SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2000

OR

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

For the transition period from ____________ to ____________.

Commission file number: 1-8729

UNISYS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	38-0387840
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Unisys Way Blue Bell, Pennsylvania	19424
(Address of principal executive offices)	(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	Name of each exchange on which registered
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 X NO ____

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

Aggregate market value of the voting stock held by non-affiliates: approximately $4,605,482,000 as of December 29, 2000. 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, 2000: 315,379,164.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Unisys Corporation 2000 Annual Report to Stockholders -- Part I, Part II and Part IV.

Portions of the Unisys Corporation Proxy Statement for the 2001 Annual Meeting of Stockholders -- Part III.

PART I

ITEM 1. BUSINESS

Unisys Corporation ("Unisys" or the "Company") is a worldwide information services and technology company. It provides services, systems and solutions, its Unisys e-@ction Solutions, that help customers apply information technology to seize the opportunities and overcome the challenges of the internet economy.

Unisys has two business segments -- Services and Technology. Financial information concerning the two segments is set forth in Note 15, "Segment information", of the Notes to Consolidated Financial Statements appearing in the Unisys 2000 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 integrates and delivers the solutions, services and network infrastructure required by business and government to transform their organizations for the internet economy. Unisys offers a portfolio of solutions targeted at key vertical industries: financial services, communications, transportation, publishing, commercial, and public sector. Offerings in the Services segment include vertical industry and custom solutions, systems integration, outsourcing, network services and multi-vendor information systems management and support.

In the Technology segment, Unisys develops servers and related products which operate in high-volume, mission-critical environments. Major offerings include enterprise-class servers such as the ClearPath Enterprise server, which integrates proprietary and "open" platforms; Windows 2000 servers with enterprise-class attributes, such as the ES7000 server line based on the Cellular MultiProcessing architecture; system middleware to power high-end servers; storage products; payment systems; and specialized technologies.

Products and services are marketed primarily through a direct sales force. In certain foreign countries, Unisys markets primarily through distributors. Unisys manufactures a significant portion of its product lines. Some products, including certain commodity and small servers, peripheral products, and software products, are manufactured for Unisys to its design or specifications by other business equipment manufacturers or software suppliers.

Raw Materials

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

Patents, Trademarks and Licenses

Unisys owns many domestic and foreign patents relating to the design and manufacture of its products, has granted licenses under certain of its patents to others and is licensed under the patents of others. Unisys does not believe that its business is materially dependent upon any single patent or license or related group thereof. Trademarks 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, 2000 was $5.8 billion, compared to $4.6 billion at December 31, 1999. Approximately $2.3 billion (40%) of 2000 backlog is expected to be filled in 2001. 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 U.S. 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 2000, the Company also had $2.1 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 1999 was $2.3 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 2000.

Competition

Unisys business is affected by rapid change in technology in the information services and technology field and aggressive competition from many domestic and foreign companies, including computer hardware manufacturers, software providers and information services companies. Unisys competes primarily on the basis of 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 $333.6 million in 2000, $339.4 million in 1999, and $308.3 million in 1998.

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 2001 and 2002.

Employees

As of December 31, 2000, Unisys had approximately 36,900 employees.

International and Domestic Operations

Financial information by geographic area is set forth in Note 15, "Segment information", of the Notes to Consolidated Financial Statements appearing in the Unisys 2000 Annual Report to Stockholders, and such information is incorporated herein by reference.

ITEM 2. PROPERTIES

As of December 31, 2000, Unisys had 25 major facilities in the United States with an aggregate floor space of approximately 5.5 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 22, with approximately 4.0 million square feet of floor space, were leased to Unisys. Approximately 4.7 million square feet of the U.S. facilities were in current operation, approximately .7 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, 2000, Unisys had 26 major facilities outside the United States with an aggregate floor space of approximately 2.5 million square feet, located primarily in Brazil, Canada, France, South Africa, Switzerland and the United Kingdom. Seven of these facilities, with approximately .9 million square feet of floor space, were owned by Unisys and 19, with approximately 1.6 million square feet of floor space, were leased to Unisys. Approximately 1.7 million square feet were in current operation, approximately .4 million square feet were subleased to others, and approximately .4 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

As previously reported, most recently in the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000, a number of purported class action lawsuits seeking unspecified compensatory damages have been filed against Unisys and various current and former officers in the U.S. District Court for the Eastern District of Pennsylvania by persons who acquired Unisys common stock during the period May 4, 1999 through October 14, 1999. On February 16, 2000, these actions, which are in the early stages, were consolidated under the caption *In re: Unisys Corporation Securities Litigation.* The plaintiffs allege violations of the Federal securities laws in connection with statements made by the Company concerning certain of its services contracts. The Company believes it has meritorious defenses and intends to defend this action vigorously.

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

No matters were submitted to a vote of security holders of Unisys during the fourth quarter of 2000.

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	61	Chairman of the Board, President and Chief Executive Officer
Harold S. Barron	64	Vice Chairman
Jack A. Blaine	56	Executive Vice President; President, Worldwide Sales and Services
George R. Gazerwitz	60	Executive Vice President; President, Systems & Technology
Joseph W. McGrath	48	Executive Vice President; President, Global Industries
David O. Aker	54	Senior Vice President, Worldwide Human Resources
Janet Brutschea Haugen	42	Senior Vice President and Chief Financial Officer
James F. McGuirk II	57	Senior Vice President
Nancy Straus Sundheim	49	Senior Vice President, General Counsel and Secretary
Janet B. Wallace	49	Senior Vice President; President, Global Network Services
Leigh Alexander	43	Vice President and Chief Marketing Officer
Barbara A. Babcock	52	Vice President; President, e-Business Services
Richard D. Badler	50	Vice President, Corporate Communications
Scott A. Battersby	42	Vice President and Treasurer
Leo C. Daiuto	55	Vice President, Product Development and Technology
Robert D. Evans	53	Vice President; President, Global Outsourcing

Jack F. McHale	51	Vice President, Investor Relations
Alastair M. Taylor	52	Vice President, Worldwide Financial Services

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. Barron, Vice Chairman of the Company since January 2001. He was Senior Vice President and General Counsel from 1993 to 2001. From 1994 to 1999, he also served as Secretary. Mr. Barron has been an officer since 1991, when he joined the Company as Vice President and General Counsel.

Mr. Blaine, Executive Vice President and President, Worldwide Sales and Services since January 2000. Prior to that time, he served as Senior Vice President and President of the Pacific Asia Americas Group (1996-1999); and Vice President and President of the Latin America and Caribbean Division (1995-1996). Mr. Blaine has been an officer since 1988.

Mr. Gazerwitz, Executive Vice President and President, Systems and Technology since January 2000. Prior to that time, he served as Executive Vice President and President of the Computer Systems Group (1996-1999); and Vice President and Executive Vice President of Nihon Unisys Limited (1994-1996). Mr. Gazerwitz has been an officer since 1984.

Mr. McGrath, Executive Vice President and President, Global Industries since January 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. Before that, Mr. McGrath was vice president and service director at Gartner Group. 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); and vice president of human resources for the information services and systems group (1994-1995). Mr. Aker has been an officer since 1995.

Ms. Haugen, Senior Vice President and Chief Financial Officer since July 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). Before joining Unisys, she held the position of audit partner at Ernst & Young LLP. Ms. Haugen has been an officer since 1996.

Mr. McGuirk, Senior Vice President since 1998. He also currently serves as general manager of North America sales and services. During 2000, he had responsibility for the public sector business worldwide. From 1992 to 1999, he served as President of the Federal Systems business. Mr. McGuirk 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 January 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 September 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 at PageNet (1996-1997) and Senior Vice President, Marketing and Sales at Philips Media (1995-1996). Ms. Alexander has been an officer since 2000.

Ms. Babcock, Vice President and President, e-Business Services since January 2000. Prior to that time, she was the virtual general manager for electronic business (1999); and vice president of marketing and strategy for the information services group (1995-1999). Ms. Babcock 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 October 2000. Prior to that time, he served as vice president of corporate strategy and development (1998-2000); vice president and Assistant Treasurer (1996-1998); and director of corporate finance (1992-1996). Mr. Battersby has been an officer since 2000.

Mr. Daiuto, Vice President, Product Development and Technology since July 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 January 2000. Prior to that time, he served as vice president and general manager for outsourcing in North America (1996-1999); and vice president for information processing services and outsourcing (1995-1996). 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.

Mr. Taylor, Vice President, Worldwide Financial Services since January 2000. Prior to that time, he served as chief executive of the information services group in Europe (1998-1999); vice president and general manager of the financial market sector of the information services group (1996-1998); and vice president of operations and planning for the information services and solutions group(1995-1996). Mr. Taylor has been an officer since 2000.

PART II

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

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 USB AG in Switzerland. Information on the high and low sales prices for Unisys Common Stock is set forth under the heading "Quarterly financial information", in the Unisys 2000 Annual Report to Stockholders and is incorporated herein by reference. At December 31, 2000, there were 315.4 million shares outstanding and approximately 29,700 stockholders of record. Unisys has not declared or paid any cash dividends on its Common Stock since 1990.

ITEM 6. SELECTED FINANCIAL DATA

A summary of selected financial data for Unisys is set forth under the heading "Ten-year summary of selected financial data" in the Unisys 2000 Annual Report to Stockholders and is incorporated herein by reference.

