UNISYS CORP
Form 10-Q
August 01, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2014

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

For the transition period from __________ to __________.

Commission file number 1-8729

UNISYS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**38-0387840**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
801 Lakeview Drive, Suite 100	
Blue Bell, Pennsylvania	**19422**
(Address of principal executive offices)	**(Zip Code)**

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 ¨

Large Accelerated Filer x	Accelerated Filer ¨
Non-Accelerated Filer ¨ (Do not check if a smaller reporting company)	Smaller Reporting Company ¨

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

Number of shares of Common Stock outstanding as of June 30, 2014: 50,634,886.

Part I - FINANCIAL INFORMATION

Item 1. Financial Statements.

UNISYS CORPORATION

CONSOLIDATED BALANCE SHEETS (Unaudited)

(Millions)

	June 30, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	$ 574.2	$ 639.8
Accounts and notes receivable, net	515.7	683.1
Inventories:		
Parts and finished equipment	27.2	32.8
Work in process and materials	22.5	22.3
Deferred income taxes	17.8	24.1
Prepaid expenses and other current assets	144.3	138.7
Total	1,301.7	1,540.8
Properties	1,136.5	1,095.5
Less-Accumulated depreciation and amortization	956.9	920.8
Properties, net	179.6	174.7
Outsourcing assets, net	107.2	115.5
Marketable software, net	142.3	129.1
Prepaid postretirement assets	120.5	83.7
Deferred income taxes	121.6	112.3
Goodwill	190.1	188.7
Other long-term assets	173.1	165.2
Total	$ 2,336.1	$ 2,510.0
Liabilities and deficit		
Current liabilities		
Notes payable	$ .1	$
Accounts payable	223.1	246.7
Deferred revenue	351.9	402.4
Other accrued liabilities	356.9	375.7
Total	932.0	1,024.8

Long-term debt	210.0	210.0
Long-term postretirement liabilities	1,599.6	1,697.2
Long-term deferred revenue	114.1	122.7
Other long-term liabilities	108.9	119.2
Commitments and contingencies		
Deficit		
6.25% mandatory convertible preferred stock		249.7
Common stock, shares issued: 2014; 52.3, 2013; 45.1	.5	.4
Accumulated deficit	(1,845.4)	(1,782.5)
Treasury stock, shares at cost: 2014; 1.7, 2013; 1.1	(77.7)	(62.4)
Paid-in capital	4,486.6	4,227.7
Accumulated other comprehensive loss	(3,239.8)	(3,333.4)
Total Unisys stockholders deficit	(675.8)	(700.5)
Noncontrolling interests	47.3	36.6
Total deficit	(628.5)	(663.9)
Total	$ 2,336.1	$ 2,510.0

See notes to consolidated financial statements.

UNISYS CORPORATION

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(Millions, except per share data)

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Revenue				
Services	$ 712.9	$ 739.7	$ 1,403.8	$ 1,462.7
Technology	93.5	118.9	164.3	205.8
	806.4	858.6	1,568.1	1,668.5
Costs and expenses				
Cost of revenue:				
Services	600.2	614.0	1,192.4	1,216.8
Technology	41.0	43.9	77.5	90.2
	641.2	657.9	1,269.9	1,307.0
Selling, general and administrative	133.6	144.9	272.1	287.1
Research and development	15.8	17.8	30.2	34.8
	790.6	820.6	1,572.2	1,628.9
Operating profit (loss)	15.8	38.0	(4.1)	39.6
Interest expense	2.3	2.6	4.3	5.3
Other income (expense), net	(2.5)	14.1	(12.3)	9.2
Income (loss) before income taxes	11.0	49.5	(20.7)	43.5
Provision for income taxes	19.9	22.7	35.9	44.1
Consolidated net income (loss)	(8.9)	26.8	(56.6)	(.6)
Net income attributable to noncontrolling interests	3.2	2.3	6.3	4.8
Net income (loss) attributable to Unisys Corporation	(12.1)	24.5	(62.9)	(5.4)
Preferred stock dividends		4.1	2.7	8.1
Net income (loss) attributable to Unisys Corporation common shareholders	$ (12.1)	$ 20.4	$ (65.6)	$ (13.5)
Earnings (loss) per common share attributable to Unisys Corporation				
Basic	$ (.24)	$ .47	$ (1.35)	$ (.31)
Diluted	$ (.24)	$ .46	$ (1.35)	$ (.31)

See notes to consolidated financial statements.

