Thank you operator. Good morning everyone, and thank you for joining us.

Earlier today, Unisys released its third quarter 2010 financial results. With us this morning to discuss our results are Ed Coleman, our CEO, and Janet Haugen, our CFO.

Before we begin, I want to cover just a few housekeeping details.

First, today’s conference call and the Q&A session are being webcast via the Unisys investor website.

Second, you can find the earnings press release on our investor website. The presentation slides will be available later today. These materials will be available for viewing as well as downloading and printing.

Third, today’s presentation, which is complementary to the earnings press release, includes some non-GAAP financial measures. These have been provided in an effort to give investors additional information. The non-GAAP measures have been reconciled to the related GAAP measures and we have provided reconciliation charts at the end of the presentation.

Finally, I’d like to remind you that all forward-looking statements made during this conference call are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. These factors are discussed more fully in the earnings release and in the company’s SEC filings. Copies of these SEC reports are available from the SEC and from the Unisys investor website.

Now I’ll turn the call over to Ed.

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Now I’ll turn the call over to Ed.

Thanks, Niels.

Hello, everyone. Thank you for joining us today to discuss our third-quarter 2010 financial results. Please turn to Slide 1 to begin our discussion today.

The third quarter was another profitable quarter for Unisys.....one where we met a significant milestone: achieving an 8 percent operating margin in our services business, putting us in our targeted range of an 8-10% services operating margin.

Reaching this services margin threshold is the result of 1) the continued re-shaping of our services business to focus on IT outsourcing and system integration services, while de-emphasizing our BPO and infrastructure services; 2) the continued shifting of our service delivery model to take advantage of lower cost labor pools,
which now account for 27% of our employees; 3) our implementation of a consistent, high quality, ITIL-based global delivery model where we believe we are the first global player to achieve ISO 20000 certification in all of its major operational centers around the globe; and, 4) an intense focus on services operational management.

- While services revenue was down in the quarter, services backlog remained flat with the year ago period and we continued to see nice sequential increases in services operating profit, driven by improved gross margins in our ITO and system integration services and continued, effective cost management.

- On the technology front, both revenue and operating profit were down in the quarter, but I should note that this comes after three strong quarters of year over year growth. On a year-to-date basis, technology revenue is up slightly and operating profit margin is up more than fourteen percentage points.

- We also had another strong quarter of cash generation, with free cash flow of $81 million, up from $46 million a year ago. And our adjusted net debt declined to $138 million from $555 million a year ago, a reduction of $417 million.

- While the quarter showed important progress in key areas, we recognize that we have much to do for Unisys to fully realize its potential. Most notably, we must take advantage of our more competitive cost structure by returning the company to top line growth, even as we continue re-shaping the business to focus on our key areas of strength.

- Our objective is to be a company known for our financial strength and consistency … a company known as a leading provider of mission-critical IT solutions in our areas of strength … with a differentiated portfolio and a reputation for providing consistently high levels of client service and satisfaction.

- Our four business priorities haven’t changed. You can see those four priorities in Slide 2.

- Our first business priority continues to be focusing our resources and portfolio on a narrower set of offerings that leverages our strengths as a company.

- We continue to make progress in this area. In the third quarter, we divested our insurance processing operations in the UK, which followed earlier divestitures this year of our health information management business and our U.S. check reader and sorter equipment business.

- Our second business priority is to offer clearly differentiated value propositions in our chosen markets.

- Our offerings are centered on four critical areas of our clients’ IT operations: security; data center transformation and outsourcing including our server business; end user outsourcing; and application modernization.

- These areas are where we are focusing for growth over the next few years, because they are the markets where Unisys has the capabilities and expertise to win business and grow profitably.

- Security is an integral part of our clients’ infrastructure. Our security offerings are designed to secure people, assets, systems and data for governments and businesses with no room for error. We integrate physical and digital security technology. Our security solutions protect borders, airports, data centers, financial information and classified data.

