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, 2002

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. [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). YES [X] NO [ ]

Aggregate market value of the voting and non-voting common equity held by non-affiliates as of the last business day of the registrant's most recently completed second fiscal quarter: approximately $2.9 billion.

The amount shown is based on the closing price of Unisys Common Stock as reported on the New York Stock Exchange composite tape on June 28, 2002. 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, 2002: 326,202,273.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Unisys Corporation 2002 Annual Report to Stockholders -- Part I, Part II and Part IV.

Portions of the Unisys Corporation Proxy Statement for the 2003 Annual Meeting of Stockholders -- Part III.

PART I

ITEM 1. BUSINESS

Unisys Corporation ("Unisys" or the "Company") is a worldwide information technology services and solutions company that combines expertise in systems integration, outsourcing, infrastructure, server technology and consulting to help clients achieve competitive advantage.

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 2002 Annual Report to Stockholders, and such information is incorporated herein by reference.

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

PRINCIPAL PRODUCTS AND SERVICES

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

In the Services segment, Unisys provides end-to-end services and solutions designed to help clients improve their competitiveness and efficiency in the global marketplace. The Unisys portfolio of solutions and services includes systems integration and consulting; outsourcing, including the management of a customer's internal information systems and management of specific business processes, such as payment processing, mortgage administration and cargo management; infrastructure services involving the design, management and support of customers' IT infrastructure, including desktops, servers, mobile and wireless systems, and networks; core maintenance; and enterprise-wide security solutions to protect systems, networks, applications and data.

In the Technology segment, Unisys develops servers and related products that operate in transaction-intensive, mission-critical environments. Major offerings include enterprise-class servers based on Cellular MultiProcessing architecture, such as the ClearPath Plus family of servers, which integrates proprietary and "open" platforms, and the ES7000 family of servers, which provide enterprise-class attributes on Intel-based servers; operating system software and middleware to power high-end servers; and specialized technologies such as payment systems, chip testing and peripheral support products.

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

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

MATERIALS

Unisys purchases components and supplies from a number of suppliers around the world. For certain technology products, the Company relies on a single or limited number of suppliers, although the Company makes every effort to assure that alternative sources are available if the need arises. The failure of the Company's suppliers to deliver components and supplies in sufficient quantities and in a timely manner could adversely affect the Company's business.

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.

SEASONALITY

The revenues of the Company's Technology segment are affected by such factors as the introduction of new products, the length of sales cycles and the seasonality of technology purchases. These factors historically have generally resulted in higher fourth quarter technology revenue than in other quarters.

CUSTOMERS

No single customer accounts for more than 10% of Unisys revenue. Sales of commercial products and services to various agencies of the U.S. government represented 10% of total consolidated revenue in 2002.

BACKLOG

In the Services segment, firm order backlog at December 31, 2002 was $6.0 billion, compared to $5.7 billion at December 31, 2001. Approximately $2.1 billion (35%) of 2002 backlog is expected to be filled in 2003. Although the Company believes that this backlog is firm, the Company may, for commercial reasons, allow the orders to be cancelled, with or without penalty. In addition, funded government contracts included in this backlog are generally subject to termination, in whole or part, at the convenience of the government or if funding becomes unavailable. In such cases, the Company is generally entitled to receive payment for work completed plus allowable termination or cancellation costs.

At the end of 2002, the Company also had $3.0 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 at the end of 2001 was $2.8 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.

COMPETITION

Unisys business is affected by rapid change in technology in the information services and technology industries and aggressive competition from many domestic and foreign companies. Principal competitors are computer hardware manufacturers, software providers, systems integrators, consulting and other professional services firms, outsourcing providers and infrastructure services providers. 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 $273.3 million in 2002, $331.5 million in 2001, and $333.6 million in 2000.

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 2003 and 2004.

EMPLOYEES

As of December 31, 2002, Unisys had approximately 36,400 employees.

Unisys uses the title "partner" for certain members of its services business management. In using the term "partner" or "partners," Unisys does not mean to imply that these individuals are partners in the legal sense or to imply any intention to create a separate legal entity, such as a partnership.

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 2002 Annual Report to Stockholders, and such information is incorporated herein by reference.

AVAILABLE INFORMATION

Unisys makes available, free of charge through its Internet web site at http://www.unisys.com/about_unisys/investors, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC.

ITEM 2. PROPERTIES

As of December 31, 2002, Unisys had 24 major facilities in the United States with an aggregate floor space of approximately 5.1 million square feet, located primarily in California, Georgia, Illinois, Michigan, Minnesota, Pennsylvania, Utah and Virginia. Three of these facilities, with aggregate floor space of approximately 1.5 million square feet, were owned by Unisys and 21, with approximately 3.6 million square feet of floor space, were leased to Unisys. Approximately 4.6 million square feet of the U.S. facilities were in current operation, approximately .3 million square feet were subleased to others, and approximately .2 million square feet were being held in reserve or were declared surplus with disposition efforts in progress.

As of December 31, 2002, Unisys had 24 major facilities outside the United States with an aggregate floor space of approximately 2.4 million square feet, located primarily in Australia, Brazil, France, Germany, Netherlands, South Africa, Switzerland and the United Kingdom. Five of these facilities, with approximately .7 million square feet of floor space, were owned by Unisys and 19, with approximately 1.7 million square feet of floor space, were leased to Unisys. Approximately 1.9 million square feet were in current operation, approximately .3 million square feet were subleased to others, and approximately ..2 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 of the date of filing of this report, Unisys has no material legal proceedings required to be disclosed under this Item 3.

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

No matters were submitted to a vote of security holders of Unisys during the fourth quarter of 2002.

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	63	Chairman of the Board, President and Chief Executive Officer
George R. Gazerwitz	62	Executive Vice President; President, Systems and Technology
Joseph W. McGrath	50	Executive Vice President; President, Global Industries
David O. Aker	56	Senior Vice President, Worldwide Human Resources
Richard D. Badler	52	Senior Vice President, Corporate Communications
Robert D. Evans	55	Senior Vice President; President, Global Outsourcing
Janet Brutschea Haugen	44	Senior Vice President and Chief Financial Officer
Nancy Straus Sundheim	51	Senior Vice President, General Counsel and Secretary
Janet B. Wallace	51	Senior Vice President; President, Global Infrastructure Services
Leigh Alexander	45	Vice President and Chief Marketing Officer
Scott A. Battersby	44	Vice President and Treasurer
Leo C. Daiuto	57	Vice President, Product Development and Technology
Jack F. McHale	53	Vice President, Investor Relations
Carol S. Sabochick	42	Vice President and Corporate Controller

There is no family relationship among any of the above-named executive officers. The By-Laws 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. Gazerwitz, Executive Vice President and President, Systems and Technology since 2000. Prior to that time, he served as Executive Vice President and President of the Computer Systems Group (1996-1999). Mr. Gazerwitz has been an officer since 1984.

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

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

Mr. Badler, Senior Vice President, Corporate Communications since February 2002. From 1998 to 2002, he served as Vice President, Corporate Communications. Prior to joining Unisys, he was Vice President, Corporate Communications for General Instrument Corporation (1996-1998). Mr. Badler has been an officer since 1998.

Mr. Evans, Senior Vice President and President, Global Outsourcing since February 2002. From 2000 to 2002, he served as Vice President and President, Global Outsourcing. Prior to that time, he served as vice president and general manager for outsourcing in North America (1996-1999). Mr. Evans has been an officer since 2000.

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

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

Ms. Alexander, Vice President and Chief Marketing Officer since 2000. Prior to joining Unisys in 2000, she was with Comdial Corporation from 1998 serving as president, Comdial Enterprise Solutions and as Senior Vice President, Marketing. Before that, Ms. Alexander was Senior Vice President, Marketing and Strategic Planning at PageNet Corporation (1996-1997). Ms. Alexander has been an officer since 2000.

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

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

Mr. 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.

Ms. Sabochick, Vice President and Corporate Controller since February 2002. Prior to joining Unisys, she was with Safeguard Global Services serving as Chief Financial Officer (2001), and with AstraMerck Pharmaceuticals (1995-2000) serving as Controller. Prior to AstraMerck, she was with PriceWaterhouseCoopers for 11 years. Ms. Sabochick has been an officer since February 2002.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY 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 SWX Swiss Exchange. Information on the high and low sales prices for Unisys Common Stock is set forth under the heading "Quarterly financial information", in the Unisys 2002 Annual Report to Stockholders and is incorporated herein by reference. At December 31, 2002, there were 326.2 million shares outstanding and approximately 27,300 stockholders of record. Unisys has not declared or paid any cash dividends on its Common Stock since 1990 and does not anticipate declaring or paying cash dividends in the foreseeable future.

ITEM 6. SELECTED FINANCIAL DATA

A summary of selected financial data for Unisys is set forth under the heading "Five-year summary of selected financial data" in the Unisys 2002 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 2002 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 2002 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, 2002 and 2001 and the related consolidated statements of income, cash flows and stockholders' equity for each of the three years in the period ended December 31, 2002, appearing in the Unisys 2002 Annual Report to Stockholders, together with the report of Ernst & Young LLP, independent auditors, on the financial statements at December 31, 2002 and 2001 and for each of the three years in the period ended December 31, 2002, appearing in the Unisys 2002 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 2002 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 2004" and "Members of the Board of Directors Continuing in Office -- Term Expiring in 2005" in the Unisys Proxy Statement for the 2003 Annual Meeting of Stockholders and is incorporated herein by reference.

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

(c) Audit Committee Financial Experts. Information concerning audit committee financial experts is set forth under the heading "Committees" in the Unisys Proxy Statement for the 2003 Annual Meeting of Stockholders and is incorporated herein by reference.

(d) Section 16(a) Beneficial Ownership Reporting Compliance. Information concerning compliance with beneficial ownership reporting requirements is set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in the Unisys Proxy Statement for the 2003 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information concerning executive compensation is set forth under the headings "EXECUTIVE COMPENSATION", "REPORT OF THE CORPORATE GOVERNANCE AND COMPENSATION COMMITTEE" and "STOCK PERFORMANCE GRAPH" in the Unisys Proxy Statement for the 2003 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information concerning securities authorized for issuance under equity compensation plans is set forth under the heading "EQUITY COMPENSATION PLAN INFORMATION" in the Unisys Proxy Statement for the 2003 Annual Meeting of Stockholders and is incorporated herein by reference.

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 2003 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information concerning certain relationships and related transactions is set forth under the heading "EXECUTIVE COMPENSATION - Transactions with Management" in the Unisys Proxy Statement for the 2003 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 14. CONTROLS AND PROCEDURES

Within 90 days prior to the date of filing of this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective for gathering, analyzing and disclosing the information the Company is required to disclose in the reports it files under the Securities Exchange Act of 1934, within the time periods specified in the SEC's rules and forms. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date of this evaluation.

PART IV

ITEM 15. 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 2002 Annual Report to Stockholders which are incorporated herein by reference:

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

The financial statement schedule should be read in conjunction with the consolidated financial statements and notes thereto in the Unisys 2002 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 20 through 22. Management contracts and compensatory plans and arrangements are listed as Exhibits 10.1 through 10.19.

(b) Reports on Form 8-K.

During the quarter ended December 31, 2002, Unisys filed no Current Reports on Form 8-K.

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 18, 2003

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 18, 2003.

/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
officer)

/s/ Carol S. Sabochick

Carol S. Sabochick
Vice President and
Corporate Controller
(principal accounting officer)

*J. P. Bolduc

J. P. Bolduc
Director

*Kenneth A. Macke

Kenneth A. Macke
Director

*James J. Duderstadt

James J. Duderstadt
Director

*Henry C. Duques

Henry C. Duques
Director

*Denise K. Fletcher

Denise K. Fletcher
Director

*Gail D. Fosler

Gail D. Fosler
Director

*Melvin R. Goodes

Melvin R. Goodes
Director

*Edwin A. Huston

Edwin A. Huston
Director

*Theodore E. Martin

Theodore E. Martin
Director

*By:/s/ Lawrence A. Weinbach

Lawrence A. Weinbach
Attorney-in-Fact

CERTIFICATION

I, Lawrence A. Weinbach, certify that:

1. I have reviewed this annual report on Form 10-K of Unisys Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a. Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b. Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c. Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 18, 2003

/s/ Lawrence A. Weinbach

Name: Lawrence A. Weinbach
Title: Chairman, President and Chief Executive Officer

CERTIFICATION

I, Janet Brutschea Haugen, certify that:

1. I have reviewed this annual report on Form 10-K of Unisys Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a. Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b. Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c. Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation,

including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 18, 2003

/s/ Janet Brutschea Haugen

Name: Janet Brutschea Haugen

Title: Senior Vice President and Chief Financial Officer

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, 2000	$ 51.8	$ 8.2	$ (11.7)	$ 48.3
Year Ended December 31, 2001	$ 48.3	$ 23.6	$ (21.3)	$ 50.6
Year Ended December 31, 2002	$ 50.6	$ 23.9	$ (12.7)	$ 61.8

(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 3.3 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2001)
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	Unisys Executive Annual Variable Compensation Plan (incorporated by reference to Exhibit A to the registrant's Proxy Statement, dated March 23, 1993, for its 1993 Annual Meeting of Stockholders)
10.6	1990 Unisys Long-Term Incentive Plan, as amended and restated effective September 22, 2000 (incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000)
10.7	Unisys Corporation Executive Life Insurance Program (incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1999)
10.8	Form of Indemnification Agreement between Unisys Corporation and each of its Directors (incorporated by reference to Exhibit B to the registrant's Proxy Statement, dated March 22, 1988, for the 1988 Annual Meeting of Stockholders)
10.9	Form of Executive Employment Agreement (incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1995)
10.10	Employment Agreement, dated April 25, 2002 between the registrant and Lawrence A. Weinbach (incorporated by reference to Exhibit 10 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2002)
10.11	Amendment dated July 25, 2002, to Employment Agreement 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 June 30, 2002)
10.12	Letter Agreement, dated June 3, 2002, between Unisys Corporation and Joseph W. McGrath (incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2002)
10.13	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)

10.14	Amendment 2001-1 to the Unisys Corporation Supplemental Executive Retirement Income Plan (incorporated by reference to Exhibit 10.13 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2001)
10.15	Summary of supplemental executive benefits provided to officers of Unisys Corporation (incorporated by reference to Exhibit 10.14 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2001)
10.16	Unisys Corporation Elected Officer Pension Plan, as amended through July 19, 2001 (incorporated by reference to Exhibit 10.15 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2001)
10.17	Unisys Corporation 2002 Stock Option Plan
10.18	Unisys Corporation Employee Stock Purchase Plan, as amended and restated July 1, 2001
10.19	Unisys Corporation Savings Plan, amended and restated effective January 1, 2002
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, 2002
21	Subsidiaries of the Registrant
23	Consent of Independent Auditors
24	Power of Attorney

THE UNISYS CORPORATION
2002 STOCK OPTION PLAN

SECTION 1. PURPOSE; DEFINITIONS.

The purpose of the Plan is to support the Company's ongoing efforts to attract and retain highly competent employees and enable the Company to provide incentives directly linked to the profitability of the Company's businesses and to increases in shareholder value.

For purposes of the Plan, the following terms are defined as set forth below:

a. "Awards" mean grants under the Plan of Non-qualified Stock Options.

b. "Beneficiary" means the individual, trust or estate who or which by designation of the participant or operation of law succeeds to the rights and obligations of the participant under the Plan and award agreement upon the participant's death.

c. "Board" means the Board of Directors of the Company.

d. "Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

e. "Commission" means the Securities and Exchange Commission or any successor agency.

f. "Committee" means the Corporate Governance and Compensation Committee of the Board or a subcommittee thereof, any successor thereto or such other committee or subcommittee as may be designated by the Board to administer the Plan.

g. "Common Stock" or "Stock" means the common stock of the Company, par value $0.01 per share.

h. "Company" means Unisys Corporation or any successor thereto.

i. "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.

j. "Fair Market Value" means, on any date, the average of the high and the low quoted sales prices of a share of Stock, sold regular way, through the official close of the New York Stock Exchange at 4:00 p.m. US Eastern Time on such date, or if there were no sales on such date, on the last date preceding such date on which a sale was reported.

k. "Nonqualified Stock Option" means a Stock Option that is not qualified under Section 422 of the Code.

l. "Normal Retirement Date" means the date on which the participant is eligible to retire with unreduced benefits under a defined benefit pension plan or arrangement of the Company or one of its Subsidiaries or, in the event that the participant is not a member of such a plan or arrangement, the date on which the participant attains age 65.

m. "Plan" means The Unisys Corporation 2002 Stock Option Plan, as set forth herein and as may be amended from time to time.

n. "Stock Option" means an option granted pursuant to Section 5(a).

o. "Subsidiary" shall have the meaning set forth in Section 425(f) of the Code.

p. "Termination of Employment" means the voluntary or involuntary termination of a participant's employment with the Company or a Subsidiary for any reason, including death, disability, retirement or as a result of the divestiture of the participant's employer or any similar transaction in which the participant's employer ceases to be the Company or one of its Subsidiaries. The Committee, in its sole discretion, shall determine whether a Termination of Employment is a result of disability, and shall determine whether military or other government or eleemosynary service constitutes a Termination of Employment.

In addition, the terms "Business Combination," "Change in Control," "Change in Control Price," "Incumbent Board," "Outstanding Stock," "Outstanding Voting Securities" and "Person" have the meanings set forth in Section 6.

SECTION 2. ADMINISTRATION.

The Plan will be administered by the Committee, which will have the power to interpret the Plan and to adopt such rules and guidelines for carrying out the Plan as it may deem appropriate. The Committee will have the authority to adopt such modifications, procedures and subplans as may be necessary or desirable to comply with the laws, regulations, compensation practices and tax and accounting principles of the countries in which the Company, a subsidiary or an affiliate may operate to assure the viability of the benefits of Awards made to individuals employed in such countries and to meet the objectives of the Plan.

Subject to the terms of the Plan, the Committee will have the authority to determine those individuals eligible to receive Awards and the amount, type and terms of each Award.

The Committee may delegate its authority or power under the Plan to one or more officers of the Company, subject to guidelines prescribed by the Committee, with respect to participants who are not subject to Section 16 of the Exchange Act.

Any determination made by the Committee or pursuant to delegated authority in accordance with the provisions of the Plan with respect to any Award will be made in the sole discretion of the Committee or such delegate, and all decisions made by the Committee or any appropriately designated officer pursuant to the provisions of the Plan will be final and binding on all persons, including the Company and Plan participants, but subject to ratification by the Board if the Board so provides.

SECTION 3. ELIGIBILITY.

All employees of the Company and its subsidiaries or affiliates, except for elected officers of the Company, are eligible to be granted Awards under the Plan.

SECTION 4. STOCK SUBJECT TO PLAN.

The number of shares of Stock reserved and available for distribution pursuant to the Plan will be 15,000,000 shares. If any Award is exercised, cashed out or terminates or expires without a payment being made to the participant in the form of Stock, the shares subject to such Award, if any, will again be available for distribution in connection with Awards under the Plan. Any shares of Stock that are used by a participant as full or partial payment of withholding or other taxes or as payment for the exercise or conversion price of an Award will be available for distribution in connection with Awards under the Plan.

In the event of any merger, reorganization, consolidation, recapitalization, share exchange, stock dividend, stock split, reverse stock split, split-up, spin-off, issuance of rights or warrants or other change in corporate structure affecting the Stock after adoption of the Plan by the Board, the Board is authorized to make substitutions or adjustments in the aggregate number and kind of shares reserved for issuance under the Plan and in the number, kind and price of shares subject to outstanding Awards, provided, however, that any such substitutions or adjustments will be, to the extent deemed appropriate by the Board, consistent with the treatment of shares of Stock not subject to the Plan, and that the number of shares subject to any Award will always be a whole number.

SECTION 5. AWARDS.

(a) Stock Option Awards. A Stock Option represents the right to purchase a share of Stock at a predetermined exercise price. Stock Options granted under this Plan will be in the form of Nonqualified Stock Options only. The terms and conditions of each Stock Option Award, including the Stock Option term, exercise price, applicable vesting periods and any other restrictions/conditions on exercise, will be determined in the sole discretion of the Committee and will be set forth in an Award agreement.

(b) Exercise Price. The exercise price of a Stock Option may not be less than 100% of the Fair Market Value on the date of grant. Notwithstanding the foregoing, in connection with any reorganization, merger, consolidation or similar transaction in which the Company or any affiliate or subsidiary of the Company is a surviving corporation, the Committee may grant Stock Options in substitution for similar awards granted under a plan of another party to the transaction, and in such a case the exercise price or grant price of the substituted Stock Options granted by the Company may equal or exceed 100% of the Fair Market Value on the date of grant reduced by any unrealized gain existing as of the date of the transaction in the option being replaced.

(c) Duration of Stock Options. Stock Options will terminate after the first to occur of the following:

(1) Expiration of the Stock Option as provided in the applicable Award Agreement; or

(2) Termination of the Stock Option Award, as provided in Section 5(e), following the participant's Termination of Employment.

(d) Acceleration/Extension of Exercise Time. The Committee, in its sole discretion, shall have the right (but shall not in any case be obligated) to permit purchase of shares under any Stock Option prior to the time such Option would otherwise become exercisable under the terms of the applicable Award agreement. In addition, the Committee, in its sole discretion, shall have the right (but shall not in any case be obligated) to permit any Stock Option granted under this Plan to be exercised after its termination date described in Section 5(e), but in no event later than the last day of the term of the Stock Option as set forth in the applicable Award agreement.

(e) Exercise of Stock Options upon Termination of Employment. Except as otherwise provided in this Section 5(e) or in Section 5(d), the right of the participant to exercise Stock Options shall terminate upon the participant's Termination of Employment, regardless of whether or not the Stock Options were vested in whole or in part on the date of Termination of Employment.

(1) Disability or Normal Retirement. Upon a participant's Termination of Employment by reason of disability or retirement on a Normal Retirement Date, a participant may, within five years after the Termination of Employment, exercise all or a part of his/her Stock Options that were exercisable upon such Termination of Employment (or which became exercisable at a later date pursuant to Section 5(e)(3) below). In no event, however, may any Stock Option be exercised later than the last day of the term of the Stock Option as set forth in the applicable Award agreement.

(2) Death. In the event of the death of a participant while employed by the Company or a Subsidiary, or within the additional period of time from the date of Termination of Employment and prior to the termination of the Stock Option as permitted under Section 5(e)(1) or Section 5(e)(3)(B), to the extent that the right to exercise the Stock Option had vested as of the date of the participant's death, the right of the participant's Beneficiary to exercise the vested portion of the Stock Option shall expire on the earliest of (A) five years from the date of the participant's death, (B) five years from the date of the participant's Termination of Employment or (C) the last day of the term of the Stock Option as set forth in the applicable Award agreement.

(3) Termination of Employment at Age 55 with Five Years of Service. Notwithstanding anything in this Section 5 to the contrary, if Termination of Employment occurs after the participant has attained age 55 and completed five years of service with the Company and/or its Subsidiaries, (A) the participant shall continue to vest in each of his/her Stock Options in accordance with the vesting schedules set forth in the applicable Award agreements, and (B) the participant may exercise his/her Stock Options, to the

extent that the Stock Options have vested as of the Termination of Employment or thereafter in accordance with Section 5(e)(3)(A), for a period of five years from the date of the participant's Termination of Employment. In no event, however, may any Stock Option be exercised later than the last day of the term of the Stock Option as set forth in the applicable Award agreement.

(f) Exercise Procedures. Subject to the applicable Award agreement, Stock Options may be exercised, in whole or in part, by giving written notice of exercise to the Company or its designee specifying the number of shares to be purchased. This notice must be accompanied by payment in full of the exercise price by certified or bank check or such other instrument as the Company or its designee may accept (including a copy of instructions to a broker or bank acceptable to the Company to deliver promptly to the Company an amount of sale or loan proceeds sufficient to pay the purchase price). If authorized by the Committee, payment in full or in part may also be made (1) in the form of Stock already owned by the optionee valued at the Fair Market Value on the date the Stock Option is exercised, under such terms and conditions as are deemed appropriate by the Committee, or (2) through a cashless exercise program established or otherwise authorized by the Company.

SECTION. 6. CHANGE IN CONTROL PROVISIONS.

(a) Impact of Event. Notwithstanding any other provision of the Plan to the contrary, and except to the extent expressly provided otherwise in an Award agreement, in the event of a Change in Control all Stock Options outstanding as of the date the Change in Control occurs will become fully vested and immediately exercisable. In addition, a participant who is an elected officer of the Company will be permitted to surrender for cancellation within 60 days after the Change in Control any Stock Option or portion of a Stock Option to the extent not exercised and to receive a cash payment in an amount equal to the excess, if any, of (A) the Change in Control Price, over (B) the exercise price of the Stock Option. The provisions of this Section 6(a) will not be applicable to any Stock Options granted to a participant if the Change in Control results from the participant's beneficial ownership (within the meaning of Rule 13d(3) under the Exchange Act) of Stock or Voting Securities.

(b) Definition of Change in Control. A "Change in Control" means any of the following events:

(1) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act (a "Person")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then outstanding shares of Stock (the "Outstanding Stock") or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Voting Securities"), provided, however, that the following acquisitions will not constitute a Change in Control: (1) any acquisition directly from the Company, (2) any acquisition by the Company, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the

Company or any corporation controlled by the Company or (4) any acquisition by any corporation pursuant to a transaction described in clauses (A), (B) and (C) of paragraph (3) of this Section 6(b); or

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

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

(4) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

(c) Definition of Change in Control Price. "Change in Control Price" means the greater of (1) the highest Fair Market Value of a share of Stock during the 60-day period ending on the date of the Change in Control, and (2) the highest price per share of Stock paid to holders of Stock in any transaction (or series of transactions) constituting or resulting from the Change in Control.

SECTION 7. PLAN AMENDMENT AND TERMINATION.

The Board may amend or terminate the Plan at any time. Except as set forth in any Award agreement, no amendment or termination of the Plan may materially and adversely affect any outstanding Award under the Plan without the Award recipient's consent.

SECTION 8. PAYMENTS AND PAYMENT DEFERRALS.

Payment of Awards will be in the form of Stock. The Committee, either at the time of grant or by subsequent amendment, may require or permit deferral of the payment of Awards under such rules and procedures as it may establish. It also may provide that deferred settlements include the payment or crediting of interest or other earnings on the deferred amounts, or the payment or crediting of dividend equivalents where the deferred amounts are denominated in Stock equivalents.

SECTION 9. TRANSFERABILITY.

Except to the extent permitted by the Award agreement, either initially or by subsequent amendment, Awards will not be transferable or assignable other than by will or the laws of descent and distribution, and will be exercisable during the lifetime of the recipient only by the recipient.

SECTION 10. AWARD AGREEMENTS.

Each Award under the Plan will be evidenced by a written agreement (which need not be signed by the recipient unless otherwise specified by the Committee) that sets forth the terms, conditions and limitations for each Award. Such terms may include, but are not limited to, the term of the Award, vesting and forfeiture provisions, and the provisions applicable in the event the recipient's employment terminates. The Committee may amend an Award agreement, provided that no such amendment may materially and adversely affect an Award without the Award recipient's consent.

SECTION 11. UNFUNDED STATUS OF PLAN.

It is presently intended that the Plan constitute an "unfunded" plan for incentive and deferred compensation. The Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Stock or make payments; however, unless the Committee otherwise determines, the structure of such trusts or other arrangements must be consistent with the "unfunded" status of the Plan.

SECTION 12. GENERAL PROVISIONS.

(a) The Committee may require each person acquiring shares of Stock pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the shares without a view to the distribution thereof. The certificates for such shares may include any legend that the Committee deems appropriate to reflect any restrictions on transfer.

All certificates for shares of Common Stock or other securities delivered under the Plan will be subject to such stock transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Commission, any stock exchange upon which the Stock is then listed and any applicable Federal, state or foreign securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(b) Nothing contained in this Plan will prevent the Company, a Subsidiary or an affiliate from adopting other or additional compensation arrangements for its employees or directors.

(c) The adoption of the Plan will not confer upon any employee any right to continued employment nor will it interfere in any way with the right of the Company, a Subsidiary or an affiliate to terminate the employment of any employee at any time.

(d) No later than the date as of which an amount first becomes includible in the gross income of the participant for Federal income tax purposes with respect to any Award under the Plan, the participant will pay to the Company, or make arrangements satisfactory to the Company regarding the payment of, any Federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount. Unless otherwise determined by the Committee, withholding obligations arising from an Award may be settled with Stock, including Stock that is part of, or is received upon exercise or conversion of, the Award that gives rise to the withholding requirement. The obligations of the Company under the Plan will be conditional on such payment or arrangements, and the Company, its subsidiaries and its affiliates will, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the participant. The Committee may establish such procedures as it deems appropriate, including the making of irrevocable elections, for the settling of withholding obligations with Stock.

(e) On receipt of written notice of exercise, the Committee may elect to cash out all or a portion of the shares of Stock for which a Stock Option is being exercised by paying the optionee an amount, in cash or Stock, equal to the Spread Value of such shares on the date such notice of exercise is received.

(f) The Plan and all Awards made and actions taken thereunder will be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

(g) If any provision of the Plan is held invalid or unenforceable, the invalidity or unenforceability will not affect the remaining parts of the Plan, and the Plan will be enforced and construed as if such provision had not been included.

(h) Any reference in the Plan to a provision of the Code, the Exchange Act or other law may be interpreted by the Committee, in its discretion, to encompass any successor provision of the law.

UNISYS CORPORATION

EMPLOYEE STOCK PURCHASE PLAN

UNISYS CORPORATION
EMPLOYEE STOCK PURCHASE PLAN
(as amended and restated July 1, 2001)

1. PURPOSE.

The purpose of the Plan is to provide an opportunity for Employees of Unisys Corporation and Related Corporations designated as Participating Employers to purchase Common Stock of the Corporation and thereby to have an additional incentive to contribute to the prosperity of the Corporation. The Plan is not intended to be an "Employee Stock Purchase Plan" under Section 423 of the Internal Revenue Code of 1986, as amended.

2. DEFINITIONS.

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

(b) "Committee" shall mean the Unisys Corporation Employee Benefits Administrative Committee.

(c) "Common Stock" shall mean the Common Stock of the Corporation.

(d) "Compensation" shall mean an Employee's regular salary or wages paid by the Participating Employer for a payroll period, including bonus payments, overtime and commissions. Compensation does not include wage or salary substitution payments during approved paid leaves of absences, expense reimbursement, relocation allowances, long-term disability payments, tuition reimbursement, adoption assistance benefits, earnings related to stock options or other equity incentives and post-employment payments that may be computed from eligible compensation, such as severance benefits, salary continuation after termination of service, redundancy pay or termination indemnities.

