

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, 2001

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  
(State or other jurisdiction of  
incorporation or organization)

38-0387840  
(I.R.S. Employer  
Identification No.)

Unisys Way  
Blue Bell, Pennsylvania  
(Address of principal executive offices)

19424  
(Zip Code)

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

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

| Title of each class<br>-----    | Name of each exchange on<br>which registered<br>----- |
|---------------------------------|---|
| Common Stock, par value \$.01   | New York Stock Exchange                               |
| Preferred Share Purchase Rights | New York Stock Exchange                               |

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  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.

Aggregate market value of the voting stock held by non-affiliates: approximately \$4,013,000,000 as of December 31, 2001. 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 December 31, 2001: 320,493,667.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Unisys Corporation 2001 Annual Report to Stockholders -- Part I, Part II and Part IV.

Portions of the Unisys Corporation Proxy Statement for the 2002 Annual Meeting of Stockholders -- Part III.

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PART I

ITEM 1. BUSINESS

Unisys Corporation ("Unisys" or the "Company") is a worldwide information services and technology company providing business solutions that help customers utilize information technology to seize opportunities, overcome challenges, and succeed in the global economy.

Unisys has two business segments -- Services and Technology. Financial information concerning the two segments is set forth in Note 14, "Segment information", of the Notes to Consolidated Financial Statements appearing in the Unisys 2001 Annual Report to Stockholders, and such information is incorporated herein by reference.

The principal executive offices of Unisys are located at Unisys Way, Blue Bell, Pennsylvania 19424.

Principal Products and Services

Unisys provides services and technology to commercial businesses and governments throughout most of the world.

In the Services segment, Unisys provides a range of services and solutions designed to help clients apply information technology to meet their business problems. The Unisys portfolio of solutions and services includes consulting and systems integration; outsourcing, including the management of a customer's internal information systems and management of specific business processes, such as payment processing, mortgage administration and cargo management; network services involving the management and support of customers' multi-vendor networks, desktops, and servers; and security solutions to protect systems, networks, applications and data.

In the Technology segment, Unisys develops servers and related products that operate in high-volume, mission-critical environments. Major offerings include enterprise-class servers based on Cellular Multi Processing architecture, such as the ClearPath Enterprise server, which integrates proprietary and "open" platforms, and Intel-based servers with enterprise-class attributes, such as the ES7000 server; system middleware to power high-end servers; storage products; payment systems; and specialized technologies.

The primary vertical markets Unisys serves worldwide include financial services, communications, transportation, media, commercial, and public sector, including the U.S. federal government.

Products and services are marketed primarily through a direct sales force. In certain foreign countries, Unisys markets primarily through distributors.

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Raw Materials

Raw materials essential to the conduct of the business are generally readily available at competitive prices in reasonable proximity to those facilities 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 and service marks used on or in connection with Unisys products and services are considered to be valuable assets of Unisys.

## Backlog

In the Services segment, firm order backlog at December 31, 2001 was \$5.7 billion, compared to \$5.8 billion at December 31, 2000. Approximately \$2.3 billion (40%) of 2001 backlog is expected to be filled in 2002. Although the Company believes that this backlog is firm, the Company may, for commercial reasons, allow the orders to be cancelled, with or without penalty. In addition, funded government contracts included in this backlog are generally subject to termination, in whole or part, at the convenience of the government or if funding becomes unavailable. In such cases, the Company is generally entitled to receive payment for work completed plus allowable termination or cancellation costs.

At the end of 2001, the Company also had \$2.8 billion of potential future Services order value which it may receive under certain multi-year U.S. government contracts for which funding is appropriated annually. The comparable value of unfunded multi-year U.S. government contracts for 2000 was \$2.1 billion.

Because of the relatively short cycle between order and shipment in its Technology segment, the Company believes that backlog information for this segment is not material to the understanding of its business.

## 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 10% of total consolidated revenue in 2001.

## Competition

Unisys business is affected by rapid change in technology in the information services and technology industries and aggressive competition from many domestic and foreign companies. Principal

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competitors are computer hardware manufacturers, software providers, and information technology services companies, including companies that provide systems integration and consulting, outsourcing and network services. Unisys competes primarily on the basis of service, product performance, 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 \$331.5 million in 2001, \$333.6 million in 2000, and \$339.4 million in 1999.

## 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 2002 and

2003.

Employees

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As of December 31, 2001, Unisys had approximately 38,900 employees.

International and Domestic Operations

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Financial information by geographic area is set forth in Note 14, "Segment information", of the Notes to Consolidated Financial Statements appearing in the Unisys 2001 Annual Report to Stockholders, and such information is incorporated herein by reference.

ITEM 2. PROPERTIES

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As of December 31, 2001, Unisys had 24 major facilities in the United States with an aggregate floor space of approximately 5.2 million square feet, located primarily in California, Georgia, Illinois, Michigan, Minnesota, Pennsylvania, Utah and Virginia. Three of these facilities, with aggregate floor space of approximately 1.5 million square feet, were owned by Unisys and 21, with approximately 3.7 million square feet of floor space, were leased to Unisys. Approximately 4.9 million square feet of the U.S. facilities were in current operation, approximately .2 million square feet were subleased to others, and approximately .1 million square feet were being held in reserve or were declared surplus with disposition efforts in progress.

As of December 31, 2001, Unisys had 26 major facilities outside the United States with an aggregate floor space of approximately 2.6 million square feet, located primarily in Australia, Brazil, France, Germany, Netherlands, South Africa, Switzerland and the United Kingdom. Six of these facilities, with approximately .8 million square feet of

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floor space, were owned by Unisys and 20, with approximately 1.8 million square feet of floor space, were leased to Unisys. Approximately 2.2 million square feet were in current operation, approximately .3 million square feet were subleased to others, and approximately .1 million square feet were being held in reserve or were declared surplus with disposition efforts in progress.

Unisys major facilities include offices, laboratories, centers of excellence, 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 will from time to time acquire additional facilities, expand existing facilities, and dispose of existing facilities or parts thereof, as necessary.

ITEM 3. LEGAL PROCEEDINGS

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The Company has previously reported, most recently in its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2001, its involvement in a consolidated class action captioned In re: Unisys Corporation Securities

Litigation, filed in the U. S. District Court for the Eastern District of

Pennsylvania. This matter has been settled, and the case was dismissed in the fourth quarter of 2001. The terms of the settlement did not have a material effect on the company's consolidated financial position, consolidated results of operations or liquidity.

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

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No matters were submitted to a vote of security holders of Unisys during the fourth quarter of 2001.

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ITEM 10. EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning the executive officers of Unisys is set forth below.

| Name                   | Age | Position with Unisys  |
|------------------------|-----|---|
| Lawrence A. Weinbach   | 62  | Chairman of the Board,<br>President and Chief<br>Executive Officer      |
| Jack A. Blaine         | 57  | Executive Vice President;<br>President, Worldwide Sales<br>and Services |
| George R. Gazerwitz    | 61  | Executive Vice President;<br>President, Systems &<br>Technology         |
| Joseph W. McGrath      | 49  | Executive Vice President;<br>President, Global Industries               |
| David O. Aker          | 55  | Senior Vice President,<br>Worldwide Human Resources                     |
| Janet Brutschea Haugen | 43  | Senior Vice President and<br>Chief Financial Officer                    |
| Nancy Straus Sundheim  | 50  | Senior Vice President,<br>General Counsel and Secretary                 |
| Janet B. Wallace       | 50  | Senior Vice President;<br>President, Global Network<br>Services         |
| Leigh Alexander        | 44  | Vice President and Chief<br>Marketing Officer                           |
| Richard D. Badler      | 51  | Vice President, Corporate<br>Communications                             |
| Scott A. Battersby     | 43  | Vice President and Treasurer  |
| Leo C. Daiuto          | 56  | Vice President, Product<br>Development and Technology                   |
| Robert D. Evans        | 54  | Vice President; President,<br>Global Outsourcing                        |
| Jack F. McHale         | 52  | Vice President,<br>Investor Relations                                   |

There is no family relationship 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. Weinbach, Chairman of the Board, President and Chief Executive Officer since 1997. Prior to that time, he held the position of Managing Partner-Chief Executive of Andersen Worldwide (Arthur Andersen and Andersen Consulting), a global professional services organization. He had been with Andersen Worldwide since 1961.

Mr. Blaine, Executive Vice President and President, Worldwide Sales and Services since 2000. Prior to that time, he served as Senior Vice President and President of the Pacific Asia Americas Group (1996-1999). Mr. Blaine has been an officer since 1988.

Mr. Gazerwitz, Executive Vice President and President, Systems and Technology since 2000. Prior to that time, he served as Executive Vice President and President of the Computer Systems Group (1996-1999). Mr. Gazerwitz has been an officer since 1984.

Mr. McGrath, Executive Vice President and President, Global Industries since 2000. During 1999, he served as Senior Vice President of Major Accounts Sales and Chief Marketing Officer. Prior to joining Unisys in 1999, he was with Xerox Corporation from 1988 until 1998, serving as vice president and general manager of its Production Color Systems unit and as vice president of strategy and integration for the Production Systems division. Mr. McGrath has been an officer since 1999.

Mr. Aker, Senior Vice President, Worldwide Human Resources since 1997. Prior to that time, he served as Vice President, Worldwide Human Resources (1995-1997). Mr. Aker has been an officer since 1995.

Ms. Haugen, Senior Vice President and Chief Financial Officer since 2000. Prior to that time, she served as Vice President and Controller and Acting Chief Financial Officer (1999-2000) and Vice President and Controller (1996-1999). Ms. Haugen has been an officer since 1996.

Ms. Sundheim, Senior Vice President, General Counsel and Secretary since January 2001. From 1999 to 2001, she was Vice President, Deputy General Counsel and Secretary. She had been Deputy General Counsel since 1990. Ms. Sundheim has been an officer since 1999.

Ms. Wallace, Senior Vice President and President, Global Network Services since 2000. Ms. Wallace joined Unisys in 1999 as Vice President and President, Global Network Services. Prior to that, she was Vice President of Services Marketing and Sales, Compaq Computer Corporation (1998-1999); and Vice President of Marketing and Services, Digital Equipment Corporation (1993-1998). Ms. Wallace has been an officer since 2000.

Ms. Alexander, Vice President and Chief Marketing Officer since 2000. Prior to joining Unisys in 2000, she was with Comdial Corporation from 1998 serving as president, Comdial Enterprise Solutions and as Senior Vice President, Marketing. Before that, Ms. Alexander was Senior Vice President, Marketing and Strategic Planning

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at PageNet Corporation (1996-1997). Ms. Alexander has been an officer since 2000.

Mr. Badler, Vice President, Corporate Communications since 1998. Prior to joining Unisys, he was Vice President, Corporate Communications for General Instrument Corporation (1996-1998); and an executive vice president and account director for Golin/Harris Communications in Chicago (1994-1996). Mr. Badler has been an officer since 1998.

Mr. Battersby, Vice President and Treasurer since 2000. Prior to that time, he served as vice president of corporate strategy and development (1998-2000); and vice president and Assistant Treasurer (1996-1998). Mr. Battersby has been an officer since 2000.

Mr. Daiuto, Vice President, Product Development and Technology since 2000. Prior to that time, he had held a variety of business and engineering management positions with Unisys since he joined the Company in 1970. Mr. Daiuto has been an officer since 2000.

Mr. Evans, Vice President and President, Global Outsourcing since 2000. Prior to that time, he served as vice president and general manager for outsourcing in North America (1996-1999). Mr. Evans has been an officer since 2000.

Mr. McHale, Vice President, Investor Relations since 1997. From 1989 to 1997, he was Vice President, Investor and Corporate Communications. Mr. McHale has been an officer since 1986.

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

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Unisys Common Stock (trading symbol "UIS") is listed for trading on the New York Stock Exchange, on exchanges in Amsterdam, Brussels, and London and on the SWX Swiss Exchange. Information on the high and low sales prices for Unisys Common Stock is set forth under the heading "Quarterly financial information", in the Unisys 2001 Annual Report to Stockholders and is incorporated herein by reference. At December 31, 2001, there were 320.5 million shares outstanding and approximately 28,400 stockholders of record. Unisys has not declared or paid any cash dividends on its Common Stock since 1990.

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ITEM 6. SELECTED FINANCIAL DATA

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A summary of selected financial data for Unisys is set forth under the heading "Five-year summary of selected financial data" in the Unisys 2001 Annual Report to Stockholders and is incorporated herein by reference.

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

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Management's discussion and analysis of 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 2001 Annual Report to Stockholders and is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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Information concerning market risk is set forth under the heading "Market risk" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Unisys 2001 Annual Report to Stockholders and is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

-----

The financial statements of Unisys, consisting of the consolidated balance sheets at December 31, 2001 and 2000 and the related consolidated statements of income, cash flows and stockholders' equity for each of the three years in the period ended December 31, 2001, appearing in the Unisys 2001 Annual Report to Stockholders, together with the report of Ernst & Young LLP, independent auditors, on the financial statements at December 31, 2001 and 2000 and for each of the three years in the period ended December 31, 2001, appearing in the Unisys 2001 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 2001 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.

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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 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 2003" and "Members of the Board of Directors Continuing in Office -- Term Expiring in 2004" in the Unisys Proxy Statement for the 2002 Annual Meeting of Stockholders and is incorporated herein by reference.

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

(c) Section 16(a) Beneficial Ownership Reporting Compliance. Information concerning compliance with beneficial ownership reporting requirements is set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in the Unisys Proxy Statement for the 2002 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION  
-----

Information concerning executive compensation is set forth under the headings "EXECUTIVE COMPENSATION", "REPORT OF THE CORPORATE GOVERNANCE AND COMPENSATION COMMITTEE" and "STOCK PERFORMANCE GRAPH" in the Unisys Proxy Statement for the 2002 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT  
-----

Information concerning shares of Unisys equity securities beneficially owned by certain beneficial owners and by management is set forth under the heading "SECURITY OWNERSHIP BY CERTAIN BENEFICIAL OWNERS AND MANAGEMENT" in the Unisys Proxy Statement for the 2002 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS  
-----

Information concerning certain relationships and related transactions is set forth under the heading "EXECUTIVE COMPENSATION - Transactions with Management" in the Unisys Proxy Statement for the 2002 Annual Meeting of Stockholders and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K  
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(a) The following documents are filed as part of this report:

1. Financial Statements from the Unisys 2001 Annual Report to Stockholders which are incorporated herein by reference:

|  | Annual Report<br>Page No.<br>----- |
|--|------------------------------------|
| Consolidated Balance Sheet at<br>December 31, 2001 and December 31, 2000   | 23                                 |
| Consolidated Statement of Income for each of the<br>three years in the period ended December 31, 2001                  | 22                                 |
| Consolidated Statement of Cash Flows for each of the<br>three years in the period ended December 31, 2001              | 24                                 |
| Consolidated Statement of Stockholders' Equity for<br>each of the three years in the period ended<br>December 31, 2001 | 25                                 |
| Notes to Consolidated Financial Statements   | 26-43                              |
| Report of Independent Auditors   | 44                                 |

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



8 of this report:

Schedule  
Number  
-----

Form 10-K  
Page No.  
-----

II Valuation and Qualifying Accounts

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The financial statement schedule should be read in conjunction with the consolidated financial statements and notes thereto in the Unisys 2001 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 17 through 19. Management contracts and compensatory plans and arrangements are listed as Exhibits 10.1 through 10.16.

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(b) Reports on Form 8-K.

During the quarter ended December 31, 2001, Unisys filed a Current Report on Form 8-K, dated December 14, 2001, to report under Items 5 and 7 of such Form.

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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/ Lawrence A. Weinbach  
By: -----  
Lawrence A. Weinbach  
Chairman of the Board,  
President and Chief  
Executive Officer

Date: February 15, 2002

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 February 15, 2002.

/s/ Lawrence A. Weinbach  
-----  
Lawrence A. Weinbach  
Chairman of the Board,  
President and Chief Executive  
Officer (principal  
executive officer) and  
Director

\*James J. Duderstadt  
-----  
James J. Duderstadt  
Director  
  
\*Henry C. Duques  
-----  
Henry C. Duques  
Director

/s/ Janet Brutschea Haugen  
-----  
Janet Brutschea Haugen  
Senior Vice President  
and Chief Financial Officer  
(principal financial and

\*Denise K. Fletcher  
-----  
Denise K. Fletcher  
Director  
  
\*Gail D. Fosler

accounting officer) -----  
 Gail D. Fosler  
 Director

\*J. P. Bolduc  
 -----  
 J. P. Bolduc  
 Director

\*Melvin R. Goodes  
 -----  
 Melvin R. Goodes  
 Director

\*Kenneth A. Macke  
 -----  
 Kenneth A. Macke  
 Director

\*Edwin A. Huston  
 -----  
 Edwin A. Huston  
 Director

\*Theodore E. Martin  
 -----  
 Theodore E. Martin  
 Director

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\*By:/s/ Lawrence A. Weinbach  
 -----  
 Lawrence A. Weinbach  
 Attorney-in-Fact

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

| Description  | Balance at<br>Beginning<br>of Period | Additions<br>Charged<br>to Costs<br>and Expenses | Deductions (1) | Balance<br>at End<br>of Period |
|--|--------------------------------------|--|----------------|--------------------------------|
| Allowance for<br>Doubtful Accounts<br>(deducted from<br>accounts and notes<br>receivable): |                                      |  |                |                                |
| Year Ended<br>December 31, 1999  | \$51.2                               | \$13.6   | \$ (13.0)      | \$51.8                         |
| Year Ended<br>December 31, 2000  | \$51.8                               | \$ 8.2   | \$ (11.7)      | \$48.3                         |
| Year Ended<br>December 31, 2001  | \$48.3                               | \$23.6   | \$ (21.3)      | \$50.6                         |

(1) Write-off of bad debts less recoveries.

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EXHIBIT INDEX

| Exhibit<br>Number | Description   |
|-------------------|---|
| 3.1               | Restated Certificate of Incorporation of Unisys Corporation<br>(incorporated by reference to Exhibit 3.1 to the registrant's<br>Quarterly Report on Form 10-Q for the quarterly period ended<br>September 30, 1999) |
| 3.3               | By-Laws of Unisys Corporation   |

- 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, 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 (incorporated by reference to Exhibit 4 to the registrant's Current Report on Form 8-K dated February 22, 1996)
- 4.4 Amendment No. 2, dated as of December 7, 2000, to Rights Agreement (incorporated by reference to Exhibit 4 to the registrant's Current Report on Form 8-K dated December 7, 2000)
- 10.1 Unisys Corporation Deferred Compensation Plan as amended and restated effective September 22, 2000 (incorporated by reference to Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000)
- 10.2 Deferred Compensation Plan for Directors of Unisys Corporation, as amended and restated effective September 22, 2000 (incorporated by reference to Exhibit 10.4 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000)
- 10.3 Unisys Corporation Director Stock Unit Plan, as amended and restated, effective September 22, 2000 (incorporated by reference to Exhibit 10.5 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000)

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- 10.4 Unisys Directors Stock Option Plan, as amended and restated effective September 22, 2000 (incorporated by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000)
- 10.5 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)
- 10.6 1990 Unisys Long-Term Incentive Plan, as amended and restated effective September 22, 2000 (incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000)
- 10.7 Unisys Corporation Executive Life Insurance Program (incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1999)
- 10.8 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)
- 10.9 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)
- 10.10 Employment Agreement, dated September 23, 1997, between the registrant and Lawrence A. Weinbach (incorporated by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1997)
- 10.11 Employment Agreement, dated as of November 19, 1999, by and between

Unisys Corporation and Joseph W. McGrath (incorporated by reference to Exhibit 10.24 to the registrant's Annual Report on Form 10-K for the year ended December 31, 1999)

- 10.12 Unisys Corporation Supplemental Executive Retirement Income Plan, as amended through May 22, 1997 (incorporated by reference to Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1997)
- 10.13 Amendment 2001-1 to the Unisys Corporation Supplemental Executive Retirement Income Plan
- 10.14 Summary of supplemental executive benefits provided to officers of Unisys Corporation

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- 10.15 Unisys Corporation Elected Officer Pension Plan, as amended through July 19, 2001
- 10.16 Agreement dated November 14, 2001 between Unisys Corporation and Jack A. Blaine
- 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, 2001
- 21 Subsidiaries of the Registrant
- 23 Consent of Independent Auditors
- 24 Power of Attorney

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UNISYS CORPORATION

BYLAWS

ARTICLE I

Stockholders

SECTION 1. Annual Meeting of Stockholders.

The Board of Directors may fix the date, time and place of the annual meeting of stockholders, but if no such date and time is fixed and designated by the Board of Directors, the annual meeting of stockholders shall be held on the last Thursday in April in each year. At the annual meeting, the stockholders then entitled to vote shall elect directors and shall transact such other business as may properly be brought before the meeting.

SECTION 2. Special Meetings of Stockholders.

Subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, special meetings of the stockholders for any purpose may be called only by a majority of the entire Board of Directors.

SECTION 3. Stockholder Action.

Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders.

SECTION 4. Place of Meeting.

All meetings of the stockholders of the Corporation shall be held at such place as shall be designated by the Board of Directors in the notice of such meeting.

SECTION 5. Notice of Business to be Transacted.

(a) Annual Meetings.