- In the third quarter, we received a major contract award for the U.S. Land Border Integration initiative, representing an expansion of our work with the Customs and Border Patrol to secure the U.S. borders.

- Also in the quarter, the USDA awarded us a contract to build a virtual agricultural security operations center that allows the agency to track security incidents across its 29 agencies.

- In Data Center Transformation and Outsourcing, we enable our clients to update their operations to meet the ever-increasing demands for increased IT efficiency. We help optimize infrastructure through virtualization techniques. And we build and deploy secure, scalable, reliable computing platforms.

- In the third quarter, we won a key contract to partner with COLT Technology Services in the UK to deliver cloud-based services to customers in Europe. We also received an extension of our IT end user services contract with the city of Minneapolis under which we will be delivering cloud-based email and other expanded services for city employees.

- And last week, we announced innovative new offerings that significantly increase the performance and cost-efficiency of data centers powered by our ClearPath family of mainframe servers.

- The new offerings include secure partitioning, or sPar, a Unisys-developed virtualization technology for ClearPath systems based on Intel processors. The sPar capability brings enterprise-class virtualization to clients’ data centers, enabling ClearPath users to make more efficient use of special-purpose processors called specialty engines to modernize applications and streamline resource management.
• Our third area of strength is providing End User Outsourcing and Support. Our services provide anywhere, anytime support for our clients’ end users with a one-call global model that increases user satisfaction while driving down support costs.

• With the rapid increase of knowledge workers, and their fundamental dependency on laptops and mobile devices, providing service to end users takes on a level of importance rising to mission critical. Our services, tools and methods are designed to support the global enterprise 24x7. Our mix of remote and onsite services are designed to keep our clients’ operations running 24 x 7.

• During the quarter, we won significant contract extensions, including the city of Minneapolis contract mentioned earlier as well as Flowserve, and we continue successful rollouts of other major client projects.

• Within our fourth area of strength, we use our engineering experience to help our clients modernize their applications. This may involve rewriting applications using state of the art development languages and application development environments; creating new features and functions; or integrating various applications to achieve the desired business outcome. We deliver industry-specific systems for governments, and the financial, transportation and telecommunications sectors.

• For instance, we recently announced significant new applications modernization work with the USDA to modernize and integrate the agency’s disparate systems and transition to a SOA environment. To deliver these services, we will be drawing on our new applications modernization center of excellence in St. Louis, Missouri.

• Overall, we’ve done good work over the past two years to refocus and refresh our portfolio of services and solutions. This work positions us well to capitalize on disruptive trends that are reshaping the IT industry – such as cloud computing, mobile and social computing, smart computing, and appliance offerings.

• Our last two business priorities are about driving cost efficiencies across the business, and I’m pleased by the continued progress we’re making in those areas.

• In terms of enhancing the efficiency of our services labor model, we continued to increase our use of lower cost labor pools during the quarter. Offshore and lower cost onshore resources now account for 27 percent of our overall employee headcount, up from 25 percent at the end of the second quarter and 20 percent at the start of the year.

• Finally, in the last business priority of simplifying our business and reducing SG&A expenses, we continued to make good progress in this area as well, as operating expenses declined 13 percent year over year in the quarter.

• Turning to Slide 3 … as a result of our work over the past two years, we have shifted our portfolio more toward our areas of strength and focused growth markets.

• This slide compares our portfolio mix in 2008 to our mix today. As you can see, about 75 percent of our revenue today comes from the areas of ITO, systems integration and consulting, and technology. This compares to about 66 percent in 2008.

• This work has helped reshape our profitability. As you can see in Slide 4, our trailing twelve-month operating profit, while down slightly from the second quarter of 2010, is up by $235 million compared to the third quarter of 2009.

• Turning to Slide 5, as we look ahead, our four business priorities will continue to be our roadmap.

• By focusing on these four priorities, we have returned the company to profitable performance and cash generation and significantly strengthened the balance sheet. And, in this most recent quarter, we reached the 8 percent operating margin target in our services business.