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

Management's discussion and analysis of financial condition 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 2000 Annual Report to Stockholders and is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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 2000 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, 2000 and 1999 and the related consolidated statements of income, cash flows and stockholders' equity for each of the three years in the period ended December 31, 2000, appearing in the Unisys 2000 Annual Report to Stockholders, together with the report of Ernst & Young LLP, independent auditors, on the financial statements at December 31, 2000 and 1999 and for each of the three years in the period ended December 31, 2000, appearing in the Unisys 2000 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 2000 Annual Report to Stockholders, is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

(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 2002" and "Members of the Board of Directors Continuing in Office -- Term Expiring in 2003" in the Unisys Proxy Statement for the 2001 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.

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 2001 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 2001 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

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

1. Financial Statements from the Unisys 2000 Annual Report to Stockholders which are incorporated herein by reference:

	Annual Report Page No.
Consolidated Balance Sheet at December 31, 2000 and December 31, 1999	37
Consolidated Statement of Income for each of the three years in the period ended December 31, 2000	36
Consolidated Statement of Cash Flows for each of the three years in the period ended December 31, 2000	38
Consolidated Statement of Stockholders' Equity for each of the three years in the period ended December 31, 2000	39
Notes to Consolidated Financial Statements	40-57
Report of Independent Auditors	58

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	17

The financial statement schedule should be read in conjunction with the consolidated financial statements and notes thereto in the Unisys 2000 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 18 through 20. Management contracts and compensatory plans and arrangements are listed as Exhibits 10.1 through 10.15.

(b) Reports on Form 8-K.

During the quarter ended December 31, 2000, Unisys filed a Current Report on Form 8-K, dated December 7, 2000, to report under Items 5 and 7 of such Form.

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

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

Date: February 2, 2001

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 2, 2001.

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

/s/ Janet Brutschea Haugen
Janet Brutschea Haugen
Senior Vice President
and Chief Financial Officer
(principal financial and
accounting officer)

*J. P. Bolduc
J. P. Bolduc
Director

*Kenneth A. Macke
Kenneth A. Macke
Director

*Theodore E. Martin
Theodore E. Martin
Director

*James J. Duderstadt
James J. Duderstadt
Director

*Henry C. Duques
Henry C. Duques
Director

*Gail D. Fosler
Gail D. Fosler
Director

*Melvin R. Goodes
Melvin R. Goodes
Director

*Rajiv L. Gupta
Rajiv L. Gupta
Director

*Edwin A. Huston
Edwin A. Huston
Director

*By:/s/ Lawrence A. Weinbach

Lawrence A. Weinbach
Attorney-in-Fact

UNISYS CORPORATION

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

(Millions)

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions (1)	Balance at End of Period
Allowance for Doubtful Accounts (deducted from accounts and notes receivable):				
Year Ended December 31, 1998	$70.0	$ 4.0	$(22.8)	$51.2
Year Ended December 31, 1999	$51.2	$13.6	$(13.0)	$51.8
Year Ended December 31, 2000	$51.8	$ 8.2	$(11.7)	$48.3

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

EXHIBIT INDEX

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of Unisys Corporation (incorporated by reference to Exhibit 3.1 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999)
3.3	By-Laws of Unisys Corporation (incorporated by reference to Exhibit 3 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1995)
4.1	Agreement to furnish to the Commission on request a copy of any instrument defining the rights of the holders of long-term debt which authorizes a total amount of debt not exceeding 10% of the total assets of the registrant (incorporated by reference to Exhibit 4 to the registrant's Annual Report on Form 10-K for the year ended December 31, 1982 (File No. 1-145))
4.2	Form of Rights Agreement dated as of March 7, 1986, 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)

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	Summary of supplemental executive benefits provided to officers of Unisys Corporation (incorporated by reference to Exhibit 10(k) of the registrant's Annual Report on Form 10-K for the year ended December 31, 1992)
10.6	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)
10.7	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)
10.8	Unisys Corporation Officers' Car Allowance Program, effective as of July 1, 1991 (incorporated by reference to Exhibit 10(hh) to the registrant's Annual Report on Form 10-K for the year ended December 31, 1991)
10.9	Unisys Corporation Elected Officer Pension Plan, as amended through May 22, 1997 (incorporated by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1997)
10.10	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)
10.11	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)
10.12	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)
10.13	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)

10.14	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)
10.15	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)
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, 2000
21	Subsidiaries of the Registrant
23	Consent of Independent Auditors
24	Power of Attorney

Exhibit 12

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

	Years Ended December 31				
	2000	1999	1998	1997	1996
Fixed charges					
Interest expense	$ 79.8	$127.8	$171.7	$ 233.2	$249.7
Interest capitalized during the period	11.4	3.6	-	-	-
Amortization of debt issuance expenses	3.2	4.1	4.6	6.7	6.3
Portion of rental expense representative of interest	42.2	46.3	49.1	51.8	59.8
Total Fixed Charges	136.6	181.8	225.4	291.7	315.8
Earnings					
Income (loss) from continuing operations before income taxes	379.0	770.3	594.2	(748.1)	80.2
Add (deduct) the following:					
Share of loss (income) of associated companies	(20.5)	8.9	(.3)	5.9	(4.9)
Amortization of capitalized interest	2.2	-	-	-	-
Subtotal	360.7	779.2	593.9	(742.2)	75.3
Fixed charges per above	136.6	181.8	225.4	291.7	315.8
Less interest capitalized during the period	(11.4)	(3.6)	-	-	-
Total earnings (loss)	$485.9	$957.4	$819.3	$(450.5)	$391.1
Ratio of earnings to fixed charges	3.56	5.27	3.63	*	1.24

* Earnings for the year ended December 31, 1997 was inadequate to cover fixed charges by approximately $742.2 million.

EXHIBIT 13

UNISYS CORPORATION

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

OVERVIEW

During 2000, Unisys implemented a major transition of its business to meet the new requirements of the e-business marketplace. The company took actions during the year to focus its resources on new high-growth markets; de-emphasize non-strategic, low-growth and low-margin businesses and products; and reduce its cost structure in line with its new, more focused business model. In particular, the company:

- Streamlined and repositioned its portfolio of industry-specific repeatable solutions to focus on high-growth market segments including customer relationship management (CRM), e-commerce, e-procurement and mobile commerce;
- Drove growth in its outsourcing business by pursuing joint ventures and other new business models;
- Focused its networking business on high value-added services, such as managed network outsourcing services, network consulting, and an expanded network security management practice; and
- Continued to focus its technology business on high-end, enterprise-class servers and to de-emphasize low-margin commodity products.

As a result of these actions, in the fourth quarter of 2000, the company recorded a pretax restructuring charge of $127.6 million, or $.29 per diluted share, primarily for a work-force reduction. See Note 5 of the Notes to Consolidated Financial Statements.

In addition, the company has engaged an investment banking firm to explore strategic alternatives for its Federal government business, including a potential sale. The company estimates that revenue in 2000 related to the Federal government business and the businesses exited or de-emphasized as a result of the actions taken above was approximately $1.3 billion. Income related to this revenue was immaterial.

RESULTS OF OPERATIONS

The company's financial results for 2000 reflected the transition in its business model. Net income in 2000 declined to $225.0 million, or $.71 per diluted common share, from $510.7 million, or $1.59 per diluted common share, in 1999. The results for 2000 included the special charge of $127.6 million, or $.29 per diluted common 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 diluted 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 those items, diluted earnings per share in 1999 was $1.56.

THE FOLLOWING COMPARISONS OF INCOME STATEMENT CATEGORIES EXCLUDE THE ONE-TIME ITEMS IN 2000 AND 1999.

Revenue for 2000 was $6.89 billion compared to $7.54 billion in 1999 and $7.24 billion in 1998. Revenue in 2000 decreased 9% from the prior year, and revenue in 1999 increased 4% from 1998. Excluding the negative impact of foreign currency fluctuations, revenue in 2000 declined 5% and revenue in 1999 increased 7%. Revenue from international operations in 2000, 1999, and 1998 was $4.01 billion, $4.19 billion and $4.09 billion, respectively. Revenue from U.S. operations was $2.88 billion in 2000, $3.35 billion in 1999, and $3.15 billion in 1998.

Total gross profit percent was 31.2% in 2000, 35.6% in 1999, and 34.1% in 1998. The decrease in 2000 from 1999 was principally due to a lower mix of higher-margin products and services and reduced utilization of services personnel. The increase in 1999 from 1998 was largely due to productivity improvements and cost reduction programs in the services segment.

Selling, general and administrative expenses were $1.28 billion in 2000 (18.5% of revenue), $1.38 billion in 1999 (18.4% of revenue), and $1.36 billion in 1998 (18.8% of revenue).

Research and development expenses in 2000 were $315.4 million compared to $339.4 million in 1999 and $308.3 million in 1998.

In 2000, the company reported operating income of $553.0 million (8.0% of revenue) compared to $960.7 million (12.7% of revenue) in 1999 and $799.0 million (11.0% of revenue) in 1998.

