SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2004

OR

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

For the transition period from ______ to ______.

Commission file number: 1-8729

UNISYS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**38-0387840** **(I.R.S. Employer Identification No.)**
Unisys Way **Blue Bell, Pennsylvania** **(Address of principal executive offices)**	**19424** **(Zip Code)**

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

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

Title of each class	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 ☒ 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 ☒ 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 $4.6 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 30, 2004. 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, 2004: 337,298,813.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Unisys Corporation 2004 Annual Report to Stockholders — Part I, Part II and Part IV.

Portions of the Unisys Corporation Proxy Statement for the 2005 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 and consulting, outsourcing, infrastructure and high-end server technology 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 16, "Segment information", of the Notes to Consolidated Financial Statements appearing in the Unisys 2004 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 check processing, insurance claims processing, health claims processing, mortgage administration and cargo management; infrastructure services involving the design and support of customers' IT infrastructure, including desktops, servers, mobile and wireless systems, and networks; enterprise-wide security solutions to protect systems, networks, applications and data; and core maintenance (maintenance on Unisys proprietary products).

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 the Unisys 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 third-party 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 Company's revenue is affected by such factors as the introduction of new products and services, the length of sales cycles and the seasonality of purchases. Seasonality has generally resulted in higher fourth quarter 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 15% of total consolidated revenue in 2004.

Backlog

In the Services segment, firm order backlog at December 31, 2004 was $6.8 billion, compared to $6.4 billion at December 31, 2003. Approximately $2.7 billion (39%) of 2004 backlog is expected to be filled in 2005. 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 2004, the Company also had $2.4 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 2003 was $2.6 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 systems integrators, consulting and other professional services firms, outsourcing providers, infrastructure services providers, computer hardware manufacturers and software 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 $294.3 million in 2004, $280.1 million in 2003, and $273.3 million in 2002.

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 2005 and 2006.

Employees

As of December 31, 2004, 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 16, "Segment information", of the Notes to Consolidated Financial Statements appearing in the Unisys 2004 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.

Unisys also makes available on its Internet website its Guidelines on Significant Corporate Governance Issues, the charters of the Audit Committee, Compensation Committee, Finance Committee, and Nominating and Corporate Governance Committee of its board of directors, and its Code of Ethics and Business Conduct. Such information is also available in print to stockholders upon request.

ITEM 2. PROPERTIES

As of December 31, 2004, 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, 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 4.1 million square feet of the U.S. facilities were in current operation, approximately .3 million square feet were subleased to others, and approximately .7 million square feet were being held in reserve or were declared surplus with disposition efforts in progress.

As of December 31, 2004, Unisys had 25 major facilities outside the United States with an aggregate floor space of approximately 2.6 million square feet, located primarily in Australia, Brazil, France, Germany, Netherlands, South Africa, Switzerland and the United Kingdom. Five of these facilities, with approximately .7 million square feet of floor space, were owned by Unisys and 20, with approximately 1.9 million square feet of floor space, were leased to Unisys. Approximately 2.0 million square feet were in current operation, approximately .3 million square feet were subleased to others, and approximately .3 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 2004.

ITEM 10. EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning the executive officers of Unisys as of February 14, 2005 is set forth below.

Name	Age	Position with Unisys
Lawrence A. Weinbach	65	Chairman of the Board
Joseph W. McGrath	52	President and Chief Executive Officer
George R. Gazerwitz	64	Vice Chairman
Peter Blackmore	57	Executive Vice President; President, Worldwide Sales and Marketing
Janet B. Wallace	53	Executive Vice President, Six Sigma Lean
David O. Aker	58	Senior Vice President, Worldwide Human Resources
Richard D. Badler	54	Senior Vice President, Corporate Communications
Janet Brutschea Haugen	46	Senior Vice President and Chief Financial Officer
Nancy Straus Sundheim	53	Senior Vice President, General Counsel and Secretary
Greg T. Baroni	51	Vice President; President, Global Public Sector
Scott A. Battersby	46	Vice President and Treasurer
Patricia A. Bradford	54	Vice President, Worldwide Human Resources
Dominick Cavuoto	51	Vice President; President, Global Financial Services
Leo C. Daiuto	59	Vice President; President, Systems and Technology
Randy J. Hendricks	48	Vice President; President, Global Outsourcing and Infrastructure Services
Jack F. McHale	55	Vice President, Investor Relations
Carol S. Sabochick	44	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 since 1997. He also served as President (September 1997 until April 2004) and Chief Executive Officer (September 1997 until December 2004). Prior to joining Unisys in 1997, 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. Weinbach has been an officer since 1997.