• Let me pause here before turning the call over to Janet. Having recently completed our strategic planning cycle, I’d like to take a moment to describe our longer term goals for the business.

• Over the next three years we want to build on the stronger foundation we have built over the last two. Our three year goals for Unisys are: to grow the business in our areas of strength, to consistently deliver an 8 to 10 percent services operating margin, to continue to strengthen the balance sheet through a 75 percent reduction in debt by the end of 2013 and to significantly improve our annual pretax profit to $350 million in 2013, assuming no change in pension income or expense.

• We believe that if we achieve these goals, it will put Unisys in a strong competitive position, with solid financial underpinnings.

• Thank you again for joining us this morning. Now, here’s Janet to take you through our third-quarter results in more detail, and then we will be happy to take your questions.
Janet Haugen, CFO

- Thanks, Ed. Hello, everyone.
- Our results this quarter show our continued progress improving our services operating margins, improving our free cash flow and strengthening our balance sheet. We made this progress despite lower overall revenue including lower high margin ClearPath revenue.
- This morning I will provide more details on our financial results, including expenses, margin trends, and cash flow.
- Before commenting on our continuing operations, I want to discuss our divested Unisys Insurance Services Limited business (“UISL”). As previously disclosed, we sold this business in the quarter. We recognized a pretax gain of $4.5 million on the transaction. The company’s financial statements have been retroactively restated to report the UISL business as a discontinued operation. As a result, UISL operating results, as well as the gain on the sale, are reported in one line, “income from discontinued operations” on the income statement, along with the results of our Health Information Management (“HIM”) discontinued operations which was sold 2Q10. Additionally, UISL assets and liabilities are reported as assets or liabilities of discontinued operations on the December 31, 2009 balance sheet.
- Please turn to Slide 6 for an overview of our services backlog and order trends in the quarter.
- We closed the quarter with $5.8 billion in services backlog which was at a similar level a year ago. September 30, 2010 backlog was up from June 30, 2010 backlog of $5.5 billion principally due to the impact of translating the backlog at different quarter end currency rates.
- Approximately $800 million of the September 30, 2010 services backlog is anticipated to convert into fourth quarter 2010 services revenue. Over the past 7 quarters, we typically have between 87 to 93 percent of our quarterly services revenue in our opening backlog. The balance of our services revenue in a quarter comes from sell-and-bill business during the quarter.
- Excluding the $500 million third quarter 2009 multi-year contract extension with our iPSL joint venture in the UK, our service orders showed low single-digit declines in the quarter.
- This decline primarily reflected a double-digit decline in systems integration and consulting orders as well as double digit declines in infrastructure services and core maintenance which more than offset the double digit growth in information technology outsourcing (ITO) orders. The third quarter represented the second consecutive quarter of sequential double digit order growth in our ITO business.
- The decline in orders for core maintenance reflected the impact of the sale of our check reader and sorter equipment business and ongoing secular decline.
- Geographically, total U.S. orders increased by double digits in the quarter fueled by growth in both our US Federal and commercial businesses.
- Total international orders were down double digits in the quarter. Substantially all of this decline was in the UK which had the large 2009 win at iPSL that I mentioned earlier.
- Slide 7 shows a comparison of our financial results in the third quarter.
- At the top line, we reported revenue of $961 million. This was down 13 percent year over year. Approximately 2 percentage points of the decline is attributable to divested businesses.
- Currency had a 1 percentage-point negative impact on our revenue in the quarter. Based on today’s rates, we anticipate no currency impact on revenue in the fourth quarter of 2010.
- Our technology business saw revenue declines of 31% as sales of ClearPath servers fell versus the prior year. This decline follows three good quarters of Clear Path growth. Year to date, technology revenue is up 2%.
- Despite growth in ITO revenue, services revenue declined 10 percent in the quarter. Approximately 2 percentage points of the decline resulted from businesses we have divested over the past year.
- On lower technology revenue, we reported a third quarter gross profit margin of 24.7 percent, down from 26.9 percent in the year-ago quarter.
- We continued to make progress in reducing costs and enhancing the efficiency of the business. Operating expenses, which include SG&A and R&D, declined 13 percent in the quarter.
- Our overall operating profit margin declined to 7.9 percent, from 10.1 percent a year ago due to the impact of lower ClearPath revenue. However, our services operating margin of 8.0 percent improved by 50 basis points year-over-year and was within the targeted long-term operating margin range for our services business.
• We had a $28 million tax provision in the quarter compared to $28 million in the third quarter of 2009. Included in our third quarter 2010 tax provision is $4 million related to a change in UK tax rates. Our tax provision can vary significantly from quarter to quarter depending on the geographic distribution of our income.

