline in the future.

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

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

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

The company s future results will depend in part on its ability to attract, motivate and retain experienced and knowledgeable personnel in key positions. The success of the company s business is dependent upon its ability to employ and train individuals with the requisite knowledge, skills and experience to execute the company s business model and achieve its business objectives.

The company has significant pension obligations and may be required to make additional significant cash contributions to its defined benefit pension plans. The company has unfunded obligations under its U.S. and non-U.S. defined benefit pension plans. In 2013, the company made cash contributions of $147.2 million to its worldwide defined benefit pension plans. Based on current legislation, recent interest rates and expected returns, in 2014 the company estimates that it will make cash contributions to its worldwide defined benefit pension plans of approximately $235 million, which is comprised of $126 million for the company s U.S. qualified defined benefit

pension plan and $109 million primarily for non-U.S. defined benefit pension plans.

Deterioration in the value of the company s worldwide defined benefit pension plan assets, as well as discount rate changes, could require the company to make larger cash contributions to its defined benefit pension plans in the future. In

addition, the funding of plan deficits over a shorter period of time than currently anticipated could result in making cash contributions to these plans on a more accelerated basis. Either of these events would reduce the cash available for working capital and other corporate uses and may have an adverse impact on the company s operations, financial condition and liquidity.

The company s future results will depend on its ability to continue to simplify its operations and provide services more cost efficiently. Over the past several years, the company has implemented significant cost-reduction measures and continues to focus on measures intended to further improve cost efficiency. Future results will depend on the success of these efforts as well as on the company s continued ability to focus its global resources and simplify its business structure.

The company s business can be adversely affected by global economic conditions, acts of war, terrorism or natural disasters. The company s financial results have been impacted by the global economic slowdown in recent years. If economic conditions worsen, the company could see reductions in demand and increased pressure on revenue and profit margins. The company could also see a further consolidation of clients, which could also result in a decrease in demand. The company s business could also be affected by acts of war, terrorism or natural disasters. Current world tensions could escalate, and this could have unpredictable consequences on the world economy and on the company s business.

The company s contracts with U.S. governmental agencies may subject the company to audits, criminal penalties, sanctions and other expenses and fines. The company frequently enters into contracts with governmental entities. U.S. government agencies, including the Defense Contract Audit Agency and the Department of Labor, routinely audit government contractors. These agencies review a contractor s performance under its contracts, cost structure and compliance with applicable laws, regulations and standards. The U.S. government also may review the adequacy of, and a contractor s compliance with contract terms and conditions, its systems and policies, including the contractor s purchasing, property, estimating, billing, accounting, compensation and management information systems. Any costs found to be overcharged or improperly allocated to a specific contract or any amounts improperly billed or charged for products or services will be subject to reimbursement to the government. In addition, government contractors, such as the company, are required to disclose credible evidence of certain violations of law and contract overpayments to the federal government. If the company is found to have participated in improper or illegal activities, the company may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines and suspension or prohibition from doing business with the U.S. government. Any negative publicity related to such contracts, regardless of the accuracy of such publicity, may adversely affect the company s business or reputation.

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

More than half of the company s revenue is derived from operations outside of the United States, and the company is subject to the risks of doing business internationally. More than half of the company s total revenue is derived from international operations. The risks of doing business internationally include foreign currency exchange rate

fluctuations, currency restrictions and devaluations, changes in political or economic conditions, trade protection measures, import or export licensing requirements, multiple and possibly overlapping and conflicting tax laws, new tax legislation, weaker intellectual property protections in some jurisdictions and additional legal and regulatory compliance requirements applicable to businesses that operate internationally, including the Foreign Corrupt Practices Act and non-U.S. laws and regulations.

Financial market conditions may inhibit the company s ability to access capital and credit markets to address its liquidity needs. Financial market conditions may impact the company s ability to borrow, to refinance its outstanding debt, or to utilize surety bonds, letters of credit, foreign exchange derivatives and other financial instruments the company uses to conduct its business. Although the company primarily uses cash on hand to address its liquidity needs, its ability to do so assumes that its operations will continue to generate sufficient cash.

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

Pending litigation could affect the company s results of operations or cash flow. There are various lawsuits, claims, investigations and proceedings that have been brought or asserted against the company, which arise in the ordinary course of business, including actions with respect to commercial and government contracts, labor and employment, employee benefits, environmental matters, intellectual property and non-income tax and employment compensation in Brazil. See Note (h) of the Notes to Consolidated Financial Statements for more information on litigation. The company believes that it has valid defenses with respect to legal matters pending against it. Litigation is inherently unpredictable, however, and it is possible that the company s results of operations or cash flow could be materially affected in any particular period by the resolution of one or more of the legal matters pending against it.

