

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 1996

OR

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 (I.R.S. Employer  
incorporation or organization) Identification No.)

Township Line and Union Meeting Roads 19424  
Blue Bell, Pennsylvania (Zip Code)  
(Address of principal executive offices)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class -----	Name of each exchange on which registered -----
Common Stock, par value \$.01	New York Stock Exchange
Series A Cumulative Convertible Preferred Stock, par value \$1, \$3.75 annual fixed dividend	New York Stock Exchange
Preferred Share Purchase Rights	New York Stock Exchange
10.30% Credit Sensitive Notes Due July 1, 1997	New York Stock Exchange
8 1/4% Convertible Subordinated Notes Due 2000	New York Stock Exchange
8 1/4% Convertible Subordinated Notes Due 2006	New York Stock Exchange

-2-

Securities registered pursuant to Section 12(g) of the Act:

None

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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 amendment to this Form 10-K. [ X ]

Aggregate market value of the voting stock held by non-affiliates: approximately \$1,152,367,082 as of March 1, 1997. The amount shown is based on the closing price of Unisys Common Stock as reported on the New York Stock Exchange composite tape on that date. Voting stock beneficially held by officers and directors is not included in the computation. However, Unisys Corporation has not determined that such individuals are "affiliates" within the meaning of Rule 405 under the Securities Act of 1933.

Number of shares of Unisys Common Stock, par value \$.01, outstanding as of March 1, 1997: 174,850,672.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Unisys Corporation 1996 Annual Report to Stockholders -- Part I, Part II and Part IV.

Portions of the Unisys Corporation Proxy Statement for 1997 Annual Meeting of Stockholders -- Part III.

-3-

PART I

ITEM 1. BUSINESS

Unisys Corporation ("Unisys") is a worldwide information management company. Through its three business units, Information Services Group ("ISG"), Computer Systems Group ("CSG"), and Global Customer Services ("GCS"), Unisys provides systems and solutions designed to enhance the productivity, competitiveness and responsiveness of its clients.

Unisys operates in the information management business segment. Financial information concerning revenue, operating profit and identifiable assets relevant to the segment is set forth in Note 14, "Business segment information," of the Notes to Consolidated Financial Statements appearing in the Unisys 1996 Annual Report to Stockholders, and such information is incorporated herein by reference.

Principal executive offices of Unisys are located at Township Line and Union Meeting Roads, Blue Bell, Pennsylvania 19424.

Principal Products and Services

ISG designs, integrates, and installs information solutions to help clients in selected market sectors improve customer service, increase productivity, and achieve other strategic goals. Its major service lines are consulting, systems integration, outsourcing, industry-specific software solutions, document imaging, year 2000 services, decision support services and Microsoft Windows NT application services.

CSG provides computer hardware and software products and systems designed to be the foundation of advanced information solutions developed by clients, systems integrators, software developers, resellers and other sales partners. Its major product lines are enterprise-class servers, network servers, desktop and mobile systems, system software and middleware, development tools, data and voice communications and information storage solutions.

GCS provides services and products to help clients manage, maintain and support their distributed network, desktop, and mobile computing assets. Its major service/product lines are traditional

hardware/software maintenance and distributed computing support services, including Network Enable network integration, life-cycle desktop support services, technology consulting, multivendor hardware/software maintenance, and Unisys Direct computer supplies.

Information about revenue by business groups for the two years ended December 31, 1996, appears under the heading "Customer revenue by business unit" appearing in the Unisys 1996 Annual Report to Stockholders, and such information is incorporated herein by reference.

Unisys markets its products and services throughout most of the world, primarily through direct sales forces. In certain foreign countries, Unisys markets primarily through distributors. Unisys manufactures a significant portion of its product lines. Some products, including certain personal computers, peripheral products, electronic components and subassemblies and software products, are manufactured for Unisys to its design or specifications by other business equipment manufacturers, component manufacturers or software suppliers.

Raw Materials  
- -----

Raw materials essential to the conduct of the business are generally readily available at competitive prices in reasonable proximity to those plants utilizing such materials.

Patents, Trademarks and Licenses  
- -----

Unisys owns many domestic and foreign patents relating to the design and manufacture of its products, has granted licenses under certain of its patents to others and is licensed under the patents of others. Unisys does not believe that its business is materially dependent upon any single patent or license or related group thereof. Trademarks used on or in connection with Unisys products are considered to be valuable assets of Unisys.

Backlog  
- -----

Unisys does not accumulate backlog information on a company-wide basis. Unisys believes that backlog is not a meaningful indicator of future revenues due to the significant portion of Unisys revenue received from software, information services and systems integration, and support servicing (approximately 71% in 1996) and the shortening of the time period from receipt of a purchase order to billing upon shipment of equipment. Unisys "lead time" for commercial equipment (the

time that customers are told that it will take from receipt of an order to shipment) is between 13 and 150 days depending upon the type of system and location of customer. However, the average is between 35 and 45 days. Therefore, Unisys believes that the dollar amount of backlog is not material to an understanding of its business taken as a whole.

Customers  
- -----

No single customer accounts for more than 10% of Unisys revenue. Sales of commercial products to various agencies of the U.S. government represented 9% of total consolidated revenue in 1996.

Competition  
- -----

Unisys business is affected by rapid change in technology in the information systems and services field and aggressive

competition from many domestic and foreign companies, including computer hardware manufacturers, software providers and information services companies. Unisys competes primarily on the basis of product performance, service, technological innovation and price. Unisys believes that its continued investment in engineering and research and development, coupled with its marketing capabilities, will have a favorable impact on its competitive position.

Research and Development  
- -----

Unisys-sponsored research and development costs were \$342.9 million in 1996, \$404.5 million in 1995 and \$458.5 million in 1994.

Environmental Matters  
- -----

Capital expenditures, earnings and the competitive position of Unisys have not been materially affected by compliance with federal, state and local laws regulating the protection of the environment. Capital expenditures for environmental control facilities are not expected to be material in 1997 and 1998.

Employees  
- -----

As of December 31, 1996, Unisys had approximately 32,900 employees.

-6-

International and Domestic Operations  
- -----

Financial information by geographic area is set forth in Note 14, "Business segment information," of the Notes to Consolidated Financial Statements appearing in the Unisys 1996 Annual Report to Stockholders, and such information is incorporated herein by reference.

ITEM 2. PROPERTIES  
- -----

As of December 31, 1996, Unisys had 40 major facilities in the United States with an aggregate floor space of approximately 7.9 million square feet, located primarily in California, Illinois, Michigan, Minnesota, Pennsylvania, Utah and Virginia. Eight of these facilities, with an aggregate of approximately 1.9 million square feet of floor space, were owned by Unisys while 32 of these facilities, with approximately 6 million square feet of floor space, were leased to Unisys. Of the aggregate floor space of major facilities in the United States, approximately 5.9 million square feet were in current operation, approximately 1.4 million square feet were subleased to others and approximately .6 million square feet were being held in reserve or were declared surplus with disposition efforts in progress.

As of December 31, 1996, Unisys had 36 major facilities outside the United States with an aggregate floor space of approximately 3.8 million square feet, located primarily in Belgium, Brazil, Canada, France, Germany, South Africa, Switzerland and the United Kingdom. Seven of these facilities, with approximately 1.0 million square feet of floor space, were owned by Unisys while 29 of these facilities, with approximately 2.8 million square feet of floor space, were leased to Unisys. Of the aggregate floor space of major facilities outside the United States, approximately 2.9 million square feet were in current operation, approximately .4 million square feet were subleased to others and approximately .5 million square feet were being held in reserve or were declared surplus with disposition efforts in progress.

Unisys major facilities include offices, laboratories, manufacturing plants, warehouses and distribution and sales centers. Unisys believes that its facilities are suitable and adequate for current and presently projected needs. Unisys continuously reviews its anticipated requirements for facilities, and, on the basis thereof, will from time to time acquire additional facilities, expand existing facilities and dispose of existing facilities or parts thereof.

ITEM 3. LEGAL PROCEEDINGS

As of March 1, 1997, Unisys has no material pending legal proceedings reportable under the requirements of this Item 3.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders of Unisys during the fourth quarter of 1996.

ITEM 10. EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning the executive officers of Unisys set forth below is as of March 1, 1997.

Name	Age	Position with Unisys
James A. Unruh	55	Chairman of the Board and Chief Executive Officer
Gerald A. Gagliardi	49	Executive Vice President; President, Global Customer Services
George R. Gazerwitz	56	Executive Vice President; President, Computer Systems Group
Lawrence C. Russell	58	Executive Vice President; President, Information Services Group
-8-		
David O. Aker	50	Senior Vice President, Worldwide Human Resources
Harold S. Barron	60	Senior Vice President, General Counsel and Secretary
Jack A. Blaine	52	Senior Vice President; President, Pacific Asia Americas Group
Robert H. Brust	53	Senior Vice President and Chief Financial Officer
Dewaine L. Osman	62	Senior Vice President, Information Technology and Strategic Development
Frank G. Brandenburg	50	Vice President; Group Vice President, NT Business Server Programs

Janet Brutschea Haugen	38	Vice President and Controller
James F. McGuirk II	53	Vice President; President Federal Systems Division
Jack F. McHale	48	Vice President, Investor and Corporate Communications
William G. Rowan	54	Vice President, Finance, Pacific Asia Americas Group

-9-

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

Mr. Unruh has been the Chairman of the Board and Chief Executive Officer since 1990. He was President and Chief Operating Officer from 1989 to 1990 and Executive Vice President from 1986 to 1989. He has also held the position of Senior Vice President and Chief Financial Officer. Mr. Unruh has been a member of the Board of Directors since 1986 and has been an officer since 1982.

Mr. Gagliardi was elected an Executive Vice President of Unisys in May 1996. He had been a Senior Vice President of Unisys and President of Global Customer Services since 1995. He held the positions of Vice President, Customer Services Worldwide from 1994 to 1995 and Vice President and General Manager, Customer Services and Support from 1991 to 1994. Mr. Gagliardi has been an officer since 1994.

Mr. Gazerwitz was elected an Executive Vice President of Unisys and President of Unisys Computer Systems Group in October 1996. He had been a Vice President of Unisys and Executive Vice President of Nihon Unisys Limited from 1994 to October 1996. He was Vice President, Marketing, of the United States Division from 1992 to 1994 and Vice President and Group Vice President, Eastern Region Sales and Marketing, United States Information Systems from 1990 to 1992. Mr. Gazerwitz has been an officer since 1984.

Mr. Russell was elected an Executive Vice President of Unisys and President of Unisys Information Services Group in November 1995. He was an officer of The First Manhattan Consulting Group, a management consulting firm, from 1993 to 1995. He was Chairman and Chief Executive Officer of Palaru Corporation, a printing company, from 1990 to 1993.

-10-

Mr. Aker was elected Senior Vice President of Unisys Worldwide Human Resources in February 1997. He had been Vice President of Unisys Worldwide Human Resources since 1995 and Vice President, Human Resources, Information Services and Systems Group from 1994 to 1995. From 1991 to 1994, he was Vice President, Human Resources and Administration of Rolls-Royce of North America and a director of its subsidiary, Rolls-Royce Incorporated. Mr. Aker has been an officer since 1995.

Mr. Barron was elected Vice President and General Counsel of Unisys in 1991. In 1993, he was elected Senior Vice President and in April 1994, he was also elected Secretary.

Mr. Blaine has been a Senior Vice President of Unisys and President of Unisys Pacific Asia Americas Group since July 1996. He was a Vice President of Unisys and President of the Latin

America and Caribbean Division from 1995 to July 1996. From 1990 to 1995, Mr. Blaine was Vice President of Unisys and General Manager of the Latin America and Caribbean Group of the Pacific Asia Americas Division. Mr. Blaine has been an officer since 1988.

Mr. Brust was elected Senior Vice President and Chief Financial Officer of Unisys in February 1997. Prior to that time he held the position of Vice President of Finance at G. E. Plastics, a unit of General Electric Company. He had been with General Electric Company since 1965.

Mr. Osman was elected Senior Vice President, Information Technology and Strategic Development, in 1995. He also served as President of Worldwide Sales and Marketing from July 1995 to January 1996 and as President of the Pacific Asia Americas Group from July 1995 to July 1996. He was Vice President, Corporate Planning and Business Development, from 1992 to 1995 and Vice President, Commercial Marketing, from 1993 to 1994. Prior to 1992, he had been President of Ascom Timeplex, Inc. (formerly Timeplex, Inc., the communications networking subsidiary of Unisys) since its divestiture by Unisys in 1991. From 1986 to 1991, Mr. Osman was an officer of Unisys, serving as President of the Communications and Networks Group and as President of Timeplex, Inc. from 1989 to 1991. He was reelected an officer in 1992.

Mr. Brandenburg has been Group Vice President, NT Business Server Programs since January 1997. From February 1996 to January 1997, he was a Vice President of Unisys and Group Vice President and General Manager, Personal Computers. From 1994 to February 1996, he was a Vice President of Unisys and President, Client/Server Systems. He was a Vice President of Unisys and Deputy President of the Computer Systems Group from 1992 to 1994; and Vice President of Unisys and General Manager of the Computer Systems Group from 1990 to 1992. Mr. Brandenburg has been an officer since 1990.

-11-

Ms. Haugen was elected Vice President and Controller of Unisys in April 1996. Prior to that time, she held the position of audit partner at Ernst & Young LLP. She had been with Ernst & Young since 1980.

Mr. McGuirk was elected a Vice President of Unisys in April 1996 and has been President, Federal Systems Division, since July 1992. From 1991 to 1992, he was vice president and general manager of Civilian Agency Operations for the Federal Systems Division.

Mr. McHale has been Vice President, Investor and Corporate Communications, since 1989. He was Vice President, Public and Investor Relations, from 1986 to 1989. Mr. McHale has been an officer since 1986.

Mr. Rowan has been a Vice President of Unisys since 1991. He has been Vice President of Finance, Pacific Asia Americas Group, since 1995. He was Chief Information Officer of Unisys from 1992 to 1995 and Vice President and Controller from 1991 to 1992.

-12-

## PART II

### ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED

#### STOCKHOLDER MATTERS

Information as to the markets for Unisys Common Stock, the high and low sales prices for Unisys Common Stock, the approximate number of record holders of Unisys Common Stock, the

payment of dividends, and restrictions on such payment is set forth under the headings "Quarterly financial information," "Six-year summary of selected financial data," "Common Stock Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Notes 9 and 16 of the Notes to Consolidated Financial Statements in the Unisys 1996 Annual Report to Stockholders and is incorporated herein by reference. The approximate number of holders is based upon record holders as of December 31, 1996.

ITEM 6. SELECTED FINANCIAL DATA  
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A summary of selected financial data for Unisys is set forth under the heading "Six-year summary of selected financial data" in the Unisys 1996 Annual Report to Stockholders and is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
-----  
CONDITION AND RESULTS OF OPERATIONS  
-----

Management's discussion and analysis of financial condition, changes in financial condition and results of operations is set forth under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Unisys 1996 Annual Report to Stockholders and is incorporated herein by reference.

-13-

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA  
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The financial statements of Unisys, consisting of the consolidated balance sheets at December 31, 1996 and 1995 and the related consolidated statements of income and cash flows for each of the three years in the period ended December 31, 1996, appearing in the Unisys 1996 Annual Report to Stockholders, together with the report of Ernst & Young LLP, independent auditors, on the financial statements at December 31, 1996 and 1995 and for each of the three years in the period ended December 31, 1996, appearing in the Unisys 1996 Annual Report to Stockholders, are incorporated herein by reference. Supplementary financial data, consisting of information appearing under the heading "Quarterly financial information" in the Unisys 1996 Annual Report to Stockholders, is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS  
-----  
ON ACCOUNTING AND FINANCIAL DISCLOSURE  
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Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT  
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(a) Identification of Directors. Information concerning the directors of Unisys Corporation is set forth under the headings "Nominees for Election to the Board of Directors," "Members of the Board of Directors Continuing in Office -- Term Expiring in 1998" and "Members of the Board of Directors Continuing in Office -- Term Expiring in 1999" in the Unisys Proxy Statement for the 1997 Annual Meeting of Stockholders and is incorporated herein by reference.

(b) Identification of Executive Officers. Information concerning executive officers of Unisys Corporation is set forth under the caption "EXECUTIVE OFFICERS OF THE REGISTRANT" in Part I, Item 10, of this report.



ITEM 11. EXECUTIVE COMPENSATION

Information concerning executive compensation is set forth under the heading "EXECUTIVE COMPENSATION" in the Unisys Proxy Statement for the 1997 Annual Meeting of Stockholders and is incorporated herein by reference.

-14-

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL

OWNERS AND MANAGEMENT

(a) FMR Corp., Edward C. Johnson 3d, Abigail P. Johnson and Fidelity Management & Research Company, 82 Devonshire Street, Boston, Massachusetts 02109, have jointly filed a Schedule 13G with the Securities and Exchange Commission dated February 14, 1997, reporting beneficial ownership of 10,317,172 shares (or 5.61%) of Unisys Common Stock. Of such shares 9,074,430 represent shares issuable upon conversion of Unisys Corporation's convertible debt securities and preferred stock. Sole dispositive power has been reported for 10,317,172 shares. Sole voting power has been reported for 822,467 shares. To Unisys knowledge, as of March 1, 1997, no other person was the beneficial owner of more than 5% of the total outstanding shares of Unisys Common Stock.

(b) Security Ownership of Management. Certain information furnished by members of management with respect to shares of Unisys equity securities beneficially owned as of March 1, 1997, by all directors individually, by certain named officers and by all directors and officers of Unisys as a group is set forth under the heading "SECURITY OWNERSHIP BY CERTAIN BENEFICIAL OWNERS AND MANAGEMENT" in the Unisys Proxy Statement for the 1997 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information concerning certain relationships and transactions between Unisys and members of its management is set forth under the headings "EXECUTIVE COMPENSATION" and "REPORT OF THE COMPENSATION AND ORGANIZATION COMMITTEE -- Compensation Committee Interlocks and Insider Participation" in the Unisys Proxy Statement for the 1997 Annual Meeting of Stockholders and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS

ON FORM 8-K

(a) The following documents are filed as part of this report:

1. Financial Statements from the Unisys 1996 Annual Report to Stockholders which are incorporated herein by reference:

-15-

Annual Report  
Page No.

Consolidated Balance Sheet at December 31, 1996 and December 31, 1995.....	18
Consolidated Statement of Income for each of the three years in the period ended December 31, 1996.....	16
Consolidated Statement of Cash Flows for each of the three years in the period ended December 31, 1996.....	20

Notes to Consolidated Financial Statements.....23-35

Report of Independent Auditors.....36

2. Financial Statement Schedules filed as part of this report pursuant to Item 8 of this report:

Schedule Number - -----	Form 10-K Page No. -----
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II Valuation and Qualifying Accounts.....18

The financial statement schedule should be read in conjunction with the consolidated financial statements and notes thereto in the Unisys 1996 Annual Report to Stockholders. Financial statement schedules not included with this report have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

Separate financial statements of subsidiaries not consolidated with Unisys and entities in which Unisys has a fifty percent or less ownership interest have been omitted because these operations do not meet any of the conditions set forth in Rule 3-09 of Regulation S-X.

3. Exhibits. Those exhibits required to be filed by Item 601 of Regulation S-K are listed in the Exhibit Index included in this report at pages 19 through 22. Management contracts and compensatory plans and arrangements are listed as Exhibits 10.1 through 10.22.

(b) Reports on Form 8-K.

During the quarter ended December 31, 1996, no Current Reports on Form 8-K were filed.

-16-

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNISYS CORPORATION

/s/ James A. Unruh  
By: -----  
James A. Unruh  
Chairman of the Board  
and Chief Executive Officer

Date: March 28, 1997

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 28, 1997.

/s/James A. Unruh  
-----  
James A. Unruh  
Chairman of the Board  
and Chief Executive  
Officer (principal  
executive officer) and  
Director

\*James J. Duderstadt  
-----  
James J. Duderstadt  
Director

/s/Robert H. Brust

\*Gail D. Fosler

----- Robert H. Brust Senior Vice President and Chief Financial Officer (principal financial officer)	----- Gail D. Fosler Director
/s/Janet Brutschea Haugen ----- Janet Brutschea Haugen Vice President, and Controller (principal accounting officer)	*Melvin R. Goodes ----- Melvin R. Goodes Director
*J. P. Bolduc ----- J. P. Bolduc Director	*Edwin A. Huston ----- Edwin A. Huston Director

-17-

----- *Kenneth A. Macke ----- Kenneth A. Macke Director	----- *Theodore E. Martin ----- Theodore E. Martin Director
----- *Robert McClements, Jr. ----- Robert McClements, Jr. Director	----- *Alan E. Schwartz ----- Alan E. Schwartz Director

\*By: /s/ Janet Brutschea Haugen  
-----  
Janet Brutschea Haugen  
Attorney-in-Fact

-18-

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

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions	Balance at End of Period
Allowance for Doubtful Accounts (deducted from accounts and notes receivable):				
Year Ended December 31, 1994	\$ 78.7	\$ 5.4	\$ ( 9.6)	\$74.5
Year Ended December 31, 1995	\$ 74.5	\$21.0	\$ ( 8.8)	\$86.7
Year Ended December 31, 1996	\$ 86.7	\$ 2.5	\$ ( 5.3)	\$83.9
<FN> <F1> Write-off of bad debts less recoveries.				

-19-

EXHIBIT INDEX

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of Unisys Corporation, incorporated by reference to Exhibit 3(a) to the registrant's Annual Report on Form 10-K

for the year ended December 31, 1992.