Mr. McGrath, Chief Executive Officer since January 2005 and President since April 2004. He also served as Chief Operating Officer (April 2004 until December 2004), Executive Vice President and President, Enterprise Transformation Services (January 2000 until April 2004), and Senior Vice President of Major Accounts Sales and Chief Marketing Officer (1999). 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. Gazerwitz, Vice Chairman since April 2004. He also served as Executive Vice President (2000 until April 2004), President, Systems and Technology (2000 until December 2004), and Executive Vice President and President of the Computer Systems Group (1996 until 1999). Mr. Gazerwitz has been an officer since 1984, and he is scheduled to retire on March 31, 2005.

Mr. Blackmore, Executive Vice President and President, Worldwide Sales and Marketing, since February 2005. Prior to joining Unisys, he was with Hewlett-Packard Company, a global technology solutions provider, serving as Executive Vice President, Customer Solutions Group (May 2004 until August 2004) and Executive Vice President, Enterprise Systems Group (2002 until April 2004). From 1991 until its acquisition by Hewlett-Packard in 2002, he was with Compaq Computer Corporation, serving in a number of senior management positions, most recently as Executive Vice President, Worldwide Sales and Services (2000-2002). Mr. Blackmore has been an officer since February 2005.

Ms. Wallace, Executive Vice President since February 2004 and head of the company's Six Sigma Lean initiative since February 2005. She has also served as President, Global Infrastructure Services (2000 until February 2005); Senior Vice President (2000 until February 2004) and Vice President and President, Global Network Services (1999). Prior to joining Unisys in 1999, 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.

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, and he is scheduled to retire on March 1, 2005.

Mr. Badler, Senior Vice President, Corporate Communications since 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.

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.

Mr. Baroni, Vice President and President, Global Public Sector since February 2004. Mr. Baroni joined Unisys in 2001 as President, Global Public Sector. Prior to that, he spent almost 20 years at KPMG, LLP and KPMG Consulting (now Bearing Point) where his last position was as Senior Vice President of their Public Service Practice. Mr. Baroni has been an officer since 2004.

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.

Ms. Bradford, Vice President, Worldwide Human Resources since January 2005. From April 2004 until December 2004, she served as Vice President, Human Resources Operations, from March 2003 until March 2004, she served as Vice President and Managing Business Partner, Enterprise Transformation Services, and from November 1999 until February 2003, she served as Vice President and Managing Business Partner, Global Industries. Prior to that time, she held several other leadership positions in Human Resources. Ms. Bradford joined Unisys in 1982 and has been an officer since January 2005.

Mr. Cavuoto, Vice President and President, Global Financial Services since February 2004. Mr. Cavuoto joined Unisys in 2001 as President, Global Financial Services. From 1994 until 2001, he was with KPMG Consulting (now Bearing Point) as Senior Vice President and Managing Director of its Financial Services Solutions Practice. Mr. Cavuoto has been an officer since 2004.

Mr. Daiuto, Vice President and President, Systems and Technology since January 2005. From 2000 until 2004, he served as Vice President, Product Development and Technology. Prior to 2000, 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. Hendricks, Vice President and President, Global Outsourcing and Infrastructure Services, since February 2005. Mr. Hendricks has been with Unisys since 2001, most recently serving as the President of the Competencies organization. From 2000 to 2001, he was President and Chief Executive Officer of Digite, a software company. Prior to that, he had been with Andersen Consulting (now Accenture) for 20 years. Mr. Hendricks has been an officer since February 2005.