Information by business segment for 2000, 1999, and 1998 is presented below:

(Millions of dollars)	Total	Eliminations	Services	Technology
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%
1998				
Customer revenue	$ 7,243.9		$ 4,944.8	$ 2,299.1
Intersegment		$ (511.2)	73.7	437.5
Total revenue	$ 7,243.9	$ (511.2)	$ 5,018.5	$ 2,736.6
Gross profit percent	34.1%		24.4%	46.9%
Operating income percent	11.0%		6.6%	18.7%

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

In the services segment, customer revenue was $4.74 billion in 2000, $5.29 billion in 1999, and $4.94 billion in 1998. Customer revenue in 2000 decreased 10% from 1999, as an increase in networking services revenue was more than offset by declines in systems integration and solutions, and proprietary maintenance. The decline in proprietary maintenance revenue, which continues to decline industry wide, reflected customers' high rates of replacement of older equipment in 1999 with newer systems that are under warranty and require less maintenance. Customer revenue grew 7% in 1999 led by growth in outsourcing and systems integration and solutions revenue which more than offset the continuing decline in proprietary maintenance revenue. Services gross profit declined to 21.6% in 2000 from 25.6% in 1999, and 24.4% in 1998. Operating profit in the services segment was 1.7% in 2000, 7.9% in 1999, and 6.6% in 1998. The decreases in both gross profit and operating profit in 2000 were largely due to reduced utilization of services personnel as well as a lower mix of higher-margin systems integration and solutions, and proprietary maintenance revenue. The increases in both gross profit and operating profit in 1999 were largely due to productivity improvements and cost reduction programs.

In the technology segment, customer revenue was $2.14 billion in 2000, $2.25 billion in 1999, and $2.30 billion in 1998. Customer revenue in 2000 declined 5% from 1999 as strong initial sales of the company's Cellular MultiProcessing servers were more than offset by a decline in ClearPath enterprise server revenue. In 1999, revenue for ClearPath enterprise servers was up slightly compared to 1998. The gross profit percent was 44.7% in 2000, 48.1% in 1999, and 46.9% in 1998. The gross profit decline in 2000 was due in large part to a lower percentage of enterprise server sales. The increase in 1999 was due in large part to a richer mix of enterprise servers and enterprise server software sales. Operating profit in this segment was 17.7% in 2000, 20.3% in 1999, and 18.7% in 1998. The decrease in operating profit in 2000 was principally due to the gross profit decline. The increase in 1999 in operating profit, above the respective increase in gross profit, was largely due to cost reduction programs as well as stringent controls over all discretionary expenditures.

Interest expense declined to $79.8 million in 2000 from $127.8 million in 1999, and $171.7 million in 1998. 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). The decline in 1999 from 1998 was principally due to lower average debt levels.

Other income (expense), net, which can vary from year to year, was income of $33.4 million in 2000, and an expense of $62.6 million in 1999 and $33.1 million in 1998. 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. The difference in 1999 compared to 1998 was principally due to higher charges related to legal actions and lower interest income.

Income before income taxes in 2000 was $506.6 million compared to $770.3 million in 1999 and $594.2 million in 1998.

The provision for income taxes in 2000 was $172.3 million (34.0% effective tax rate) compared to $269.5 million (35.0% effective tax rate) in 1999 and $217.8 million (36.7% effective tax rate) in 1998. It is expected that the effective tax rate will be 33.0% for 2001. The declines in the effective tax rate are principally due to tax planning strategies.

In 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements." Its adoption had no effect on the company's consolidated financial position, consolidated results of operations, or liquidity.

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement, which is effective for the company for the year beginning January 1, 2001, 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. Changes in the fair value of derivatives will be reported currently in earnings or other comprehensive income depending on their effectiveness pursuant to SFAS No. 133. Adoption of SFAS No. 133 will not have a material effect on the company's consolidated financial position, consolidated results of operations, or liquidity.

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." This statement revises the accounting standards for securitizations and other transfers of financial assets and collateral and requires certain disclosures. This statement is effective for transfers and servicing of financial assets occurring after March 31, 2001. Management is evaluating what effect, if any, this statement may have on the company's financial statements.

FINANCIAL CONDITION

Cash and cash equivalents at December 31, 2000 were $378.0 million compared to $464.0 million at December 31, 1999.

During 2000, cash provided by operations was $419.9 million compared to $517.6 million in 1999, principally reflecting a decline in profitability. The improvement in the accounts receivable performance in 2000 reflected the sale of approximately $230 million of receivables through a new U.S. securitization facility. The new facility, which is renewable annually for up to three years, allows for the sale of up to $275 million of U.S. receivables. Cash expenditures related to both current and prior-year restructuring actions (which are included in operating activities) in 2000, 1999, and 1998 were $26.3 million, $44.6 million, and $118.4 million, respectively, and are expected to be approximately $70 million in 2001 and $10 million in total for all subsequent years, principally for work-force reductions and facility costs. Personnel reductions in 2000 related to restructuring actions were approximately 1,300 and are expected to be approximately 700 in 2001.

Cash used for investing activities in 2000 was $270.9 million compared to $328.4 million for 1999. During 2000, both proceeds from investments and purchase of investments, which represent primarily foreign exchange hedging contract activity, declined from the prior year as a result of extending the duration of individual contracts to more closely match the timeframe of related underlying exposures. This change in duration of foreign currency contracts did not significantly impact net cash flows. In addition, 2000 reflects lower cash usage for purchases of businesses and, as described below, $18.5 million net proceeds from the termination of the euro and yen swaps.

Cash used for financing activities during 2000 was $217.3 million compared to cash usage of $328.4 million in 1999. Included in 2000 were net proceeds from short-term borrowings of $179.6 million, principally borrowings used to repay long-term debt of $448.0 million, as described below. Included in 1999 were payments of $197.0 million for redemptions of preferred stock, $164.4 million related to repayment of long-term debt, and $59.4 million for preferred stock dividends.

At December 31, 2000, total debt was $762.6 million, a decrease of $237.4 million from December 31, 1999. At December 31, 2000, the debt-to-capital ratio was 25.9% compared to 33.9% at December 31, 1999.

The company has a $400 million credit agreement which expires June 2001. As of December 31, 2000, there were no borrowings outstanding under this agreement and the entire $400 million was available for borrowings.

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. The redemption was funded through a combination of cash and short-term borrowings. In March 2000, the company entered into an additional $150 million credit agreement expiring April 2001 for the purpose of funding this redemption. As of December 31, 2000, $127.5 million was borrowed under this agreement at a rate of 7.56%.

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.

During 1999, all shares of the company's Series A cumulative convertible preferred stock were either converted into the company's common stock or redeemed for cash in response to various calls by the company. These actions eliminated all $1.4 billion of Series A preferred stock (28.4 million shares) and $106.5 million of annual dividend payments. Overall in 1999, of the 28.4 million shares of Series A preferred stock that were outstanding at the beginning of the year, 24.5 million shares were converted into 40.8 million shares of common stock and 3.9 million shares were redeemed for $197.0 million in cash.

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.

The company has on file with the Securities and Exchange Commission an effective registration statement covering $700 million of debt or equity securities, which enables the company to be prepared for future market opportunities.

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

The company evaluates quarterly the realizability of its deferred tax assets and adjusts the amount of the related valuation 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 deferred tax assets. Approximately $3.0 billion of future taxable income (predominantly U.S.) is needed to realize all of the net deferred tax assets. Failure to achieve forecasted taxable income might affect the ultimate realization of the net deferred tax assets. See "Factors that might affect future results" below.

Stockholders' equity increased $232.8 million during 2000, principally reflecting net income of $225.0 million, $69.4 million for issuance of stock under stock option and other plans and $11.3 million of tax benefits related to employee stock plans, offset in part by currency translation of $73.3 million.

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 10 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 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. The company does not hold or issue derivatives for speculative trading purposes. See Note 13 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, 2000 and 1999, the analysis indicated that such market movements would have reduced the estimated fair value of these derivative financial instruments by approximately $10 million and $70 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.

CONVERSION TO THE EURO CURRENCY

On January 1, 1999, certain member countries of the European Union established fixed conversion rates between their existing currencies and the European Union's common currency (the "euro"). The transition period for the introduction of the euro began on January 1, 1999. The company is addressing the issues involved with the introduction of the euro. The more important issues facing the company include converting information technology systems, reassessing currency risk, and negotiating and amending agreements.

Based on progress to date, the company believes that the use of the euro will not have a significant impact on the manner in which it conducts its business. Accordingly, conversion to the euro is not expected to have a material effect on the company's consolidated financial position, consolidated results of operations, or liquidity.

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 and natural disasters, these include, but are not limited to, the factors 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 products and services on a timely and cost-effective basis; the success of the actions taken to focus on higher growth, higher-margin e-business opportunities; on its ability to effectively manage the shift in its technology business into higher growth, standards-based server products; on its ability to mitigate the effects of competitive pressures and volatility in the information technology and services 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.

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 bid and obtain new contracts.

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

Approximately 58% of the company's total revenue derives from international operations. The risks of doing business internationally include foreign currency exchange rate fluctuations, changes in political or economic conditions, trade protections measures, and import or export licensing requirements.