- 3.2 By-Laws of Unisys Corporation, incorporated by reference to Exhibit 3 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1995.
  - 4.1 Agreement to furnish to the Commission on request a copy of any instrument defining the rights of the holders of long-term debt which authorizes a total amount of debt not exceeding 10% of the total assets of the registrant, incorporated by reference to Exhibit 4 to the registrant's Annual Report on Form 10-K for the year ended December 31, 1982 (File No. 1-145).
  - 4.2 Form of Rights Agreement dated as of March 7, 1986 between Burroughs Corporation and Harris Trust Company of New York, as Rights Agent, which includes as Exhibit A, the Certificate of Designations for the Junior Participating Preferred Stock, and as Exhibit B, the Form of Rights Certificate, incorporated by reference to Exhibit 1 to the registrant's Registration Statement on Form 8-A, dated March 11, 1986.
  - 4.3 Amendment No. 1, dated as of February 22, 1996, to Rights Agreement, dated as of March 7, 1986, between Unisys Corporation, a Delaware Corporation (then named Burroughs Corporation) and Harris Trust Company of New York, as Rights Agent (incorporated by reference to Exhibit 4 to the registrant's Current Report on Form 8-K dated February 22, 1996).
  - 4.4 Second Rights Agreement, dated as of June 28, 1990, by and between registrant and Mitsui & Co., Ltd. and joined by Harris Trust Company of New York, incorporated by reference to Exhibit 4.4 to the registrant's Current Report on Form 8-K dated June 28, 1990.
- 20-
- 4.5 Purchase Agreement, dated as of June 25, 1990, between the registrant and Mitsui & Co., Ltd., incorporated by reference to Exhibit 4.3 to the registrant's Current Report on Form 8-K dated June 28, 1990.
  - 10.1 Deferred Compensation Plan for Executives of Unisys Corporation, effective January 1, 1997.
  - 10.2 Deferred Compensation Plan for Directors of Unisys Corporation, as amended and restated as of July 25, 1996.
  - 10.3 Form of Executive Employment Agreement, incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1995.
  - 10.4 Agreement, dated October 17, 1995, between the registrant and Lawrence C. Russell, incorporated by reference to Exhibit 10.4 to the registrant's Annual Report on Form 10-K for the year ended December 31, 1995.
  - 10.5 Employment Agreement, dated August 10, 1994, between the registrant and James A. Unruh, incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1994.
  - 10.6 Amendment, dated as of July 28, 1995, to Employment Agreement, dated August 10, 1994, between the registrant and James A. Unruh, incorporated by

reference to Exhibit 10.4 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1995.

- 10.7 Stock Unit Plan for Directors of Unisys Corporation, as amended and restated as of July 25, 1996.
- 10.8 Summary of supplemental executive benefits provided to officers of Unisys Corporation, incorporated by reference to Exhibit 10(k) of the registrant's Annual Report on Form 10-K for the year ended December 31, 1992.
- 21-
- 10.9 Unisys Executive Annual Variable Compensation Plan, incorporated by reference to Exhibit A to the registrant's Proxy Statement, dated March 23, 1993, for its 1993 Annual Meeting of Stockholders.
- 10.10 1982 Unisys Long-Term Incentive Plan, as amended and restated through September 1, 1989, incorporated by reference to Exhibit 10(p) to the registrant's Annual Report on Form 10-K for the year ended December 31, 1990.
- 10.11 Amendment, dated December 11, 1989, to the 1982 Unisys Long-Term Incentive Plan, incorporated by reference to Exhibit 10(o) to the registrant's Annual Report on Form 10-K for the year ended December 31, 1989.
- 10.12 Amendment, dated July 25, 1990, to 1982 Unisys Long-Term Incentive Plan, incorporated by reference to Exhibit 10(r) to the registrant's Annual Report on Form 10-K for the year ended December 31, 1990.
- 10.13 1990 Unisys Long-Term Incentive Plan, effective as of January 1, 1990 incorporated by reference to Exhibit A to the registrant's Proxy Statement, dated March 20, 1990, for its 1990 Annual Meeting of Stockholders.
- 10.14 Amendment, dated May 26, 1994, to 1990 Unisys Long-Term Incentive Plan, effective as of February 22, 1990, incorporated by reference to Exhibit 10.15 to the registrant's Annual Report on Form 10-K for the year ended December 31, 1994.
- 10.15 Amendment, dated May 25, 1995, to 1990 Unisys Long-Term Incentive Plan, incorporated by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1995.
- 10.16 Amendment, dated February 22, 1996, to 1990 Unisys Long-Term Incentive Plan, incorporated by reference to Exhibit 10 to registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1996.
- 10.17 Form of Loan Agreement including Note used for bridge loans to executive officers purchasing residences, incorporated by reference to Exhibit 10(k) to the registrant's Annual Report on Form 10-K for the year ended December 31, 1986.

-22-

- 10.18 Form of Loan Agreement including Note used for term loans to executive officers purchasing residences, incorporated by reference to Exhibit 10(11) to the registrant's Annual Report on Form 10-K for the year ended December 31, 1986.

- 10.19 Unisys Corporation Officers' Car Allowance Program, effective as of July 1, 1991, incorporated by reference to Exhibit 10(hh) to the registrant's Annual Report on Form 10-K for the year ended December 31, 1991.
- 10.20 Form of Indemnification Agreement between Unisys Corporation and each of its Directors, incorporated by reference to Exhibit B to the registrant's Proxy Statement, dated March 22, 1988, for the 1988 Annual Meeting of Stockholders.
- 10.21 Unisys Corporation Elected Officer Pension Plan, effective June 1, 1988, as amended through January 23, 1997.
- 10.22 Unisys Corporation Supplemental Executive Retirement Income Plan, as amended and restated effective April 1, 1988, incorporated by reference to Exhibit 10(aaa) to the registrant's Annual Report on Form 10-K for the year ended December 31, 1988.
- 11 Computation of Earnings Per Share.
- 12 Computation of Ratio of Earnings to Fixed Charges.
- 13 Portions of the Annual Report to Stockholders of the registrant for the year ended December 31, 1996.
- 21 Subsidiaries of Unisys Corporation.
- 23 Consent of Ernst & Young LLP, independent auditors.
- 24 Power of Attorney.
- 27 Financial Data Schedule.

DEFERRED COMPENSATION PLAN  
FOR EXECUTIVES OF UNISYS CORPORATION

Article I  
Purpose & Authority  
-----

1.1 Purpose. The purpose of the Plan is to offer Eligible Executives the opportunity to defer receipt of a portion of their compensation from the Corporation, under terms advantageous to both the Eligible Executive and the Corporation.

1.2 Effective Date. The Board originally approved the Officers' Plan on January 29, 1982. The Plan has been amended and restated from time to time since its original adoption and this amended and restated version of the Plan is effective January 1, 1997.

1.3 Authority. Any decision made or action taken by the Corporation and any of its officers or employees involved in the administration of this Plan, or any member of the Board or the Committee arising out of or in connection with the construction, administration, interpretation and effect of the Plan shall be within the absolute discretion of all and each of them, as the case may be, and will be conclusive and binding on all parties. No member of the Board and no employee of the Corporation shall be liable for any act or action hereunder, whether of omission or commission, by any other member or employee or by any agent to whom duties in connection with the administration of the Plan have been delegated or, except in circumstances involving the member's or employee's bad faith, for anything done or omitted to be done by himself or herself.

Article II  
Definitions  
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2.1 "Account" means, for any Participant, the memorandum account established for the Participant under Section 4.1.

2.2 "Account Balance" means, for any Participant as of any date, the aggregate amount reflected in his or her Account.

2.3 "Beneficiary" means the person or persons designated from time to time in writing by a Participant to receive payments under the Plan after the death of such Participant or, in the absence of such designation or in the event that such designated person or persons predeceases the Participant, the Participant's estate.

2.4 "Board" means the Board of Directors of the Corporation.

2.5 "Committee" means the Compensation and Organization Committee of the Board.

2.6 "Corporation" means Unisys Corporation.

2.7 "Deferral Election" means an election by an Eligible Executive to defer a portion of his or her compensation from the Corporation under the Plan, as described in Section 3.1.

2.8 "Directors' Plan" means the Deferred Compensation Plan for Directors of Unisys Corporation.

2.9 "Eligible Executive" means, for any calendar year, an individual: (1) who is employed by the Corporation at Level 25 or above (or at Level P3 or above, if the individual is employed in the Information Services Division of the Corporation); (2) for whom the sum of (A) the individual's base salary from the Corporation and (B) 75 percent of the individual's Target EVC for the calendar year equals or exceeds the maximum amount of compensation that is permitted to be taken into account under section 401(a)(17) of the Internal Revenue Code during a plan year that begins in the calendar year; and (3) who is designated by the Vice President, Human Resources as an Eligible Executive.

2.10 "EVC" means, for any individual, the amount payable to such individual under the Unisys Executive Annual Variable Compensation Plan (or under any successor annual incentive plan of the Corporation) or under any other similar annual incentive plan of the Corporation approved by the Vice President, Human Resources.

2.11 "Investment Measurement Option" means any of the hypothetical investment alternatives available for determining the additional amounts to be credited to a Participant's Account under Section 4.2. Effective January 1, 1997, the Investment Measurement Options available are all of the investment options available to eligible participants under the USP.

2.12 "Officers' Plan" means the Deferred Compensation Plan for Officers of Unisys Corporation, the predecessor of this Plan.

2.13 "Participant" means an Eligible Executive or former Eligible Executive who has made a Deferral Election and who has not received a distribution of his or her entire Account Balance.

2.14 "Performance Unit Compensation" means any amount payable to an Eligible Executive in cash as a result of the Eligible Executive's vesting in a Performance Unit award (including, but not limited to, share unit and restricted share unit awards) made under the terms of the 1990 Unisys Long-Term Incentive Plan, or any successor equity-based incentive compensation plan.

2.15 "Plan" means the Deferred Compensation Plan for Executives of Unisys Corporation, as set forth herein and as amended from time to time.

2.16 "Revised Election" means an election made by a Participant, in accordance with Section 5.2, to change the date as of which payment of his or her Account Balance is to commence and/or the form in which such payment is to be made.

2.17 "Target EVC" means, for any individual, the amount that will be payable to such individual as EVC if the criteria applicable to such individual are satisfied.

2.18 "USP" means the Unisys Savings Plan.

2.19 "Valuation Date" means the last business day of each calendar month.

Article III  
Deferral of Compensation  
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3.1 Deferral Election.

(a) During any calendar year, each individual who is an Eligible Executive for such calendar year may, by properly completing a Deferral Election, elect to defer:

(1) all or a portion of his or her salary that, absent deferral, would be paid to him or her for services rendered during the remainder of the current calendar year and/or the next following calendar year;

(2) all or a portion of his or her EVC that, absent deferral, would be paid to him/her in the next following calendar year; and/or (3) all or a portion of his or her Performance Unit Compensation that, absent deferral, would be paid to him/her in either of the next two following calendar years; and/or

(b) To be effective, a Deferral Election with respect to EVC must be made in writing by the Eligible Executive on a form furnished by the Corporate Executive Compensation Department on or before September 30 of the calendar year immediately preceding the calendar year in which the amounts to be deferred, absent deferral, would be paid to the Eligible Executive, and a Deferral Election with respect to salary must be made in writing by the Eligible Executive on a form furnished by the Corporate Executive Compensation Department on or before the date that is at least three months and one day before the date on which the amounts to be deferred, absent deferral, would



be paid to the Eligible Executive provided, however, that an individual who becomes an Eligible Executive after the effective date of the Plan (as set forth in Section 1.2) may make a Deferral Election with respect to salary that, absent deferral, would be paid to him or her during the remainder of the calendar year in which he or she becomes an Eligible Executive and with respect to all or a portion of the EVC that, absent deferral, would be paid to him or her in the next following calendar year by filing the required written election with the Corporate Executive Compensation Department on or before the date that is 30 days after the date on which he or she becomes an Eligible Executive.

(c) To be effective, a Deferral Election with respect to Performance Unit Compensation must be made in writing by the Eligible Executive on or before the date that is 12 months and one day before the date on which the amounts to be deferred, absent deferral, would be paid to the Executive.

(d) Once made, a Deferral Election shall become effective upon approval by the Corporate Executive Compensation Department and is thereafter irrevocable, except to the extent otherwise provided in Section 5.2. A Deferral Election will be deemed to have been approved by the Corporate Executive Compensation Department if it is not disapproved by the Corporate Executive Compensation Department within ten days of the date on which it is received.

(e) An Eligible Executive's Deferral Election must specify either a percentage or a certain dollar amount of his or her salary, EVC and/or Performance Unit Compensation to be deferred under the Plan. In addition, the Deferral Election must specify the date on which payment of the Eligible Executive's Account Balance is to commence and the manner in which such payment is to be made.

(1) The Eligible Executive must specify the date as of which payment of his or her Account Balance is to commence and may specify that such payment is to commence as of:

(A) his or her termination of active employment (including as a result of retirement or disability) with the Corporation; or

(B) a specific date (which may be determined by reference to the Eligible Executive's retirement or other termination of employment) that is at least five years after the date on which the amounts to be deferred, absent deferral, would be paid to the Eligible Executive.

(2) The Eligible Executive must specify the manner in which payment of his or her Account Balance is to be made and may specify that such payment is to be made either in a single sum or in annual installments.

(3) Notwithstanding the foregoing, an Eligible Executive may not elect a time of benefit commencement and/or a form of payment to the extent that such an election would cause any payments to be made after the March 31 first following the date that is 20 years after the date of the Eligible Executive's retirement or other termination of employment.

(f) Deferrals of an Eligible Executive's salary shall be credited to the Plan ratably throughout the year (or, where applicable, the portion of the year) to which the Deferral Election applies. Deferrals of an Eligible Executive's EVC and Performance Unit Compensation shall be credited at the time at which the EVC or Performance Unit Compensation, absent deferral, would be payable to the Participant.

(g) Unless the Deferral Election form specifically provides otherwise, a Deferral Election with respect to salary shall expire as of the last day of the calendar year that includes the first day on which any amount, absent deferral, would be paid to the Eligible Executive and a Deferral Election with respect to EVC or Performance Unit Compensation shall expire as of the date on which the EVC or Performance Unit Compensation that is the subject of the Deferral Election is credited under the Plan.

3.2 Payment of FICA and Other Taxes. To the extent that, as a result of a Deferral Election, the compensation currently payable to an Eligible Executive during any period is insufficient to permit an amount equal to the FICA and other taxes that are payable by the Eligible Executive, and required to be withheld by the Corporation, during that period to be withheld from such current compensation, the Eligible Executive shall be notified by the Corporation and shall provide the Corporation with a check in an amount equal to the difference between the amount of FICA and other taxes payable by the Eligible Executive during the period and the amount of compensation otherwise currently payable to the Eligible Executive during the period. If the Eligible Executive does not provide such check within the time period specified by the Corporation, the Eligible Executive's Account Balance shall be reduced by an amount equal to the sum of (a) the difference between the amount of FICA and other taxes payable by the Eligible Executive, and required to be withheld by the Corporation, during the period and the amount of compensation otherwise currently payable to the Eligible Executive during the period and (b) any additional Federal, state and local income taxes payable by the Eligible Executive with respect to the reduction in his or her Account Balance made pursuant to this Section 3.2.

Article IV  
Treatment of Deferred Amounts  
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4.1 Memorandum Account. The Corporation shall establish on its books an Account for each Participant. Amounts deferred by a Participant pursuant to a Deferral Election shall be credited to the Participant's Account on the date on which the deferred amounts, absent deferral, would have been paid to the Participant. In addition, as of each Valuation Date, incremental amounts determined in accordance with Section 4.2 will be credited or debited to each Participant's Account. Any payments made to or on behalf of the Participant and for his or her Beneficiary shall be debited from the Account. No assets shall be segregated or earmarked in respect to any Account and no Participant or Beneficiary shall have any right to assign, transfer, pledge or hypothecate his or her interest or any portion thereof in his or her Account. The Plan and the crediting of Accounts hereunder shall not constitute a trust or a funded arrangement of any sort and shall be merely for the purpose of recording an unsecured contractual obligation of the Corporation.

4.2 Investment Measurement Options.

(a) Subject to the provisions of this Section 4.2, a Participant's Account shall be credited or debited with amounts equal to the amounts that would be earned or lost with respect to the Participant's Account Balance if amounts equal to that Account Balance were actually invested in the Investment Measurement Options in the manner specified by the Participant.

(b) Each Eligible Executive may elect, at the same time as a Deferral Election is made, to have one or more of the Investment Measurement Options applied to current deferrals. Such election with respect to current deferrals may be changed as of the first day of any month, provided that written notice of such election is filed prior to the first day of that month with the Corporate Executive Compensation Department.

(c) Subject to the restrictions described in Subsection (d), a Participant may elect to change the manner in which Investment Measurement Options apply to existing Account Balances. Such an election will be effective as of the first day of the month following the date on which a written election is filed with the Corporate Executive Compensation Department.

(d) The following rules apply to Investment Measurement Options.

(1) The percentage of a Participant's current deferrals and/or Account Balance to which a specified Investment Measurement Option is to be applied must be a multiple of five percent.

(2) To the extent that a Participant has not

specified an Investment Measurement Option to apply to all or a portion of his or her current deferrals and/or Account Balance, the Insurance Contract Fund shall be deemed to be the applicable Investment Measurement Option.

(3) The chosen Investment Measurement Option or Options shall apply to deferred amounts on and after the date on which such amounts, absent deferral, would have been paid to the Participant.

(e) The Committee shall have the authority to modify the rules and restrictions relating to Investment Measurement Options (including the authority to change such Investment Measurement Options prospectively) as it, in its discretion, deems necessary and in accord with the investment practices in place under the USP.

Article V  
Payment of Deferred Amounts  
-----

5.1 Form and Time of Payment. The benefits to which a Participant or a Beneficiary may be entitled under the Plan shall be paid in accordance with this Section 5.1.

(a) All payments under the Plan shall be made in cash.

(b) Except as otherwise provided in Sections 5.3 and 5.4, payment of a Participant's Account Balance shall commence as of the Valuation Date next following the date or dates specified in the Participant's Deferral Election or Elections or (where applicable) the Participant's Revised Election or Elections; provided, however, that where the Participant's Deferral Election or Elections or (where applicable) the Participant's Revised Election or Elections specify that payments with respect to a Participant's Account Balance are to commence as of a specified date or specified dates not determined by reference to the Participant's retirement or other termination of employment and the Participant terminates employment with the Corporation prior to such date or dates, payment of the portion of the Participant's Account Balance that was deferred to such date or dates shall commence as of the Valuation Date next following the Participant's termination of employment.

(c) All payments shall be made in the form or forms, specified in the Participant's Deferral Election or Elections or (where applicable) the Participant's Revised Election or Elections.

(d) To the extent a Participant has not specified the form or time of payment of his or her Account Balance, payment will be made in a single sum as soon as administratively practicable, but within 90 days, after the first Valuation Date following the Participant's termination of employment with the Corporation.

(e) Where a Participant has elected payment in the form of annual installments, each installment payment after the initial installment payment shall be made on or about March 31 of each year following the year in which the first installment was paid. The amount of each annual installment payment to a Participant or Beneficiary shall be determined by dividing the Account Balance as of the latest Valuation Date preceding the date of payment by the number of installments remaining to be paid.

(f) Notwithstanding any election made by a Participant, any portion of a Participant's Account Balance that has not been paid to the Participant as of the date of his or her death shall be paid to the Participant's Beneficiary in a single sum as soon as administratively practicable, but within 90 days, after the Valuation Date following the date on which the Corporation receives notification of the Participant's death.

5.2 Revised Election.

(a) Pursuant to a Revised Election, a Participant may specify:

(1) a date for the commencement of the payment of the Participant's Account Balance that is after the date specified in the

Participant's Deferral Election; and/or

(2) a form of payment that calls for a greater number of annual installment payments than that specified in the Participant's Deferral Election, or a number of annual installment payments where the Participant specified a single sum payment in his or her Deferral Election.

(3) Notwithstanding the foregoing, an Eligible Executive may not elect a time of benefit commencement and/or a form of payment to the extent that such an election would cause any payments to be made after the March 31 first following the date that is 20 years after the date of the Eligible Executive's retirement or other termination of employment.

(b) If a Participant has made a Revised Election with respect to amounts the payment of which has been deferred to a certain date, the Participant may not thereafter make another Revised Election with respect to amounts the payment of which, as of the date on which such Revised Election is made and before giving effect to the Revised Election, has been deferred to the same date.

(c) To be effective, a Revised Election must be:

(1) made in writing by the Participant on a form furnished for such purpose by the Corporate Executive Compensation Department;

(2) submitted to the Corporate Executive Compensation Department on or before the date that is three months and one day before the date on which the portion of the Participant's Account Balance that is the subject of the Revised Election would, absent the Revised Election, first become payable; and

(3) approved by the Corporate Executive Compensation Department. A Revised Election will be deemed to have been approved by the Corporate Executive Compensation Department if it is not disapproved by the Corporate Executive Compensation Department within ten days of the date on which it is received.

### 5.3 Special Payments.

(a) Notwithstanding any other provision of the Plan to the contrary, a Participant may receive payment of all or a portion of his or her Account Balance as soon as administratively practicable following the receipt by the Corporate Executive Compensation Department of the Participant's written request for such payment.