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 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 2002.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

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 2004 Annual Report to Stockholders and is incorporated herein by reference. At December 31, 2004, there were 337.4 million shares outstanding and approximately 25,200 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 2004 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 2004 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 2004 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, 2004 and 2003 and the related consolidated statements of income, cash flows and stockholders' equity for each of the three years in the period ended December 31, 2004, appearing in the Unisys 2004 Annual Report to Stockholders, together with the report of Ernst & Young LLP, independent registered public accountants, on the financial statements at December 31, 2004 and 2003 and for each of the three years in the period ended December 31, 2004, appearing in the Unisys 2004 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 2004 Annual Report to Stockholders, is incorporated herein by reference.

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

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2004. 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. Such evaluation did not identify any change in the Company's internal controls over financial reporting that occurred during the quarter ended December 31, 2004 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's report on internal control over financial reporting and the attestation report of Ernst & Young LLP, an independent registered public accounting firm, thereon are set forth under the headings "Report of Management on Internal Control over Financial Reporting" and "Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting" in the Unisys 2004 Annual Report to Stockholders, and are incorporated herein by reference.

ITEM 9B. OTHER INFORMATION

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 2006" and "Members of the Board of Directors Continuing in Office — Term Expiring in 2007" in the Unisys Proxy Statement for the 2005 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 2005 Annual Meeting of Stockholders and is incorporated herein by reference.

(d) Identification of the Audit Committee. Information concerning the audit committee of Unisys is set forth under the heading “Committees” in the Unisys Proxy Statement for the 2005 Annual Meeting of Stockholders and is incorporated herein by reference.

(e) Code of Ethics. Information concerning the Unisys Code of Ethics and Business Conduct is set forth under the caption “Code of Ethics and Business Conduct” in the Unisys Proxy Statement for the 2005 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 COMPENSATION COMMITTEE” and “STOCK PERFORMANCE GRAPH” in the Unisys Proxy Statement for the 2005 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 2005 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 2005 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 2005 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information concerning fees and services of the Company’s principal accountants is set forth under the heading “Relationship with Independent Registered Public Accounting Firm” in the Unisys Proxy Statement for the 2005 Annual Meeting of Stockholders and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this report:

1. Financial Statements from the Unisys 2004 Annual Report to Stockholders which are incorporated herein by reference:

Consolidated Balance Sheets at December 31, 2004 and December 31, 2003

Consolidated Statements of Income for each of the three years in the period ended December 31, 2004

Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2004

Consolidated Statements of Stockholders' Equity for each of the three years in the period ended December 31, 2004

Notes to Consolidated Financial Statements

Report of Management on the Financial Statements

Report of Independent Registered Public Accounting Firm

Report of Management on Internal Control over Financial Reporting

Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting

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

Schedule Number	Form 10-K Page No.
II Valuation and Qualifying Accounts	15

The financial statement schedule should be read in conjunction with the consolidated financial statements and notes thereto in the Unisys 2004 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 16 through 18. Management contracts and compensatory plans and arrangements are listed as Exhibits 10.1 through 10.20.

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

Date: February 16, 2005

By: /s/ Joseph W. McGrath

Joseph W. McGrath
President and Chief
Executive Officer

Date: February 16, 2005

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 16, 2005.

/s/ Lawrence A. Weinbach

Lawrence A. Weinbach
Chairman and Director

/s/ Carol S. Sabochick

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

/s/ Joseph W. McGrath

Joseph W. McGrath
President and Chief Executive
Officer (principal
executive officer) and
Director