(e) "Corporation" shall mean Unisys Corporation, a Delaware corporation, (or any successor corporation).

(f) "Effective Date" shall mean July 1, 1998, provided, however, that the Effective Date with respect to one or more Participating Employers or business units may be a date later than July 1, 1998 as determined in the discretion of the Vice-President, Worldwide Human Resources.

(g) "Employee" shall mean an individual who (a) is classified as a regular full or part time employee by the Corporation or a Related Corporation on their payroll records during the relevant participation period and (b) who is eligible to participate in the employee benefit plans maintained by the Corporation or Participating Employer. No other individual will be considered as an Employee, including any temporary employee, independent contractor, non-employee consultant, an employee of any entity other than the Corporation or Related Corporation or other service provider, even if such classification is determined to be erroneous, or is retroactively revised by a governmental agency, by court order or as a result of litigation, or otherwise. In the event the classification of a person who was excluded from the definition of Employee under the preceding sentence is determined to be erroneous or is retroactively revised, the person shall nonetheless continue to be excluded from treatment as an Employee for all periods prior to the date the Employer specifically determines, for the purpose of eligibility in the Plan, that its classification of the person should be revised.

(h) "Fair Market Value" shall mean on any date the sales price, in U.S. Dollars, of the Common Stock as of the official close of the New York Stock Exchange at 4:00 p.m. US Eastern Standard Time on such date. In lieu of the forgoing, the Committee may in good faith determine the Fair Market Value on any other reasonable basis. Such determination shall be conclusive and binding on all persons.

(i) "Option Period" shall mean a quarterly, semi-annual or other period as determined by the Board. In the absence of a Board determination, the Option Period shall be calendar quarters.

The first Option Period under the Plan will begin on July 1, 1998 and end on September 30, 1998.

(j) "Participant" shall mean a participant in the Plan as described in Section 4 of the Plan.

(k) "Participating Employer" shall mean the Corporation, a Related Corporation or a business unit of the Corporation or a Related Corporation designated by the Senior Vice-President, Worldwide Human Resources or his successor to participate in the Plan.

(l) "Plan" shall mean the Unisys Employee Stock Purchase Plan.

(m) "Purchase Date" shall mean the first day following the end of the Option Period.

(n) "Related Corporation" shall mean every non-U.S. subsidiary that is a direct or indirect at least 100%-owned subsidiary of the Corporation. In the event that the Senior Vice President, Worldwide Human Resources so designates, any other non-U.S. affiliate of the Corporation will become a Related Corporation.

(o) "Service" shall mean continuous regular employment with the Corporation or a Related Corporation, even if a Participant can no longer make contributions because he or she no longer works for a Participating Employer.

(p) "Shareholder" shall mean a record holder of shares entitled to vote shares of Common Stock under the Corporation's by-laws.

3. ELIGIBILITY.

3.1 An Employee employed by the Corporation or a Participating Employer is eligible to participate in the Plan beginning with any payroll period that begins on or after the Effective Date.

4. PARTICIPATION.

4.1 An Employee who is eligible to participate in the Plan in accordance with Section 3 may become a Participant by filing a completed payroll deduction authorization and Plan enrollment form provided by the Corporation. Participation in the Plan will become effective as soon as is administratively feasible after receipt by the Corporation or Plan Recordkeeper of the completed forms. An eligible Employee may authorize payroll deductions at the rate of any whole percentage of the Employee's Compensation, between 1% and 10%, or such lesser percentage as specified by the Committee. Contributions will be made by payroll deductions only, unless prohibited by local law, in which case contributions will be made by any method determined by the Committee to be permissible and administratively feasible. All contributions may be held by the Corporation and commingled with its other corporate funds. No interest shall be paid or credited to the Participant with respect to such contributions, except where required by local law as determined by the Committee. A separate bookkeeping account for each Participant will be maintained by the Corporation or Plan Recordkeeper under the Plan and the amount of each Participant's contributions shall be credited to such account. A Participant may not make any additional payments into such account. A Participant may not make payroll deductions or any other contributions for periods after his or her termination of Service even if he or she is then being paid salary continuation or severance benefits.

4.2 Each Participating Employer will be responsible for making payroll deductions pursuant to the Plan (unless prohibited by local law), causing these payroll deductions (or other form of contributions) to be sent to the Corporation and sending the contribution detail (by Participant) to the Plan Recordkeeper. Contributions in non-U.S. currency shall be converted to U.S. Dollars under procedures established by the Committee.

4.3 Under procedures established by the Committee, a Participant may suspend or discontinue participation in the Plan at any time during an Option Period by completing and filing with the Corporation or Plan Recordkeeper the appropriate forms provided by the Corporation or by following electronic or other procedures prescribed by the Committee. A Participant may resume, increase or decrease his or her rate of contribution by completing and filing with the Corporation or Plan Recordkeeper the appropriate forms provided by the Corporation. A Participant's election to suspend or discontinue participation or to resume, increase or decrease contributions will become effective as soon as is administratively feasible after receipt by the Corporation or Plan Recordkeeper of the completed forms. If a new election regarding the Participant's contributions is not filed with the Corporation or Plan Recordkeeper, the rate of contribution shall continue at the originally elected rate throughout the Option Period unless the Corporation determines to change the permissible rate.

If a Participant suspends or discontinues participation during an Option Period, his or her accumulated contributions will remain in the Plan for purchase of shares as specified in Section 6 on the following Purchase Date, but the Participant will not again participate until he or she completes a new payroll deduction authorization (or other contribution authorization as is in effect in his/her country) and Plan enrollment form. The Committee may establish rules limiting the frequency with which Participants may suspend and resume contributions under the Plan and may impose a waiting period on Participants wishing to resume suspended contributions.

5. OFFERING.

5.1 The maximum number of shares of Common Stock that may be issued pursuant to the Plan shall be thirteen million shares. The Board may designate any amount of available shares for offering for any Option Period determined pursuant to Section 5.2.

5.2 Option Periods under the Plan will be calendar quarters commencing January 1, March 1, July 1 and October 1 and the Purchase Date shall be the date described in Section 2(m). The Corporation shall have the power to change the duration of future Option Periods or Purchase Dates, with respect to any prospective offering, and without regard to the expectations of any Participants.

5.3 With respect to each Option Period, each eligible Employee who has elected to participate as provided in Section 4.1 shall be granted an option to purchase that number of shares of Common Stock which may be purchased with the contributions accumulated on behalf of such Employee during such Option Period at the purchase price specified in Section 5.4 below.

5.4 The option price under each option shall be the lesser of (1) 85% of the Fair Market Value of the Common Stock on the first trading day of the Option Period or (2) 85% of the Fair Market Value on the last trading day of the Option Period.

5.5 If the total number of shares of Common Stock for which options granted under the Plan are exercisable exceeds the remaining number of shares available for offering under the Plan, the number of shares which may be purchased by all Participants shall be reduced on a pro rata basis in as nearly a uniform manner as shall be practicable and equitable. In this event, contributions shall also be reduced or refunded accordingly. If an Employee's contributions during any Option Period exceeds the purchase price for the maximum number of shares permitted to be purchased, the excess shall be refunded to the Participant without interest (except where otherwise required by local law).

6. PURCHASE OF STOCK.

On the Purchase Date, a Participant's option shall be exercised automatically for the purchase of that number of full and fractional shares of Common Stock which the accumulated contributions credited to the Participant's account at that time shall purchase at the applicable price specified in Section 5.4.

To the extent practicable, all of the Participant's contributions accumulated during the Option Period will be applied to the purchase of shares of Common Stock on the Purchase Date.

7. PAYMENT AND DELIVERY.

Upon the exercise of an option, the Corporation shall deliver the Common Stock purchased on behalf of the Participant to an account held by the Plan Broker for the Participant. At any time after the purchased shares are credited to the Participant's account, the Participant may elect to (a) direct the Plan Broker to sell all or some of the shares credited to the Participant's account, in which case applicable transaction fees will be charged, (b) receive a stock certificate, at no charge, evidencing all or some of the whole number of shares of stock credited to his/her account or (c) electronically transfer all or some of the whole shares credited to his/her account, at no charge, to a broker designated by the Participant. If a Participant elects to transfer or receive a share certificate for all of the shares credited to his/her account, the value of any fractional shares credited to the account will be paid to the Participant in cash. The value of any fractional shares will be determined in accordance with procedures established by the Committee.

If a Participant elects to direct the Plan Broker to sell all or some of his/her shares, the sales price for the shares will be the price obtained by the Plan Broker when it sells the shares. For Participants residing outside of the United States, the Plan Broker will convert sales proceeds from U.S. dollars to the Participant's local currency before the proceeds are distributed under procedures established by the Committee.

The Corporation shall retain the amount of Employee contributions used to purchase Common Stock as full payment for the Common Stock and the Common Stock shall then be fully paid and non-assessable.

No Participant shall have any voting, dividend, or other stockholder rights with respect to shares subject to any option granted under the Plan until the option has been exercised and shares issued. Participants will receive a statement reflecting the status of their Plan account on a quarterly or other periodic basis.

8. TERMINATION OF EMPLOYMENT.

No purchases will be made on behalf of a Participant for an Option Period if the Participant terminated his/her employment with the Corporation and all Related Corporations before the Purchase Date for the Option Period. A refund of payroll deductions and/or other contributions (without interest unless legally prohibited) will be made to a Participant by reason of the Participant's termination of employment during an Option Period.

In the event any Participant terminates employment with the Corporation and all of its Related Corporations for any reason (including death or retirement), (a) the Participant's participation in the Plan shall terminate and (b) all accumulated payroll deductions and/or other contributions shall be paid without interest (except where required by local law) to the Participant or the Participant's estate.

Whether a termination of employment has occurred shall be determined by the Committee. The Committee may also establish rules regarding when leaves of absence or change of employment status (e.g., from full time to part time) will be considered a termination of employment, and the Committee may establish termination of employment procedures for this Plan which are independent of similar rules established under other benefit plans of the Corporation and its Related Corporations.

9. WITHHOLDING.

If a Participant is subject to withholding taxes as a result of participation in the Plan, then the Committee shall establish appropriate procedures, which may include, but are not limited to, withholding required amounts from the Participant's regular salary or wages.

10. RECAPITALIZATION.

If after the grant of an option, but prior to the purchase of Common Stock under the option, there is any increase or decrease in the number of outstanding shares of Common Stock because of a stock split, stock dividend, combination or recapitalization of shares subject to options, the number of shares to be purchased pursuant to an option, the share limit of Section 5.3 and the maximum number of shares specified in Section 5.1 shall be proportionately increased or decreased, the terms relating to the purchase price with respect to the option shall be appropriately adjusted by the Board, and the Board shall take any further actions which, in the exercise of its discretion, may be necessary or appropriate under the circumstances.

The Board, if it so determines in the exercise of its sole discretion, also may adjust the number of shares specified in Section 5.1, as well as the price per share of Common Stock covered by each outstanding option and the maximum number of shares subject to any individual option, in the event the Corporation effects one or more reorganizations, recapitalizations, spin-offs, split-ups, rights offerings or reductions of shares of its outstanding Common Stock.

The Board's determinations under this Section 10 shall be conclusive and binding on all parties.

11. MERGER, LIQUIDATION, OTHER CORPORATION TRANSACTIONS.

In the event of the proposed liquidation or dissolution of the Corporation, the Option Period will terminate immediately prior to the consummation of such proposed transaction, unless otherwise provided by the Board in its sole discretion, and all outstanding options shall automatically terminate and the amounts of all payroll deductions will be refunded without interest to the Participants.

In the event of a proposed sale of all or substantially all of the assets of the Corporation, or the merger or consolidation of the Corporation with or into another corporation, then in the sole discretion of the Board, (1) each option shall be assumed or an equivalent option shall be substituted by the successor corporation or parent or subsidiary of such successor corporation, (2) a date established by the Board on or before the date of consummation of such merger, consolidation or sale shall be treated as a Purchase Date, and all outstanding options shall be deemed exercisable on such date or (3) all outstanding options shall terminate and the accumulated payroll deductions shall be returned to the Participants.

12. TRANSFERABILITY.

Options granted to Participants may not be voluntarily or involuntarily assigned, transferred, pledged, or otherwise disposed of in any way, and any attempted assignment, transfer, pledge, or other disposition shall be null and void and without effect. If a Participant in any manner attempts to transfer, assign or otherwise encumber his or her rights or interest under the Plan, such act shall be treated as an election by the Participant to discontinue participation in the Plan pursuant to Section 4.2.

13. AMENDMENT OR TERMINATION OF THE PLAN.

The Corporation may, in its sole discretion, insofar as permitted by law, terminate or suspend the Plan, or revise or amend it in any respect whatsoever, except that, without approval of the Participant, no such revision or amendment shall adversely affect any outstanding option under the Plan.

14. ADMINISTRATION.

The Committee will have the authority and responsibility for the day-to-day administration of the Plan, the authority and responsibility specifically provided in this Plan and any additional duties, responsibility and authority delegated to the Committee by the Board or any duly authorized officer of the Corporation, which may include any of the functions assigned to the Board or any officer in this Plan. The Committee shall have full power and authority to promulgate any rules and regulations which it deems necessary for the proper administration of the Plan, to interpret the provisions and supervise the administration of the Plan, to take all action in connection with administration of the Plan as it deems necessary or advisable, consistent with the delegation from the Board, and to delegate to any one or more of its members or a third party any of its powers or responsibilities. Decisions of the Board, any duly authorized officer and the Committee shall be final and binding upon all Participants. Any decision reduced to writing and signed by a majority of the Participants of the Committee shall be fully effective as if it had been made at a meeting of the Committee duly held. No Board member, or Committee member or any other employee shall be liable for any action or determination made in good faith with respect to the Plan or any option granted thereunder.

The Committee may prescribe rules, regulations, requirements and fees related to the delivery, retention, transfer or administration of shares acquired pursuant to the Plan, including, but not limited to: (1) establishing a requirement that share certificates be maintained with a financial institution designated by the Corporation or the Committee; (2) establishing rules and procedures relating to the termination of employment (e.g., including long-term disability, military duty, approved unpaid leaves of absence, layoffs and reductions in force); (3) establishing procedures and fees for the sale of shares in a Participant's account; (4) establishing procedures and fees for the transfer of shares in a Participant's account; (5) establishing rules, procedures and fees for the delivery of share certificates for the shares in a Participant's account; and (6) establishing regulations and procedures relating to fractional shares.

15. COMMITTEE RULES FOR FOREIGN JURISDICTIONS.

The Committee may adopt rules or procedures relating to the operation and administration of the Plan in non-United States jurisdictions to accommodate the specific requirements of local laws and procedures. Without limiting the generality of the foregoing, the Committee is specifically authorized to adopt rules and procedures regarding handling of payroll deductions or other forms of employee contribution, payment of interest, conversion of local currency, withholding procedure, handling of stock certificates, and death benefit and beneficiary matters which vary with local requirements.

The Committee may also adopt sub-plans applicable to particular Participating Employers or locations. The rules of such sub-plans may take precedence over other provisions of this Plan, with the exception of Section 5.1, but unless otherwise superseded by the terms of such sub-plan, the provisions of this Plan shall govern the operation of such sub-plan.

16. SECURITIES LAWS REQUIREMENTS.

The Corporation shall not be under any obligation to issue Common Stock upon the exercise of any option unless and until the Corporation has determined that: (i) it and the Participants have taken all actions required to register the Common Stock under the Securities Act of 1933, or to perfect an exemption from the registration requirements thereof; (ii) any applicable listing requirement of any stock exchange on which the Common Stock is listed has been satisfied; and (iii) all other applicable provisions of state, federal and applicable foreign law have been satisfied.

17. GOVERNMENTAL REGULATIONS.

This Plan and the Corporation's obligation to sell and deliver shares of its stock under the Plan shall be subject to the approval of any governmental authority required in connection with the Plan or the authorization, issuance, sale, or delivery of stock hereunder.

18. NO ENLARGEMENT OF EMPLOYEE RIGHTS.

Nothing contained in this Plan shall be deemed to give any Employee the right to be retained in the employ of the Corporation or any Related Corporation or to interfere with the right of the Corporation or Related Corporation to discharge any Employee at any time.

The Plan is entirely discretionary in nature, and any benefit derived from it does not give rise to any contractual entitlement and shall not be included for purposes of calculating severance, resignation, redundancy or similar pay, if any.

19. GOVERNING LAW.

This Plan shall be governed by Pennsylvania law.

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UNISYS CORPORATION

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ARTICLE I

HISTORY AND SCOPE

1.01 HISTORY. Unisys Corporation (formerly, Burroughs Corporation), adopted the Burroughs Plan, effective July 1, 1984. Unisys Corporation is successor by merger to Sperry Corporation which, prior to such merger, established and maintained the Sperry Plan. Effective April 1, 1988, the Burroughs Plan and Sperry Plan were merged to form the Plan. The Plan is maintained for the benefit of eligible employees of Unisys Corporation and the eligible employees of its subsidiaries that adopt the Plan.

Effective October 1, 1990, the Company's CTIP was merged into the Plan.Effective November 30, 1992, the RIPII was merged into the Plan. Effective March 31, 1996, the RIP was merged into the Plan.

This Plan was amended and restated, effective January 1, 1998, to bring the Plan into compliance with the Uniformed Services Employment and Reemployment Act of 1994, the Small Business Job Protection Act of 1996, the Taxpayer Relief Act of 1997, the IRS Restructuring and Reform Act of 1998, the Internal Revenue Service Restructuring and Reform Act of 1998, the Community Renewal Tax Relief Act of 2000, and all other applicable law as in effect on the effective date of that amendment and restatement of the Plan.

The Plan is hereby amended and restated herein, effective January 1, 2002, to bring the Plan into compliance with he Economic Growth and Tax Relief Reconciliation Act of 2001, the Job Creation and Worker Assistance Act of 2002, and certain final regulations issued by the Department of Labor and the Department of Treasury.

1.02 EFFECTIVE DATES. The effective date of the Plan is April 1, 1988, the original effective date of the Plan. This amendment and restatement of the Plan is effective January 1, 2002.

1.03 RIGHTS AFFECTED. Unless provided to the contrary herein, the provisions of the Plan shall apply to Employees who are credited with an Hour of Service after December 31, 2001.

1.04 QUALIFICATION UNDER THE INTERNAL REVENUE CODE. It is intended that the Plan be a qualified plan within the meaning of section 401(a) of the Code and that the Trust be exempt from federal income taxation under the provisions of section 501(a) of the Code.

1.05 DOCUMENTS. The Plan consists of the Plan document as set forth herein and any subsequent amendments thereto.

ARTICLE II

DEFINITIONS

The following words and phrases as used herein have the following meanings unless a different meaning is plainly required by the context:

2.01 "ACCOUNT" means a Participant's After-Tax Account, ESOP Account, GPEP Account, Regular Account, Tax Deferred Account, Tax Deductible Contribution Account, Qualified Nonelective ESOP Contribution Account, Qualified Nonelective Non-ESOP Contribution Account, or Rollover Account.

2.02 "ACTUAL CONTRIBUTION PERCENTAGE" means, with respect to a Plan Year, the ratio (expressed as a percentage) of the sum of the amount of (a) Matching Contributions, (b) After-Tax Contributions, (c) Qualified Nonelective ESOP Contributions, and (d) Tax Deferred Contributions recharacterized as After-Tax Contributions, made on behalf of the Participant for the Plan Year to the Participant's Testing Compensation for the Plan Year.

2.03 "ACTUAL DEFERRAL PERCENTAGE" means, with respect to a Plan Year, the ratio (expressed as a percentage) of the amount of Tax Deferred Contributions made pursuant to Section 4.01(a) and Qualified Nonelective Non-ESOP Contributions made on behalf of the Participant for the Plan Year to the Participant's Testing Compensation for the Plan Year.

2.04 "ADMINISTRATIVE COMMITTEE" means the committee appointed in accordance with Section 12.02 which is responsible for the day-to-day administration of the Plan.

2.05 "AFFILIATE" means any entity included with the Employer in (a) a controlled group of employers or trades or businesses within the meaning of section 414(b) or 414(c) of the Code; (b) an affiliated service group within the meaning of section 414(m) of the Code; or (c) a group required to be aggregated pursuant to the regulations under section 414(o) of the Code; provided that any such employer shall be included within the term "Affiliate" only while a member of a group including the Employer. For purposes of Section 5.05, whether a member of a controlled group is an Affiliate shall be determined under section 1563(a) of the Code (as incorporated through application of sections 414(b) and (c) of the Code) by substituting "50%" for "80%" everywhere it appears in section 1563(a) of the Code.

2.06 "AFTER-TAX ACCOUNT" means a Participant's account to which are credited After-Tax Contributions, if any, and earnings and losses thereon.

2.07 "AFTER-TAX CONTRIBUTION" means a contribution made by (a) an Employee who is employed by an Employer domiciled in Puerto Rico in accordance with a Participant's salary reduction agreement pursuant to Section 4.02(b), (b) made by an Employee with respect to a Plan Year beginning before January 1, 1989.

2.08 "AGGREGATION GROUP" means the group of qualified plans sponsored by the Employer or by an Affiliate formed by including in such group (a) all such plans in which a Key Employee participates in the Plan Year containing the Determination Date, or any of the four preceding Plan Years, including any frozen or terminated plan that was maintained within the five-year period ending on the Determination Date, (b) all such plans which enable any plan described in clause (a) to meet the requirements of either section 401(a)(4) of the Code or section 410 of the Code, and (c) such other qualified plans sponsored by the Employer or an Affiliate as the Employer elects to include in such group, as long as the group, including those plans electively included, continues to meet the requirements of sections 401(a)(4) and 410 of the Code.

2.09 "ASSOCIATED COMPANY" means any entity that is not a member of a controlled group of corporations within the meaning of section 1563(a) of the Code (as incorporated through application of sections 414(b) and (c) of the Code), of which the Company is the common parent, but which would be a member of such controlled group of corporations if "50%" were substituted for "80%" everywhere it appears in section 1563(a) of the Code.

2.10 "BENEFICIARY" means (a) the Participant's Spouse, or (b) the person, persons or trust designated by the Participant, with the consent of his Spouse, if any, as direct or contingent beneficiary. In order to be valid, the Spouse's consent to a Beneficiary other than or in addition to the Participant's Spouse, must be in writing, must consent to the specific Beneficiary designated, must acknowledge the effect of such consent, and must be witnessed by a Plan representative or notary public. If the Participant has no Spouse and no effective beneficiary designation, his Beneficiary shall be the first of the following classes in which there is any person surviving the Participant: (a) the Participant's children, (b) the Participant's parents, and (c) the Participant's brothers and sisters. If none of the foregoing classes include a person surviving the Participant, the Participant's Beneficiary shall be his estate.

2.11 "BENEFIT COMMENCEMENT DATE" means the first day on which all events have occurred that entitle a Participant to the benefit.

2.12 "BOARD" means the Board of Directors of the Company.

2.13 "BURROUGHS PLAN" means the Burroughs Employees Savings Thrift Plan, as in effect on March 30, 1988.

2.14 "CODE" means the Internal Revenue Code of 1986, as amended.

2.15 "COMPANY" means Unisys Corporation.

2.16 "COMPENSATION" means a Participant's wages or salary paid by an Employer to an Employee, including amounts deducted in accordance with sections 125 or 401(k) of the Code, overtime pay, shift differentials, overseas hardship and war risk premiums, temporary promotional supplements, payments for accrued but unused vacation, commissions paid under the terms of a written ongoing sales commission plan, and paid bonuses paid under the terms of a written ongoing bonus plan approved as such by the Administrative Committee, but excluding any amounts received by an Employee while he is not a Participant, and any other deferred compensation. A Participant's Compensation shall not exceed the dollar limitation in effect under section 401(a)(17) of the Code with respect to any Plan Year. Effective January 1, 2001, "Compensation" shall include amounts deducted from a Participant's wages or salary in accordance with section 132(f)(4) of the Code. Notwithstanding the foregoing, any amounts deducted on a pre-tax basis for group health coverage because the Participant is unable to certify that he or she has other health coverage, so long as the Employer does not otherwise request or collect information regarding the Participant's other health coverage as part of the enrollment process for the Employer's health plan, shall be included as Compensation.

2.17 "COVERED EMPLOYEE" means any Employee other than:

(a) any Employee who is a member of a collective bargaining unit, unless such collective bargaining agreement provides for the Employee's participation in the Plan;

(b) any Employee who is a nonresident alien of the United States (including the District of Columbia, Puerto Rico, or the Virgin Islands) and who does not receive any United States (including the District of Columbia, Puerto Rico or the Virgin Islands) source income from the Employer;

(c) an Employee who is (1) employed by an overseas subsidiary of an Employer, (2) on temporary assignment to the Employer, and (3) not eligible for participation in a defined benefit plan maintained by the Employer; and

(d) any Employee whose terms of employment with the Employer are covered under the Contract Service Act, the Davis-Bacon Act, or a similar government contracting statute, unless the terms of the statue or government contract expressly provide for participation in this Plan.

(e) any individual who is not an employee of the Employer but who provides services as described in section 414(n)(2) of the Code; and

(f) any individual who is classified as an independent contractor by the Employer or any persons who are not treated by the Employer as employees for purposes of withholding federal employment taxes, regardless of (1) how such individual is classified by the Internal Revenue Service, other governmental agency, government or court, or (2) a contrary governmental or judicial determination relating to such employment status or tax withholding.

2.18 "CTIP" means the Convergent Tax Investment Plan, as in effect on September 30, 1990.

2.19 "DETERMINATION DATE" means the last day of the preceding Plan Year.

2.20 "DISTRIBUTEE" means a Participant, the surviving Spouse of a deceased Participant, or a Participant's Spouse or former Spouse who is an alternate payee under a Qualified Domestic Relations Order.

2.21 "EMPLOYEE" means (a) an individual who is employed by the Employer, (b) when required by context for purposes of crediting Hours of Service under Section 2.29, a former Employee, and (c) a leased employee as described under section 414(n)(2) of the Code.

2.22 "EMPLOYER" means the Company and any Affiliate listed on Appendix A.

2.23 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

2.24 "ESOP ACCOUNT" means a Participant's account to which are credited Matching Contributions made to the Plan after March 31, 1989, and earnings and losses thereon.

2.25 "ESOP PORTION OF THE PLAN" means the portion of the Plan that is both a stock bonus plan and an employee stock ownership plan intended to qualify under sections 401(a) and 4975(e)(7) of the Code, the assets of which are held in the ESOP Account and Qualified Nonelective ESOP Accounts of Participants and invested primarily in shares of Unisys Stock that meet the requirements of section 404(l) of the Code.

2.26 "FUND" means the assets and all earnings, appreciation and additions thereto, less losses, depreciation and any proper payments made by the Trustee, held under the Trust by the Trustee for the exclusive benefit of Participants and their Beneficiaries.

2.27 "GPEP ACCOUNT" means a Participant's account to which are credited GPEP contributions made with respect to Plan Years beginning before January 1, 1998, if any, and earnings and losses thereon.

2.28 "HIGHLY COMPENSATED EMPLOYEE" means an Employee who either:

(a) was a 5% owner (as defined in section 416(i)(1) of the Code) at any time during the Plan Year for which Highly Compensated Employees are being identified or the preceding Plan Year; or

(b) with respect to the Plan Year preceding the calendar year for which Highly Compensated Employees are being identified both (1) had Testing Compensation in excess of the dollar amount under section 414(q)(1)(B)(i) of the Code, as in effect for such Plan Year, and (2) was in the top 20% of all Employees when ranked on the basis of Testing Compensation.

2.29 "HOUR OF SERVICE" means each hour for which an Employee is directly or indirectly paid or entitled to payment by the Company, an Affiliate, or an Associated Company for the performance of Service.

2.30 "INVESTMENT COMMITTEE" means the Pension Investment Review Committee appointed pursuant to Section 12.02 which is responsible for the control and management of the Investment Funds.

2.31 "INVESTMENT FUND" means a fund selected by the Investment Committee in which the Fund or any portion thereof may be invested.

2.32 "INVESTMENT MANAGER" means the individual or entity, if any, selected by the Trustee responsible for the investment of all or a portion of the Fund.

2.33 "KEY EMPLOYEE" means a person employed or formerly employed by the Employer or an Affiliate who, during the Plan Year or during any of the preceding four Plan Years, was any of the following:

(a) an officer of the Employer having annual Testing Compensation of more than $130,000, or such other amount as may be in effect under section 415(1)(A)(i) of the Code;

(b) a 5% owner of the Employer.

(c) a person who is both an employee whose annual Testing Compensation exceeds $150,000 and who is a 1% owner of the Employer.

The Beneficiary of any deceased Participant who was a Key Employee shall be considered a Key Employee for the same period as the deceased Participant would have been so considered.

2.34 "KEY EMPLOYEE RATIO" means the ratio (expressed as a percentage) for any Plan Year, calculated as of the Determination Date with respect to such Plan Year, determined by dividing the amount described in subsection (a) hereof by the amount described in subsection (b) hereof, after deduction from both such amounts of the amount described in subsection (c) hereof.

(a) The amount described in this subsection (a) is the sum of (1) the aggregate of the present value of all accrued benefits of Key Employees under all qualified defined benefit plans included in the Aggregation Group, (2) the aggregate of the balances in all of the accounts standing to the credit of Key Employees under all qualified defined contribution plans included in the Aggregation Group, and (3) the aggregate amount distributed from all plans in such Aggregation Group to or on behalf of any Key Employee during the one-year period ending on the Determination Date.

(b) The amount described in this subsection (b) is the sum of (1) the aggregate of the present value of all accrued benefits of all Participants under all qualified defined benefit plans included in the Aggregation Group, (2) the aggregate of the balances in all of the accounts standing to the credit of all Participants under all qualified defined contribution plans included in the Aggregation Group, and (3) the aggregate amount distributed from all plans in such Aggregation Group to or on behalf of any Participant during the one-year period ending on the Determination Date.

(c) The amount described in this subsection (c) is the sum of (1) all rollover contributions (or similar transfers) to plans included in the Aggregation Group initiated by an Employee from a plan sponsored by an employer which is not the Employer or an Affiliate, (2) any amount that would have been included under subsection (a) or (b) hereof with respect to any person who has not rendered service to any Employer at any time during the one-year period ending on the Determination Date, and (3) any amount that is included in subsection (b) hereof for, on behalf of, or on account of, a person who is a Non-Key Employee as to the Plan Year of reference but who was a Key Employee as to any earlier Plan Year.

The present value of accrued benefits under any defined benefit plan shall be determined under the method used for accrual purposes for all plans maintained by the Employer and all Affiliates if a single method is used by all such plans, or otherwise, the slowest accrual method permitted under section 411(b)(1)(C) of the Code.

2.35 "MATCHING CONTRIBUTION" means a contribution made by an Employer in accordance with Section 4.03.