(b) (1) As a condition of receiving any payment made pursuant to Subsection 5.3(a), a Participant will be subject to, and must elect the application of, one of the following penalties:

(A) payment to the Company of an amount equal to eight percent of the amount of the payment made pursuant to Subsection 5.3(a) and suspension of the Participant's further participation in the Plan or any equivalent plan or plans maintained by the Corporation or a subsidiary of the Corporation for the entire calendar year described in "(B)" below; or

(B) payment to the Company of an amount equal to six percent of the amount of the payment made pursuant to Subsection 5.3(a), and suspension of the Participant's tax-deferred contributions to the Plan and the USP or any equivalent plan or plans maintained by the Corporation or a subsidiary of the Corporation for the entire calendar year that follows the date on which the Participant submits to the Corporate Executive Compensation Department his or her request for payment pursuant to Subsection 5.3(a).

(2) The payment to the Company specified in Paragraph 5.3(b)(1) shall generally be deducted from the amount otherwise payable to the Participant under Subsection 5.3(a).

(c) Where a Participant receives a payment of less than his or her entire Account Balance pursuant to Subsection 5.3(a), the portion of the Participant's Account Balance to which each Investment

Measurement Option is applied shall be reduced proportionately so that the Investment Measurement Options apply to the Participant's Account Balance in the same percentages immediately before and immediately after the payment.

(d) Notwithstanding any provision of the Plan to the contrary, in the event the Committee determines that any portion of a Participant's Account Balance is the subject of a final determination by the Internal Revenue Service that such portion is includible in the Participant's taxable income, the Participant's Account Balance shall be distributed to the extent it is so includible. All income taxes and related interest and penalties associated with credits to or distributions from a Participant's Account shall be borne by the Participant.

5.4 Acceleration of Payment. Notwithstanding any other provision of this Plan to the contrary, the Committee in its sole discretion may accelerate the payment of Account Balances to all or any group of similarly situated Participants or Beneficiaries, whether before or after the Participants' termination of service, in response to changes in the tax laws or accounting principles.

Article VI  
Miscellaneous  
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6.1 Amendment. The Board may modify or amend, in whole or in part, any of or all the provisions of the Plan, or suspend or terminate it entirely; provided, however, that any such modification, amendment, suspension or termination may not, without the Participant's consent, adversely affect any deferred amount credited to him or her for any period prior to the effective date of such modification, amendment, suspension or termination. The Plan shall remain in effect until terminated pursuant to this provision.

6.2 Administration. The Committee shall have the sole authority to interpret the Plan and in its discretion to establish and modify administrative rules for the Plan. All expenses and costs in connection with the operation of this Plan shall be borne by the Corporation. The Corporation shall have the right to deduct from any payment to be made pursuant to this Plan any federal, state or local taxes required by law to be withheld, and any associated interest and/or penalties.

6.3 Governing Law. The Plan shall be construed and its provisions enforced and administered in accordance with the laws of the Commonwealth of Pennsylvania except as such laws may be superseded by the federal law.

Article VII  
Transfer of Account Balance  
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7.1 Transfer to Director's Plan. Notwithstanding any election of form of payments made hereunder, a Participant who, following his termination of employment with the Corporation will be eligible to participate in the Directors' Plan, may elect at any time prior to the date that is three months and one day before the Participant's termination of employment to transfer all or any portion of his Account Balance to the Directors' Plan. Such transfer must occur prior to the date that payments of the Participant's Account Balance would otherwise be made, or commence, hereunder. Upon transfer, the Participant's Account Balance (or the portion thereof transferred) will be subject to the terms and conditions of the Directors' Plan; provided, however, that any election of form of payment made under the Directors' Plan with respect to the amount transferred may not provide for a form of payment that is in any way more rapid than the form of payment in effect under this Plan with respect to such amounts immediately prior to transfer to the Directors' Plan. Valuation of the Account Balance (or the portion thereof) to be transferred shall be made consistent with the valuation provisions described in Article V. Upon transfer, the Participant's (or his or her Beneficiary's) rights hereunder with respect to the amounts transferred shall cease.

DIRECTORS DEFERRED COMPENSATION  
PLAN OF UNISYS CORPORATION

Article I  
Purpose & Authority  
-----

1.1 Purpose. The purpose of the Plan is to offer members of the Board of Directors who are not employees of the Corporation the opportunity to defer receipt of a portion of their Compensation, under terms advantageous to both the Director and the Corporation.

1.2 Effective Date. The Board originally approved the Plan on November 20, 1981, and the Plan was subsequently amended, effective January 1, 1994. This document reflects the Plan as amended and restated effective July 25, 1996. The terms of this amended and restated Plan shall apply to all Account Balances and elections made pursuant to the Plan prior to its amendment.

1.3 Authority. Any decision made or action taken by the Corporation and any of its officers or employees involved in the administration of this Plan, or any member of the Board or the Committee arising out of or in connection with the construction, administration, interpretation and effect of the Plan shall be within the absolute discretion of all and each of them, as the case may be, and will be conclusive and binding on all parties. No member of the Board and no employee of the Corporation shall be liable for any act or action hereunder, whether of omission or commission, by any other member or employee or by any agent to whom duties in connection with the administration of the Plan have been delegated or, except in circumstances involving the member's or employee's bad faith, for anything done or omitted to be done by himself or herself.

Article II  
Definitions  
-----

2.1 "Account" means, for any Participant, the memorandum account established for the Participant under Section 4.1.

2.2 "Account Balance" means, for any Participant as of any date, the aggregate amount reflected in his or her Account.

2.3 "Beneficiary" means the person or persons designated from time to time in writing by a Participant to receive payments under the Plan after the death of such Participant or, in the absence of such designation or in the event that such designated person or persons predeceases the Participant, the Participant's estate.

2.4 "Board" means the Board of Directors of the Corporation.

2.5 "Committee" means the Compensation and Organization Committee of the Board.

2.6 "Compensation" means amounts payable by the Corporation, absent deferral, with respect to services provided by a Participant to the Corporation as a Director, including retainer and meeting fees, but shall not include non-elective stock unit amounts credited, payable or paid under the Stock Unit Plan.

2.7 "Corporation" means Unisys Corporation.

2.8 "Deferral Election" means an election by an Eligible Director to defer a portion of his or her Compensation under the Plan, as described in Section 3.1.

2.9 "Eligible Director" means, a member of the Board who is not an employee of the Corporation.

2.10 "Investment Measurement Option" means any of the hypothetical investment alternatives available for determining the additional amounts to be credited to a Participant's Account under Section 4.2. The Investment Measurement Options currently available

are (a) the Fidelity Retirement Money Market Portfolio, (b) the Fidelity Asset Manager: Growth Fund, (c) the Fidelity Magellan Fund, (d) the Fidelity Asset Manager Fund, (e) the Fidelity Asset Manager: Income Fund, (f) the Fidelity U.S. Equity Commingled Fund, and (h) the Interest Income Fund, each of which are investment options currently available under the USP.

2.11 "Officers' Plan" means the Deferred Compensation Plan for Executives of Unisys Corporation.

2.12 "Participant" means an Eligible Director or former Eligible Director who has made a Deferral Election and who has not received a distribution of his or her entire Account Balance.

2.13 "Plan" means the Directors Deferred Compensation Plan of Unisys Corporation, as set forth herein and as amended from time to time.

2.14 "Revised Election" means an election made by a Participant, in accordance with Section 5.2, to change the date as of which payment of his or her Account Balance is to commence and/or the form in which such payment is to be made.

2.15 "USP" means the Unisys Savings Plan.

2.16 "Valuation Date" means the last business day of a calendar month.

Article III  
Deferral of Compensation  
-----

3.1 Deferral Election.

(a) Prior to or during any calendar year, each Eligible Director may elect to defer all or a portion of his or her Compensation that, absent deferral, would be paid to him or her for services rendered during the following calendar year or the remainder of the current calendar year, as applicable, by properly completing a Deferral Election form.

(b) To be effective, a Deferral Election must be made in writing by the Eligible Director on a form furnished by the Secretary of the Corporation on or before the date that is (I) no later than the December 31 prior to the calendar year to which the Deferral Election applies or (II) at least three months and one day before the date on which the amounts to be deferred, absent deferral, would be paid to the Eligible Director, provided, however, that an individual who becomes an Eligible Director after January 1 of a calendar year may make a Deferral Election with respect to Compensation that, absent deferral, would be paid to him or her during the remainder of the calendar year in which he or she has become an Eligible Director, by filing the required written election on or before the date that is 30 days after the date on which he or she becomes an Eligible Director.

(c) Once made, a Deferral Election shall become effective upon approval by the Secretary of the Corporation and is thereafter irrevocable, except to the extent otherwise provided in Section 5.2. A Deferral Election will be deemed to have been approved by the Secretary of the Corporation if it is not disapproved by the Secretary of the Corporation within ten days of the date on which it is received.

(d) An Eligible Director's Deferral Election must specify either a percentage or a certain dollar amount of his or her Compensation to be deferred under the Plan. In addition, the Deferral Election must specify the date on which payment of the amount deferred is to commence and the manner in which such payment is to be made.

(1) The Eligible Director must specify the date as of which payment of the amount deferred is to commence, subject to Section 5.1(b) hereof, and may specify that such payment is to commence as of:

(A) his or her termination of service as a member of the Board (including as a result of disability); or

(B) a specific date (which may be determined by reference to the Eligible Director's termination of service) that is at least five years after the date on which the initial amounts to be deferred, absent deferral, would be paid to the Eligible Director.

(2) The Eligible Director must specify the manner in

which payment of his or her Account Balance is to be made and may specify that such payment is to be made either in a single sum or in annual installments.

(3) Notwithstanding the foregoing, an Eligible Director may not elect a time of benefit commencement and/or a form of payment to the extent that such an election would cause any payments to be made after the March 31 first following the date that is 20 years after the date of the Eligible Director's termination of service.

(e) Deferrals of an Eligible Director's Compensation shall be credited to the Plan at the time at which the Compensation, absent deferral, would be payable to the Participant.

(f) Unless the Deferral Election form specifically provides otherwise, a Deferral Election shall expire as of the last day of the calendar year that includes the first day on which any amount, absent deferral, would be paid to the Eligible Director.

Article IV  
Treatment of Deferred Amounts  
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4.1 Memorandum Account. The Corporation shall establish on its books an Account for each Participant. Amounts deferred by a participant pursuant to a Deferral Election shall be credited to the Participant's Account on the date on which the deferred amounts, absent deferral, would have been paid to the Participant. In addition, as of each Valuation Date, incremental amounts determined in accordance with Section 4.2 will be credited or debited to each Participant's Account. Any payments made to or on behalf of the Participant and for his or her Beneficiary shall be debited from the Account. No assets shall be segregated or earmarked in respect to any Account and no Participant or Beneficiary shall have any right to assign, transfer, pledge or hypothecate his or her interest or any portion thereof in his or her Account. The Plan and the crediting of Accounts hereunder shall not constitute a trust or a funded arrangement of any sort and shall be merely for the purpose of recording an unsecured contractual obligation of the Corporation.

4.2 Investment Measurement Options.

(a) Subject to the provisions of this Section 4.2, a Participant's Account shall be credited or debited with amounts equal to the amounts that would be earned or lost with respect to the Participant's Account Balance if amounts equal to that Account Balance were actually invested in the Investment Measurement Options in the manner specified by the Participant.

(b) Each Eligible Director may elect, at the same time as a Deferral Election is made, to have one or more of the Investment Measurement Options applied to current deferrals. Such election with respect to current deferrals may be changed as of the first day of any quarter, provided that written notice of such election is filed prior to the first day of that quarter with the Secretary of the Corporation.

(c) Subject to the restrictions described in Subsection (d), a Participant may elect to change the manner in which Investment Measurement Options apply to existing Account Balances. Such an election will be effective as of the first day of the calendar quarter following the date on which a written election is filed with the Secretary of the Corporation.

(d) The following rules apply to Investment Measurement Options.

(1) The percentage of a Participant's current deferrals and/or Account Balance to which a specified Investment Measurement Option is to be applied must be a multiple of five percent.

(2) To the extent that a Participant has not specified an Investment Measurement Option to apply to all or a portion of his or her current deferrals and/or Account Balance, the Insurance Contract Fund shall be deemed to be the applicable Investment Measurement Option.

(3) The chosen Investment Measurement Option or Options shall apply to deferred amounts on and after the date on which such amounts, absent deferral, would have been paid to the Participant.

(e) The Committee shall have the authority to modify the rules and restrictions relating to Investment Measurement Options



(including the authority to change such Investment Measurement Options prospectively) as it, in its discretion, deems necessary and in accord with the investment practices in place under the USP.

4.3 Frozen Stock Units Account. Effective November 21, 1991, the Stock Units Account was no longer an available investment option under this Plan and amounts invested in the Account were frozen as to future investment option transfers. Amounts invested in the Stock Units Account through November 21, 1991 continued to be held under this Plan until July 24, 1996. All Account Balances invested in the Frozen Stock Units Account are transferred to the Unisys Corporation Stock Unit Plan effective July 25, 1996.

Article V  
Payment of Deferred Amounts  
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5.1 Form and Time of Payment. The benefits to which a Participant or a Beneficiary may be entitled under the Plan shall be paid in accordance with this Section 5.1.

(a) All payments under the Plan shall be made in cash.

(b) Except as otherwise provided in Sections 5.3 and 5.4, payment of a Participant's Account Balance shall commence as of the Valuation Date next following the date or dates specified in the Participant's Deferral Election or Elections or (where applicable) the Participant's Revised Election or Elections.

(c) All payments shall be made in the form or forms specified in the Participant's Deferral Election or Elections or (where applicable) the Participant's Revised Election or Elections.

(d) To the extent a Participant has not specified the form or time of payment of all or a part of his or her Account Balance, payment of the amounts not specified will be made in a single sum as soon as administratively practicable, but within 90 days, after the first Valuation Date following the Participant's termination of service as a Director.

(e) Where a Participant has elected payment in the form of annual installments, each installment payment after the initial installment payment shall be made on or about March 31 of each year following the year in which the first installment was paid. The amount of each annual installment payment to a Participant or Beneficiary shall be determined by dividing the Account Balance as of the latest Valuation Date preceding the date of payment by the number of installments remaining to be paid.

(f) Notwithstanding any election made by a Participant, any portion of a Participant's Account Balance that has not been paid to the Participant as of the date of his or her death shall be paid to the Participant's Beneficiary in a single sum as soon as administratively practicable, but within 90 days, after the Valuation Date following the date on which the Corporation receives notification of the Participant's death.

5.2 Revised Election.

(a) Pursuant to a Revised Election, a Participant may specify:

(1) a date for the commencement of the payment of the Participant's Account Balance that is after the date specified in the Participant's Deferral Election; and/or

(2) a form of payment that calls for a greater number of annual installment payments than that specified in the Participant's Deferral Election, or a number of annual installment payments where the Participant specified a single sum payment in his or her Deferral Election.

(3) Notwithstanding the foregoing, a Participant may not elect a time of benefit commencement and/or a form of payment to the extent that such an election would cause any payments to be made after the March 31 first following the date that is 20 years after the date of the Participant's termination of service as a Director.

(b) If a Participant has made a Revised Election with respect to amounts the payment of which has been deferred to a certain date, the Participant may not thereafter make another Revised Election with respect to amounts the payment of which, as of the date on which such Revised Election is made and before giving effect to the Revised Election, has been deferred to the same date.

(c) To be effective, a Revised Election must be:

- (1) made in writing by the Participant on a form furnished for such purpose by the Secretary of the Corporation;
- (2) submitted to the Secretary of the Corporation on or before the date that is three months and one day before the date on which the portion of the Participant's Account Balance that is the subject of the Revised Election would, absent the Revised Election, first become payable; and
- (3) approved by the Secretary of the Corporation. A Revised Election will be deemed to have been approved by the Secretary of the Corporation if it is not disapproved by the Secretary of the Corporation within ten days of the date on which it is received.

### 5.3 Special Payment.

(a) Notwithstanding any other provision of the Plan to the contrary, a Participant may receive payment of all or a portion of his or her Account Balance as soon as administratively practicable following the receipt by the Secretary of the Corporation of the Participant's written request for such payment.

(b) As a condition of receiving any payment made pursuant to Subsection 5.3(a), a Participant will be subject to, as a penalty, payment to the Company of an amount equal to 8 percent of the amount of the payment made pursuant to Subsection 5.3(a) and suspension of the Participant's further participation in the Plan, the Unisys Corporation Director Stock Unit Plan, or any equivalent plan or plans maintained by the Corporation or a subsidiary of the Corporation for the entire full calendar year that follows the date on which the Participant submits to the Secretary of the Corporation his or her request for payment pursuant to Subsection 5.3(a). The payment to the Company shall generally be deducted from the amount otherwise payable to the Participant under Subsection 5.3(a).

(c) Where a Participant receives a payment of less than his or her entire Account Balance pursuant to Subsection 5.3(a), the portion of the Participant's Account Balance to which each Investment Measurement Option is applied shall be reduced proportionately so that the Investment Measurement Options apply to the Participant's Account Balance in the same percentage immediately before and immediately after the payment.

(d) Notwithstanding any provision of the Plan to the contrary, in the event the Committee determines that any portion of a Participant's Account Balance is the subject of a determination by the Internal Revenue Service that such portion is includible in the Participant's taxable income, the Participant's Account Balance shall be distributed to the extent it is so includible. All income taxes and related interest and penalties associated with credits to or distributions from a Participant's Account shall be borne by the Participant.

5.4 Acceleration of Payment. Notwithstanding any other provision of this Plan to the contrary, the Committee in its sole discretion may accelerate the payment of Account Balances to all or any group of similarly situated Participants or Beneficiaries, whether before or after the Participant's termination of service, in response to changes in the tax laws or accounting principles.

## Article VI Miscellaneous -----

6.1 Amendment. The Board may modify or amend, in whole or in part, any of or all the provisions of the Plan, or suspend or terminate it entirely; provided, however, that any such modification, amendment, suspension or termination may not, without the Participant's consent, adversely affect any deferred amount credited to him or her for any period prior to the effective date of such modification, amendment, suspension or termination. The Plan shall remain in effect until terminated pursuant to this provision.

6.2 Administration. The Committee shall have the sole authority to interpret the Plan and in its discretion to establish and modify administrative rules for the Plan. All expenses and costs in connection with the operation of this Plan shall be borne by the Corporation. The Corporation shall have the right to deduct from any payment to be made pursuant to this Plan any federal, state or local taxes required by law to be withheld, and any associated interest and/or penalties.

6.3 Governing Law. The Plan shall be construed and its provisions enforced and administered in accordance with the laws of the Commonwealth of Pennsylvania except as such laws may be superseded by the federal law.

Article VII  
Transfer of Account Balance  
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7.1 Transfer of Officers' Plan Accounts. Notwithstanding any other provision of the Plan to the contrary, a Director who is a former officer of Unisys Corporation and who is a participant in the Officers' Plan may elect to transfer any or all of his/her account balance in the Officer's Plan into this Plan. Upon transfer, such amounts shall be subject to the terms and conditions of this Plan, provided that all elections previously made under the Officers' Plan with respect to such amounts shall continue in effect until otherwise modified hereunder. Notwithstanding the payment election provision described in Article V hereof, in no event may a Director elect a form of payment with respect to amounts transferred from the Officers' Plan that is any more rapid than the form of payment in effect under the Officers' Plan at the time of such transfer.

VIII  
Change in Control  
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8.1 Withdrawal Election.

(a) Notwithstanding any other provision of the Plan to the contrary, in the event of a "change in control," as defined below, each Participant may elect to receive a single sum payment of all or any portion of his/her account balance. Such election shall only be effective if delivered to the Secretary of the Corporation within the ninety-day period immediately following the date of the occurrence of the change in control.

(b) If an election is timely made, the Participant (or Beneficiary) will be entitled to receive, as soon as practicable after the expiration of the ninety-day period, an amount equal to (1) the full value or any portion thereof of the Account Balance minus (2) an early withdrawal penalty equal to 8% of the total value of (1). The Committee, upon advice of counsel, may modify the early withdrawal penalty described above in any way it deems appropriate and consistent with the purposes of the Plan.

8.2 Litigation Expenses. If litigation is brought by a Participant or Beneficiary after a change in control to enforce or interpret any provision of the Plan, the Corporation to the extent permitted by applicable law shall reimburse the Participant (or Beneficiary) for the reasonable fees and disbursements of counsel incurred in such litigation.

8.3 Change in Control Definition. For purposes of this Article VIII, a "change in control" shall have the same meaning as is ascribed to that term under the 1990 Long-Term Incentive Plan, or any successor plan designated by the Committee.

UNISYS CORPORATION  
DIRECTOR STOCK UNIT PLAN

1. Purpose. The purpose of the Unisys Corporation Director Stock Unit Plan (the "Plan") is to provide a vehicle through which all or a portion of the remuneration paid to Directors of Unisys Corporation (the "Corporation") who are not employees of the Corporation may be paid in a form which (1) more closely aligns directors' and stockholders' interests and (ii) permits Directors to defer recognition of income until termination of service with the Corporation.

2. Effective Date. The Board of Directors (the "Board") approved the Plan on November 21, 1991. The Plan was amended and restated on December 17, 1992. The effective date of the Plan as hereby amended and restated is July 25, 1996.

3. Definitions.

(A) "Account" means, for any Director, the memorandum account established for the Director under Section 6.

(B) "Annual Stock Unit Award Date" means the date of the first regular Board meeting held each calendar year, normally in the month of January, or such other date as shall be approved by the Board or the Committee.

(C) "Beneficiary" means the person or persons designated from time to time in writing by a participating Director to receive payments after the death of such Director or, in the absence of any such designation or in the event that such designated person or persons shall predecease such Director, his/her estate.

(D) "Board" shall mean the Board of Directors of the Corporation.

(E) "Change in Control" shall have the same meaning as is ascribed to that term under the 1990 Long-Term Incentive Plan, or any successor stock option plan.