*J. P. Bolduc

J. P. Bolduc
Director

/s/ Janet Brutschea Haugen

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

*James J. Duderstadt

James J. Duderstadt
Director

*Henry C. Duques

Henry C. Duques
Director

*Matthew J. Espe

Matthew J. Espe
Director

*Denise K. Fletcher

Denise K. Fletcher
Director

*Gail D. Fosler

Gail D. Fosler
Director

*Randall J. Hogan

Randall J. Hogan
Director

*Edwin A. Huston

Edwin A. Huston
Director

*Clayton M. Jones

Clayton M. Jones
Director

*Theodore M. Martin

Theodore M. Martin
Director

*By: /s/ Lawrence A. Weinbach

Lawrence A. Weinbach
Attorney-in-Fact

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

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions (1)	Balance at End of Period
Allowance for Doubtful Accounts (deducted from accounts and notes receivable):				
Year Ended December 31, 2002	$ 50.6	$ 23.9	$ (12.7)	$ 61.8
Year Ended December 31, 2003	$ 61.8	$ .6	$ (12.6)	$ 49.8
Year Ended December 31, 2004	$ 49.8	$ 1.9	$ (2.1)	$ 49.6

(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)
3.2	By-Laws of Unisys Corporation, as amended through April 22, 2004 (incorporated by reference to Exhibit 3 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2004)
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 April 22, 2004 (incorporated by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2004)
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	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)
10.11	Unisys Corporation 2002 Stock Option Plan (incorporated by reference to Exhibit 10.17 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002)
10.12	Unisys Corporation Employee Stock Purchase Plan, as amended and restated February 13, 2003 (incorporated by reference to Appendix C to the registrant's Proxy Statement, dated March 14, 2003, for its 2003 Annual Meeting of Stockholders)
10.13	Unisys Corporation Savings Plan, amended and restated effective January 1, 2002 (incorporated by reference to Exhibit 10.19 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002)
10.14	Unisys Corporation 2003 Long-Term Incentive and Equity Compensation Plan (incorporated by reference to Appendix B to the registrant's Proxy Statement, dated March 14, 2003, for its 2003 Annual Meeting of Stockholders)

10.15	Agreement, dated April 6, 2004, between Lawrence A. Weinbach and Unisys Corporation (incorporated by reference to Exhibit 10 to the registrant's Current Report on Form 8-K dated April 6, 2004)
10.16	Agreement, dated December 22, 2004, between Unisys Corporation and Joseph W. McGrath (incorporated by reference to Exhibit 10 to the registrant's Amendment No. 1 to Current Report on Form 8-K/A dated December 22, 2004)
10.17	Unisys Corporation Supplemental Executive Retirement Income Plan, as amended and restated effective January 1, 2005
10.18	Unisys Corporation Elected Officer Pension Plan, as amended and restated effective January 1, 2005
10.19	2005 Deferred Compensation Plan for Directors of Unisys Corporation
10.20	Unisys Corporation 2005 Deferred Compensation Plan
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, 2004
21	Subsidiaries of the Registrant
23	Consent of Independent Registered Public Accounting Firm
24	Power of Attorney
31.1	Certification of Lawrence A. Weinbach required by Rule 13a-14(a) or Rule 15d-14(a)
31.2	Certification of Joseph W. McGrath required by Rule 13a-14(a) or Rule 15d-14(a)
31.3	Certification of Janet Brutschea Haugen required by Rule 13a-14(a) or Rule 15d-14(a)
32.1	Certification of Lawrence A. Weinbach required by Rule 13a-14(b) or Rule 15d-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
32.2	Certification of Joseph W. McGrath required by Rule 13a-14(b) or Rule 15d-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
32.3	Certification of Janet Brutschea Haugen required by Rule 13a-14(b) or Rule 15d-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350

Exhibit 10.17

UNISYS CORPORATION
SUPPLEMENTAL EXECUTIVE RETIREMENT INCOME PLAN
AS AMENDED AND RESTATED
EFFECTIVE JANUARY 1, 2005

PREAMBLE

The Unisys Corporation Supplemental Executive Retirement Income Plan, as amended and restated effective January 1, 2005 (the "Supplemental Plan"), was adopted by Unisys Corporation (the "Company") to provide for the payment of supplemental pension benefits to certain employees who retire under the terms of the Unisys Pension Plan (the "Company Plan"). Capitalized terms which are used and not otherwise defined in this Supplemental Plan have the same definition assigned to them in the Company Plan.