2.36 "NON-HIGHLY COMPENSATED EMPLOYEE" means an Employee other than a Highly Compensated Employee.

2.37 "NON-KEY EMPLOYEE" means any Employee or former Employee who is not a Key Employee as to that Plan Year, or a Beneficiary of a deceased Participant who was a Non-Key Employee.

2.38 "NORMAL RETIREMENT AGE" means age 65.

2.39 "NOTICE PERIOD" means the period beginning 90 days before and ending 30 days before the Benefit Commencement Date. The 30-day minimum may be waived by a Distributee; provided, however, that with respect to a Participant scheduled to receive his benefit in the form of a Qualified Joint and Survivor Annuity, the minimum Notice Period may not be less than seven days before the date distribution is made.

2.40 "PARTICIPANT" means a Covered Employee who has met the eligibility requirements of Section 3.01. An individual who is a Participant but who ceases to be a Covered Employee shall nonetheless remain a Participant for purposes of benefit payments only, until all amounts due him under the Plan have been paid.

2.41 "PERIOD OF SEVERANCE" means a period beginning on the date of an Employee's Severance from Service and ending on the date on which the Employee again performs an Hour of Service.

Notwithstanding the foregoing, solely for the purpose of determining whether a Period of Severance has occurred, in the case of an absence from employment by reason of the pregnancy of the Employee, the birth of a child of the Employee, the placement of a child with the Employee in connection with the adoption of the child by the Employee or the caring for the child for a period beginning immediately following that birth or placement, the period between the first and second anniversary of the first day of such absence from employment shall neither be construed as a Period of Severance nor a period of Service. In order for an absence to be considered to be for the reasons described in the foregoing sentence, an Employee shall provide the Administrative Committee or its designee with information regarding the reasons for the absence and the length of the absence. Nothing in this Section 2.41 shall be construed as expanding or amending any maternity or paternity leave policy of an Employer or Affiliate.

2.42 "PLAN" means the profit sharing plan, known as the "Unisys Savings Plan" set forth in this document, which includes a stock bonus plan and employee stock ownership plan intended to qualify under sections 401(a) and 4975(e)(7) of the Code, and the related trust agreement pursuant to which the Trust is maintained.

2.43 "PLAN YEAR" means the calendar year.

2.44 "PRIOR PLAN" means the Burroughs Plan, Sperry Plan, CTIP, RIP or RIPII.

2.45 "QUALIFIED DOMESTIC RELATIONS ORDER" means a judgment, decree or order that relates to a Participant's benefit under the Plan and meets the requirements of section 414(p) of the Code.

2.46 "QUALIFIED JOINT AND SURVIVOR ANNUITY" means an annuity for the life of the Participant with a survivor annuity for the life of the Participant's Spouse equal to 50% of the monthly amount payable for the Participant's life.

2.47 "QUALIFIED NONELECTIVE ESOP ACCOUNT" means a Participant's account to which are credited Qualified Nonelective ESOP Contributions, if any, and earnings and losses thereon.

2.48 "QUALIFIED NONELECTIVE ESOP CONTRIBUTION" means a contribution made by the Employer pursuant to Section 4.05 for purposes of satisfying the requirements of Section 5.03.

2.49 "QUALIFIED NONELECTIVE NON-ESOP ACCOUNT" means a Participant's Account to which are credited Qualified Nonelective Non-ESOP Contributions, if any, and earnings and losses thereon.

2.50 "QUALIFIED NONELECTIVE NON-ESOP CONTRIBUTION" means a contribution made by the Employer pursuant to Section 4.05 for purposes of satisfying the requirements of Section 5.02.

2.51 "REGULAR ACCOUNT" means a Participant's Account to which are credited (a) Matching Contributions made before April 1, 1989, (b) matching contributions made to a Prior Plan (other than CTIP) before April 1, 1989, (c) matching contributions made to the CTIP before October 1, 1990, (d) employee contributions made to the Sperry Plan, and (e) earnings and losses.

2.52 "RIP" means the Unisys Retirement Investment Plan, as in effect on March 31, 1996.

2.53 "RIPII" means the Retirement Investment Plan II, as in effect on November 30, 1996.

2.54 "ROLLOVER ACCOUNT" means a Participant's account to which are credited the (a) Participant's Rollover Contributions, if any, (b) amounts, if any, transferred to a Participant's Account from a Prior Plan which were derived from such Participant's rollover contributions to such Prior Plan, and (c) earnings and losses thereon.

2.55 "ROLLOVER CONTRIBUTION" means a contribution made by a Participant pursuant to Section 4.06.

2.56 "SERVICE" means the periods determined in accordance with the following provisions of this Section 2.55. An Employee's total period of Service shall be determined from the first date the Employee performs an Hour of Service until the date of his Separation from Service.

(a) Service shall include:

(1) periods of active employment with the Employer, an Affiliate, or an Associated Company and with any entity that is a predecessor to the Employer;

(2) periods during which no active duties are performed by the Employee for the Company, an Affiliate, an Associated Company, or any entity that is a predecessor to the Employer because the Employee is:

(A) absent from work because of occupational injury or disease incurred in the course of employment with the Company, an Affiliate, or an Associated Company and on account of such absence receives workers' compensation;

(B) in the service of the Armed Forces of the United States during a period with respect to which an Employer, Affiliate, or an Associated Company is required to give reemployment rights by law, provided the Employee returns to work with the Company, Affiliate, or an Associated Company immediately after the termination of such military service;

(C) absent from work and receives short-term disability benefits under an Employer's short-term disability plan or other plan of the Company, an Affiliate, or an Associated Company providing similar benefits;

(D) for vesting purposes under the Plan, service performed for the Company, an Affiliate, or an Associated Company in a capacity described under subsection (a), (b), (c), (d), or (e) of Section 2.17, prior to the Employee becoming a Covered Employee;

(b) Service shall exclude service prior to the date on which a business is acquired, merged, consolidated, or otherwise absorbed by the Company, an Affiliate, or an Associated Company, or prior to the date the assets of a business are acquired by the Company, an Affiliate, or an Associated Company, unless otherwise provided herein or authorized by the Company.

(c) Notwithstanding any provision of the Plan to the contrary, if a Participant was a participant in a Prior Plan as of the date of the Prior Plan's merger with and into the Plan, such Participant's Service immediately after such merger shall be the greater of:

(1) the Participant's service under the terms of the Prior Plan immediately prior to the date of such Prior Plan's merger with and into the Plan; or

(2) the Participant's Service determined under the Plan without regard to this subsection (c).

(d) To the extent that a prior period of employment with Burroughs Corporation, Memorex Corporation, System Development Corporation, Sperry Corporation, or any Affiliate of the foregoing corporations was not credited under the terms of a Prior Plan, such period shall be counted as Service under the Plan; provided that the Plan has, or is furnished with, evidence of such prior period of employment.

(e) If an Employee separates from Service but returns to employment with the Employer before incurring a one-year Period of Severance, the period between the date he separated from Service and his date of reemployment by the Company, an Affiliate, or an Associated Company.

2.57 "SEVERANCE FROM SERVICE" means the earliest of (a) the date a person quits, retires or is discharged from Service with the Company and all Affiliates and Associated Companies, (b) the date a person dies, or (c) the date following a one-year period during which a person is absent from Service for any other reason. Notwithstanding the foregoing, however, the Severance from Service of a Participant who incurs a Total Disability shall be the earlier of (a) the date the Participant quits, retires, is discharged or dies, or (b) the date his Total Disability ends, provided he does not return to active Service as of such date.

2.58 "SPERRY PLAN" means the Sperry Retirement Program - Part B, as in effect on March 30, 1988.

2.59 "SPOUSE" means the person to whom a Participant is married; provided, however, that a former spouse shall be treated as the Spouse or surviving Spouse to the extent provided under a Qualified Domestic Relations Order.

2.60 "TAX DEDUCTIBLE CONTRIBUTION ACCOUNT" means a Participant's account to which are credited tax deductible contributions, if any, made to the Plan before April 1, 1989, and earnings and losses thereon.

2.61 "TAX DEFERRED ACCOUNT" means a Participant's account to which are credited (a) Tax-Deferred Contributions, if any, (b) tax deferred contributions made under a Prior Plan and transferred to the Plan, (c) basic member contributions, if any, made under the Sperry Plan and transferred to the Plan, and (d) earnings and losses thereon.

2.62 "TAX DEFERRED CONTRIBUTION" means a contribution made by an Employer in accordance with a Participant's salary reduction agreement pursuant to Section 4.01(a).

2.63 "TERMINATION OF EMPLOYMENT" means an Employee's cessation of employment with the Company and all Affiliates and Associated Companies as a result of quitting, retirement, discharge, release or placement on extended lay-off with no expectation of recall, or failure to return to active employment upon expiration of an approved leave of absence.

2.64 "TESTING COMPENSATION" means the total of a Participant's wages, salary and other amounts paid by an Employer and reported in IRS Form W-2, and any amounts deferred under section 402(g)(3) or 125 of the Code and, effective January 1, 2001, section 132(f)(4) of the Code; provided, however, for purposes of Sections 5.02, 5.03 and 5.04, the Administrative Committee may elect to exclude amounts deducted in accordance with sections 125, 132(f)(4), and 402(e)(3) of the Code as Testing Compensation. Notwithstanding the foregoing, any amounts deducted on a pre-tax basis for group health coverage because the Participant is unable to certify that he or she has other health coverage, so long as the Employer does not otherwise request or collect information regarding the Participant's other health coverage as part of the enrollment process for the Employer's health plan, shall be included as Testing Compensation.

2.65 "TOTAL DISABILITY" means a condition resulting from injury or sickness that, in the judgement of the Administrative Committee or its designee:

(a) with regard to the first 24-months of an absence from Service due to a condition resulting from the injury or sickness, constitutes a condition likely to render the Participant unable to perform each of the material duties of his regular occupation; and

(b) with regard to the period of an absence from Service due to a condition resulting from the injury or sickness after the initial 24-months of such absence, constitutes a condition which renders the Participant unable to perform the material duties of any occupation for which he is reasonably fitted by training, education or experience.

Notwithstanding the foregoing, however, in no event shall a Participant be deemed to have incurred a Total Disability until he has exhausted all benefits available under his Employer's short-term disability plan or other plan providing short term disability benefits. For purposes of this Section 2.64, a determination of a Participant's disabled status under the Unisys Long-Term Disability Plan or similar long-term disability plan sponsored by an Employer shall be deemed a conclusive and binding determination of the Participant's Total Disability status under the Plan.

2.66 "TRUST" means the legal entity created by the trust agreement between the Employer and the Trustee, fixing the rights and liabilities with respect to controlling and managing the Fund for the purposes of the Plan.

2.67 "TRUSTEE" means the party or parties appointed by the Board of Directors as trustee of the Trust and named as trustee pursuant to the Trust Agreement or any successors thereto.

2.68 "UNISYS STOCK" means Unisys Corporation common stock, par value $0.01 per share.

2.69 "VALUATION DATE" means each day of each calendar year.

ARTICLE III

ELIGIBILITY FOR PARTICIPATION

3.01 ELIGIBILITY REQUIREMENT. An Employee shall be eligible to become a Participant if he is a Covered Employee.

3.02 PARTICIPATION COMMENCEMENT DATE. Each Covered Employee who was a Participant as of December 31, 2001, shall continue to be a Participant on January 1, 2002, if he is then a Covered Employee. Each other Covered Employee shall be a Participant on his first day of employment as a Covered Employee.

3.03 TIME OF PARTICIPATION-EXCLUDED EMPLOYEES. An Employee who is ineligible to be a Participant because he is not a Covered Employee, shall become a Participant as of the first day on which he becomes a Covered Employee. A Participant shall cease to be an active Participant on any date on which he ceases to be a Covered Employee; however, a Participant who ceases to be a Covered Employee will remain a Participant for distribution purposes under the Plan until such time as he no longer has a vested interest under the Plan.

ARTICLE IV

CONTRIBUTIONS

4.01 TAX DEFERRED CONTRIBUTIONS.

(a) (1) Subject to the limitations contained in Article V, each Employer, other than an Employer domiciled in Puerto Rico, shall make a Tax Deferred Contribution for the Plan Year to the Tax Deferred Account of each of its Covered Employees who, with respect to such Plan Year is a Participant and has filed a salary reduction notice with the Employer that provides for a reduction in Compensation otherwise payable to the Participant by a designated whole percentage that does not exceed the limit described in paragraph (2), and a contribution of that amount by the Employer to the Participant's Tax Deferred Account.

(2) The amount of the Tax Deferred Contribution made for a Participant with respect to any Plan Year pursuant to this subsection (a) shall be the amount specified in the salary reduction notice. The percentage specified shall be a whole percentage of the Participant's Compensation not to exceed (A) 20% with respect to a Non-Highly Compensated Employee, or (B) 18% with respect to a Highly Compensated Employee. The Administrative Committee may, in its discretion, increase or decrease the maximum permissible amount of Tax Deferred Contributions at any time and from time to time as it deems appropriate. Any salary reduction notice shall relate only to Compensation as yet unearned when the notice is filed and may not be amended during the period to which it pertains, except that it may be terminated as to amounts unearned at the date of a Participant's Termination of Employment.

(b) Each Employer, other than an Employer domiciled in Puerto Rico, shall make an additional Salary Deferral Contribution for the Plan Year to the Tax Deferred Account of each of its Covered Employees who, with respect to such Plan Year is a Participant, is age 50 or older as of the last day of the Plan Year, and has elected, in accordance with procedures established by the Administrative Committee and subject to any limitations imposed by the Administrative Committee, to make an additional Salary Deferral Contribution in an amount not to exceed $1,000 for the Plan Year (or such other amount as may be applicable under section 414(v) of the Code), reduced by, to the extent required by the Code and applicable Treasury regulations, any other elective deferrals contributed on the Participant's behalf pursuant to section 414(v) of the Code for the Plan Year; provided, however, that elective deferrals shall be treated for all Plan purposes as contributed under subsection (a) above in lieu of this subsection, unless the Participant is unable to make additional Salary Deferral Contributions under subsection (a) above for the Plan Year due to limitations imposed by the Plan or applicable federal law.

(c) Salary reduction notices pursuant to this Section 4.01 must be made within the time prescribed by the Administrative Committee and shall become effective in accordance with the rules and procedures established by the Administrative Committee.

(d) Subject to, and in accordance with, the rules and procedures established by the Administrative Committee, a Participant may elect to change, discontinue, or resume the percentage of Compensation under his salary reduction notice. All such elections shall become effective in accordance with the rules and procedures established by the Administrative Committee.

4.02 AFTER-TAX CONTRIBUTIONS.

(a) A Participant may make After-Tax Contributions to the Plan by filing a salary reduction notice authorizing the Employer to reduce the after-tax Compensation otherwise payable to the Participant by a designated whole percentage (up to the limit specified in subsection (b)), and deposit such amounts into the Participant's After-Tax Contribution Account.

(b) The amount of the After-Tax Contribution made by a Participant with respect to any Plan Year shall be the amount specified in the salary reduction notice. The percentage specified shall be a whole percentage of the Participant's Compensation not to exceed the following:

(1) with respect to any Participant who is not employed by an Employer domiciled in Puerto Rico, 5%; and

(2) with respect to any Participant who is employed by an Employer domiciled in Puerto Rico, (A) 20% with respect to a Non-Highly Compensated Employee, or (B) 18% with respect to a Highly Compensated Employee.

Any salary reduction notice shall relate only to Compensation as yet unearned when the notice is filed and may not be amended during the period to which it pertains, except that it may be terminated as to amounts unearned at the date of a Participant's Termination of Employment.

(c) Salary reduction notices pursuant to this Section 4.05 must be made within the time prescribed by the Administrative Committee and shall become effective in accordance with the rules and procedures established by the Administrative Committee.

(d) Subject to, and in accordance with, the rules and procedures established by the Administrative Committee, a Participant may elect to change, discontinue, or resume the percentage of Compensation under his salary reduction notice. All such elections shall become effective in accordance with the ruled and procedures established by the Administrative Committee.

4.03 MATCHING CONTRIBUTIONS. Subject to the limitations in Article V, each Employer shall make a Matching Contribution for each Plan Year to the ESOP Account of each of its Covered Employees who, with respect to such Plan Year, is a Participant and has filed a salary reduction notice in accordance with Section 4.01. In addition, subject to the limitations in Article V, each Employer domiciled in Puerto Rico shall make a Matching Contribution for each Plan Year to the ESOP Account of each of its

Covered Employees who made After-Tax Contributions with respect to such Plan Year. The amount of Matching Contributions for pay periods beginning on or after July 1, 1998 shall be the amount determined in accordance with subsections (a) and (b) below.

(a) Subject to the minimum set forth in subsection (b), the amount of the Matching Contribution made in accordance with this Section 4.03 with respect to each pay period in the Plan Year shall be an amount equal to 50% of the first 4% of Compensation deferred Contributed as a Tax Deferred Contribution made pursuant to Section 4.01(a), (or, with respect to Participants employed by an Employer domiciled in Puerto Rico, as an After-Tax Contribution); provided, that the maximum Matching Contribution payable to a Participant shall not equal more than 2% of such Participant's Compensation for the period.

(b) Notwithstanding anything in subsection (a) to the contrary:

(1) each Participant who was employed by an Employer at any time during the period beginning July 1, 1998 and ending December 31, 1998 who had Tax Deferred Contributions made on his behalf for the Plan Year ending December 31, 1998 shall receive a minimum Matching Contribution for such Plan Year in an amount equal to the lesser of:

(A) 1% of the Participant's Compensation not in excess of $80,000 for the period July 1, 1998 through December 31, 1998; or

(B) 25% of the total of the Tax Deferred Contributions made on behalf of the Participant for the Plan Year (regardless of when the Tax Deferred Contributions were made during such Plan Year).

(2) each Participant who was employed by an Employer on December 31 of a Plan Year beginning on or after January 1, 1999 and who had Tax Deferred Contributions made on his behalf shall receive a minimum Matching Contribution, in accordance with procedures adopted by the Administrative Committee, in an amount, when added to the Matching Contributions made on behalf of such Participant (before application of this paragraph), equal to the lesser of:

(A) 2% of the Participant's Compensation not in excess of the limit described in section 401(a)(17) of the Code as in effect with respect to such Plan Year; or

(B) 50% of the total of the Tax Deferred Contributions made on behalf of the Participant for the Plan Year.

4.04 GPEP CONTRIBUTIONS. No contributions may be made to an individual's GPEP Account with respect to any Plan Year beginning on or after January 1, 1998. Amounts, if any, allocated to a Participant's GPEP Account prior to January 1, 1998 shall continue to be held in the GPEP Account until distributed in accordance with the terms of the Plan.

4.05 QUALIFIED NONELECTIVE CONTRIBUTIONS. Subject to the limitations described in Article V, each Employer shall make a Qualified Nonelective Non-ESOP Contribution, a Qualified Nonelective ESOP Contribution, or both in such amount, if any, as the Board shall determine. Qualified Nonelective Non-ESOP Contributions made by an Employer shall be allocated to the Qualified Nonelective Non-ESOP Account of its employees who are both Participants and Non-Highly Compensated Employees. Qualified Nonelective ESOP Contributions made by an Employer shall be allocated to the Qualified Nonelective ESOP Account of its employees who are both Participants and Non-Highly Compensated Employees.

4.06 ROLLOVER CONTRIBUTIONS. With the approval of the Administrative Committee, a Participant may contribute to a Rollover Account all or a portion of the amount payable to the Participant as an eligible rollover distribution from an eligible retirement plan (as defined under section 401(a)(31) of the Code). Any payment to the Plan pursuant to this Section 4.06 shall be made as a direct rollover that satisfies section 401(a)(31) of the Code or shall be made to the Plan within 60 days after the Participant's receipt of the distribution from the plan or individual retirement account in such manner as may be approved by the Administrative Committee.

4.07 CONTRIBUTION ATTRIBUTABLE TO MILITARY SERVICE. If a Participant returns to employment with the Employer following a period of service in the Armed Forces of the United States for which an Employer is required to give reemployment rights by law, the Employer contributions to the Plan with respect to such period shall be as follows:

(a) During the period that begins on the date of the Participant's return to employment and lasts for the lesser of (1) the product of 3 multiplied by the applicable period of military service; or (2) five years, the Participant may elect a Compensation reduction in return for the corresponding Tax Deferred Contributions on his behalf, or After-Tax Contributions, as applicable, that could have been made if the Participant had continued to be employed and received Compensation during the applicable period of military service.

(b) The Employer shall contribute to the Plan, on behalf of each Participant who has been credited under subsection (a) with Tax Deferred Contributions or After-Tax Contributions, Matching Contributions equal to the amount of Matching Contribution that would have been required under Section 4.02 had such Tax Deferred or After-Tax Contributions, as applicable, been made during the applicable period of military service.

A Participant who is entitled to a contribution pursuant to this Section 4.07 shall not be entitled to receive corresponding retroactive earnings attributable to such contribution nor shall he be entitled to participate in the allocation of any forfeiture that occurred during his period of military service. For purposes of this Section 4.07, an Employee's Compensation for the applicable period of military service shall be deemed to equal the amount of Compensation the Employee would have received from the Employer during such period, based on the rate of pay the Employee would have received from the Employer but for the absence due to military service, or, if such rate of pay is not reasonably certain, the Employee's average Compensation during the 12-month period immediately before the qualified military service or, if shorter, the period of employment immediately before the qualified military service. The limitations under Sections 5.01 and 5.04 are applicable to contributions made pursuant to this Section 4.07 for the Plan Year to which the contributions relate. The limitations under Sections 5.02 and 5.03 shall not apply to contributions made pursuant to subsections (a) or (b) of this Section 4.07.

4.08 ALLOCATION OF PAYMENTS RELATING TO EXECUTIVE LIFE INSURANCE COMPANY INSOLVENCY. To the extent the Plan is paid any amount from a state guaranty association with regard to the insolvency of Executive Life Insurance Company in 1991, such amount shall be allocated on a pro rata basis, in accordance with procedures adopted by the Administrative Committee, to the Accounts of any Participant who (a) resided in such state on the applicable trigger date for coverage under the state's guaranty association statute, and (b) had any portion of his Accounts invested, as of April 11, 1991, in a fund that held an Executive Life Insurance Company guaranteed investment contract. The specific Accounts to which a Participant's allocation shall be credited shall be the Accounts which was invested in the guaranteed investment contract.

4.09 FORM AND TIMING OF CONTRIBUTIONS. Contributions shall be made to the Fund as soon as administratively practicable after the close of the payroll period to which they relate. In no event, however, shall Tax Deferred and After-Tax Contributions be made to the Fund later than the date prescribed under applicable regulations. In no event shall Matching Contributions be made to the Fund later than the last date on which amounts so paid may be deducted for federal income tax purposes by the contributing Employer for the taxable year in which the Plan Year ends. Generally, contributions shall be made in cash; provided, however, that Matching Contributions shall be made in the form of Unisys Stock. The value of the Unisys Stock contributed as Matching Contributions shall be equal to the fair market value of such stock at the time of the market closing on the date such Matching Contributions is actually made to the Fund.

4.10 RECOVERY OF EMPLOYER CONTRIBUTIONS. The Employer may recover its contributions under the Plan as follows:

(a) if a contribution is made by an Employer under a mistake of fact, the excess of the amount contributed over the amount that would have been contributed had there not occurred a mistake of fact may be recovered by the Employer within one year after payment of the contribution; or

(b) if the contribution is conditioned upon its deductibility under section 404 of the Code, the contribution may be recovered, to the extent a deduction is disallowed, within one year after the disallowance.

Earnings attributable to an excess contribution may not be recovered by the Employer. Any losses attributable to the excess contribution shall reduce the amount the Employer may recover.

ARTICLE V

LIMITATIONS ON EMPLOYER CONTRIBUTIONS

5.01 DOLLAR LIMITATION ON TAX DEFERRED CONTRIBUTIONS.

(a) The Tax Deferred Contribution made on behalf of a Participant pursuant to Section 4.01(a) for a calendar year shall not exceed the dollar limit specified under section 402(g) of the Code. This dollar limit shall be reduced by the amount, if any, contributed on behalf of the Participant under any other qualified cash or deferred arrangement, simplified employee pension or annuity established under section 403(b) of the Code for the calendar year, other than elective deferral contributions made pursuant to section 414(v) of the Code.

(b) In the event the dollar limit described in subsection (a) is exceeded for a Participant, the Administrative Committee shall direct the Trustee to distribute the excess to the Employee by the April 15 following the end of the calendar year with respect to which the excess occurred. The excess returned to an Employee in accordance with this subsection (b), shall be adjusted for any income or loss thereon up to the date of the distribution of the excess, using the Plan's method for allocating income and loss.

5.02 LIMITATION ON TAX DEFERRED CONTRIBUTIONS FOR HIGHLY COMPENSATED EMPLOYEES.

(a) For each Plan Year the average of the Actual Deferral Percentages for Participants who are Highly Compensated Employees shall be compared to the average of the Actual Deferral Percentages for the other Participants for the preceding Plan Year; the average of the Actual Deferral Percentages for Participants who are Highly Compensated Employees shall not exceed the greater of:

(1) the average of the Actual Deferral Percentages for Participants who are Non-Highly Compensated Employees for the preceding Plan Year, multiplied by 1.25; or

(2) the lesser of:

(A) the average of the Actual Deferral Percentages for Participants who are Non-Highly Compensated Employees for the preceding Plan Year multiplied by two, or

(B) the average of the Actual Deferral Percentages for Participants who are Non-Highly Compensated Employees for the preceding Plan Year plus two.

In the event that the Plan satisfies the requirements of Code section 401(a)(4), 401(k) or 410(b) only if aggregated with one or more other qualified retirement plans, or if one or more other qualified retirement plans satisfy the requirements of these sections only if aggregated with the Plan, then this subsection (a) shall be applied as if all such plans were a single plan.

(b) If in the Plan Year, the average of the Actual Deferral Percentages for Participants who are Highly Compensated Employees exceeds the limit in subsection (a) for a Plan Year, the Administrative Committee shall:

(1) determine the amount by which the Actual Deferral Percentage for Highly Compensated Employee or Employees with the highest Actual Deferral Percentage or Percentages for the Plan Year would need to be reduced to comply with the limit in subsection (a);

(2) convert the excess percentage amount determined under clause (1) into a dollar amount; and

(3) reduce the Tax Deferred Contributions of the Highly Compensated Employee with the greatest dollar amount of Tax Deferred Contributions made on their behalf with respect to the Plan Year pursuant to Section 4.01(a) by the lesser of (A) the amount by which the dollar amount of the affected Highly Compensated Employee's Tax Deferred Contributions made pursuant to Section 4.01(a) exceeds the dollar amount of the Highly Compensated Employee with the next highest dollar amount of Tax Deferred Contributions made pursuant to Section 4.01(a), or (B) the amount of the excess dollar amount determined under clause (2); and

(4) either:

(A) direct the Trustee to return the excess Tax Deferred Contributions, as adjusted in accordance with subsection (d), to the individuals from whose Accounts the excess Tax Deferred Contributions were obtained within two and one-half months following the close of the Plan Year, if administratively practicable, but in no event later than the close of the following Plan Year;

(B) recharacterize the Tax Deferred Contribution as an After-Tax Contribution, to the extent permitted by the applicable Treasury regulations, no later than two and one-half months following the close of the Plan Year; or

(C) make Qualified Nonelective Non-ESOP Contributions, as described under Section 4.04, to the extent necessary to satisfy subsection (a).

(c) To the extent that a Matching Contribution relates to excess Tax Deferred Contributions returned or recharacterized pursuant to subsection (b)(4), such Matching Contributions, as adjusted in accordance with subsection (d), shall be forfeited immediately. Amounts forfeited during the Plan Year shall be used to reduce future Matching Contributions made by the Employer.

(d) The excess Tax Deferred Contributions returned or recharacterized pursuant to subsection (b), and any Matching Contributions forfeited pursuant to subsection (c) shall be adjusted for any income or loss thereon up to the date of distribution or forfeiture, as applicable, using the Plan's method for allocating income and loss.

(e) The amount of the excess Tax Deferred Contributions to be returned pursuant to subsection (b) for a Plan Year shall be reduced by the amount of excess Tax Deferred Contributions previously distributed to the Highly Compensated Employee pursuant to Section 5.01(b) for such Employee's taxable year ending on or within the Plan Year for which the excess Tax Deferred Contributions are returned pursuant to subsection (b).

5.03 LIMITATION ON AFTER-TAX CONTRIBUTIONS AND MATCHING CONTRIBUTIONS FOR HIGHLY COMPENSATED EMPLOYEES.

(a) For each Plan Year the average of the Actual Contribution Percentages for Participants who are Highly Compensated Employees shall be compared to the average of the Actual Contribution Percentages for the other Participants; the average of the Actual Contribution Percentages for Participants who are Highly Compensated Employees shall not exceed the greater of:

(1) the average of the Actual Contribution Percentages for Participants who are Non-Highly Compensated Employees for the preceding Plan Year multiplied by 1.25; or

(2) the lesser of:

(A) the average of the Actual Contribution Percentages for Participants who are Non-Highly Compensated Employees for the preceding Plan Year multiplied by two, or

(B) the average of the Actual Contribution Percentages for Participants who are Non-Highly Compensated Employees for the preceding Plan Year plus two.

In the event that the Plan satisfies the requirements of Code section 401(a)(4), 401(m) or 410(b) only if aggregated with one or more other qualified retirement plans, or if one or more other qualified retirement plans satisfy the requirements of these sections only if aggregated with the Plan, then this subsection (a) shall be applied as if all such plans were a single plan.

(b) If in any Plan Year the average of the Actual Contribution Percentages for Participants who are Highly Compensated Employees exceeds the limit in subsection (a) for a Plan Year, the Administrative Committee shall:

(1) determine the amount by which the Actual Contribution Percentage for Highly Compensated Employee or Employees with the highest Actual Contribution Percentage or Percentages for the Plan Year would need to be reduced to comply with the limit in subsection (a);

(2) convert the excess percentage amount determined under clause (1) into a dollar amount; and

(3) reduce the After-Tax Contributions (including any Tax Deferred Contributions recharacterized as After-Tax Contributions pursuant to Section 5.02(b)(4)(B)) and then, to the extent necessary, the Matching Contributions of the Highly Compensated Employee with the greatest dollar amount of aggregate After-Tax and Matching Contributions made on their behalf with respect to the Plan Year by the lesser of (A) the amount by which the dollar amount of the affected Highly Compensated Employee's aggregate After-Tax and Matching Contributions exceeds the dollar amount of the Highly Compensated Employee with the next highest dollar amount of After-Tax and Matching Contributions, or (B) the amount equal to the excess dollar amount determined under clause (2); and

(4) either:

(A) direct the Trustee to return the excess After-Tax Contributions and vested Matching Contributions, as adjusted in accordance with subsection (c), to the individuals from whose Accounts the excess Matching Contributions were obtained within two and one-half months following the close of the Plan Year, if administratively practicable, but in no event later than the close of the following Plan Year; or

(B) make Qualified Nonelective Non-ESOP Contributions, as described under Section 4.04, to the extent necessary to satisfy the limit under subsection (a); and

(5) direct the Trustee to forfeit the excess unvested Matching Contributions, as adjusted in accordance with subsection (c), to the individuals from whose Accounts the excess Matching Contributions were obtained. Amounts forfeited during the Plan Year shall be used to reduce future Matching Contributions made by the Employer.