(F) "Committee" means the Compensation and Organization Committee of the Board.

(G) "Compensation" includes remuneration (other than that paid in accordance with Section 4(B) hereof) for services as a Director, including Directors' retainer fees and Board and Committee meeting fees.

(H) "Compensation Payment Date" means, with respect to a Retainer Fee, the first business day of the month for which such monthly retainer payment is due and payable, and with respect to a Board/Committee Meeting Fee, the date of such meeting. If Unisys Common Stock is not traded on such date, the Compensation Payment Date shall be the next preceding trading day.

(I) "Corporation" means Unisys Corporation.

(J) "Deferred Compensation" means the amount the Director elects to defer pursuant to Section 4(A) hereof.

(K) "Director" means a member of the Board who is not an employee of the Corporation.

(L) "Fair Market Value" means, on any date, the average of the high and low quoted sales prices of a share of Unisys Common Stock as reported on the Composite Tape for New York Stock Exchange Companies.

(M) "Stock Units" means Unisys common stock-equivalent units, which may be awarded pursuant to the Plan as Elective or Non-elective Stock Units. Stock Units also include Frozen Stock Units held under the Directors Deferred Compensation Plan and transferred to this Plan effective July 25, 1996.

(N) "Stock Unit Retainer Value" means \$1000 or such other amount as shall be approved by the Board or the Committee.

(O) "Valuation Date" shall mean the last business day of a calendar month.

4. Crediting of Stock Units.

(A) Elective Stock Units. Prior to or during any calendar year, a Director may elect (i) to defer all or a portion of his or her cash Compensation that would be paid to him for services rendered during the following calendar year or for the remainder of the current calendar year, as applicable, and (ii)

to be credited in lieu of such amount with Stock Units.

(B) Non-Elective Stock Unit Awards. On the Annual Stock Unit Award Date, each Director's Account shall be credited with Stock Units equal to the Stock Unit Retainer Value. The Board shall have the discretion to make additional Stock Unit awards at such times and in such amounts as it deems appropriate.

(C) Amount Credited. The number of Stock Units to be credited to a Director's Account shall be the quotient of (a) divided by (b) where (a) equals the Deferred Compensation or Stock Unit Retainer Value, as applicable, and (b) equals the Fair Market Value on the Compensation Payment Date or Annual Stock Unit Award Date, as applicable.

#### 5. Elections.

(A) A Director's election shall be executed in writing on a form furnished by the Secretary of the Corporation on or before the date that is (I) no later than December 31 of the year preceding the calendar year to which the election applies or (II) at least three months and one day before the date on which the monthly retainer or meeting fees to be deferred, absent deferral, would be paid to the Director, provided, however, that an individual who becomes a Director after January 1 of a calendar year may make an Election with respect to Compensation that has not been paid and, absent deferral, would be paid to him or her during the remainder of the calendar year in which he or she has become a Director, by executing the required written election on or before the date that is 30 days after the date on which he or she becomes a Director. The election must specify that the Director desires to be credited Stock Units in lieu of receiving his/her Compensation in cash.

(B) An election, once made, shall be irrevocable with respect to Compensation payable for the calendar year or years to which it applies.

(C) An election must specify either a percentage or a certain dollar amount of the Compensation to be deferred under the Plan.

(D) An election must specify whether the Stock Units will be paid in cash or in common stock of the Corporation, provided, however, that no election to be paid Stock Units in the form of stock shall become effective until November 1, 1996.

(E) An election shall specify the date on which payment of the amount deferred is to commence, subject to Sections 8 and 9 hereof, and may specify that such payment is to commence as of:

(1) the Director's termination of service as a member of the Board (including as a result of disability); or

(2) a specific date (which may be determined by reference to the Director's termination of service) that is at least five years after the date on which the initial amounts to be deferred, absent deferral, would be paid to the Director.

(F) The Director must specify the manner in which payment of his or her Account is to be made and may specify that such payment is to be made either in a single sum or in annual installments.

(G) Notwithstanding the foregoing, a Director may not elect a time of benefit commencement and/or a form of payment to the extent that such an election would cause any payments to be made after the March 31 first following the date that is 20 years after the date of the Director's termination of service.

(H) Deferrals of a Director's Compensation shall be credited to the Plan at the time at which the Compensation, absent deferral, would otherwise be payable to the Director.

(I) Unless the Election form specifically provides otherwise, an Election shall expire as of the last day of the calendar year that includes the first day on which any compensation, absent deferral, would be paid to the Director.

(J) Additional payment elections with respect to Non-Elective Stock Unit Awards may be provided if deemed necessary and appropriate by the Committee.

6. Memorandum Account. The Corporation shall establish on its books a memorandum account for each Director denoted as the Director's Corporation Stock Units Account. Stock Units, dividends and other adjustments shall be credited to the account and payments made to the Director or Beneficiary shall be debited

to the account. No assets shall be segregated or earmarked in respect of any amounts credited to the Account and no Director shall have any right to assign, transfer, pledge or hypothecate his or her interest or any portion thereof in his or her Account. The Plan and the crediting of Accounts hereunder shall not constitute a trust and shall be merely for the purpose of recording an unsecured contractual obligation.

7. Dividends and Other Adjustments. If the Corporation shall issue a stock dividend on the common stock, stock dividend equivalents shall be credited to the Account, as of the dividend payment date, as Stock Units in the same amount as the stock dividends to which the Director would have been entitled if the Stock Units were shares of common stock. Cash dividends, if any, shall be credited to the Account, as of the dividend payment date, in the form of Stock Units determined in the manner set forth in Section 4(C) hereof based on the Fair Market Value of the Common Stock on the dividend payment date. The Account shall be appropriately adjusted to reflect splits, reverse splits, or comparable changes to the Corporation's common stock.

8. Distribution of Accounts.

(A) Payment Election. Except as otherwise provided in Section 9, payment of an Account shall commence as of the Valuation Date next following the date or dates specified in the Election or Elections or (where applicable) the Revised Election or Elections.

(1) All payments shall be made in the form or forms specified in the Election or Elections or (where applicable) the Revised Election or Elections.

(2) To the extent a Director has not specified the form or time of payment of all or a part of his or her Account, payment of the amounts not specified will be made in a single sum as soon as administratively practicable, but within 90 days, after the first Valuation Date following the Director's termination of service as a Director.

(3) Where a Director has elected payment in the form of annual installments, each installment payment after the initial installment payment shall be made on or about March 31 of each year following the year in which the first installment was paid.

(4) Notwithstanding any election made by a Director, any portion of a Director's Account that has not been paid to the Director as of the date of his or her death shall be paid to the Director's Beneficiary in a single sum as soon as administratively practicable, but within 90 days following the Valuation Date on which the Corporation receives notification of the Director's death.

(B) Revised Election.

(1) Pursuant to a Revised Election, a Director may specify:

(I) a date for the commencement of the payment of the Director's Account that is after the date specified in the Director's Election; and/or

(II) a form of payment that calls for a greater number of annual installment payments than that specified in the Director's Election, or a number of annual installment payments where the Director specified a single sum payment in his or her Election.

(III) Notwithstanding the foregoing, a Director may not elect a time of benefit commencement and/or a form of payment to the extent that such an election would cause any payments to be made after the March 31 first following the date that is 20 years after the date of the Director's termination of service as a Director.

(2) If a Participant has made a Revised Election with respect to amounts the payment of which has been deferred to a certain date, the Participant may not thereafter make another Revised Election with respect to amounts the payment of which, as of the date on which such Revised Election is made and before giving effect to the Revised Election, has been deferred to the same date.

(3) To be effective, a Revised Election must be:

(I) made in writing by the Director on a form furnished for such purpose by the Secretary of the

Corporation;

(II) submitted to the Secretary of the Corporation on or before the date that is three months and one day before the date on which the portion of the Director's Account that is the subject of the Revised Election would, absent the Revised Election, first become payable; and

(III) approved by the Secretary of the Corporation. A Revised Election will be deemed to have been approved by the Secretary of the Corporation if it is not disapproved by the Secretary of the Corporation within ten days of the date on which it is received.

(C) Valuation of Account. In determining the amount to be paid upon termination of service, the cash value of a Director's Account shall equal the product of the number of Stock Units credited to the Account multiplied by the Fair Market Value as of the applicable Valuation Date. The value of Stock Units payable in stock shall equal shares of Unisys Common Stock equal to the number of whole Stock Units. The value of fractional Stock Units shall be paid in cash. The amount of each annual installment payment shall be determined by dividing the value determined in accordance with the preceding sentence as of the date of the installment payment by the number of installments remaining to be paid.

(D) No early Withdrawals. No early withdrawal of a Director's Account shall be permitted. Except as provided in Section 9 hereof or as provided in an Election or Revised Election, distribution of a Director's Account may be made only upon termination of service as a Director.

9. Accelerated Payment.

(A) Change in Control.

(1) Notwithstanding any other provision of the Plan to the contrary, in the event of a "change in control," each Director may elect to receive a single sum payment of all or any portion of his or her Stock Unit Account balance. Such election shall only be effective if delivered to the Secretary of the Corporation within the ninety-day period immediately following the date of the occurrence of the change in control.

(2) If an election is timely made, the Director (or Beneficiary) will be entitled to receive, as soon as practicable after the expiration of the ninety-day period, an amount equal to (a) the full value or any portion thereof of the Stock Unit Account minus (b) an early withdrawal penalty equal to 8% of the total value of (a). The Committee, upon advice of counsel, may modify the early withdrawal penalty described above in any way it deems appropriate and consistent with the purposes of the Plan.

(3) If litigation is brought by the Director or the Beneficiary after a change in control to enforce or interpret any provision of the Plan, the Corporation to the extent permitted by applicable law shall reimburse the Director (or Beneficiary) for the reasonable fees and disbursements of counsel incurred in such litigation.

(B) Change in Circumstances. Notwithstanding any other provision of this Plan to the contrary, the Committee in its sole discretion may accelerate the payment of Stock Units Accounts to all or any group of similarly situated Directors or Beneficiaries, whether before or after the Director's termination of service, in response to changes in the tax laws or accounting principles.

10. Amendment and Termination. The Board may modify or amend, in whole or in part, any or all of the provisions of the Plan, or suspend or terminate it entirely; provided, however, that any such modification, amendment, suspension or termination may not, without the participating Director's consent, adversely affect any amount credited to his/her Account for any period prior to the effective date of such modification, amendment, suspension or termination. The Plan shall remain in effect until terminated pursuant to this provision.

11. Administration. The Plan shall be administered by the Committee. Any decision made or action taken by the Committee arising out of or in connection with the construction, administration, interpretation, or effect of the Plan shall be

within the absolute discretion of the Committee and shall be conclusive and binding on all parties.

12. Expenses and Taxes. All expenses and costs in connection with the operation of this Plan shall be borne by the Corporation. The Corporation shall have the right to deduct from any payment to be made pursuant to this Plan any federal, state or local taxes required by law to be withheld.

13. Governing Law. The Plan shall be construed and its provisions enforced and administered in accordance with the laws of the Commonwealth of Pennsylvania except as such laws may be superseded by any federal law.

14. SEC Rule 16b. The Plan is intended to comply with SEC Rule 16b-3 as adopted by the Securities and Exchange Commission effective November 1, 1996, and as amended thereafter, and the Committee is authorized to interpret the Plan, modify the Plan and/or adopt rules pursuant to the Plan in order to comply with Rule 16b-3 or such other exemptions as may be applicable. Specifically, the Committee may delay payment of accounts which have been deferred or credited for a period of less than six months as of the payment date.



UNISYS CORPORATION  
ELECTED OFFICER PENSION PLAN  
EFFECTIVE JUNE 1, 1988  
(As Amended through January 23, 1997)

ARTICLE I

PURPOSE  
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1.01 The Unisys Corporation Elected Officer Pension Plan (the "Plan") has been adopted by Unisys Corporation (the "Company") to provide a minimum level of retirement benefits for elected Officers (as defined in Section 2.12 below) of the Company. The Plan is effective June 1, 1988 and applies to any elected Officer or other eligible employee of the Company who terminates employment on or after that date. This document is a restatement which includes all amendments made through January 23, 1997. Prior to June 1, 1988, elected Officers of the Company were provided executive pension benefits under the Unisys Corporation Supplemental Executive Retirement Income Plan - Part IV or the Sperry Corporation Executive Pension Plan. Officers who terminated employment prior to June 1, 1988 will receive executive pension benefits, if any, under the terms of the prior plan in effect on their termination date.

ARTICLE II

DEFINITIONS  
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2.01 "Board" shall mean the Board of Directors of Unisys Corporation.

2.02 "Bonus Plan" shall mean the Unisys Executive Bonus Plan, the Unisys Senior Manager Bonus Plan or any predecessor or successor annual bonus plan.

2.03 "Company" shall mean Unisys Corporation, a Delaware corporation.

2.04 "Company Plan" shall mean the Unisys Pension Plan.

2.05 "Committee" shall mean the Administrative Committee as appointed from time to time by the Board.

2.06 "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

2.07 "Credited Service" shall mean the Participant's Credited Service, as defined in Article IV.

2.08 "Disability" shall refer to a Participant who is determined by the Committee or its designee to be unable to perform, because of injury or sickness, each of the regular duties of the Participant's occupation for a period of up to 24 months. After 24 months, the Participant will continue to be considered Disabled if the Committee or its designee determines that the Participant cannot perform each of the regular duties of any gainful occupation for which he or she is fitted by training, education or experience.

2.09 "Effective Date" shall mean June 1, 1988.

2.10 "Final Average Compensation" shall mean the Participant's Final Average Compensation, as defined in the Company Plan, except that any annual bonus amount payable under the Bonus Plan and deferred by the Participant (or any salary amounts deferred under an arrangement approved by the Board) and any amounts excluded from consideration under the Company Plan due to the application of Section 401(a)(17) of the Code shall be included in the calculation of Final Average Compensation in the month in which such amounts were or

would otherwise have been paid; provided, however, that no more than the most recent five annual bonus amounts (whether paid or deferred) shall be included in the calculation of Final Average Compensation.

2.11 "Employee" shall mean any person employed by Unisys Corporation or one of its subsidiaries.

2.12 "Officer" shall mean any officer of the Company elected by the Board, but excluding assistant officers, appointed officers or the general auditor.

2.13 "Part IV" shall mean Part IV of the Unisys Corporation Supplemental Executive Retirement Income Plan, as in effect immediately prior to the Effective Date.

2.14 "Participant" shall mean any person entitled to participate in this Plan under Article III.

2.15 "Plan" shall mean the Unisys Corporation Elected Officer Pension Plan, as set forth herein and as hereafter amended.

2.16 "Primary Social Security Benefit" shall mean the annualized amount calculated according to the rules for computing the primary social security benefit payable to a Participant upon attainment of Social Security Retirement Age under the Federal Social Security Act as in effect at the time the Participant retires. In the event that a Participant retires prior to attainment of eligibility for Social Security benefits, the Participant's Primary Social Security Benefit shall be deemed to be 80% of the Primary Social Security Benefit payable at Social Security Retirement Age.

In the event the Participant retires after attainment of eligibility for Social Security benefits, but before Social Security Retirement Age, the Primary Social Security Benefit shall be deemed to be an amount prorated between the benefit payable at Social Security Retirement Age and 80% of such amount. For purposes of this calculation, it will be assumed that the Participant has no earnings for Social Security purposes beyond the date of retirement.

2.17 "Prior Plan(s)" shall mean Part IV and/or the Sperry Plan.

2.18 "Sperry Plan" shall mean the Sperry Corporation Executive Pension Plan, as in effect immediately prior to the Effective Date.

2.19 "Supplemental Plan" shall mean the Unisys Corporation Supplemental Executive Retirement Income Plan-Part I, as amended and restated effective April 1, 1988. Unless otherwise specified, capitalized words and phrases used in this Plan shall have the same meaning as such words or phrases when used in the Company Plan.

2.20 Change in Control means any of the following events:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (iv) any

acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 2.20; or

(b) Individuals who, as of May 25, 1995, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

2.21 "Date of an Insolvency" shall mean the date on which the Company (i) voluntarily files a petition under the United States Bankruptcy Code, (including a petition for Chapter 11 reorganization) or (ii) has filed involuntarily against it a petition under the United States Bankruptcy Code and an Order for Relief is entered thereon.

ELIGIBILITY FOR PARTICIPATION  
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3.01 Participation

(a) Each Employee who is or becomes an Officer on or after the Effective Date shall become a participant in this Plan on the earliest to occur of the following:

(1) the date on which the Employee attains age 55 and completes 10 years of Credited Service, provided that the Employee is or becomes an Officer on or after such date; or

(2) the date on which occurs a Change in Control or the Date of an Insolvency, provided the Employee is an Officer on such date; or

(3) for an Employee who is an Officer on or after January 1, 1997, the date on which the Employee attains age 50 and completes 5 years of Credited Service, provided that the Employee continues to be an Officer as of such date and provided that such Employee is employed by the Company or an Affiliated Company on or after December 31, 1998.

(b) An Officer who is eligible under paragraph (a) above and who retires or terminates employment due to Disability or death, or a former Officer who was eligible under paragraph (a) above and retires from active employment with the Company or terminates employment with the Company due to death or Disability within twelve months of ceasing to be an Officer, shall be eligible, upon application, to receive the retirement and surviving spouse benefits provided in Article V below.

(c) A former Officer who was eligible under paragraph (a) above and continues in active employment for more than twelve months after ceasing to be an Officer shall be eligible, upon application, to receive a vested annual retirement benefit calculated in accordance with Sections 5.01(a), 5.03, 5.05 and 5.06, utilizing as an offset the amount of benefits payable under the Company Plan and the Supplemental Plan calculated as if the Participant had elected a single life annuity form of benefit under the Company Plan, and such former Officer shall not be eligible for the survivor benefits described in Section 5.04. This Section 3.01(c) shall not apply after the occurrence of a Change in Control with respect to any individual who was an Officer on the date of the Change in Control.

(d) Each Employee who was a participant in a Prior Plan, but who is not eligible to participate in this Plan, shall continue to have his or her rights to executive pension benefits determined under such Prior Plan.

(e) Notwithstanding anything to the contrary in Section 3.01(a)(3), if an Employee who would otherwise become a participant on December 31, 1998 under Section 3.01(a)(3) is terminated by the Company without "cause" prior to December 31, 1998, then that employee will become a participant as of December 31, 1998 provided that Credited Service and Final Average Compensation will be determined as of the employee's termination date. For purposes of this Section 3.01(e), "cause" shall mean intentional dishonesty, gross neglect of the employee's duties, or the continued failure by the employee to perform his/her duties (provided that the Company has provided the employee with notice identifying the manner in which it reasonably believes that the employee has failed to adequately perform his/her duties, and the employee

has failed to discontinue the inadequate performance within 30 days of receiving such notice). The determination of whether an employee was terminated without cause shall be made by the Committee and that determination shall be final and binding on all parties.

#### ARTICLE IV

##### CREDITED SERVICE

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#### 4.01 Credited Service

Credited Service under this Plan shall be calculated on the basis of Credited Service as defined in the Company Plan for the following periods:

(a) period of employment as an Officer;

(b) up to twelve months of active employment with the Company immediately following termination of Officer status, or, if longer, the number of months of a Company approved leave of absence due to Disability immediately following termination of Officer status, and

(c) employment prior to becoming an Officer with the Company including a predecessor or an Affiliated Company or 50% Affiliated Company for the period of time such company was an Affiliated Company or 50% Affiliated Company. However, if a Participant receives Credited Service under the Company Plan for employment with a company before it became an Affiliated Company or 50% Affiliated Company, Credited Service shall include the period of employment with such company.

#### ARTICLE V

##### CALCULATION OF BENEFITS

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#### 5.01 Amount of Benefits

(a) Subject to the adjustments set forth in Sections 5.02 and 5.03, a Participant shall receive an annual retirement benefit payable at Normal Retirement Date equal to:

(1) 40% of the Participant's Final Average Compensation for the Participant's first 10 years of Credited Service, or, for a Participant who has less than 10 years of Credited Service, one-third of one percent of the Participant's Final Average Compensation for each month of Credited Service; plus

(2) 1% of the Participant's Final Average Compensation for each year of Credited Service in excess of 10 (but not in excess of 30) including proportional credit for a fraction of a year; minus

(3) 50% of the Participant's Primary Social Security Benefit.

(b) The benefit payable from this Plan and described in paragraph (a) shall be a monthly benefit paid in the form of a single life annuity if the Participant is unmarried on the date that the Participant commences receipt of benefits, or in the form of a joint and 50% surviving spouse annuity if the Participant is married

on the date the Participant commences receipt of benefits. The benefit payable to a Participant shall not be reduced or increased as a result of such payment in the surviving spouse benefit form or for any age difference between the Participant and spouse.

#### 5.02 Optional Forms of Benefit Payments

In lieu of the normal form of benefit payment described in Section 5.01(b), a Participant who is married at commencement of benefit payments may elect to receive the benefit payable from this Plan and described in Section 5.01(a) in either of the following optional forms:

(a) a joint and 75% surviving spouse annuity which will provide the Participant with a reduced lifetime benefit equal to 95% of the benefit described in Section 5.01(a) and with a benefit equal to 75% of such reduced benefit payable to the Participant's surviving spouse for the spouse's life; or

(b) a joint and 100% surviving spouse annuity which will provide the Participant with a reduced lifetime benefit equal to 90% of the benefit described in Section 5.01(a) and with a benefit equal to 100% of such reduced benefit payable to the Participant's surviving spouse for the spouse's life.