UNISYS CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Income

Year Ended December 31 (Millions, except per share data)	2000	1999	1998
Revenue	$6,885.0	$7,544.6	$7,243.9
Costs and expenses			
Cost of revenue	4,795.9	4,859.9	4,775.9
Selling, general and administrative expenses	1,328.7	1,384.6	1,360.7
Research and development expenses	333.6	339.4	308.3
	6,458.2	6,583.9	6,444.9
Operating income	426.8	960.7	799.0
Interest expense	79.8	127.8	171.7
Other income (expense), net	32.0	(62.6)	(33.1)
Income before income taxes	379.0	770.3	594.2
Provision for income taxes	134.2	247.5	217.8
Income before extraordinary items	244.8	522.8	376.4
Extraordinary items	(19.8)	(12.1)	
Net income	225.0	510.7	376.4
Dividends on preferred shares		36.7	106.5
Earnings on common shares	$ 225.0	$ 474.0	$ 269.9
Earnings (loss) per common share - basic			
Before extraordinary items	$ .78	$ 1.69	$ 1.07
Extraordinary items	(.06)	(.04)	
Total	$ .72	$ 1.65	$ 1.07
Earnings (loss) per common share - diluted			
Before extraordinary items	$ .77	$ 1.63	$ 1.01
Extraordinary items	(.06)	(.04)	
Total	$ .71	$ 1.59	$ 1.01

See notes to consolidated financial statements.

UNISYS CORPORATION

Consolidated Balance Sheet

December 31 (Millions)	2000	1999
Assets		
Current assets		
Cash and cash equivalents	$ 378.0	$ 464.0
Accounts and notes receivable, net	1,247.4	1,430.5
Inventories		
Parts and finished equipment	249.4	236.8
Work in process and materials	176.1	136.1
Deferred income taxes	460.6	472.7
Other current assets	75.5	105.6
Total	2,587.0	2,845.7
Properties	1,584.1	1,723.0
Less - Accumulated depreciation	963.9	1,102.2
Properties, net	620.2	620.8
Investments at equity	225.8	225.5
Software, net of accumulated amortization	296.7	259.8
Prepaid pension cost	1,063.0	975.9
Deferred income taxes	583.6	655.6
Other assets	341.4	306.4
Total	$ 5,717.7	$ 5,889.7
Liabilities and stockholders' equity		
Current liabilities		
Notes payable	$ 209.5	$ 26.9
Current maturities of long-term debt	16.8	22.9
Accounts payable	847.7	833.2
Other accrued liabilities	1,323.5	1,386.6
Income taxes payable	288.3	348.9
Total	2,685.8	2,618.5
Long-term debt	536.3	950.2
Other liabilities	309.5	367.7
Stockholders' equity		
Common stock, shares issued: 2000 - 317.3; 1999 - 312.5	3.2	3.1
Accumulated deficit	(829.4)	(1,054.4)
Other capital	3,656.0	3,575.0
Accumulated other comprehensive loss	(643.7)	(570.4)
Stockholders' equity	2,186.1	1,953.3
Total	$ 5,717.7	$ 5,889.7

See notes to consolidated financial statements.

UNISYS CORPORATION

Consolidated Statement of Cash Flows

Year Ended December 31 (Millions)	2000	1999	1998
Cash flows from operating activities			
Income before extraordinary items	$ 244.8	$ 522.8	$ 376.4
Add (deduct) items to reconcile income before extraordinary items to net cash provided by operating activities:			
Extraordinary items	(19.8)	(12.1)	
Depreciation	143.0	141.8	149.2
Amortization:			
Marketable software	115.5	110.9	112.3
Goodwill	12.5	12.5	8.9
Decrease (increase) in deferred income taxes, net	85.6	(9.9)	(26.7)
Decrease (increase) in receivables, net	158.2	(244.5)	(277.3)
(Increase) decrease in inventories	(52.5)	98.0	94.4
(Decrease) increase in accounts payable and other accrued liabilities	(136.1)	(81.8)	103.1
(Decrease) increase in income taxes payable	(62.8)	78.2	148.0
(Decrease) increase in other liabilities	(6.4)	(2.2)	13.2
(Increase) in other assets	(69.2)	(159.2)	(57.6)
Other	7.1	63.1	(1.7)
Net cash provided by operating activities	419.9	517.6	642.2
Cash flows from investing activities			
Proceeds from investments	790.4	1,033.8	1,991.0
Purchases of investments	(716.7)	(1,013.8)	(2,006.5)
Proceeds from sales of properties	20.0	47.9	51.1
Investment in marketable software	(152.4)	(122.8)	(100.3)
Capital additions of properties	(198.3)	(219.6)	(209.1)
Purchases of businesses	(13.9)	(53.9)	(3.9)
Net cash (used for) investing activities	(270.9)	(328.4)	(277.7)
Cash flows from financing activities			
Payments of long-term debt	(448.0)	(164.4)	(749.2)
Net proceeds from (reduction in) short-term borrowings	179.6	(25.6)	9.6
Proceeds from employee stock plans	51.1	87.7	79.5
Dividends paid on preferred shares		(59.4)	(106.5)
Redemption of preferred stock		(197.0)	
Proceeds from issuance of long-term debt		30.3	197.3
Net cash (used for) financing activities	(217.3)	(328.4)	(569.3)
Effect of exchange rate changes on cash and cash equivalents	(17.7)	(13.2)	(3.0)
Decrease in cash and cash equivalents	(86.0)	(152.4)	(207.8)
Cash and cash equivalents, beginning of year	464.0	616.4	824.2
Cash and cash equivalents, end of year	$ 378.0	$ 464.0	$ 616.4

See notes to consolidated financial statements.

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, 1997	$ 1,438.2	$ 2.5	$ (1,802.1)	$ (12.2)	$ 2,049.6	$ (448.1)	
Conversions to common stock	(.1)				.5		
Conversion of shareholder notes	6.6						
Issuance of stock under stock option and other plans		.1		(11.4)	90.2		
Net income			376.4				$ 376.4
Other comprehensive income - translation adjustments						(83.5)	(83.5)
Comprehensive income							$ 292.9
Dividends			(106.5)				
Unearned compensation					4.8		
Tax benefit related to stock plans					30.6		
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 income - translation adjustments						(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 income - translation adjustments						(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)	

*Entire amount relates to foreign translation adjustments.

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.

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. Out-sourcing 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

Advertising costs. The company expenses all advertising costs as they are incurred. The amount charged to expense during 2000, 1999, and 1998 was $38.2, $48.6, and $48.2 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 customers' 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 under systems integration and services contracts is recognized on the percentage of completion method of accounting using the cost-to-cost method or when services have been performed and accepted, depending on the nature of the project.

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

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.

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, 2000 and 1999 was $26.0 and $14.4 million, respectively.

The carrying value of goodwill is reviewed for impairment whenever events or changes in circumstances indicate that it may not be recoverable. If such an event occurred, the company would prepare projections of future cash flows for the applicable business. If such projections indicated that goodwill would not be recoverable, the company's carrying value of such asset would be reduced by the estimated excess of such value over projected discounted cash flow.

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.

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.

Derivative financial instruments. The derivative financial instruments currently used by the company are foreign exchange forward contracts and options. The company does not hold or issue derivatives for speculative trading purposes.

A change in the underlying exchange rate would have no impact on financial position or results of operations relating to these financial instruments. All of the company's foreign currency contracts and options have been designated as and are effective as hedges against specific exposures and have been accounted for as such. Therefore, a change in the derivative's value would be offset by an opposite change in the hedged exposure.

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

Gains or losses on foreign exchange forward contracts and the cost of foreign currency options are deferred in current liabilities and other current assets, respectively. The cost of options is reported in income ratably over the option term, and any gains thereon as well as any gains or losses on foreign exchange contracts are recognized in income (either in revenue or cost of revenue) when the transactions being hedged are recognized. Cash flows on such instruments are reported in investing activities as proceeds or purchases of investments.

If the criteria for hedge accounting discussed above were not met, gains or losses on these instruments would be included in income currently and would not be deferred. If a derivative financial instrument is terminated before the transaction date of the hedged transaction, any deferred gain or loss would continue to be deferred until the transaction date. If an expected transaction is no longer likely to occur, any deferred gains or losses on financial instruments that hedge such a transaction would be reported in income immediately.

Reclassifications. Certain prior-year amounts have been reclassified to conform with the 2000 presentation.

2 Earnings per share

The following table shows how earnings per share were computed for the three years ended December 31, 2000.

Year ended December 31 (Millions, except per share data)	2000	1999	1998
Basic earnings per share computation			
Income before extraordinary items	$ 244.8	$ 522.8	$ 376.4
Less dividends on preferred shares		(36.7)	(106.5)
Income available to common stockholders before extraordinary items	244.8	486.1	269.9
Extraordinary items	(19.8)	(12.1)	
Net income available to common stockholders	$ 225.0	$ 474.0	$ 269.9
Weighted average shares (thousands)	313,115	287,290	253,335
Basic earnings per share			
Before extraordinary items	$ .78	$ 1.69	$ 1.07
Extraordinary items	(.06)	(.04)	
Total	$ .72	$ 1.65	$ 1.07
Diluted earnings per share computation			
Income available to common stockholders before extraordinary items	$ 244.8	$ 486.1	$ 269.9
Plus interest expense on assumed conversion of 8 1/4% Convertible Notes, net of tax		.3	1.5
Income available to common stockholders plus assumed conversions before extraordinary items	244.8	486.4	271.4
Extraordinary items	(19.8)	(12.1)	
Net income available to common stockholders	$ 225.0	$ 474.3	$ 271.4
Weighted average shares (thousands)	313,115	287,290	253,335
Plus incremental shares from assumed conversions:			
Preferred stock		877	1,350
Employee stock plans	3,536	9,835	11,164
8 1/4% Convertible Notes		818	3,994
Adjusted weighted average shares	316,651	298,820	269,843
Diluted earnings per share			
Before extraordinary items	$ .77	$ 1.63	$ 1.01
Extraordinary items	(.06)	(.04)	
Total	$ .71	$ 1.59	$ 1.01

The shares listed below were not included in the computation of diluted earnings per share because to do so would have been antidilutive for the periods presented.