(c) To the extent that a Matching Contribution relates to excess After-Tax Contributions returned pursuant to subsection (b)(4), such Matching Contributions, as adjusted in accordance with subsection (d), shall be forfeited immediately. Amounts forfeited during the Plan Year shall be used to reduce future Matching Contributions made by the Employer.

(d) The excess After-Tax and Matching Contributions returned or recharacterized pursuant to subsection (b) shall be adjusted for any income or loss thereon up to the date of the distribution or forfeiture, as applicable, using the Plan's method for allocating income and loss.

(e) Notwithstanding anything in this Section 5.03 to contrary, the provisions of this Section 5.03 shall be applied separately to the After-Tax Contributions of Employees in Puerto Rico by taking into account only such After-Tax Contributions and, to the extent permitted by applicable Treasury regulations, any Tax-Deferred

Contributions or Qualified Nonelective Non-ESOP Contributions or under any other plan maintained by an Employer or an Affiliate that is or could be aggregated with the non-ESOP Portion of the Plan for purposes of section 410(b) of the Code. For purposes of this subsection (e), only Employees in Puerto Rico shall be treated as Employees. In the event that such After-Tax Contributions fail to satisfy the limit under subsection (a) for any Plan Year, the Administrative Committee shall correct such failure in a manner comparable to one or more of the correction methods described in paragraph (4) of subsection (b).

5.04 LIMITATIONS ON ALLOCATIONS.

(a) The maximum allowable addition to any Participant's Accounts for any Plan Year shall be the lesser of:

(1) $40,000 (as adjusted under section 415(d) of the Code); or

(2) 100% of the Participant's Testing Compensation for the Plan Year.

For purposes of this Section 5.04, an addition shall not include Tax Deferred Contributions made pursuant to Section 4.01(b) and Rollover Contributions but shall include all other contributions and forfeitures allocated to a Participant's Accounts for the Plan Year, and all contributions and forfeitures under any other defined contribution plan of the Company or an Affiliate (other than elective deferral contributions made pursuant to section 414(v) of the Code).

(b) If the addition to any Participant's Accounts (other than his Rollover Account) for any Plan Year exceeds the maximum annual allowable addition to such Participant's Accounts under subsection (a), then the excess amount shall be eliminated by reducing the additions made to such Participant's account, by first reducing the Participant's After-Tax Contributions and related Matching Contributions to the extent necessary or, if less, to the extent the After-Tax Contributions made with respect to the Plan Year are exhausted. To the extent there is an excess remaining after this reduction, the Tax Deferred Contributions and related Matching Contributions made on behalf of such Participant shall be reduced. To the extent that an excess remains after this reduction, the Matching Contribution of the Participant shall be reduced. Any After-Tax or Tax Deferred Contributions reduced pursuant to this subsection (b) shall be returned to the Participant. Any Matching Contributions reduced pursuant to this subsection (b) shall be held in a suspense account (which shall share in the investment gains and losses of the Fund) by the Trustee until the following Plan Year. Such amounts shall be used in the following Plan Year to reduce the Matching Contributions otherwise payable by the Employer by which the Participant is employed in such subsequent Plan Year.

(c) In no event shall the amount allocated to the Account of any Participant for any Limitation Year cause the sum of the "defined contribution fraction" and the "defined benefit fraction," as such terms are defined in section 415(e) of the Code, to exceed 1.0, or such other limitation as may be applicable under section 415 of the Code with respect to any combination of qualified plans of the Employer or an without disqualification of any such plan. In the event that the amount tentatively available for allocation to the Account of any Participant in any Limitation Year exceeds the maximum amount permissible hereunder, benefits under the defined benefit plan or plans in which the Participant is participating shall be adjusted to the extent necessary to satisfy the requirements of section 415(e) of the Code. Notwithstanding the foregoing, the limitations described above in this subsection (c) shall not apply with respect to payments due on or after the first day of the limitation year beginning January 1, 2000; provided, however, that the aggregate benefits payable to, or on account of, a Participant who is not credited with an Hour of Service on or after January 1, 2000 shall continue to be subject to the limitations described above in this subsection (c).

5.05 OVERALL DEDUCTIBILITY LIMIT. In no event may the aggregate contribution made by an Employer under the Plan for a Plan Year exceed the amount that may be deducted under section 404 of the Code with respect to such Plan Year.

ARTICLE VI

INVESTMENT AND VALUATION OF ACCOUNTS

6.01 INVESTMENT DIRECTION BY PARTICIPANTS. Except as otherwise provided in Section 6.02, each Participant shall direct the Trustee to invest the amounts credited to his Accounts in one or more Investment Funds, subject to the rules and procedures established by the Administrative Committee. A Participant's investment direction shall be made at the time and in the manner prescribed by the Administrative Committee. If any balance remains in a Participant's Accounts after his death, his Beneficiary shall direct the investment of the amounts credited to the Accounts as if the Beneficiary were the Participant. To the extent required by a Qualified Domestic Relations Order, the alternate payee of a Participant shall direct the investment of the amounts credited to the Participant's Accounts as though the alternate payee were the Participant. To the extent a Participant, Beneficiary or alternate payee directs the investment of the amounts credited to his Accounts, this Plan is intended to be subject to section 404(c) of ERISA, as described under Section 6.07.

6.02 RESTRICTIONS ON PARTICIPANT INVESTMENT DIRECTION. Notwithstanding the investment direction otherwise provided to Participants under Section 6.01, the restrictions set forth below shall apply to the availability of investment direction to Participants.

(a) For periods prior to February 1, 2000, a Participant may not direct the investment of amounts held under his GPEP Account. Instead, with respect to such periods, a Participant's GPEP Account shall be invested solely in the Unisys Common Stock Fund.

(b) A Participant's ESOP Account and Regular Account (excluding amounts attributable to the Burroughs Plan or the Sperry Plan) shall be invested solely in the

Unisys Common Stock Fund until the Participant's attainment of age 50. Upon his attainment of age 50, a Participant may direct the investment of his ESOP Account and Regular Account in accordance with Section 6.01.

(c) Generally, the portion of a Participant's Accounts attributable to the Sperry Plan may be invested in accordance with Section 6.01; provided, however, that any amounts which a Participant directs to have invested in the Unisys Common Stock Fund must remain in such Investment Fund until the Participant attains age 50.

6.03 INVESTMENT FUNDS. The Investment Funds available under the Plan shall be designated by, and at the sole discretion of, the Investment Committee. The Investment Committee, at its sole discretion, may from time to time designate or establish new investment funds or eliminate existing Investment Funds. Investment in any Investment Fund shall be made in accordance with rules formulated by the Investment Committee and the accounting procedures applied under the Plan shall be modified by the Investment Committee to the extent they deem appropriate to reflect investments in that Investment Fund. The Investment Committee has the authority to select and appoint Investment Managers. The Investment Funds shall be managed by the Trustee or an Investment Manager, as applicable. Pending investment, reinvestment or distribution, as provided in the Plan, the Trustee or Investment Manager may temporarily retain the assets of any one or more Investment Funds in cash, commercial paper, short-term government obligations or, unless otherwise directed by the Investment Committee, undivided interests or participations in common or collective funds consisting of short-term investments, including funds of the Trustee or Investment Manager.

6.04 VALUATION OF THE FUND. As of each Valuation Date, any increase or decrease in the fair market value of each Investment Fund (net after deduction of liabilities) since the preceding Valuation Date shall be credited to or deducted from the Accounts, if any, of each Participant. The allocation for each Investment Fund shall be made in the proportion that the balance in each Account invested in the Investment Fund as of the Valuation Date bears to the aggregate balance in all Accounts invested in the Investment Fund on that date. For purposes of the preceding sentence, the Employer's contributions to the Plan for the current year shall be excluded. The fair market value of investments shall be determined in accordance with any reasonable method permitted under regulations prescribed by the United States Department of the Treasury and such reasonable and uniform rules as the Trustee may adopt.

6.05 UNISYS COMMON STOCK FUND. Unless subsequently discontinued by the Investment Committee, the Investment Funds under the Plan shall include the Unisys Common Stock Fund which is a Investment Fund providing for investment and reinvestment exclusively in Unisys Stock, except to the extent cash is held to facilitate purchases and sales within the fund. Investments in the Unisys Common Stock Fund shall be accounted for on the basis of units of the Unisys Common Stock Fund. Shares of Unisys Stock and cash received by the Unisys Common Stock Fund that are attributable to dividends, stock dividends, stock splits or to any reorganization or recapitalization of Unisys Corporation shall remain in or be invested in, as applicable, the Unisys Common Stock Fund and allocated to the Participant Accounts in proportion to the number of units of the Unisys Common Stock Fund held in such accounts. The transfer taxes, brokerage fees and other expenses incurred in connection with the purchase, sale or distribution of Unisys Stock shall be paid by the Unisys Common Stock Fund, and shall be deemed part of the cost of such Unisys Stock, or deducted in computing the sale proceeds therefrom, as the case may be, unless paid by an Employer. The Investment Committee shall determine to what extent a Participant shall bear any other administrative fee incurred by the Plan in connection with the transfer of the Participant's interest in the Unisys Common Stock Fund and provide appropriate written notice to such Participants. The voting and tendering of Unisys Stock held in the Unisys Common Stock Fund shall be subject to the following:

(a) For purposes of this Section, shares of Unisys Stock shall be deemed to be allocated and credited to each applicable Account of the Participant in an amount to be determined based on the balance in such account on the accounting date coincident with or next preceding the record date of any vote or tender offer and the closing price of Unisys Stock on such accounting date or if not traded on that date, on the business day on which shares of Unisys Stock were last traded before that accounting date.

(b) Each Participant who has any amounts under his Account invested in the Unisys Common Stock Fund shall be given notice by the Trustee of the date and purpose of each meeting of the stockholders of the Company at which shares of Unisys Stock are entitled to be voted, and instructions shall be requested from each such Participant as to the voting at the meeting of such Unisys Stock. If the Participant furnishes instructions within the time specified in the notification given to him, the Trustee shall vote such Unisys Stock in accordance with the Participant's instructions. Shares of Unisys Stock that have not been credited to any Participant's Account or for which no instructions were timely received by the Trustees, whether or not credited to the Account of any Participant shall be voted by the Trustee in the same proportion that the allocated and voted shares of Unisys Stock have been voted by Participants. The Investment Committee shall establish procedures under which notices shall be furnished to Participants as required by this subsection (b) and under which the Participants' instructions shall be furnished to the Trustee.

(c) Each Participant who has any amounts under his Account invested in the Unisys Common Stock Fund shall be given notice of any tender offer for, or a request or invitation for tenders of, Unisys Stock made to the Trustees. Instructions shall be requested from each such Participant as to the tendering of shares of Unisys Stock credited to his Account and for this purpose Participants shall be provided with a reasonable period of time in which they may consider any such tender offer for, or request or invitation for tenders of, Unisys Stock made to the Trustees. The Trustees shall tender such Unisys Stock as to which the Trustees have received instructions to tender from Participants within the time specified. Unisys Stock credited to an Account as to which the Trustee has not received instructions from a Participant shall not be tendered. Shares of stock that have not been credited to any Participant's Account shall be tendered by the Trustee in the same proportion that the allocated and tendered shares of Unisys Stock have been tendered by Participants. The Investment

Committee shall establish procedures under which notices shall be furnished to Participants as required by this subsection (c) and under which the Participants' instructions shall be furnished to the Trustee. In carrying out their responsibilities under this subsection (c) the Trustees may rely on information furnished to them by (or under procedures established by) the Investment Committee.

(d) For all purposes of this Section 6.05, the number of shares of Unisys Stock held in a Participant's Account which are invested in the Unisys Common Stock Fund shall be the number of shares of Unisys Stock represented by the number of units held in such accounts after reducing such number of units by the number of units in such accounts which represent cash.

(e) With respect to Participants subject to Section 16 of the Securities Exchange Act of 1934, the Investment Committee shall apply any requirements or restrictions required for the Plan to obtain the protections of Rule 16b-3 under the Securities Exchange Act of 1934 or any successor Rule or regulation intended to replace Rule 16b-3.

6.06 SPECIAL RULE REGARDING APPRAISAL OF UNISYS STOCK. If at any time the Unisys Stock held by the ESOP Portion of the Plan is not readily tradable on an established securities market, all valuations of such Unisys Stock with respect to activities carried on by the Plan shall be made by an independent appraiser meeting the requirements of section 401(a)(28) of the Code.

6.07 SECTION 404(C) COMPLIANCE. The Plan is intended to constitute a plan described in section 404(c) of ERISA and section 2550.404c-1 of the DOL regulations. Thus, no fiduciary of the Plan shall be liable for any loss, or by reason of any breach, which results from any investment direction made by a Participant, Beneficiary or alternate payee under a Qualified Domestic Relations Order. The Company or its delegate shall comply with, or monitor compliance with, as required, all disclosure and other responsibilities described in sections 2550.404c-1(b)(2)(i)(A) and (b)(2)(i)(B)(1) of the DOL regulations except that the Trustee shall monitor compliance with those procedures established to provide confidentiality of information relating to the exercise of voting and tender rights by Participants. If the Company determines that a situation has potential for undue influence by the Company, the Company shall direct an independent party to perform such activities as are necessary to ensure the confidentiality of the rights of Participants.

ARTICLE VII

VESTING

7.01 VESTING SCHEDULE.

(a) A Participant shall at all times be fully vested in the balance of his After-Tax Account, Tax Deferred Account, GPEP Account, Tax Deductible Contribution Account, and Rollover Account.

(b) A Participant employed by an Employer on or after January 1, 2000 shall be fully vested in his ESOP Account and Regular Account. Before January 1, 2000, a Participant generally was fully vested in his ESOP Account and Regular Account upon his completion of a five-year period of Service; provided, however, that:

(1) a Participant who was formerly a participant in CTIP who incurs a Severance from Service after October 1, 1992 was at all times fully vested in his Regular Account and ESOP Account.

(2) a Participant who was formerly a participant in the Burroughs Plan who incurred a Termination of Employment after March 31, 1988, before being credited with five years of Service, or who incurred a Termination of Employment on or before March 31, 1988, before being credited with ten years of Service, shall continue to be vested in the portion of his Account, if any, attributable to his vested matching contributions previously made under the Burroughs Plan in accordance with the terms of the Burroughs Plan on March 31, 1988.

Notwithstanding the foregoing, however, a Participant shall be 100% vested in his ESOP and Regular Account upon the earliest of his attainment of Normal Retirement Age or death, regardless of the number of his years of Service if such event occurs prior to his Termination of Employment.

7.02 FORFEITURES.

(a) The unvested portion of a Participant's Accounts shall be forfeited as of the earlier of the date described in paragraphs (1) and (2) below:

(1) as of the last day of the Plan Year in which a Participant first incurs a Period of Severance;

(2) the last day of the Plan Year following the Plan Year in which the Participant receives a distribution of his entire vested interest under the Plan.

(b) For purposes of subsection (a), a Participant who terminates employment with the Employer and all Affiliates and has no vested interest in his Accounts at such time, shall be deemed to have received a single sum payment of his entire vested interest in his Accounts as of the date of his Termination of Employment. Restorations pursuant to this subsection (b) shall be made from currently forfeited accounts in accordance with subsection (d), or from additional contributions by the employer.

(c) If a Participant whose unvested Account balance is forfeited in accordance with this Section 7.02 is rehired by the Company, an Affiliate, or an Associated Company before incurring a five-year Period of Severance, any amount forfeited under this Section 7.02 shall be restored to his Accounts. Restorations pursuant to this subsection (c) shall be made from currently forfeited amounts in accordance with subsection (d) or from additional contributions by the Employer.

(d) Amounts forfeited in accordance with this Section 7.02 with respect to a Plan Year shall be used first to restore future amounts required to be restored in accordance with subsections (b) or (c) with respect to the Plan Year. After such restoration, if any, is made, such amounts shall be used to reduce the Matching Contribution of the Employer of the Employee to whom the forfeiture relates or pay Plan expenses.

ARTICLE VIII

AMOUNT OF BENEFITS

8.01 BENEFITS UPON SEVERANCE FROM SERVICE. A Participant who incurs a Severance from Service for a reason other than death shall be entitled to a distribution of the entire vested balance of his Accounts as of the Valuation Date coincident with or immediately preceding his Benefit Commencement Date.

8.02 DEATH BENEFITS. If a Participant's Severance from Service occurs by reason of his death, his Beneficiary shall be entitled to a distribution of the entire vested amount credited to the Participant's Accounts as of the Valuation Date coincident with or next following his Benefit Commencement Date.

ARTICLE IX

PAYMENT AND FORM OF BENEFITS

9.01 FORM OF BENEFIT PAID TO PARTICIPANT.

(a) Unless a Participant elects otherwise in accordance with subsection (b), any benefit due a Participant under Article IX shall be paid in a single sum, subject to 9.04. If the vested Account balance to which a Participant is entitled is zero as of the date of the Participant's Severance from Service, such Participant shall be deemed to have received a single sum payment of his entire vested Account balance under the Plan as of such date.

(b) If a Participant's vested Account balance exceeds $1,000 as of his Benefit Commencement Date, he may, in lieu of the single sum payment prescribed under subsection (a), elect an optional form of distribution; provided that such election must be in writing and be made within the Notice Period in the manner prescribed by the Administrative Committee. The optional forms of distribution among which a Participant may elect shall be determined as follows:

(1) an annuity as described below:

(A) Unless an optional form of annuity is elected under paragraph (B), the normal form of an annuity for a married participant is a Qualified Joint and Survivor Annuity and the normal form of annuity for an unmarried participant is a single life annuity.

(B) Subject to the election requirements described in this paragraph (B), a Participant described under this paragraph (B) may elect to receive one of the following forms of annuities in lieu of the normal form of annuity described under paragraph (A):

(i) a reduced monthly pension payable to the Participant for life and, after his death, 50% to his Beneficiary for life; or

(ii) a single life annuity.

An election under this paragraph (B) is only valid if (i) it is in writing, (ii) it is made within the Notice Period, and (iii) the Participant's Spouse, if any, consents to the form of benefit in writing and such consent is witnessed by a notary public or an authorized representative of the Plan. Such election will not be valid, however, if it is made before the Participant receives, within the Notice Period, an explanation from the Administrative Committee of (i) the terms and conditions of the normal form of annuity and the other forms of benefit available to him under the Plan, (ii) the Participant's ability to make, and the effect of, an election to waive the normal form of annuity, (iii) to the extent applicable, the rights of the Participant's Spouse; and (iv) the Participant's ability to make, and the effect of, a revocation of a previous waiver of the normal form of annuity.

(2) monthly, quarterly, semi-annual or annual installments payable over a period of no less than one-year and no greater than the joint life expectancy of the Participant and his Beneficiary.

9.02 BENEFIT COMMENCEMENT DATE.

(a) Except as provided under this Article IX, if the Participant's vested Account balance as of his Benefit Commencement Date does not exceed $1,000, his benefit under the Plan shall be paid in a single sum as soon as administratively practicable following the Valuation Date coinciding with or next following date of the Participant's termination of employment with Employer.

(b) Except as otherwise provided under this Article IX, if the Participant's vested Account balance as of his Benefit Commencement Date is greater than $1,000 the benefit payable to a Participant in accordance with Article VIII shall be paid or commence as of the first day of the month following the Participant's attainment of Normal Retirement Age. If the Participant's Severance from Service occurs before his attainment of Normal Retirement Age, however, the Participant may elect, in writing, to have his benefit paid or commence on the first day of any month following the month in which his Severance from Service occurred.

9.03 FORM AND PAYMENT OF DEATH BENEFIT. A Participant shall designate a Beneficiary or Beneficiaries to receive any benefits which may be payable under the Plan in the event of his death. If the vested Account balance to which a Beneficiary is entitled is $1,000 or less, such amount shall be paid in a single sum, subject to Section 9.04. If the Account balance payable upon a Participant's death is zero, the

Participant's Beneficiary shall be deemed to have received a single sum payment of the Participant's entire Account balance under the Plan or on the date of the Participant's death. If the vested Account balance exceeds $1,000, the form of the death benefit shall be determined as follows:

(a) If a married Participant dies before his Benefit Commencement Date:

(1) if the Participant dies after electing an annuity payment in accordance with Section 9.01(b) and his sole Beneficiary is his surviving Spouse, unless his surviving Spouse elects otherwise in accordance with subsection (b), the Participant's vested Account balance shall be paid to his surviving Spouse in the form of a single life annuity;

(2) if (A) a Participant is unmarried at the time of his death, or (B) is married but either (i) did not elect an annuity form of payment under Section 9.01(b) of the Plan prior to his death, or (ii) designated a Beneficiary other than or in addition to his Spouse, the Participant's vested Account balance shall be paid to his Beneficiary in a single sum, subject to Section 9.04.

(b) If a Participant dies before his Benefit Commencement Date, his Beneficiary may elect one of the following forms of payment in lieu of the form described under subsection (a):

(1) an immediately payable single sum;

(2) a single life annuity; or

(3) monthly installment payments over a period of no less than the life expectancy of the Beneficiary.

(c) If a Participant dies on or after his Benefit Commencement Date but before the entire amount of his benefit has been paid, the remaining amount shall be paid to his Beneficiary in the form and over the period being used at the Participant's date of death.

With respect to a Benefit Commence Date beginning before March 22, 1999, the $1,000 threshold under this Section 9.03 shall take into account all amounts withdrawn or distributed prior to such Benefit Commencement Date.

9.04 FORM OF SINGLE SUM DISTRIBUTIONS. If a benefit under the Plan is payable in a single sum, such amount shall generally be paid in cash. However, a Participant or Beneficiary entitled to a distribution may elect, in the form and manner prescribed by the Administrative Committee, to receive the vested balance of the Account invested in the Unisys Common Stock Fund in the form of whole shares of Unisys Stock (and cash with respect to fractional shares). Before any distribution is made from the Plan in a single sum, the portion of a Participant's ESOP Account that has been invested in Investment Funds other than the Unisys Common Stock Fund, shall be automatically reinvested in the Unisys Stock Fund before distribution.

9.05 PUT OPTIONS. If the Unisys Stock held under the ESOP Portion of the Plan is not readily tradable on an established securities market (within the meaning of section 409(h)(1)(B) of the Code), any Participant who is entitled to a distribution of such shares from the Plan shall have a right to require the Company to repurchase such shares in accordance with section 409(h)(1)(B) of the Code. Unisys Stock held under the ESOP Portion of the Plan shall not be subject to a put, call, or other option, or a buy-sell or similar arrangement either while held by the Plan or when distributed to or on account of a Participant whether or not the Plan is then an Employee Stock Ownership Plan.

9.06 DIRECT ROLLOVERS. In the event any payment or payments, excluding any amount not includible in gross income, to be made to a Distributee pursuant to this Article IX would constitute an "eligible rollover distribution," such Distributee may elect, in accordance with this Section 9.06, that, in lieu of payment to the Distributee, all or part of such "eligible rollover distribution" be rolled over directly to the trustee or custodian of an "eligible retirement plan." Any such request shall be made in writing, on the form and subject to such requirements and restrictions as may be prescribed by the Administrative Committee for such purpose pursuant to Treasury regulations, at such time in advance of the date payment would otherwise be made as may be required by the Administrative Committee. Within the Notice Period, the Administrative Committee shall supply a Participant or other Distributee entitled to receive an "eligible rollover distribution" with a written explanation of the rollover rules and tax treatment applicable to his distribution.

For purposes of this Section 9.06, an "eligible rollover distribution" means a distribution from the Plan, excluding (i) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) over the life (or life expectancy) of the individual, the joint lives (or joint life expectancies) of the individual and the individual's designated beneficiary, or a specified period of ten (10) or more years, (ii) any distribution to the extent such distribution is required under section 401(a)(9) of the Code, and (iii) effective January 1, 1999, any hardship distribution described in section 401(k)(2)(B)(i)(IV) of the Code.

For purposes of this Section 9.06, an "eligible retirement plan" means (1) an individual retirement account described in section 408(a) of the Code, (2) an individual retirement annuity described in section 408(b) of the Code (other than an endowment contract), (3) a qualified plan the terms of which permit the acceptance of rollover distributions, or (4) an annuity plan described in section 403(a) of the Code; provided, however, that the eligible retirement plans described in clauses (3) and (4) shall not apply with respect to a distribution made to a Beneficiary who is the surviving spouse of a Participant.

9.07 MINIMUM REQUIRED DISTRIBUTION. If a Participant is a 5% owner of the Employer (as determined under section 416 of the Code), or if a Participant attained age 70 1/2 before January 1, 2002, he shall receive, with respect to each calendar year during which and following the calendar year in which he attained age 70 1/2, the minimum required distribution amount described under section 401(a)(9) of the Code and the regulations thereunder. In no event shall the first minimum required distribution be made later than the April 1 of the calendar year following the calendar year in which he attained age 70 1/2. The amount of such distribution shall be determined in accordance with section 401(a)(9) of the Code and the regulations thereunder. The amount of minimum required distributions for calendar years prior to 2003 shall be determined and made in accordance with the regulations under section 401(a)(9) of the Code that were proposed in 1987, including the minimum distribution incidental benefit requirement of section 1.401(a)(9)-2 of the proposed regulations. The amount of minimum required distributions for the 2003 calendar year and thereafter shall be determined and made in accordance with the final regulations promulgated under section 401(a)(9) of the Code, including the minimum distribution incidental benefit requirement of Q&A-1(d) of section 1.401(a)(9)-5 of the final regulations.

ARTICLE X

WITHDRAWALS AND LOANS

10.01 GENERAL. A Participant may withdraw amounts from his Account to the extent provided under this Article X. Any withdrawal shall be considered the distribution of a portion of the Participant's benefit and shall be paid in a single sum. A withdrawal shall be disregarded, however, for purposes of determining whether the Participant's Benefit Commencement Date has occurred. A Participant's request for a withdrawal must be made in writing within the period prescribed by the Administrative Committee. The amount of the withdrawal shall be divided proportionally among the Investment Funds in which the Accounts from which the withdrawal is to be made are invested. Withdrawals shall be made in accordance with the procedures established by the Administrative Committee.

10.02 WITHDRAWALS FROM AFTER-TAX ACCOUNT. Subject to the requirements set forth in Section 10.01, a Participant who is an Employee may withdraw all or a portion of the balance of his After-Tax Account (other than earnings on After-Tax Contributions made on or after January 1, 1987), up to one time in any six-consecutive month period. Withdrawals from a Participant's After-Tax Account shall be made in the following order:

(a) After-Tax Contributions made before January 1, 1987; then

(b) Amounts relating to After-Tax Contributions after December 31, 1986, including a pro-rata portion of the earnings thereon; and then

(c) Earnings on After-Tax Contributions made before January 1, 1987.

10.03 WITHDRAWALS FROM TAX DEDUCTIBLE CONTRIBUTION ACCOUNT AND ROLLOVER ACCOUNT. Subject to the requirements set forth in Section 10.01, a Participant may withdraw all or a portion of the balance of his Tax Deductible Contribution Account or Rollover Account at any time.

10.04 WITHDRAWALS FROM REGULAR ACCOUNT. Subject to the requirements set forth in Section 10.01, a Participant who is an Employee may withdraw all or a portion of the balance of his Regular Account, up to one time in any six-consecutive month period if the following requirements are met:

(a) the Participant has withdrawn the entire balance of his After-Tax Account; and

(b) the Participant's aggregate years of participation in this Plan and any Prior Plan is five years.

10.05 WITHDRAWALS FROM ESOP ACCOUNT. Subject to the requirements set forth in Section 10.01, a Participant who is an Employee may withdraw all or a portion of the vested balance of his ESOP Account, up to one time in any six-consecutive month period if the following requirements are met:

(a) the Participant has withdrawn the entire balance of his After-Tax Account and his Regular Account; and

(b) the Participant's aggregate years of participation in this Plan and any Prior Plan is five years.

10.06 WITHDRAWALS FROM GPEP ACCOUNT. Subject to the requirements set forth in Section 10.01, a Participant who is an Employee and who has withdrawn the entire balance of his After-Tax Account and his Regular Account may, up to one time in any six consecutive month period, withdraw the portion of the balance of his GPEP Account attributable to Contributions made at least 36-months prior to the date the withdrawal is requested.

10.07 HARDSHIP WITHDRAWALS.

(a) Subject to the requirements set forth in Section 10.01 and in subsection (b) of this Section 10.07, a Participant may elect a withdrawal from his Tax Deferred Account (excluding any earnings credited after December 31, 1988), on account of an immediate and heavy financial hardship; provided, however, that the amount of such withdrawal must be necessary to satisfy the immediate and heavy financial need as determined under subsections (c) and (d).

(b) In the event a Participant receives a withdrawal under this Section 10.07, the Participant shall be both ineligible to have Tax Deferred Contributions made on his behalf and ineligible to make After-Tax Contribution for the 6-month period following his receipt of the withdrawal.

(c) For purposes of this Section 10.07, an immediate financial hardship is expenses incurred as a result of:

(1) medical expenses of the Participant, his spouse, children or dependents, as described in section 152 of the Code, that are deductible for federal income tax purposes under Code section 213(d);

(2) costs related to the purchase (excluding mortgage payments) of a principal residence for the Participant;

(3) the payment of tuition (and related expenses) for the next 12 months of post-secondary education for the Participant, his spouse, children or dependents; or

(4) the need to prevent the eviction of the Participant from, or foreclosure on the mortgage of, the Participant's principal residence.

The final determination of whether an immediate and heavy financial hardship exists shall be determined by the Administrative Committee or its designee, which shall be under no obligation to verify independently the facts of hardship submitted by a Participant. Unless the Administrative Committee or its designee has actual knowledge to the contrary, the Administrative Committee shall be entitled to rely upon an affidavit signed by the Participant as proof of the elements necessary for a hardship withdrawal.