#### 5.03 Early Retirement Prior to Age 62

Benefits paid under this Plan shall be reduced by one-half of one percent (0.5%) for each calendar month by which the commencement of benefits precedes the first day of the month following the Participant's 62nd birthday.

#### 5.04 Death Benefits

(a) In the event of the death of a Participant who, at the time of death, is eligible under Section 3.01(b) above, and who:

(1) has not commenced retirement benefits under this Plan, and

(2) who has a surviving spouse, such Participant's surviving spouse shall receive a survivor's benefit in the amount described in paragraph (b).

(b) The amount payable under this paragraph shall be equal to the benefit the spouse would have received if the Participant:

(1) had terminated employment on the earlier of the date of death or the date of the Participant's actual termination of employment;

(2) had survived to the benefit commencement date described in subsection (c);

(3) had begun to receive an immediate retirement benefit in the Normal Form under Section 5.01(b);

(4) had died on the following day.

(c) The benefit payable under this Section shall be paid to the surviving spouse in the form of a single life annuity and shall commence on the date on which the Surviving Spouse's Benefit under the Company Plan commences (or, if the Participant was not a participant in the Company Plan, the first day of any month elected by the surviving spouse).

(d) No benefits shall be payable from this Plan to a surviving spouse (or any other beneficiary) of a Participant unless the form of benefit paid to the

Participant provides for the payment of benefits upon the Participant's death or except as otherwise provided in this Section.

#### 5.05 Special Minimum Benefit Provisions

(a) The value of the accrued benefit determined under this Article (but without regard to this Section 5.05) for a Participant who was a participant in a Prior Plan shall in no event be less than the value of the Participant's accrued benefit under the terms of such Prior Plan as of May 31, 1988, including early retirement reduction factors in effect under the Prior Plan on such date.

(b) Notwithstanding anything in this Article to the contrary, any Participant who was a participant in a Prior Plan may elect to continue to have annual retirement benefits determined under the terms of such Prior Plan as in effect on May 31, 1988 provided that:

(1) such election shall expire as to an Participant who continues in employment beyond May 31, 1991, and

(2) for purpose of calculating a Participant's benefit under the Sperry Plan, the actuarial equivalent factors in converting the Participant's benefit to an optional form of payment shall be those factors in effect on March 31, 1988.

(c) In the event that a Participant's benefit under the Company Plan is determined under the grandfather provision described in Section 4.5 of the Company Plan (as in effect April 1, 1988), such Participant may elect to have the normal retirement benefit otherwise determined under Section 5.01 determined under the benefit formula set forth in the Participant's Prior Plan.

#### 5.06 Benefit Offset

(a) The retirement benefit determined under this Article and payable to a Participant or surviving spouse shall be reduced by any benefit payable under the Company Plan and the Supplemental Plan, calculated in accordance with Section 6.01.

(b) With respect to a Participant who is not a participant in the Company Plan, the retirement benefit payable to the Participant or surviving spouse shall be reduced by the amount of retirement pension payable under the plan of any Affiliated Company or 50% Affiliated Company, including any governmental plan retirement benefit or lump sum termination or similar entitlements, in effect at the time of the Participant's termination of employment.

### ARTICLE VI

#### BENEFIT PAYMENTS

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#### 6.01 Form of Benefit Payment

If a Participant should elect a form of benefit payment under the Company Plan (or such other plan or program, unless impracticable not to so elect) which is different than the form of benefit payment under this Plan, then for purposes of determining the offset under Section 5.06, the Participant shall be deemed to be in receipt of the amount of benefit payable as if the Participant had elected the Normal Form of Benefit under the Company Plan.

## 6.02 Commencement of Benefits

Benefit payments to a Participant shall commence at the same time that benefit payments commence under the Company Plan.

If a Participant is not a Participant in the Company Plan, the Participant will commence receipt of benefits under this Plan as of the first day of the calendar month following the Participant's termination of employment, unless the Committee, in its sole discretion, agrees to an alternative commencement date.

## 6.03 Funding of Benefits

Benefits under this Plan shall not be funded and shall be paid out of the general assets of the Company. The Company shall not be required to segregate any funds for the Plan's Participants. Notwithstanding any provision in this Section 6.03 to the contrary, the Committee shall have the discretion but not the obligation to fund this Plan through a trust of the type described in Internal Revenue Service Private Letter Ruling 8502023.

## 6.04 Forfeiture and Suspension of Benefits

(a) Any benefit payable under this Plan shall be suspended for any period during which it is determined by the Committee that a Participant is engaged or employed as a business owner, employee or consultant in any activity which is in competition with any line of business of the Company existing as of the date of the Participant's termination of employment from the Company.

(b) Additionally, any benefit payable under this Plan shall be forfeitable in the event it is found by the Committee that a Participant, either during or following termination of employment with the Company, willfully engaged in any activity which is determined by the Committee to be materially adverse or detrimental to the interests of the Company, including any activity which might reasonably be considered by the Committee to be of a nature warranting dismissal of an employee for cause. If the Committee so finds, it may suspend benefits to the Participant and, after furnishing notice to the Participant, may terminate benefits under this Plan. The Committee will consider in its deliberation relative to this provision any explanation or justification submitted to it in writing by the Participant within 60 days following the giving of such notice.

(c) Except as heretofore provided for in this Section 6.04, the acceptance by a Participant of any benefit under this Plan shall constitute an agreement with the provisions of this Plan and a representation that he or she is not engaged or employed in any activity serving as a basis for suspension or forfeiture of benefits hereunder. The Committee may require each Participant eligible for a benefit under this Plan to acknowledge in writing prior to the payment of such benefit that he or she will accept payment of benefits under this Plan only if there is no basis for such suspension or forfeiture.

## ARTICLE VII

### ADMINISTRATION

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## 7.01 Committee

The Plan shall be administered by the Committee, which shall administer the Plan in a manner consistent with the administration of the Company Plan, except that this Plan



shall be administered as an unfounded plan which is not intended to meet the requirements of Section 401 of the Code.

#### 7.02 Claims Procedure

(a) In the event that the Committee denies, in whole or in part, a claim for benefits by a Participant or surviving spouse, the Committee shall furnish notice of the denial to the claimant, setting forth:

- (1) the specific reasons for the denial,
- (2) specific reference to the pertinent Plan provisions on which the denial is based,
- (3) a description of any additional information necessary for the claimant to perfect the claim and an explanation of why such information is necessary, and
- (4) appropriate information as to the steps to be taken if the claimant wishes to submit the claim for review.

Such notice shall be forwarded to the claimant within 90 days of the Committee's receipt of the claim; provided, however, that in special circumstances the Committee may extend the response period for up to an additional 90 days, in which event it shall notify the claimant in writing of the extension, and shall specify the reason or reasons for the extension.

(b) Within 60 days of receipt of a notice of claim denial, a claimant or the claimant's duly authorized representative may petition the Committee in writing for a full and fair review of the denial. The claimant or the claimant's duly authorized representative shall have the opportunity to review pertinent documents and to submit issues and comments in writing to the Committee. The Committee shall review the denial and shall communicate its decision and the reasons therefore to the claimant in writing within 60 days of receipt of the petition; provided, however, that in special circumstances the Committee may extend the response period for up to an additional 60 days, in which event it shall notify the claimant in writing prior to the commencement of the extension.

#### 7.03 Plan Amendment and Termination

The Company expects to continue this Plan indefinitely, but reserves the right to amend or discontinue it if, in its sole judgment, such a change is deemed necessary or desirable. However, if the Company should amend or discontinue this Plan, the Company shall be liable for any benefits accrued under this Plan (determined on the basis of each Employee's presumed termination of employment as of the date of such amendment or discontinuance) as of the date of such action.

#### 7.04 No Employment Rights

Neither the action of the Company in establishing the Plan, nor any provisions of the Plan, nor any action taken by the Company or by the Committee shall be construed as giving to any employee of the Company or any of its subsidiaries the right to be retained in its employ, or any right to payment except to the extent of the benefits provided by the Plan.

#### 7.05 Severability of Provisions

If any provision of this Plan is determined to be void by any court of competent jurisdiction, the Plan shall continue to operate and, for the purposes of the jurisdiction of that

court only, shall be deemed not to include the provision determined to be void.

#### 7.06 Non-Assignability

Except as required by applicable law, no benefits under this Plan shall be subject in any manner to alienation, anticipation, sale, transfer, assignment, pledge, or encumbrance.

#### 7.07 Withholding

The Company shall have the right to withhold any and all state, local, and Federal taxes which may be withheld in accordance with applicable law.

#### 7.08 Governing Law

Except to the extent superseded by ERISA, all questions pertaining to the validity, construction, and operation of the Plan shall be determined in accordance with the laws of the Commonwealth of Pennsylvania.

UNISYS CORPORATION  
STATEMENT OF COMPUTATION OF EARNINGS PER SHARE  
FOR THE THREE YEARS ENDED DECEMBER 31, 1996  
(Millions, except share data)

Primary Earnings Per Common Share	1996	1995	1994
	-----	-----	-----
Average Number of Outstanding Common Shares	172,601,028	171,238,499	170,752,220
Additional Shares Assuming Exercise of Stock Options	506,192	719,308	1,563,156
	-----	-----	-----
Average Number of Outstanding Common Shares and Common Share Equivalents	173,107,220	171,957,807	172,315,376
	=====	=====	=====
Income (Loss) From Continuing Operations Before Extraordinary Items	\$ 61.8	\$ (627.3)	\$ 12.1
Dividends on Series A, B and C Preferred Stock	(120.8)	(120.3)	(120.1)
	-----	-----	-----
Primary Earnings (Loss) on Common Shares Before Discontinued Operations and Extraordinary Items	( 59.0)	(747.6)	(108.0)
Income From Discontinued Operations		2.7	96.1
Extraordinary Items	(12.1)		(7.7)
	-----	-----	-----
Primary Earnings (Loss) on Common Shares	\$ (71.1)	\$ (744.9)	\$ ( 19.6)
	=====	=====	=====
Primary Earnings (Loss) Per Common Share			
Continuing Operations	\$ (.34)	\$ ( 4.35)	\$ (.63)
Discontinued Operations		.02	.56
Extraordinary Items	(.07)		(.04)
	-----	-----	-----
Total	\$ (.41)	\$ (4.33)	\$ (.11)
	=====	=====	=====
Fully Diluted Earnings Per Common Share			
Average Number of Outstanding Common Shares and Common Share Equivalents	173,107,220	171,957,807	172,315,376
Additional Shares:			
Assuming Conversion of Series A Preferred			
Stock	47,454,198	47,454,636	47,454,500
Assuming Conversion of 8 1/4% Convertible Notes due 2000	33,697,387	33,697,387	33,698,698
Assuming Conversion of 8 1/4% Convertible Notes due 2006	35,485,714		
Attributable to Stock Options	234,004	26,244	111,276
	-----	-----	-----
Common Shares Outstanding Assuming Full Dilution	289,978,523	253,136,074	253,579,850
	=====	=====	=====
Primary Earnings (Loss) on Common Shares Before Discontinued Operations and Extraordinary Items	\$ ( 59.0)	\$ (747.6)	\$ (108.0)
Exclude Dividends on Series A Preferred Stock	106.5	106.5	106.5
Interest Expense on 8 1/4% Convertible Notes due 2000, Net of Applicable Tax	19.3	17.8	17.8
Interest Expense on 8 1/4% Convertible Notes due 2006, Net of Applicable Tax	13.5		
	-----	-----	-----
Fully Diluted Earnings (Loss) on Common Shares Before Discontinued Operations and Extraordinary Items	80.3	(623.3)	16.3
Income From Discontinued Operations		2.7	96.1
Extraordinary Items	(12.1)		( 7.7)
	-----	-----	-----
Fully Diluted Earnings (Loss) on Common Shares	\$ 68.2	\$ (620.6)	\$104.7
	=====	=====	=====
Fully Diluted Earnings (Loss) Per Common Share			
Continuing Operations	\$ .28	\$ (2.46)	\$ .06
Discontinued Operations		.01	.38
Extraordinary Items	(.04)		(.03)
	-----	-----	-----
Total	\$ .24	\$ (2.45)	\$ .41
	=====	=====	=====
Earnings (Loss) Per Common Share As Reported			
Primary			
Continuing Operations	\$ (.34)	\$ ( 4.37)	\$ (.63)
Discontinued Operations		.02	.56
Extraordinary Items	(.07)		(.04)

Total	----- \$ (.41) <F1> =====	----- \$ ( 4.35) <F1> =====	----- \$ (.11) <F1> =====
Fully Diluted			
Continuing Operations	\$ (.34)	\$ ( 4.37)	\$ (.63)
Discontinued Operations		.02	.56
Extraordinary Items	(.07)		(.04)
Total	----- \$ (.41) <F1> =====	----- \$ ( 4.35) <F1> =====	----- \$ (.11) <F1> =====

<FN>

<F1> Based on weighted average number of outstanding common shares since inclusion of common stock equivalents or assumed conversion of 8 1/4% notes or Series A Convertible Preferred Stock would have been antidilutive.

UNISYS CORPORATION  
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES  
 (\$ in millions)

	Years Ended December 31				
	1996	1995	1994	1993	1992
Income (loss) from continuing operations before income taxes	\$ 93.7	\$(781.1)	\$ 14.6	\$ 370.9	\$ 301.3
Add (deduct) share of loss (income) of associated companies	(4.9)	5.0	16.6	14.5	3.2
Subtotal	88.8	(776.1)	31.2	385.4	304.5
Interest expense (net of interest capitalized)	249.7	202.1	203.7	241.7	340.6
Amortization of debt issuance expenses	6.3	5.1	6.2	6.6	4.8
Portion of rental expense representative of interest	59.2	65.3	65.0	70.5	78.8
Total Fixed Charges	315.2	272.5	274.9	318.8	424.2
Earnings (loss) from continuing operations before income taxes and fixed charges	\$404.0	\$(503.6)	\$306.1	\$704.2	\$728.7
Ratio of earnings to fixed charges	1.28	<F1>	1.11	2.21	1.72

&lt;FN&gt;

<F1> Earnings for the year ended December 31, 1995 were inadequate to cover fixed charges by approximately \$776.1 million.

Management's Discussion and Analysis of  
Financial Condition and Results of Operations  
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Overview  
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In January 1996, the company implemented a new business structure announced in the fourth quarter of 1995. Under the new structure, the company operates as one company with three business units: Information Services Group ("ISG"), Global Customer Services ("GCS"), and Computer Systems Group ("CSG"). This realignment involved a major reengineering of the company's business operations. The realignment had a disruptive effect on the company's results of operations in the early part of 1996. However, as the year progressed, the company showed quarter-to-quarter improvement in operational performance. Additionally, the company took actions in 1996 to lengthen its debt maturity profile through the issuance of \$1.2 billion of debt and the retirement of \$766.4 million of debt with near-term maturities.

During 1996, the company began shipping a new line of large-scale enterprise servers but experienced delays in the availability of certain models. The delay prevented the company from reaching the level of shipments and profitability initially expected for the full year of 1996. The company began shipping some of the previously delayed models in the fourth quarter of 1996.

The company made progress during 1996 achieving anticipated savings from the restructuring actions announced in the fourth quarter of 1995. The company estimates the restructuring actions have generated annualized cost savings of approximately \$475 million by the end of 1996. By the end of 1997, the company estimates that the restructuring actions will generate annualized cost savings of approximately \$600 million. Cash requirements for the restructuring were approximately \$220 million in 1996. Cash expenditures in 1997 and 1998 are expected to be approximately \$200 million and \$130 million, respectively, principally for work force reductions outside the United States and facility costs.

In 1996, the company reported income from continuing operations of \$61.8 million compared to a loss from continuing operations of \$627.3 million in 1995. On a per-share basis, the 1996 loss from continuing operations, after preferred dividends, was \$.34 per primary and fully diluted common share compared to a loss from continuing operations of \$4.37 per primary and fully diluted common share in 1995. After an extraordinary item for the early extinguishment of debt, net income in 1996 was \$49.7 million, or a loss of \$.41 per share, compared to a net loss, including discontinued operations, in 1995 of \$624.6 million, or a loss of \$4.35 per share.

Results of operations  
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As described in Note 2 of the Notes to the Consolidated Financial Statements, the company recorded special pretax charges of \$846.6 million in 1995 and \$186.2 million in 1994. The 1995 charges represented the cost of restructuring actions undertaken in connection with the realignment of the company's operations into three business units and provisions for contract losses. The 1994 charges represented costs for work force reductions. These special charges were recorded in 1995 and 1994, respectively, in the following statement of income categories (in millions of dollars): cost of revenue, \$498.7, \$109.6; selling, general, and administrative expenses, \$305.2, \$47.7; research and development expenses, \$42.7, \$27.9; and other income, zero, \$1.0, respectively.

The company experienced lower-than-anticipated costs for work force reductions. As a result, the company reversed certain 1995 restructuring reserves during 1996. These reversals were offset by charges primarily relating to the refocus and discontinuance of certain products and programs as the company's three business units continued to refine their market focus.

The following comparisons of income statement categories exclude all of these special charges.

Revenue and gross profit percentage by business unit for 1996 and 1995, on a pro forma basis, are presented below:

(Millions of dollars)	Total	Elimi- nations	Infor- mation Services Group	Global Customer Services	Computer Systems Group
1996					
Customer revenue	\$ 6,370.5		\$ 1,951.4	\$ 1,991.9	\$ 2,427.2
Intercompany		\$ (524.0)	9.9	91.0	423.1
Total revenue	\$ 6,370.5	\$ (524.0)	\$ 1,961.3	\$ 2,082.9	\$ 2,850.3
Gross profit percent	33.3%		17.8%	30.8%	40.4%
1995					
Customer revenue	\$ 6,342.3		\$ 1,836.8	\$ 1,884.1	\$ 2,621.4
Intercompany		\$ (595.2)		112.9	482.3
Total revenue	\$ 6,342.3	\$ (595.2)	\$ 1,836.8	\$ 1,997.0	\$ 3,103.7
Gross profit percent	34.5%		15.1%	31.1%	41.7%

Revenue for 1996 was \$6.4 billion compared to \$6.3 billion in 1995 and \$6.1 billion in 1994. Revenue from international operations in 1996 and 1995 was \$4.0 billion and \$3.9 billion, respectively, and revenue from U.S. operations was \$2.4 billion in both years.

Customer revenue from ISG increased 6% in 1996 due to higher outsourcing and systems integration revenue. In GCS, customer revenue increased 6% from 1995 levels led by growth in distributed computing support services revenue which more than offset a decline in core maintenance revenue. Customer revenue in CSG decreased 7% principally due to declines in large-scale enterprise servers.

Total gross profit percent was 33.3% in 1996 compared to 34.5% in 1995 and 38.5% in 1994. CSG gross profit percent was 40.4% in 1996 compared to 41.7% in 1995. CSG was negatively impacted by the delays in the availability of certain enterprise servers which prevented it from reaching the level of shipments and profitability initially expected for the full year, as well as the continuing shift to lower-margin products. The gross profit percent in ISG was 17.8% in 1996 compared to 15.1% in 1995 as a result of management's efforts to constrain growth in certain markets to improve profitability. GCS gross profit percent was 30.8% in 1996 compared to 31.1% in 1995.

Selling, general, and administrative expenses in 1996 were \$1.4 billion compared to \$1.5 billion in both 1995 and 1994. Research and development expenses in 1996 were \$342.9 million compared to \$361.8 million in 1995 and \$430.6 million in 1994. The declines in 1996 were largely due to the company's cost reduction actions.

In 1996, the company reported operating income of \$327.4 million (5.1% of revenue) compared to \$284.5 million (4.5% of revenue) in 1995 and \$456.9 million (7.5% of revenue) in 1994.

Interest expense was \$249.7 million in 1996, \$202.1 million in 1995 and \$203.7 million in 1994. The increase in 1996 was due to a higher level of debt during 1996.

Other income (loss), net, which can vary from year to year, was income of \$16.0 million in 1996 and net losses of \$16.9 million in 1995 and \$52.4 million in 1994. The change in 1996 compared to 1995 was due principally to foreign exchange gains in 1996 compared to losses in 1995, a gain on the sale of an equity investment in 1996, and higher equity income. The decline in the loss in 1995 compared to 1994 was principally due to higher interest income.

Income from continuing operations before income taxes in 1996 was \$93.7 million compared to \$65.5 million in 1995 and \$200.8 million in 1994.

Estimated income taxes in 1996 were \$31.9 million compared to \$22.3 million in 1995 and \$55.6 million in 1994. The 1996 tax provision

includes a benefit of \$24.8 million relating to reversals of deferred tax valuation allowances due to additional tax planning strategies available to the company.

In 1996 and 1994, the company recorded extraordinary charges for repurchases of debt of \$12.1 million and \$7.7 million, or \$.07 and \$.04 per fully diluted common share, respectively.

In May of 1995, the company sold its defense business for cash of \$862 million. The net results of the defense operations for 1995 and 1994 are reported separately in the Consolidated Statement of Income as "income from discontinued operations." Prior-period financial statements have been restated to report the defense business as a discontinued operation. See Note 3 of the Notes to Consolidated Financial Statements.

Effective January 1, 1996, the company adopted Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123 requires the recognition or disclosure of compensation expense for grants of stock options or other equity instruments issued to employees based upon their fair value. As permitted by SFAS No. 123, the company adopted the disclosure-only option and therefore will continue to apply APB Opinion 25 for its stock plans. Accordingly, no compensation expense has been recognized for its stock option plans. See Note 15 of the Notes to Consolidated Financial Statements. The adoption of these statements had no effect on the company's consolidated financial position, consolidated statement of income, or liquidity.