• After taxes, we reported net income from continuing operations of $22 million in the quarter, down 58 percent from net income of $52 million in the third quarter of 2009.

• Including the gain on the sale of UISL, we reported third-quarter 2010 net income of $28 million, or $0.65 per diluted share, compared with net income of $61 million, or $1.48 per diluted share, in the third quarter of 2009.

• Fully diluted shares for the third quarter 2010 were 43.3 million compared to third quarter 2009 fully diluted shares of 41.4 million.

• Total Company Expense, Margin and EBITDA Highlights

• Slide 8 outlines some of our key profitability metrics over the past several quarters.

• Aggregate gross margins decreased year-over-year due to the lower Clear Path sales. However, despite lower services revenue, the services gross margins increased from 19.9 percent to 20.6 percent due to a better revenue mix and improved cost efficiencies in our services labor model.

• Operating margins continued to benefit from the impact of cost reduction efforts on SG&A and R&D expenditures. Operating expenses were reduced by $25 million from the year-ago quarter and remained stable as a percentage of sales at 17 percent.

• EBITDA was 14 percent of revenue for the third quarter 2010.

• Moving to our third-quarter revenue and margins by portfolio.

• On Slide 9, you can see that Services revenue declined 10 percent year-over-year, 8 percent excluding the impact of divested businesses.

• Margins, as a % of revenue, increased year over year in our services business on lower services revenue. Services gross margin improved to 20.6 percent from 19.9 percent in the third quarter of 2009, while services operating margin strengthened to 8.0 percent from 7.5 percent a year ago.

• Services margins improved sequentially for the second consecutive quarter.

• Within our Outsourcing revenue, ITO was up slightly in the quarter. Outside of our US Federal business, ITO revenue grew about 4 percent. We are also encouraged to see overall ITO revenue grew 4 percent sequentially after growing 5 percent sequentially in the second quarter.

• Business Process Outsourcing (BPO) revenue declined 25 percent in the quarter.

• Systems integration and consulting revenue declined 11 percent in the quarter.

• Infrastructure services revenue declined 13 percent in the quarter, approximately 5 percentage points of the decline resulted from the sale of our check reader and sorter equipment business.

• Core maintenance revenue declined 32 percent in the quarter. Approximately 12 percentage points of the decline is the impact of divested businesses.

• Last quarter we indicated that we have typically seen 9 to 13 percent of our quarterly services revenue come from sell-and-bill business in the quarter. In the third quarter, after adjusting for the UISL divestiture, 93% of our services revenue was in backlog at the beginning of the quarter. Our services sell-and-bill revenue was lower than prior quarters due to lower volume of Federal services and low-margin infrastructure services.

• Moving on to Technology on Slide 10 … Technology revenue decreased 31%. This included a 1 percent impact related to divestitures made during the past twelve months.

• Lower ClearPath sales drove the reduction in Technology margins in the quarter. We reported a technology gross margin of 47.6 percent, down from 55.2 percent a year ago, and our technology operating margin declined to 7.9 percent compared with 21.2 percent in the third quarter of 2009.

• It is worth noting that despite the lower reported revenue and margins for the Technology business in the third quarter, for the year-to-date, our Technology revenue is 2 percent above the prior year levels, the Technology operating profit is $80 million or 488 percent higher than during the first nine months of 2009 and our operating profit margin is 14.6 percentage points higher than at the same point last year.