Year ended December 31 (thousands)	2000	1999	1998
Employee stock plans	16,073	6,680	101
Preferred stock			47,448

3 Acquisitions

During 2000, the company acquired the following companies: Network Plus Limited, a London-based desktop and network services consulting company; VeriCom, a Norwegian information technology consulting company; and QCOM, an Australian information technology services provider. These companies were acquired for an aggregate cash purchase price of approximately $20 million and were accounted for under the purchase method of accounting.

In addition during 2000, the company formed a new company with BankWest, a full-service bank with its headquarters in Perth, Western Australia. The new company, called Unisys West, will provide e-business services to businesses and governments. Unisys also formed a new company called Intelligent Processing Solutions Limited ("iPSL"), a UK-based company, which will provide high-volume payment processing. The company's partners in iPSL are Barclays Bank and Lloyds TSB Bank, both UK-based financial institutions. Both of the above new companies are 51% owned by the company and are fully consolidated in the company's financial statements. The minority owners' interests are represented in other liabilities and other income (expense), net in the financial statements.

During 1999, the company acquired three companies for an aggregate cash purchase price of approximately $60 million. These acquisitions were accounted for under the purchase method of accounting. During 1999, the company also acquired three companies in exchange for approximately 2.9 million shares of the company's common stock. These acquisitions were accounted for under the pooling of interests method of accounting, and all prior periods were restated.

4 Accounting changes

In 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements." Its adoption had no effect on the company's consolidated financial position, consolidated results of operations, or liquidity.

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement, which is effective for the company for the year beginning January 1, 2001, establishes accounting and reporting standards for derivative instruments and for 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. Changes in the fair value of derivatives will be reported currently in earnings or in other comprehensive income depending on their effectiveness pursuant to SFAS No. 133. Adoption of SFAS No. 133 will not have a material effect on the company's consolidated financial position, consolidated results of operations, or liquidity.

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." This statement revises the accounting standards for securitizations and other transfers of financial assets and collateral and requires certain disclosures. This statement is effective for transfers and servicing of financial assets occurring after March 31, 2001. Management is evaluating what effect, if any, this statement may have on the company's financial statements.

5 One-time charges

2000 restructuring. As a result of a comprehensive business review of the company's operations, the company has decided to focus its resources on value-added, e-business opportunities, de-emphasize or eliminate low-return businesses, and lower its cost base in line with its new business model. As a result, in the fourth quarter of 2000, the company recorded a pretax restructuring charge of $127.6 million, or $.29 per diluted share, primarily for a work-force reduction of approximately 2,000 people (1,400 in the United States and 600 outside the United States). Of the total, approximately 1,300 people were terminated in 2000 with the remaining 700 to leave in 2001. In 2000, 742 people, included above, accepted an early retirement program in the United States. For those employees, funding will be provided through the company's pension plan. Cash expenditures related to the involuntary reductions in 2000 were $8.7 million. A further breakdown of the individual components of these costs follows:

		Work-Force Reductions(1)		
(Millions)	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	127.6	71.1	47.6	8.9
Utilized	(71.9)	(58.7)	(7.8)	(5.4)
Balance at Dec. 31, 2000	$ 55.7	$ 12.4	$39.8	$ 3.5
Expected future utilization:				
2001	$ 51.9	$ 12.2	$36.8	$ 2.9
2002 and thereafter	3.8	.2	3.0	.6

(1) Includes severance, notice pay, medical, and other benefits.
(2) Includes facilities costs, and product and program discontinuances.

The 2000 restructuring 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.

Prior year restructurings. In 1997 and 1995, the company recorded total pretax restructuring charges of $113.6 million and $717.6 million, respectively, for a total of $831.2 million. The charges were related to strategic realignments, the discontinuance of the manufacturing and assembly of personal computers and low-end servers, and the disposal of a small, non-strategic technology product. The charges included (a) $501.5 million for work-force reductions of approximately 8,900 people, (b) $221.1 million for consolidation of facilities and manufacturing capacity, and (c) $108.6 million for product and program discontinuances.

Activity related to these restructuring actions during the years ended December 31, 2000, 1999, and 1998, was as follows:

(Millions)	Total	Work-Force Reductions(1)	Facilities(2)	Products
Balance at Dec. 31, 1997	$ 253.6	$130.5	$103.2	$ 19.9
Utilized	(127.3)	(80.0)	(36.0)	(11.3)
Other(3)	(18.8)	(7.5)	(10.8)	(.5)
Balance at Dec. 31, 1998	107.5	43.0	56.4	8.1
Utilized	(48.8)	(23.1)	(22.3)	(3.4)
Other(3)	(1.5)	2.6	(3.4)	(.7)
Balance at Dec. 31, 1999	57.2	22.5	30.7	4.0
Utilized	(20.8)	(6.8)	(13.2)	(.8)
Other(3)	(9.3)	(2.1)	(5.4)	(1.8)
Balance at Dec. 31, 2000	$ 27.1	$ 13.6	$ 12.1	$ 1.4
Expected future utilization:				
2001	$ 21.5	$ 13.6	$ 6.5	$ 1.4

2002 and thereafter	5.6	5.6

(1) Includes severance, notice pay, medical, and other benefits.
(2) Includes consolidation of office facilities and manufacturing capacity.
(3) Includes changes in estimates, reversals of excess reserves, translation adjustments, and additional provisions.

In 1998, there was a reduction in accrued work-force provisions, principally for the reversal of unneeded reserves due to approximately 150 voluntary terminations, and the favorable results of negotiations on termination indemnities relating principally to PC manufacturing personnel. In addition, as a result of the sale of the non-strategic technology product operations in 1998 on more favorable terms than originally anticipated, the company reversed $6.0 million of unneeded accruals, principally for termination indemnities for approximately 130 people.

As a result of the prior year restructuring actions, cash expenditures in 2000, 1999 and 1998 were $17.6, $44.6, and $118.4 million, respectively, and employee levels were reduced in 2000, 1999, and 1998 by 21, 284, and 900 people, respectively. The $13.6 million balance of the reserve at December 31, 2000 for work-force reductions represents the remaining balance of extended payment severance packages for terminated employees. The $12.1 million December 31, 2000 balance for facility consolidations represents contractual obligations (reduced by sub-lease income) existing under long-term leases of vacated facilities.

6 Accounts receivable

In December 2000, the company entered into an agreement, renewable annually 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. Unisys Funding Corporation I has been structured to isolate its assets from creditors of Unisys. The company received proceeds of $232 million from the initial sale of accounts receivable interests under the program, which has been included in cash flows from operating activities in the accompanying consolidated statement of cash flows. The company retained subordinated interests of $223 million in the associated receivables, which 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.

The selling price of the receivables interests reflects a discount based on the A-1 rated commercial paper borrowing rates of the purchasers (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 the previous cost, less the associated allowance for doubtful accounts. As a result, the loss on the initial sale was not material.

Revenue recognized in excess of billings on services contracts, or unbilled accounts receivable, was $171.3 and $217.8 million at December 31, 2000 and 1999, respectively. Such amounts are included in accounts and notes receivables, net.

7 Income taxes

Year ended December 31 (Millions)	2000	1999	1998
Income before income taxes			
United States	$ 389.0	$ 485.4	$ 397.8
Foreign	(10.0)	284.9	196.4
Total income before income taxes	$ 379.0	$ 770.3	$ 594.2
Provision for income taxes			
Current			
United States	$ 10.1	$ 55.3	$ 55.8
Foreign	63.6	79.1	22.7
State and local	4.9	10.5	23.3
Total	78.6	144.9	101.8
Deferred			
United States	72.8	75.7	115.2
Foreign	(17.2)	24.4	.7
State and local		2.5	.1
Total	55.6	102.6	116.0
Total provision for income taxes	$ 134.2	$ 247.5	$ 217.8

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 (Percent)	2000	1999	1998
United States statutory income tax	35.0%	35.0%	35.0%
Difference in estimated income taxes on foreign earnings, losses, and remittances	9.6	.5	(7.7)
State taxes	.8	1.2	2.5
Tax refund claims, audit issues, and other matters	(10.4)	(2.3)	5.3
Amortization of goodwill	.5	.3	.3
U.S. tax law change		(2.9)	
Other	(.1)	.3	1.2
Provision for income taxes	35.4%	32.1%	36.6%

The tax effects of temporary differences and carryforwards that give rise to significant portions of deferred tax assets and liabilities at December 31, 2000 and 1999, were as follows:

December 31 (Millions)	2000	1999
Deferred tax assets		
Capitalized research and development	$ 592.7	$ 596.1
Tax loss carryforwards	280.0	254.2
Foreign tax credit carryforwards	159.1	114.4
Other tax credit carryforwards	232.2	243.3
Prepayments	101.7	138.5
Postretirement benefits	80.1	82.4
Employee benefits	83.8	88.5
Depreciation	61.0	46.3
Restructuring	67.1	38.2
Other	242.6	281.7
	1,900.3	1,883.6
Valuation allowance	(309.2)	(308.7)
Total deferred tax assets	$1,591.1	$1,574.9
Deferred tax liabilities		
Pensions	$ 451.9	$ 383.4
Sales-type leases	85.2	77.4
Other	64.2	38.6
Total deferred tax liabilities	$ 601.3	$ 499.4
Net deferred tax assets	$ 989.8	$1,075.5

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, 2000, applies to certain state and local and foreign tax loss carryforwards and temporary differences 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 $740.0 million at December 31, 2000. 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 2000, 1999, and 1998 for income taxes was $110.0, $96.6, and $92.7 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, 2000, 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 $280.0 million. These carryforwards will expire as follows (in millions): 2001, $5.9; 2002, $9.5; 2003, $12.7; 2004, $19.2; 2005, $15.1; and $217.6 thereafter. The company also has available tax credit carryforwards of approximately $391.3 million, which will expire as follows (in millions): 2001, $87.7; 2002, $56.7; 2003, $10.9; 2004, $7.7; 2005, $24.6; and $203.7 thereafter.