(d) For purposes of this Section 10.07, a withdrawal shall be deemed to be in the amount necessary to alleviate an immediate financial hardship if:

(1) the amount of the withdrawal does not exceed the amount required to satisfy the immediate and heavy financial need;

(2) the Participant has obtained all available withdrawals and distributions from his Regular Account, ESOP Account, GPEP Account, Tax Deductible Contribution Account, Rollover Account, and After-Tax Contribution Account;

(3) the amount of the withdrawal under this Section 10.07 will not cause the a violation of the maximum loan limitations for any loan outstanding at the time of the withdrawal request; and

(4) the Participant has obtained all nontaxable loans currently available to the Participant from the Plan and all plans maintained by the Company or an Affiliate.

10.08 WITHDRAWALS AFTER AGE 59 1/2. Subject to the requirements set forth in 10.01, after he has attained age 59 1/2, a Participant may withdraw all or any portion of his vested interest in his Account, up to one time in any six-consecutive month period.

10.09 LOANS TO PARTICIPANTS. The Administrative Committee may in its discretion cause the Plan to lend to any qualified Participant an amount, as requested by the Participant, from his Accounts (excluding amounts held in his Tax Deductible Contribution Account or GPEP Account), upon such terms as the Administrative Committee may see fit.

(a) QUALIFICATION FOR LOANS. A Participant is eligible for a Plan loan if he is (1) an Employee, or (2) a Participant who is a party in interest, as determined under section 3(14) of ERISA.

(b) AMOUNT OF LOAN. The amount lent to any Participant shall not exceed the lesser of:

(1) the lesser of $50,000 or 50% of the amount in the Participant's vested interest in his Accounts; or

(2) the greater of $10,000, or one-half of the value of the vested portion of the Employee's accounts under all plans maintained by the Employer and all Affiliates. For purposes of determining the maximum amount of a loan under this subsection (b), the balance of a Participant's Tax Deductible Contribution Account and GPEP Account shall be disregarded. The minimum amount of any loan made to a Participant shall be set by the Administrative Committee from time to time, in a uniform and nondiscriminatory manner. A Participant may not have more than one loan outstanding at any time.

(c) LOAN TERM; INTEREST RATES. Each loan shall be repaid within no less than one year and no more than five years from the date the loan is made, unless the loan proceeds are used to acquire a dwelling that is to be used as the Participant's principal residence, in which event the term of the loan may not be more than fifteen years. Each loan shall bear a fixed rate of interest that is commercially reasonable, as determined by the Administrative Committee.

(d) OTHER LOAN REQUIREMENTS. The amount lent to any Participant shall be debited against all of the Participant's Accounts from which the loan may be made (as determined under subsection (a)) such that the amount of the loan is prorated among such Accounts on the basis of the balance of each Account at the time the loan is made, and the interest paid to the Trustee by the Participant on the loan shall be allocated to such Accounts and to the Account of no other Participant. The amount of any loan, including accrued interest, unrepaid at the time a Participant or his Beneficiary becomes entitled to a distribution under Article IX shall be deducted from the amount otherwise distributable to the Participant or Beneficiary. No note or other document evidencing a loan shall be negotiable or otherwise assignable.

(e) ELECTIONS. In order to be valid, a Participant's request for a loan must be made in the time and manner prescribed by the Administrative Committee.

(f) EXPENSE OF LOAN. The Administrative Committee may charge a reasonable loan processing fee as well as an annual loan administration fee for each year the loan is outstanding. Such fee shall be applied on a uniform and nondiscriminatory manner.

(g) REPAYMENT. Loans shall be repaid in equal installments (not less frequently than quarterly) through payroll withholding or, in the case of a Participant's unpaid authorized leave of absence or lay-off, by personal check. A Participant may fully repay the loan at any time without penalty. Loans shall become immediately due and payable upon a Participant's Termination of Employment, retirement or death.

(h) LOAN SECURITY AND DOCUMENTATION. A loan shall be evidenced by a written document containing such terms and conditions as the Administrative Committee shall determine, and shall be secured by the Participant's vested interest in his Accounts (other than his Tax Deductible Contributions Account).

ARTICLE XI

SPECIAL PROVISIONS FOR TOP-HEAVY PLANS

11.01 DETERMINATION OF TOP-HEAVY STATUS. The Plan shall be considered top-heavy for the Plan Year, if, as of the Determination Date:

(a) the Plan is not part of an Aggregation Group and the Key Employee Ratio, determined by substituting the "Plan" for the "Aggregation Group" each place it appears in Section 2.34, exceeds 60%, or

(b) the Plan is part of an Aggregation Group and the Key Employee Ratio of such Aggregation Group exceeds 60%;

The Plan shall be deemed super top-heavy as to any Plan Year if, as of the Determination Date with respect to such Plan Year, the conditions of subsections (a) or (b) hereof are met with "90%" substituted for "60%" therein.

11.02 MINIMUM CONTRIBUTIONS. For any Plan Year in which the Plan is determined to be top-heavy or super top-heavy within the meaning of Section 11.01, the Plan shall provide a minimum Employer contribution (consisting of Matching Contributions, nonelective Employer contributions, or both) for each Participant who is a Non-Key Employee and has not incurred a Severance from Service by the end of the Plan Year in an amount equal to 5% of the Participant's Testing Compensation.

11.03 ADJUSTMENTS TO MAXIMUM LIMITS ON BENEFITS AND CONTRIBUTIONS. For any Plan Year in which the Plan is determined in accordance with Section 11.01 to be a top-heavy plan or a super top-heavy plan, the definitions of "defined contribution fraction" and "defined benefit fraction" for purposes of the limitation on benefits referenced in Section 5.05 shall be modified as required under section 416 of the Code.

11.04 MINIMUM VESTING. For any Plan Year in which the Plan is defined to be top-heavy or super top-heavy within the meaning of Section 11.01, each Participant during such Plan Year shall become 100% vested in all of his Accounts and shall remain fully vested in such Accounts after the Plan ceases to be top-heavy.

ARTICLE XII

PLAN ADMINISTRATION

12.01 FIDUCIARY RESPONSIBILITY.

(a) The Plan shall be administered by the Administrative Committee, which shall be the Plan's "named fiduciary" and "administrator," as those terms are defined by ERISA, and its agent designated to receive service of process. All matters relating to the administration of the Plan, including the duties imposed upon the plan administrator by law, except those duties relating to the control or management of Plan assets, shall be the responsibility of the Administrative Committee. The Administrative Committee shall have the power to interpret and construe the provisions of the Plan, and to decide such questions as may rise in connection with the operation of the Plan, including interpretation of ambiguous Plan provisions, determination of disputed facts, and application of Plan provisions to unanticipated circumstances. The determination of the Administrative Committee shall be subject to review only for abuse of discretion. The duties and responsibilities of the Administrative Committee also shall include, but not be limited to, the selection of the Investment Funds and the monitoring of the performance of the Trustee.

(b) The Investment Committee shall be responsible for all matters relating to the control and management of Plan assets to the extent not assigned to the Trustee in the Trust Agreement or other instrument. The duties and responsibilities of the Investment Committee shall include, but not be limited to, the selection of the Investment Funds, the selection of the Investment Manager, and the monitoring of the performance of the Investment Manager and Trustee. The Investment Committee shall be a "named fiduciary" as that term is defined by ERISA.

12.02 APPOINTMENT AND REMOVAL OF COMMITTEE. The Administrative Committee and the Investment Committee shall be appointed and may be removed by the Board. Persons appointed to the Administrative Committee or the Investment Committee may be, but need not be, employees of the Employer. Any Administrative Committee or Investment Committee member may resign by giving written notice to the Board, which notice shall be effective 30 days after delivery. An Administrative Committee or Investment Committee member may be removed by the Board by written notice to such Committee member, which notice shall be effective upon delivery. The Board shall promptly select a successor following the resignation or removal of any Administrative Committee or Investment Committee member, if necessary to maintain both an Administrative Committee and the Investment Committee of at least one member.

12.03 COMPENSATION AND EXPENSES OF THE COMMITTEE. Members of the Administrative Committee and members of the Investment Committee who are Employees shall serve without compensation. Members of the Administrative Committee or Investment Committee who are not Employees may be paid reasonable compensation for services rendered to the Plan. Such compensation, if any, and all ordinary and necessary expenses of the Administrative Committee or Investment Committee shall be paid from the Fund unless paid by the Employer.

12.04 COMMITTEE PROCEDURES. The Administrative Committee and Investment Committee may enact such rules and regulations for the conduct of its business and for the administration of the Plan as it may deem desirable. The Administrative Committee and Investment Committee may act either at meetings at which a majority of its members are present or by a writing signed by a majority of its members without the holding of a meeting. Records shall be kept of the meetings and actions of the Administrative Committee and the Investment Committee. No Administrative

Committee or Investment Committee member who is a Participant in the Plan shall vote upon, or take an active role in resolving, any question affecting only his Accounts.

12.05 INDEMNIFICATION OF THE COMMITTEE. Each member of the Administrative Committee and the Investment Committee shall be indemnified by the Company against costs, expenses and liabilities (other than amounts paid in settlement to which the Company does not consent) reasonably incurred by him in connection with any action to which he may be a party by reason of his service as a member of the Administrative Committee or Investment Committee except in relation to matters as to which he shall be adjudged in such action to be personally guilty of negligence or willful misconduct in the performance of his duties. The foregoing right to indemnification shall be in addition to such other rights as the member may enjoy as a matter of law or by reason of insurance coverage of any kind, but shall not extend to costs, expenses and/or liabilities otherwise covered by insurance or that would be so covered by any insurance then in force if such insurance contained a waiver of subrogation. Rights granted hereunder shall be in addition to and not in lieu of any rights to indemnification to which the member of the Administrative Committee or Investment Committee may be entitled pursuant to the bylaws of the Company. Service on the Administrative Committee or Investment Committee shall be deemed in partial fulfillment of the member's function as an employee, officer or director of the Employer, if he serves in that capacity as well as in the role of a member of the Administrative Committee or Investment Committee.

12.06 EXCLUSIVE BENEFIT RULE. The Administrative Committee and Investment Committee shall administer the Plan for the exclusive benefit of Participants and their Beneficiaries.

12.07 CONSULTANTS. The Administrative Committee and Investment Committee may, and to the extent required for the preparation of reports shall, employ accountants, actuaries, attorneys and other consultants or advisors. The fees charged by such accountants, actuaries, attorneys and other consultants or advisors shall represent reasonable compensation for services rendered and shall be paid from the Fund unless paid by the Employer.

12.08 PAYMENT OF PLAN EXPENSES. The expenses incurred by the Employer in connection with the operation of the Plan, including, but not limited to, expenses incurred by reason of the engagement of professional assistants and consultants, shall be expenses of the Plan and shall be payable by the Plan at the direction of the Board. The Employer shall have the option, but not the obligation, to pay any such expenses, in whole or in part, and, by so doing, to relieve the Plan from the obligation of bearing such expenses. Payment of any such expenses by the Employer on one occasion shall not bind the Employer to pay any similar expenses on any subsequent occasion.

12.09 METHOD OF HANDLING PLAN FUNDS. All payments to the Fund shall be made by the employee of the Employer charged with that responsibility by the Board. All payments from the Fund shall be made by the Trustee.

12.10 DELEGATION AND ALLOCATION OF RESPONSIBILITY. To the extent permitted under the terms of the Trust Agreement, the Trustee may, by unanimous action in writing, delegate or assign any of its responsibilities for administering the Plan to one or more individuals or entities. In the event of any such delegation or allocation, the Trustee shall establish procedures for the thorough and frequent review of the performance of such duties. Persons to whom responsibilities have been delegated may not delegate to others any discretionary authority or discretionary control with respect to the management or administration of the Plan.

12.11 CLAIMS PROCEDURES.

(a) INITIAL CLAIM. In the event of a claim by a Participant or his or her Beneficiary with respect to the Plan, such claimant shall present his or her claim in writing to the Administrative Committee. The Administrative Committee shall, within 90 days after receipt of such written claim, make a determination and send a written or electronic notification to the claimant as to its disposition. If warranted by special circumstances, the Administrative Committee shall be allowed an extension of time not to exceed 90 days from the end of the initial period and shall so notify the claimant. In the event the claim is wholly or partially denied, such notification shall:

(1) state the specific reason or reasons for the denial;

(2) make specific reference to the pertinent provisions of the Plan upon which the denial is based;

(3) provide a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary;

(4) set forth the procedure by which the claimant may appeal the denial of his or her claim and the applicable time limitations; and

(5) a statement of the claimant's rights to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on appeal.

(b) REVIEW OF DENIAL. In the event a claimant wishes to appeal the denial of his claim, he may request a review of such denial by making application in writing to the Administrative Committee within 60 days after receipt of such denial. Such claimant (or his or her duly authorized representative) may, upon written request to the Administrative Committee and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim for benefits. In addition, the claimant or his authorized representative may submit issues and comments to the Administrative Committee in writing. Appeals not timely filed shall be barred. Within 60 days after receipt of a written appeal the Administrative Committee shall make a determination and notify the claimant of its final decision. If warranted by special circumstances, the Administrative Committee shall be allowed an extension of time not to exceed 120 days from the receipt of the appeal and shall so notify the claimant. The final decision on review shall contain:

(1) specific reasons therefor;

(2) specific Plan references upon which it is based;

(3) a description of the claimant's right to, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim for benefits;

(4) a description of any voluntary appeals procedures offered by the Plan; and

(5) a statement of the claimant's rights to bring a civil action under section 502(a) of ERISA.

If the Administrative Committee has not exceeded the time limitations set forth in this Section 12.11, the decision shall be final and conclusive on all persons claiming benefits under the Plan, subject to applicable law. If the claimant challenges the decision of the Administrative Committee, a review by a court of law shall be limited to the facts, evidence, and issues presented during the claims procedure set forth above. The review process described herein must be exhausted before the claimant can pursue the claim in federal court. Facts and evidence that become known to the claimant after having exhausted the review procedure may be submitted for reconsideration of the review in accordance with the time limits established above. Issues not raised during the review process shall be deemed waived.

ARTICLE XIII

AMENDMENT AND TERMINATION

13.01 AMENDMENT. The Plan may be amended at any time and from time to time by or pursuant to a formal written action of the Board, the Compensation and Organization Committee of the Board, the Company's Chief Financial Officer, the Company's Vice-President of Human Resources, or the Administrative Committee, subject to the following restrictions:

(a) the Administrative Committee may make amendments only to the extent that they are necessary or appropriate to maintain the Plan's compliance with the applicable statutes or regulations;

(b) the Company's Chief Financial Officer and Vice-President of Human Resources may make amendments only to the extent that the effect of the amendments results in an annual cost of less than $1,000,000;

(c) the Company's Chief Executive Officer may make amendments only to the extent that the effect of the amendments results in an annual cost less than $25,000,000; and

(d) the Corporate Governance and Compensation Committee of the Board may make amendments only to the extent that the affect of the amendments results in an annual cost less than $50,000,000.

Notwithstanding the foregoing, however, to the extent that the Company's Corporate Delegation Chart or other action of the Board modifies the amendatory authority described in the preceding sentence, the Plan shall be deemed to have been amended in accordance with the Delegation of Authority Chart or such Board action. In no event shall an amendment be effective to the extent that it has the effect of decreasing the balance of a Participant's Account or eliminating an optional form of benefit payment for benefits attributable to service before the later of the date the amendment is adopted or the date it becomes effective, except to the extent permissible under section 411(d)(6) of the Code and the regulations thereunder. If the vesting schedule of the Plan is amended, the nonforfeitable interest of a Participant in his Accounts, determined as of the later of the date the amendment is adopted or the date it becomes effective, shall not be less than the Participant's nonforfeitable interest in his Accounts determined without regard to such amendment. If the Plan's vesting schedule is amended, each Participant with three or more Years of Service may elect to have the nonforfeitable percentage of his Accounts computed under the Plan without regard to such amendment. The Participant's election shall be made within 60 days after the latest of (1) the date the amendment is adopted, (2) the date the amendment becomes effective, or (3) the date the Participant is given written notice of the amendment by the Board or the Trustee.

13.02 TERMINATION OR PARTIAL TERMINATION.

(a) RIGHT TO TERMINATE RESERVED. While the Company intends to continue the Plan indefinitely, it reserves the right to terminate the Plan at any time by formal written action of the Board. Further, any Employer may, at any time for any reason, withdraw from participation in the Plan, in whole or in part, by action of its governing board.

(b) TREATMENT OF PARTICIPANTS UPON TERMINATION. If the Plan is terminated or partially terminated, Accrued Benefits of the Participants affected thereby shall immediately vest and be nonforfeitable, to the extent funded. No employees of such Employer who are not then Participants may thereafter be admitted to the Plan, and the Employer shall make no further contributions to the Fund.

(c) LIABILITY OF EMPLOYER. The Employer shall have no liability in respect of payment under the Plan, except to pay over to the Trustee the contributions otherwise required under the Plan, and each Participant or his Beneficiary shall look solely to the Trust for distribution of benefits under the Plan.

(d) SUCCESSOR EMPLOYERS. Unless this Plan is terminated earlier, a successor employer of the Employees of the Employer may continue this Plan and Trust by joining with the Trustee in executing an appropriate supplemental agreement. Such successor employer shall ipso facto succeed to all the rights, powers, and duties of the Employer hereunder. In such event, the Plan shall not be deemed to have terminated and the employment of any Employee who is continued in the employ of such successor Employer shall be deemed not to have been terminated or severed for any purposes hereunder.

ARTICLE XIV

MISCELLANEOUS

14.01 MERGER, CONSOLIDATION OR TRANSFER OF ASSETS OR LIABILITIES. The Company reserves the right to merge or consolidate the Plan with any other defined contribution plan qualified under section 401(a) of the Code, or to transfer Plan assets or liabilities to any other qualified defined contribution plan, provided that the amount standing to the credit of each Participant's Accounts immediately after any such merger, consolidation or transfer of assets or liabilities shall be at least equal to the amount standing to the credit of the Participant's Accounts immediately before such merger, consolidation or transfer, determined as if the Plan had then terminated.

14.02 LIMITED PURPOSE OF PLAN. The establishment or existence of the Plan shall not confer upon any Employee the right to be continued as an Employee. The Employer expressly reserves the right to discharge any Employee whenever in its judgment its best interests so require.

14.03 NONALIENATION. No benefit payable under the Plan shall be subject in any manner to anticipation, assignment, or voluntary or involuntary alienation. This Section 14.03 shall not preclude the Trustee from complying with the terms of (a) a Qualified Domestic Relations Order, (b) a federal tax levy made pursuant to section 6331 of the Code, (c) subject to section 401(a)(13) of the Code, a judgement relating to the Participant's conviction of a crime involving the Plan, or (d) subject to section 401(a)(13) of the Code, a judgement, order, decree, or settlement agreement between the Participant and the United States Department of Labor or the Pension Benefit Guaranty Corporation relating to a violation (or an alleged violation) of part 4 subtitle B or Title I of ERISA.

14.04 GENERAL DISTRIBUTION REQUIREMENTS. All distributions under the Plan shall be determined and made in accordance with the minimum distribution incidental death benefit requirements of the regulations under section 401(a)(9) of the Code. Effective prior to January 1, 2003, all distributions shall be determined and made in accordance with the minimum distribution requirements of the regulations under section 401(a)(9) of the Code that were proposed in 1987, including the minimum distribution incidental benefit requirement of section 1.401(a)(9)-2 of the proposed regulations. Effective January 1, 2003, all distributions shall be determined and made in accordance with the final regulations promulgated under section 401(a)(9) of the Code, including the minimum distribution incidental benefit requirement of Q&A-1(d) of section 1.401(a)(9)-5 of the final regulations; provided, however, that the amount of any payments made to a Participant with a Benefit Commencement Date prior to January 1, 2003 shall not be decreased by the application of the final regulations.

14.05 FACILITY OF PAYMENT. If the Administrative Committee, in its sole discretion, deems a Participant or Beneficiary who is entitled to receive any payment hereunder to be incompetent to receive the same by reason of age, illness, infirmity or incapacity of any kind, the Administrative Committee may direct the Trustee to apply such payment directly for the benefit of such person, or to make payment to any person selected by the Administrative Committee to disburse the same for the benefit of the Participant or Beneficiary. Payments made pursuant to this Section 14.05 shall operate as a discharge, to the extent thereof, of all liabilities of the Employer, the Trustee, the Administrative Committee and the Fund to the person for whose benefit the payments are made.

14.06 IMPOSSIBILITY OF DIVERSION. All Plan assets shall be held as part of the Fund until paid to satisfy allowable Plan expenses or to provide benefits to Participants or their Beneficiaries. It shall be impossible, unless Section 4.10 or 14.07 applies, for any part of the fund to be used for, or diverted to, purposes other than the exclusive benefit of the Participants or their Beneficiaries or the payment of the reasonable expenses of the administration of the Plan or of the Fund or both, and the Fund shall continue for such time as may be necessary to accomplish the purposes for which it was established.

14.07 UNCLAIMED BENEFITS. If a Participant or Beneficiary to whom a benefit is payable under the Plan cannot be located following a reasonable effort to do so by the Trustee, such benefit shall be forfeited but shall be reinstated if a claim therefor is filed by the Participant or Beneficiary.

14.08 CONTINGENT EFFECTIVENESS OF PLAN AMENDMENT AND RESTATEMENT. The effectiveness of this amendment and restatement of the Plan shall be subject to and contingent upon a determination by the District Director of the Internal Revenue Service that the Plan and Trust continue to be qualified under the applicable provisions of the Code, so that the contributions by the Employer are deductible when made and the Trust continues to be exempt from federal income tax. If the District Director determines that the amendment and restatement adversely affect the existing qualified status of the Plan and Trust, then, upon notice to the Trustee, the Board shall have the right further to amend the Plan or to rescind the amendment and restatement.

14.09 CONTROLLING LAW. The Plan shall be construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania to the extent not preempted by federal law, which shall otherwise control.

IN WITNESS WHEREOF, and is evidence of the adoption of the Plan as amended and restated herein, Unisys Corporation has caused this instrument to be executed by its duly authorized representatives and corporate seal to be affixed hereto this day of ______ 2002.

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Janet Brutschea Haugen	David O. Aker

Exhibit 12

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

	Years Ended December 31				
	2002	2001	2000	1999	1998
FIXED CHARGES					
Interest expense	$ 66.5	$ 70.0	$ 79.8	$ 127.8	$ 171.7
Interest capitalized during the period	13.9	11.8	11.4	3.6	-
Amortization of debt issuance expenses	2.6	2.7	3.2	4.1	4.6
Portion of rental expense representative of interest	53.0	53.9	42.2	46.3	49.1
Total Fixed Charges	136.0	138.4	136.6	181.8	225.4
EARNINGS					
Income (loss) from continuing operations before income taxes	332.8	(46.5)	379.0	770.3	594.2
Add (deduct) the following:					
Share of loss (income) of associated companies	14.2	(8.6)	(20.5)	8.9	(.3)
Amortization of capitalized interest	8.8	5.4	2.2	-	-
Subtotal	355.8	(49.7)	360.7	779.2	593.9
Fixed charges per above	136.0	138.4	136.6	181.8	225.4
Less interest capitalized during the period	(13.9)	(11.8)	(11.4)	(3.6)	-
Total earnings	$ 477.9	$ 76.9	$ 485.9	$ 957.4	$ 819.3
Ratio of earnings to fixed charges	3.51	*	3.56	5.27	3.63

* Earnings for the year ended December 31, 2001 were inadequate to cover fixed charges by approximately $61.5 million.

FINANCIAL REVIEW

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

OVERVIEW

In recent years, the company has been transitioning its business model to strengthen its capabilities as a services-led, technology-based solutions provider. As part of this transformation, the company has moved away from low-margin, commodity-type products and services to higher-end, value-added business opportunities, such as business process outsourcing, managed infrastructure services, business consulting, enterprise security, and high-end server technology. As a result of this transformation, the company has seen a fundamental shift in its revenue composition. For 2002, 76% of the company's revenue came from its Services segment while 24% of revenue came from its Technology segment. By contrast, in the year 2000, 69% of the company's revenue came from the Services segment while 31% of revenue derived from its Technology segment.

In addition, during this time period the IT services and technology industry has experienced a severe contraction in demand resulting from a weak economic environment worldwide. In response to these business conditions, in the fourth quarters of 2001 and 2000, the company took significant charges for work-force reductions and other actions to reduce its cost base and reposition its business model as a services-led, technology-enabled solutions provider. See Note 4 of the Notes to Consolidated Financial Statements.

RESULTS OF OPERATIONS

COMPANY RESULTS

In 2002, the company reported net income of $223.0 million, or $.69 per share, compared to a net loss of $67.1 million, or $.21 per share in 2001, and net income of $225.0 million, or $.71 per diluted share, in 2000. The results for 2001 include a fourth-quarter pretax charge of $276.3 million, or $.64 per share, principally for a work-force reduction, as well as an extraordinary charge of $17.2 million, or $.05 per share, for the early extinguishment of debt. Excluding these items, earnings per share in 2001 was $.48. The results for 2000 include a fourth-quarter pretax charge of $127.6 million, or $.29 per diluted share, principally for a work-force reduction, 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. See Note 4 of the Notes to Consolidated Financial Statements.

Revenue for 2002 was $5.61 billion compared to $6.02 billion in 2001 and $6.89 billion in 2000. Revenue in 2002 decreased 7% from the prior year. The decrease was due to a decline in Technology revenue of 16% as well as a 4% decline in Services revenue. Foreign currency fluctuations had a negligible impact on revenue in 2002. Revenue in 2001 decreased 13% from 2000. The decrease was due to a decline in Technology revenue of 27% as well as a 6% decline in Services revenue. Excluding the negative impact of foreign currency fluctuations, revenue in 2001 declined 9%. Revenue from international operations in 2002, 2001 and 2000 was $3.11 billion, $3.42 billion and $4.01 billion, respectively. Revenue from U.S. operations was $2.50 billion in 2002, $2.60 billion in 2001 and $2.88 billion in 2000.

Total gross profit percent was 30.1% in 2002, 24.6% (27.4% exclusive of the fourth-quarter charge of $163.8 million) in 2001 and 30.3% (31.2% exclusive of the fourth-quarter charge of $56.1 million) in 2000. The increase in gross profit in 2002 from 2001 was principally due to the company's focus on higher value-added business opportunities and continued tight cost controls, including the personnel reduction actions taken in the last two years. The decrease in the 2001 gross profit margin from 2000 primarily reflected lower sales of high-margin enterprise servers and services, which were impacted by the general falloff in demand industrywide for information technology products and services.

Selling, general and administrative expenses were $.99 billion in 2002 (17.7% of revenue), $1.16 billion in 2001 ($1.07 billion or 17.8% of revenue excluding the fourth-quarter charge of $83.2 million) and $1.33 billion in 2000 ($1.28 billion or 18.5% of revenue excluding the fourth-quarter charge of $51.9 million). The decreases, net of the impacts of the fourth-quarter charges in 2001 and 2000, reflect the benefits of the personnel reduction actions announced in the fourth quarter of 2001 and 2000 and continued tight cost controls.

Research and development ("R&D") expenses in 2002 were $273.3 million compared to $331.5 million in 2001 ($303.9 million before the fourth-quarter charge of $27.6 million) and $333.6 million in 2000 ($315.4 million before the fourth-quarter charge of $18.2 million). The lower level of R&D reflects changes that the company has made to improve efficiencies, including the consolidation of R&D activities in systems integration to improve synergies and the use of lower-cost offshore resources for software support. Although the amount of R&D is down, the company continues to invest in high-end Cellular MultiProcessing (CMP) server technology and in key programs within its industry practices.

In 2002, the company reported operating income of $423.2 million, or 7.5% of revenue, compared to a loss of $4.5 million in 2001 ($270.1 million income or 4.5% of revenue before the fourth-quarter charge of $274.6 million) and income of $426.8 million in 2000 ($553.0 million or 8.0% of revenue before the fourth-quarter charge of $126.2 million).

Interest expense was $66.5 million in 2002, $70.0 million in 2001 and $79.8 million in 2000. The decline in 2002 was due to lower average interest rates and an increase in 2002 over 2001 in capitalized interest expense. The decline in 2001 was principally due to lower average borrowings and lower average interest rates.

Other income (expense), net, which can vary from year to year, was an expense of $23.9 million in 2002, income of $28.0 million in 2001 and income of $32.0 million in 2000. The difference in 2002 from 2001 was principally due to foreign exchange losses of $1.2 million in 2002 compared to foreign exchange gains of $21.4 million in 2001 (principally relating to Latin America) and equity investment losses of $12.4 million in 2002 (principally due to a charge of $21.8 million relating to the company's share of an early retirement charge recorded by Nihon Unisys, Ltd.) compared to gains of $10.4 million in 2001.

Pension income for 2002 was $143.5 million compared to $170.0 million in 2001 and $139.0 million in 2000. At the beginning of each year, accounting rules require that the company establish an expected long-term rate of return on its pension plan assets. The principal reason for the decline in pension income in 2002 was that, effective January 1, 2002, the company reduced its expected long-term rate of return on plan assets for its U.S. pension plan to 9.5% from 10.0%. This change caused 2002 pension income in the U.S. to decline by approximately $24 million from the 2001 amount. The company records pension income or expense, as well as other employee-related costs such as FICA and medical insurance costs, in operating income in the following income statement categories: cost of sales; selling, general and administrative expenses; and research and development expenses. The amount allocated to each line is based on where the salaries of the active employees are charged.

Income before income taxes in 2002 was $332.8 million compared to a loss of $46.5 million in 2001 ($229.8 million income excluding the fourth-quarter charge of $276.3 million) and income of $379.0 million in 2000 ($506.6 million income excluding the fourth-quarter charge of $127.6 million).

The provision for income taxes in 2002 was $109.8 million (33% effective tax rate) compared to $3.4 million ($75.9 million excluding the fourth-quarter charge of $72.5 million, representing a 33% effective tax rate) in 2001 and $134.2 million ($172.3 million excluding the fourth-quarter charge of $38.1 million, representing a 34% tax rate) in 2000. It is expected that the effective tax rate will be 33% for 2003.

At December 31, 2002, the company owned approximately 28% of the voting common stock of Nihon Unisys, Ltd., a publicly traded Japanese company ("NUL"). The company accounts for this investment by the equity method. NUL is the exclusive supplier of the company's hardware and software products in Japan. The company considers its investment in NUL to be of a long-term strategic nature. For the years ended December 31, 2002, 2001 and 2000, total direct and indirect sales to NUL were approximately $270 million, $340 million and $530 million, respectively.

At December 31, 2002, the market value of the company's investment in NUL was approximately $171 million and the amount recorded on the company's books was $110.7 million, which is net of $80.4 million relating to the company's share of NUL's minimum pension liability adjustment. The market value is determined by both the quoted price per share of NUL's shares on the Tokyo stock exchange and the current exchange rate of the Japanese yen to the U.S. dollar. At any point in time, the company's book value may be higher or lower than the market value. The company would reflect impairment in this investment only if the loss in value of the investment were deemed to be other than a temporary decline.