The Supplemental Plan was originally adopted by Burroughs Corporation, effective January 1, 1976, and prior to April 1, 1988, was known as the Burroughs Corporation Supplemental Executive Retirement Income Plan (the "Burroughs Plan"). The Burroughs Plan provided for the payment of supplemental pension benefits to employees of the Company who participated in the Burroughs Employees' Retirement Income Plan. Prior to April 1, 1988, the Company also maintained the Sperry Excess Benefit Plan (the "Sperry Plan") which provided for the payment of supplemental pension benefits to employees of the Company who participated in Part A of the Sperry Retirement Program. (The Burroughs Plan and Sperry Plan will be collectively referred to hereinafter as the "Prior Plan(s).") Effective April 1, 1988, supplemental pension benefits will be provided to employees who participate in the Unisys Pension Plan pursuant to the terms of the Supplemental Plan.

The provisions of Part IV of the Supplemental Plan (effective from April 1, 1988 through May 31, 1988) have been amended and restated effective June 1, 1988 and later amended and restated effective January 1, 2005 and Part IV has been renamed the Unisys Corporation Elected Officers' Pension Plan. The provisions of that Plan are set forth in a separate plan document.

Purpose

The Supplemental Plan (which consolidates the provisions of Parts I and II of the Burroughs Plan) provides for the payment of pension benefits that would have been paid under the Company Plan but for the benefit limitations imposed by the Internal Revenue Code (the "Code"). The Supplemental Plan also provides for the payment of pension benefits that would have been paid under the Company Plan if deferred salary, bonuses and commissions had been included in the calculation of the employee's Compensation.

Effective Date

The Effective Date of the Supplemental Plan, as amended and restated, is January 1, 2005.

Any former Employee who has retired or terminated employment before April 1, 1988 shall receive no additional rights as a result of this amended and restated Supplemental Plan, but shall have a right to benefits, if any, determined in accordance with the terms of the Prior Plan in effect on the date of retirement or other termination of employment.

ARTICLE I - SUPPLEMENTAL BENEFITS

1.1 Eligibility

(a) Each Employee who is a Participant in the Company Plan and whose pension benefits payable under the Company Plan are limited by the compensation or benefit limitations set forth in Sections 401(a)(17) or 415 of the Code shall be eligible for the benefits described in Section 1.2(a)(1) hereunder.

(b) Each Employee who is a Participant in the Company Plan and who has elected to defer base pay, bonus and commissions shall be eligible for the benefits described in Section 1.2(a)(2) hereunder.

(c) An Employee who terminates employment prior to earning a vested right in an accrued benefit under the Company Plan will not be eligible to receive the benefits provided hereunder.

1.2 Calculation of Supplemental Pension Benefit

(a) Subject to subsection (b), an eligible Employee or the Employee's Beneficiary, if applicable, shall be entitled to receive a supplemental pension benefit equal to the pension benefit that would have been paid to the Employee or Beneficiary under the terms of the Company Plan, calculated as if:

(1) the Company Plan were administered without regard to the special benefit limitations imposed under Sections 401(a)(17) or 415 of the Code; and

(2) any deferred compensation under an arrangement approved by the Board not included in the Company Plan had been included in the Employee's Compensation in the month in which the Employee would have received the bonus or variable compensation amount or salary (but for the Employee's election to defer).

(b) The supplemental pension benefit calculated under Subsection (a) shall be reduced by any benefit payable under the Company Plan, calculated as if such benefit is payable in the same form as the benefit payable under the Supplemental Plan. The calculation will be made by utilizing methods and assumptions that the Committee deems to be reasonable.

(c) For purposes of Subsection (a)(2), the subsequent receipt of any deferred annual bonus amount or salary included in the Employee's benefit accrual under the Company Plan shall not be considered for purposes of benefit calculation hereunder.

(d) The supplemental pension benefit calculated under Subsection (a) shall exclude any amount of a Participant's accrued benefit payable under the Company Plan attributable to the 2000 Additional Benefit described in Appendix I of the Company Plan, the 2001 Additional Benefit described in Appendix K of the Company Plan and the 2002 Additional Benefit described in Appendix M of the Company Plan.