The company's net deferred tax assets include substantial amounts of capitalized research and development, and tax credit carryforwards. Failure to achieve forecasted taxable income might affect the ultimate realization of the net deferred tax assets. There can be no assurance that in the future there would not be increased competition or other factors that may result in a decline in sales or margins, loss of market share, delays in product availability, or technological obsolescence.

The company is currently contesting issues before the Internal Revenue Service in connection with Sperry Corporation for the years ended March 31, 1985, through September 16, 1986. In management's opinion, adequate provisions for income taxes have been made for all years.

8 Properties

Properties comprise the following:

December 31 (Millions)	2000	1999
Land	$ 8.3	$ 8.4
Buildings	148.0	164.4
Machinery and office equipment	1,207.7	1,323.0
Rental and outsourcing equipment	220.1	227.2
Total properties	$ 1,584.1	$ 1,723.0

9 Investments at equity

Substantially all of the company's investments at equity consist of Nihon Unisys, Ltd., a Japanese company ("NUL"). At December 31, 2000, the company owned approximately 28% of NUL's common stock that has a fair market value of approximately $320 million. The company has approximately $174 million of retained earnings that represents undistributed earnings of NUL.

10 Debt

Long-term debt comprises the following:

December 31 (Millions)	2000	1999
11 3/4% senior notes due 2004	$ 334.2	$ 334.2
7 7/8% senior notes due 2008	200.0	200.0
12% senior notes		399.5
Other, net of unamortized discounts	18.9	39.4
Total	553.1	973.1
Less - Current maturities	16.8	22.9
Total long-term debt	$ 536.3	$ 950.2

Total long-term debt maturities in 2001, 2002, 2003, 2004, and 2005 are $16.8, $1.7, $.2, $334.4, and $.2 million, respectively.

Cash paid during 2000, 1999, and 1998 for interest was $90.5, $141.5, and $185.6 million, respectively.

On April 15, 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. The redemption was funded through a combination of cash and short-term borrowings under the company's two credit agreements discussed below.

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 2000, the company entered into a $150 million credit agreement expiring April 2001 for the purpose of funding the redemption of its 12% senior notes. As of December 31, 2000, $127.5 million was borrowed under this agreement at a rate of 7.56%. The company also has a $400 million credit agreement expiring June 2001. As of December 31, 2000, there were no borrowings outstanding under the facility and the entire $400 million was available for borrowings. The company pays commitment fees on the total amount of the facility. 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.

11 Other accrued liabilities

Other accrued liabilities (current) comprise the following:

December 31 (Millions)	2000	1999
Payrolls and commissions	$ 314.7	$ 360.9
Customers' deposits and prepayments	545.0	522.0
Taxes other than income taxes	120.2	113.5
Restructuring*	73.4	36.2
Other	270.2	354.0
Total other accrued liabilities	$ 1,323.5	$ 1,386.6

*At December 31, 2000 and 1999, an additional $9.4 million and $21.0 million, respectively, was reported in other liabilities (long term) on the consolidated balance sheet.

12 Leases

Rental expense, less income from subleases, for 2000, 1999, and 1998 was $126.6, $120.8, and $118.8 million, respectively.

Minimum net rental commitments under noncancelable operating leases outstanding at December 31, 2000, substantially all of which relate to real properties, were as follows: 2001, $126.5; 2002, $107.1; 2003, $84.6; 2004, $64.6; 2005, $42.3; and $271.5 million thereafter. Such rental commitments have been reduced by minimum sublease rentals of $73.0 million due in the future under noncancelable subleases.

13 Financial instruments

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.

Due to its foreign operations, the company is exposed to the effects of foreign currency exchange rate fluctuations on the U.S. dollar. Foreign exchange forward contracts and options generally have maturities of three months except for foreign exchange forward contracts for Japanese yen which generally have maturities of one year. These instruments are entered into for the sole purpose of hedging certain royalty income and cost exposures.

The cost of foreign currency options is recorded in other current assets in the consolidated balance sheet. At December 31, 2000, such amount was $.5 million. When the U.S. dollar strengthens against foreign currencies, the decline in value of the underlying exposures is partially offset by gains in the value of purchased currency options designated as hedges. When the U.S. dollar weakens, the increase in the value of the underlying exposures is reduced only by the premium paid to purchase the options. The cost of options is reported in income ratably over the option term, and any gains thereon are reported in income when the related transactions being hedged (generally within six months) are recognized.

The company also enters into foreign exchange forward contracts. Gains and losses on such contracts are deferred and included in current liabilities until the corresponding transaction is recognized. At December 31, 2000, the company had a total of $217.0 million (of notional value) of foreign exchange forward contracts, $168.3 million to sell foreign currencies, and $48.7 million to buy foreign currencies. At December 31, 1999, the company had a total of $264.7 million (of notional value) of such contracts, $237.0 million to sell foreign currencies, and $27.7 million to buy foreign currencies. At December 31, 2000, a realized net gain on such contracts of approximately $2.5 million was deferred and included in current liabilities. Gains or losses on foreign exchange forward contracts are reported in income when the related transactions being hedged (generally within three months except for yen contracts) are recognized.

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 are reflected 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 is reflected 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 comprise the following:

December 31 (Millions)	2000	1999
Outstanding:		
Long-term debt	$ 553.1	$ 973.1
Foreign exchange forward contracts*	217.0	264.7
Foreign exchange options*	63.9	288.2
Interest rate swaps*	-	400.0
Foreign currency swaps*	-	400.0
Estimated fair value:		
Long-term debt	$ 557.0	$ 1,021.2
Foreign exchange forward contracts	3.0	(1.9)
Foreign exchange options	.2	8.4
Interest rate swaps	-	3.4
Foreign currency swaps	-	(27.2)

*notional value

Financial instruments also include temporary cash investments and customer accounts receivable. Temporary investments are placed with creditworthy financial institutions, primarily in over-securitized treasury repurchase agreements, euro-time deposits, or commercial paper of major corporations. At December 31, 2000, 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 2000 and 1999, as well as unrealized gains or losses at December 31, 2000, were immaterial. Receivables are due from a large number of customers that are dispersed worldwide across many industries. At December 31, 2000 and 1999, the company had no significant concentrations of credit risk.

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

14 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.

15 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 solutions, outsourcing, network services, 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 are allocated to the business segments. In addition, corporate assets include an offset for accounts receivable that have been recorded as sales in accordance with SFAS No. 125 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 $689, $865, and $917 million in 2000, 1999, and 1998, respectively.

A summary of the company's operations by business segment for 2000, 1999, and 1998 is presented below:

(Millions of dollars)	Total	Corporate	Services	Technology
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	271.0		116.7	154.3
Total assets	5,717.7	2,438.8	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	265.2		115.1	150.1
Total assets	5,889.7	2,754.9	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
1998				
Customer revenue	$7,243.9		$4,944.8	$2,299.1
Intersegment		$ (511.2)	73.7	437.5
Total revenue	$7,243.9	$ (511.2)	$5,018.5	$2,736.6
Operating income (loss)	$ 799.0	$ (45.3)	$ 332.3	$ 512.0
Depreciation and amortization	270.4		88.1	182.3
Total assets	5,613.2	2,717.8	1,837.6	1,057.8
Investments at equity	184.6	2.1		182.5
Capital expenditures for properties	209.1	44.2	86.5	78.4

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

Year ended December 31 (Millions)	2000	1999	1998
Total segment operating income	$ 530.1	$ 984.3	$ 844.3
Interest expense	(79.8)	(127.8)	(171.7)
Other income (expense), net	32.0	(62.6)	(33.1)
Corporate and eliminations	22.9	(23.6)	(45.3)
Other special charges	(126.2)		
Total income before income taxes	$ 379.0	$ 770.3	$ 594.2

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

December 31 (Millions)	2000	1999	1998
Total segment assets	$ 3,278.9	$ 3,134.8	$ 2,895.4
Cash and cash equivalents	378.0	464.0	616.4
Prepaid pension assets	1,063.0	975.9	833.8
Deferred income taxes	1,044.2	1,128.3	1,123.2
Elimination for sale of receivables	(279.1)	(30.7)	(28.4)
Other corporate assets	232.7	217.4	172.8
Total assets	$ 5,717.7	$ 5,889.7	$ 5,613.2

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

(Millions)	2000	1999	1998
Revenue			
United States	$ 2,875.5	$ 3,357.9	$ 3,154.3
United Kingdom	762.9	806.5	735.8
Other foreign	3,246.6	3,380.2	3,353.8
Total	$ 6,885.0	$ 7,544.6	$ 7,243.9
Properties, net			
United States	$ 389.2	$ 367.2	$ 322.3
United Kingdom	52.6	64.2	56.2
Brazil	37.2	38.8	61.9
Other foreign	141.2	150.6	145.0
Total	$ 620.2	$ 620.8	$ 585.4

16 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 have a maximum duration of ten years and generally 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, 2000, 1999, and 1998, $1.0, $2.5, and $6.0 million was charged to income, respectively.