SEGMENTS RESULTS

The company has two business segments: Services and Technology. Revenue classifications by segment are as follows: Services - systems integration, outsourcing, infrastructure services, and core maintenance; Technology - enterprise-class servers and specialized technologies. The accounting policies of each business segment are the same as those followed by the company as a whole. Intersegment sales and transfers are priced as if the sales or transfers were to third parties. Accordingly, the Technology segment recognizes intersegment revenue and manufacturing profit on hardware and software shipments to customers under Services contracts. The Services segment, in turn, recognizes customer revenue and marketing profit on such shipments of company hardware and software to customers. The Services segment also includes the sale of hardware and software products sourced from third parties that are sold to customers through the company's Services channels. In the company's consolidated statements of income, the manufacturing costs of products sourced from the Technology segment and sold to Services customers are reported in cost of revenue for Services. Also included in the Technology segment's sales and operating profit are sales of hardware and software sold to the Services segment for internal use in Services engagements. The amount of such profit included in operating income of the Technology segment for the years ended December 31, 2002, 2001 and 2000, was $19.2 million, $21.8 million and $23.6 million, respectively. The profit on these transactions is eliminated in Corporate. The company evaluates business segment performance on operating income exclusive of restructuring charges and unusual and nonrecurring items, which are included in Corporate. All other corporate and centrally incurred costs are allocated to the business segments based principally on revenue, employees, square footage or usage.

Information by business segment for 2002, 2001 and 2000 is presented below:

(Millions of dollars)	Total	Eliminations	Services	Technology
2002				
Customer revenue	$ 5,607.4		$ 4,285.1	$ 1,322.3
Intersegment		$ (331.9)	38.8	293.1
Total revenue	$ 5,607.4	$ (331.9)	$ 4,323.9	$ 1,615.4
Gross profit percent	30.1%		22.2%	46.5%
Operating income percent	7.5%		5.9%	11.7%
2001				
Customer revenue	$ 6,018.1		$ 4,444.6	$ 1,573.5
Intersegment		$ (363.4)	73.8	289.6
Total revenue	$ 6,018.1	$ (363.4)	$ 4,518.4	$ 1,863.1
Gross profit percent	27.4%		19.7%	43.0%
Operating income percent	4.5%		2.1%	11.6%
2000				
Customer revenue	$ 6,885.0		$ 4,741.6	$ 2,143.4
Intersegment		$ (437.2)	46.6	390.6
Total revenue	$ 6,885.0	$ (437.2)	$ 4,788.2	$ 2,534.0
Gross profit percent	31.2%		21.6%	44.7%
Operating income percent	8.0%		1.7%	17.7%

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

In the Services segment, customer revenue was $4.29 billion in 2002, $4.44 billion in 2001 and $4.74 billion in 2000. Revenue in 2002 was down 4% from 2001, as an 11% increase in outsourcing ($1.44 billion in 2002 compared to $1.30 billion in 2001) was more than offset by a 24% decline in infrastructure services ($.83 billion in 2002 compared to $1.09 billion in 2001) and a 4% decline in core maintenance revenue ($.56 billion in 2002 compared to $.58 billion in 2001). Systems integration revenue in 2002 was $1.46 billion compared to $1.47 billion in 2001. Services customer revenue in 2001 was down 6% from 2000, as a 9% increase in outsourcing was more than offset by a 17%

decline in infrastructure services, an 8% decline in systems integration and a 7% decline in core maintenance revenue. Within the Services segment, the change in revenue in 2002 from 2001 reflects market conditions. Market demand in the Services segment currently varies by revenue classification. Demand for services that drive short-term cost and process efficiencies (outsourcing) remains strong, while market demand for project-based work (systems integration and infrastructure services) remains weak. The growth in outsourcing revenue, which was particularly driven by growth in business process outsourcing, and the decline in both systems integration and infrastructure services were reflective of these market conditions. In addition, the decline in Services customer revenue in 2002 from 2001 reflected the company's de-emphasis in 2001 of low-margin commodity hardware sales within infrastructure services contracts. The core maintenance decline is reflective of the long-term industry trend for reduction in maintenance, as the underlying equipment reliability has improved over time. Additionally, the decline in Services customer revenue in 2001 from 2000 reflected the company's de-emphasis in 2001 of low-margin commodity hardware sales within infrastructure services contracts. Services gross profit was 22.2% in 2002, 19.7% in 2001 and 21.6% in 2000, and Services operating income percent was 5.9% in 2002, 2.1% in 2001 and 1.7% in 2000. The company achieved the margin improvements in 2002 by executing its strategy of selective pursuit of higher value-added business opportunities and resizing its work force to meet the market demand. The decrease in 2001 margins compared to 2000 was largely due to a lower content of higher-margin systems integration and core maintenance revenue. In addition, margins in 2001 were negatively impacted by the start-up of several large outsourcing contracts. Typically, in the early phases of these contracts, gross margins may be lower than in later years when the work force and facilities have been rationalized for efficient operations, and an integrated systems solution has been implemented.

In the Technology segment, customer revenue was $1.32 billion in 2002, $1.57 billion in 2001 and $2.14 billion in 2000. Demand throughout the period in the Technology segment remained weak industrywide as customers deferred spending on new computer hardware and software. Revenue in 2002 was down 16% from 2001, due to a 30% decrease in sales of specialized technology products ($.37 billion in 2002 compared to $.52 billion in 2001) and a 9% decline in sales of enterprise-class servers ($.96 billion in 2002 compared to $1.05 billion in 2001). In addition to weak industrywide demand for technology products and software, the decline in customer revenue in 2002 reflected lower commodity hardware sales as a result of the company's decision to de-emphasize sales of these products. The 27% decline in customer revenue in 2001 from 2000 reflected the impact of the global downturn in information technology spending on sales of high-end server products, as well as lower commodity hardware sales as a result of the company's decision to de-emphasize sales of these products. Technology gross profit percent was 46.5% in 2002, 43.0% in 2001 and 44.7% in 2000, and Technology operating income percent was 11.7% in 2002, 11.6% in 2001 and 17.7% in 2000. The margin improvements in 2002 primarily reflected a higher proportion of high-end, higher-margin products within ClearPath revenue, increased demand for high-end payment systems products and continued tight cost controls. The decrease in 2001 margins was due in large part to lower sales of high-end ClearPath systems as compared to 2000.

NEW ACCOUNTING PRONOUNCEMENTS

Effective January 1, 2002, the company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 no longer permits the amortization of goodwill and indefinite-lived intangible assets. Instead, these assets must be reviewed annually for impairment in accordance with this statement. SFAS No. 142 required the company to perform a transitional impairment test of its goodwill as of January 1, 2002, as well as perform impairment tests on an annual basis and whenever events or circumstances occur indicating that the goodwill may be impaired. During 2002, the company performed its transitional and annual impairment tests, which indicated that the company's goodwill was not impaired.

Effective January 1, 2002, the company adopted SFAS No. 143, "Accounting for Asset Retirement Obligations." This statement addresses financial accounting and reporting for legal obligations associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and normal operation of a long-lived asset. SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and subsequently allocated to expense over the asset's useful life. Adoption of SFAS No. 143 had no effect on the company's consolidated financial position, consolidated results of operations, or liquidity.

Effective January 1, 2002, the company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 144 requires an impairment loss to be recognized only if the carrying amounts of long-lived assets to be held and used are not recoverable from their expected undiscounted future cash flows. Adoption of SFAS No. 144 had no effect on the company's consolidated financial position, consolidated results of operations, or liquidity.

In April 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 rescinds SFAS No. 4, which required that all gains and losses from extinguishment of debt be reported as an extraordinary item. The provisions of SFAS No. 145 related to the rescission of SFAS No. 4 must be applied in fiscal years beginning after May 15, 2002. The company will adopt this statement effective January 1, 2003. Previously recorded losses on the early extinguishment of debt that were classified as an extraordinary item in prior periods will be reclassified to other income (expense), net. The adoption of SFAS No. 145 will have no effect on the company's consolidated financial position, consolidated results of operations, or liquidity.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No. 146 replaces previous accounting guidance provided by Emerging Issues Task Force ("EITF") Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)," and will be effective for the company for exit or disposal activities initiated after December 31, 2002. The company does not believe that adoption of this statement will have a material impact on its consolidated financial position, consolidated results of operations, or liquidity.

In November 2002, the FASB issued EITF Issue No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables." This issue addresses how to account for arrangements that may involve the delivery or performance of multiple products, services and/or rights to use assets. The final consensus of this issue is applicable to agreements entered into in fiscal periods beginning after June 15, 2003. Additionally, companies will be permitted to apply the guidance in this issue to all existing arrangements as the cumulative effect of a change in accounting principle in accordance with APB Opinion No. 20, "Accounting Changes." The company does not believe that adoption of this issue will have a material impact on its consolidated financial position, consolidated results of operations, or liquidity.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an Interpretation of FASB Statements No. 5, 57, and 107 and Rescission of FASB Interpretation No. 34" ("FIN No. 45"). The interpretation requires that upon issuance of a guarantee, the entity must recognize a liability for the fair value of the obligation it assumes under that obligation. This interpretation is intended to improve the comparability of financial reporting by requiring identical accounting for guarantees issued with separately identified consideration and guarantees issued without separately identified consideration. For the company, the initial recognition, measurement provision and disclosure requirements of FIN No. 45 are applicable to guarantees issued or modified after December 31, 2002. The company is currently evaluating what impact, if any, adoption of FIN No. 45 will have on its consolidated financial position, consolidated results of operations, or liquidity.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN No. 46"). This interpretation clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN No. 46 applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. For the company's synthetic lease, as described in Note 12 of the Notes to Consolidated Financial Statements, FIN No. 46 is effective for the period beginning July 1, 2003.

FINANCIAL CONDITION

Cash and cash equivalents at December 31, 2002, were $301.8 million compared to $325.9 million at December 31, 2001.

During 2002, cash provided by operations was $324.5 million compared to $202.4 million in 2001, principally reflecting strong working capital management and an increase in profitability. Cash expenditures related to both current and prior-year restructuring actions (which are included in operating activities) in 2002, 2001 and 2000 were $104.4 million, $71.5 million and $26.3 million, respectively, and are expected to be approximately $66 million in 2003, principally for international work-force reductions and facility costs. Personnel reductions in 2002 related to both current and prior-year restructuring actions were approximately 1,900 and are expected to be approximately 630 in 2003.

Cash used for investing activities in 2002 was $379.2 million compared to $325.6 million for 2001. The increase was principally due to net purchases of investments (derivative financial instruments used to manage the company's exposure to market risks from changes in foreign currency exchange rates) of $38.3 million for 2002 compared to net proceeds of $19.7 million in the prior-year period. In 2002, the investment in marketable software was $139.9 million and capital additions to properties was $196.2 million, which combined was essentially flat compared to the prior-year period.

Cash provided by financing activities during 2002 was $25.3 million compared to $71.6 million in 2001. In 2002, the company had a reduction in short-term borrowings of $1.6 million compared to a reduction of $127.7 million in 2001. In addition, the prior year included proceeds from issuance of long-term debt of $536.5 million and payment of long-term debt of $370.8 million, as described below.

At December 31, 2002, total debt was $829.7 million, an increase of $3.6 million from December 31, 2001. See Note 9 of the Notes to Consolidated Financial Statements for components of the company's long-term debt.

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

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

The company has a $450 million credit agreement that expires in March 2004. As of December 31, 2002, there were no borrowings under this facility. Borrowings under the agreement bear interest based on the then-current LIBOR or prime rates and the company's credit rating. The credit agreement contains financial and other covenants, including maintenance of certain financial ratios, a minimum level of net worth and limitations on certain types of transactions, which could reduce the amount the company is able to borrow. Events of default under the credit agreement include failure to perform covenants, material adverse change, change of control and default under other debt aggregating at least $25 million. If an event of default were to occur under the credit agreement, the lenders would be entitled to declare all amounts borrowed under it immediately due and payable. The occurrence of an event of default under the credit agreement could also cause the acceleration of obligations under certain other agreements and the termination of the company's U.S. trade accounts receivable facility, described below.

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

At December 31, 2002, the company had short-term borrowings of $77.3 million. Of this amount, $34.1 million was borrowed by the company's Brazilian subsidiaries in their local currency at a weighted average interest rate at December 31st of 28.0%, and $43.2 million was borrowed principally by other international subsidiaries at a weighted average interest rate at December 31st of 5.5%.

At December 31, 2002, the company has met all covenants and conditions under its various lending and funding agreements. Since the company believes that it will continue to meet these covenants and conditions, the company believes that it has adequate sources and availability of short-term funding to meet its expected cash requirements.

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

As described more fully in Notes 4, 9 and 12 of the Notes to Consolidated Financial Statements, at December 31, 2002, the company had certain cash obligations, which are due as follows:

(Millions)	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Notes payable	$ 77.3	$ 77.3			
Long-term debt	750.0		$ 150.0	$ 400.0	$ 200.0
Capital lease obligations	7.6	4.4	2.8	.4	
Operating leases, net of sublease income	581.0	135.7	171.9	103.3	170.1
Minimum purchase obligations	53.7	33.7	20.0		
Work-force reductions	53.1	53.1			
Total	$ 1,522.7	$ 304.2	$ 344.7	$ 503.7	$ 370.1

As more fully described in Note 12 of the Notes to Consolidated Financial Statements, the company could have an additional obligation under an operating lease for one of its facilities.

At December 31, 2002, the company had outstanding standby letters of credit and surety bonds of approximately $340 million related to performance and payment guarantees. On the basis of experience with these arrangements, the company believes that any obligations that may arise will not be material.

The company may, from time to time, redeem, tender for, or repurchase its securities in the open market or in privately negotiated transactions depending upon availability, market conditions and other factors.

The company has on file with the Securities and Exchange Commission an effective registration statement covering $1.5 billion of debt or equity securities, which enables the company to be prepared for future market opportunities.

Stockholders' equity decreased $1.3 billion during 2002, principally reflecting a minimum pension liability adjustment of $1.5 billion and currency translation of $33.8 million, offset in part by net income of $223.0 million, $46.9 million for issuance of stock under stock option and other plans, and $3.5 million of tax benefits related to employee stock plans.

MARKET RISK

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

The company is also exposed to foreign currency exchange rate risks. The company uses derivative financial instruments to reduce its exposure to market risks from changes in foreign currency exchange rates. The derivative instruments used are foreign exchange forward contracts and foreign exchange options. See Note 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, 2002 and 2001, the analysis indicated that such market movements would have reduced the estimated fair value of these derivative financial instruments by approximately $45 million and $25 million, respectively.

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

CRITICAL ACCOUNTING POLICIES

OUTSOURCING

In recent years, the company's outsourcing business has increased significantly. Typically the terms of these contracts are between three and 10 years. In a number of these arrangements, the company hires certain of the customers' employees and often becomes responsible for the related employee obligations, such as pension and severance commitments. In addition, system development activity on outsourcing contracts may require significant upfront investments by the company. The company funds these investments, and any employee-related obligations, from customer prepayments and operating cash flow. Also, in the early phases of these contracts, gross margins may be lower than in later years when the work force and facilities have been rationalized for efficient operations, and an integrated systems solution has been implemented.

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

Costs on outsourcing contracts are generally charged to expense as incurred. However, direct costs incurred related to the inception of an outsourcing contract are deferred and charged to expense over the contract term. These costs consist principally of initial customer setup and employment obligations related to employees assumed. In addition, the costs of equipment and software, some of which is internally developed, is capitalized and depreciated over the shorter of their useful life or the term of the contract.

At December 31, 2002 and 2001, the net capitalized amount related to outsourcing contracts was $321.0 million and $217.8 million, respectively, consisting of $163.0 million and $80.8 million, respectively, reported in properties and $158.0 million and $137.0 million, respectively, of net contract-related costs reported in other long-term assets. The contract-related costs are tested for recoverability quarterly.

SYSTEMS INTEGRATION

For long-term systems integration contracts, the company recognizes revenue and profit as the contracts progress using the percentage-of-completion method of accounting, which relies on estimates of total expected contract revenues and costs. The company follows this method since reasonably dependable estimates of the revenue and costs applicable to various elements of a contract can be made. Since the financial reporting of these contracts depends on estimates, which are assessed continually during the term of the contracts, recognized revenues and profit are subject to revisions as the contract progresses to completion. Revisions in profit estimates are reflected in the period in which the facts that give rise to the revision become known. Accordingly, favorable changes in estimates result in additional revenue and profit recognition, and unfavorable changes in estimates result in a reduction of recognized revenue and profits. When estimates indicate that a loss will be incurred on a contract upon completion, a provision for the expected loss is recorded in the period in which the loss becomes evident. As work progresses under a loss contract, revenue continues to be recognized, and a portion of the contract costs incurred in each period is charged to the contract loss reserve. For other systems integration projects, the company recognizes revenue when the services have been performed.

TAXES

The company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes," which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of temporary differences between the book and tax bases of recorded assets and liabilities. SFAS No. 109 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

At December 31, 2002 and 2001, the company had deferred tax assets in excess of deferred tax liabilities of $2,178 million and $1,376 million, respectively. For the reasons cited below, at December 31, 2002 and 2001, management determined that it is more likely than not that $1,726 million and $1,034 million, respectively, of such assets will be realized, resulting in a valuation allowance of $452 million and $342 million, respectively.

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

Approximately $5.2 billion of future taxable income (predominately U.S.) ultimately is needed to realize the net deferred tax assets at December 31, 2002. Failure to achieve forecasted taxable income might affect the ultimate realization of the net deferred tax assets. Factors that may affect the company's ability to achieve sufficient forecasted taxable income include, but are not limited to, the following: increased competition, a decline in sales or margins, loss of market share, delays in product availability or technological obsolescence.

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

PENSIONS

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

A significant element in determining the company's pension income (expense) in accordance with SFAS No. 87 is the expected return on plan assets. In 2002, the company assumed that the expected long-term rate of return on U.S. plan assets would be 9.5%. For 2003, the company has assumed that the expected long-term rate of return on U.S. plan assets will be 8.75%. The assumed long-term rate of return on assets is applied to a calculated value of plan assets, which recognizes changes in the fair value of plan assets in a systematic manner over four years. This produces the expected return on plan assets that is included in pension income (expense). The difference between this expected return and the actual return on plan assets is deferred. The net deferral of past asset gains (losses) affects the calculated value of plan assets and, ultimately, future pension income (expense).

At the end of each year, the company determines the discount rate to be used to calculate the present value of plan liabilities. The discount rate is an estimate of the current interest rate at which the pension liabilities could be effectively settled at the end of the year. In estimating this rate, the company looks to rates of return on high-quality, fixed-income investments that (i) receive one of the two highest ratings given by a recognized ratings agency, and (ii) are currently available and expected to be available during the period to maturity of the pension benefits. At December 31, 2002, the company determined this rate to be 6.75% for its U.S. defined benefit pension plan, a decrease of 75 basis points from the rate used at December 31, 2001. The net effect of changes in the discount rate, as well as the net effect of other changes in actuarial assumptions and experience, has been deferred in accordance with SFAS No. 87.

For the year ended December 31, 2002, the company recognized consolidated pretax pension income of $143.5 million, compared to $170.0 million in 2001. The principal reason for the decline was the reduction in the expected long-term rate of return on U.S. pension plan assets from 10.0% in 2001 to 9.5% in 2002.

For 2003, the company expects pension income to be approximately $30 million, approximately $114 million less than 2002. Approximately $90 million of the decline is in the U.S. and $24 million is in international subsidiaries, principally the United Kingdom. The most significant assumptions underlying these estimates, namely the expected long-term rate of return on plan assets and the discount rate, were chosen by management with consultation from and concurrence of the company's actuaries.

For 2003, the company has assumed that the expected long-term rate of return on plan assets for its U.S. defined benefit pension plan will be 8.75%, down from 9.50% in 2002. This will cause U.S. pension income to decline by approximately $35 million. In addition, the discount rate used for the U.S. pension plan has declined to 6.75% at December 31, 2002, from 7.50% at December 31, 2001. This will cause U.S. pension income to decline by approximately $22 million. The remainder of the decline in the U.S. of approximately $33 million is due to lower expected return on assets due to asset declines (about $27 million) and the recent prospective change to a cash balance plan (about $6 million). The decline of $24 million in international plans is principally due to discount rate declines, lower expected longterm rates of return on plan assets, and currency translation.

During 2002, the company made cash contributions to its defined benefit pension plans of $42.2 million and expects to make cash contributions of approximately $60 million during 2003. In accordance with regulations governing contributions to U.S. defined benefit pension plans, the company is not required to fund its U.S. defined benefit plan in 2003.

At December 31st of each year, accounting rules require a company to recognize a liability on its balance sheet for each pension plan if the fair value of the assets of that pension plan is less than the present value of the pension obligation (the accumulated benefit obligation, or "ABO"). This liability is called a "minimum pension liability." Concurrently, any existing prepaid pension asset for the pension plan must be removed. These adjustments are recorded as a charge in "accumulated other comprehensive income (loss)" in stockholders' equity. If at any future year-end, the fair value of the pension plan assets exceeds the ABO, the charge to stockholders' equity would be reversed for such plan. Alternatively, if the fair market value of pension plan assets experiences further declines or the discount rate was to be reduced, additional charges to accumulated other comprehensive income (loss) may be required at a future year-end.

At December 31, 2002, for all of the company's defined benefit pension plans, as well as the defined benefit pension plan of NUL (an equity investment), the ABO exceeded the fair value of pension plan assets. As a result, the company was required to do the following: remove from its assets $1.4 billion of prepaid pension plan assets; increase its accrued pension liability by approximately $700 million; reduce its investments at equity by approximately $80 million relating to the company's share of NUL's minimum pension liability; and offset these changes by a charge to other comprehensive loss in stockholders' equity of $2.2 billion, or $1.5 billion net of tax.

This accounting has no effect on the company's net income, liquidity or cash flows. Financial ratios and net worth covenants in the company's credit arrangements and debt securities are unaffected by the charge to stockholders' equity caused by recording a minimum pension liability.

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. Forward-looking statements provide current expectations of future events and include any statement that does not directly relate to any historical or current fact. Words such as "anticipates," "believes," "expects," "estimates," "intends," "plans," "projects" and similar expressions may identify such forward-looking statements. 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. These other factors include, but are not limited to, those discussed below. Any forward-looking statement speaks only as of the date on which that statement is made. The company assumes no obligation to update any forward-looking statement to reflect events or circumstances that occur after the date on which the statement is made.

The company's business is affected by changes in general economic and business conditions. It also could be affected by acts of war, terrorism or natural disasters. The company is also facing a very challenging economic environment. In this environment, many organizations are delaying planned purchases of information technology products and services. If the level of demand for the company's products and services declines in the future, the company's business could be adversely affected.

The information services and technology markets in which the company operates include a large number of companies vying for customers and market share both domestically and internationally. The company's competitors include computer hardware manufacturers, software providers, systems integrators, consulting and other professional services firms, outsourcing providers, and infrastructure services providers. Some of the company's competitors may develop competing products and services that offer better price-performance or that reach the market in advance of the company's offerings. Some competitors also have or may develop greater financial and other resources than the company, with enhanced ability to compete for market share, in some instances through significant economic incentives to secure contracts. Some may also be better able to compete for skilled professionals. Any of this could have an adverse effect on the company's business. Future results will depend on the company's ability to mitigate the effects of aggressive competition on revenues, pricing and margins and on the company's ability to attract and retain talented people.

The company operates in a highly volatile industry characterized by rapid technological change, evolving technology standards, short product life cycles and continually changing customer demand patterns. Future success will depend in part on the company's ability to anticipate and respond to these market trends and to design, develop, introduce, deliver or obtain new and innovative products and services on a timely and cost-effective basis. The company may not be successful in anticipating or responding to changes in technology, industry standards or customer preferences, and the market may not demand or accept its services and product offerings. In addition, products and services developed by competitors may make the company's offerings less competitive.

The company's future results will depend in part on its ability to continue to accelerate growth in outsourcing and infrastructure services. The company's outsourcing contracts are multiyear engagements under which the company takes over management of a client's technology operations, business processes or networks. The company will need to maintain a strong financial position in order to grow its outsourcing business. In a number of these arrangements, the company hires certain of its clients' employees and may become responsible for the related employee obligations, such as pension and severance commitments.

In addition, system development activity on outsourcing contracts may require the company to make significant upfront investments. As long-term relationships, these outsourcing contracts provide a base of recurring revenue. However, in the early phases of these contracts, gross margins may be lower than in later years when the work force and facilities have been rationalized for efficient operations, and an integrated systems solution has been implemented.

Future results will also depend in part on the company's ability to drive profitable growth in systems integration and consulting. The company's systems integration and consulting business has been adversely affected by the current economic slowdown. In this economic environment, customers have been delaying systems integration projects. The company's ability to grow profitably in this business will depend in part on an improvement in economic conditions and a pick-up in demand for systems integration projects. It will also depend on the success of the actions the company has taken to enhance the skills base and management team in this business and to refocus the business on integrating best-of-breed, standards-based solutions to solve client needs. In addition, profit margins in this business are largely a function of the rates the company is able to charge for services and the chargeability of its professionals. If the company is unable to maintain the rates it charges, or appropriate chargeability, for its professionals, profit margins will suffer. The rates the company is able to charge for services are affected by a number of factors, including clients' perception of the company's ability to add value through its services; introduction of new services or products by the company or its competitors; pricing policies of competitors; and general economic conditions. Chargeability is also affected by a number of factors, including the company's ability to transition employees from completed projects to new engagements; and its ability to forecast demand for services and thereby maintain an appropriate head count.

Future results will also depend in part on market acceptance of the company's high-end enterprise servers. In its technology business, the company is focusing its resources on high-end enterprise servers based on its CMP architecture. The company's CMP servers are designed to provide mainframe-class capabilities with compelling price-performance by making use of standards-based technologies such as Intel chips and Microsoft operating system software. The company has transitioned both its legacy ClearPath servers and its Intel-based ES7000s to the CMP platform, creating a common platform for all the company's high-end server lines. Future results will depend, in part, on customer acceptance of the new CMP-based ClearPath Plus systems and the company's ability to maintain its installed base for ClearPath. In addition, future results will depend, in part, on the company's ability to generate new customers and increase sales of the Intel-based ES7000 line. The company believes there is significant growth potential in the developing market for high-end Intel-based servers running Microsoft operating system software. However, competition in this new market is likely to intensify in coming years, and the company's ability to succeed will depend on its ability to compete effectively against enterprise server competitors with more substantial resources and its ability to achieve market acceptance of the ES7000 technology by clients, systems integrators, and independent software vendors.

A number of the company's long-term contracts for infrastructure services, outsourcing, help desk and similar services do not provide for minimum transaction volumes. As a result, revenue levels are not guaranteed. In addition, some of these contracts may permit termination or may impose other penalties if the company does not meet the performance levels specified in the contracts.

Some of the company's systems integration contracts are fixed-priced contracts under which the company assumes the risk for delivery of the contracted services and products at an agreed-upon fixed price. At times the company has experienced problems in performing some of these fixed-price contracts on a profitable basis and has provided periodically for adjustments to the estimated cost to complete them. Future results will depend on the company's ability to perform these services contracts profitably.

The company frequently enters into contracts with governmental entities. Risks and uncertainties associated with these government contracts include the availability of appropriated funds and contractual provisions that allow governmental entities to terminate agreements at their discretion before the end of their terms.

The success of the company's business is dependent on strong, long-term client relationships and on its reputation for responsiveness and quality. As a result, if a client is not satisfied with the company's services or products, its reputation could be damaged and its business adversely affected. In addition, if the company fails to meet its contractual obligations, it could be subject to legal liability, which could adversely affect its business, operating results and financial condition.

The company has commercial relationships with suppliers, channel partners and other parties that have complementary products, services or skills. Future results will depend in part on the performance and capabilities of these third parties, on 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 55% 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 protection measures, import or export licensing requirements, multiple and possibly overlapping and conflicting tax laws, and weaker intellectual property protections in some jurisdictions.

The company cannot be certain that its services and products do not infringe on the intellectual property rights of third parties, and it may have infringement claims asserted against it or against its clients. These claims could cost the company money, prevent it from offering some services or products, or damage its reputation.

UNISYS CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME

Year Ended December 31 (Millions, except per share data)	2002	2001	2000
Revenue			
Services	$ 4,285.1	$ 4,444.6	$ 4,741.6
Technology	1,322.3	1,573.5	2,143.4
	5,607.4	6,018.1	6,885.0
Costs and Expenses			
Cost of revenue:			
Services	3,244.9	3,624.6	3,623.8
Technology	674.0	910.2	1,172.1
	3,918.9	4,534.8	4,795.9
Selling, general and administrative expenses	992.0	1,156.3	1,328.7
Research and development expenses	273.3	331.5	333.6
	5,184.2	6,022.6	6,458.2
Operating income (loss)	423.2	(4.5)	426.8
Interest expense	66.5	70.0	79.8
Other income (expense), net	(23.9)	28.0	32.0
Income (loss) before income taxes	332.8	(46.5)	379.0
Provision for income taxes	109.8	3.4	134.2
Income (loss) before extraordinary items	223.0	(49.9)	244.8
Extraordinary items		(17.2)	(19.8)
Net income (loss)	$ 223.0	$ (67.1)	$ 225.0
Earnings (loss) per share - Basic			
Before extraordinary items	$ .69	$ (.16)	$ .78
Extraordinary items		(.05)	(.06)
Total	$ .69	$ (.21)	$ .72
Earnings (loss) per share - Diluted			
Before extraordinary items	$ .69	$ (.16)	$ .77
Extraordinary items		(.05)	(.06)
Total	$ .69	$ (.21)	$ .71

See notes to consolidated financial statements.

UNISYS CORPORATION

CONSOLIDATED BALANCE SHEETS

December 31 (Millions)	2002	2001
ASSETS		
Current assets		
Cash and cash equivalents	$ 301.8	$ 325.9
Accounts and notes receivable, net	955.6	1,093.7
Inventories:		
Parts and finished equipment	165.3	201.6
Work in process and materials	127.5	144.2
Deferred income taxes	311.3	342.6
Other current assets	84.5	96.1
Total	1,946.0	2,204.1
Properties	1,542.7	1,460.4
Less - Accumulated depreciation and amortization	932.9	910.8
Properties, net	609.8	549.6
Investments at equity	111.8	212.3
Marketable software, net	311.8	287.9
Prepaid pension cost		1,221.0
Deferred income taxes	1,476.0	747.8
Goodwill	160.6	159.0
Other long-term assets	365.4	387.4
Total	$ 4,981.4	$ 5,769.1
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Notes payable	$ 77.3	$ 78.9
Current maturities of long-term debt	4.4	2.2
Accounts payable	532.5	694.9
Other accrued liabilities	1,341.4	1,302.9
Income taxes payable	228.9	234.6
Total	2,184.5	2,313.5
Long-term debt	748.0	745.0
Accrued pension liability	727.7	10.1
Other long-term liabilities	465.2	587.8
STOCKHOLDERS' EQUITY		
Common stock	3.3	3.2
Accumulated deficit	(673.5)	(896.5)
Other capital	3,763.1	3,712.8
Accumulated other comprehensive loss	(2,236.9)	(706.8)
Stockholders' equity	856.0	2,112.7
Total	$ 4,981.4	$ 5,769.1

See notes to consolidated financial statements.