ARTICLE II - GENERAL PROVISIONS OF THE SUPPLEMENTAL PLAN

2.1 Survivor Benefits

The pre-retirement surviving spouse benefit provisions shall also apply under this Supplemental Plan.

2.2 Vesting Benefits

Any benefit payable under this Supplemental Plan shall be vested in the same manner and percentage as benefits accrued under the Company Plan.

2.3 Forfeiture of Benefits

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

Except as heretofore provided for in this Section 2.3, the acceptance by a retired member of any benefit under this Supplemental Plan shall constitute an agreement with the provisions of this Supplemental Plan and a representation that he or she is not engaged or employed in any activity serving as a basis for suspension or forfeiture of benefits hereunder. The Committee may require each retired member eligible for a benefit under this Supplemental Plan to acknowledge in writing prior to payment of such benefit that he or she will accept payment of benefits under this Supplemental Plan only if there is no basis for such suspension or forfeiture.

2.3 Administration

This Supplemental Plan shall be administered by the committee (the "Committee") appointed by the Board of Directors to administer the Company Plan. The Committee shall administer this Supplemental Plan in a manner consistent with the administration of the Company Plan, except that this Supplemental Plan shall be administered as an unfunded plan which is not intended to meet the qualification requirements of Section 401 of the Internal Revenue Code. The Committee's decision in all matters involving the interpretation and application of this Supplemental Plan shall be final.

2.4 Payment of Benefits

Payment of vested benefits under this Supplemental Plan shall be made as provided below:

(a) The Participant's Retirement Accumulation Account shall be payable in a lump sum upon the Participant's separation from service.

(b) The Participant's Residual Annuity shall be payable at the later of the Participant's separation from service or his or her attainment of age 55 as a life annuity, if the Participant is single, or as a reduced (actuarial equivalent) joint and 50% survivor annuity, if the Participant is married. Such reduction shall be consistent with the factors applicable under the Company Plan. Other forms of annuity payments may be permitted if allowed under Section 409A of the Internal Revenue Code and regulations issued thereunder. All payments commence on the first day of the month coincident with or next following attainment of eligibility.

(c) Notwithstanding the foregoing, distributions upon a Participant's separation from service may not be made earlier than six months following the date of the Participant's separation from service, if a committee, composed of the Chief Financial Officer of the Company and the Company's head of worldwide Human Resources, determines that such Participant is a Key Employee as provided in Section 409A of the Internal Revenue Code and regulations issued thereunder. Any benefit accrued and vested as of December 31, 2004 is exempt from the six-month delay.

2.5 Employees' Rights

An employee's rights, or the rights of an employee's beneficiary, under this Supplemental Plan, except as to eligibility for a vested benefit and except as specifically altered by the terms of this Supplemental Plan shall be the same as such person's rights under the Company Plan, except that such person shall not be entitled to the payment of any benefits under this Plan from the trust established under the Company Plan. Benefits under this Supplemental Plan shall be payable from the general assets of the Company.

2.6 Amendments and Discontinuance

The Company expects to continue this Supplemental Plan indefinitely, but reserves the right to amend or discontinue it if, in its sole judgment, such a change is deemed necessary or desirable. However, if the Company should amend or discontinue this Supplemental Plan, the Company shall be liable for any benefits accrued under this Supplemental Plan as of the date of such action. Any change to the Plan which adversely affects a Participant's or Beneficiary's rights to benefits and/or the amount, form and manner in which benefits are accrued, vested and/or paid shall not affect the Participant's or Beneficiary's benefits accrued up to the date of the change. Changes which adversely affect the Participant's or Beneficiary's rights under the Plan may only take effect on the adoption date of the change and on a going forward basis.

2.7 Claims Procedure

(a) Claims. Any person or entity claiming a benefit, requesting an interpretation or ruling under the Plan (hereinafter referred to as "claimant"), or requesting information under the Plan shall present the request in writing to the Committee, which shall respond in writing or electronically. The notice advising of the denial shall be furnished to the claimant within ninety (90) days of receipt of the benefit claim by the Committee, unless special circumstances require an extension of time to process the claim. If an extension is required, the Committee shall provide notice of the extension prior to the termination of the ninety (90) day period. In no event may the extension exceed a total of one hundred eighty (180) days from the date of the original receipt of the claim.