Effective July 1, 1998, the company implemented a world-wide 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, 2000, 1999, and 1998, employees purchased shares, all of which were newly issued shares, for which $37.3, $35.1 and $5.6 million was paid to the company, respectively.

U.S. employees are eligible to participate in an employee savings plan. Under this plan, a percentage of the employee's pay may be contributed to various investment alternatives. Effective July 1, 1998, a company match for up to 1% of pay was reinstituted. Effective January 1, 2000 such company match was increased to 2%. The match consists of the company contributing newly issued shares of its common stock to the plan. The charge to income, related to such company match, for the years ended December 31, 2000, 1999, and 1998 was $19.1, $8.2, and $4.1 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 2000, 1999, and 1998, respectively: risk-free interest rates of 6.84%, 5.14%, and 5.67%, 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 for the years ended December 2000, 1999, and 1998, respectively, follows: 2000, $182.5 million, or $.58 per diluted share; 1999, $472.2 million, or $1.46 per diluted share; and 1998, $361.6 million, or $.95 per diluted share.

A summary of the status of stock option activity follows:

Year ended December 31 (Shares in thousands)	2000		1999		1998	
	Shares	Weighted Avg. Exercise Price	Shares	Weighted Avg. Exercise Price	Shares	Weighted Avg. Exercise Price
Outstanding at beginning of year	19,158	$ 19.74	18,252	$ 13.28	20,439	$ 9.90
Granted	7,667	33.36	6,981	30.54	5,492	23.14
Exercised	(1,455)	9.58	(4,649)	11.28	(6,842)	10.76
Forfeited and expired	(3,285)	24.41	(1,426)	17.05	(837)	14.05
Outstanding at end of year	22,085	24.44	19,158	19.74	18,252	13.28
Exercisable at end of year	7,946	15.72	6,138	11.39	7,547	10.50
Shares available for granting options at end of year	4,008		2,601		4,592	
Weighted average fair value of options granted during the year		$ 18.76		$ 15.95		$ 12.79

December 31, 2000 (Shares in thousands)	Outstanding			Exercisable	
Exercise Price Range	Shares	Average Life *	Average Exercise Price	Shares	Average Exercise Price
$ 4-11	3,864	5.26	$ 7.02	3,209	$ 7.16
$ 11-30	5,898	6.78	19.01	3,285	17.43
$ 30-52	12,323	8.78	32.50	1,452	30.74
Total	22,085	7.63	24.44	7,946	15.72

* 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, 2000 and 1999, follows:

December 31 (Millions)	U.S. Plans 2000	U.S. Plans 1999	International Plans 2000	International Plans 1999
Change in benefit obligation				
Benefit obligation at beginning of year	$ 3,491.1	$ 3,684.1	$ 844.2	$ 811.7
Service cost	37.4	39.3	18.7	18.0
Interest cost	263.5	251.3	49.9	51.5
Plan participants' contributions			9.4	10.2
Plan amendments	59.0		1.1	
Actuarial (gain) loss	(29.2)	(234.5)	(7.4)	16.3
Benefits paid	(262.8)	(249.1)	(34.7)	(35.9)
Effect of settlements/curtailments			1.4	1.1
Foreign currency translation adjustments			(121.7)	(66.9)
Other			(3.8)	38.2
Benefit obligation at end of year	$ 3,559.0	$ 3,491.1	$ 757.1	$ 844.2
Change in plan assets				
Fair value of plan assets at beginning of year	$ 5,045.5	$ 4,459.1	$ 959.3	$ 877.9
Actual return on plan assets	163.5	831.0	40.4	113.8
Employer contribution	5.1	4.5	10.1	15.3
Plan participants' contributions			9.4	10.2
Benefits paid	(262.8)	(249.1)	(34.7)	(35.9)
Foreign currency translation adjustments			(136.6)	(73.2)
Other				51.2
Fair value of plan assets at end of year	$ 4,951.3	$ 5,045.5	$ 847.9	$ 959.3
Funded status	$ 1,392.3	$ 1,554.4	$ 90.8	$ 115.1
Unrecognized net actuarial (gain) loss	(413.6)	(660.0)	(13.7)	(34.4)
Unrecognized prior service (benefit) cost	(12.8)	(20.0)	6.9	7.6
Unrecognized net obligation at date of adoption		.8	.3	.7
Prepaid pension cost	$ 965.9	$ 875.2	$ 84.3	$ 89.0
Amounts recognized in the statement of financial position consist of:				
Prepaid pension cost	$ 965.9	$ 875.2	$ 97.1	$ 100.7
Other liabilities			(12.8)	(11.7)
	$ 965.9	$ 875.2	$ 84.3	$ 89.0

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): $168.7, $161.4, and $91.2 million at December 31, 2000; and $187.2, $178.1, and $108.2 million at December 31, 1999.

Net periodic pension costs for 2000, 1999, and 1998 includes the following components:

Year ended December 31 (Millions)	U.S. Plans 2000	1999	1998	International Plans 2000	1999	1998
Service cost	$ 37.4	$ 39.3	$ 35.7	$ 18.7	$ 18.0	$ 15.3
Interest cost	263.5	251.3	248.3	49.9	51.5	45.8
Expected return on plan assets	(440.3)	(395.4)	(356.5)	(67.3)	(67.4)	(56.8)
Amortization of prior service (benefit) cost	(5.9)	(6.3)	(6.6)	.9	1.0	.8
Amortization of asset or liability at adoption	.8	.7	.7	.3	.1	
Recognized net actuarial loss (gain)	1.1	1.4	23.7	.5	2.8	(.1)
Settlement/curtailment (gain) loss	(.4)	1.4	1.1			
Net periodic pension (income) cost	$ (143.4)	$(109.0)	$ (55.1)	$ 4.4	$ 7.1	$ 5.0
Weighted-average assumptions as of December 31 were as follows:						
Discount rate	8.00%	7.75%	7.00%	6.57%	6.35%	6.36%
Rate of compensation increase	5.40%	5.40%	5.40%	3.77%	3.81%	4.07%
Expected long-term rate of return on assets	10.00%	10.00%	10.00%	8.51%	8.44%	8.23%

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, 2000 and 1999, follows:

December 31 (Millions)	2000	1999
Change in benefit obligation		
Benefit obligation at beginning of year	$ 217.4	$ 225.8
Interest cost	14.9	14.9
Plan participants' contributions	24.1	23.8
Actuarial loss (gain)	7.2	1.5
Benefits paid	(44.3)	(43.1)
Effect of settlement/curtailment	(.2)	(5.5)
Benefit obligation at end of year	$ 219.1	$ 217.4
Change in plan assets		
Fair value of plan assets at beginning of year	$ 13.4	$ 13.3
Actual return on plan assets	1.4	(.1)
Employer contributions	18.7	19.5
Plan participants' contributions	24.1	23.8
Benefits paid	(44.3)	(43.1)
Fair value of plan assets at end of year	$ 13.3	$ 13.4
Funded status	$ (205.8)	$ (204.0)
Unrecognized net actuarial loss	17.5	12.1
Unrecognized prior service benefit	(11.8)	(13.6)
Accrued benefit cost	$ (200.1)	$ (205.5)

Net periodic postretirement benefit cost for 2000, 1999, and 1998 follows:

Year ended December 31 (Millions)	2000	1999	1998
Interest cost	$ 14.9	$ 14.9	$ 15.5
Expected return on plan assets		(.4)	(1.1)
Amortization of prior service benefit	(2.0)	(2.2)	(2.7)
Recognized net actuarial loss	.4	.6	.6
Settlement/curtailment gain		(6.5)	
Net periodic benefit cost	$ 13.3	$ 6.4	$ 12.3
Weighted-average assumptions as of December 31 were as follows:			
Discount rate	7.70%	7.50%	7.20%
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 was 10.2% for 2000, 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, 2000, by $8.6 and $(7.9) million, respectively, and increase (decrease) the interest cost component of net periodic postretirement benefit cost for 2000 by $.6 and $(.6) million, respectively.