UNISYS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31 (Millions)	2002	2001	2000
Cash flows from operating activities			
Income (loss) before extraordinary items	$ 223.0	$ (49.9)	$ 244.8
Add (deduct) items to reconcile income (loss) before extraordinary items to net cash provided by operating activities:			
Extraordinary items		(17.2)	(19.8)
Depreciation and amortization of properties	154.5	140.2	135.6
Amortization:			
Marketable software	121.0	145.5	115.5
Deferred outsourcing contract cost	22.3	15.8	12.7
Goodwill		16.5	21.8
Decrease (increase) in deferred income taxes, net	39.4	(44.4)	85.6
Decrease in receivables, net	156.5	72.3	158.2
Decrease (increase) in inventories	53.0	79.7	(52.5)
(Decrease) in accounts payable and other accrued liabilities	(116.5)	(144.5)	(140.0)
(Decrease) in income taxes payable	(15.5)	(58.0)	(62.8)
(Decrease) increase in other liabilities	(73.9)	246.5	(2.5)
(Increase) in other assets	(251.2)	(238.8)	(81.9)
Other	11.9	38.7	5.2
Net cash provided by operating activities	324.5	202.4	419.9
Cash flows from investing activities			
Proceeds from investments	3,447.1	3,028.7	790.4
Purchases of investments	(3,485.4)	(3,009.0)	(716.7)
Investment in marketable software	(139.9)	(136.8)	(152.4)
Capital additions of properties	(196.2)	(199.4)	(198.3)
Purchases of businesses	(4.8)	(9.1)	(13.9)
Proceeds from sales of properties			20.0
Net cash used for investing activities	(379.2)	(325.6)	(270.9)
Cash flows from financing activities			
Net (reduction in) proceeds from short-term borrowings	(1.6)	(127.7)	179.6
Proceeds from employee stock plans	29.0	33.6	51.1
Payments of long-term debt	(2.1)	(370.8)	(448.0)
Proceeds from issuance of long-term debt		536.5	
Net cash provided by (used for) financing activities	25.3	71.6	(217.3)
Effect of exchange rate changes on cash and cash equivalents	5.3	(.5)	(17.7)
Decrease in cash and cash equivalents	(24.1)	(52.1)	(86.0)
Cash and cash equivalents, beginning of year	325.9	378.0	464.0
Cash and cash equivalents, end of year	$ 301.8	$ 325.9	$ 378.0

See notes to consolidated financial statements.

UNISYS CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Millions)	Common Stock Shares	Common Stock Par Value	Accumulated Deficit	Treasury Stock Shares	Treasury Stock Cost	Other, Principally Paid-In Capital	Accumulated Other Comprehensive Loss	Comprehensive Income (Loss)
Balance at December 31, 1999	312.5	$ 3.1	$ (1,054.4)	(1.9)	$ (41.4)	$ 3,616.4	$ (570.4)	
Issuance of stock under stock option and other plans	4.8	.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	317.3	3.2	(829.4)	(1.9)	(42.1)	3,698.1	(643.7)	
Issuance of stock under stock option and other plans	5.2				(.2)	52.2		
Net loss			(67.1)					$ (67.1)
Other comprehensive loss							(67.5)	
Translation adjustments							4.4	
Cash flow hedges								
							(63.1)	(63.1)
Comprehensive loss								$ (130.2)
Unearned compensation						.2		
Tax benefit related to stock plans						4.6		
Balance at December 31, 2001	322.5	3.2	(896.5)	(1.9)	(42.3)	3,755.1	(706.8)	
Issuance of stock under stock option and other plans	5.6	.1			(.1)	46.9		
Net income			223.0					$ 223.0
Other comprehensive loss								
Translation adjustments							(33.8)	
Cash flow hedges							(5.9)	
Minimum pension liability							(1,490.4)	
							(1,530.1)	(1,530.1)
Comprehensive loss								$ (1,307.1)
Tax benefit related to stock plans						3.5		
Balance at December 31, 2002	328.1	$ 3.3	$ (673.5)	(1.9)	$ (42.4)	$ 3,805.5	$ (2,236.9)	

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

	Rate per Year (%)
Buildings	2-5
Machinery and office equipment	5-25
Rental equipment	25
Internal-use software	12-33

Advertising costs. The company expenses all advertising costs as they are incurred. The amount charged to expense during 2002, 2001 and 2000 was $29.3 million, $35.6 million and $38.2 million, respectively.

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

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

Revenue from software licenses is recognized at the inception of the initial license term and upon execution of an extension to the license term. Revenue for postcontract software support arrangements, which are marketed separately, is recorded on a straight-line basis over the support period for multi-year contracts and at inception for contracts of one year or less. The company also enters into multiple-element arrangements, which may include any combination of hardware, software or services. In these transactions, the company allocates the total revenue to be earned under the arrangement among the various elements based on their relative fair value. For transactions that include software, the allocation is based on vendor-specific objective evidence of fair value. The company recognizes revenue on multiple-element arrangements only if: (i) any undelivered products or services are not essential to the functionality of the delivered products or services, (ii) the company has an enforceable claim to receive the amount due in the event it does not deliver the undelivered products or services, (iii) there is evidence of the fair value for each undelivered product or service, and (iv) the revenue recognition criteria otherwise applicable have been met for the delivered elements.

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

Revenue for operating leases is recognized on a monthly basis over the term of the lease and for sales-type leases at the inception of the lease term.

Revenue and profit under systems integration contracts is recognized either on the percentage-of-completion method of accounting using the cost-to-cost method, or when services have been performed, depending on the nature of the project. For contracts accounted for on the percentage-of-completion basis, revenue and profit recognized in any given accounting period are based on estimates of total projected contract costs; the estimates are continually re-evaluated and revised, when necessary, throughout the life of a contract. Any adjustments to revenue and profit due to changes in estimates are accounted for in the period of the change in estimate. When estimates indicate that a loss will be incurred on a contract upon completion, a provision for the expected loss is recorded in the period in which the loss becomes evident.

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

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

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

Outsourcing contract costs. Costs on outsourcing contracts are generally charged to expense as incurred. However, certain direct costs incurred related to the inception of an outsourcing contract are deferred and charged to expense over the contract term. These costs consist principally of initial customer setup and employment obligations related to employees assumed. At December 31, 2002 and 2001, $158.0 million and $137.0 million, respectively, of these costs were reported in other longterm assets. These costs are tested for recoverability quarterly.

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

For those international subsidiaries operating in hyper-inflationary economies, the U.S. dollar is the functional currency, and as such, nonmonetary assets and liabilities are translated at historical exchange rates and monetary assets and liabilities are translated at current exchange rates. Exchange gains and losses arising from translation are included in other income (expense), net.

Stock-based compensation plans. The company has stock-based employee compensation plans, which are described more fully in Note 16. The company applies the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for those plans. For stock options, no compensation expense is reflected in net income as all stock options granted had an exercise price equal to or greater than the market value of the underlying common stock on the date of grant. In addition, no compensation expense is recognized for common stock purchases under the Employees Stock Purchase Plan. Pro forma information regarding net income and earnings per share is required by Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," and has been determined as if the company had accounted for its stock plans under the fair value method of SFAS No. 123. For purposes of the pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The following table illustrates the effect on net income and earnings per share if the company had applied the fair value recognition provisions of SFAS No. 123.

Years ended December 31 (Millions, except per share data)	2002	2001	2000
Net income (loss) as reported	$ 223.0	$ (67.1)	$ 225.0
Deduct total stock-based employee compensation expense determined under fair value method for all awards, net of tax	(49.0)	(51.8)	(42.5)
Pro forma net income (loss)	$ 174.0	$ (118.9)	$ 182.5
Earnings (loss) per share			
Basic - as reported	$ .69	$ (.21)	$ .72
Basic - pro forma	$ .54	$ (.37)	$ .58
Diluted - as reported	$ .69	$ (.21)	$ .71
Diluted - pro forma	$ .54	$ (.37)	$ .58

Retirement benefits. The company accounts for its defined benefit pension plans in accordance with SFAS No. 87, "Employers' Accounting for Pensions," which requires that amounts recognized in financial statements be determined on an actuarial basis. A significant element in determining the company's pension income (expense) is the expected return on plan assets. This expected return is an assumption as to the rate of return on plan assets reflecting the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the projected pension benefit obligation. The company applies this assumed long-term rate of return to a calculated value of plan assets, which recognizes changes in the fair value of plan assets in a systematic manner over four years. This produces the expected return on plan assets that is included in pension income (expense). The difference between this expected return and the actual return on plan assets is deferred. The net deferral of past asset gains (losses) affects the calculated value of plan assets and, ultimately, future pension income (expense).

At December 31st of each year, the company determines the fair value of its pension plan assets as well as the discount rate to be used to calculate the present value of plan liabilities. The discount rate is an estimate of the interest rate at which the pension benefits could be effectively settled. In estimating the discount rate, the company looks to rates of return on high-quality, fixed income investments currently available and expected to be available during the period to maturity of the pension benefits. The company specifically uses a portfolio of fixed-income securities, which receive at least the second highest rating given by a recognized rating agency.

Reclassifications. Certain prior-year amounts have been reclassified to conform with the 2002 presentation.

2 EARNINGS PER SHARE

The following table shows how earnings per share were computed for the three years ended December 31, 2002.

Year ended December 31 (Millions, except per share data)	2002	2001	2000
BASIC EARNINGS (LOSS) PER SHARE COMPUTATION			
Income (loss) before extraordinary items	$ 223.0	$ (49.9)	$ 244.8
Extraordinary items		(17.2)	(19.8)
Net income (loss)	$ 223.0	$ (67.1)	$ 225.0
Weighted average shares (thousands)	323,526	318,207	313,115
BASIC EARNINGS (LOSS) PER SHARE			
Before extraordinary items	$ .69	$ (.16)	$ .78
Extraordinary items		(.05)	(.06)
Total	$ .69	$ (.21)	$ .72
DILUTED EARNINGS (LOSS) PER SHARE COMPUTATION			
Income (loss) before extraordinary items	$ 223.0	$ (49.9)	$ 244.8
Extraordinary items		(17.2)	(19.8)
Net income (loss)	$ 223.0	$ (67.1)	$ 225.0
Weighted average shares (thousands)	323,526	318,207	313,115
Plus incremental shares from assumed conversions of employee stock plans	1,218		3,536
Adjusted weighted average shares	324,744	318,207	316,651
DILUTED EARNINGS (LOSS) PER SHARE			
Before extraordinary items	$ .69	$ (.16)	$ .77
Extraordinary items		(.05)	(.06)
Total	$ .69	$ (.21)	$ .71

The following shares were not included in the computation of diluted earnings per share because the option prices were above the average market price of the company's common stock, or their inclusion would have been antidilutive (in thousands): 2002, 35,415; 2001, 28,653; 2000, 16,073.

3 ACCOUNTING CHANGES

Effective January 1, 2002, the company adopted SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 no longer permits the amortization of goodwill and indefinite-lived intangible assets. Instead, these assets must be reviewed annually for impairment in accordance with this statement. SFAS No. 142 required the company to perform a transitional impairment test of its goodwill as of January 1, 2002, as well as perform impairment tests on an annual basis and whenever events or circumstances occur indicating that the goodwill may be impaired. During 2002, the company performed its transitional and annual impairment tests, which indicated that the company's goodwill was not impaired.

The changes in the carrying amount of goodwill by segment for the year ended December 31, 2002, were as follows:

(Millions)	Total	Services	Technology
Balance at December 31, 2001	$ 159.0	$ 41.9	$ 117.1
Acquisition	3.0	3.0	
Foreign currency translation adjustments	(1.4)	(2.4)	1.0
Balance at December 31, 2002	$ 160.6	$ 42.5	$ 118.1

The company's net income and earnings per share adjusted to exclude goodwill amortization was as follows:

Year ended December 31, (Millions, except per share data)	2002	2001	2000
Reported income (loss) before extraordinary items	$ 223.0	$ (49.9)	$ 244.8
Add back goodwill amortization, net of tax		14.1	20.1
Adjusted income (loss) before extraordinary items	$ 223.0	$ (35.8)	$ 264.9
Reported net income (loss)	$ 223.0	$ (67.1)	$ 225.0
Add back goodwill amortization, net of tax		14.1	20.1
Adjusted net income (loss)	$ 223.0	$ (53.0)	$ 245.1
Earnings (loss) per share before extraordinary items			
Basic			
As reported	$ .69	$ (.16)	$ .78
Goodwill amortization		.04	.06
As adjusted	$ .69	$ (.12)	$ .84
Diluted			
As reported	$ .69	$ (.16)	$ .77
Goodwill amortization		.04	.06
As adjusted	$ .69	$ (.12)	$ .83
Earnings (loss) per share			
Basic			
As reported	$ .69	$ (.21)	$ .72
Goodwill amortization		.04	.06
As adjusted	$ .69	$ (.17)	$ .78
Diluted			
As reported	$ .69	$ (.21)	$ .71
Goodwill amortization		.04	.06
As adjusted	$ .69	$ (.17)	$ .77

Effective January 1, 2002, the company adopted SFAS No. 143, "Accounting for Asset Retirement Obligations." This statement addresses financial accounting and reporting for legal obligations associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and normal operation of a long-lived asset. SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and subsequently allocated to expense over the asset's useful life. Adoption of SFAS No. 143 had no effect on the company's consolidated financial position, consolidated results of operations, or liquidity.

Effective January 1, 2002, the company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 144 requires an impairment loss to be recognized only if the carrying amounts of long-lived assets to be held and used are not recoverable from their expected undiscounted future cash flows. Adoption of SFAS No. 144 had no effect on the company's consolidated financial position, consolidated results of operations, or liquidity.

In April 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 rescinds SFAS No. 4, which required that all gains and losses from extinguishment of debt be reported as an extraordinary item. The provisions of SFAS No. 145 related to the rescission of SFAS No. 4 must be applied in fiscal years beginning after May 15, 2002. The company will adopt this statement effective January 1, 2003. Previously recorded losses on the early extinguishment of debts that were classified as an extraordinary item in prior periods will be reclassified to other income (expense), net. Adoption of SFAS No. 145 will have no effect on the company's consolidated financial position, consolidated results of operations, or liquidity.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No. 146 replaces previous accounting guidance provided by EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" and will be effective for the company for exit or disposal activities initiated after December 31, 2002. The company does not believe that adoption of this statement will have a material impact on its consolidated financial position, consolidated results of operations, or liquidity.

In November 2002, the FASB issued EITF Issue No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables." This issue addresses how to account for arrangements that may involve the delivery or performance of multiple products, services, and/or rights to use assets. The final consensus of this issue is applicable to agreements entered into in fiscal periods beginning after June 15, 2003. Additionally, companies will be permitted to apply the guidance in this issue to all existing arrangements as the cumulative effect of a change in accounting principle in accordance with APB Opinion No. 20, "Accounting Changes." The company does not believe that adoption of this issue will have a material impact on its consolidated financial position, consolidated results of operations, or liquidity.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an Interpretation of FASB Statements No. 5, 57, and 107 and Rescission of FASB Interpretation No. 34" ("FIN No. 45"). The interpretation requires that upon issuance of a guarantee, the entity must recognize a liability for the fair value of the obligation it assumes under that obligation. This interpretation is intended to improve the comparability of financial reporting by requiring identical accounting for guarantees issued with separately identified consideration and guarantees issued without separately identified consideration. For the company, the initial recognition, measurement provision and disclosure requirements of FIN No. 45 are applicable to guarantees issued or modified after December 31, 2002. The company is currently evaluating what impact, if any, adoption of FIN No. 45 will have on its consolidated financial position, consolidated results of operations, or liquidity.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN No. 46"). This interpretation clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN No. 46 applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. For the company's synthetic lease, as described in Note 12, FIN No. 46 is effective for the period beginning July 1, 2003.

4 FOURTH-QUARTER CHARGES

2001 charge. In response to the weak economic environment in 2001, the company took actions to reduce its cost structure. In the fourth quarter of 2001, the company recorded a pretax charge of $276.3 million, or $.64 per share, primarily for a work-force reduction of approximately 3,750 people (1,700 in the United States and 2,050 outside the United States). Of the total, 1,910 people left the company in 2001, which included 764 people who accepted an early retirement program in the United States. For those employees who accepted the early retirement program, cash requirements were provided through the company's pension plan. Cash expenditures in 2001 related to the involuntary reductions were $23.3 million. These activities did not significantly affect the company's operations while they were ongoing. A further breakdown of the individual components of these costs follows:

($ in Millions)	Headcount	Total	Work-Force Reductions/(1)/ U.S.	Work-Force Reductions/(1)/ Int'l	Idle Lease Costs	Other/(2)/
Work-force reductions/(1)/						
Early retirement	764	$ 58.8	$ 58.8			
Involuntary reductions	3,001	145.9	18.8	$ 127.1		
Subtotal	3,765	204.7	77.6	127.1		
Other		71.6			$ 29.5	$ 42.1
Total charge	3,765	276.3	77.6	127.1	29.5	42.1
Utilized	(1,910)	(127.2)	(62.5)	(22.6)		(42.1)
Balance at Dec. 31, 2001	1,855	149.1	15.1	104.5	29.5	$ -
Additional provisions	996	31.9	8.7	21.8	1.4	
Utilized	(1,890)	(98.0)	(13.4)	(75.5)	(9.1)	
Reversal of excess reserves	(330)	(20.2)	(4.6)	(12.4)	(3.2)	
Other/(3)/		4.8	1.6	5.3	(2.1)	
Balance at Dec. 31, 2002	631	$ 67.6	$ 7.4	$ 43.7	$ 16.5	$ -
Expected future utilization:						
2003	631	$ 59.5	$ 7.4	$ 43.7	$ 8.4	
2004 and thereafter		8.1			8.1	

/(1)/ Includes severance, notice pay, medical and other benefits.

/(2)/ Includes product and program discontinuances, principally representing a provision for asset write-offs.

/(3)/ Changes in estimates and translation adjustments.

Most of the 2001 fourth-quarter charges were related to work-force reductions ($204.7 million), principally severance costs. Other employee-related costs are not significant. Approximately $58.8 million of this total was funded from the company's U.S. pension plan. The remainder of the cost related to work-force reductions as well as idle lease costs, discussed below, is being funded from the company's operating cash flow. The charge related to idle lease costs was $29.5 million and relates to contractual obligations (reduced by estimated sublease income) existing under long-term leases of vacated facilities. Estimates of the amounts and timing of sublease income were based on discussions with real estate brokers that considered the marketability of the individual property involved. The charge for product and program discontinuances was $42.1 million and principally represented capitalized marketable software and inventory related to products or programs that were discontinued at December 31, 2001. These actions have lowered the company's cost base (principally employee-related costs), thereby making the company better able to compete in the marketplace.

Cash expenditures related to the 2001 restructuring charges were approximately $95.4 million in the year ended December 31, 2002, compared to $23.3 million in 2001. Cash expenditures are expected to be approximately $59.5 million for 2003 and $8.1 million in total for all subsequent years for idle lease costs.

During 2002, the company reduced the accrued work-force portion of the reserve by $17.0 million. This reduction related to 330 employees who were designated for involuntary termination but were retained as a result of job positions that became available due to voluntary terminations or acceptance of alternative positions within the company. In addition, given the continuing weak economic environment, the company identified new restructuring actions and recorded an additional provision of $30.5 million, for a work-force reduction of 996 people.

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

2000 charge. As a result of a strategic business review of its operations in 2000, the company took actions to focus its resources on value-added business opportunities, de-emphasize or eliminate low-return businesses and lower its cost base. In the fourth quarter of 2000, the company recorded a pretax charge of $127.6 million, or $.29 per diluted share, primarily for a work-force reduction of 2,000 people (1,400 in the United States and 600 outside the United States). Of the total, approximately 500 people left the company in 2001 and 1,300 in 2000. Of the total work-force reduction, 742 people accepted an early retirement program in the United States. For those employees who accepted the early retirement program, cash requirements were provided through the company's pension plan. Cash expenditures related to the 2000 restructuring charges were $5.5 million in 2002, $39.3 million in 2001 and $8.7 million in 2000. Cash expenditures for 2003 are expected to be approximately $2.0 million. A further breakdown of the individual components of these costs follows:

(Millions)	Work-Force Reductions/(1)/ Total	U. S.	Int'l	Other/(2)/
Work-force reductions /(1)/				
Early retirement	$ 57.8	$ 57.8		
Involuntary reductions	60.9	13.3	$ 47.6	
Subtotal	118.7	71.1	47.6	
Other/(2)/	8.9			$ 8.9
Total charge	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
Utilized	(40.0)	(8.8)	(30.5)	(.7)
Other/(3)/	(7.1)	(2.3)	(4.0)	(.8)
Balance at Dec. 31, 2001	8.6	1.3	5.3	2.0
Utilized	(6.6)	(1.3)	(3.3)	(2.0)
Balance at Dec. 31, 2002	$ 2.0	$ -	$ 2.0	$ -
Expected future utilization: 2003	$ 2.0		$ 2.0	

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

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

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

Prior-year charges. As a result of prior-year actions related to a strategic realignment of the company's business in 1997 and 1995, cash expenditures in 2002, 2001 and 2000 were $3.5 million, $8.9 million and $17.6 million, respectively. At December 31, 2002, an $8.8 million accrued liability remains principally for idle lease costs. Cash expenditures for 2003 are expected to be approximately $4.3 million.

5 ACCOUNTS RECEIVABLE

In December 2000, the company entered into an agreement to sell, through Unisys Funding Corporation I, a wholly owned subsidiary, interests in eligible U.S. trade accounts receivable for up to $275 million. The agreement is renewable annually, at the purchasers' option, for up to three years. Upon renewal of the facility in December 2001, the amount was reduced to $225 million. Unisys Funding Corporation I has been structured to isolate its assets from creditors of Unisys. In 2000, the company received proceeds of $232 million from the initial sale, and in 2002 and 2001, the company received an aggregate of $2.3 billion, each year, from ongoing sales of accounts receivable interests under the program. At December 31, 2002 and 2001, the company retained subordinated interests of $120 million and $135 million, respectively, in the associated receivables; these receivables have been included in accounts and notes receivable, net in the accompanying consolidated balance sheet. As collections reduce previously sold interests, interests in new eligible receivables can be sold, subject to meeting certain conditions. At December 31, 2002 and 2001, receivables of $199 million and $176 million, respectively, were sold and therefore removed from the accompanying consolidated balance sheet.

The selling price of the receivables interests reflects a discount based on the A-1 rated commercial paper borrowing rates of the purchasers (1.5% at December 31, 2002, and 2.0% at December 31, 2001). The company remains responsible for servicing the underlying accounts receivable, for which it will receive a fee of 0.5% of the outstanding balance, which it believes represents adequate compensation. The company estimates the fair value of its retained interests by considering two key assumptions: the payment rate, which is derived from the average life of the accounts receivable, which is less than 60 days, and the rate of expected credit losses. Based on the company's favorable collection experience and very short-term nature of the receivables, both assumptions are considered to be highly predictable. Therefore, the company's estimated fair value of its retained interests in the pool of eligible receivables is approximately equal to book value, less the associated allowance for doubtful accounts. The discount on the sales of these accounts receivable during the years ended December 31, 2002 and 2001, was $4.2 million and $12.2 million, respectively. The amount of discount for the year ended December 31, 2000, was not material. These discounts are recorded in other income (expense), net in the accompanying consolidated statement of income.

Revenue recognized in excess of billings on services contracts, or unbilled accounts receivable, was $133.3 million and $146.7 million at December 31, 2002 and 2001, respectively. Such amounts are included in accounts and notes receivable, net. At December 31, 2002 and 2001, the company had long-term accounts and notes receivable, net of $144.0 million and $186.3 million, respectively. Such amounts are included in other long-term assets in the accompanying consolidated balance sheet.

6 INCOME TAXES

Year ended December 31 (Millions)	2002	2001	2000
Income (loss) before income taxes			
United States	$ 125.7	$ 95.9	$ 389.0
Foreign	207.1	(142.4)	(10.0)
Total income (loss) before income taxes	$ 332.8	$ (46.5)	$ 379.0
Provision for income taxes			
Current			
United States	$ (6.5)	$ 7.7	$ 10.1
Foreign	62.4	24.0	63.6
State and local	7.7	3.5	4.9
Total	63.6	35.2	78.6
Deferred			
United States	19.2	(16.2)	72.8
Foreign	27.0	(15.6)	(17.2)
Total	46.2	(31.8)	55.6
Total provision for income taxes	$ 109.8	$ 3.4	$ 134.2

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

Year ended December 31 (Millions)	2002	2001	2000
United States statutory income tax (benefit)	$ 116.5	$ (16.3)	$ 132.7
Difference in estimated income taxes on foreign earnings, losses and remittances	(4.1)	44.6	36.2
State taxes	5.0	2.3	3.2
Tax refund claims, audit issues and other matters	(16.0)	(26.1)	(39.6)
Other	8.4	(1.1)	1.7
Provision for income taxes	$ 109.8	$ 3.4	$ 134.2

The tax effects of temporary differences and carryforwards that give rise to significant portions of deferred tax assets and liabilities at December 31, 2002 and 2001, were as follows:

December 31 (Millions)	2002	2001
Deferred tax assets		
Capitalized research and development	$ 566.2	$ 561.1
Tax loss carryforwards	384.4	325.2
Foreign tax credit carryforwards	98.3	34.1
Other tax credit carryforwards	238.1	239.4
Capitalized intellectual property rights	302.4	303.4
Pensions	259.8	
Postretirement benefits	70.5	71.8
Depreciation	52.6	48.4
Employee benefits	44.4	77.5
Restructuring	29.7	92.8
Other	277.1	278.0
	2,323.5	2,031.7
Valuation allowance	(451.5)	(342.2)
Total deferred tax assets	$ 1,872.0	$ 1,689.5
Deferred tax liabilities		
Pensions	$ -	$ 501.2
Sales-type leases	78.5	102.9
Other	67.5	51.2
Total deferred tax liabilities	$ 146.0	$ 655.3
Net deferred tax assets	$ 1,726.0	$ 1,034.2

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, 2002, applies to tax loss carryforwards and temporary differences relating to state and local and certain foreign taxing jurisdictions that, in management's opinion, are more likely than not to expire unused. During 2002, the net increase in the valuation allowance of $109.3 million was principally related to an increase in state and local deferred tax assets resulting from the recognition of minimum pension liabilities.

Cumulative undistributed earnings of foreign subsidiaries, for which no U.S. income or foreign withholding taxes have been recorded, approximated $830 million at December 31, 2002. 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 2002, 2001 and 2000 for income taxes was $72.3 million, $97.0 million and $110.0 million, respectively.

At December 31, 2002, 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 $384.4 million. These carryforwards will expire as follows (in millions): 2003, $14.6; 2004, $26.7; 2005, $20.9; 2006, $34.3; 2007, $25.5; and $262.4 thereafter. The company also has available tax credit carryforwards of approximately $336.4 million, which will expire as follows (in millions): 2003, $8.4; 2004, $7.5; 2005, $26.1; 2006, $-; 2007, $78.2; and $216.2 thereafter.

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

7 PROPERTIES

Properties comprise the following:

December 31 (Millions)	2002	2001
Land	$ 5.3	$ 5.2
Buildings	140.5	143.7
Machinery and office equipment	897.2	897.4
Internal-use software	167.0	139.9
Rental and outsourcing equipment	332.7	274.2
Total properties	$ 1,542.7	$ 1,460.4

8 INVESTMENTS AT EQUITY AND MINORITY INTERESTS

Substantially all of the company's investments at equity consist of Nihon Unisys, Ltd., a publicly traded Japanese company ("NUL"). NUL is the exclusive supplier of the company's hardware and software products in Japan. The company considers its investment in NUL to be of a long-term strategic nature. For the years ended December 31, 2002, 2001 and 2000, total direct and indirect sales to NUL were approximately $270 million, $340 million and $530 million, respectively. At December 31, 2002, the company owned approximately 28% of NUL's common stock that had a market value of approximately $171 million. The company's share of NUL's earnings or losses are recorded semiannually on a quarter-lag basis in other income (expense), net in the company's statements of income. During the years ended December 31, 2002, 2001 and 2000, the company recorded equity income or (loss) related to NUL of $(11.8) million, $10.4 million and $18.2 million, respectively. The year ended December 31, 2002, included $21.8 million related to the company's share of an early retirement charge recorded by NUL. The company has approximately $176 million of retained earnings that represents undistributed earnings of NUL.

Summarized financial information for NUL as of and for its fiscal years ended March 31 is as follows:

(Millions) (Unaudited)	2002	2001	2000
Year ended March 31			
Revenue	$ 2,451.8	$ 2,819.2	$ 2,835.2
Gross profit	646.0	815.5	903.2
Pretax income (loss)	(101.2)	85.7	68.3
Net income (loss)	(62.4)	44.0	32.8
At March 31			
Current assets	1,257.6	1,304.9	1,564.1
Noncurrent assets	892.3	709.6	826.9
Current liabilities	936.3	913.7	1,015.6
Noncurrent liabilities	851.2	357.0	504.6
Minority interests	10.7	11.0	11.4

The company owns 51% of Intelligent Processing Solutions Limited ("iPSL"), a UK-based company, which provides high-volume payment processing. iPSL is fully consolidated in the company's financial statements. The minority owners' interests are reported in other long-term liabilities ($52.8 million and $48.6 million at December 31, 2002 and 2001, respectively) and in other income (expense), net in the company's financial statements.

9 DEBT

Long-term debt comprises the following:

December 31 (Millions)	2002	2001
8 1/8% senior notes due 2006	$ 400.0	$ 400.0
7 7/8% senior notes due 2008	200.0	200.0
7 1/4% senior notes due 2005	150.0	150.0
Other, net of unamortized discounts	2.4	(2.8)
Total	752.4	747.2
Less - current maturities	4.4	2.2
Total long-term debt	$ 748.0	$ 745.0

Total long-term debt maturities in 2003, 2004, 2005, 2006 and 2007 are $4.4, $2.6, $150.2, $400.3 and $.1 million, respectively.

Cash paid during 2002, 2001 and 2000 for interest was $73.6, $92.9 and $90.5 million, respectively. Capitalized interest expense during 2002, 2001 and 2000 was $13.9, $11.8 and $11.4 million, respectively.