UNISYS CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(Millions)

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Consolidated net income (loss)	$ (8.9)	$ 26.8	$ (56.6)	$ (.6)
Other comprehensive income				
Foreign currency translation	26.7	(50.3)	41.6	(75.2)
Postretirement adjustments, net of tax of $(1.2) and $(.5) in 2014 and $2.1 and $13.7 in 2013	22.3	44.6	54.9	135.4
Total other comprehensive income (loss)	49.0	(5.7)	96.5	60.2
Comprehensive income	40.1	21.1	39.9	59.6
Less comprehensive income attributable to noncontrolling interests	(5.1)	(3.2)	(9.2)	(5.5)
Comprehensive income attributable to Unisys Corporation	$ 35.0	$ 17.9	$ 30.7	$ 54.1

See notes to consolidated financial statements.

UNISYS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(Millions)

	Six Months Ended June 30 2014	Six Months Ended June 30 2013*
Cash flows from operating activities		
Consolidated net loss	$ (56.6)	$ (.6)
Add (deduct) items to reconcile consolidated net loss to net cash provided by operating activities:		
Foreign currency transaction losses	6.3	6.5
Employee stock compensation	9.3	8.9
Depreciation and amortization of properties	25.0	23.7
Depreciation and amortization of outsourcing assets	29.1	25.5
Amortization of marketable software	27.0	31.0
Disposal of capital assets	.4	.2
Gain on sale of business	(.7)	
Pension contributions	(103.1)	(61.3)
Pension expense	37.4	46.0
Decrease in deferred income taxes, net	10.5	18.7
Decrease in receivables, net	170.6	33.3
Decrease in inventories	5.8	1.0
Decrease in accounts payable and other accrued liabilities	(111.9)	(83.5)
Decrease in other liabilities	(28.6)	(11.0)
Decrease (increase) other assets	2.1	(8.7)
Other	.8	.5
Net cash provided by operating activities	23.4	30.2
Cash flows from investing activities		
Proceeds from investments	2,909.1	2,450.2
Purchases of investments	(2,899.0)	(2,452.9)
Investment in marketable software	(40.3)	(29.6)
Capital additions of properties	(29.0)	(16.2)
Capital additions of outsourcing assets	(20.1)	(18.3)
Other	1.6	(.6)
Net cash used for investing activities	(77.7)	(67.4)
Cash flows from financing activities		
Common stock repurchases	(14.0)	(11.5)
Dividends paid on preferred stock	(4.0)	(8.1)
Proceeds from exercise of stock options	2.8	1.2
Net proceeds from short-term borrowings	.1	.2

Net cash used for financing activities	(15.1)	(18.2)
Effect of exchange rate changes on cash and cash equivalents	3.8	(24.6)
Decrease in cash and cash equivalents	(65.6)	(80.0)
Cash and cash equivalents, beginning of period	639.8	655.6
Cash and cash equivalents, end of period	$ 574.2	$ 575.6

* Changed to conform to the current-year presentation. See note (l).
See notes to consolidated financial statements.

Unisys Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

In the opinion of management, the financial information furnished herein reflects all adjustments necessary for a fair presentation of the financial position, results of operations, comprehensive income and cash flows for the interim periods specified. These adjustments consist only of normal recurring accruals except as disclosed herein. Because of seasonal and other factors, results for interim periods are not necessarily indicative of the results to be expected for the full year.

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

The company s accounting policies are set forth in detail in note 1 of the notes to the consolidated financial statements in the company s Annual Report on Form 10-K for the year ended December 31, 2013 filed with the Securities and Exchange Commission. Such Annual Report also contains a discussion of the company s critical accounting policies. The company believes that these critical accounting policies affect its more significant estimates and judgments used in the preparation of the company s consolidated financial statements. There have been no changes in the company s critical accounting policies from those disclosed in the company s Annual Report on Form 10-K for the year ended December 31, 2013.

a. Earnings per Share. The following table shows how earnings (loss) per common share attributable to Unisys Corporation was computed for the three and six months ended June 30, 2014 and 2013 (dollars in millions, shares in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Basic Earnings (Loss) Per Common Share				
Net income (loss) attributable to Unisys Corporation common shareholders	$ (12.1)	$ 20.4	$ (65.6)	$ (13.5)
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		415		
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, 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			