17 Stockholders' equity

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, 2000, 28.3 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, 2000, were as follows:

(Thousands)	Preferred Stock	Common Stock	Treasury Stock
Balance at December 31, 1997	28,800	251,764	(739)
Conversions to common stock	(2)	110	
Issuance of stock under stock option and other plans	143	7,573	(553)
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)

Comprehensive income for the three years ended December 31, 2000, includes the following components:

Year ended December 31 (Millions)	2000	1999	1998
Net income	$ 225.0	$ 510.7	$ 376.4
Other comprehensive income (loss)			
Foreign currency translation adjustments	(54.3)	(41.6)	(89.6)
Related tax (benefit) expense	19.0	(2.8)	(6.1)
Total other comprehensive income (loss)	(73.3)	(38.8)	(83.5)
Comprehensive income	$ 151.7	$ 471.9	$ 292.9

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 at December 31, 2000 and 1999, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2000. 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, 2000 and 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
January 18, 2001

Unisys Corporation

Supplemental Financial Data (Unaudited)

Quarterly financial information

(Millions, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
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 common share - basic					
Before extraordinary item	.34	.18	.14	.12	.78
Extraordinary item		(.06)			(.06)
Total	.34	.12	.14	.12	.72
Earnings per common share - diluted					
Before extraordinary item	.34	.18	.14	.12	.77
Extraordinary item		(.06)			(.06)
Total	.34	.12	.14	.12	.71
Market price per common share - high	36.06	28.19	15.31	16.38	36.06
- low	24.25	14.25	9.13	9.25	9.13
1999					
Revenue	$ 1,822.8	$ 1,896.5	$ 1,865.4	$ 1,959.9	$ 7,544.6
Gross profit	668.6	664.1	670.2	681.8	2,684.7
Income before income taxes	169.7	182.5	196.1	222.0	770.3
Income before extraordinary item	109.9	118.0	150.5	144.4	522.8
Net income	109.9	118.0	138.4	144.4	510.7
Dividends on preferred shares	22.8	12.0	1.9		36.7
Earnings on common shares	87.1	106.0	136.5	144.4	474.0
Earnings per common share - basic					
Before extraordinary item	.33	.39	.49	.47	1.69
Extraordinary item			(.04)		(.04)
Total	.33	.39	.45	.47	1.65
Earnings per common share - diluted					
Before extraordinary item	.31	.37	.47	.46	1.63
Extraordinary item			(.04)		(.04)
Total	.31	.37	.43	.46	1.59
Market price per common share - high	36.50	39.94	49.69	47.44	49.69
- low	27.63	27.38	37.06	20.94	20.94

In the fourth quarter of 2000, the company recognized a pretax restructuring charge of $127.6 million, or $.29 per diluted common share. Excluding this item, diluted earnings per share for the year before the extraordinary item was $1.06. See Note 5 of the Notes to Consolidated Financial Statements.

In the third quarter of 1999, the company completed three acquisitions that were accounted for as poolings of interests and all prior periods were restated. See Note 3 of the Notes to Consolidated Financial Statements.

Included in the third quarter of 1999, the company recognized a one-time tax benefit of $22.0 million, or $.07 per diluted common share. Excluding this item, diluted earnings per share for the year before the extraordinary item was $1.56. See Note 7 of the Notes to Consolidated Financial Statements.

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

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

Ten-Year summary of selected financial data

(Millions, except per share data)	2000(1)	1999	1998	1997(1)	1996	1995(1)	1994(1)	1993	1992	1991(1)
Results of operations										
Revenue	$6,885.0	$7,544.6	$7,243.9	$6,662.9	$6,397.9	$6,370.3	$6,130.6	$6,133.0	$6,750.9	$ 6,943.0
Operating income (loss)	426.8	960.7	799.0	(408.4)	313.1	(568.4)	273.8	692.7	690.2	(612.7)
Income (loss) from continuing operations before income taxes	379.0	770.3	594.2	(748.1)	80.2	(786.0)	17.4	365.2	304.6	(1,422.2)
Income (loss) from continuing operations before extraordinary items and changes in accounting principles	244.8	522.8	376.4	(852.9)	50.7	(632.2)	14.8	280.6	168.6	(1,517.8)
Net income (loss)	225.0	510.7	376.4	(852.9)	38.6	(629.5)	103.2	559.7	363.5	(1,390.9)
Dividends on preferred shares		36.7	106.5	111.1	120.8	120.3	120.1	121.6	122.1	121.2
Earnings (loss) on common shares	225.0	474.0	269.9	(964.0)	(82.2)	(749.8)	(16.9)	438.1	241.4	(1,512.1)
Earnings (loss) from continuing operations per common share										
Basic	.78	1.69	1.07	(5.25)	(.40)	(4.36)	(.61)	.97	.28	(10.05)
Diluted	.77	1.63	1.01	(5.25)	(.40)	(4.36)	(.61)	.88	.28	(10.05)
Financial position										
Working capital (deficit)	$ (98.8)	$ 227.2	$ 247.5	$ 321.9	$ 684.5	$ 93.5	$1,044.2	$ 700.9	$ 537.7	$ 406.7
Total assets	5,717.7	5,889.7	5,613.2	5,631.6	7,002.3	7,153.3	7,238.1	7,386.3	7,365.1	8,256.5
Long-term debt	536.3	950.2	1,106.7	1,438.4	2,271.5	1,533.3	1,864.1	2,025.0	2,172.8	2,694.6
Common stockholders' equity(2)	2,186.1	1,953.3	90.9	(210.3)	188.8	303.7	1,052.0	1,072.0	561.8	359.2
Common stockholders' equity per share	6.93	6.29	.35	(.84)	1.07	1.76	6.10	6.24	3.44	2.20
Other data										
Research and development	$ 333.6	$ 339.4	$ 308.3	$ 314.8	$ 352.0	$ 411.7	$ 464.8	$ 496.9	$ 513.3	$ 617.3
Capital additions of properties	198.3	219.6	209.1	184.0	164.3	196.0	209.4	174.0	228.4	224.1
Investment in marketable software	152.4	122.8	100.3	133.5	116.6	123.0	121.3	118.7	110.2	167.7
Depreciation	143.0	141.8	149.2	159.1	184.4	205.5	228.7	254.0	313.4	413.9
Amortization										
Marketable software	115.5	110.9	112.3	97.2	101.7	151.7	150.5	144.6	131.8	241.0
Goodwill	12.5	12.5	8.9	963.9	46.1	40.9	36.9	36.7	36.8	246.6
Common shares outstanding (millions)	315.4	310.6	258.2	251.0	176.4	172.9	172.5	171.9	163.4	163.1
Stockholders of record (thousands)	29.7	32.8	28.6	37.3	39.2	41.5	45.3	47.8	51.7	54.6
Employees (thousands)	36.9	35.8	33.5	32.9	33.2	37.6	38.0	38.4	42.0	46.7

(1) Includes special pretax charges of $127.6 million, $1,039.2 million, $846.6 million, $186.2 million, and $1,200.0 million for the years ended December 31, 2000, 1997, 1995, 1994, and 1991, respectively.

(2) After deduction of cumulative preferred dividends in arrears in 1991, 1992, and 1993.

Exhibit 21

SUBSIDIARIES OF THE REGISTRANT

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

Name of Company	State or Other Jurisdiction Under the Laws of Which Organized
Unisys Australia Limited	Michigan
Unisys Espana S.A.	Spain
Unisys (Schweiz) A.G.	Switzerland
Unisys Belgium	Belgium
Unisys Deutschland G.m.b.H.	Germany
Unisys Sudamericana S.A.	Argentina
Unisys Electronica Ltda.	Brazil
Datamec, S.A.	Brazil
Unisys France	France
Unisys Italia S.p.A.	Italy
Unisys Limited	England
Unisys Nederland N.V.	Netherlands
Unisys de Mexico, S.A. de C.V.	Mexico
Unisys Korea Limited	Korea
Unisys Funding Corporation I	Delaware
Unisys Africa, Inc.	Delaware

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

Exhibit 23

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 18, 2001, included in the 2000 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. 33-25715) of Unisys Corporation,
(2) Registration Statement (Form S-3 No. 33-51747) of Unisys Corporation,
(3) Registration Statement (Form S-3 No. 333-20373) of Unisys Corporation,
(4) Registration Statement (Form S-3 No. 333-51885) of Unisys Corporation,
(5) Registration Statement (Form S-8 No. 333-51887) pertaining to the Unisys LTIP,
(6) Registration Statement (Form S-8 No. 333-51889) pertaining to the Unisys Global Employee Stock Purchase Plan,
(7) Registration Statement (Form S-8 No. 333-73399) pertaining to the Deferred Compensation Plan for Executives of Unisys Corporation,
(8) Registration Statement (Form S-4 No. 333-74745) of Unisys Corporation,
(9) 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,
(10) Registration Statement (Form S-8 No. 333-87411) pertaining to the Unisys Savings Plan, and
(11) Registration Statement (Form S-8 No. 333-40012) pertaining to the Director Stock Unit Plan;

of our report dated January 18, 2001, 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 2, 2001

Exhibit 24

POWER OF ATTORNEY
Unisys Corporation
Annual Report on Form 10-K
for the year ended December 31, 2000

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, 2000, 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 2, 2001

/s/ J. P. Bolduc J. P. Bolduc Director	/s/ Rajiv L. Gupta Rajiv L. Gupta Director
/s/ James J. Duderstadt James J. Duderstadt Director	/s/ Edwin A. Huston Edwin A. Huston Director
/s/ Henry C. Duques Henry C. Duques Director	/s/ Kenneth A. Macke Kenneth A. Macke Director
/s/ Gail D. Fosler Gail D. Fosler Director	/s/ Theodore E. Martin Theodore E. Martin Director
/s/ Melvin R. Goodes Melvin R. Goodes Director	/s/ Lawrence A. Weinbach Lawrence A. Weinbach Chairman of the Board, President and Chief Executive Officer; Director