At December 31, 2002, the company had short-term borrowings of $77.3 million. Of this amount $34.1 million was borrowed by the company's Brazilian subsidiaries in their local currency at a weighted average interest rate at December 31st of 28%, and $43.2 million was borrowed principally by other international subsidiaries at a weighted average interest rate at December 31st of 5.5%.

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

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

The company has a $450 million credit agreement that expires in March 2004. As of December 31, 2002, there were no borrowings under this facility. Borrowings under the agreement bear interest based on the then-current LIBOR or prime rates and the company's credit rating. The credit agreement contains financial and other covenants, including maintenance of certain financial ratios, a minimum level of net worth and limitations on certain types of transactions, which could reduce the amount the company is able to borrow. Events of default under the credit agreement include failure to perform covenants, material adverse change, change of control and default under other debt aggregating at least $25 million. If an event of default were to occur under the credit agreement, the lenders would be entitled to declare all amounts borrowed under it immediately due and payable. The occurrence of an event of default under the credit agreement could also cause the acceleration of obligations under certain other agreements and the termination of the company's U.S. trade accounts receivable facility. In addition, the company and certain international subsidiaries have access to certain uncommitted lines of credit from various banks. At December 31, 2002, the company has met all covenants and conditions under its various lending and funding agreements.

10 OTHER ACCRUED LIABILITIES

Other accrued liabilities (current) comprise the following:

December 31 (Millions)	2002	2001
Customers' deposits and prepayments	$ 347.8	$ 333.8
Deferred revenue	246.6	227.8
Payrolls and commissions	240.5	176.9
Accrued vacations	113.1	109.3
Taxes other than income taxes	74.5	75.5
Restructuring*	65.8	134.8
Other	253.1	244.8
Total other accrued liabilities	$ 1,341.4	$ 1,302.9

*At December 31, 2002 and 2001, an additional $12.6 million and $35.2 million, respectively, was reported in other long-term liabilities on the consolidated balance sheet.

11 PRODUCT WARRANTY

For equipment manufactured by the company, the company warrants that it will substantially conform to relevant published specifications for twelve months after shipment to the customer. The company will repair or replace, at its option and expense, items of equipment that do not meet this warranty. For company software, the company warrants that it will conform substantially to then-current published functional specifications for ninety days from customer's receipt. The company will provide a workaround or correction for material errors in its software that prevents its use in a production environment.

The company estimates the costs that may be incurred under its warranties and records a liability in the amount of such costs at the time revenue is recognized. Factors that affect the company's warranty liability include the number of units sold, historical and anticipated rates of warranty claims and cost per claim. The company quarterly assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary. Presented below is a reconciliation of the aggregate product warranty liability:

Year ended December 31 (Millions)	2002
Balance at December 31, 2001	$ 16.1
Accruals for warranties issued during the period	16.4
Settlements made during the period	(15.2)
Changes in liability for pre-existing warranties during the period, including expirations	1.9
Balance at December 31, 2002	$ 19.2

12 RENTAL EXPENSE AND COMMITMENTS

Rental expense, less income from subleases, for 2002, 2001 and 2000 was $159.0 million, $161.6 million and $146.0 million, respectively.

Minimum net rental commitments under noncancelable operating leases outstanding at December 31, 2002, substantially all of which relate to real properties, were as follows: 2003, $135.7; 2004, $99.1; 2005, $72.8; 2006, $56.8; 2007, $46.5; and $170.1 million thereafter. Such rental commitments have been reduced by minimum sublease rentals of $124.5 million, due in the future under noncancelable subleases.

Rental expense for 2002, 2001 and 2000 includes approximately $1.0 million, $2.0 million and $2.2 million, respectively, under a facility lease that expires in March 2005. The owner of the property is a special-purpose entity in which unrelated third parties made and have maintained an equity capital investment. The company has no debt or equity interest in this entity. At December 31, 2002 and 2001, the company did not consolidate this entity. Effective July 1, 2003, in accordance with FASB Interpretation No. 46, "Consolidation of Variable Interest Entities," the company will be required to consolidate this entity. Assets and debt are expected to increase by approximately $33 million; however, the change in the company's results of operations is expected to be immaterial. The company has the option to purchase the facility at any time during the lease term for approximately $33 million. At the end of the lease term, the company has agreed to either purchase the facility or remarket it to a third party on behalf of the owner. If the sales price is less than $33 million, the company is obligated to make up the lesser of the shortfall or $28 million. At December 31, 2002, the fair value of the property exceeded $33 million. The lease contains a number of financial covenants and other provisions.

At December 31, 2002, the company was in compliance with all of these covenants and provisions. At December 31, 2002, the company had outstanding standby letters of credit and surety bonds of approximately $340 million related to performance and payment guarantees. On the basis of experience with these arrangements, the company believes that any obligations that may arise will not be material.

13 FINANCIAL INSTRUMENTS

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

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

The company recognizes the fair value of its cash flow hedge derivatives as either assets or liabilities in its balance sheet. Changes in the fair value related to the effective portion of such derivatives are recognized in other comprehensive income until the hedged item is recognized in earnings, at which point the accumulated gain or loss is reclassified out of other comprehensive income and into earnings. The ineffective portion of such derivative's change in fair value is immediately recognized in earnings. The amount of ineffectiveness recognized in earnings during the years ended December 31, 2002 and 2001, related to cash flow hedge derivatives for third-party royalties was a gain of approximately $1.7 million and $4.2 million, respectively. The ineffective amount related to cash flow hedge derivatives for intercompany transactions was immaterial. Both the amounts reclassified out of other comprehensive income and into earnings and the ineffectiveness recognized in earnings related to cash flow hedge derivatives for forecasted intercompany transactions are recognized in cost of revenue, and in revenue for forecasted third-party royalties. Substantially all of the accumulated income and loss in other comprehensive income related to cash flow hedges at December 31, 2002, is expected to be reclassified into earnings within the next twelve months.

When a cash flow hedge is discontinued because it is probable that the original forcasted transaction will not occur by the end of the original specified time period, the company is required to reclassify any gains or losses out of other comprehensive income and into earnings. The amount of such reclassifications during the years ended December 31, 2002 and 2001, was immaterial.

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

During the years ended December 31, 2002, 2001 and 2000, the company recognized foreign exchange transaction gains or (losses) in other income (expense), net in its statement of income of $(1.2) million, $21.4 million and $(2.3) million, respectively.

In 1999, the company entered into interest rate swaps and currency swaps for euros and Japanese yen. The currency swaps were designated as hedges of the foreign currency exposure on the company's net investments in foreign subsidiaries and equity investments. The currency effects of these hedges were reported in accumulated other comprehensive income (loss), thereby offsetting a portion of the foreign currency translation of net assets. The difference between receipts of a U.S. fixed rate of interest and payments of a foreign currency denominated floating rate was reported in interest expense. In 2000, the company terminated these swaps, and as a result received net cash of $18.5 million and recognized a pretax loss of $2.7 million. Under the swaps, the company recognized an interest expense benefit of approximately $16 million in 2000.

Financial instruments also include temporary cash investments and customer accounts receivable. Temporary investments are placed with creditworthy financial institutions, primarily in oversecuritized treasury repurchase agreements, Eurotime deposits, or commercial paper of major corporations. At December 31, 2002, 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 2002 and 2001, as well as unrealized gains or losses at December 31, 2002, were immaterial. Receivables are due from a large number of customers that are dispersed worldwide across many industries. At December 31, 2002 and 2001, the company had no significant concentrations of credit risk. The carrying amount of cash and cash equivalents, notes payable and long-term debt approximates fair value.

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. Revenue classifications by segment are as follows: Services - systems integration, outsourcing, infrastructure services, and core 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. Accordingly, the Technology segment recognizes intersegment revenue and manufacturing profit on hardware and software shipments to customers under Services contracts. The Services segment, in turn, recognizes customer revenue and marketing profit on such shipments of company hardware and software to customers. The Services segment also includes the sale of hardware and software products sourced from third parties that are sold to customers through the company's Services channels. In the company's consolidated statements of income, the manufacturing costs of products sourced from the Technology segment and sold to Services customers are reported in cost of revenue for Services. Also included in the Technology segment's sales and operating profit are sales of hardware and software sold to the Services segment for internal use in Services engagements. The amount of such profit included in operating income of the Technology segment for the years ended December 31, 2002, 2001 and 2000, was $19.2 million, $21.8 million and $23.6 million, respectively. The profit on these transactions is eliminated in Corporate. The company evaluates business segment performance on operating income exclusive of restructuring charges and unusual and nonrecurring items, which are included in Corporate. All corporate and centrally incurred costs are allocated to the business segments based principally on revenue, employees, square footage or usage.

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

No single customer accounts for more than 10% of revenue. Revenue from various agencies of the U.S. Government, which is reported in both business segments, approximated $579 million, $623 million and $689 million in 2002, 2001 and 2000, respectively.

A summary of the company's operations by business segment for 2002, 2001 and 2000 is presented below:

(Millions)	Total	Corporate	Services	Technology
2002				
Customer revenue	$ 5,607.4		$ 4,285.1	$ 1,322.3
Intersegment		$ (331.9)	38.8	293.1
Total revenue	$ 5,607.4	$ (331.9)	$ 4,323.9	$ 1,615.4
Operating income (loss)	$ 423.2	$ (21.4)	$ 256.0	$ 188.6
Depreciation and amortization	297.8		167.2	130.6
Total assets	4,981.4	1,995.3	2,002.0	984.1
Investments at equity	111.8	1.1		110.7
Capital expenditures for properties	196.2	15.3	142.4	38.5
2001				
Customer revenue	$ 6,018.1		$ 4,444.6	$ 1,573.5
Intersegment		$ (363.4)	73.8	289.6
Total revenue	$ 6,018.1	$ (363.4)	$ 4,518.4	$ 1,863.1
Operating income (loss)	$ (4.5)	$ (315.7)	$ 94.7	$ 216.5
Depreciation and amortization	318.0		155.1	162.9
Total assets	5,769.1	2,617.6	2,009.3	1,142.2
Investments at equity	212.3	1.8		210.5
Capital expenditures for properties	199.4	28.9	113.8	56.7
2000				
Customer revenue	$ 6,885.0		$ 4,741.6	$ 2,143.4
Intersegment		$ (437.2)	46.6	390.6
Total revenue	$ 6,885.0	$ (437.2)	$ 4,788.2	$ 2,534.0

Operating income (loss)	$ 426.8	$ (103.3)	$ 81.4	$ 448.7
Depreciation and amortization	285.6		129.4	156.2
Total assets	5,713.3	2,434.4	1,989.0	1,289.9
Investments at equity	225.8	1.7		224.1
Capital expenditures for properties	198.3	21.4	111.9	65.0

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

Year ended December 31 (Millions)	2002	2001	2000
Total segment operating income	$ 444.6	$ 311.2	$ 530.1
Interest expense	(66.5)	(70.0)	(79.8)
Other income (expense), net	(23.9)	28.0	32.0
Corporate and eliminations	(21.4)	(39.4)	24.3
Fourth-quarter charges		(276.3)	(127.6)
Total income (loss) before income taxes	$ 332.8	$ (46.5)	$ 379.0

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

December 31 (Millions)	2002	2001	2000
Total segment assets	$ 2,986.1	$ 3,151.5	$ 3,278.9
Cash and cash equivalents	301.8	325.9	378.0
Prepaid pension assets		1,221.0	1,063.0
Deferred income taxes	1,787.3	1,090.4	1,044.2
Elimination for sale of receivables	(273.5)	(191.8)	(279.1)
Other corporate assets	179.7	172.1	228.3
Total assets	$ 4,981.4	$ 5,769.1	$ 5,713.3

Customer revenue by classes of similar products or services, by segment, is presented below:

Year ended December 31 (Millions)	2002	2001	2000
Services			
Systems integration	$ 1,455.6	$ 1,465.3	$ 1,599.0
Outsourcing	1,441.2	1,302.3	1,193.1
Infrastructure services	831.7	1,094.9	1,326.3
Core maintenance	556.6	582.1	623.2
	4,285.1	4,444.6	4,741.6
Technology			
Enterprise-class servers	955.9	1,048.5	1,424.4
Specialized technologies	366.4	525.0	719.0
	1,322.3	1,573.5	2,143.4
Total	$ 5,607.4	$ 6,108.1	$ 6,885.0

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

(Millions)	2002	2001	2000
Revenue			
United States	$ 2,500.7	$ 2,595.3	$ 2,875.5
United Kingdom	749.3	823.9	762.9
Other foreign	2,357.4	2,598.9	3,246.6
Total	$ 5,607.4	$ 6,018.1	$ 6,885.0
Properties, net			
United States	$ 315.4	$ 345.9	$ 334.0
United Kingdom	164.6	75.5	52.6
Other foreign	129.8	128.2	123.3
Total	$ 609.8	$ 549.6	$ 509.9

16 EMPLOYEE PLANS

Stock plans. Under the company's plans, stock options, stock appreciation rights, restricted stock, and restricted stock units may be granted to officers, directors and other key employees.

Options have been granted to purchase the company's common stock at an exercise price equal to or greater than the fair market value at the date of grant. Options generally have a maximum duration of ten years and become exercisable in annual installments over a four-year period following date of grant.

Restricted stock and restricted stock units have been granted and are subject to forfeiture until the expiration of a specified period of service commencing on the date of grant. Compensation expense resulting from the awards is charged to income ratably from the date of grant until the date the restrictions lapse and is based on fair market value at the date of grant. During the years ended December 31, 2002, 2001 and 2000, $.2 million, $.6 million and $1.0 million was charged to income, respectively.

The company has a worldwide Employee Stock Purchase Plan ("ESPP"), which enables substantially all regular employees to purchase shares of the company's common stock through payroll deductions of up to 10% of eligible pay. The price the employee pays is 85% of the market price at the beginning or end of a calendar quarter, whichever is lower. During the years ended December 31, 2002, 2001 and 2000, employees purchased newly issued shares from the company for $24.1 million, $28.8 million and $37.3 million, respectively.

U.S. employees are eligible to participate in an employee savings plan. Under this plan, employees may contribute a percentage of their pay for investment in various investment alternatives. Company matching contributions of 2% of pay are made in the form of newly issued shares of company common stock. The charge to income related to the company match for the years ended December 31, 2002, 2001 and 2000, was $17.9 million, $18.0 million and $19.1 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.

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 2002, 2001 and 2000, respectively: risk-free interest rates of 4.44%, 5.08% and 6.84%, 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.

A summary of the status of stock option activity follows:

Year ended December 31 (Shares in thousands)	2002		2001		2000	
	Shares	Weighted Avg. Exercise Price	Shares	Weighted Avg. Exercise Price	Shares	Weighted Avg. Exercise Price
Outstanding at beginning of year	28,653	$ 22.56	22,085	$ 24.44	19,158	$ 19.74
Granted	13,873	14.39	9,122	17.75	7,667	33.36
Exercised	(647)	7.68	(697)	6.91	(1,455)	9.58
Forfeited and expired	(2,989)	29.18	(1,857)	27.07	(3,285)	24.41
Outstanding at end of year	38,890	19.73	28,653	22.56	22,085	24.44
Exercisable at end of year	15,570	21.94	11,709	19.90	7,946	15.72
Shares available for granting options at end of year	12,449		2,477		4,008	
Weighted average fair value of options granted during the year		$ 5.95		$ 9.80		$ 18.76

December 31, 2002 (Shares in thousands)	Outstanding			Exercisable	
Exercise Price Range	Shares	Average Life *	Average Exercise Price	Shares	Average Exercise Price
$ 5.75-11.79	5,883	5.35	$ 8.68	4,277	$ 8.65
$11.79-12.11	9,631	8.88	12.10	282	12.00
$12.11-18.57	7,781	8.20	18.03	1,843	18.25
$18.57-30.19	9,801	6.68	26.66	6,265	26.83
$30.19-51.73	5,794	6.89	34.21	2,903	34.27
Total	38,890	7.36	19.73	15,570	21.94

* 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, 2002 and 2001, follow:

December 31 (Millions)	U.S. Plans 2002	U.S. Plans 2001	International Plans 2002	International Plans 2001
Change in benefit obligation				
Benefit obligation at beginning of year	$ 3,869.0	$ 3,559.0	$ 947.0	$ 757.1
Service cost	36.0	35.2	27.6	22.3
Interest cost	278.9	273.7	64.3	55.1
Plan participants' contributions			7.2	8.2
Plan amendments	(74.0)	59.6	1.2	4.0
Actuarial loss	319.1	217.8	117.3	45.9
Benefits paid	(305.1)	(276.3)	(49.7)	(38.4)
Effect of settlements/curtailments			2.6	1.8
Foreign currency translation adjustments			152.1	10.1
Other*			48.2	80.9
Benefit obligation at end of year	$ 4,123.9	$ 3,869.0	$ 1,317.8	$ 947.0
Change in plan assets				
Fair value of plan assets at beginning of year	$ 4,300.1	$ 4,951.3	$ 914.9	$ 847.9
Actual return on plan assets	(428.2)	(381.4)	(111.6)	(46.2)
Employer contribution	7.6	6.5	34.6	26.0
Plan participants' contributions			7.2	8.2
Benefits paid	(305.1)	(276.3)	(49.7)	(38.4)
Foreign currency translation adjustments			126.2	15.0
Other*			53.0	102.4
Fair value of plan assets at end of year	$ 3,574.4	$ 4,300.1	$ 974.6	$ 914.9
Funded status	$ (549.5)	$ 431.1	$ (343.2)	$ (32.1)
Unrecognized net actuarial loss	1,865.9	660.4	514.6	152.0
Unrecognized prior service (benefit) cost	(74.4)	(6.3)	6.8	5.8
Net amount recognized	$ 1,242.0	$ 1,085.2	$ 178.2	$ 125.7
Amounts recognized in the consolidated balance sheet consist of:				
Prepaid pension cost	$ -	$ 1,085.2	$ -	$ 135.8
Intangible asset			6.8	
Accrued pension liability	(547.1)		(180.6)	(10.1)
Accumulated other comprehensive loss**	1,789.1		352.0	
	$ 1,242.0	$ 1,085.2	$ 178.2	$ 125.7

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

** In addition to amounts recognized in other comprehensive loss relating to company pension plans, the company recorded $80.4 million in other comprehensive loss related to its share of NUL's minimum pension liability adjustment.

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): $5,441.7 million, $5,270.6 million and $4,549.0 million at December 31, 2002, and $181.0 million, $171.3 million and $93.3 million at December 31, 2001.

Net periodic pension cost for 2002, 2001 and 2000 includes the following components:

	U.S. Plans			International Plans		
Year ended December 31 (Millions)	2002	2001	2000	2002	2001	2000
Service cost	$ 36.0	$ 35.2	$ 37.4	$ 27.6	$ 22.3	$ 18.7
Interest cost	278.9	273.7	263.5	64.3	55.1	49.9
Expected return on plan assets	(459.8)	(476.2)	(440.3)	(91.4)	(79.4)	(67.3)
Amortization of prior service (benefit) cost	(5.6)	(5.5)	(5.9)	.8	.9	.9
Amortization of asset or liability at adoption			.8		.3	.3
Recognized net actuarial loss (gain)	1.7	1.2	1.1	2.6	(1.0)	.5
Settlement/curtailment (gain) loss	(.4)			1.8	3.4	1.4
Net periodic pension (income) cost	$ (149.2)	$ (171.6)	$ (143.4)	$ 5.7	$ 1.6	$ 4.4
Weighted-average assumptions as of December 31 were as follows:						
Discount rate	6.75%	7.50%	8.00%	5.86%	6.25%	6.57%
Rate of compensation increase	5.40%	5.40%	5.40%	3.80%	3.80%	3.77%
Expected long-term rate of return on assets	9.50%	10.00%	10.00%	8.20%	8.54%	8.51%

* For 2003, the company has assumed that the expected long-term rate of return on plan assets for its U.S. defined benefit pension plan will be 8.75%.

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, 2002 and 2001, follow:

December 31 (Millions)	2002	2001
Change in benefit obligation		
Benefit obligation at beginning of year	$ 220.1	$ 219.1
Interest cost	14.7	15.2
Plan participants' contributions	30.7	27.8
Actuarial loss	17.5	10.9
Benefits paid	(55.6)	(52.9)
Benefit obligation at end of year	$ 227.4	$ 220.1
Change in plan assets		
Fair value of plan assets at beginning of year	$ 13.4	$ 13.3
Actual return on plan assets	1.1	1.0
Employer contributions	22.3	24.2
Plan participants' contributions	30.7	27.8
Benefits paid	(55.6)	(52.9)
Fair value of plan assets at end of year	$ 11.9	$ 13.4
Funded status	$ (215.5)	$ (206.7)
Unrecognized net actuarial loss	40.7	26.2
Unrecognized prior service benefit	(7.9)	(9.9)
Accrued benefit cost	$ (182.7)	$ (190.4)

Net periodic postretirement benefit cost for 2002, 2001 and 2000, follows:

Year ended December 31 (Millions)	2002	2001	2000
Interest cost	$ 14.7	$ 15.2	$ 14.9
Amortization of prior service benefit	(2.0)	(2.0)	(2.0)
Recognized net actuarial loss	1.9	1.3	.4
Net periodic benefit cost	$ 14.6	$ 14.5	$ 13.3
Weighted-average assumptions as of December 31 were as follows:			
Discount rate	7.00%	7.40%	7.70%
Expected return on plan assets	8.00%	8.00%	8.00%

The assumed health care cost trend rate used in measuring the expected cost of benefits covered by the plan is 10.5% for 2003, gradually declining to 5.5% in 2008 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, 2002, by $10.4 million and $(10.6) million, respectively, and increase (decrease) the interest cost component of net periodic postretirement benefit cost for 2002 by $.7 million and $(.7) 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.

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, 2002, 67.4 million shares of unissued common stock of the company were reserved principally for stock options and for stock purchase and savings plans.

Comprehensive income (loss) for the three years ended December 31, 2002, includes the following components:

Year ended December 31 (Millions)	2002	2001	2000
Net income (loss)	$ 223.0	$ (67.1)	$ 225.0
Other comprehensive income (loss)			
Cumulative effect of change in accounting principle (SFAS No. 133), net of tax of $1.8		3.3	
Cash flow hedges			
Income (loss), net of tax of $(4.3) and $5.1	(7.9)	9.7	
Reclassification adjustments, net of tax of $1.2 and $(4.6)	2.0	(8.6)	
Foreign currency translation adjustments, net of tax of $-, $- and $19.0	(33.8)	(67.5)	(73.3)
Minimum pension liability, net of tax of $731.2	(1,490.4)		
Total other comprehensive income (loss)	(1,530.1)	(63.1)	(73.3)
Comprehensive income (loss)	$ (1,307.1)	$ (130.2)	$ 151.7

Accumulated other comprehensive income (loss) as of December 31, 2002, 2001 and 2000, is as follows (in millions of dollars):

	Total	Translation Adjustments	Cash Flow Hedges	Minimum Pension Liability
Balance at December 31, 1999	$ (570.4)	$ (570.4)	$ -	$ -
Change during period	(73.3)	(73.3)		
Balance at December 31, 2000	(643.7)	(643.7)	-	-
Change during period	(63.1)	(67.5)	4.4	
Balance at December 31, 2001	(706.8)	(711.2)	4.4	-
Change during period	(1,530.1)	(33.8)	(5.9)	(1,490.4)
Balance at December 31, 2002	$ (2,236.9)	$ (745.0)	$ (1.5)	$ (1,490.4)

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 audits and their observations on the adequacy of internal controls and the quality of financial reporting.

/s/ Lawrence A. Weinbach	/s/ Janet Brutschea Haugen
Lawrence A. Weinbach Chairman, President, and Chief Executive Officer	Janet Brutschea Haugen Senior Vice President and Chief Financial Officer

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of Unisys Corporation

We have audited the accompanying consolidated balance sheets of Unisys Corporation as of December 31, 2002 and 2001, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2002. 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, 2002 and 2001, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 3 to the consolidated financial statements, in 2002 Unisys Corporation adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," which resulted in Unisys Corporation changing the method of accounting for goodwill.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
January 21, 2003

UNISYS CORPORATION

Supplemental Financial Data (Unaudited)

QUARTERLY FINANCIAL INFORMATION

(Millions, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2002					
Revenue	$ 1,362.5	$ 1,359.8	$ 1,332.3	$ 1,552.8	$ 5,607.4
Gross profit	389.3	404.5	403.0	491.7	1,688.5
Income before income taxes	48.9	62.9	88.1	132.9	332.8
Net income	32.7	42.2	59.0	89.1	223.0
Earnings per share - basic	.10	.13	.18	.27	.69
- diluted	.10	.13	.18	.27	.69
Market price per share - high	13.74	13.84	9.67	11.49	13.84
- low	10.78	8.30	6.39	5.92	5.92
2001					
Revenue	$ 1,623.8	$ 1,461.4	$ 1,376.0	$ 1,556.9	$ 6,018.1
Gross profit	427.6	397.4	379.9	278.4	1,483.3
Income (loss) before income taxes	103.4	43.9	31.2	(225.0)	(46.5)
Income (loss) before extraordinary item	69.3	29.3	20.9	(169.4)	(49.9)
Net income (loss)	69.3	12.1	20.9	(169.4)	(67.1)
Earnings (loss) per share - basic					
Before extraordinary item	.22	.09	.07	(.53)	(.16)
Extraordinary item		(.05)			(.05)
Total	.22	.04	.07	(.53)	(.21)
Earnings (loss) per share - diluted					
Before extraordinary item	.22	.09	.07	(.53)	(.16)
Extraordinary item		(.05)			(.05)
Total	.22	.04	.07	(.53)	(.21)
Market price per share - high	19.70	15.00	14.47	13.45	19.70
- low	12.69	11.15	7.70	7.95	7.70

In the fourth quarter of 2001, the company recognized pretax restructuring and related charges of $276.3 million, or $.64 per share. Excluding these items, earnings per share before extraordinary items for 2001 was $.48. See Note 4 of the Notes to Consolidated Financial Statements.

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

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

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

(Millions, except per share data)	2002	2001/(1)/	2000/(1)/	1999	1998
RESULTS OF OPERATIONS					
Revenue	$ 5,607.4	$ 6,018.1	$ 6,885.0	$ 7,544.6	$ 7,243.9
Operating income (loss)	423.2	(4.5)	426.8	960.7	799.0
Income (loss) before income taxes	332.8	(46.5)	379.0	770.3	594.2
Income (loss) before extraordinary items	223.0	(49.9)	244.8	522.8	376.4
Net income (loss)	223.0	(67.1)	225.0	510.7	376.4
Dividends on preferred shares				36.7	106.5
Earnings (loss) on common shares	223.0	(67.1)	225.0	474.0	269.9
Earnings (loss) per common share before extraordinary items					
Basic	.69	(.16)	.78	1.69	1.07
Diluted	.69	(.16)	.77	1.63	1.01
FINANCIAL POSITION					
Working capital (deficit)	$ (238.5)	$ (109.4)	$ (54.1)	$ 268.3	$ 288.9
Total assets	4,981.4	5,769.1	5,713.3	5,885.0	5,608.2
Long-term debt	748.0	745.0	536.3	950.2	1,106.7
Common stockholders' equity	856.0	2,112.7	2,186.1	1,953.3	90.9
Common stockholders' equity per share	2.62	6.59	6.93	6.29	.35
OTHER DATA					
Research and development	$ 273.3	$ 331.5	$ 333.6	$ 339.4	$ 308.3
Capital additions of properties	196.2	199.4	198.3	219.6	209.1
Investment in marketable software	139.9	136.8	152.4	122.8	100.3
Depreciation and amortization of properties	154.5	140.2	135.6	134.5	141.8
Amortization					
Marketable software	121.0	145.5	115.5	110.9	112.3
Deferred outsourcing contract costs	22.3	15.8	12.7	13.9	9.1
Goodwill		16.5	21.8	21.7	18.2
Common shares outstanding (millions)	326.2	320.6	315.4	310.6	258.2
Stockholders of record (thousands)	27.3	28.4	29.7	32.8	28.6
Employees (thousands)	36.4	38.9	36.9	35.8	33.5

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

Exhibit 21

SUBSIDIARIES OF THE REGISTRANT

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

Name of Company	State or Other Jurisdiction Under the Laws of Which Organized
Unisys (Schweiz) A.G.	Switzerland
Unisys Deutschland G.m.b.H.	Germany
Unisys Brasil Ltda.	Brazil
Unisys France	France
Unisys Limited	England
Unisys Nederland N.V.	Netherlands
Unisys Korea Limited	Korea
Unisys Funding Corporation I	Delaware
Intelligent Processing Solutions Limited	United Kingdom

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 21, 2003, included in the 2002 Annual Report to Stockholders of Unisys Corporation.

Our audits also included the financial statement schedule of Unisys Corporation listed in Item 15(a). This schedule is the responsibility of Unisys Corporation's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3 No. 33-51747) of Unisys Corporation,
(2) Registration Statement (Form S-3 No. 333-51885) of Unisys Corporation,
(3) Registration Statement (Form S-8 No. 333-51887) pertaining to the Unisys LTIP,
(4) Registration Statement (Form S-8 No. 333-73399) pertaining to the Deferred Compensation Plan for Executives of Unisys Corporation,
(5) Registration Statement (Form S-4 No. 333-74745) of Unisys Corporation,
(6) Registration Statement (Form S-8 No. 333-87409) pertaining to the PulsePoint Communications 1983 Stock Option Plan, the Stock Option Plan for Independent Directors of Digital Sound Corporation and the Tech Hackers, Inc. 1997 Equity Incentive Plan,
(7) Registration Statement (Form S-8 No. 333-87411) pertaining to the Unisys Savings Plan,
(8) Registration Statement (Form S-8 No. 333-40012) pertaining to the Unisys Director Stock Unit Plan,
(9) Registration Statement (Form S-8 No. 333-56036) pertaining to the Unisys Global Employee Stock Purchase Plan,
(10) Registration Statement (Form S-8 No. 333-56038) pertaining to the Unisys Savings Plan, and
(11) Registration Statement (Form S-3 No. 333-85650) of Unisys Corporation, Unisys Capital Trust I, Unisys Capital Trust II;

of our report dated January 21, 2003, 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
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Philadelphia, Pennsylvania
February 14, 2003

Exhibit 24

POWER OF ATTORNEY
Unisys Corporation
Annual Report on Form 10-K
for the year ended December 31, 2002

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, 2002, 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 18, 2003

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

/s/ Melvin R. Goodes

Melvin R. Goodes
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/ Denise K. Fletcher
- ----------------------
Denise K. Fletcher
Director

/s/ Theodore E. Martin

Theodore E. Martin
Director

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

/s/ Lawrence A. Weinbach

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