(b) Denial of Claim.

If the claim or request is denied, the written or electronic notice of denial shall state:

- The reason(s) for denial;
- Reference to the specific Plan provisions on which the denial is based;
- A description of any additional material or information required and an explanation of why it is necessary; and
- An explanation of the Plan's claims review procedures and the time limits applicable to such procedures, including the right to bring a civil action under section 502(a) of ERISA.

(c) Review of Claim. Any claimant whose claim or request is denied or who has not received a response within sixty (60) days may request a review by notice given in writing or electronic form to the Committee. Such request must be made within sixty (60) days after receipt by the claimant of the written or electronic notice of denial, or in the event the claimant has not received a response, sixty (60) days after receipt by the Committee of the claimant's claim or request. The claim or request shall be reviewed by the Committee which may, but shall not be required to, grant the claimant a hearing. On review, the claimant may have representation, examine pertinent documents, and submit issues and comments in writing.

(d) Final Decision. The decision on review shall normally be made within sixty (60) days after the Committee's receipt of claimant's claim or request. If an extension of time is required for a hearing or other special circumstances, the claimant shall be notified and the time limit shall be one hundred twenty (120) days. The decision shall be in writing or in electronic form and shall:

- state the specific reason(s) for the denial;
- reference the relevant Plan provisions;
- state that the claimant is entitled to receive, upon request and free of charge, and have reasonable access to and copies of all documents, records and other information relevant to the claim for benefits; and
- state that the claimant may bring an action under section 502(a) of ERISA.

All decisions on review shall be final and bind all parties concerned.

Exhibit 10.18

UNISYS CORPORATION
ELECTED OFFICER PENSION PLAN
AS AMENDED AND RESTATED
EFFECTIVE JANUARY 1, 2005

ARTICLE I

PURPOSE

1.01 The Unisys Corporation Elected Officer Pension Plan (the "Plan") has been adopted by Unisys Corporation (the "Company") to provide a minimum level of retirement benefits for elected Officers (as defined in Section 2.12 below) of the Company. The Plan is effective June 1, 1988 and applies to any elected Officer or other eligible employee of the Company who terminates employment on or after that date. This document is a restatement that includes all amendments made through January 1, 2005. Prior to June 1, 1988, elected Officers of the Company were provided executive pension benefits under the Unisys Corporation Supplemental Executive Retirement Income Plan - Part IV or the Sperry Corporation Executive Pension Plan. Officers who terminated employment prior to June 1, 1988 will receive executive pension benefits, if any, under the terms of the prior plan in effect on their termination date.

ARTICLE II

DEFINITIONS

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

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

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

2.04 "Committee" shall mean the Compensation Committee of the Board.

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

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

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

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

2.09 "Final Average Compensation" shall mean the Participant's Final Average Compensation, as defined in the Company Plan, except that any salary amounts deferred under an arrangement approved by the Board not included by the Company Plan and any amounts excluded from consideration under the Company Plan due to the application of Section 401(a)(17) of the Code shall be included in the calculation of Final Average Compensation in the month in which such amounts were or would otherwise have been paid; provided, however, that no more than the most recent five annual bonus amounts (whether paid or deferred) shall be included in the calculation of Final Average Compensation.

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

2.11 "Key Employee" shall mean (i) an officer of the Company or its affiliates having annual compensation greater than $130,000 (adjusted for inflation and limited to 50 employees), (ii) a five percent owner of the Company and its affiliates, or (iii) a one percent owner of the Company and its affiliates who has annual compensation from the Company and its affiliates greater than $150,000, as determined by the Committee in a manner consistent with the regulations issued under section 409A of the Code.