-----  
(1) Nominations of persons for election to the Board of Directors of the Corporation shall be made pursuant to Article II, Section 5 of these bylaws. The proposal of business other than director nominations to be transacted by the stockholders may be made at an annual meeting of stockholders (a) pursuant to the Corporation's notice with respect to such meeting, (b) by or at the direction of the Board of Directors, or (c) by any stockholder of the Corporation who was a stockholder of record at the time of giving of the notice

provided for in these bylaws, who is entitled to vote at the meeting and who has complied with the notice procedures set forth in this section.

(2) For business other than director nominations to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of paragraph (1) of this section, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and such business must be a proper matter for stockholder action under the Delaware General Corporation Law (the "GCL"). To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not less than 90 days prior to the first anniversary of the preceding year's annual meeting of stockholders; provided, however, that in the event that the date of the annual meeting is more than 30 days prior to or more than 60 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the 90th day prior to such

annual meeting or later than the 7th day following the day on which notice of the date of such meeting is first given. Such stockholder's notice shall set forth (a) as to any business that the stockholder proposes to bring before the meeting, a brief description of such business, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (b) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner and (ii) the class and number of shares of the capital stock of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

(3) Only such business shall be conducted at an annual meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this section and, with respect to the election of directors, Article II, Section 5. The chairman of the meeting shall determine whether any business proposed to be transacted by the stockholders has been properly brought before the meeting and, if any proposed business has not been properly brought before the meeting, the chairman shall declare that such proposed business shall not be presented for stockholder action at the meeting.

(b) Special Meetings. Nominations of persons for election to the Board  
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of Directors may be made by stockholders at special meetings of stockholders at which directors are to be selected pursuant to the stockholders' notice requirements of Article II, Section 5 of these bylaws. Stockholders shall not propose business at any special meetings of stockholders.

(c) Proxy Rules. Nothing in this Section 5 shall be deemed to affect  
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any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Securities Exchange Act of 1934.

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#### SECTION 6. Quorum, Manner of Acting and Adjournment and Postponement.

(a) Quorum, Adjournment and Postponement. The holders of a majority of  
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the shares entitled to vote, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders except as otherwise provided by the GCL, by the certificate of incorporation or by these bylaws. Whether or not a quorum is present or represented at any meeting of the stockholders, the chairman of the meeting shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting. At any such adjourned meeting at which a quorum is present or represented, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. The stockholders present in person or by proxy at a meeting at which a quorum is present may continue to do business until adjournment, notwithstanding withdrawal of enough stockholders to leave less than a quorum. Any meeting of stockholders, whether special or annual, may be postponed by resolution of the Board of Directors upon public notice given prior to the date of such meeting.

(b) Manner of Acting. Directors shall be elected by a plurality of the  
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votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. In all matters other than the election of directors, the affirmative vote of the majority of shares present in person or represented by proxy at the meeting and entitled to vote thereon shall be the act of the stockholders, unless the question is one upon which, by express provision of the applicable statute, the certificate of incorporation or these bylaws, a different vote is required in which case such express provision shall govern and control the decision of the question.

#### SECTION 7. Organization and Conduct of Business.

At every meeting of the stockholders, the Chairman of the Board, if there be one, or in the case of a vacancy in the office or absence of the Chairman of the Board, one of the following persons present in the order stated: the Vice Chairman, if one has been appointed, the President, the Vice Presidents in their order of rank or seniority, a chairman designated by the Board of Directors or a chairman chosen by the stockholders entitled to cast a majority of the votes which all stockholders present in person or by proxy are entitled to cast, shall act as chairman, and the Secretary, or, in the absence of the Secretary, an Assistant Secretary, or in the absence of the Secretary and the Assistant Secretaries, a person appointed by the chairman, shall act as secretary. The chairman of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as may seem to him in order.

SECTION 8. Voting.

(a) General Rule. Unless otherwise provided in the certificate of  
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incorporation, each stockholder shall be entitled to one vote, in person or by proxy, for each share of capital stock having voting power held by such stockholder.

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(b) Voting and Other Action by Proxy. At any meeting of the  
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stockholders, every stockholder entitled to vote may vote in person or by proxy authorized by an instrument in writing or by a transmission permitted by law filed in accordance with the procedure established for the meeting. Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to this paragraph may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

All voting, except where otherwise required by law, these bylaws or the certificate of incorporation, may be by a voice vote. Any vote not taken by voice shall be taken by ballots, each of which shall state the name of the stockholder or proxy voting and such other information as may be required under the procedure established for the meeting.

SECTION 9. Voting Lists.

The Corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting. The list shall be arranged in alphabetical order, showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. This list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

SECTION 10. Inspectors of Election.

(a) Appointment. All elections of directors shall be by written  
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ballot. In advance of any meeting of stockholders the Board of Directors shall appoint one or more inspectors to act at the meeting. No person who is a candidate for office shall act as an inspector. In case any person appointed as an inspector fails to appear or fails or refuses to act, the vacancy may be filled by appointment made by the Board of Directors in advance of the convening of the meeting, or at the meeting by the chairman of the meeting.

(b) Duties. Inspectors shall determine the number of shares  
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outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum and the authenticity, validity and effect of proxies and ballots, shall receive votes or ballots, shall hear and determine all challenges and questions in any way arising in connection with the right to vote, shall count and tabulate all votes and ballots, shall determine and certify the result, and shall do such acts as may be proper to conduct the election or vote with fairness to all stockholders. If there be

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more than one inspector of election, the decision, act or certificate of a majority shall be effective in all respects as the decision, act or certificate of all.

(c) Report. On request of the chairman of the meeting or of any

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stockholder or his proxy, the inspectors shall make a report in writing of any challenge or question or matter determined by them, and execute a certificate of any fact found by them.

(d) Opening and Closing of Polls. The date and time of the opening

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and closing of the polls for each matter to be voted upon at the meeting shall be determined by the chairman of the meeting and announced at the meeting. No ballot, proxies or votes, nor any revocations thereof or changes thereto, shall be accepted by the inspectors after the closing of the polls unless the Court of Chancery in Delaware upon application by a stockholder shall determine otherwise.

## ARTICLE II

### Directors

#### SECTION 1. Number.

The business and affairs of the Corporation shall be managed under the direction of the Board of Directors which, subject to any right of the holders of any series of Preferred Stock then outstanding to elect additional directors under specified circumstances, shall consist of not less than 10 nor more than 20 persons. The exact number of directors within the minimum and maximum limitations specified in the preceding sentence shall be fixed from time to time by the Board of Directors pursuant to a resolution adopted by a majority of the entire Board of Directors.

#### SECTION 2. Terms.

The directors, other than those who may be elected by the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, shall be divided into three classes, as nearly equal in number as possible, with the term of office of the first class to expire at the 1985 Annual Meeting of Stockholders, the term of office of the second class to expire at the 1986 Annual Meeting of Stockholders and the term of office of the third class to expire at the 1987 Annual Meeting of Stockholders. At each Annual Meeting of Stockholders following such initial classification and election, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the third succeeding Annual Meeting of Stockholders after their election.

#### SECTION 3. Newly Created Directorships and Vacancies.

Subject to the rights of the holders of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall be filled by a majority vote of the directors then in office, and directors so chosen shall hold office for a term expiring at the Annual Meeting of Stockholders at

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which the term of the class to which they have been elected expires. No decrease in the number of directors constituting the Board of Directors shall shorten the



term of any incumbent director.

#### SECTION 4. Removal.

Subject to the rights of the holders of any series of Preferred Stock then outstanding, any director, or the entire Board of Directors, may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least 80% of the voting power of all of the shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

#### SECTION 5. Nomination of Director Candidates.

(a) Nominations of candidates for election as directors of the Corporation at any meeting of stockholders called for election of directors (an "Election Meeting") may be made by the Board of Directors or by any stockholder entitled to vote at such Election Meeting.

(b) Nominations made by the Board of Directors shall be made at a meeting of the Board of Directors, or by written consent of directors in lieu of a meeting, not less than 30 days prior to the date of the Election Meeting, and such nomination shall be reflected in the minute books of the Corporation as of the date made. At the request of the Secretary of the Corporation each proposed nominee shall provide the Corporation with such information concerning himself as is required, under the rules of the Securities and Exchange Commission, to be included in the Corporation's proxy statement soliciting proxies for his election as a director.

(c) Not less than 90 days prior to the date of the Election Meeting in the case of an annual meeting, and not more than 7 days following the date of notice of the meeting in the case of a special meeting, any stockholder who intends to make a nomination at the Election Meeting shall deliver a notice to the Secretary of the Corporation setting forth (i) the name, age, business address and residence address of each nominee proposed in such notice, (ii) the principal occupation or employment of each such nominee, (iii) the number of shares of capital stock of the Corporation which are beneficially owned by each such nominee, (iv) a statement that the nominee is willing to be nominated and (v) such other information concerning each such nominee as would be required, under the rules of the Securities and Exchange Commission, in a proxy statement soliciting proxies for the election of such nominees.

(d) In the event that a person is validly designated as a nominee in accordance with paragraph (b) or paragraph (c) hereof and shall thereafter become unable or unwilling to stand for election to the Board of Directors, the Board of Directors or the stockholder who proposed such nominee, as the case may be, may designate a substitute nominee.

(e) If the Chairman of the Election Meeting determines that a nomination was not made in accordance with the foregoing procedures, such nominations shall be void.

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No person shall be elected a director of the Corporation after having attained the age of seventy years.

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#### SECTION 6. Organization.

At every meeting of the Board of Directors, the Chairman of the Board or, in the case of a vacancy in the office or absence of the Chairman of the Board, a chairman chosen by a majority of the directors present, shall preside, and the Secretary, or, in the absence of the Secretary, an Assistant Secretary, or in the absence of the Secretary and the Assistant Secretaries, any person appointed by the chairman of the meeting, shall act as secretary.

#### SECTION 7. Regular Meetings.

Regular meetings of the Board of Directors shall be held at such place or places, on such date or dates, and at such time or times as shall have been established by the Board of Directors and publicized among all directors. A

notice of each regular meeting shall not be required.

SECTION 8. Special Meetings.

Special meetings of the Board of Directors shall be held whenever called by the Chairman of the Board or by three or more of the directors and shall be held at such place, on such date and at such time as they or he shall fix.

SECTION 9. Quorum, Manner of Acting and Adjournment.

(a) General Rule. One-half of the total number of directors shall

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constitute a quorum for the transaction of business at all meetings of the Board of Directors. The vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors, except (1) as may be otherwise specifically provided by the GCL or by the certificate of incorporation; and (2) for any amendment to these bylaws, which shall require the vote of not less than a majority of the directors then in office. If a quorum is not present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without further waiver or notice other than announcement at the meeting, until a quorum is present.

(b) Unanimous Written Consent. Unless otherwise restricted by the

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certificate of incorporation, any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting, if all members of the Board consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors.

(c) Conference Telephone Meetings. One or more directors of the Board

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of Directors may participate in a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in this manner constitutes presence in person at the meeting.

SECTION 10. Committees of the Board of Directors.

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(a) Establishment and Powers. The Board of Directors may, by resolution

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adopted by a majority of the whole Board, establish one or more committees, each committee to consist of one or more directors. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee and the alternate or alternates, if any, designated for such member, the member or members of the committee present at any meeting and not disqualified from voting, whether or not they constitute a quorum, may unanimously appoint another director to act at the meeting in the place of any such absent or disqualified member. Subject to the provisions of the GCL, committees established by the Board of Directors shall have such power and authority as provided by resolution of the board. Each committee so formed shall have such name as may be determined from time to time by resolution adopted by the Board of Directors and shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

(b) Committee Procedures and Conduct of Business. Each committee of the

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Board of Directors may determine the procedural rules for meeting and conducting its business and shall act in accordance therewith, except as otherwise provided herein or required by law. Adequate provision shall be made for notice to members of all meetings of committees. A majority of the members of any committee shall constitute a quorum unless the committee shall consist of one (1) or two (2) members, in which event one (1) member and two (2) members, respectively, shall constitute a quorum; and all matters shall be determined by a majority vote of the members present. Action may be taken by any committee without a meeting if all members thereof consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of such committee.

SECTION 11. Compensation of Directors.

Unless otherwise restricted by the certificate of incorporation, the Board of Directors shall have the authority to fix the fees and other compensation of directors.

ARTICLE III

Notice - Waivers - Meetings

SECTION 1. Notice, What Constitutes.

Whenever, under the provisions of the GCL or of the certificate of incorporation or of these bylaws, notice is required to be given to any director or stockholder, such notice may be given in writing, by mail or by telegram (with messenger service specified), telex or TWX (with answerback received) or courier service, charges prepaid, or by facsimile transmission to the address (or to the telex, TWX, facsimile or telephone number) of the person appearing on the books of the Corporation, or in the case of directors, supplied to the Corporation for the purpose of notice. If the notice is sent by mail, telegraph or courier service, it shall be deemed to be given when

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deposited in the United States mail or with a telegraph office or courier service for delivery to that person or, in the case of telex or TWX, when dispatched, or in the case of facsimile transmission, when electronically received.

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SECTION 2. Notice of Meetings of Board of Directors.

Notice of a regular meeting of the Board of Directors need not be given. Notice of every special meeting of the Board of Directors shall be given to each director by telephone or in writing at least 24 hours (in the case of notice by telephone, telex, TWX or facsimile transmission) or 48 hours (in the case of notice by telegraph, courier service or express mail) or five days (in the case of notice by first class mail) before the time at which the meeting is to be held. Every such notice shall state the time and place of the meeting. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting.

SECTION 3. Notice of Meetings of Stockholders.

Written notice of the place, date and hour of every meeting of the stockholders, whether annual or special, shall be given to each stockholder of record entitled to vote at the meeting not less than ten nor more than 60 days before the date of the meeting and shall state the purpose or purposes thereof. If the notice is sent by mail, it shall be deemed to have been given when deposited in the United States mail, postage prepaid, directed to the stockholder at the address of the stockholder as it appears on the records of the Corporation.

SECTION 4. Waivers of Notice.

(a) Written Waiver. Whenever notice is required to be given under any provisions of the GCL or the certificate of incorporation or these bylaws, a written waiver, signed by the person or persons entitled to the notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors, or members of a committee of directors need be specified in any written waiver of notice of such meeting.

(b) Waiver by Attendance. Attendance of a person at a meeting, either in person or by proxy, shall constitute a waiver of notice of such meeting, except where a person attends a meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting

was not lawfully called or convened.

## ARTICLE IV

### Officers

#### SECTION 1. Number, Qualifications and Designation.

The officers of the Corporation shall be chosen by the Board of Directors and shall be a Chairman of the Board of Directors, a President, one or more Vice Presidents, a Secretary, a Treasurer, a Controller and such other officers as may be elected in accordance with the provisions of Section 3 of this Article IV. Any number

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of offices may be held by the same person. The Board of Directors shall elect the Chairman of the Board from among the members of the board.

#### SECTION 2. Election and Term of Office.

The officers of the Corporation, except those appointed by delegated authority pursuant to section 3 of this Article IV, shall be elected annually by the Board of Directors, and each such officer shall hold office for a term of one year and until a successor is elected and qualified, or until his or her earlier resignation or removal. Any officer may resign at any time upon written notice to the Corporation. Any officer may be removed from office at any time by the affirmative written vote of a majority of the directors then in office. Notwithstanding anything to the contrary in these by-laws and regardless of whether the officer has tendered his/her resignation, an officer's term of office and employment shall terminate on the first day of the month following the officer's attainment of age sixty-five.

#### SECTION 3. Other Officers, Committees and Agents.

The Board of Directors may from time to time elect such other officers, and appoint such committees, employees or other agents as it deems necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as are provided in these bylaws, or as the Board of Directors may from time to time determine. The Board of Directors may delegate to any officer or committee the power to appoint subordinate officers and to retain or appoint employees or other agents, or committees thereof, and to prescribe the authority and duties of such subordinate officers, committees, employees or other agents.

#### SECTION 4. The Chairman and Vice Chairman of the Board.

The Chairman of the Board shall be the chief executive officer of the Corporation and, in that capacity, shall have general responsibility for the management and control of the business of the Corporation and shall perform all duties and have all powers that are commonly incident to the office of chief executive officer. He or she shall preside at all meetings of the stockholders and of the Board of Directors and shall perform such other duties as may from time to time be assigned to him or her by the Board of Directors. The Vice Chairman of the Board, if there be one, shall perform such duties as may be delegated to him or her by the Board of Directors or by the chief executive officer.

#### SECTION 5. The President.

The President shall perform such duties as from time to time may be assigned by the Board of Directors or by the chief executive officer.

#### SECTION 6. The Vice Presidents.

The Vice Presidents shall perform such duties as may from time to time be assigned to each and any of them by the Board of Directors or by the chief executive officer. A Vice President or Vice Presidents may have such additional designations as the Board may approve.

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SECTION 7. The Secretary.

The Secretary, or an Assistant Secretary, shall attend all meetings of the stockholders, the Board of Directors and committees thereof and shall record the proceedings of the stockholders and of the directors and of committees of the Board in a book or books to be kept for that purpose; shall see that notices are given and records and reports properly kept and filed by the Corporation as required by law; shall be the custodian of the seal of the Corporation and see that it is affixed to all documents to be executed on behalf of the Corporation under its seal; and, in general, shall perform all duties incident to the office of Secretary, and such other duties as may from time to time be assigned by the Board of Directors or by the chief executive officer.

SECTION 8. The Treasurer.

The Treasurer, or an Assistant Treasurer, shall have or provide for the custody of the funds or other property of the Corporation; shall collect and receive or provide for the collection and receipt of moneys earned by or in any manner due to or received by the Corporation; shall deposit all funds in his or her custody as Treasurer in such banks or other places of deposit as the Board of Directors may from time to time designate; whenever so required by the Board of Directors, shall render an account showing his or her transactions as Treasurer and the financial condition of the Corporation; and, in general, shall discharge such other duties as may from time to time be assigned by the Board of Directors or by the chief executive officer.

SECTION 9. The Controller.

The Controller shall provide and maintain financial and accounting controls over the business and affairs of the Corporation. He or she shall maintain adequate records of the assets, liabilities and financial transactions of the Corporation, and shall direct the preparation of financial statements, reports and analyses. He or she shall perform all acts incident to the position of Controller subject to the control of the Board of Directors and the chief executive officer.

SECTION 10. General Counsel.

The Corporation may have a General Counsel who shall be appointed by resolution of the Board of Directors and who shall have general supervision of all matters of a legal nature concerning the Corporation.

SECTION 11. Officers' Bonds.

No officer of the Corporation need provide a bond to guarantee the faithful discharge of the officer's duties unless the Board of Directors shall by resolution so require a bond in which event such officer shall give the Corporation a bond (which shall be renewed if and as required) in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of office.

SECTION 12. Compensation.

The compensation of the officers of the Corporation elected by the Board of Directors shall be fixed from time to time by the Board of Directors or a committee thereof designated for such purpose.

ARTICLE V

Certificates of Stock, Transfer, Etc.

SECTION 1. Form and Issuance.

(a) Issuance and Form. The shares of the capital stock of the Corporation

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shall be represented by certificates in such form as shall be approved by the Board of Directors. The certificates shall be signed by the Chairman or the President or any Vice President and by the Treasurer or the Secretary.

(b) Records and Regulations. The stock record books shall be kept by the  
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Secretary or by any registrar, stock transfer agent or other agency designated  
by the Board of Directors for that purpose. The stock certificates of the  
Corporation shall be registered in the stock ledger and transfer books of the  
Corporation as they are issued. Except as may otherwise be required by the  
Corporation's certificate of incorporation or the GCL, the Board of Directors  
may make such other rules and regulations concerning the issue, transfer and  
registration of certificates of shares of the capital stock of the Corporation  
as it deems necessary or appropriate from time to time.

(c) Signatures. Any of or all the signatures upon the stock certificates  
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of the Corporation may be a facsimile. In case any officer, transfer agent or  
registrar who has signed, or whose facsimile signature has been placed upon, any  
share certificate shall have ceased to be such officer, transfer agent or  
registrar, before the certificate is issued, it may be issued with the same  
effect as if the signatory were such officer, transfer agent or registrar at the  
date of its issue.

#### SECTION 2. Transfer of Stock.

Transfers of stock shall be made only upon the transfer books of the  
Corporation kept at an office of the Corporation or by transfer agents  
designated to transfer shares of the stock of the Corporation. Except where a  
certificate is issued in accordance with Section 3 of this Article, an  
outstanding certificate for the number of shares involved shall be surrendered  
for cancellation, properly endorsed, before a new certificate is issued  
therefor.

#### SECTION 3. Lost, Stolen, Destroyed or Mutilated Certificates.

The Corporation may direct a new certificate of stock to be issued in place  
of any certificate theretofore issued by the Corporation alleged to have been  
lost, stolen

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or destroyed, upon the making of an affidavit of that fact by the person  
claiming the certificate of stock to be lost, stolen or destroyed. When  
authorizing such issue of a new certificate or certificates, the Corporation  
may, in its discretion and as a condition precedent to the issuance thereof,  
require the owner of such lost, stolen or destroyed certificate or certificates,  
or the legal representative of the owner, to give the Corporation a bond  
sufficient to indemnify the Corporation against any claim that may be made  
against the Corporation on account of the alleged loss, theft or destruction of  
such certificate or the issuance of such new certificate.