In June of 1996, SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" was issued. This statement requires that if a transfer of financial assets does not meet certain criteria for recording the transaction as a sale, the transfer shall be accounted for as a secured borrowing. At December 31, 1996, certain receivable transfers, principally outside the United States, would not meet the criteria for recording as a sale. Accordingly, if such transfers continue, they would be accounted for as secured borrowings. SFAS No. 125 is effective for transactions occurring after December 31, 1996. The company does not expect that adoption of SFAS No. 125 will have a material effect on its consolidated financial position, consolidated statement of income, or liquidity.

#### Financial condition

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Cash, cash equivalents, and marketable securities at December 31, 1996 were \$1.0 billion compared to \$1.1 billion at December 31, 1995. During 1996, cash used for operating activities was \$89.7 million compared to cash provided of \$97.7 million during 1995. The increase in cash usage was due in large part to reductions in payables and accruals, including amounts related to restructuring. Cash used for investing activities during 1996 was \$218.8 million compared to \$333.3 million a year ago. The decrease was principally due to a reduction in investments in properties and rental equipment, higher proceeds from sales of properties and lower expenditures for purchases of businesses. Cash provided by financing activities during 1996 was \$251.2 million compared to cash used of \$182.5 million in the year-ago period, principally due to the issuance and retirement of debt.

At December 31, 1996, total debt was \$2.3 billion, an increase of \$402.2 million from December 31, 1995. In March 1996, the company issued \$299.0 million aggregate principal amount of 8 1/4 % Convertible Subordinated Notes due 2006 (which are convertible into an aggregate of 43.5 million shares of the company's common stock at a conversion price of \$6.875 per share) and \$425.0 million aggregate principal amount of 12% Senior Notes due 2003. In October 1996, the company issued \$450.0 million of 11 3/4 % Senior Notes due 2004.

In 1996 and 1995, the company retired \$766.4 million and \$68.2 million of debt, respectively. Included in the 1996 retirements was the early retirement of \$426.8 million of debt scheduled to mature in 1997. These early retirements resulted in the extraordinary loss of \$.07 per share previously discussed. See Notes 4 and 9 of the Notes to Consolidated Financial Statements. The company may, from time to time, continue to redeem or repurchase its securities in the open market or in privately negotiated transactions depending upon availability, market conditions, and other factors.



During the first quarter of 1996, the credit ratings for the company's public debt were lowered. The credit ratings on the company's senior long-term debt and subordinated debt were lowered from Ba3 to B1 and from B2 to B3, respectively, by Moody's Investors Service, Inc. and from BB- to B+ and from B to B-, respectively, by Standard and Poor's Corporation. In August 1996, Duff & Phelps Inc. lowered its credit ratings on the company's senior long-term debt and subordinated debt from BB- to B+ and from B to B-, respectively. The lowering of the ratings has not materially affected the interest rates that the company pays on its debt, nor its ability to access capital markets.

In June 1996, the company entered into a one-year \$200 million revolving credit facility replacing the prior facility that expired in May 1996. The conditions precedent to a borrowing under the facility include minimum cash balances and compliance with net worth and interest coverage covenants. In addition, if any borrowings are outstanding, the company is required to maintain full compensating balances with the bank group unless waived by a supermajority of the banks. The company does not expect to utilize this facility.

In January 1997, the company filed with the Securities and Exchange Commission a registration statement covering \$500 million of debt or equity securities to enable the company to be prepared for future market opportunities.

Dividends paid on preferred stock were \$120.8 million in 1996 compared to \$120.2 million in 1995 and \$228.0 million in 1994. The 1994 dividends paid included full payment for all preferred dividend arrearages.

In January 1997, the company reached an agreement with Mitsui and Co., Ltd., to redeem all of the \$100 million Series C Cumulative Convertible Preferred Stock on March 27, 1997, and all of the \$50 million Series B Cumulative Convertible Preferred Stock on June 26, 1997, at stated value plus accrued dividends. Accordingly, at December 31, 1996, the company classified such preferred stock as redeemable preferred stock in the consolidated balance sheet.

Net cash used for discontinued operations in 1996 was \$20.5 million. In 1995, discontinued operations provided cash of \$658.3 million, consisting of \$862.0 million proceeds from the sale of the defense business offset by cash used of \$203.7 million. Cash provided by discontinued operations in 1994 was \$102.2 million.

At December 31, 1996, the company had deferred tax assets in excess of deferred tax liabilities of \$1,444 million. For the reasons cited below, management determined that it is more likely than not that \$1,009 million of such assets will be realized, therefore resulting in a valuation allowance of \$435 million.

The company evaluates quarterly the realizability of its net 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 forecast of future taxable income, which is adjusted by applying probability factors, and available tax planning strategies that could be implemented to realize deferred tax assets. The combination of these factors is expected to be sufficient to realize the entire amount of net deferred tax assets. Approximately \$2.9 billion of future taxable income (predominantly U.S.) is needed to realize all of the net deferred tax assets.

The company's net deferred tax assets include substantial amounts of net operating loss and tax credit carryforwards. Failure to achieve forecasted taxable income might affect the ultimate realization of the net deferred tax assets. In recent years, the information management business has undergone dramatic changes and there can be no assurances that in the future there would not be increased competition or other factors that may result in a decline in sales or margins, loss of market share, delays in product availability, or technological obsolescence.

Stockholders' equity decreased \$254.2 million during 1996, principally reflecting the reclassification of the \$150.0 million Series B and C Preferred Stock, translation adjustments of \$50.9 million, and preferred dividends declared of \$117.2 million, offset in part by net income of \$49.7 million.

CONSOLIDATED STATEMENT OF INCOME  
 Unisys Corporation

Year Ended December 31 (Millions, except per share data)	1996	1995	1994
Revenue	\$ 6,370.5	\$ 6,342.3	\$ 6,095.5
Costs and expenses			
Cost of revenue	4,252.1	4,650.1	3,858.4
Selling, general and administrative expenses	1,448.1	1,849.8	1,506.9
Research and development expenses	342.9	404.5	458.5
	6,043.1	6,904.4	5,823.8
Operating income (loss)	327.4	(562.1)	271.7
Interest expense	249.7	202.1	203.7
Other income (loss), net	16.0	(16.9)	(53.4)
Income (loss) from continuing operations before income taxes	93.7	(781.1)	14.6
Estimated income taxes (benefit)	31.9	(153.8)	2.5
Income (loss) from continuing operations before extraordinary items	61.8	(627.3)	12.1
Income from discontinued operations		2.7	96.1
Extraordinary items	(12.1)		(7.7)
Net income (loss)	49.7	(624.6)	100.5
Dividends on preferred shares	120.8	120.3	120.1
Earnings (loss) on common shares	\$ (71.1)	\$ (744.9)	\$ (19.6)
Earnings (loss) per common share			
Primary			
Continuing operations	\$ (.34)	\$ (4.37)	\$ (.63)
Discontinued operations		.02	.56
Extraordinary items	(.07)		(.04)
Total	\$ (.41)	\$ (4.35)	\$ (.11)
Fully diluted			
Continuing operations	\$ (.34)	\$ (4.37)	\$ (.63)
Discontinued operations		.02	.56
Extraordinary items	(.07)		(.04)
Total	\$ (.41)	\$ (4.35)	\$ (.11)

<FN>

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET  
 Unisys Corporation

December 31 (Millions)	1996	1995
Assets		
Current assets		
Cash and cash equivalents	\$ 1,029.2	\$ 1,114.3
Marketable securities	5.6	5.4
Accounts and notes receivable, net	959.0	996.3
Inventories	642.3	673.9
Deferred income taxes	365.8	329.8
Other current assets	131.2	98.9
Total	3,133.1	3,218.6
Long-term receivables, net	59.3	58.7

Properties and rental equipment	1,950.3	2,088.4
Less - Accumulated depreciation	1,328.5	1,397.0
Properties and rental equipment, net	621.8	691.4
Cost in excess of net assets acquired	981.3	1,014.6
Investments at equity	244.4	298.9
Deferred income taxes	678.7	682.6
Other assets	1,248.5	1,148.4
Total	\$ 6,967.1	\$ 7,113.2
Liabilities and stockholders' equity		
Current liabilities		
Notes payable	\$ 13.9	\$ 12.1
Current maturities of long-term debt	5.8	343.5
Accounts payable	871.1	940.6
Other accrued liabilities	1,453.4	1,677.4
Dividends payable	26.6	30.2
Estimated income taxes	94.3	143.5
Total	2,465.1	3,147.3
Long-term debt	2,271.4	1,533.3
Other liabilities	474.6	572.4
Redeemable preferred stock	150.0	
Stockholders' equity		
Preferred stock	1,420.2	1,570.3
Common stock, shares issued:		
1996 - 175.7; 1995 - 172.3	1.8	1.7
Accumulated deficit	(770.1)	(702.6)
Other capital	954.1	990.8
Stockholders' equity	1,606.0	1,860.2
Total	\$ 6,967.1	\$ 7,113.2

<FN>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS  
Unisys Corporation

Year Ended December 31 (Millions)	1996	1995	1994
Cash flows from operating activities			
Income (loss) from continuing operations	\$ 61.8	\$ (627.3)	\$ 12.1
Add (deduct) items to reconcile income (loss) from continuing operations to net cash (used for) provided by operating activities:			
Effect of extraordinary items	(12.1)		(7.7)
Depreciation	182.0	203.0	226.2
Amortization:			
Marketable software	101.6	151.7	150.5
Cost in excess of net assets acquired	46.1	40.9	36.9
(Decrease) in deferred income taxes, net	(51.0)	(223.1)	(60.6)
Decrease (increase) in receivables, net	11.0	(66.9)	(16.5)
Decrease (increase) in inventories	32.1	(15.4)	(28.0)
(Decrease) increase in accounts payable and other accrued liabilities	(258.4)	565.6	186.3
(Decrease) in estimated income taxes	(34.7)	(63.9)	(12.2)
(Decrease) increase in other liabilities	(85.9)	215.5	(36.8)
(Increase) decrease in other assets	(70.3)	(132.7)	57.6

Other	(11.9)	50.3	21.3
Net cash (used for) provided by operating activities	(89.7)	97.7	529.1
Cash flows from investing activities			
Proceeds from investments	1,846.1	3,311.9	1,792.7
Purchases of investments	(1,845.9)	(3,329.6)	(1,816.4)
Proceeds from marketable securities		14.4	197.9
Purchases of marketable securities			(97.2)
Proceeds from sales of properties	77.4	30.3	24.8
Investment in marketable software	(116.2)	(123.0)	(121.3)
Capital additions of properties and rental equipment	(162.3)	(195.0)	(208.2)
Purchases of businesses	(17.9)	(42.3)	
Net cash used for investing activities	(218.8)	(333.3)	(227.7)
Cash flows from financing activities			
Proceeds from issuance of debt	1,139.7		
Principal payments of debt	(766.4)	(68.2)	(140.1)
Net (reduction in) proceeds from short-term borrowings	(1.9)	3.1	2.9
Dividends paid on preferred shares	(120.8)	(120.2)	(228.0)
Other	.6	2.8	3.7
Net cash provided by (used for) financing activities	251.2	(182.5)	(361.5)
Effect of exchange rate changes on cash and cash equivalents	(7.3)	5.7	(9.1)
Net cash used for continuing operations	(64.6)	(412.4)	(69.2)
Discontinued operations			
Proceeds from sale		862.0	
Other	(20.5)	(203.7)	102.2
Net cash (used for) provided by discontinued operations	(20.5)	658.3	102.2
(Decrease) increase in cash and cash equivalents	(85.1)	245.9	33.0
Cash and cash equivalents, beginning of year	1,114.3	868.4	835.4
Cash and cash equivalents, end of year	\$ 1,029.2	\$ 1,114.3	\$ 868.4

<FN>

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements  
Unisys Corporation

NOTE 1 Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of all wholly owned subsidiaries. Investments in companies representing ownership interests of 20% to 50% are accounted for by the equity method.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash equivalents

All short-term investments purchased with a maturity of three months or less are classified as cash equivalents.

Inventories  
-----

Inventories are valued at the lower of cost or market. Cost is determined principally on the first-in, first-out method.

Properties, rental equipment, and depreciation  
-----

Properties and rental equipment are carried at cost and are depreciated over the estimated lives of such assets using the straight-line method. Leasehold improvements are amortized over the shorter of the asset lives or the terms of the respective leases. The principal rates used are summarized below by classification of properties:

	Rate per year (%)
	-----
Buildings	2 - 5
Machinery and equipment	5 - 25
Tools and test equipment	10 - 33 1/3
Rental equipment	25

Revenue recognition  
-----

Sales revenue is generally recorded upon shipment of product in the case of sales contracts, upon shipment of the program in the case of software, and upon installation in the case of sales-type leases. Revenue from services and equipment maintenance is recorded as earned over the lives of the respective contracts.

Revenue under systems integration and services contracts is recognized when services have been performed and accepted or milestones have been met. Cost of revenue under such contracts is charged based on current estimated total costs.

Accounting for large multi-year, fixed-price systems integration contracts involves considerable use of estimates in determining revenue, costs, and profits. When estimates indicate a loss under a contract, cost of revenue is charged with a provision for such loss. Revisions in profit estimates are reflected in the period in which the facts that give rise to the revision become known.

Income taxes  
-----

Income taxes are provided on taxable income at the statutory rates applicable to such income. Deferred taxes have not been provided on the cumulative undistributed earnings of foreign subsidiaries since such amounts are expected to be reinvested indefinitely.

Earnings per common share  
-----

The computation of both primary and fully diluted earnings per share was based on the weighted average number of outstanding common shares. The inclusion of additional shares assuming the exercise of stock options, conversion of Series A Cumulative Convertible Preferred Stock, or conversion of the 8 1/4% convertible subordinated notes due August 1, 2000, and March 15, 2006, would have been antidilutive. The shares used in the computations for the three years ended December 31, 1996 were as follows (in thousands):

	1996	1995	1994
	-----	-----	-----
Primary	172,601	171,238	170,752
Fully diluted	172,601	171,238	170,752

Software capitalization  
-----

The cost of development of computer software to be sold or leased is capitalized and amortized to cost of sales over the estimated revenue-producing lives of the products, but not in excess of three years following product release. Unamortized marketable software costs (which are included in other assets) at December 31, 1996 and 1995 were \$223.1 and \$238.9 million, respectively.

Cost in excess of net assets acquired  
-----

Cost in excess of net assets acquired principally represents the excess of cost over fair value of the net assets of Sperry Corporation, which is being amortized on the straight-line method over 40 years. Accumulated amortization at December 31, 1996 and 1995 was \$617.1 and \$571.6 million, respectively.

The carrying value of cost in excess of net assets acquired is reviewed for impairment whenever events or changes in circumstances indicate that it may not be recoverable. If such an event occurred, the company would prepare projections of future results of operations for the remaining amortization period. If such projections indicated that the cost in excess of net assets acquired would not be recoverable, the company's carrying value of such asset would be reduced by the estimated excess of such value over projected income.

#### Translation of foreign currency

The local currency is the functional currency for most of the company's international subsidiaries and, as such, assets and liabilities are translated into U.S. dollars at year-end exchange rates. Income and expense items are translated at average exchange rates during the year. Translation adjustments resulting from changes in exchange rates are reported in a separate component of stockholders' equity. Exchange gains and losses on forward exchange contracts designated as hedges of international net investments and exchange gains and losses on intercompany balances of a long-term investment nature are also reported in the separate component of stockholders' equity.

For those international subsidiaries operating in hyper-inflationary economies, the U.S. dollar is the functional currency and, as such, non-monetary 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.

The company also enters into forward exchange contracts and options that have been designated as hedges of certain transactional exposures. Gains and losses on these instruments are deferred and are recognized in income together with the transaction being hedged.

#### Reclassifications

Certain prior-year amounts have been reclassified to conform with the 1996 presentation.

#### NOTE 2 Significant fourth-quarter events

##### Restructuring charges

In the fourth quarter of 1995, the company recorded a pretax charge of \$717.6 million, \$581.9 million after tax, or \$3.39 per fully diluted common share. The charge included (a) \$436.6 million for work force reductions of approximately 7,900 people including severance, notice pay, medical, and other benefits, (b) \$218.6 million for consolidation of office facilities and manufacturing capacity, and (c) \$62.4 million associated with product and program discontinuances.

In the fourth quarter of 1994, the company recorded a pretax charge of \$186.2 million, \$133.1 million after tax, or \$.78 per fully diluted common share. The charge was related to involuntary employee termination benefits including severance, notice pay, medical, and other benefits for approximately 4,600 people and was taken to reduce the company's cost structure.

Cash expenditures related to restructuring in 1996, 1995, and 1994 were \$220.8 million, \$133.0 million, and \$6.3 million, respectively. Cash expenditures in 1997 and 1998 are expected to be approximately \$200 million and \$130 million, respectively, principally for work force reductions outside the United States and facility costs. Personnel reductions in 1996 related to restructuring actions were approximately 5,000 and are expected to be approximately 2,200 in 1997 and 700 in 1998. Actual costs incurred are charged to the accrued liability when the actions are taken.

Activity related to the restructuring reserve during the year ended

December 31, 1996 was as follows:

(Millions)	12/31/95	Utilized	Other(4)	12/31/96
Work force reductions (1)	\$ 473.3	\$ (155.6)	\$ (110.2)	\$ 207.5
Facilities (2)	249.6	(62.9)	5.6	192.3
Products (3)	11.4	(81.9)	104.6	34.1
	-----	-----	-----	-----
	\$ 734.3	\$ (300.4)	\$ -0-	\$ 433.9
	=====	=====	=====	=====

- (1) Includes severance, notice pay, medical, and other benefits.  
(2) Includes consolidation of office facilities and manufacturing capacity.  
(3) Includes product and program discontinuances.  
(4) Includes revisions to 1995 classifications, reversals of excess reserves, and provisions in 1996.

During 1996, the company experienced lower-than-anticipated costs for work force reductions. Revisions of estimates for these costs were offset by additional provisions for product and program discontinuances and facility consolidations, \$84 million of which were recorded in the fourth quarter.

1995 fourth quarter events

In the fourth quarter of 1995, the company recorded a charge (in cost of revenue) for contract losses of \$129.0 million (\$88.6 million after tax), or \$.51 per primary and fully diluted share, related to certain services contracts, primarily a few large multi-year, fixed-price systems integration contracts. Included in the charge is \$65.5 million related to fourth-quarter developments with respect to contract terminations and \$63.5 million related to contract performance issues including schedule slippages, late deliveries, and cost overruns that arose in that quarter.

Summary

The 1995 charges for restructuring and loss contracts and the 1994 restructuring charge were recorded in the following statement of income classifications:

Year ended December 31 (Millions)	1995	1994
Cost of revenue	\$ 498.7	\$ 109.6
Selling, general and administrative expenses	305.2	47.7
Research and development expenses	42.7	27.9
Other income, net		1.0
	-----	-----
Total	\$ 846.6	\$ 186.2
	=====	=====

NOTE 3 Discontinued operations

During the year ended December 31, 1995, the company sold its defense business for cash of \$862 million. The net results of the defense operations for 1995 and 1994 are reported separately in the Consolidated Statement of Income as "income from discontinued operations."

The following is a summary of the results of operations of the company's defense business:

Year ended December 31 (Millions)	1995	1994
Revenue	\$ 258.1*	\$ 1,421.5
	=====	=====
Income from operations (net of taxes: 1995, \$6.5; 1994, \$42.5)	\$ 12.5*	\$ 96.1
Loss on sale, net of taxes of \$ 98.2	(9.8)	
	-----	-----
Income from discontinued operations	\$ 2.7	\$ 96.1
	=====	=====

\* Reflects results for the period January 1 through March 31, 1995.

NOTE 4 Accounting changes and extraordinary items

Effective January 1, 1996, the company adopted Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," and SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123 requires the recognition or disclosure of compensation expense for grants of stock options or other equity instruments issued to employees based upon their fair value. As permitted by SFAS No. 123, the company adopted the disclosure-only option and therefore will continue to apply APB Opinion 25 for its stock plans. Accordingly, no compensation expense has been recognized for its stock option plans. The adoption of these statements had no effect on the company's consolidated financial position, consolidated statement of income, or liquidity.

In 1996, SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," was issued. This statement is effective for transactions occurring after December 31, 1996. The company does not expect that adoption of SFAS No. 125 will have a material effect on its consolidated financial position, consolidated statement of income, or liquidity.

In 1996 and 1994, the company recorded extraordinary charges for extinguishment of debt as follows: 1996, \$12.1 million, net of \$6.5 million of income tax benefits, or \$.07 per fully diluted common share; 1994, \$7.7 million, net of \$5.1 million of income tax benefits, or \$.04 per fully diluted common share.

NOTE 5 Current and long-term receivables, net

Current and long-term receivables, net comprise the following:

December 31 (Millions)	1996	1995
Accounts receivable, net	\$ 934.0	\$ 975.1
Sales-type leases, net	54.5	50.7
Installment accounts, net	29.8	29.2
Total, net	1,018.3	1,055.0
Less - Current receivables, net	959.0	996.3
Long-term receivables, net	\$ 59.3	\$ 58.7

At December 31, 1996 and 1995, the company had sold accounts receivable of \$308.0 and \$393.0 million, respectively. Recourse amounts associated with these sales are expected to be minimal. Adequate reserves have been provided to cover potential losses. On an ongoing basis, the company sells accounts receivable to Unisys Receivables, Inc., a wholly owned subsidiary, which then sells such receivables to a master trust. Amounts sold under this arrangement, which are included in the above accounts receivable sold, were \$155.0 and \$152.5 million at December 31, 1996 and 1995, respectively.