• Slide 11 shows our third-quarter revenue by geography and industry.
Within North America, our U.S. revenue in the quarter was $438 million, a decline of 15 percent. About 4 percentage points of this decline results from divestitures. The rest of the decline was driven by lower revenue outside of our US Federal business.

Our U.S. federal government business revenue improved by 5 percent sequentially and was up slightly compared to the year ago quarter.

International revenue fell 12 percent in the quarter. On a constant currency basis, international revenue was down 10 percent as revenue growth in Latin America was offset by declines elsewhere.

Our Public Sector, which includes our U.S. federal government business, remained our largest single vertical revenue source. Revenue was down 9% year over year.

Our Commercial Sector remained stable as a percent of total revenue versus 3Q09 while our Financial Sector declined, year over year, due to continued challenges for our clients within that industry.

Turning to Slide 12. As Ed mentioned, our revenue mix is shifting as we focus on our areas of strength and delivering solutions in those areas by leveraging our capabilities in systems integration and consulting, IT outsourcing and technology. This slide demonstrates that shift.

We generated $127 million of cash from operations in the current quarter, up from $94 million in the year-ago quarter.

We continued to manage our business without utilizing our accounts receivable securitization facility during the third quarter. In contrast, utilization under the facility was $118 million at September 30, 2009.

Capital expenditures declined to $46 million from $48 million in the year-ago quarter. Looking ahead, we continue to anticipate capital expenditures of $200 to $225 million for the full year of 2010.

After capital expenditures, we generated $81 million of free cash in the third quarter compared with free cash flow of $46 million in the year-ago period.

Depreciation and amortization was $61 million in the quarter. For the full year 2010, we expect D&A of around $240 million.

As you may recall from our discussions last quarter, under the terms of certain of our debt indentures, proceeds from the HIM sale we closed in April 2010 are restricted to be used for certain capital expenditures, acquisition of certain assets and repayment of certain debt obligations.

During the third quarter, we used approximately $90 million of the proceeds for purposes allowed under the indentures.

The remaining $11 million is restricted and included in “Prepaid expense and other current” assets on the company’s September 30th balance sheet.

We ended the quarter with $689 million of cash on hand, up from $497 million at June 30, 2010.

As we have noted over the past 7 quarters, one of our primary goals is strengthening our balance sheet through reduced net debt.

The graphic on Slide 13 demonstrates the progress we have made toward that objective since December 31, 2008. We have reduced our long-term debt and the utilization of our AR securitization facility by a combined $364 million from $1.2 billion at December 31, 2008 to $838 million at September 30, 2010.

Consequently, our adjusted net debt position, or the amount by which our debt obligations exceed our cash and the restricted cash balance associated with the HIM sale proceeds, has declined by $520 million since December 31, 2008 to approximately $138 million at September 30, 2010. As Ed noted earlier, $417 million of this reduction occurred during the past twelve months. This has significantly improved the operating flexibility of the company.

We will continue to reduce debt where possible and maintain our efforts to strengthen the balance sheet.

For 2010, we have not changed our expectation for $115 million of cash pension funding requirements. We have made $ 61 million of contributions in the first nine months of 2010.

Beginning on January 1, 2011, we will reinstate the Company’s U.S. 401k matching contributions but at a lower rate than when we suspended these contributions effective January 1, 2009. As before, we expect to fund the match in Unisys common stock. We estimate that our matching contributions will be approximately $14 million during 2011.

In closing, we continued to make progress during the quarter in reducing expenses, getting our services operating margins within our long-term targeted range and strengthening the balance sheet.
• Our progress in these areas was recognized from an external perspective by S&P, Moody's and Fitch during the third quarter. We are pleased with the improved ratings these agencies awarded us but we know we still have a lot of work ahead of us.

• As we move through the final quarter of 2010 and look forward into 2011, we will remain focused on those areas while working to drive profitable revenue growth in our areas of strength.

• Thank you for your time. Now I'd like to turn the call back over to Ed.