#### SECTION 4. Record Holder of Shares.

The Corporation shall be entitled to recognize the exclusive right of a  
person registered on its books as the owner of shares to receive dividends, and  
to vote as such owner, and to hold liable for calls and assessments a person  
registered on its books as the owner of shares, and shall not be bound to  
recognize any equitable or other claim to or interest in such share or shares on  
the part of any other person, whether or not it shall have express or other  
notice thereof, except as otherwise provided by the GCL.

#### SECTION 5. Determination of Stockholders of Record.

(a) Meetings of Stockholders. In order that the Corporation may determine  
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the stockholders entitled to notice of or to vote at any meeting of stockholders  
or any adjournment thereof, the Board of Directors may fix a record date, which  
record date shall not precede the date upon which the resolution fixing the  
record date is adopted by the Board of Directors, and which record date shall  
not be more than 60 nor less than ten days before the date of such meeting. If  
no record date is fixed by the Board of Directors, the record date for  
determining stockholders entitled to notice of or to vote at a meeting of  
stockholders shall be at the close of business on the day next preceding the day  
on which notice is given, or, if notice is waived, at the close of business on  
the day next preceding the day on which the meeting is held. A determination of  
stockholders of record entitled to notice of or to vote at a meeting of

stockholders shall apply to any adjournment of the meeting unless the Board of Directors fixes a new record date for the adjourned meeting.

(b) Dividends. In order that the Corporation may determine the

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stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights of the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than 60 days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

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## ARTICLE VI

### General Provisions

#### SECTION 1. Dividends.

Subject to the restrictions contained in the GCL and any restrictions contained in the certificate of incorporation, the Board of Directors may declare and pay dividends upon the shares of capital stock of the Corporation.

#### SECTION 2. Contracts.

Except as otherwise provided in these bylaws, the Board of Directors or the chief executive officer, to the extent authorized by the Board, may authorize any officer or officers, or any agent or agents, to enter into any contract or to execute or deliver any instrument on behalf of the Corporation and such authority may be general or confined to specific instances.

#### SECTION 3. Corporate Seal.

The Corporation shall have a corporate seal, which shall have inscribed thereon the name of the Corporation and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced. If and when so directed by the Board or a committee thereof, duplicates of the seal may be kept and used by the Secretary or Treasurer or by an Assistant Secretary or Assistant Treasurer.

#### SECTION 4. Amendment of Bylaws.

Subject to the provisions of the certificate of incorporation, these bylaws may be altered, amended or repealed or new bylaws may be adopted either (1) by vote of the stockholders at a duly held annual or special meeting of stockholders, or (2) by vote of a majority of the Board of Directors at any regular or special meeting of directors.

#### SECTION 5. Action with Respect to Securities of Other Corporations.

The Chairman of the Board, the Vice Chairman of the Board, the President, any Vice President, the Treasurer or Secretary, or such other person appointed by such officer or the Board of Directors, shall have the power to vote and otherwise act on behalf of the Corporation, in person or by proxy, at any meeting of stockholders of or with respect to any action of stockholders of any other corporation in which the Corporation may hold securities and otherwise to exercise any and all rights and powers which the Corporation may possess by reason of its ownership of securities in such other corporation. The Corporation shall not directly or indirectly vote any shares issued by it.

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#### SECTION 6. Fiscal Year.

The fiscal year of the Corporation shall end on the thirty-first of December in each year.

SECTION 7. Time Periods.

In applying any provision of these bylaws that requires that an act be done or not be done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used, the day of the doing of the act shall be excluded, and the day of the event shall be included.

SECTION 8. Confidentiality Policies.

The provisions of these Bylaws shall be subject to any policies with respect to inspectors of election and confidential proxy voting which may be adopted by the Board of Directors from time to time and which are not inconsistent with applicable law.



UNISYS CORPORATION  
SUPPLEMENTAL EXECUTIVE RETIREMENT INCOME PLAN  
AMENDMENT 2001-1

Pursuant to the authority reserved to Unisys Corporation (the "Company") under Section 2.6 of the Unisys Corporation Supplemental Executive Retirement Income Plan (the "Plan"), the Company hereby amends the Plan as follows:

1. A new Subsection (d) is added to Section 1.2, effective December 31, 2000, to read as follows:

"(d) The supplemental pension benefit calculated under Subsection (a) shall exclude any amount of a Participant's accrued benefit payable under the Company Plan attributable to the 2000 Additional Benefit described in Supplement V of the Company Plan."

2. Section 2.4 is amended and restated in its entirety, effective October 1, 2000, to read as follows:

"2.4 Payment of Benefits.  
-----

Payment of benefits under this Supplemental Plan shall be coincident with and in the same form as the payment of the limited benefit payments made to the employee or on his behalf to his beneficiaries under the Company Plan, provided, however,

- (a) the payment of the additional benefit accrued under this Plan as a result of the 2000 Early Retirement Incentive Plan described in Supplement IV of the Company Plan shall be made in the form of an actuarially equivalent lump sum distribution, provided that the monthly amount of the additional benefit is less than \$20, and
- (b) the payment of the additional benefit accrued under this Plan as a result of the 2001 Early Retirement Incentive Plan described in Supplement VI of the Company Plan shall be made in the form of an actuarially equivalent lump sum distribution, provided however, that the lump sum payment shall be made in two annual installments (payable in 2002 and 2003) where the actuarially equivalent lump sum value of the additional benefit is greater than

\$200,000."

Executed this 19th day of December, 2001.

\_\_\_\_\_  
David O. Aker

\_\_\_\_\_  
Janet Brutschea Haugen

Elected Officer Supplemental Benefits

1. Personal Liability Umbrella Insurance - Unisys provides \$5 million personal liability insurance for coverage over and above minimum levels of personal insurance for home, cars, recreational vehicles or watercraft.
2. Financial Counseling Services - Unisys will pay for financial counseling services, including investment planning, estate planning and/or tax preparation up to a fixed amount as noted below. The executives may elect to pay a firm of their choice directly and have Unisys reimburse the executive, or they may authorize Unisys to submit payment to the firm on their behalf.

| Role<br>----        | 1st Year of<br>Appointment<br>----- | Annual Maximum<br>Thereafter<br>----- |
|---------------------|-------------------------------------|---------------------------------------|
| VP                  | \$5,000                             | \$4,000                               |
| Executive/Senior VP | \$7,500                             | \$5,000                               |

3. Car Allowance - A monthly car allowance, which will be taxed as ordinary income at the time of payment. The costs of vehicle acquisition, insurance, maintenance, repair, and gasoline are the executive's responsibility; however, business mileage expense is reimbursable under normal expense reporting procedures.

| Role<br>----    | Monthly Allowance<br>----- |
|-----------------|----------------------------|
| Elected Officer | \$600                      |
| CEO             | \$900                      |

4. Luncheon and Country Club - Elected Officers may join a luncheon club or country club (does not include social or athletic membership) in the Philadelphia area.
5. Airline Club Membership - Elected Officers may join one airline club of their preference. This is to enable them to perform their executive role while traveling on company business.
6. Annual Physical Examination - Elected officers have the opportunity to participate, at no cost, in the Executive Health Program through the University of Pennsylvania Health System. Alternatively, if elected officers choose not to participate in this program, they are eligible to obtain an annual company-paid physical examination from their personal physicians.

UNISYS CORPORATION  
ELECTED OFFICER PENSION PLAN  
EFFECTIVE JUNE 1, 1988  
(As Amended through July 19, 2001)

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 that includes all amendments made through July 19, 2001. 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.  
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- 2.02 "Bonus Plan" shall mean the Unisys Executive Bonus Plan, the Unisys  
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Senior Manager Bonus Plan or any predecessor or successor annual bonus plan.
- 2.03 "Company" shall mean Unisys Corporation, a Delaware corporation.  
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- 2.04 "Company Plan" shall mean the Unisys Pension Plan.  
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- 2.05 "Committee" shall mean the Corporate Governance and Compensation  
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Committee of the Board.
- 2.06 "Code" shall mean the Internal Revenue Code of 1986, as amended from  
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time to time.
- 2.07 "Credited Service" shall mean the Participant's Credited Service, as  
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defined in Article IV.
- 2.08 "Disability" shall refer to a Participant who is determined by the  
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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.  
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- 2.10 "Final Average Compensation" shall mean the Participant's Final Average  
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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  
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of its subsidiaries.
- 2.12 "Officer" shall mean any officer of the Company elected by the Board,  
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but excluding assistant officers, appointed officers or the general  
auditor.
- 2
- 2.13 "Part IV" shall mean Part IV of the Unisys Corporation Supplemental  
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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  
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Plan under Article III.
- 2.15 "Plan" shall mean the Unisys Corporation Elected Officer Pension Plan,  
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as set forth herein and as hereafter amended.
- 2.16 "Primary Social Security Benefit" shall mean the annualized amount  
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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.  
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- 2.18 "Sperry Plan" shall mean the Sperry Corporation Executive Pension Plan,  
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as in effect immediately prior to the Effective Date.
- 2.19 "Supplemental Plan" shall mean the Unisys Corporation Supplemental  
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Executive Retirement Income Plan-Part I, as amended and restated  
effective April 1, 1988, and as amended from time to time.
- 2.20 Change in Control means any of the following events:  
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- (a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities

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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

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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.

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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.

### ARTICLE III

#### ELIGIBILITY FOR PARTICIPATION -----

3.01 Participation  
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An Officer shall become a Participant in the Plan on the later of (i) the Effective Date or (ii) the effective date on which the Officer is elected to officer status by the Board.

3.02 Vesting  
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- (a) Each Participant shall acquire a vested right to a retirement benefit calculated in accordance with Article V 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 or becomes an Officer on or after January 1, 1997 and before July 19, 2001, the date on which the Employee attains age 50 and completes 5 years of Credited Service, provided that the Employee is employed by the Company or an Affiliated Company on or after December 31, 1998; or
- (4) The date specified in a written agreement between a Participant and the Company, provided that for

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agreements entered into on and after May 22, 1997, such agreements must be approved by the Committee.

- (b) A Participant who (i) retires from active employment or terminates employment due to Disability or death, or (ii) retires from active employment 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 a Participant but who 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.

#### ARTICLE IV

##### CREDITED SERVICE

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#### 4.01 Credited Service

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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) periods of employment as an Officer; and
- (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

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- (a) Subject to the adjustments set forth in Sections 5.02 and 5.03, a Participant who satisfies the vesting requirements described in Section 3.02(a) 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

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- (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  
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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  
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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  
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- (a) In the event of the death of a Participant who, at the time of death, has satisfied the vesting requirements described in Section 3.01(a) 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; and
  - (2) had survived to the benefit commencement date described in subsection (c); and
  - (3) had begun to receive an immediate retirement benefit in the Normal Form under Section 5.01(b); and
  - (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).

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- (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  
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- (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

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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

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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

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the first day of the calendar month following the later of (i) the Participant's termination of employment or (ii) the Participant's attainment of age 62, unless the Committee, in its sole discretion, agrees to an alternative commencement date.

6.03 Funding of Benefits

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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 that 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.

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- (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

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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 unfunded plan that is not intended to meet the requirements of Section 401 of the Code. The Committee shall be the Plan administrator and named fiduciary of the Plan that has the discretionary authority to control and manage the operation and administration of the Plan. The Committee has the discretionary authority to supply omissions, make factual determinations, and to decide any dispute that may arise regarding the rights of Participants. All such decisions are binding and conclusive on all interested parties.

#### 7.02 Claims Procedure

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- (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.

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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. Any change to the Plan which adversely affects a Participant's or Beneficiary's rights to benefits and/or the amount, form and manner in which benefits are accrued, vested and/or paid shall not affect the Participant's or Beneficiary's benefits accrued up to the date of the change. Changes which adversely affect a Participant's or Beneficiary's rights under the Plan may only take effect on the adoption date of the change and on a going forward basis.

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  
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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  
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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  
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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  
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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.

November 14, 2001

Jack A. Blaine  
2245 SW 15<sup>th</sup> Place  
Boca Raton, FL 19454

Dear Jack:

This correspondence will outline our understanding concerning your retirement from Unisys.

1. Unisys will continue your employment at your current salary from the date of this letter until up to August 31, 2002 ("Continuation Period"), according to the terms and conditions described in this letter. You agree to submit a signed request volunteering for the early retirement incentive plan ("ERIP") on or before November 30, 2001. A copy of this Plan is attached as Exhibit A. At this time, Unisys accepts your voluntary request to participate in the ERIP. Your election to participate in the ERIP will be irrevocable and effective as of the date on which you submit your ERIP election form, provided that you submit the election form on or before November 30, 2001. The effective date of your retirement will be the date upon which you commence new employment, or September 1, 2002, whichever first occurs. In the event you obtain full-time employment/1/ prior to September 1, 2002, Unisys will pay you any remaining salary payments due from the date of this letter until August 31, 2002 in a lump sum, less lawful deductions./2/ You will not be required to report to the office after March 1, 2002 and you will not be eligible for any vacation accrual after that date. You will be eligible to participate in the 2001 EVC Plan, pursuant to the terms of the Plan. You will not be eligible for EVC participation in 2002.
2. During the Continuation Period, your current pension, health and welfare benefits, and car allowance will be continued pursuant to the terms of the applicable Plan documents and you will continue to vest in the stock options previously granted to you in accordance with the terms of the 1990 Unisys Long Term Incentive Plan ("Stock Option Plan"). You will be eligible for a stock grant in February 2002, pursuant to the terms of the Stock Option Plan. You will continue to be eligible to participate in the Unisys Deferred Compensation Plan and the Unisys Savings Plan until the effective date of your retirement, pursuant to the terms of the applicable Plan documents. Your participation in the Unisys Short Term and Long Term

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/1/ For purposes of this Agreement, a consulting arrangement that provides for employment for less than 15 hours per week and for a term of not more than 4 weeks will not be considered full-time employment.

/2/ Any lump sum payments provided for in this Agreement shall not be considered program compensation for purposes of any Unisys Pension Plan or the Unisys Savings Plan.

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Disability Plans, as well as the Personal Liability Umbrella Insurance Policies, will terminate on March 1, 2002. During the Continuation Period and upon receipt of the appropriate invoices, Unisys will reimburse your monthly country club dues (\$350 per month). At the conclusion of the Continuation Period, Unisys will pay you your accrued and unused vacation. This payment will not be subject to the Deferred Compensation scheme.

3. You will be eligible to participate in the Right Associates Key Executive Service Outplacement Program. A description of this program is attached as Exhibit B. You agree to exercise your best efforts toward obtaining new employment.
4. As an additional condition of your continued employment, you specifically agree that you will conduct yourself in a manner consistent with Unisys

work rules, Code of Ethical Conduct and the highest professional standards. You also agree that you shall not negatively comment, either publicly or privately, about Unisys (or its subsidiaries or affiliates), any of its products, services or other businesses, its present or past Board of Directors, its officers, or employees, except that you may give truthful testimony before a court or governmental agency, if duly subpoenaed to testify.

5. You agree that the meaning, effect and terms of this Release have been fully explained to you and that you understand that this Release settles, bars, and waives any and all claims that you have or could possibly have against Unisys and any of its employees, agents or assigns as of the date of this Release.
6. You also agree that you have been allowed at least twenty-one (21) days to consider the meaning and effect of this Release and that this Release constitutes written notice that you have been advised to consult with an attorney prior to executing this Release.
7. You have seven (7) days from the day you sign this Release to revoke your acceptance of this Agreement and this Release shall not become effective or enforceable until this revocation period has expired.

In consideration for the foregoing promises and intending to be legally bound, you knowingly and voluntarily agree to the following:

1. To release and forever discharge Unisys Corporation and its officers, directors, employees and agents and their predecessors, successors and assigns, heirs, executors and administrators, (collectively "successor and assigns") from any and all causes of action, suits, debts, claims and demands (collectively, "claims") which you have ever had, now have or hereafter may have arising from or relating in any way to your employment relationship with Unisys or the termination thereof, including but not limited to, any claims for unpaid wages, vacation pay or severance pay and any claims for alleged violations of Title VII of the Civil Rights Act of 1964, as amended, the Civil Rights Act of 1991, as amended, the Americans with Disabilities Act of 1990,

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as amended, the Age Discrimination in Employment Act, as amended, the Employee Retirement Income Security Act, as amended, or breach of any employment contract or agreement, wrongful discharge, breach of the covenant of good faith and fair dealing and any claims which may have been asserted under the common law or any other federal, state or local law. Provided, however, that this Release shall not discharge in any way either party's right to contest any claimed breach of this Agreement.

2. Both parties agree that they will keep the contents of this Agreement and Release and all discussions leading up to it confidential and that neither party will disclose them to any third party, except as may be required by law. You are permitted, however, to discuss this Agreement with your family, attorney and financial advisor.
3. You understand and agree that neither this Release, nor the furnishing of the consideration for the Release, nor the negotiations leading up to this Release shall be deemed or construed at any time for any purpose as an admission by either party of liability or responsibility for any wrongdoing of any kind.
4. You acknowledge that, by reason of the position which you held within Unisys that you have become familiar with highly confidential and/or proprietary information relating to the business of Unisys such as various customer lists, sales and marketing strategies and plans, bids, projections, costs, financial data, personnel information developments, improvements, processes, methods, tools and customer relationships. You further recognize that the business of Unisys is highly competitive, and that Unisys has a legitimate business interest in preserving the highly unique and specialized skills that you have developed, as well as any and all trade secrets and other highly confidential and/or proprietary information that you may acquire therefrom, which are essential to the

continued success of Unisys, and that Unisys will suffer irreparable harm should such skills or confidential information be utilized by a competitor. You further acknowledge that all such confidential and/or proprietary information and trade secrets acquired through your employment are owned and shall continue to be owned by Unisys.

- Without prejudice to the Employee Proprietary Information and Invention and Stock Option Agreements which you previously signed, you agree that you will not, at any time, whether during your term of employment or thereafter, disclose to any unauthorized person, firm or corporation any information acquired by you in confidence through your employment with Unisys, it being understood that all such confidential and/or proprietary information constitutes trade secrets that are material to the successful conduct of Unisys and belong exclusively to Unisys. By way of example and not limitation, such confidential and/or proprietary information and trade secrets include any and all information, not otherwise available to the public, concerning: (i) marketing plans, business plans, strategies, forecasts, unpublished financial statements, budgets, bids, projections and costs; (ii) personnel information;

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(iii) customer lists, customer and supplier transaction histories, identities, contacts, volumes, characteristics, agreements and prices; (iv) information regarding promotional, operational, program management, sales, marketing, research and development techniques, methods and reports and (v) other trade secrets. You specifically acknowledge that such confidential and/or proprietary information and trade secrets have commercial value to Unisys, the unauthorized disclosure of which could be detrimental to the interests of Unisys, whether or not such information is specifically identified as "Confidential" and/or "Proprietary" information by Unisys. Provided, however, that the restrictions of this paragraph shall not extend to any information or materials that are either known to the public or that can be derived, compiled or learned by a third party without significant effort or expense. Nothing contained in this Agreement or in the Agreements -----  
referenced in this paragraph 5 shall be construed as a blanket prohibition -----  
against you from working for any competitor of Unisys or to otherwise -----  
obtain gainful employment in the Industry. Except for the limited -----  
restrictions contained in these agreements relating to the poaching of -----  
Unisys employees or the diversion of Unisys customers/3/ to a competitor, -----  
you are free to obtain alternate employment. -----

- You acknowledge that the restrictions contained in the foregoing paragraphs 5 and 6, in view of the nature of the work performed by Unisys, are reasonable and necessary in order to protect the legitimate interests of Unisys, and that any violation thereof may result in irreparable injuries to Unisys, and you therefore acknowledge that, in the event of any violation of any of these restrictions, Unisys shall be entitled to obtain from any court of competent jurisdiction preliminary and permanent injunctive relief as well as damages and an equitable accounting of all earnings, profits and other benefits arising from such violation, which rights shall be cumulative and in addition to any other rights or remedies to which Unisys may be entitled.
- You agree that on or before August 31, 2002, you will return all company information including and without limitation, related reports, files, memoranda, records, software, credit cards, telephone cards, computer access codes, disk and instructional manuals, I.D. badge, keys, library books, and other physical or personal property which you have received or prepared or helped prepare in connection with your employment with Unisys; and you have not retained and will not retain any copies, duplicates or reproductions or excerpts thereof. You will be permitted to retain your



laptop computer upon the condition that upon the expiration of the Continuation Period, you will return this computer to Unisys for purposes of removing all software licensed to Unisys and its employees.

8. Except for the provisions of the Proprietary Information and Invention and Stock Option Agreements, whose terms survive the termination of your employment, this

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/3/ It is expressly agreed that any post employment restriction that references Unisys customers shall mean only those Unisys customers for whom you were responsible as an "Executive of Interest" at any time during your tenure of employment with Unisys.

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Agreement supersedes all prior agreements, whether written or oral, between you and Unisys relating to your employment, the termination of your employment and the additional matters provided for herein. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by you and a representative of the Company. The validity interpretation, construction and performance of this agreement shall be governed by the laws of the Commonwealth of Pennsylvania without giving effect to the provisions thereof relating to conflicts of laws. It is further agreed that if, for any reason, any provision hereof is determined to be unenforceable, the remainder shall remain binding and in effect.

9. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Philadelphia, Pennsylvania in accordance with the rules of the American Arbitration Association. Any arbitration award will be final and conclusive upon the parties and a judgment enforcing such award may be entered in any court of competent jurisdiction.
10. If, in connection with any contemplated or filed Unisys litigation, you are called upon to provide evidence or to testify in any manner, you agree to cooperate fully with Unisys. If requested by Unisys, you agree to be present and participate in the trial of any such matter. You will, to the extent permitted by law, be reimbursed for your reasonable costs and expenses, including lost salary and attorneys fees.

If you agree to the terms set forth above, please sign and date this letter in the space provided below and return it to me. Should you have any further questions regarding this matter, please do not hesitate to contact me.

Yours truly,

David O. Aker  
Senior Vice President

World Wide Human Resources and Training

Agreed: \_\_\_\_\_  
Jack A. Blaine

\_\_\_\_\_  
Date

Exhibit 12

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

|  | Years Ended December 31 |          |          |          |            |
|--|-------------------------|----------|----------|----------|------------|
|  | 2001                    | 2000     | 1999     | 1998     | 1997       |
| Fixed charges  |                         |          |          |          |            |
| Interest expense   | \$ 70.0                 | \$ 79.8  | \$ 127.8 | \$ 171.7 | \$ 233.2   |
| Interest capitalized during the period                       | 11.8                    | 11.4     | 3.6      | -        | -          |
| Amortization of debt issuance expenses                       | 2.7                     | 3.2      | 4.1      | 4.6      | 6.7        |
| Portion of rental expense representative of interest         | 53.9                    | 42.2     | 46.3     | 49.1     | 51.8       |
| Total Fixed Charges  | 138.4                   | 136.6    | 181.8    | 225.4    | 291.7      |
| Earnings   |                         |          |          |          |            |
| Income (loss) from continuing operations before income taxes | (46.5)                  | 379.0    | 770.3    | 594.2    | (748.1)    |
| Add (deduct) the following:                                  |                         |          |          |          |            |
| Share of loss (income) of associated companies               | (8.6)                   | (20.5)   | 8.9      | (.3)     | 5.9        |
| Amortization of capitalized interest                         | 5.4                     | 2.2      | -        | -        | -          |
| Subtotal   | (49.7)                  | 360.7    | 779.2    | 593.9    | (742.2)    |
| Fixed charges per above                                      | 138.4                   | 136.6    | 181.8    | 225.4    | 291.7      |
| Less interest capitalized during the period                  | (11.8)                  | (11.4)   | (3.6)    | -        | -          |
| Total earnings (loss)  | \$ 76.9                 | \$ 485.9 | \$ 957.4 | \$ 819.3 | \$ (450.5) |
| Ratio of earnings to fixed charges                           | *                       | 3.56     | 5.27     | 3.63     | *          |

\* Earnings for the years ended December 31, 2001 and 1997 were inadequate to cover fixed charges by approximately \$49.7 and \$742.2 million, respectively.

Unisys Corporation

Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The company faced a very challenging economic environment in 2001, compounded by the events of September 11, 2001. In this environment, many organizations delayed planned information technology purchases. This resulted in a falloff in demand industry wide for certain information technology products and services. For the company, this was particularly the case in certain of its key markets: airlines and travel, financial services, and communications, with the impact most pronounced in high-end enterprise servers and in systems integration and consulting projects. As a result, the company took actions to further reduce its cost structure. In the fourth quarter of 2001, the company recorded a pretax charge of \$276.3 million, or \$.64 per share, to cover a work-force reduction of approximately 3,750 people and other actions. In the fourth quarter of 2000, the company recorded a pretax charge of \$127.6 million, or \$.29 per diluted share, primarily for a work-force reduction. Included in the charge for both years was an early retirement incentive for certain eligible groups of U.S. employees. See Note 4 of the Notes to Consolidated Financial Statements.

Results of operations

In 2001, the company recorded a net loss of \$67.1 million, or \$.21 per share, compared with net income of \$225.0 million, or \$.71 per diluted share, in 2000. The results for 2001 include the fourth-quarter pretax charges of \$276.3 million, or \$.64 per share, as well as an extraordinary charge of \$17.2 million, or \$.05 per share, for the early extinguishment of debt. Excluding these items, diluted earnings per share in 2001 was \$.48. The results for 2000 include the fourth-quarter pretax charge of \$127.6 million, or \$.29 per diluted share, as well as an extraordinary charge of \$19.8 million, or \$.06 per diluted share, for the early extinguishment of debt. Excluding these items, diluted earnings per share in 2000 was \$1.06. The results for 1999 included a one-time tax benefit of \$22.0 million, or \$.07 per common share, related to a U.S. Treasury income tax regulation, as well as an extraordinary charge of \$12.1 million, or \$.04 per diluted share, for the early extinguishment of debt. Excluding these items, diluted earnings per share in 1999 was \$1.56.

The following comparisons of income statement categories exclude the fourth-quarter charges and extraordinary items in all years.

Revenue for 2001 was \$6.02 billion compared to \$6.89 billion in 2000 and \$7.54 billion in 1999. Revenue in 2001 decreased 13% from the prior year, and revenue in 2000 decreased 9% from 1999. Excluding the negative impact of foreign currency fluctuations, revenue in 2001 declined 9% and revenue in 2000 decreased 5%. The decrease in revenue in 2001 was principally due to lower sales of de-emphasized commodity products, enterprise servers and systems integration. Revenue from international operations in 2001, 2000 and 1999 was \$3.42 billion, \$4.01 billion and \$4.19 billion, respectively. Revenue from U.S. operations was \$2.60 billion in 2001, \$2.88 billion in 2000 and \$3.35 billion in 1999.

At December 31, 2001, the company owned approximately 28% of the voting common stock of Nihon Unisys, Ltd., a publicly traded Japanese company ("NUL"). The company accounts for this investment by the equity method. NUL is the exclusive supplier of the company's hardware and software products in Japan. The company considers its investment in NUL to be of a long-term strategic nature. For the years ended December 31, 2001, 2000 and 1999, both direct and indirect sales to NUL were approximately \$340 million, \$530 million and \$490 million, respectively.

At December 31, 2001, the market value of the company's investment in NUL was approximately \$188 million and the amount recorded on the company's books was \$210.5 million. The market value is determined by both the quoted price per

share of NUL's shares on the Tokyo stock exchange and the current exchange rate of the Japanese yen to the U.S. dollar. At any point in time, the company's book value may be higher or lower than market value. The company would only reflect impairment in this investment if the loss in value of the investment were deemed to be other than a temporary decline.

Total gross profit percent was 27.4% in 2001, 31.2% in 2000 and 35.6% in 1999. The decrease in gross profit margin over this period primarily reflected a lower percentage of revenue from high-margin enterprise server sales as the company continued to shift its business model to emphasize lower-margin but higher-growth services businesses, such as outsourcing. Additionally in 2001, the gross profit margin was impacted by the falloff in demand industry-wide for certain information technology products and services.

Selling, general and administrative expenses were \$1.07 billion in 2001 (17.8% of revenue), \$1.28 billion in 2000 (18.5% of revenue) and \$1.38 billion in 1999 (18.4% of revenue). The decreases reflected tight controls placed on discretionary spending during these periods. The decline in the current year also reflected the benefits of the personnel reduction actions announced in the fourth quarter of 2000.

Research and development expenses in 2001 were \$303.9 million compared to \$315.4 million in 2000 and \$339.4 million in 1999.

In 2001, the company reported operating income of \$270.1 million (4.5% of revenue) compared to \$553.0 million (8.0% of revenue) in 2000 and \$960.7 million (12.7% of revenue) in 1999. The declines reflected lower sales of high-margin enterprise servers and systems integration services, offset in part by tight cost controls.

Information by business segment for 2001, 2000 and 1999 is presented below:

| (Millions of dollars)    | Total      | Eliminations | Services   | Technology |
|--------------------------|------------|--------------|------------|------------|
| 2001                     |            |              |            |            |
| Customer revenue         | \$ 6,018.1 | --           | \$ 4,444.6 | \$ 1,573.5 |
| Intersegment             | --         | \$ (363.4)   | 73.8       | 289.6      |
| Total revenue            | \$ 6,018.1 | \$ (363.4)   | \$ 4,518.4 | \$ 1,863.1 |
| Gross profit percent     | 27.4%      | --           | 19.7%      | 43.0%      |
| Operating income percent | 4.5%       | --           | 2.1%       | 11.6%      |
| 2000                     |            |              |            |            |
| Customer revenue         | \$ 6,885.0 | --           | \$ 4,741.6 | \$ 2,143.4 |
| Intersegment             | --         | \$ (437.2)   | 46.6       | 390.6      |
| Total revenue            | \$ 6,885.0 | \$ (437.2)   | \$ 4,788.2 | \$ 2,534.0 |
| Gross profit percent     | 31.2%      | --           | 21.6%      | 44.7%      |
| Operating income percent | 8.0%       | --           | 1.7%       | 17.7%      |
| 1999                     |            |              |            |            |
| Customer revenue         | \$ 7,544.6 | --           | \$ 5,287.0 | \$ 2,257.6 |
| Intersegment             | --         | \$ (577.5)   | 65.6       | 511.9      |
| Total revenue            | \$ 7,544.6 | \$ (577.5)   | \$ 5,352.6 | \$ 2,769.5 |
| Gross profit percent     | 35.6%      | --           | 25.6%      | 48.1%      |
| Operating income percent | 12.7%      | --           | 7.9%       | 20.3%      |

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

In the services segment, customer revenue was \$4.44 billion in 2001, \$4.74 billion in 2000 and \$5.29 billion in 1999. The revenue decline over this period primarily reflected two factors: (a) weak demand industry-wide for systems integration services and proprietary maintenance, partially offset by increased demand in outsourcing, and (b) the company's de-emphasis in year 2001 of commodity hardware sales within network services contracts. The 6% decrease in customer revenue in 2001 from 2000 reflected reduced commodity hardware sales as well as declines in systems integration and proprietary maintenance, offset in part by an increase in outsourcing revenue. In 2001, demand for systems integration weakened as organizations cut back on discretionary information technology projects to focus on cost reduction initiatives. The 10% decrease in 2000 from 1999 reflected declines in systems integration and proprietary maintenance revenue, offset in part by an increase in networking services revenue. Services gross profit declined to 19.7% in 2001 from 21.6% in 2000 and 25.6% in 1999. The decrease in gross profit was largely due to a lower content of higher-margin systems integration and proprietary maintenance revenue. In addition, gross profit in 2001 was negatively impacted by the startup of several large outsourcing contracts. Due to continuing tight controls on spending, operating profit for 2001 increased to 2.1% from 1.7% in 2000. The operating profit percent for 1999 was 7.9%. The decrease in operating profit in 2000 from 1999 was principally due to the gross profit decline.

In the technology segment, customer revenue was \$1.57 billion in 2001, \$2.14 billion in 2000 and \$2.26 billion in 1999. The revenue decline over this period was primarily driven by two factors: (a) lower sales of ClearPath enterprise servers, reflecting weak economic conditions, as well as the company's transition to a new generation of product families based on the Unisys Cellular MultiProcessing (CMP) architecture, and (b) lower sales of de-emphasized low-margin commodity hardware products as the company focused on high-end server products. The 27% decline in customer revenue in 2001 from 2000 reflected the impact of the global downturn in information technology spending on sales of high-end server products, as well as lower commodity hardware sales. The 5% decline in customer revenue in 2000 from 1999 was primarily due to a decline in ClearPath enterprise server revenue. The gross profit percent was 43.0% in 2001, 44.7% in 2000 and 48.1% in 1999. The gross profit declines were due in large part to lower sales of high-margin ClearPath systems. Operating profit in this segment was 11.6% in 2001, 17.7% in 2000 and 20.3% in 1999. The decrease in operating profits was principally due to the gross profit decline.

Interest expense declined to \$70.0 million in 2001 from \$79.8 million in 2000, and \$127.8 million in 1999. The decline in 2001 was principally due to lower average borrowings and lower average interest rates. The decline in 2000 from 1999 was principally due to lower average interest rates as well as the effect of interest rate swaps (discussed below).

Other income (expense), net, which can vary from year to year, was income of \$29.7 million in 2001, income of \$33.4 million in 2000 and an expense of \$62.6 million in 1999. The difference in 2001 from 2000 was principally due to discounts on higher sales of receivables and lower equity income, offset in part by higher foreign exchange gains. The difference in 2000 compared to 1999 was principally due to higher equity and interest income in 2000 and charges in 1999 related to legal actions.

Income before income taxes in 2001 was \$229.8 million compared to \$506.6 million in 2000 and \$770.3 million in 1999.

The provision for income taxes in 2001 was \$75.9 million (33.0% effective tax rate) compared to \$172.3 million (34.0% effective tax rate) in 2000 and \$269.5 million (35.0% tax rate) in 1999. It is expected that the effective tax rate will be 33.0% for 2002.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations," and No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 and prohibits the use of the pooling-of-interests method. SFAS No. 141 also includes guidance on the initial recognition and measurement of goodwill and other intangible assets acquired in a business combination that is completed after June 30, 2001. SFAS No. 142 no longer permits the amortization of goodwill and indefinite-lived intangible assets. Instead, these assets must be reviewed annually for impairment in accordance with this

statement. The company is required to adopt SFAS No. 142 effective January 1, 2002. In anticipation of adoption, the company reclassified the amount of goodwill as a separate line item in its balance sheet. During the first half of 2002, the

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company will perform the first of the required impairment tests of goodwill. The company has not yet determined what effect, if any, this initial test will have on the company's consolidated financial position or consolidated results of operations. An impairment charge, if any, from this initial test will be reported as a change in accounting principle. As a result of adoption of SFAS No. 142, all amortization of goodwill as a charge to earnings (\$16.5 million in 2001, or \$.04 per share) will be eliminated.

Effective April 1, 2001, the company adopted SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." This statement revised the accounting standards for securitizations and other transfers of financial assets and collateral and requires certain disclosures. Adoption of SFAS No. 140 had no effect on the company's consolidated financial position, consolidated results of operations, or liquidity.

#### Financial condition

Cash and cash equivalents at December 31, 2001 were \$325.9 million compared to \$378.0 million at December 31, 2000.

During 2001, cash provided by operations was \$202.4 million compared to \$419.9 million in 2000 principally reflecting a decline in profitability. Cash expenditures related to both current and prior-year restructuring actions (which are included in operating activities) in 2001, 2000 and 1999 were \$71.5 million, \$26.3 million and \$44.6 million, respectively, and are expected to be approximately \$125 to \$130 million in 2002, principally for work-force reductions and facility costs. Personnel reductions in 2001 related to both current and prior-year restructuring actions were approximately 2,500 and are expected to be approximately 1,500 in 2002.

Cash used for investing activities in 2001 was \$325.6 million compared to \$270.9 million for 2000. During 2001, both proceeds from investments and purchases of investments, which represent primarily foreign exchange contract activity, increased from the prior year as a result of shortening the duration of individual contracts. In addition, 2000 includes \$18.5 million net proceeds from the termination of the euro and Japanese yen swaps as described below.

Cash provided by financing activities during 2001 was \$71.6 million compared to cash usage of \$217.3 million in 2000. The current year includes net proceeds from issuance of long-term debt of \$536.5 million and payment of long-term debt of \$370.8 million, as described below. In 2000, the company used \$448.0 million to repay long-term debt. The cash usage was funded through a combination of cash and short-term borrowings.

At December 31, 2001, total debt was \$826.1 million, an increase of \$63.5 million from December 31, 2000. At December 31, 2001, the debt-to-capital ratio was 28.1% compared to 25.9% at December 31, 2000.

During 2001, the company issued \$400 million of 8 1/8% senior notes due 2006 and \$150 million of 7 1/4% senior notes due 2005. In June 2001, the company completed a cash tender offer for \$319.2 million principal amount of its 11 3/4% senior notes due 2004 and in October 2001, the company redeemed, at a premium, the remaining \$15.0 million outstanding principal amount of such notes. As a result of these actions, the company recorded an extraordinary after-tax charge of \$17.2 million, net of \$9.3 million tax benefit, or \$.05 per share, for the premium paid, unamortized debt-related expenses and transaction costs.

In March 2001, the company entered into a new three-year \$450 million credit agreement which replaced the \$400 million three-year facility that was due to expire in June 2001. This agreement was amended in November 2001 to modify certain financial covenants to accommodate the company's fourth-quarter charge, discussed above. As of December 31, 2001, there were no borrowings under this facility and the entire \$450 million was available for borrowings. Borrowings under the agreement bear interest based on the then current LIBOR or prime rates and the company's credit rating. The credit agreement contains

financial and other covenants, including maintenance of certain financial ratios, a minimum level of net worth and limitations on certain types of transactions. Events of default under the credit agreement include failure to perform covenants, material adverse change, change of control and default under other debt aggregating at least \$25 million. If an event of default were to occur under the credit agreement, the lenders would be entitled to declare all amounts borrowed under it immediately due and payable. The occurrence of an event of default under the credit agreement could also cause the acceleration of obligations under certain other agreements and the termination of the company's U.S. trade accounts receivable facility, described below.

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In addition, the company has access to certain uncommitted lines of credit from U.S. banks, and certain international subsidiaries maintain short-term credit arrangements with banks in accordance with local customary practice. Other sources of short-term funding are operational cash flows, including customer prepayments, and the company's U.S. trade accounts receivable facility. Using this facility the company sells, on an ongoing basis, up to \$225 million of its eligible U.S. trade accounts receivable through a wholly owned subsidiary, Unisys Funding Corporation I. The facility is renewable annually at the purchasers' option and expires in December 2003. See Note 5 of the Notes to Consolidated Financial Statements.

At December 31, 2001, the company has met all of the covenants and conditions under its various lending and funding agreements. Since the company believes that it will continue to meet these covenants and conditions, the company believes that it has adequate sources and availability of short-term funding to meet its expected cash requirements.

In April 2000, the company redeemed all of its \$399.5 million outstanding 12% senior notes due 2003 at the stated redemption price of 106% of principal. As a result, the company recorded an extraordinary after-tax charge of \$19.8 million, or \$.06 per diluted share, for the call premium and unamortized debt expense.

In 2000, the company terminated its interest rate swaps and currency swaps for euro and Japanese yen which were established in 1999. The currency swaps were designated as hedges of the foreign currency exposure on the company's net investments in foreign subsidiaries and equity investments. As a result of these terminations, the company received net cash of \$18.5 million and recognized a pretax loss of \$2.7 million. The interest expense benefit related to these swaps amounted to approximately \$16 million in 2000.

As described more fully in Notes 4, 9 and 11 of the Notes to Consolidated Financial Statements, at December 31, 2001 the company had certain cash obligations, which are due as follows:

| (Millions of dollars)                    | Total     | Less than<br>1 year | 1-3 years | 4-5 years | After 5<br>years |
|--|-----------|---------------------|-----------|-----------|------------------|
| Notes payable                            | \$ 78.9   | \$ 78.9             |           |           |                  |
| Long-term debt                           | 750.0     |                     |           | \$550.0   | \$200.0          |
| Capital lease obligations                | 4.3       | 2.2                 | \$ 1.6    | .4        | .1               |
| Operating leases, net of sublease income | 679.6     | 128.3               | 192.2     | 104.3     | 254.8            |
| Work-force reductions                    | 138.1     | 119.1               | 19.0      |           |                  |
| Total                                    | \$1,650.9 | \$328.5             | \$212.8   | \$654.7   | \$454.9          |

As more fully described in Note 11 to the Notes to Consolidated Financial Statements, the company may have an additional obligation under an operating lease for one of its facilities.

At December 31, 2001, the company had outstanding standby letters of credit and surety bonds of approximately \$230 million related to performance and payment guarantees. Based on experience with these arrangements, the company believes that any obligations that may arise will not be material.

The company may, from time to time, redeem, tender for, or repurchase its

debt securities in the open market or in privately negotiated transactions depending upon availability, market conditions and other factors.

The company has on file with the Securities and Exchange Commission ("SEC") an effective registration statement covering \$150 million of debt or equity securities, which enables the company to be prepared for future market opportunities. The company intends to file a new registration statement with the SEC during the first quarter of 2002 covering \$1.5 billion of securities (inclusive of the \$150 million already registered). The company cannot determine when the SEC will declare this registration statement effective.

Stockholders' equity decreased \$73.4 million during 2001, principally reflecting the net loss of \$67.1 million and currency translation of \$63.1 million, offset in part by \$52.0 million for issuance of stock under stock option and other plans and \$4.6 million of tax benefits related to employee stock plans.

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#### Market risk

The company has exposure to interest rate risk from its short-term and long-term debt. In general, the company's long-term debt is fixed rate and the short-term debt is variable rate. See Note 9 of the Notes to Consolidated Financial Statements for components of the company's long-term debt. The company believes that the market risk from changes in interest rates (assuming a hypothetical 10% movement in these rates) would not be material to the fair value of these financial instruments, or the related cash flows, or future results of operations.

The company is also exposed to foreign currency exchange rate risks. The company uses derivative financial instruments to reduce its exposure to market risks from changes in foreign currency exchange rates. The derivative instruments used are foreign exchange forward contracts and foreign exchange options. See Note 12 of the Notes to Consolidated Financial Statements for additional information on the company's derivative financial instruments.