NOTE 6 Inventories

Inventories comprise the following:

December 31 (Millions)	1996	1995
Finished equipment and supplies	\$ 325.5	\$ 358.6
Work in process and raw materials	316.8	315.3
Total inventories	\$ 642.3	\$ 673.9

At December 31, 1996 and 1995, work in process inventories included \$154.7 and \$120.0 million, respectively, of costs related to long-term contracts.

NOTE 7 Estimated income taxes



Year ended December 31 (Millions)	1996	1995	1994
Income (loss) from continuing operations before income taxes			
United States	\$ (91.1)	\$ (482.7)	\$ (75.2)
Foreign	184.8	(298.4)	89.8
Total income (loss) from continuing operations before income taxes	\$ 93.7	\$ (781.1)	\$ 14.6
Estimated income taxes (benefit)			
Current			
United States	\$ -	\$ (83.6)	\$ (6.0)
Foreign	72.0	60.5	87.7
State and local	10.9	(5.7)	(18.6)
Total	82.9	(28.8)	63.1
Deferred			
United States	(70.9)	(140.4)	(32.8)
Foreign	12.4	15.4	(27.8)
State and local	7.5		
Total	(51.0)	(125.0)	(60.6)
Total estimated income taxes (benefit)	\$ 31.9	\$ (153.8)	\$ 2.5

Following is a reconciliation of estimated income taxes at the United States statutory tax rate to estimated income taxes as reported:

Year ended December 31 (Millions)	1996	1995	1994
United States statutory income tax (benefit)	\$ 32.8	\$ (273.4)	\$ 5.1
Difference in estimated income taxes on foreign earnings, losses, and remittances	7.9	192.8	30.3
State taxes	11.8	(3.6)	(12.1)
Tax refund claims, audit issues, and other matters	(12.9)	(85.4)	(32.8)
Amortization of cost in excess of net assets acquired	12.6	12.6	12.6
Reversal of valuation allowances	(24.8)		
Other	4.5	3.2	(.6)
Estimated income taxes (benefit)	\$ 31.9	\$ (153.8)	\$ 2.5

The tax effects of temporary differences and carryforwards that give rise to significant portions of deferred tax assets and liabilities at December 31, 1996 and 1995 were as follows:

December 31 (Millions)	1996	1995
Deferred tax assets:		
Tax loss carryforwards	\$ 469.4	\$ 532.8
Foreign tax credit carryforwards	407.8	316.8
Other tax credit carryforwards	77.5	77.8
Capitalized research and development	242.4	114.2
Depreciation	61.3	60.7
Postretirement benefits	85.0	85.3
Employee benefits	73.0	81.6
Restructuring	196.4	286.1
Other	250.4	331.0
Valuation allowance	(434.9)	(498.5)
Total deferred tax assets	\$ 1,428.3	\$ 1,387.8
Deferred tax liabilities:		
Pensions	\$ 315.1	\$ 317.5

Other	103.9	112.1
	-----	-----
Total deferred tax liabilities	\$ 419.0	\$ 429.6
	=====	=====

SFAS No. 109 requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized. During 1996, the net decrease in the valuation allowance was \$63.6 million.

Cumulative undistributed earnings of foreign subsidiaries, for which no U.S. income or foreign withholding taxes have been recorded, approximated \$595 million at December 31, 1996. Such earnings are expected to be reinvested indefinitely. Determination of the amount of unrecognized deferred tax liability with respect to such earnings is not practicable. The additional taxes payable on the earnings of foreign subsidiaries, if remitted, would be substantially offset by U.S. tax credits for foreign taxes already paid. While there are no specific plans to distribute the undistributed earnings in the immediate future, where economically appropriate to do so, such earnings may be remitted.

Cash paid during 1996, 1995, and 1994 for income taxes was \$112.7, \$132.2, and \$87.6 million, respectively.

At December 31, 1996, the company has U.S. federal and state and local tax loss carryforwards and foreign tax loss carryforwards for certain foreign subsidiaries, the tax effect of which is approximately \$469.4 million. These carryforwards will expire as follows (in millions): 1997, \$10.1; 1998, \$3.2; 1999, \$7.6; 2000, \$13.0; 2001, \$10.0; and \$425.5 thereafter. The company also has available tax credit carryforwards of approximately \$485.3 million, which will expire as follows (in millions): 1997, \$2.1; 1998, \$109.6; 1999, \$119.8; 2000, \$100.1; 2001, \$108.6; and \$45.1 thereafter.

The company's net deferred tax assets include substantial amounts of net operating loss and tax credit carryforwards. Failure to achieve forecasted taxable income might affect the ultimate realization of the net deferred tax assets. In recent years, the information management business has undergone dramatic changes and there can be no assurance that in the future there would not be increased competition or other factors that may result in a decline in sales or margins, loss of market share, delays in product availability, or technological obsolescence.

The company is currently contesting issues before the Internal Revenue Service in connection with Sperry Corporation for the years ended March 31, 1978 through September 16, 1986. For Convergent, Inc., the company is awaiting a report from the Internal Revenue Service confirming the treatment of settled issues for the years 1985-1988. In management's opinion, adequate provisions for income taxes have been made for all years.

#### NOTE 8 Properties and rental equipment

-----

Properties and rental equipment comprise the following:

December 31 (Millions)	1996	1995
	-----	-----
Land	\$ 24.6	\$ 26.8
Buildings	218.5	239.8
Machinery and equipment	1,269.0	1,312.6
Tools and test equipment	138.3	159.8
Unamortized leasehold improvements	42.5	52.7
Construction in progress	19.6	29.9
Rental equipment	237.8	266.8
	-----	-----
Total properties and rental equipment	\$ 1,950.3	\$ 2,088.4
	=====	=====

#### NOTE 9 Long-term debt

-----

Long-term debt comprises:

December 31 (Millions)	1996	1995
	-----	-----

9 1/2% notes due 1998	\$ 197.5	\$ 197.5
10 5/8% senior notes due 1999	330.1	330.1
8 1/4% convertible subordinated notes due 2000	345.0	345.0
12% senior notes due 2003	425.0	
11 3/4% senior notes due 2004	450.0	
8 1/4% convertible subordinated notes due 2006	299.0	
9 3/4% senior sinking fund debentures due 2016	190.0	190.0
Credit sensitive notes		291.8
9 3/4% senior notes		238.1
8 7/8% notes		135.0
Japanese yen		100.3
Other	40.6	49.0
	-----	-----
Total	2,277.2	1,876.8
Less - Current maturities	5.8	343.5
	-----	-----
Total long-term debt	\$ 2,271.4	\$ 1,533.3
	=====	=====

Total long-term debt maturities in 1997, 1998, 1999, 2000, and 2001 are \$5.8, \$213.0, \$345.0, \$361.0, and \$12.2 million, respectively.

Cash paid during 1996, 1995, and 1994 for interest was \$255.1, \$201.3, and \$208.9, million, respectively.

In the fourth quarter of 1996, the company purchased approximately \$173 million of U.S. Government securities and deposited them into an irrevocable trust. The funds in the trust will be used solely to satisfy the remaining scheduled payments of interest and principal on approximately \$155 million of the company's outstanding Credit Sensitive Notes due July 1, 1997. As a result, the Notes are extinguished for financial reporting purposes. The company had previously purchased approximately \$137 million of such Notes in the open market and had redeemed all of its 8 7/8% Notes due July 1997. These debt extinguishments resulted in an extraordinary loss of \$.07 per share.

The company has a one-year \$200 million revolving credit facility that expires in June 1997. The conditions precedent to a borrowing under the facility include minimum cash balances and compliance with net worth and interest coverage covenants. In addition, if any borrowings are outstanding, the company is required to maintain full compensating balances with the bank group unless waived by a supermajority of the banks. The company pays commitment fees on the unused amount of the facility. In addition, international subsidiaries maintain short-term credit arrangements with banks in accordance with local customary practice.

#### NOTE 10 Other accrued liabilities

- - - - -

Other accrued liabilities comprise the following:

December 31 (Millions)	1996	1995
	-----	-----
Payrolls and commissions	\$ 305.6	\$ 328.4
Customers' deposits and prepayments	551.9	507.3
Taxes other than income taxes	164.6	172.4
Restructuring*	294.7	503.7
Other	136.6	165.6
	-----	-----
Total other accrued liabilities	\$ 1,453.4	\$ 1,677.4
	=====	=====

\* At December 31, 1996 and 1995, an additional \$139.2 million and \$230.6 million, respectively, was reported in other liabilities on the consolidated balance sheet.

#### NOTE 11 Leases

- - - - -

Rental expense, less income from subleases, for 1996, 1995, and 1994 was \$177.7, \$195.8, and \$195.1 million, respectively.

Minimum net rental commitments under noncancelable operating leases outstanding at December 31, 1996, substantially all of which relate to real properties, were as follows: 1997, \$152.4 million; 1998, \$124.8 million; 1999, \$102.1 million; 2000, \$77.1 million; 2001, \$63.5 million; and thereafter, \$425.0 million. Such rental commitments have been reduced by minimum sublease rentals of \$112.0 million due in the future under non-cancelable subleases.

NOTE 12 Litigation

There are various lawsuits, claims, and proceedings that have been brought or asserted against the company. Although the ultimate results of these lawsuits, claims, and proceedings are not currently determinable, management does not expect that these matters will have a material adverse effect on the company's consolidated financial position, consolidated statement of income or liquidity.

NOTE 13 Financial instruments

The company uses derivative financial instruments to reduce its exposure to market risks from changes in foreign exchange rates and interest rates. The company does not hold or issue financial instruments for speculative trading purposes. The derivative instruments used are foreign exchange forward contracts and options. These derivatives, which are over-the-counter instruments, are non-leveraged and involve little complexity.

The company monitors and controls its risks in the derivative transactions referred to above by periodically assessing the cost of replacing, at market rates, those contracts in the event of default by the counterparty. The company believes such risk to be remote. In addition, before entering into derivative contracts, and periodically during the life of the contract, the company reviews the counterparties' financial condition.

Due to its foreign operations, the company is exposed to the effects of foreign exchange rate fluctuations on the U.S. dollar. Foreign exchange forward contracts and options generally having maturities of less than nine months are entered into for the sole purpose of hedging certain transactional exposures.

The cost of foreign currency options is recorded in prepaid expenses in the consolidated balance sheet. At December 31, 1996, such prepaid expense was \$3.6 million. When the U.S. dollar strengthens against foreign currencies, the decline in value of the underlying exposures is partially offset by gains in the value of purchased currency options designated as hedges. When the U.S. dollar weakens, the increase in the value of the underlying exposures is reduced only by the premium paid to purchase the options. The cost of options and any gains thereon are reported in income when the related transactions being hedged (generally within 12 months) are recognized.

The company also enters into foreign exchange forward contracts. Gains and losses on such contracts, which hedge transactional exposures, are deferred and included in current liabilities until the corresponding transaction is recognized. At December 31, 1996, the company had a total of \$200.0 million (of notional value) of foreign exchange forward contracts, \$144.7 million to sell foreign currencies, and \$55.3 million to buy foreign currencies. At December 31, 1995, the company had a total of \$370.9 million of such contracts, \$176.1 million to sell foreign currencies and \$194.8 million to buy foreign currencies. At December 31, 1996, a realized net gain on such contracts of approximately \$2.8 million was deferred and included in current liabilities. Gains or losses on foreign exchange forward contracts that hedge foreign currency transactions are reported in income when the related transactions being hedged (generally within 12 months) are recognized.

Financial instruments comprise the following:

December 31 (Millions)	1996	1995
	-----	-----
Outstanding:		
Long-term debt	\$ 2,277.2	\$ 1,876.8
Foreign exchange forward contracts*	200.0	370.9
Foreign exchange options*	282.3	256.8

Interest rate swaps*	-	50.2
Foreign currency swaps*	-	50.1
	-----	-----
Estimated fair value:		
Long-term debt	2,374.3	1,715.8
Foreign exchange forward contracts	197.8	369.3
Foreign exchange options	5.9	3.8
Interest rate swaps	-	(1.0)
Foreign currency swaps	-	18.6

\*notional value

Financial instruments also include temporary cash investments and customer accounts receivable. Temporary investments are placed with creditworthy financial institutions, primarily in over-securitized treasury repurchase agreements, Euro-time deposits, or commercial paper of major corporations. The company's cash equivalents are classified as available-for-sale and at December 31, 1996, principally have maturities of less than one month. Due to the short maturities of these instruments, they are carried on the balance sheet at cost plus accrued interest, which approximates market value. Realized gains or losses during 1996 and 1995, as well as unrealized gains or losses at December 31, 1996, were immaterial. Receivables are due from a large number of customers that are dispersed worldwide across many industries. At December 31, 1996 and 1995, the company had no significant concentrations of credit risk.

For foreign currency contracts and options, no impact on financial position or results of operations would result from a change in the level of the underlying rate, price or index. All of the company's foreign currency contracts and options are hedges against specific exposures and have been accounted for as such. Therefore, a change in the derivative's value would be offset with an equal but opposite change in the hedged item.

The carrying amount of cash, cash equivalents, and marketable securities approximates fair value because of the short maturity of these instruments. The fair value of the company's long-term debt was based on the quoted market prices for publicly traded issues. For debt that is not publicly traded, the fair value was estimated based on current yields to maturity for the company's publicly traded debt with similar maturities. In estimating the fair value of its derivative positions, the company utilizes quoted market prices, if available, or quotes obtained from outside sources.

NOTE 14 Business segment information

The company operates primarily in one business segment - information management. This segment represents more than 90% of consolidated revenue, operating profit, and identifiable assets. The company's products and services include enterprise-class and network servers, desktop/mobile systems, software, systems integration, consulting and outsourcing services, distributed computing support services, and hardware/software maintenance. These products and services are marketed throughout the world to commercial businesses and governments. The company's worldwide operations are structured to achieve consolidated objectives. As a result, significant interdependencies and overlaps exist among the company's operating units. Accordingly, the revenue, operating profit, and identifiable assets shown for each geographic area may not be indicative of the amounts that would have been reported if the operating units were independent of one another.

Sales and transfers between geographic areas are generally priced to recover cost plus an appropriate mark-up for profit. Operating profit is revenue less related costs and direct and allocated operating expenses, excluding interest and the unallocated portion of corporate expenses. Corporate assets are those assets maintained for general purposes, principally cash and cash equivalents, marketable securities, costs in excess of net assets acquired, prepaid pension assets, deferred taxes, investments at equity, and corporate facilities.

No single customer accounts for more than 10% of revenue. Revenue from various agencies of the U.S. Government approximated \$542, \$530, and \$476 million in 1996, 1995, and 1994, respectively.

A summary of the company's operations by geographic area is presented below:

(Millions)	1996	1995	1994
United States			
Customer revenue	\$ 2,350.0	\$ 2,405.5	\$ 2,389.1
Affiliate revenue	720.2	721.6	695.6
Total	\$ 3,070.2	\$ 3,127.1	\$ 3,084.7
Operating profit (loss)	\$ (23.7)	\$ (306.9)	\$ 33.3
Identifiable assets	1,314.9	1,368.5	1,247.8
Europe and Africa			
Customer revenue	\$ 2,063.5	\$ 2,090.3	\$ 1,935.4
Affiliate revenue	28.2	28.8	47.2
Total	\$ 2,091.7	\$ 2,119.1	\$ 1,982.6
Operating profit (loss)	\$ 76.0	\$ (505.0)	\$ (82.5)
Identifiable assets	777.5	827.8	758.2
Americas/Pacific			
Customer revenue	\$ 1,957.0	\$ 1,846.5	\$ 1,771.0
Affiliate revenue	122.3	138.7	177.7
Total	\$ 2,079.3	\$ 1,985.2	\$ 1,948.7
Operating profit	\$ 420.9	\$ 408.0	\$ 392.6
Identifiable assets	492.6	496.1	628.1
Adjustments and eliminations			
Affiliate revenue	\$ (870.7)	\$ (889.1)	\$ (920.5)
Operating profit	(4.8)	21.5	18.4
Identifiable assets	(28.7)	(23.9)	(50.7)
Consolidated			
Revenue	\$ 6,370.5	\$ 6,342.3	\$ 6,095.5
Operating profit (loss)	\$ 468.4	\$ (382.4)	\$ 361.8
General corporate expenses	(125.0)	(196.6)	(143.5)
Interest expense	(249.7)	(202.1)	(203.7)
Income (loss) from continuing operations before income taxes	\$ 93.7	\$ (781.1)	\$ 14.6
Identifiable assets	\$ 2,556.3	\$ 2,668.5	\$ 2,583.4
Corporate assets	4,410.8	4,444.7	4,610.0
Total assets	\$ 6,967.1	\$ 7,113.2	\$ 7,193.4

NOTE 15 Employee plans

Retirement benefits

Defined benefit retirement income plans cover the majority of domestic employees and certain employees in countries outside the United States. In the United States, the company has a retirement plan under which funds are deposited with a trustee. Major subsidiaries outside the United States provide for employee pensions in accordance with local requirements and customary practices, and several maintain funded defined benefit plans.

For the plan covered by the Employee Retirement Income Security Act ("ERISA"), the company's funding policy is to fund in accordance with ERISA funding standards. The various benefit formulas and the funding methods used in the international plans are in accordance with local requirements. Plan assets generally are invested in common stocks, fixed-income securities, insurance contracts, and real estate. At December 31, 1996, the assets of the company's U.S. pension plan included approximately 1.3 million shares of the company's common stock valued at approximately \$9.0 million.

Net curtailment gains of \$10.5, \$14.9, and \$8.3 million have been recognized in 1996, 1995, and 1994, respectively.

Stock plans  
- - - - -

Under plans approved by the stockholders, stock options, stock appreciation rights, restricted stock, and restricted stock units may be granted to officers and other key employees.

Options have been granted to purchase the company's common stock at 100% of the fair market value at the date of grant. Options have a maximum duration of ten years and become exercisable in annual installments over a two-, three- or four-year period following date of grant.

Restricted stock and restricted stock units have been granted and are subject to forfeiture until the expiration of a specified period of service commencing on the date of grant. Compensation expense resulting from the awards is charged to income ratably from the date of grant until the date the restrictions lapse and is based on fair market value at the date of grant. During the year ended December 31, 1996, 2.9 million shares of restricted stock and restricted stock units were granted at a weighted average grant date price of \$7.06 per share, .5 million shares and units were forfeited, and \$4.6 million was charged to income.

Effective January 1, 1996, the company adopted the disclosure-only option under SFAS No. 123, "Accounting for Stock-Based Compensation." The company continues to apply APB Opinion 25 for its stock plans. Accordingly, no compensation expense has been recognized for its stock option plans.

Pro forma information regarding net income and earnings per share is required by SFAS No. 123, and has been determined as if the company had accounted for its stock plans under the fair value method of SFAS No. 123. The fair value of stock options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions for 1996 and 1995, respectively: risk-free interest rates of 6.34% and 6.70%, volatility factors of the expected market price of the company's common stock of 55%, a weighted average expected life of the option of 5 years, and no dividends.

For purposes of the pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The company's pro forma net income (loss) for the years ended December 31, 1996 and 1995, respectively, follows: 1996, \$46.0 million or a loss of \$.43 per share; and 1995, \$(626.9) million or a loss of \$4.36 per share. Since the fair value of options is recognized over the vesting period, the initial impact on pro forma net income may not be representative of pro forma results in future years, when the effect of multiple awards would be reflected in the pro forma results.

A summary of the status of stock option activity follows:

Year ended December 31 (Shares in thousands)	1996		1995		1994	
	Shares	Weighted Avg. Exercise Price	Shares	Weighted Avg. Exercise Price	Shares	Weighted Avg. Exercise Price
Outstanding at beginning of year	17,429	\$11.48	17,474	\$11.81	15,402	\$12.05
Granted	4,493	6.23	4,332	9.99	4,499	11.09
Exercised	(119)	4.20	(471)	5.98	(654)	5.57
Forfeited and expired	(3,579)	11.87	(3,906)	11.99	(1,773)	14.31
Outstanding at end of year	18,224	10.16	17,429	11.48	17,474	11.81
Exercisable at end of year	10,499	11.57	9,997	12.14	9,620	12.40
Shares available for granting options at end of year	4,351		4,480		2,105	

Weighted average fair value of options granted during the year	\$3.40	\$5.58
--	--------	--------

At December 31, 1996 (Shares in thousands)	Outstanding			Exercisable	
	Shares	Average Life<F1>	Average Exercise Price	Shares	Average Exercise Price
Exercise Price Range					
\$4-7	5,264	8.25	\$5.80	1,122	\$4.25
\$7-11	4,736	7.08	9.94	2,642	9.86
\$11-13	4,229	6.83	11.54	2,752	11.63
\$13-40	3,995	3.08	14.72	3,983	14.72
Total	18,224	6.50	10.16	10,499	11.57

<FN>  
<F1> Average contractual remaining life in years.

#### Other postretirement benefits

The company provides certain health care benefits for U.S. employees who retired or terminated after qualifying for such benefits. Most international employees are covered by government-sponsored programs and the cost to the company is not significant. The company expects to fund its share of such benefit costs principally on a pay-as-you-go-basis.

In 1992, the company announced changes to its postretirement benefit plans to phase out the company's subsidy by January 1, 1996. Several lawsuits have been brought by plan participants challenging the announced changes to the plans, and the company is defending them vigorously. In 1994, several of these lawsuits were resolved, which resulted in the company recognizing income of \$13.8 million (\$8.0 million amortization of prior service benefit and \$5.8 million settlement).