The company could face business and financial risk in implementing future dispositions or acquisitions. As part of the company s business strategy, it may from time to time consider disposing of existing technologies, products and businesses that may no longer be in alignment with its strategic direction, including transactions of a material size, or acquiring complementary technologies, products and businesses. Potential risks with respect to dispositions include difficulty finding buyers or alternative exit strategies on acceptable terms in a timely manner; potential loss of employees or clients; dispositions at unfavorable prices or on unfavorable terms, including relating to retained liabilities; and post-closing indemnity claims. Any acquisitions may result in the incurrence of substantial additional indebtedness or contingent liabilities. Acquisitions could also result in potentially dilutive issuances of equity securities and an increase in amortization expenses related to intangible assets. Additional potential risks associated with acquisitions include integration difficulties; difficulties in maintaining or enhancing the profitability of any acquired business; risks of entering markets in which the company has no or limited prior experience; potential loss of employees or failure to maintain or renew any contracts of any acquired business; and expenses of any undiscovered or potential liabilities of the acquired product or business, including relating to employee benefits contribution obligations or environmental requirements. Further, with respect to both dispositions and acquisitions, management s attention could be diverted from other business concerns. Adverse credit conditions could also affect the company s ability to consummate dispositions or acquisitions. The risks associated with dispositions and acquisitions could have a material adverse effect upon the company s business, financial condition and results of operations. There can be no assurance that the company will be successful in consummating future dispositions or acquisitions on favorable terms or at all.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no material change in the company s assessment of its sensitivity to market risk since its disclosure in its Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Item 4. Controls and Procedures

The company s management, with the participation of the company s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the company s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Based on this evaluation, the company s Chief Executive Officer and Chief Financial Officer concluded that, as of the end of such period, the company s disclosure controls and procedures are effective. Such evaluation did not

identify any change in the company s internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter to which this report relates that has materially affected, or is reasonably likely to materially affect, the company s internal control over financial reporting.

Part II - OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

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

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Items 2(a) and (b) are not applicable.

2(c) Stock repurchases

On December 10, 2012, the company announced that its Board of Directors had authorized the company to purchase up to an aggregate of $50 million of the company s common stock and mandatory convertible preferred stock through December 31, 2014.

The following table provides information relating to the company s repurchase of common stock during the three months ended June 30, 2014.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of the Publicly Announced Plan	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Publicly Announced Plan
April 1, 2014 April 30, 2014	123,238	$ 28.10	123,238	$ 33,957,283
May 1, 2014 May 31, 2014	250,763	$ 23.93	250,763	$ 27,957,286
June 1, 2014 June 30, 2014	148,067	$ 24.64	148,067	$ 24,308,906

Total	522,068	$ 25.11	522,068

Item 6. Exhibits

(a) Exhibits
See Exhibit Index

SIGNATURES

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

UNISYS CORPORATION

Date: August 1, 2014

By: /s/ Janet Brutschea Haugen
Janet Brutschea Haugen
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

By: /s/ Scott Hurley
Scott Hurley
Vice President and Corporate Controller
(Chief Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of Unisys Corporation (incorporated by reference to Exhibit 3.1 to the registrant s Current Report on Form 8-K filed on April 30, 2010)
3.2	Certificate of Amendment to Restated Certificate of Incorporation of Unisys Corporation (incorporated by reference to Exhibit 3.1 to the registrant s Current Report on Form 8-K filed on April 28, 2011)
3.3	Bylaws of Unisys Corporation, as amended through April 29, 2010 (incorporated by reference to Exhibit 3.2 to the registrant s Current Report on Form 8-K filed on April 30, 2010)
12	Statement of Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
31.1	Certification of J. Edward Coleman required by Rule 13a-14(a) or Rule 15d-14(a)
31.2	Certification of Janet Brutschea Haugen required by Rule 13a-14(a) or Rule 15d-14(a)
32.1	Certification of J. Edward Coleman required by Rule 13a-14(b) or Rule 15d-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
32.2	Certification of Janet Brutschea Haugen required by Rule 13a-14(b) or Rule 15d-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
101.INSXBRL	Instance Document
101.SCHXBRL	Taxonomy Extension Schema Document
101.CALXBRL	Taxonomy Extension Calculation Linkbase Document
101.LABXBRL	Taxonomy Extension Labels Linkbase Document
101.PREXBRL	Taxonomy Extension Presentation Linkbase Document
101.DEFXBRL	Taxonomy Extension Definition Linkbase Document