The company has performed a sensitivity analysis assuming a hypothetical 10% adverse movement in foreign currency exchange rates applied to these derivative financial instruments described above. As of December 31, 2001 and 2000, the analysis indicated that such market movements would have reduced the estimated fair value of these derivative financial instruments by approximately \$25 million and \$10 million, respectively.

Based on changes in the timing and amount of interest rate and foreign currency exchange rate movements and the company's actual exposures and hedges, actual gains and losses in the future may differ from the above analysis.

#### Critical accounting policies

##### Outsourcing

In recent years, the company's outsourcing business has increased significantly. Typically the terms of these contracts are between three and ten years. In a number of these arrangements, the company hires certain of the customers' employees and often becomes responsible for the related employee obligations, such as pension and severance commitments. In addition, system development activity on outsourcing contracts may require significant up-front investments by the company. The company funds these investments, and any employee-related obligations, from customer prepayments and operating cash flow. Also, in the early phases of these contracts, gross margins may be lower than in later years when the work force and facilities have been rationalized for efficient operations, and an integrated systems solution has been implemented.

Revenue under these contracts is recognized when the company performs the services or processes transactions in accordance with contractual performance standards. Customer prepayments (even if nonrefundable) are deferred (classified as a liability) and recognized over future periods as services are delivered or performed.

Costs on outsourcing contracts are generally charged to expense as incurred. However, direct cost incurred related to the inception of an



outsourcing contract are deferred and charged to expense over the contract term. These costs consist principally of initial customer set-up and employment obligations related to employees assumed. In addition, the costs of equipment and software, some of which is internally developed, is capitalized and depreciated over the shorter of their life or the term of the contract.

At December 31, 2001, the net capitalized amount related to outsourcing contracts was \$188.0 million, consisting of \$65.2 million reported in properties and \$122.8 million of net contract-related costs reported in other long-term assets. The contract-related costs are tested for recoverability quarterly.

#### Systems integration

The company recognizes revenue and profit as long-term systems integration contracts progress using the percentage-of-completion method of accounting, which relies on estimates of total expected contract revenues and costs. The company follows this method since reasonably dependable estimates of the revenue and costs applicable to various elements of a contract can be made. Since the financial reporting of these contracts depends on estimates, which are assessed continually during the term of these contracts, recognized revenues and profit are subject to revisions as the contract progresses to completion. Revisions in profit estimates are reflected in the period in which the facts that give rise to the revision become known. Accordingly, favorable changes in estimates result in additional revenue and profit

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recognition, and unfavorable changes in estimates result in a reduction of recognized revenue and profits. When estimates indicate that a loss will be incurred on a contract on completion, a provision for the expected loss is recorded in the period in which the loss becomes evident. As work progresses under a loss contract, revenue continues to be recognized, and a portion of the contract costs incurred in each period is charged to the contract loss reserve.

#### Taxes

The company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes" which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of temporary differences between the book and tax bases of recorded assets and liabilities. SFAS No. 109 also 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.

At December 31, 2001 and 2000, the company had deferred tax assets in excess of deferred tax liabilities of \$1,376 million and \$1,299 million, respectively. For the reasons cited below, at December 31, 2001 and 2000, management determined that it is more likely than not that \$1,034 million and \$990 million, respectively, of such assets will be realized, resulting in a valuation allowance of \$342 million and \$309 million, respectively.

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

Approximately \$3.2 billion of future taxable income (predominately U.S.) ultimately is needed to realize the net deferred tax assets at December 31, 2001. Failure to achieve forecasted taxable income might affect the ultimate realization of the net deferred tax assets. Factors that may affect the company's ability to achieve sufficient forecasted taxable income include, but are not limited to, the following: increased competition, a decline in sales or margins, loss of market share, delays in product availability or technological obsolescence.

In addition, the company operates within multiple taxing jurisdictions and is subject to audit in these jurisdictions. These audits can involve complex issues, which may require an extended period of time to resolve. In management's opinion, adequate provisions for income taxes have been made for all years.

## Pensions

The company accounts for its defined benefit pension plans in accordance with SFAS No. 87, "Employers' Accounting for Pensions," which requires that amounts recognized in financial statements be determined on an actuarial basis. A substantial portion of the company's pension amounts relate to its defined benefit plan in the United States. As permitted by SFAS No. 87, the company uses a calculated value of plan assets (which is further described below). SFAS No. 87 requires that the effects of the performance of the pension plan's assets and changes in pension liability discount rates on the company's computation of pension income (expense) be amortized over future periods.

The most significant element in determining the company's pension income (expense) in accordance with SFAS No. 87 is the expected return on plan assets. In 2001, the company has assumed that the expected long-term rate of return on plan assets will be 10%. Over the long term, the company's pension plan assets have earned in excess of 10%. The assumed long-term rate of return on assets is applied to a calculated value of plan assets, which recognizes changes in the fair value of plan assets in a systematic manner over four years. This produces the expected return on plan assets that is included in pension income (expense). The difference between this expected return and the actual return on plan assets is deferred. The net deferral of past asset gains (losses) affects the calculated value of plan assets and, ultimately, future pension income (expense). The plan assets have earned a rate of return substantially less than 10% in the last two years. Should this trend continue, the company would be required to reconsider its assumed expected rate of return on plan assets. If the company were to lower this rate, future pension income would likely decline.

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At the end of each year, the company determines the discount rate to be used to calculate the present value of plan liabilities. The discount rate is an estimate of the current interest rate at which the pension liabilities could be effectively settled at the end of the year. In estimating this rate, the company looks to rates of return on high-quality, fixed-income investments that receive one of the two highest ratings given by a recognized ratings agency. At December 31, 2001, the company determined this rate to be 7.50%, a decrease of 50 basis points from the rate used at December 31, 2000. Changes in discount rates over the past three years have not materially affected pension income (expense), and the net effect of changes in the discount rate, as well as the net effect of other changes in actuarial assumptions and experience, have been deferred, in accordance with SFAS No. 87.

At December 31, 2001, the company's consolidated prepaid pension asset was \$1.2 billion, up from \$1.1 billion at the end of 2000. The increase was principally due to the recognition of pension income. For the year ended December 31, 2001, the company recognized consolidated pretax pension income of \$170.0 million, up from \$139.0 million in 2000. The company currently expects that consolidated pension income for 2002 will not be materially different from 2001.

### Factors that may affect future results

From time to time, the company provides information containing "forward-looking" statements, as defined in the Private Securities Litigation Reform Act of 1995. All forward-looking statements rely on assumptions and are subject to risks, uncertainties and other factors that could cause the company's actual results to differ materially from expectations. In addition to changes in general economic and business conditions, acts of war, terrorism and natural disasters, these other factors include, but are not limited to, those discussed below.

The company operates in an industry characterized by aggressive competition, rapid technological change, evolving technology standards, and short product life-cycles. Future operating results will depend on the company's ability to design, develop, introduce, deliver, or obtain new and innovative products and services on a timely and cost-effective basis; on its ability to succeed in the high-end information technology services segment; on its ability to effectively manage the shift in its technology business into higher growth, lower-margin standards-based server products; on its ability to mitigate the effects of competitive pressures and volatility in the information services and technology industry on revenues, pricing and margins; and on its ability to successfully attract and retain highly skilled people. In addition, future

operating results could be impacted by market demand for and acceptance of the company's service and product offerings.

A number of the company's contracts are long-term contracts for network services, outsourcing, help desk and similar services, for which volumes are not guaranteed. Future results will depend upon the company's ability to meet performance levels over the terms of these contracts.

Certain of the company's systems integration contracts are fixed-price contracts under which the company assumes the risk for delivery of the contracted services at an agreed-upon price. Future results will depend on the company's ability to profitably perform these services contracts and obtain new contracts.

The company frequently enters into contracts with governmental entities. Associated risks and uncertainties include the availability of appropriated funds and contractual provisions allowing governmental entities to terminate agreements at their discretion before the end of the contract terms.

The company has commercial relationships with suppliers, channel partners and other parties that have complementary products, services, or skills. Future results will depend in part on the performance and capabilities of these third parties. Future results will also depend upon the ability of external suppliers to deliver materials at reasonable prices and in a timely manner and on the financial condition of, and the company's relationship with, distributors and other indirect channel partners.

Approximately 57% of the company's total revenue derives from international operations. The risk of doing business internationally includes foreign currency exchange rate fluctuations, changes in political or economic conditions, trade protection measures, and import or export licensing requirements.

Unisys Corporation  
Consolidated Statement of Income

| Year Ended December 31 (Millions, except per share data) | 2001      | 2000      | 1999      |
|--|-----------|-----------|-----------|
| Revenue  | \$6,018.1 | \$6,885.0 | \$7,544.6 |
| Costs and expenses                                       |           |           |           |
| Cost of revenue  | 4,534.8   | 4,795.9   | 4,859.9   |
| Selling, general and administrative expenses             | 1,156.3   | 1,328.7   | 1,384.6   |
| Research and development expenses                        | 331.5     | 333.6     | 339.4     |
|  | 6,022.6   | 6,458.2   | 6,583.9   |
| Operating income (loss)                                  | (4.5)     | 426.8     | 960.7     |
| Interest expense   | 70.0      | 79.8      | 127.8     |
| Other income (expense), net                              | 28.0      | 32.0      | (62.6)    |
| Income (loss) before income taxes                        | (46.5)    | 379.0     | 770.3     |
| Provision for income taxes                               | 3.4       | 134.2     | 247.5     |
| Income (loss) before extraordinary items                 | (49.9)    | 244.8     | 522.8     |
| Extraordinary items                                      | (17.2)    | (19.8)    | (12.1)    |
| Net income (loss)  | (67.1)    | 225.0     | 510.7     |
| Dividends on preferred shares                            |           |           | 36.7      |
| Earnings (loss) on common shares                         | \$ (67.1) | \$ 225.0  | \$ 474.0  |
| Earnings (loss) per common share - basic                 |           |           |           |
| Before extraordinary items                               | \$ (.16)  | \$ .78    | \$ 1.69   |
| Extraordinary items                                      | (.05)     | (.06)     | (.04)     |
| Total  | \$ (.21)  | \$ .72    | \$ 1.65   |
| Earnings (loss) per common share - diluted               |           |           |           |
| Before extraordinary items                               | \$ (.16)  | \$ .77    | \$ 1.63   |
| Extraordinary items                                      | (.05)     | (.06)     | (.04)     |

|       |          |        |         |
|-------|----------|--------|---------|
| Total | \$ (.21) | \$ .71 | \$ 1.59 |
|-------|----------|--------|---------|

See notes to consolidated financial statements.

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Unisys Corporation

Consolidated Balance Sheet

| December 31 (Millions)                                  | 2001              | 2000              |
|---|-------------------|-------------------|
| <b>Assets</b>   |                   |                   |
| Current assets  |                   |                   |
| Cash and cash equivalents                               | \$ 325.9          | \$ 378.0          |
| Accounts and notes receivable, net                      | 1,093.7           | 1,247.4           |
| Inventories   |                   |                   |
| Parts and finished equipment                            | 201.6             | 249.4             |
| Work in process and materials                           | 144.2             | 176.1             |
| Deferred income taxes                                   | 342.6             | 460.6             |
| Other current assets                                    | 96.1              | 75.5              |
| <b>Total</b>  | <b>2,204.1</b>    | <b>2,587.0</b>    |
| Properties  | 1,445.0           | 1,400.6           |
| Less - Accumulated depreciation                         | 910.8             | 890.7             |
| Properties, net   | 534.2             | 509.9             |
| Investments at equity                                   | 212.3             | 225.8             |
| Marketable software, net                                | 287.9             | 296.7             |
| Prepaid pension cost                                    | 1,221.0           | 1,063.0           |
| Deferred income taxes                                   | 747.8             | 583.6             |
| Goodwill  | 159.0             | 186.3             |
| Other long-term assets                                  | 402.8             | 261.0             |
| <b>Total</b>  | <b>\$ 5,769.1</b> | <b>\$ 5,713.3</b> |
| <b>Liabilities and stockholders' equity</b>             |                   |                   |
| Current liabilities                                     |                   |                   |
| Notes payable   | \$ 78.9           | \$ 209.5          |
| Current maturities of long-term debt                    | 2.2               | 16.8              |
| Accounts payable  | 694.9             | 847.7             |
| Other accrued liabilities                               | 1,312.5           | 1,278.8           |
| Income taxes payable                                    | 234.6             | 288.3             |
| <b>Total</b>  | <b>2,323.1</b>    | <b>2,641.1</b>    |
| Long-term debt  | 745.0             | 536.3             |
| Other long-term liabilities                             | 588.3             | 349.8             |
| Stockholders' equity                                    |                   |                   |
| Common stock, shares issued: 2001 - 322.5; 2000 - 317.3 | 3.2               | 3.2               |
| Accumulated deficit                                     | (896.5)           | (829.4)           |
| Other capital   | 3,712.8           | 3,656.0           |
| Accumulated other comprehensive loss                    | (706.8)           | (643.7)           |

|                      |            |            |
|----------------------|------------|------------|
| Stockholders' equity | 2,112.7    | 2,186.1    |
| Total                | \$ 5,769.1 | \$ 5,713.3 |

See notes to consolidated financial statements.

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Unisys Corporation

Consolidated Statement of Cash Flows

| Year Ended December 31 (Millions)  | 2001      | 2000     | 1999      |
|--|-----------|----------|-----------|
| Cash flows from operating activities   |           |          |           |
| Income (loss) before extraordinary items   | \$ (49.9) | \$ 244.8 | \$ 522.8  |
| Add (deduct) items to reconcile income (loss) before extraordinary items to net cash provided by operating activities: |           |          |           |
| Extraordinary items  | (17.2)    | (19.8)   | (12.1)    |
| Depreciation   | 140.2     | 135.6    | 134.5     |
| Amortization:  |           |          |           |
| Marketable software  | 145.5     | 115.5    | 110.9     |
| Goodwill   | 16.5      | 21.8     | 21.7      |
| (Increase) decrease in deferred income taxes, net  | (44.4)    | 85.6     | (9.9)     |
| Decrease (increase) in receivables, net  | 72.3      | 158.2    | (244.5)   |
| Decrease (increase) in inventories   | 79.7      | (52.5)   | 98.0      |
| (Decrease) in accounts payable and other accrued liabilities   | (143.6)   | (140.0)  | (81.8)    |
| (Decrease) increase in income taxes payable  | (58.0)    | (62.8)   | 78.2      |
| Increase (decrease) in other liabilities   | 245.6     | (2.5)    | (2.2)     |
| (Increase) in other assets   | (238.4)   | (69.2)   | (159.2)   |
| Other  | 54.1      | 5.2      | 61.2      |
| Net cash provided by operating activities  | 202.4     | 419.9    | 517.6     |
| Cash flows from investing activities   |           |          |           |
| Proceeds from investments  | 3,028.7   | 790.4    | 1,033.8   |
| Purchases of investments   | (3,009.0) | (716.7)  | (1,013.8) |
| Investment in marketable software  | (136.8)   | (152.4)  | (122.8)   |
| Capital additions of properties  | (199.4)   | (198.3)  | (219.6)   |
| Purchases of businesses  | (9.1)     | (13.9)   | (53.9)    |
| Proceeds from sales of properties  |           | 20.0     | 47.9      |
| Net cash used for investing activities   | (325.6)   | (270.9)  | (328.4)   |
| Cash flows from financing activities   |           |          |           |
| Proceeds from issuance of long-term debt   | 536.5     |          | 30.3      |
| Payments of long-term debt   | (370.8)   | (448.0)  | (164.4)   |
| Net (reduction in) proceeds from short-term borrowings   | (127.7)   | 179.6    | (25.6)    |
| Proceeds from employee stock plans   | 33.6      | 51.1     | 87.7      |
| Dividends paid on preferred shares   |           |          | (59.4)    |
| Redemption of preferred stock  |           |          | (197.0)   |
| Net cash provided by (used for) financing activities   | 71.6      | (217.3)  | (328.4)   |
| Effect of exchange rate changes on cash and cash equivalents   | (.5)      | (17.7)   | (13.2)    |
| Decrease in cash and cash equivalents  | (52.1)    | (86.0)   | (152.4)   |
| Cash and cash equivalents, beginning of year   | 378.0     | 464.0    | 616.4     |
| Cash and cash equivalents, end of year   | \$ 325.9  | \$ 378.0 | \$ 464.0  |

See notes to consolidated financial statements.

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Unisys Corporation

Consolidated Statement of Stockholders' Equity

| (Millions)   | Preferred Stock | Common Stock | Accumulated Deficit | Treasury Stock | Other, Principally Paid-In Capital | Accumulated Other Comprehensive Income (Loss) | Comprehensive Income (Loss) |
|--|-----------------|--------------|---------------------|----------------|------------------------------------|---|-----------------------------|
| Balance at December 31, 1998                         | \$ 1,444.7      | \$ 2.6       | \$ (1,532.2)        | \$ (23.6)      | \$ 2,175.7                         | \$ (531.6)                                    |                             |
| Conversions to common stock                          | (1,245.3)       | .4           |                     |                | 1,271.2                            |   |                             |
| Redemption of preferred stock                        | (197.0)         |              |                     |                |                                    |   |                             |
| Issuance of stock under stock option and other plans |                 | .1           |                     | (17.8)         | 103.4                              |   |                             |
| Net income   |                 |              | 510.7               |                |                                    |   | \$ 510.7                    |
| Other comprehensive loss                             |                 |              |                     |                |                                    | (38.8)  | (38.8)                      |
| Comprehensive income                                 |                 |              |                     |                |                                    |   | \$ 471.9                    |
| Dividends  |                 |              | (32.9)              |                |                                    |   |                             |
| Tax benefit related to stock plans                   |                 |              |                     |                | 66.1                               |   |                             |
| Other  | (2.4)           |              |                     |                |                                    |   |                             |
| Balance at December 31, 1999                         | -               | 3.1          | (1,054.4)           | (41.4)         | 3,616.4                            | (570.4)                                       |                             |
| Issuance of stock under stock option and other plans |                 | .1           |                     | (.7)           | 70.0                               |   |                             |
| Net income   |                 |              | 225.0               |                |                                    |   | \$ 225.0                    |
| Other comprehensive loss                             |                 |              |                     |                |                                    | (73.3)  | (73.3)                      |
| Comprehensive income                                 |                 |              |                     |                |                                    |   | \$ 151.7                    |
| Unearned compensation                                |                 |              |                     |                | .4                                 |   |                             |
| Tax benefit related to stock plans                   |                 |              |                     |                | 11.3                               |   |                             |
| Balance at December 31, 2000                         | -               | 3.2          | (829.4)             | (42.1)         | 3,698.1                            | (643.7)                                       |                             |
| Issuance of stock under stock option and other plans |                 |              |                     | (.2)           | 52.2                               |   |                             |
| Net loss   |                 |              | (67.1)              |                |                                    |   | \$ (67.1)                   |
| Other comprehensive loss                             |                 |              |                     |                |                                    | (63.1)  | (63.1)                      |
| Comprehensive loss                                   |                 |              |                     |                |                                    |   | \$ (130.2)                  |
| Unearned compensation                                |                 |              |                     |                | .2                                 |   |                             |
| Tax benefit related to stock plans                   |                 |              |                     |                | 4.6                                |   |                             |
| Balance at December 31, 2001                         | \$ -            | \$ 3.2       | \$ (896.5)          | \$ (42.3)      | \$ 3,755.1                         | \$ (706.8)                                    |                             |

See notes to consolidated financial statements.

Unisys Corporation

Notes to Consolidated Financial Statements

/1/ Summary of significant accounting policies

Principles of consolidation. The consolidated financial statements include the accounts of all majority-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 and assumptions.

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 and depreciation. Properties are carried at cost and are depreciated over the estimated lives of such assets using the straight-line method. Outsourcing equipment is depreciated over the shorter of the asset life or the term of the contract. For other classifications of properties, the principal rates used are summarized below:

Rate per Year (%)  
-----

|                                |       |
|--------------------------------|-------|
| Buildings                      | 2-5   |
| Machinery and office equipment | 5-25  |
| Rental equipment               | 25    |
| Internal use software          | 10-33 |

Advertising costs. The company expenses all advertising costs as they are incurred. The amount charged to expense during 2001, 2000 and 1999 was \$35.6, \$38.2, and \$48.6 million, respectively.

Revenue recognition. The company generally recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectibility is probable.

Revenue from hardware sales is recognized upon shipment and the passage of title. Outside of the United States, the company recognizes revenue even if it retains a form of title to products delivered to customers, provided the sole purpose is to enable the company to recover the products in the event of customer payment default, and the arrangement does not prohibit the customer's use of the product in the ordinary course of business.

Revenue from software licenses is recognized at the inception of the initial license term and upon execution of an extension to the license term. Revenue for post-contract software support arrangements, which are marketed separately, is recorded on a straight-line basis over the support period for multi-year contracts and at the inception of contracts of one year or less.

Revenue from equipment and software maintenance is recognized on a straight-line basis as earned over the lives of the respective contracts.

For equipment leased to a customer under an operating lease or a sales-type lease, revenue recognition commences when the equipment has been shipped, installed and is ready for use. Revenue for operating leases is recognized on a monthly basis over the term of the lease and for sales-type leases at the inception of the lease term.