Net periodic postretirement benefit cost for 1996, 1995, and 1994 includes the following components:

Year ended December 31 (Millions)	1996	1995	1994
Interest cost on accumulated postretirement benefit obligation	\$ 16.0	\$ 17.6	\$ 22.1
Amortization of prior service benefit	(2.7)	(8.5)	(8.0)
Net amortization and deferral	(1.5)	3.6	(2.5)
Return on plan assets	(1.0)	(4.2)	.5
Service cost - benefits earned during the period		.1	1.0
Net periodic postretirement benefit cost	\$ 10.8	\$ 8.6	\$ 13.1

The status of the plan and amounts recognized in the company's consolidated balance sheet at December 31, 1996 and 1995 were as follows:

December 31 (Millions)	1996	1995
------------------------	------	------

Actuarial present value of accumulated postretirement



benefit obligation - retirees	\$ 221.6	\$ 223.4
Less plan assets at fair value	(24.8)	(27.3)
-----	-----	-----
Accrued postretirement benefit liability in excess of plan assets	196.8	196.1
Unrecognized net loss	(10.7)	(8.3)
Unrecognized prior service benefit	28.3	30.9
-----	-----	-----
Accrued postretirement benefit obligation recognized in the consolidated balance sheet	\$ 214.4	\$ 218.7
=====	=====	=====

As of December 31, 1996 and 1995, the entire liability was classified as long-term.

The assumed rate of return on plan assets, which are principally invested in fixed-income securities, was 8% in 1996 and 1995, and the weighted average discount rate used to measure the accumulated postretirement benefit obligation was 7.5% at December 31, 1996 and 1995. The assumed health care cost trend rate used in measuring the expected cost of benefits covered by the plan was 9.4% for 1997, gradually declining to 6% in 2006 and thereafter. A one-percentage point increase in the assumed health care cost trend rate would increase the accumulated postretirement benefit obligation at December 31, 1996 by \$11.2 million and increase the aggregate of the service and interest cost components of net periodic post-retirement health care benefit cost by \$.9 million.

#### Retirement benefits

The plans' funded status and amounts recognized in the company's consolidated balance sheet at December 31, 1996 and 1995 were as follows:

(Millions)	Assets Exceed Accumulated Benefits				Accumulated Benefits Exceed Assets			
	U.S. Plan		Int'l Plans		U.S. Plan		Int'l Plans	
	1996	1995	1996	1995	1996	1995	1996	1995
	-----							
	<C							
Actuarial present value of benefit obligations:								
Vested benefit obligation	\$ 3,142.3	\$ 3,165.4	\$ 669.4	\$ 631.3	\$ 52.0	\$ 49.8	\$ 30.2	\$ 31.8
Accumulated benefit obligation	\$ 3,193.4	\$ 3,226.7	\$ 683.3	\$ 642.9	\$ 53.5	\$ 51.0	\$ 32.9	\$ 50.2
Projected benefit obligation	\$ 3,246.2	\$ 3,254.2	\$ 710.6	\$ 674.7	\$ 53.5	\$ 53.4	\$ 37.2	\$ 58.4
Plan assets at fair value	3,662.8	3,390.8	871.7	784.1			20.2	27.0
-----	-----	-----	-----	-----	-----	-----	-----	-----
Projected benefit obligation less than (in excess of) plan assets	416.6	136.6	161.1	109.4	(53.5)	(53.4)	(17.0)	(31.4)
Unrecognized net loss (gain)	330.5	580.0	(42.0)	(3.9)	11.2	12.4	(9.7)	.7
Unrecognized prior service (benefit) cost	(50.4)	(65.8)	7.0	4.2	2.2	2.2	1.1	1.2
Unrecognized net (asset) obligation at date of adoption	(.3)	(.4)	(2.1)	(4.3)	3.2	4.0	3.3	4.7
-----	-----	-----	-----	-----	-----	-----	-----	-----
Prepaid pension cost (pension liability) recognized in the consolidated balance sheet	\$ 696.4	\$ 650.4	\$ 124.0	\$ 105.4	\$ (36.9)	\$ (34.8)	\$ (22.3)	\$ (24.8)
	=====	=====	=====	=====	=====	=====	=====	=====

Net periodic pension cost for 1996, 1995, and 1994 includes the following components:

(Millions)	U.S. Plans			International Plans		
	1996	1995	1994	1996	1995	1994
	-----					
Service cost - benefits earned during the period	\$ 34.6	\$ 33.8	\$ 44.1	\$ 20.9	\$ 22.9	\$ 22.2
Interest cost on projected benefit obligation	242.5	245.2	231.5	45.8	49.5	42.7
Return on assets	(507.8)	(684.1)	5.6	(101.5)	(85.6)	33.8
Net amortization and deferral	197.8	355.2	(293.7)	38.2	25.3	(86.8)
-----	-----	-----	-----	-----	-----	-----
Net periodic pension (income) cost	\$ (32.9)	\$ (49.9)	\$ (12.5)	\$ 3.4	\$ 12.1	\$ 11.9
	=====	=====	=====	=====	=====	=====

The assumptions used to determine the above data were as follows:

Discount rate	7.75%	7.50%	8.75%	7.11%	7.23%	7.48%
Rate of increase in compensation levels	5.40%	5.40%	5.40%	3.88%	4.08%	4.43%
Expected long-term rate of return on assets	10.00%	10.00%	10.00%	8.33%	8.37%	8.40%

NOTE 16 Stockholders' equity

Changes in stockholders' equity during the three years ended December 31, 1996 were as follows:

(Millions)	Preferred Stock			Common Stock	Retained Earnings (Accumulated Deficit)	Other Capital		
	Series A	Series B	Series C			Treasury Stock	Translation Adjustments	Other, Principally Paid-in Capital
Balance at December 31, 1993	\$ 1,420.2	\$ 50.0	\$ 100.0	\$ 1.7	\$ 159.8	\$ (15.3)	\$ (360.8)	\$ 1,339.9
Issuance of stock under stock option and other plans						(.7)		3.6
Net income					100.5			
Dividends					(214.6)			
Translation adjustments							20.0	
Other	.1							.1
Balance at December 31, 1994	1,420.3	50.0	100.0	1.7	45.7	(16.0)	(340.8)	1,343.6
Issuance of stock under stock option and other plans						(.3)		2.7
Net income (loss)					(624.6)			
Dividends					(123.7)			
Translation adjustments							1.6	
Balance at December 31, 1995	1,420.3	50.0	100.0	1.7	(702.6)	(16.3)	(339.2)	1,346.3
Transfer to "redeemable preferred stock"		(50.0)	(100.0)					
Issuance of stock under stock option and other plans				.1				23.6
Net income					49.7			
Dividends					(117.2)			
Unearned compensation								(9.4)
Translation adjustments							(50.9)	
Other	(.1)							
Balance at December 31, 1996	\$ 1,420.2	\$ -	\$ -	\$ 1.8	\$ (770.1)	\$ (16.3)	\$ (390.1)	\$ 1,360.5

The company has 360,000,000 authorized shares of common stock, par value \$.01 per share. The company has 40,000,000 shares of authorized preferred stock, par value \$1 per share, issuable in series.

The company has authorization to issue up to 30,000,000 shares of Series A Cumulative Convertible Preferred Stock ("Series A Preferred Stock"), 10 shares of Series B Cumulative Convertible Preferred Stock ("Series B Preferred Stock"), and 20 shares of Series C Cumulative Convertible Preferred Stock ("Series C Preferred Stock").

Each share of Series A Preferred Stock (i) accrues quarterly cumulative dividends of \$3.75 per share per annum, (ii) has a liquidation preference of \$50.00 plus accrued and unpaid dividends, (iii) is convertible into 1.67 shares of the company's common stock, subject to customary anti-dilution adjustments, and (iv) is redeemable at the option of the company under certain circumstances at \$50.00 per share. In addition, shares of Series A Preferred Stock have priority as to dividends over holders of the company's common stock that rank junior with regard to dividends. If, on the date used to determine stockholders of record for a meeting of stockholders at which directors are to be elected, preferred stock dividends are in arrears in an amount equal to at least six quarterly dividends, the number of members of the Board of Directors will be increased by two as of the date of such stockholders' meeting and the holders of shares of Series A Preferred Stock will be entitled to vote for and elect such two additional directors.

Mitsui & Co., Ltd. ("Mitsui") owns \$150 million of convertible preferred stock, consisting of 10 shares of Series B Preferred Stock and 20 shares of Series C Preferred Stock. In January 1997, the company reached an agreement with Mitsui to redeem all of the \$100 million Series C Preferred Stock on March 27, 1997 and all of the \$50 million Series B Preferred Stock on June 26, 1997 at stated value plus accrued dividends.

Accordingly, at December 31, 1996, the company classified such preferred stock as redeemable preferred stock in the consolidated balance sheet.

Each outstanding share of common stock has attached to it one preferred share purchase right. Each right entitles the registered holder to purchase for \$75, under certain circumstances, one three-hundredth of a share of Junior Participating Preferred Stock, par value \$1 per share. The rights become exercisable only if a person or group acquires 20% or more of the company's common stock, or announces a tender or exchange offer for 30% or more of the common stock. If the company is acquired (or survives in a reverse merger transaction) or 50% or more of its consolidated assets or earnings power are sold, each right will entitle its holder to purchase a number of the acquiring company's common shares (or the company's common shares) having a market value of \$150. The company will be entitled to redeem the rights at one and two-thirds cents per right prior to the earlier of the expiration of the rights, or the time that a 20% position has been acquired. Until the rights become exercisable, they have no dilutive effect on net income per common share.

At December 31, 1996, 158.2 million shares of unissued common stock of the company were reserved for the following: 57.2 million for convertible preferred stock, 43.5 million for the 8 1/4% convertible subordinated notes due 2006, 33.7 million for the 8 1/4% convertible subordinated notes due 2000, and 23.8 million for stock options and stock purchase plans.

Changes in issued shares during the three years ended December 31, 1996 were as follows:

	Preferred Stock			Common Stock	Treasury Stock
	Series A	Series B	Series C		
Balance at December 31, 1993	28,404,439	10	20	171,171,027	(806,183)
Issuance of stock under stock option and other plans				654,024	(58,861)
Other	747			2,298	
Balance at December 31, 1994	28,405,186	10	20	171,827,349	(865,044)
Issuance of stock under stock option and other plans				488,726	(27,965)
Other	(37)			60	
Balance at December 31, 1995	28,405,149	10	20	172,316,135	(893,009)
Issuance of stock under stock option and other plans				3,425,906	(6,196)
Other	(300)			501	
Balance at December 31, 1996	28,404,849	10	20	175,742,542	(899,205)

Report of Independent Auditors  
To the Board of Directors of Unisys Corporation

We have audited the accompanying consolidated balance sheets of Unisys Corporation at December 31, 1996 and 1995, and the related consolidated statements of income and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of Unisys Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of

Unisys Corporation at December 31, 1996 and 1995, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania  
January 22, 1997

Supplemental Financial Data (Unaudited)  
Unisys Corporation  
Quarterly financial information

(Millions, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
1996					
Revenue	\$ 1,423.1	\$ 1,505.0	\$ 1,630.9	\$ 1,811.5	\$ 6,370.5
Gross profit	438.9	491.9	530.0	657.6	2,118.4
Income (loss) before income taxes	(20.3)	8.0	21.5	84.5	93.7
Net income (loss) before extraordinary item	(13.4)	5.3	14.2	55.7	61.8
Net income (loss)	(13.4)	5.3	14.2	43.6	49.7
Dividends on preferred shares	30.2	30.2	30.2	30.2	120.8
Earnings (loss) on common shares	(43.6)	(24.9)	(16.0)	13.4	(71.1)
Earnings (loss) per common share - primary and fully diluted					
Before extraordinary item	(.25)	(.14)	(.09)	.15	(.34)
Extraordinary item				(.07)	(.07)
Total	(.25)	(.14)	(.09)	.08	(.41)
Market price per common share					
high	7 3/4	9 1/8	7 1/4	7 3/4	9 1/8
low	5 3/8	5 5/8	5 3/8	5 7/8	5 3/8
1995					
Revenue	\$ 1,464.9	\$ 1,519.8	\$ 1,491.7	\$ 1,865.9	\$ 6,342.3
Gross profit	541.4	547.0	467.4	136.4	1,692.2
Income (loss) from continuing operations before income taxes	48.4	60.6	(48.8)	(841.3)	(781.1)
Income (loss) from continuing operations	32.1	39.8	(32.2)	(667.0)	(627.3)
Income (loss) from discontinued operations	12.5			(9.8)	2.7
Net income (loss)	44.6	39.8	(32.2)	(676.8)	(624.6)
Dividends on preferred shares	29.9	30.0	30.2	30.2	120.3
Earnings (loss) on common shares	14.7	9.8	(62.4)	(707.0)	(744.9)
Earnings (loss) per common share - primary and fully diluted					
Continuing operations	.02	.06	(.36)	(4.06)	(4.37)
Discontinued operations	.07			(.06)	.02
Total	.09	.06	(.36)	(4.12)	(4.35)
Market price per common share					
high	10 1/8	11 3/4	11	8 5/8	11 3/4
low	8 1/2	9 1/8	7 5/8	5 1/2	5 1/2

In the fourth quarter of 1995, the company recorded charges of \$846.6 million, or \$3.90 per fully diluted common share. See Note 2 of the Notes to Consolidated Financial Statements.

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

Market prices per common share are as quoted on the New York Stock Exchange composite listing.

Six-year summary of selected financial data  
(Millions, except per share data)

	1996	1995<F1>	1994<F1>	1993	1992	1991<F1>
<b>Results of operations</b>						
Revenue	\$ 6,370.5	\$ 6,342.3	\$ 6,095.5	\$ 6,107.1	\$ 6,715.6	\$ 6,908.8
Operating income (loss)	327.4	(562.1)	271.7	698.7	688.2	(614.3)
Income (loss) from continuing operations before income taxes	93.7	(781.1)	14.6	370.9	301.3	(1,425.6)
Income (loss) from continuing operations before extraordinary items and changes in accounting principles	61.8	(627.3)	12.1	286.3	166.3	(1,520.2)
Net income (loss)	49.7	(624.6)	100.5	565.4	361.2	(1,393.3)
Dividends on preferred shares	120.8	120.3	120.1	121.6	122.1	121.2
Earnings (loss) on common shares	(71.1)	(744.9)	(19.6)	443.8	239.1	(1,514.5)
Earnings (loss) from continuing operations per common share						
Primary	(.34)	(4.37)	(.63)	1.00	.27	(10.16)
Fully diluted	(.34)	(4.37)	(.63)	1.17	.33	(10.16)
<b>Financial position</b>						
Working capital	\$ 668.0	\$ 71.3	\$ 1,015.7	\$ 681.0	\$ 513.3	\$ 384.3
Total assets	6,967.1	7,113.2	7,193.4	7,349.4	7,322.1	8,218.7
Long-term debt	2,271.4	1,533.3	1,864.1	2,025.0	2,172.8	2,694.6
Common stockholders' equity<F2>	185.8	289.9	1,034.2	1,057.3	541.8	342.1
Common stockholders' equity per share	1.06	1.69	6.05	6.21	3.35	2.12
<b>Other data</b>						
Engineering, research and development	\$ 342.9	\$ 404.5	\$ 458.5	\$ 489.3	\$ 505.6	\$ 610.6
Capital additions of properties and rental equipment	162.3	195.0	208.2	173.5	227.0	222.7
Investment in marketable software	116.2	123.0	121.3	118.7	110.2	167.7
Depreciation	182.0	203.0	226.2	252.0	311.4	412.1
Amortization						
Marketable software	101.6	151.7	150.5	144.6	131.8	241.0
Cost in excess of net assets acquired	46.1	40.9	36.9	36.7	36.8	246.6
Common shares outstanding (millions)	174.8	171.4	171.0	170.4	161.9	161.7
Stockholders of record (thousands)	39.2	41.5	45.3	47.8	51.7	54.6
Employees (thousands)	32.9	37.4	37.8	38.2	41.7	46.4

<F1> Includes special pretax charges of \$846.6 million, \$186.2 million, and \$1,200.0 million for the years ended December 31, 1995, 1994, and 1991, respectively.

<F2> After deduction of cumulative preferred dividends in arrears.

Customer revenue by business unit

Year ended December 31 (Millions)	1996		1995	
Information Services Group	\$ 1,951.4	31%	\$ 1,836.8	29%
Global Customer Services	1,991.9	31	1,884.1	30
Computer Systems Group	2,427.2	38	2,621.4	41
Total	\$ 6,370.5	100%	\$ 6,342.3	100%

## SUBSIDIARIES OF THE REGISTRANT

Unisys Corporation, the registrant, a Delaware company, has no parent. The registrant owns directly or indirectly all the voting securities of the following subsidiaries:

Name of Company -----	State or Other Jurisdiction Under the Laws of Which Organized -----
Unisys Canada Inc.	Canada
Convergent Technologies, Inc.	California
Unisys Australia Limited	Michigan
Unisys New Zealand Limited	New Zealand
Unisys Espana S. A.	Spain
Unisys (Schweiz) A.G.	Switzerland
Unisys Belgium	Belgium
Unisys Deutschland G.m.b.H.	Germany
Unisys Eletronica Ltda.	Brazil
Unisys France	France
Unisys Italia S.p.A.	Italy
Unisys Limited	England
Unisys Nederland N.V.	Netherlands
Unisys de Mexico, S.A. de C.V.	Mexico
Unisys Korea Limited	Korea
Unisys South Africa, Inc.	Delaware
Unisys de Colombia, S.A.	Delaware

The names of certain subsidiaries are omitted from the above list; such subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

## CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Unisys Corporation of our report dated January 22, 1997, included in the 1996 Annual Report to Stockholders of Unisys Corporation.

Our audits also included the financial statement schedule of Unisys Corporation listed in Item 14(a). This schedule is the responsibility of Unisys Corporation's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We consent to the incorporation by reference in the following Registration Statements: (1) Registration Statement (Form S-8 No. 33-20588) pertaining to the Unisys Savings Plan, (2) Registration Statement (Form S-8 No. 33-7893) pertaining to the Burroughs LTIP, (3) Registration Statement (Form S-8 No. 33-4317) pertaining to the Burroughs 1985 Payroll Deduction Stock Purchase Plan, (4) Registration Statement (Form S-8 No. 33-20204) pertaining to the Unisys Retirement Investment Plan, (5) Registration Statement (Form S-8 No. 33-20205) pertaining to the Unisys Retirement Investment Plan II, (6) Registration Statement (Form S-3 No. 33-25715) of Unisys Corporation, (7) Registration Statement (Form S-8 No. 33-3937) pertaining to the Burroughs LTIP, (8) Registration Statement (Form S-8 No. 2-63842) pertaining to the Burroughs LTIP, (9) Registration Statement (Form S-8 No. 33-34771) pertaining to the Unisys Retirement Investment Plan, (10) Registration Statement (Form S-8 No. 33-38711) pertaining to the Unisys Savings Plan, (11) Registration Statement (Form S-8 No. 33-38712) pertaining to the Unisys Retirement Investment Plan II, (12) Registration Statement (Form S-8 No. 33-38713) pertaining to the Unisys Retirement Investment Plan, (13) Registration Statement (Form S-8 No. 33-40259) pertaining to the Unisys LTIP, (14) Registration Statement (Form S-3 No. 33-51747) of Unisys Corporation, (15) Registration Statement (Form S-4 No. 333-02409) of Unisys Corporation, (16) Registration Statement (Form S-3 No. 333-08933) of Unisys Corporation, and (17) Registration Statement (Form S-3 No. 333-20373) of Unisys Corporation; of our report dated January 22, 1997, with respect to the consolidated financial statements incorporated herein by reference and our report included in the preceding paragraph with respect to the financial statement schedule included in the 1996 Annual Report (Form 10-K) of Unisys Corporation for the year ended December 31, 1996.

/s/ ERNST & YOUNG LLP

Philadelphia, Pennsylvania  
March 27, 1997

POWER OF ATTORNEY  
Unisys Corporation  
Annual Report on Form 10-K  
for the year ended December 31, 1996

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below does hereby make, constitute and appoint JAMES A. UNRUH, HAROLD S. BARRON, ROBERT H. BRUST AND JANET BRUTSCHEA HAUGEN, and each one of them severally, his true and lawful attorneys-in-fact and agents, for such person and in such person's name, place and stead, to sign the Unisys Corporation Annual Report on Form 10-K for the year ended December 31, 1996, and any and all amendments thereto and to file such Annual Report on Form 10-K and any and all amendments thereto with the Securities and Exchange Commission, and does hereby grant unto such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as said person might or could do in person, hereby ratifying and confirming all that such attorney-in-fact and agents and each of them may lawfully do or cause to be done by virtue hereof.

Dated: February 27, 1997

/s/ J. P. Bolduc  
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J. P. Bolduc  
Director

/s/ Kenneth A. Macke  
-----  
Kenneth A. Macke  
Director

/s/ James J. Duderstadt  
-----  
James J. Duderstadt  
Director

/s/ Theodore E. Martin  
-----  
Theodore E. Martin  
Director

/s/ Gail D. Fosler  
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Gail D. Fosler  
Director

/s/ Robert McClements, Jr.  
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Robert McClements, Jr.  
Director

/s/ Melvin R. Goodes  
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Melvin R. Goodes  
Director

/s/ Alan E. Schwartz  
-----  
Alan E. Schwartz  
Director

/s/ Edwin A. Huston  
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Edwin A. Huston  
Director

/s/ James A. Unruh  
-----  
James A. Unruh  
Chairman of the Board,  
Chief Executive Officer and Director



<ARTICLE> 5  
<LEGEND> THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED  
FROM THE COMPANY'S FINANCIAL STATEMENTS INCLUDED IN THE  
COMPANY'S FORM 10-K FOR THE FISCAL YEAR ENDED  
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