Revenue and profit under systems integration contracts is recognized on the percentage-of-completion method of accounting using the cost-to-cost method or when services have been performed, depending on the nature of the project. For contracts accounted for on the percentage-of-completion basis, revenue and profit recognized in any given accounting

period is based on estimates of total projected contract costs, the estimates are continually reevaluated and revised, when necessary, throughout the life of a contract. Any adjustments to revenue and profit due to changes in estimates are accounted for in the period of the change in estimate. When estimates indicate that a loss will be incurred on a contract on completion, a provision for the expected loss is recorded in the period in which the loss becomes evident.

Revenue from time and materials service contracts and outsourcing contracts is recognized as the services are provided.

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 because such amounts are expected to be reinvested indefinitely.

Marketable software. The cost of development of computer software to be sold or leased, incurred subsequent to establishment of technological feasibility, is capitalized and amortized to cost of sales over the estimated revenue-producing lives of the products, but not in excess of three years following product release.

Outsourcing contract costs. Costs on outsourcing contracts are generally charged to expense as incurred. However, direct costs incurred related to the inception of an outsourcing contract are deferred and charged to expense over the contract term. These costs consist principally of initial customer set-up and employment obligations related to employees assumed. At December 31, 2001 and 2000, \$122.8

million and \$34.7 million, respectively, of these costs were reported in other long-term assets.

Goodwill. Goodwill represents the excess of cost over fair value of net assets acquired, which is being amortized on the straight-line method. Accumulated amortization at December 31, 2001 and 2000 was \$120.0 and \$106.9 million, respectively.

Whenever events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable, the company would prepare projections of future cash flows for the applicable business. If such projections indicated that goodwill would not be recoverable, the company's carrying value of goodwill would be reduced by the estimated excess of such value over projected discounted cash flows, after reduction for the carrying amount of the other net assets of the business.

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

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 (expense), net.

Reclassifications. Certain prior-year amounts have been reclassified to conform with the 2001 presentation.

## 2 Earnings per share

The following table shows how earnings per share were computed for the three years ended December 31, 2001.

| Year ended December 31<br>(Millions, except per share data)   | 2001      | 2000     | 1999     |
|---|-----------|----------|----------|
| Basic earnings per share computation  |           |          |          |
| Income (loss) before extraordinary items  | \$ (49.9) | \$ 244.8 | \$ 522.8 |
| Less dividends on preferred shares  |           |          | (36.7)   |
| Income (loss) available to common stockholders before extraordinary items                             | (49.9)    | 244.8    | 486.1    |
| Extraordinary items   | (17.2)    | (19.8)   | (12.1)   |
| Net income (loss) available to common stockholders  | \$ (67.1) | \$ 225.0 | \$ 474.0 |
| Weighted average shares (thousands)   | 318,207   | 313,115  | 287,290  |
| Basic earnings (loss) per share   |           |          |          |
| Before extraordinary items  | \$ (.16)  | \$ .78   | \$ 1.69  |
| Extraordinary items   | (.05)     | (.06)    | (.04)    |
| Total   | \$ (.21)  | \$ .72   | \$ 1.65  |
| Diluted earnings per share computation  |           |          |          |
| Income (loss) available to common stockholders before extraordinary items                             | \$ (49.9) | \$ 244.8 | \$ 486.1 |
| Plus interest expense on assumed conversion of<br>8 1/4% Convertible Notes, net of tax                |           |          | .3       |
| Income (loss) available to common stockholders<br>plus assumed conversions before extraordinary items | (49.9)    | 244.8    | 486.4    |
| Extraordinary items   | (17.2)    | (19.8)   | (12.1)   |
| Net income (loss) available to common stockholders  | \$ (67.1) | \$ 225.0 | \$ 474.3 |
| Weighted average shares (thousands)   | 318,207   | 313,115  | 287,290  |
| Plus incremental shares from assumed conversions:   |           |          |          |
| Employee stock plans  |           | 3,536    | 9,835    |
| 8 1/4% Convertible Notes  |           |          | 818      |
| Preferred stock   |           |          | 877      |



|                                   |          |         |         |
|-----------------------------------|----------|---------|---------|
| Adjusted weighted average shares  | 318,207  | 316,651 | 298,820 |
| Diluted earnings (loss) per share |          |         |         |
| Before extraordinary items        | \$ (.16) | \$ .77  | \$ 1.63 |
| Extraordinary items               | (.05)    | (.06)   | (.04)   |
| Total                             | \$ (.21) | \$ .71  | \$ 1.59 |

The shares listed below were not included in the computation of diluted earnings per share because the option prices were above the average market price of the company's common stock or their inclusion would have been antidilutive.

| Year ended December 31 (thousands) | 2001   | 2000   | 1999  |
|------------------------------------|--------|--------|-------|
| Employee stock plans               | 28,653 | 16,073 | 6,680 |

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### 3 Accounting changes

Effective January 1, 2001, the company adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative instruments and hedging activities. SFAS No. 133 requires a company to recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative are either offset against the change in fair value of assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings. The cumulative effect of the change in accounting principle due to the adoption of SFAS No. 133 resulted in the recognition of income of \$3.3 million (net of \$1.8 million of tax) in other comprehensive income.

Effective April 1, 2001, the company adopted SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." This statement revised the accounting standards for securitizations and other transfers of financial assets and collateral and requires certain disclosures. Adoption of SFAS No. 140 had no effect on the company's consolidated financial position, consolidated results of operations, or liquidity.

In June 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations," and No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 and prohibits the use of the pooling-of-interests method. SFAS No. 141 also includes guidance on the initial recognition and measurement of goodwill and other intangible assets acquired in a business combination that is completed after June 30, 2001. SFAS No. 142 no longer permits the amortization of goodwill and indefinite-lived intangible assets. Instead, these assets must be reviewed annually for impairment in accordance with this statement. The company is required to adopt SFAS No. 142 effective January 1, 2002. In anticipation of adoption, the company reclassified the amount of goodwill as a separate line item in its balance sheet. During the first half of 2002, the company will perform the first of the required impairment tests of goodwill. The company has not yet determined what effect, if any, this initial test will have on the company's consolidated financial position or consolidated results of operations. An impairment charge, if any, from this initial test will be reported as a change in accounting principle. As a result of the adoption of SFAS No. 142, all amortization of goodwill as a charge to earnings (\$16.5 million in 2001, or \$.04 per share) will be eliminated.

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### 4 Fourth-quarter charges

2001 charge. In response to the weak economic environment in 2001, the company took actions in 2001 to further reduce its cost structure. In the fourth quarter of 2001, the company recorded a pretax charge of \$276.3 million, or \$.64 per share, primarily for a work-force reduction of approximately 3,750 people (1,700 in the United States and 2,050 outside the United States). Of the total, approximately 2,000 people left the company in 2001 with the remainder to leave in 2002. Of the total work-force reduction, 764 people accepted an early retirement program in the United States. For those employees who accepted the early retirement program, cash requirements will be provided through the company's pension plan. Cash expenditures related to the involuntary reductions were \$23.3 million in 2001. A further breakdown of the individual components of these costs follows:

| (Millions)                   | Work-Force Reductions/(1)/ |                |                 |                |
|------------------------------|----------------------------|----------------|-----------------|----------------|
|                              | Total                      | U. S.          | Int'l           | Other /(2)/    |
| Work-force reductions /(1)/  |                            |                |                 |                |
| Early retirement             | \$ 58.8                    | \$ 58.8        |                 |                |
| Involuntary reductions       | 145.9                      | 18.8           | \$ 127.1        |                |
| Subtotal                     | 204.7                      | 77.6           | 127.1           |                |
| Other /(2)/                  | 71.6                       |                |                 | \$ 71.6        |
| Total charge Utilized        | 276.3<br>(127.2)           | 77.6<br>(62.5) | 127.1<br>(22.6) | 71.6<br>(42.1) |
| Balance at Dec. 31, 2001     | \$ 149.1                   | \$ 15.1        | \$ 104.5        | \$ 29.5        |
| Expected future utilization: |                            |                |                 |                |
| 2002                         | \$ 118.7                   | \$ 12.3        | \$ 93.1         | \$ 13.3        |
| 2003 and thereafter          | 30.4                       | 2.8            | 11.4            | 16.2           |

/(1)/ Includes severance, notice pay, medical and other benefits.  
/(2)/ Includes facilities costs (principally representing provision for idle lease costs) of \$29.5 million and product and program discontinuances (principally representing a provision for asset write-downs) of \$42.1 million.

The 2001 fourth-quarter charge was recorded in the following statement of income classifications: cost of revenue, \$163.8 million; selling, general and administrative expenses, \$83.2 million; research and development expenses, \$27.6 million; and other income (expense), net, \$1.7 million.

2000 charge. As a result of a strategic business review of its operations in 2000, the company took actions to focus its resources on value-added business opportunities, de-emphasize or eliminate low-return businesses and lower its cost base. In the fourth quarter of 2000, the company recorded a pretax charge of \$127.6 million, or \$.29 per diluted share, primarily for a work-force reduction of 2,000 people (1,400 in the United States and 600 outside the United States). Of the total, approximately 500 people left the company in 2001 and 1,300 in 2000. Of the total work-force reduction, 742 people accepted an early retirement program in the United States. For those employees who accepted the early retirement program, cash requirements were provided through the company's pension plan. Cash expenditures related to the involuntary reductions were \$39.3 million in 2001 and \$8.7 million in 2000. A further breakdown of the individual components of these costs follows:

| (Millions)                  | Work-Force Reductions/(1)/ |         |         |             |
|-----------------------------|----------------------------|---------|---------|-------------|
|                             | Total                      | U. S.   | Int'l   | Other /(2)/ |
| Work-force reductions /(1)/ |                            |         |         |             |
| Early retirement            | \$ 57.8                    | \$ 57.8 |         |             |
| Involuntary reductions      | 60.9                       | 13.3    | \$ 47.6 |             |

|                                   |                 |                |                |              |
|-----------------------------------|-----------------|----------------|----------------|--------------|
| Subtotal                          | 118.7           | 71.1           | 47.6           |              |
| Other / (2) /                     | 8.9             |                |                | \$ 8.9       |
| Total charge Utilized             | 127.6<br>(71.9) | 71.1<br>(58.7) | 47.6<br>(7.8)  | 8.9<br>(5.4) |
| Balance at Dec. 31, 2000 Utilized | 55.7<br>(40.0)  | 12.4<br>(8.8)  | 39.8<br>(30.5) | 3.5<br>(.7)  |
| Other / (3) /                     | (7.1)           | (2.3)          | (4.0)          | (.8)         |
| Balance at Dec. 31, 2001          | \$ 8.6          | \$ 1.3         | \$ 5.3         | \$ 2.0       |

- /(1)/ Includes severance, notice pay, medical and other benefits.  
/(2)/ Includes facilities costs, and product and program discontinuances.  
/(3)/ Includes changes in estimates, reversals of excess reserves, translation adjustments and additional provisions.

In 2001, there was a reduction in accrued work-force provisions principally for the reversal of unneeded reserves due to approximately 200 voluntary terminations.

The 2000 fourth-quarter charge was recorded in the following statement of income classifications: cost of revenue, \$56.1 million; selling, general and administrative expenses, \$51.9 million; research and development expenses, \$18.2 million; and other income (expense), net, \$1.4 million.

The December 31, 2001 balance is all expected to be utilized in 2002.

Prior-year charges. As a result of prior-year actions related to a strategic realignment of the company's business in 1997 and 1995, cash expenditures in 2001, 2000 and 1999 were \$8.9, \$17.6 and \$44.6 million, respectively. At December 31, 2001, a \$12.3 million balance remains principally representing contractual obligations (reduced by sublease income) existing under long-term leases of vacated facilities. All but \$4.8 million of this balance is expected to be utilized in 2002.

## 5 Accounts receivable

In December 2000, the company entered into an agreement, renewable annually, at the purchasers' option, for up to three years, to sell through Unisys Funding Corporation I, a wholly owned subsidiary, interests in eligible U.S. trade accounts receivable for up to \$275 million. Upon renewal of the facility in December 2001, the amount was reduced to \$225 million. Unisys Funding Corporation I has been structured to isolate its assets from creditors of Unisys. In 2000, the company received proceeds of \$232 million from the initial sale and in 2001, the company received an aggregate of \$2.3 billion from ongoing sales of accounts receivable interests under the program. At December 31, 2001 and 2000, the company retained subordinated interests of \$135 million and \$223 million, respectively, in the associated receivables. These receivables have been included in accounts and notes receivable, net in the accompanying consolidated balance sheet. As collections reduce previously sold interests, interests in new eligible receivables can be sold, subject to meeting certain conditions. At December 31, 2001 and 2000, receivables of \$176 million and \$232 million, respectively, were sold and therefore removed from the accompanying consolidated balance sheet.

The selling price of the receivables interests reflects a discount based on the A-1 rated commercial paper borrowing rates of the purchasers (2.0% at December 31, 2001 and 6.7% at December 31, 2000). The company remains responsible for servicing the underlying accounts receivable, for which it will receive a fee of 0.5% of the outstanding balance, which it believes represents adequate compensation. The company estimates the fair

value of its retained interests by considering two key assumptions: the payment rate, which is derived from the average life of the accounts receivable which is less than 60 days, and the rate of expected credit losses.

Based on the company's favorable collection experience and very short-term nature of the receivables, both assumptions are considered to be highly predictable. Therefore, the company's estimated fair value of its retained interests in the pool of eligible receivables is approximately equal to book value, less the associated allowance for doubtful accounts. The discount on the sales of these accounts receivable during the year ended December 31, 2001 was \$12.2 million. The amount of discount for the year ended December 31, 2000 was not material. These discounts are recorded in other income (expense), net in the accompanying consolidated statement of income.

Revenue recognized in excess of billings on services contracts, or unbilled accounts receivable, was \$146.7 and \$171.3 million at December 31, 2001 and 2000, respectively. Such amounts are included in accounts and notes receivables, net.

#### 6 Income taxes

| Year ended December 31 (Millions)       | 2001      | 2000     | 1999     |
|---|-----------|----------|----------|
| Income (loss) before income taxes       |           |          |          |
| United States                           | \$ 95.9   | \$ 389.0 | \$ 485.4 |
| Foreign                                 | (142.4)   | (10.0)   | 284.9    |
| Total income (loss) before income taxes | \$ (46.5) | \$ 379.0 | \$ 770.3 |
| Provision for income taxes              |           |          |          |
| Current                                 |           |          |          |
| United States                           | \$ 7.7    | \$ 10.1  | \$ 55.3  |
| Foreign                                 | 24.0      | 63.6     | 79.1     |
| State and local                         | 3.5       | 4.9      | 10.5     |
| Total                                   | 35.2      | 78.6     | 144.9    |
| Deferred                                |           |          |          |
| United States                           | (16.2)    | 72.8     | 75.7     |
| Foreign                                 | (15.6)    | (17.2)   | 24.4     |
| State and local                         |           |          | 2.5      |
| Total                                   | (31.8)    | 55.6     | 102.6    |
| Total provision for income taxes        | \$ 3.4    | \$ 134.2 | \$ 247.5 |

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

| Year ended December 31 (Millions)  | 2001      | 2000     | 1999     |
|--|-----------|----------|----------|
| United States statutory income tax (benefit)                                     | \$ (16.3) | \$ 132.7 | \$ 269.6 |
| Difference in estimated income taxes on foreign earnings, losses and remittances | 44.6      | 36.2     | 3.8      |
| State taxes  | 2.3       | 3.2      | 9.3      |
| Tax refund claims, audit issues and other matters                                | (26.1)    | (39.6)   | (18.0)   |
| U.S. tax law change  |           |          | (22.0)   |
| Other  | (1.1)     | 1.7      | 4.8      |
| Provision for income taxes   | \$ 3.4    | \$ 134.2 | \$ 247.5 |

The tax effects of temporary differences and carryforwards that give rise to significant portions of deferred tax assets and liabilities at December 31, 2001 and 2000, were as follows:

| December 31 (Millions) | 2001 | 2000 |
|------------------------|------|------|
| Deferred tax assets    |      |      |

|  |            |            |
|--|------------|------------|
| Capitalized research and development     | \$ 561.1   | \$ 592.7   |
| Tax loss carryforwards                   | 325.2      | 280.0      |
| Foreign tax credit carryforwards         | 34.1       | 159.1      |
| Other tax credit carryforwards           | 239.4      | 232.2      |
| Capitalized intellectual property rights | 303.4      | 101.7      |
| Postretirement benefits                  | 71.8       | 80.1       |
| Employee benefits                        | 77.5       | 83.8       |
| Depreciation                             | 48.4       | 61.0       |
| Restructuring                            | 92.8       | 67.1       |
| Other                                    | 278.0      | 242.6      |
|  | -----      | -----      |
|  | 2,031.7    | 1,900.3    |
| Valuation allowance                      | (342.2)    | (309.2)    |
|  | -----      | -----      |
| Total deferred tax assets                | \$ 1,689.5 | \$ 1,591.1 |
|  | -----      | -----      |
| Deferred tax liabilities                 |            |            |
| Pensions                                 | \$ 501.2   | \$ 451.9   |
| Sales-type leases                        | 102.9      | 85.2       |
| Other                                    | 51.2       | 64.2       |
|  | -----      | -----      |
| Total deferred tax liabilities           | \$ 655.3   | \$ 601.3   |
|  | -----      | -----      |
| Net deferred tax assets                  | \$ 1,034.2 | \$ 989.8   |
|  | -----      | -----      |

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. The valuation allowance at December 31, 2001, applies to tax loss carryforwards and temporary differences relating to state and local and certain foreign taxing jurisdictions that, in management's opinion, are more likely than not to expire unused.

Cumulative undistributed earnings of foreign subsidiaries, for which no U.S. income or foreign withholding taxes have been recorded, approximated \$750 million at December 31, 2001. 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 2001, 2000 and 1999 for income taxes was \$97.0, \$110.0 and \$96.6 million, respectively.

In 1999, the company recognized a one-time tax benefit of \$22.0 million, or \$.07 per diluted common share, related to a U.S. Treasury income tax regulation pertaining to the use of net operating loss carryforwards of acquired companies.

At December 31, 2001, 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 \$325.2 million. These carryforwards will expire as follows (in millions): 2002, \$7.9; 2003, \$11.8; 2004, \$32.4; 2005, \$16.0; 2006, \$29.7; and \$227.4 thereafter. The company also has available tax credit carryforwards of approximately \$273.5 million, which will expire as follows (in millions): 2002, \$ - ; 2003, \$10.7; 2004, \$7.5; 2005, \$40.1; 2006, \$ - ; and \$215.2 thereafter.

The company's net deferred tax assets include substantial amounts of capitalized research and development, tax credit carryforwards and capitalized intellectual property rights. Failure to achieve forecasted taxable income might affect the ultimate realization of the net deferred tax assets. Factors that may affect the company's ability to achieve sufficient forecasted taxable income include, but are not limited to, the following: increased competition, a decline in sales or margins, loss of market share, delays in product availability or technological obsolescence.

Properties comprise the following:

| December 31 (Millions)           | 2001       | 2000       |
|----------------------------------|------------|------------|
| Land                             | \$ 5.2     | \$ 8.3     |
| Buildings                        | 143.7      | 148.0      |
| Machinery and office equipment   | 897.4      | 903.0      |
| Internal use software            | 139.9      | 121.2      |
| Rental and outsourcing equipment | 258.8      | 220.1      |
| Total properties                 | \$ 1,445.0 | \$ 1,400.6 |

#### 8 Investments at equity and minority interests

Substantially all of the company's investments at equity consist of Nihon Unisys, Ltd., a publicly traded Japanese company ("NUL"). NUL is the exclusive supplier of the company's hardware and software products in Japan. The company considers its investment in NUL to be of a long-term strategic nature. For the years ended December 31, 2001, 2000 and 1999, both direct and indirect sales to NUL were approximately \$340 million, \$530 million and \$490 million, respectively. At December 31, 2001, the company owned approximately 28% of NUL's common stock that has a market value of approximately \$188 million. The company has approximately \$183 million of retained earnings that represents undistributed earnings of NUL.

During 2000, a new company was formed named Intelligent Processing Solutions Limited ("iPSL"), a UK-based company, which provides high-volume payment processing. iPSL is 51% owned by the company and is fully consolidated in the company's financial statements. The minority owners' interests are reported in other long-term liabilities (\$48.6 million at December 31, 2001) and in other income (expense), net in the company's financial statements.

#### 9 Debt

Long-term debt comprises the following:

| December 31 (Millions)              | 2001     | 2000     |
|-------------------------------------|----------|----------|
| 8 1/8% senior notes due 2006        | \$ 400.0 | \$ -     |
| 7 7/8% senior notes due 2008        | 200.0    | 200.0    |
| 7 1/4% senior notes due 2005        | 150.0    | -        |
| 11 3/4% senior notes                | -        | 334.2    |
| Other, net of unamortized discounts | (2.8)    | 18.9     |
| Total                               | 747.2    | 553.1    |
| Less - current maturities           | 2.2      | 16.8     |
| Total long-term debt                | \$ 745.0 | \$ 536.3 |

Total long-term debt maturities in 2002, 2003, 2004, 2005 and 2006 are \$2.2, \$1.0, \$.6, \$150.2 and \$400.2 million, respectively.

Cash paid during 2001, 2000 and 1999 for interest was \$92.9, \$90.5 and \$141.5 million, respectively.

During 2001, the company issued \$400 million of 8 1/8% senior notes due 2006 and \$150 million of 7 1/4% senior notes due 2005. In June 2001, the company completed a cash tender offer for \$319.2 million principal amount of its 11 3/4% senior notes due 2004 and in October 2001, the company redeemed, at a premium, the remaining \$15.0 million outstanding principal amount of such notes. As a result of these actions, the company recorded an extraordinary after-tax charge of \$17.2 million, net of \$9.3 million tax benefit, or \$.05 per share, for the premium paid, unamortized debt-related expenses and transaction costs.

In 2000, the company redeemed all of its \$399.5 million outstanding 12% senior notes due 2003 at the stated redemption price of 106% of principal. As a result, the company recorded an extraordinary charge of \$19.8 million, net of \$10.7 million of income tax benefits, or \$.06 per diluted share, for the call premium and unamortized debt expense.

During 1999, the company repurchased \$115.8 million principal amount of its 11 3/4% senior notes due 2004 and \$25.5 million principal amount of its 12% senior notes due 2003 at a cost of \$157.4 million. As a result, the company recorded an extraordinary charge of \$12.1 million, net of \$6.5 million of income tax benefits, or \$.04 per diluted common share.

In March 2001, the company entered into a new three-year \$450 million unsecured credit agreement, which replaced the \$400 million three-year facility that was to expire in June 2001. As of December 31, 2001, there were no borrowings under the facility and the entire \$450 million was available for borrowings. The company pays commitment fees on the total amount of the facility. Borrowings under the agreement bear interest based on the then current LIBOR or prime rates and the company's credit rating. The credit agreement contains financial and other covenants, including maintenance of certain financial ratios and a minimum level of net worth and limitations on certain types of transactions. At December 31, 2001, the company has met all of the covenants and conditions under this agreement. In addition, the company has access to certain uncommitted lines of credit from U.S. banks, and international subsidiaries maintain short-term credit arrangements with banks in accordance with local customary practice.

#### 10 Other accrued liabilities

Other accrued liabilities (current) comprise the following:

| December 31 (Millions)              | 2001       | 2000       |
|-------------------------------------|------------|------------|
| Payrolls and commissions            | \$ 255.7   | \$ 314.7   |
| Customers' deposits and prepayments | 561.6      | 504.7      |
| Taxes other than income taxes       | 106.0      | 120.2      |
| Restructuring*                      | 134.8      | 73.4       |
| Other                               | 254.4      | 265.8      |
| Total other accrued liabilities     | \$ 1,312.5 | \$ 1,278.8 |

\*At December 31, 2001 and 2000, an additional \$35.2 million and \$9.4 million, respectively, was reported in other long-term liabilities on the consolidated balance sheet.

#### 11 Rental expense and commitments

Rental expense, less income from subleases, for 2001, 2000 and 1999 was \$161.6, \$146.0 and \$134.7 million, respectively.

Minimum net rental commitments under noncancelable operating leases outstanding at December 31, 2001, substantially all of which relate to real properties, were as follows: 2002, \$128.3; 2003, \$109.2; 2004, \$83.0; 2005, \$58.2; 2006, \$46.1; and \$254.8 million thereafter. Such rental commitments have been reduced by minimum sublease rentals of \$85.6 million due in the future under noncancelable subleases.

Rental expense for 2001 and 2000 includes approximately \$2.0 and \$2.2 million, respectively, under a facility lease that expires in March 2005. The owner of the property is a special purpose entity in which unrelated third parties made and have maintained an equity capital investment. The company has no debt or equity interest in this entity. The company does not consolidate this entity. If accounting rules were to change and the company were required to consolidate this entity, assets and debt would increase by approximately \$33 million; however, the change in the company's results of operations would be minimal. The company has the option to purchase the facility at any time during the lease term for approximately \$33 million. At the end of the lease term, the company has agreed to either purchase the facility or remarket it to a third party on behalf of the owner. If the sales price is less than \$33 million, the company is obligated to make up the lesser of the shortfall or \$28 million. At December 31, 2001, the fair value of the property exceeded \$33 million. The lease contains a number of financial covenants and other provisions. At December 31, 2001, the company was in compliance with all of these covenants and provisions.

At December 31, 2001, the company had outstanding standby letters of credit and surety bonds of approximately \$230 million related to performance and payment guarantees. Based on experience with these arrangements, the company believes that any obligations that may arise will not be material.

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## 12 Financial instruments

Due to its foreign operations, the company is exposed to the effects of foreign currency exchange rate fluctuations on the U.S. dollar. The company uses derivative financial instruments to manage its exposure to market risks from changes in foreign currency exchange rates. The derivative instruments used are foreign exchange forward contracts and foreign exchange options.

Certain of the company's qualifying derivative financial instruments have been designated as cash flow hedging instruments. Such instruments are used to manage the company's currency exchange rate risks for forecasted transactions involving intercompany sales and third-party royalty receipts. For the forecasted intercompany transactions, the company generally enters into derivative financial instruments for a six-month period by initially purchasing a three-month foreign exchange option, which, at expiration, is replaced with a three-month foreign exchange forward contract. For forecasted third-party royalty receipts, which are principally denominated in Japanese yen, the company generally purchases twelve-month foreign exchange forward contracts.

Effective January 1, 2001, the company recognized the fair value of its cash flow hedge derivatives as either assets or liabilities in its balance sheet. Changes in the fair value related to the effective portion of such derivatives are recognized in other comprehensive income until the hedged item is recognized in earnings, at which point the accumulated gain or loss is reclassified out of other comprehensive income and into earnings. The ineffective portion of such derivative's change in fair value is immediately recognized in earnings. The amount of ineffectiveness recognized in earnings during the year ended December 31, 2001 related to cash flow hedge derivatives for third-party royalty was a gain of approximately \$4.2 million. The ineffective amount related to cash flow hedge derivatives for intercompany transactions was immaterial. Both the amounts reclassified out of other comprehensive income and into earnings and the ineffectiveness recognized in earnings related to cash flow hedge derivatives for forecasted intercompany transactions are recognized in cost of revenue, and in revenue for forecasted third-party royalties. Substantially all of the accumulated income and loss in other comprehensive income related to cash flow hedges at December 31, 2001 is expected to be reclassified into earnings within the next twelve months.

When a cash flow hedge is discontinued because it is probable that the original forecasted transactions will not occur by the end of the original specified time period, the company is required to reclassify any gains or losses out of other comprehensive income and into earnings. The amount of such reclassifications during the year ended December 31, 2001 was immaterial.

In addition to the cash flow hedge derivatives mentioned above, the company enters into foreign exchange forward contracts that have not been designated as hedging instruments. Such contracts generally have maturities of one month and are used by the company to manage its exposure to changes in foreign currency exchange rates principally on intercompany accounts. The fair value of such instruments is recognized as either assets or liabilities in the company's balance sheet and changes in the fair value are recognized immediately in earnings in other income (expense), net in the company's statement of income.

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In 1999, the company entered into interest rate swaps and currency swaps for euros and Japanese yen. The currency swaps were designated as hedges of the foreign currency exposure on the company's net investments in foreign subsidiaries and equity investments. The currency effects of these hedges



were reported in accumulated other comprehensive income (loss) thereby offsetting a portion of the foreign currency translation of net assets. The difference between receipts of a U.S. fixed rate of interest and payments of a foreign currency denominated floating rate was reported in interest expense. In 2000, the company terminated these swaps, and as a result received net cash of \$18.5 million and recognized a pretax loss of \$2.7 million. Under the swaps, the company recognized an interest expense benefit of approximately \$16 million and \$7 million in 2000 and 1999, respectively.

Financial instruments also include temporary cash investments and customer accounts receivable. Temporary investments are placed with creditworthy financial institutions, primarily in oversecured treasury repurchase agreements, Eurotime deposits, or commercial paper of major corporations. At December 31, 2001, the company's cash equivalents 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 2001 and 2000, as well as unrealized gains or losses at December 31, 2001, were immaterial. Receivables are due from a large number of customers that are dispersed worldwide across many industries. At December 31, 2001 and 2000, the company had no significant concentrations of credit risk. The carrying amount of cash and cash equivalents, notes payable and long-term debt approximates fair value.

### 13 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 results of operations, or liquidity.

### 14 Segment information

The company has two business segments: Services and Technology. The products and services of each segment are marketed throughout the world to commercial businesses and governments. The major service and product lines by segment are as follows: Services - systems integration and consulting, outsourcing, network services, security and multivendor maintenance; Technology - enterprise-class servers and specialized technologies.

The accounting policies of each business segment are the same as those described in the summary of significant accounting policies. Intersegment sales and transfers are priced as if the sales or transfers were to third parties. The company evaluates business segment performance on operating income exclusive of restructuring charges and unusual and nonrecurring items. All corporate and centrally incurred costs are allocated to the business segments based principally on assets, revenue, employees, square footage, or usage.

Corporate assets are principally cash and cash equivalents, prepaid pension assets and deferred income taxes. The expense or income related to corporate assets is allocated to the business segments. In addition, corporate assets include an offset for interests in accounts receivable that have been recorded as sales in accordance with SFAS No. 140 because such receivables are included in the assets of the business segments.

No single customer accounts for more than 10% of revenue. Revenue from various agencies of the U.S. Government, which is reported in both business segments, approximated \$623, \$689 and \$865 million in 2001, 2000 and 1999, respectively.

A summary of the company's operations by business segment for 2001, 2000 and 1999 is presented below:

| (Millions of dollars) | Total | Corporate | Services | Technology |
|-----------------------|-------|-----------|----------|------------|
| 2001                  |       |           |          |            |

|                                     |            |            |            |            |
|-------------------------------------|------------|------------|------------|------------|
| Customer revenue                    | \$ 6,018.1 |            | \$ 4,444.6 | \$ 1,573.5 |
| Intersegment                        |            | \$ (363.4) | 73.8       | 289.6      |
| Total revenue                       | \$ 6,018.1 | \$ (363.4) | \$ 4,518.4 | \$ 1,863.1 |
| Operating income (loss)             | \$ (4.5)   | \$ (315.7) | \$ 94.7    | \$ 216.5   |
| Depreciation and amortization       | 302.2      |            | 139.3      | 162.9      |
| Total assets                        | 5,769.1    | 2,617.6    | 2,009.3    | 1,142.2    |
| Investments at equity               | 212.3      | 1.8        |            | 210.5      |
| Capital expenditures for properties | 199.4      | 28.9       | 113.8      | 56.7       |
| 2000                                |            |            |            |            |
| Customer revenue                    | \$ 6,885.0 |            | \$ 4,741.6 | \$ 2,143.4 |
| Intersegment                        |            | \$ (437.2) | 46.6       | 390.6      |
| Total revenue                       | \$ 6,885.0 | \$ (437.2) | \$ 4,788.2 | \$ 2,534.0 |
| Operating income (loss)             | \$ 426.8   | \$ (103.3) | \$ 81.4    | \$ 448.7   |
| Depreciation and amortization       | 272.9      |            | 116.7      | 156.2      |
| Total assets                        | 5,713.3    | 2,434.4    | 1,989.0    | 1,289.9    |
| Investments at equity               | 225.8      | 1.7        |            | 224.1      |
| Capital expenditures for properties | 198.3      | 21.4       | 111.9      | 65.0       |
| 1999                                |            |            |            |            |
| Customer revenue                    | \$ 7,544.6 |            | \$ 5,287.0 | \$ 2,257.6 |
| Intersegment                        |            | \$ (577.5) | 65.6       | 511.9      |
| Total revenue                       | \$ 7,544.6 | \$ (577.5) | \$ 5,352.6 | \$ 2,769.5 |
| Operating income (loss)             | \$ 960.7   | \$ (23.6)  | \$ 421.0   | \$ 563.3   |
| Depreciation and amortization       | 267.1      |            | 115.1      | 152.0      |
| Total assets                        | 5,885.0    | 2,750.2    | 1,991.8    | 1,143.0    |
| Investments at equity               | 225.5      | 1.8        |            | 223.7      |
| Capital expenditures for properties | 219.6      | 59.9       | 97.8       | 61.9       |

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

| Year ended December 31<br>(Millions)    | 2001      | 2000     | 1999     |
|---|-----------|----------|----------|
| Total segment operating income          | \$ 311.2  | \$ 530.1 | \$ 984.3 |
| Interest expense                        | (70.0)    | (79.8)   | (127.8)  |
| Other income (expense), net             | 28.0      | 32.0     | (62.6)   |
| Corporate and eliminations              | (39.4)    | 24.3     | (23.6)   |
| Fourth-quarter charges                  | (276.3)   | (127.6)  |          |
| Total income (loss) before income taxes | \$ (46.5) | \$ 379.0 | \$ 770.3 |

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

| December 31 (Millions)                 | 2001       | 2000       | 1999       |
|--|------------|------------|------------|
| Total segment assets                   | \$ 3,151.5 | \$ 3,278.9 | \$ 3,134.8 |
| Cash and cash equivalents              | 325.9      | 378.0      | 464.0      |
| Prepaid pension assets                 | 1,221.0    | 1,063.0    | 975.9      |
| Deferred income taxes                  | 1,090.4    | 1,044.2    | 1,128.3    |
| Elimination for sale of<br>receivables | (191.8)    | (279.1)    | (30.7)     |
| Other corporate assets                 | 172.1      | 228.3      | 212.7      |
| Total assets                           | \$ 5,769.1 | \$ 5,713.3 | \$ 5,885.0 |

Geographic information about the company's revenue, which is principally based on location of the selling organization, and properties, is presented below:

| (Millions)      | 2001       | 2000       | 1999       |
|-----------------|------------|------------|------------|
| Revenue         |            |            |            |
| United States   | \$ 2,595.3 | \$ 2,875.5 | \$ 3,357.9 |
| United Kingdom  | 823.9      | 762.9      | 806.5      |
| Other foreign   | 2,598.9    | 3,246.6    | 3,380.2    |
| Total           | \$ 6,018.1 | \$ 6,885.0 | \$ 7,544.6 |
| Properties, net |            |            |            |
| United States   | \$ 345.9   | \$ 334.0   | \$ 308.3   |
| United Kingdom  | 60.1       | 52.6       | 64.2       |
| Other foreign   | 128.2      | 123.3      | 130.6      |
| Total           | \$ 534.2   | \$ 509.9   | \$ 503.1   |

#### 15 Employee plans

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 generally have a maximum duration of ten years and become exercisable in annual installments over a 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 years ended December 31, 2001, 2000 and 1999, \$.6, \$1.0 and \$2.5 million was charged to income, respectively.

The company has a worldwide Employee Stock Purchase Plan ("ESPP"), which enables substantially all regular employees to purchase shares of the company's common stock through payroll deductions of up to 10% of eligible pay. The price the employee pays is 85% of the market price at the beginning or end of a calendar quarter, whichever is lower. During the years ended December 31, 2001, 2000 and 1999, employees purchased newly issued shares from the company for \$28.8, \$37.3 and \$35.1 million, respectively.

U.S. employees are eligible to participate in an employee savings plan. Under this plan, employees may contribute a percentage of their pay for investment in various investment alternatives. Effective July 1, 1998, the company reinstated a company match for up to 1% of pay. Effective January 1, 2000, the company match was increased to 2% of pay. Company matching contributions are made in the form of newly issued shares of company common stock. The charge to income related to the company match for the years ended December 31, 2001, 2000 and 1999 was \$18.0, \$19.1 and \$8.2 million, respectively.

The company applies APB Opinion 25 for its stock plans and the disclosure-only option under SFAS No. 123, "Accounting for Stock-Based Compensation." Accordingly, no compensation expense is recognized for stock options granted and for common stock purchases under the ESPP.

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 is estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions for 2001, 2000 and 1999, respectively: risk-free interest rates of 5.08%, 6.84% and 5.14%, volatility factors of the expected market price of the company's common stock of 55%, a weighted average expected life of the options of five 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, 2001, 2000 and 1999, respectively, follows: 2001, \$(118.9) million, or \$(.37) per share; 2000, \$182.5 million, or \$.58 per diluted share; and 1999, \$472.2 million, or \$1.46 per diluted share.

A summary of the status of stock option activity follows:

| Year ended December 31<br>(Shares in thousands)                | 2001    |                                 | 2000    |                                 | 1999    |                                 |
|--|---------|---------------------------------|---------|---------------------------------|---------|---------------------------------|
|  | Shares  | Weighted Avg.<br>Exercise Price | Shares  | Weighted Avg.<br>Exercise Price | Shares  | Weighted Avg.<br>Exercise Price |
| Outstanding at beginning of year                               | 22,085  | \$ 24.44                        | 19,158  | \$ 19.74                        | 18,252  | \$ 13.28                        |
| Granted  | 9,122   | 17.75                           | 7,667   | 33.36                           | 6,981   | 30.54                           |
| Exercised  | (697)   | 6.91                            | (1,455) | 9.58                            | (4,649) | 11.28                           |
| Forfeited and expired  | (1,857) | 27.07                           | (3,285) | 24.41                           | (1,426) | 17.05                           |
| Outstanding at end of year                                     | 28,653  | 22.56                           | 22,085  | 24.44                           | 19,158  | 19.74                           |
| Exercisable at end of year                                     | 11,709  | 19.90                           | 7,946   | 15.72                           | 6,138   | 11.39                           |
| Shares available for granting options at end of year           | 2,477   |                                 | 4,008   |                                 | 2,601   |                                 |
| Weighted average fair value of options granted during the year |         | \$ 9.80                         |         | \$ 18.76                        |         | \$ 15.95                        |

| December 31, 2001<br>(Shares in thousands) |        |                |                        |        |                        |
|--|--------|----------------|------------------------|--------|------------------------|
| Outstanding                                |        |                | Exercisable            |        |                        |
| Exercise Price Range                       | Shares | Average Life * | Average Exercise Price | Shares | Average Exercise Price |
| \$4-11                                     | 3,798  | 5.08           | \$ 7.30                | 3,299  | \$ 7.14                |
| \$11-30                                    | 13,439 | 7.83           | 18.45                  | 4,250  | 18.08                  |
| \$30-52                                    | 11,416 | 7.79           | 32.49                  | 4,160  | 31.88                  |
| Total                                      | 28,653 | 7.45           | 22.56                  | 11,709 | 19.90                  |

\* Average contractual remaining life in years.

## Retirement benefits

Retirement plans funded status and amounts recognized in the company's consolidated balance sheet at December 31, 2001 and 2000, follows:

| December 31 (Millions)  | U.S. Plans        |                   | International Plans |                 |
|---|-------------------|-------------------|---------------------|-----------------|
|   | 2001              | 2000              | 2001                | 2000            |
| <b>Change in benefit obligation</b>                                     |                   |                   |                     |                 |
| Benefit obligation at beginning of year                                 | \$ 3,559.0        | \$ 3,491.1        | \$ 757.1            | \$ 844.2        |
| Service cost  | 35.2              | 37.4              | 22.3                | 18.7            |
| Interest cost   | 273.7             | 263.5             | 55.1                | 49.9            |
| Plan participants' contributions  |                   |                   | 8.2                 | 9.4             |
| Plan amendments   | 59.6              | 59.0              | 4.0                 | 1.1             |
| Actuarial (gain) loss   | 217.8             | (29.2)            | 45.9                | (11.2)          |
| Benefits paid   | (276.3)           | (262.8)           | (38.4)              | (34.7)          |
| Effect of settlements/curtailments                                      |                   |                   | 1.8                 | 1.4             |
| Foreign currency translation adjustments                                |                   |                   | 10.1                | (121.7)         |
| Other*  |                   |                   | 80.9                |                 |
| <b>Benefit obligation at end of year</b>                                | <b>\$ 3,869.0</b> | <b>\$ 3,559.0</b> | <b>\$ 947.0</b>     | <b>\$ 757.1</b> |
| <b>Change in plan assets</b>  |                   |                   |                     |                 |
| Fair value of plan assets at beginning of year                          | \$ 4,951.3        | \$ 5,045.5        | \$ 847.9            | \$ 959.3        |
| Actual return on plan assets  | (381.4)           | 163.5             | (46.2)              | 40.4            |
| Employer contribution   | 6.5               | 5.1               | 26.0                | 10.1            |
| Plan participants' contributions  |                   |                   | 8.2                 | 9.4             |
| Benefits paid   | (276.3)           | (262.8)           | (38.4)              | (34.7)          |
| Foreign currency translation adjustments                                |                   |                   | 15.0                | (136.6)         |
| Other*  |                   |                   | 102.4               |                 |
| <b>Fair value of plan assets at end of year</b>                         | <b>\$ 4,300.1</b> | <b>\$ 4,951.3</b> | <b>\$ 914.9</b>     | <b>\$ 847.9</b> |
| <b>Funded status</b>  |                   |                   |                     |                 |
|   | \$ 431.1          | \$ 1,392.3        | \$ (32.1)           | \$ 90.8         |
| Unrecognized net actuarial (gain) loss                                  | 660.4             | (413.6)           | 152.0               | (13.7)          |
| Unrecognized prior service (benefit) cost                               | (6.3)             | (12.8)            | 5.8                 | 6.9             |
| Unrecognized net obligation at date of adoption                         |                   |                   |                     | .3              |
| <b>Prepaid pension cost</b>   | <b>\$ 1,085.2</b> | <b>\$ 965.9</b>   | <b>\$ 125.7</b>     | <b>\$ 84.3</b>  |
| <b>Amounts recognized in the consolidated balance sheet consist of:</b> |                   |                   |                     |                 |
| Prepaid pension cost  | \$ 1,085.2        | \$ 965.9          | \$ 135.8            | \$ 97.1         |
| Other long-term liabilities   |                   |                   | (10.1)              | (12.8)          |
|   | <b>\$ 1,085.2</b> | <b>\$ 965.9</b>   | <b>\$ 125.7</b>     | <b>\$ 84.3</b>  |

\* Represents amounts of pension assets and liabilities assumed by the company at the inception of certain outsourcing contracts related to the customers' employees hired by the company.

The projected benefit obligations, accumulated benefit obligations and fair value of plan assets for plans with accumulated benefit obligations in excess of plan assets was as follows (in millions of dollars): \$181.0, \$171.3 and \$93.3 million at December 31, 2001 and \$168.7, \$161.4 and \$91.2 million at December 31, 2000.

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Net periodic pension cost for 2001, 2000 and 1999 includes the following components:

| Year ended December 31 (Millions)              | U.S. Plans        |                   |                   | International Plans |               |               |
|--|-------------------|-------------------|-------------------|---------------------|---------------|---------------|
|  | 2001              | 2000              | 1999              | 2001                | 2000          | 1999          |
| Service cost                                   | \$ 35.2           | \$ 37.4           | \$ 39.3           | \$ 22.3             | \$ 18.7       | \$ 18.0       |
| Interest cost                                  | 273.7             | 263.5             | 251.3             | 55.1                | 49.9          | 51.5          |
| Expected return on plan assets                 | (476.2)           | (440.3)           | (395.4)           | (79.4)              | (67.3)        | (67.4)        |
| Amortization of prior service (benefit) cost   | (5.5)             | (5.9)             | (6.3)             | .9                  | .9            | 1.0           |
| Amortization of asset or liability at adoption |                   | .8                | .7                | .3                  | .3            | .1            |
| Recognized net actuarial loss (gain)           | 1.2               | 1.1               | 1.4               | (1.0)               | .5            | 2.8           |
| Settlement/curtailment (gain) loss             |                   |                   |                   | 3.4                 | 1.4           | 1.1           |
| <b>Net periodic pension (income) cost</b>      | <b>\$ (171.6)</b> | <b>\$ (143.4)</b> | <b>\$ (109.0)</b> | <b>\$ 1.6</b>       | <b>\$ 4.4</b> | <b>\$ 7.1</b> |

Weighted-average assumptions as of December 31 were as follows:

| Discount rate | 7.50% | 8.00% | 7.75% | 6.25% | 6.57% | 6.35% |
|---------------|-------|-------|-------|-------|-------|-------|
|---------------|-------|-------|-------|-------|-------|-------|

|   |        |        |        |       |       |       |
|---|--------|--------|--------|-------|-------|-------|
| Rate of compensation increase               | 5.40%  | 5.40%  | 5.40%  | 3.80% | 3.77% | 3.81% |
| Expected long-term rate of return on assets | 10.00% | 10.00% | 10.00% | 8.54% | 8.51% | 8.44% |

Other postretirement benefits

A reconciliation of the benefit obligation, fair value of the plan assets and the funded status of the postretirement medical plan at December 31, 2001 and 2000, follows:

| December 31 (Millions)                         | 2001       | 2000       |
|--|------------|------------|
| -----  |            |            |
| Change in benefit obligation                   |            |            |
| Benefit obligation at beginning of year        | \$ 219.1   | \$ 217.4   |
| Interest cost                                  | 15.2       | 14.9       |
| Plan participants' contributions               | 27.8       | 24.1       |
| Actuarial loss                                 | 10.9       | 7.2        |
| Benefits paid                                  | (52.9)     | (44.3)     |
| Effect of settlement/curtailment               |            | (.2)       |
|  | -----      | -----      |
| Benefit obligation at end of year              | \$ 220.1   | \$ 219.1   |
|  | -----      | -----      |
| Change in plan assets                          |            |            |
| Fair value of plan assets at beginning of year | \$ 13.3    | \$ 13.4    |
| Actual return on plan assets                   | 1.0        | 1.4        |
| Employer contributions                         | 24.2       | 18.7       |
| Plan participants' contributions               | 27.8       | 24.1       |
| Benefits paid                                  | (52.9)     | (44.3)     |
|  | -----      | -----      |
| Fair value of plan assets at end of year       | \$ 13.4    | \$ 13.3    |
|  | -----      | -----      |
| Funded status                                  | \$ (206.7) | \$ (205.8) |
| Unrecognized net actuarial loss                | 26.2       | 17.5       |
| Unrecognized prior service benefit             | (9.9)      | (11.8)     |
|  | -----      | -----      |
| Accrued benefit cost                           | \$ (190.4) | \$ (200.1) |
|  | -----      | -----      |

Net periodic postretirement benefit cost for 2001, 2000 and 1999 follows:

| Year ended December 31 (Millions)                               | 2001    | 2000    | 1999    |
|---|---------|---------|---------|
| -----   |         |         |         |
| Interest cost   | \$ 15.2 | \$ 14.9 | \$ 14.9 |
| Expected return on plan assets                                  |         |         | (.4)    |
| Amortization of prior service benefit                           | (2.0)   | (2.0)   | (2.2)   |
| Recognized net actuarial loss                                   | 1.3     | .4      | .6      |
| Settlement/curtailment gain                                     |         |         | (6.5)   |
|   | -----   | -----   | -----   |
| Net periodic benefit cost                                       | \$ 14.5 | \$ 13.3 | \$ 6.4  |
|   | -----   | -----   | -----   |
| Weighted-average assumptions as of December 31 were as follows: |         |         |         |
| Discount rate   | 7.40%   | 7.70%   | 7.50%   |
| Expected return on plan assets                                  | 8.00%   | 8.00%   | 8.00%   |
| -----   |         |         |         |

The assumed health care cost trend rate used in measuring the expected cost of benefits covered by the plan is 9.1% for 2001, gradually declining to 5.5% in 2006 and thereafter. A one-percentage-point increase (decrease) in the assumed health care cost trend rate would increase (decrease) the accumulated postretirement benefit obligation at December 31, 2001, by \$6.6 and \$(6.4) million, respectively, and increase (decrease) the interest cost component of net periodic postretirement benefit cost for 2001 by \$.5 and \$(.5) million, respectively.

The company has 720.0 million authorized shares of common stock, par value \$.01 per share, and 40.0 million shares of authorized preferred stock, par value \$1 per share, issuable in series.

During the year ended December 31, 1999, the company made several calls of its Series A Cumulative Convertible Preferred Stock ("Series A Preferred Stock") for redemption. As a result, of the 28.4 million shares of Series A Preferred Stock outstanding at December 31, 1998, 24.5 million were converted into 40.8 million shares of the company's common stock and 3.9 million shares of Series A Preferred Stock were redeemed for \$197.0 million in cash.

In 1999, the remaining balance of \$27 million of 8 1/4% convertible subordinated notes due 2006 were converted into 3.9 million shares of the company's common stock.

Each outstanding share of common stock has attached to it one preferred share purchase right. 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. Until the rights become exercisable, they have no dilutive effect on net income per common share.

At December 31, 2001, 42.1 million shares of unissued common stock of the company were reserved for stock options and for stock purchase and savings plans.

Changes in issued shares during the three years ended December 31, 2001, were as follows:

| (Thousands)  | Preferred Stock | Common Stock | Treasury Stock |
|--|-----------------|--------------|----------------|
| Balance at December 31, 1998                         | 28,941          | 259,447      | (1,292)        |
| Conversions to common stock                          | (24,952)        | 46,090       |                |
| Redemptions  | (3,941)         |              |                |
| Issuance of stock under stock option and other plans |                 | 6,916        | (578)          |
| Other  | (48)            |              |                |
| Balance at December 31, 1999                         | -               | 312,453      | (1,870)        |
| Issuance of stock under stock option and other plans |                 | 4,882        | (26)           |
| Balance at December 31, 2000                         | -               | 317,335      | (1,896)        |
| Issuance of stock under stock option and other plans |                 | 5,152        | (17)           |
| Balance at December 31, 2001                         | -               | 322,487      | (1,913)        |

Comprehensive income (loss) for the three years ended December 31, 2001, includes the following components:

| Year ended<br>December 31 (Millions)  | 2001       | 2000     | 1999     |
|---|------------|----------|----------|
| Net income (loss)   | \$ (67.1)  | \$ 225.0 | \$ 510.7 |
| Other comprehensive income (loss)   |            |          |          |
| Cumulative effect of change in accounting principle (SFAS No. 133), net of tax of \$1.8 | 3.3        |          |          |
| Cash flow hedges  |            |          |          |
| Income (loss), net of tax of \$5.1  | 9.7        |          |          |
| Reclassification adjustments, net of tax of \$(4.6)                                     | (8.6)      |          |          |
| Foreign currency translation adjustments, net of tax of \$-, \$19.0 and \$(2.8)         | (67.5)     | (73.3)   | (38.8)   |
| Total other comprehensive income (loss)   | (63.1)     | (73.3)   | (38.8)   |
| Comprehensive income (loss)   | \$ (130.2) | \$ 151.7 | \$ 471.9 |

Accumulated other comprehensive income (loss) as of December 31, 2001, 2000 and 1999 is as follows (in millions of dollars):

|                              | Total      | Translation Adjustments | Cash Flow Hedges |
|------------------------------|------------|-------------------------|------------------|
| Balance at December 31, 1998 | \$ (531.6) | \$ (531.6)              | \$ -             |
| Current-period change        | (38.8)     | (38.8)                  |                  |
| Balance at December 31, 1999 | (570.4)    | (570.4)                 | -                |
| Current-period change        | (73.3)     | (73.3)                  |                  |
| Balance at December 31, 2000 | (643.7)    | (643.7)                 | -                |
| Current-period change        | (63.1)     | (67.5)                  | 4.4              |
| Balance at December 31, 2001 | \$ (706.8) | \$ (711.2)              | \$ 4.4           |

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#### Report of Management

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

The company maintains a system of internal accounting controls designed to provide reasonable assurance at a reasonable cost that assets are safeguarded against loss or unauthorized use, and that transactions are executed in accordance with management's authorization and recorded and summarized properly. This system is augmented by written policies and procedures, an internal audit program, and the selection and training of qualified personnel.

Ernst & Young LLP, independent auditors, have audited the company's financial statements. Their accompanying report is based on audits conducted in accordance with auditing standards generally accepted in the United States, which require a review of the system of internal accounting controls and tests of accounting procedures and records to the extent necessary for the purpose of their audits.

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

/s/ Lawrence A. Weinbach

/s/ Janet Brutschea Haugen

Lawrence A. Weinbach  
Chairman, President,  
and Chief Executive Officer

Janet Brutschea Haugen  
Senior Vice President  
and Chief Financial Officer

#### Report of Independent Auditors

To the Board of Directors of Unisys Corporation

We have audited the accompanying consolidated balance sheets of Unisys Corporation as of December 31, 2001 and 2000, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. 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 auditing standards generally accepted in the United States. 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 the 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, 2001 and 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania  
January 17, 2002

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Unisys Corporation

Supplemental Financial Data (Unaudited)

Quarterly financial information

| (Millions, except per share data)       | First<br>Quarter | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter | Year       |
|---|------------------|-------------------|------------------|-------------------|------------|
| 2001                                    |                  |                   |                  |                   |            |
| Revenue                                 | \$ 1,623.8       | \$ 1,461.4        | \$ 1,376.0       | \$ 1,556.9        | \$ 6,018.1 |
| Gross profit                            | 427.6            | 397.4             | 379.9            | 278.4             | 1,483.3    |
| Income (loss) before income taxes       | 103.4            | 43.9              | 31.2             | (225.0)           | (46.5)     |
| Income (loss) before extraordinary item | 69.3             | 29.3              | 20.9             | (169.4)           | (49.9)     |
| Net income (loss)                       | 69.3             | 12.1              | 20.9             | (169.4)           | (67.1)     |
| Earnings (loss) per share - basic       |                  |                   |                  |                   |            |
| Before extraordinary item               | .22              | .09               | .07              | (.53)             | (.16)      |
| Extraordinary item                      |                  | (.05)             |                  |                   | (.05)      |
| Total                                   | .22              | .04               | .07              | (.53)             | (.21)      |
| Earnings (loss) per share - diluted     |                  |                   |                  |                   |            |
| Before extraordinary item               | .22              | .09               | .07              | (.53)             | (.16)      |
| Extraordinary item                      |                  | (.05)             |                  |                   | (.05)      |
| Total                                   | .22              | .04               | .07              | (.53)             | (.21)      |
| Market price per share - high           | 19.70            | 15.00             | 14.47            | 13.45             | 19.70      |
| - low                                   | 12.69            | 11.15             | 7.70             | 7.95              | 7.70       |
| 2000                                    |                  |                   |                  |                   |            |
| Revenue                                 | \$ 1,668.7       | \$ 1,597.1        | \$ 1,690.9       | \$ 1,928.3        | \$ 6,885.0 |
| Gross profit                            | 539.3            | 480.8             | 474.7            | 594.3             | 2,089.1    |
| Income before income taxes              | 161.4            | 85.3              | 65.0             | 67.3              | 379.0      |
| Income before extraordinary item        | 106.5            | 56.3              | 42.9             | 39.1              | 244.8      |
| Net income                              | 106.5            | 36.5              | 42.9             | 39.1              | 225.0      |
| Earnings per share - basic              |                  |                   |                  |                   |            |
| Before extraordinary item               | .34              | .18               | .14              | .12               | .78        |
| Extraordinary item                      |                  | (.06)             |                  |                   | (.06)      |
| Total                                   | .34              | .12               | .14              | .12               | .72        |
| Earnings per share - diluted            |                  |                   |                  |                   |            |
| Before extraordinary item               | .34              | .18               | .14              | .12               | .77        |
| Extraordinary item                      |                  | (.06)             |                  |                   | (.06)      |
| Total                                   | .34              | .12               | .14              | .12               | .71        |
| Market price per share - high           | 36.06            | 28.19             | 15.31            | 16.38             | 36.06      |
| - low                                   | 24.25            | 14.25             | 9.13             | 9.25              | 9.13       |

In the fourth quarter of 2001 and 2000, the company recognized pretax

restructuring and related charges of \$276.3 and \$127.6 million, or \$.64 and \$.29 per share, respectively. Excluding these items, earnings per share before extraordinary items for 2001 and 2000 was \$.48 and \$1.06, respectively. See Note 4 of the Notes to Consolidated Financial Statements.

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

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

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Five-year summary of selected financial data

| (Millions, except per share data)                           | 2001/(1)/  | 2000/(1)/  | 1999       | 1998       | 1997/(1)/  |
|---|------------|------------|------------|------------|------------|
| Results of operations                                       |            |            |            |            |            |
| Revenue   | \$ 6,018.1 | \$ 6,885.0 | \$ 7,544.6 | \$ 7,243.9 | \$ 6,662.9 |
| Operating income (loss)                                     | (4.5)      | 426.8      | 960.7      | 799.0      | (408.4)    |
| Income (loss) before income taxes                           | (46.5)     | 379.0      | 770.3      | 594.2      | (748.1)    |
| Income (loss) before extraordinary items                    | (49.9)     | 244.8      | 522.8      | 376.4      | (852.9)    |
| Net income (loss)   | (67.1)     | 225.0      | 510.7      | 376.4      | (852.9)    |
| Dividends on preferred shares                               |            |            | 36.7       | 106.5      | 111.1      |
| Earnings (loss) on common shares                            | (67.1)     | 225.0      | 474.0      | 269.9      | (964.0)    |
| Earnings (loss) per common share before extraordinary items |            |            |            |            |            |
| Basic   | (.16)      | .78        | 1.69       | 1.07       | (5.25)     |
| Diluted   | (.16)      | .77        | 1.63       | 1.01       | (5.25)     |
| Financial position  |            |            |            |            |            |
| Working capital (deficit)                                   | \$ (119.0) | \$ (54.1)  | \$ 268.3   | \$ 288.9   | \$ 363.6   |
| Total assets  | 5,769.1    | 5,713.3    | 5,885.0    | 5,608.2    | 5,608.3    |
| Long-term debt  | 745.0      | 536.3      | 950.2      | 1,106.7    | 1,438.4    |
| Common stockholders' equity                                 | 2,112.7    | 2,186.1    | 1,953.3    | 90.9       | (210.3)    |
| Common stockholders' equity per share                       | 6.59       | 6.93       | 6.29       | .35        | (.84)      |
| Other data  |            |            |            |            |            |
| Research and development                                    | \$ 331.5   | \$ 333.6   | \$ 339.4   | \$ 308.3   | \$ 314.8   |
| Capital additions of properties                             | 199.4      | 198.3      | 219.6      | 209.1      | 184.0      |
| Investment in marketable software                           | 136.8      | 152.4      | 122.8      | 100.3      | 133.5      |
| Depreciation  | 140.2      | 135.6      | 134.5      | 141.8      | 154.5      |
| Amortization  |            |            |            |            |            |
| Marketable software   | 145.5      | 115.5      | 110.9      | 112.3      | 97.2       |
| Goodwill  | 16.5       | 21.8       | 21.7       | 18.2       | 970.1      |
| Common shares outstanding (millions)                        | 320.6      | 315.4      | 310.6      | 258.2      | 251.0      |
| Stockholders of record (thousands)                          | 28.4       | 29.7       | 32.8       | 28.6       | 37.3       |
| Employees (thousands)                                       | 38.9       | 36.9       | 35.8       | 33.5       | 32.9       |

/(1)/ Includes special pretax charges of \$276.3 million, \$127.6 million and \$1,039.2 million for the years ended December 31, 2001, 2000 and 1997, respectively.

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## SUBSIDIARIES OF THE REGISTRANT

Unisys Corporation, the registrant, a Delaware company, has no parent. The registrant has the following subsidiaries:

| Name of Company<br>-----                 | State<br>or Other<br>Jurisdiction<br>Under the<br>Laws of Which<br>Organized<br>----- |
|--|---|
| Datamec, S.A.                            | Brazil  |
| Intelligent Processing Solutions Limited | United Kingdom  |
| Unisys Australia Limited                 | Michigan  |
| Unisys Belgium                           | Belgium   |
| Unisys Brasil Ltda.                      | Brazil  |
| Unisys Deutschland G.m.b.H.              | Germany   |
| Unisys Espana S.A.                       | Spain   |
| Unisys France                            | France  |
| Unisys Funding Corporation I             | Delaware  |
| Unisys Italia S.p.A.                     | Italy   |
| Unisys Korea Limited                     | Korea   |
| Unisys Limited                           | England   |
| Unisys Nederland N.V.                    | Netherlands   |
| Unisys Osterreich Gmbh                   | Austria   |
| Unisys Payment Services Limited          | United Kingdom  |
| Unisys (Schweiz) A.G.                    | Switzerland   |

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 17, 2002, included in the 2001 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-3 No. 33-51747) of Unisys Corporation,
- (2) Registration Statement (Form S-3 No. 333-51885) of Unisys Corporation,
- (3) Registration Statement (Form S-8 No. 333-51887) pertaining to the Unisys LTIP,
- (4) Registration Statement (Form S-8 No. 333-73399) pertaining to the Deferred Compensation Plan for Executives of Unisys Corporation,
- (5) Registration Statement (Form S-4 No. 333-74745) of Unisys Corporation,
- (6) Registration Statement (Form S-8 No. 333-87409) pertaining to the PulsePoint Communications 1983 Stock Option Plan, the Stock Option Plan for Independent Directors of Digital Sound Corporation and the Tech Hackers, Inc. 1997 Equity Incentive Plan,
- (7) Registration Statement (Form S-8 No. 333-87411) pertaining to the Unisys Savings Plan,
- (8) Registration Statement (Form S-8 No. 333-40012) pertaining to the Director Stock Unit Plan,
- (9) Registration Statement (Form S-8 No. 333-56036) pertaining to the Unisys Global Employee Stock Purchase Plan, and
- (10) Registration Statement (Form S-8 No. 333-56038) pertaining to the Unisys Savings Plan;

of our report dated January 17, 2002, 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 this Annual Report (Form 10-K) of Unisys Corporation.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania  
February 19, 2002

POWER OF ATTORNEY  
Unisys Corporation  
Annual Report on Form 10-K  
for the year ended December 31, 2001

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below does hereby make, constitute and appoint LAWRENCE A. WEINBACH, JANET BRUTSCHEA HAUGEN AND NANCY STRAUS SUNDHEIM, 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, 2001, 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 15, 2002

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

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

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

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

/s/ Henry C. Duques  
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Henry C. Duques  
Director

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

/s/ Denise K. Fletcher  
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Denise K. Fletcher  
Director

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

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

/s/ Lawrence A. Weinbach  
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Lawrence A. Weinbach  
Chairman of the Board,  
President and Chief  
Executive Officer;  
Director