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

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

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

2.15 "Primary Social Security Benefit" shall mean the annualized amount calculated according to the rules for computing the primary social security benefit payable to a Participant upon attainment of Social Security Retirement Age under the Federal Social Security Act as in effect at the time the Participant retires. In the event that a Participant retires prior to attainment of eligibility for Social Security benefits, the Participant's Primary Social Security Benefit shall be deemed to be 80% of the Primary Social Security Benefit payable at Social Security Retirement Age. In the event the Participant retires after attainment of eligibility for Social Security benefits, but before Social Security Retirement Age, the Primary Social Security Benefit shall be deemed to be an amount prorated between the benefit payable at Social Security Retirement Age and 80% of such amount. For purposes of this calculation, it will be assumed that the Participant has no earnings for Social Security purposes beyond the date of retirement.

2.16 "Supplemental Plan" shall mean the Unisys Corporation Supplemental Executive Retirement Income Plan-Article I, as amended and restated effective January 1, 2005, and as amended from time to time.

2.17 "Change in Control" means any of the following events:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 2.17; or

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

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

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

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

Unless otherwise specified, capitalized words and phrases used in this Plan shall have the same meaning as such words or phrases when used in the Company Plan.

ARTICLE III

PARTICIPATION AND VESTING

3.01 Participation

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

3.02 Vesting

(a) Each Participant shall acquire a vested right to a retirement benefit calculated in accordance with Article V on the earliest to occur of the following:

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

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

(3) for an Employee who is or becomes an Officer on or after January 1, 1997 and before July 19, 2001, the date on which the Employee attains age 50 and completes 5 years of Credited Service, provided that the Employee is employed by the Company or an Affiliated Company on or after December 31, 1998; or

(4) The date specified in a written agreement between a Participant and the Company, provided that for agreements entered into on and after May 22, 1997, such agreements must be approved by the Committee.

(b) A Participant who (i) retires from active employment or terminates employment due to Disability or death, or (ii) retires from active employment or terminates employment with the Company due to death or Disability within twelve months of ceasing to be an Officer, shall be eligible, upon application, to receive the retirement and surviving spouse benefits provided in Article V below.

(c) A former Officer who was a Participant but who continues in active employment for more than twelve months after ceasing to be an Officer shall be eligible, upon application, to receive a vested annual retirement benefit calculated in accordance with Sections 5.01(a), 5.02, 5.04 and

5.05, utilizing as an offset the amount of benefits payable under the Company Plan and the Supplemental Plan calculated as if the Participant had elected a single life annuity form of benefit under the Company Plan, and such former Officer shall not be eligible for the survivor benefits described in Section 5.03. This Section 3.01(c) shall not apply after the occurrence of a Change in Control with respect to any individual who was an Officer on the date of the Change in Control.

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

ARTICLE IV

CREDITED SERVICE

4.01 Credited Service

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

(a) periods of employment as an Officer; and

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

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

ARTICLE V

CALCULATION OF BENEFITS

5.01 Amount of Benefits

(a) Subject to the adjustments set forth in Section 5.02, a Participant who satisfies the vesting requirements described in Section 3.02(a) shall receive an annual retirement benefit payable at Normal Retirement Date equal to:

(1) 4% of the Participant's Final Average Compensation for each year of Credited Service not in excess of 10 including proportional credit for a fraction of a year; plus

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

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

(b) The benefit payable from this Plan and described in paragraph (a) shall be a monthly benefit paid in the form of a single life annuity if the Participant is unmarried on the date that the Participant commences receipt of benefits, or in the form of a joint and 50% surviving spouse annuity if the Participant is married on the date the Participant commences receipt of benefits. The benefit payable to a Participant shall not be reduced or increased as a result of such payment in the surviving spouse benefit form or for any age difference between the Participant and spouse. Other forms of annuity payments may be permitted if allowed under section 409A of the Internal Revenue Code and regulations issued thereunder.

5.02 Early Retirement Prior to Age 62

Benefits paid under this Plan shall be reduced by one- half of one percent (0.5%) for each calendar month by which the commencement of benefits precedes the first day of the month coincident with or next following the Participant's 62nd birthday, provided that benefits cannot commence prior to the first day of the month coincident with or next following attainment of age 55.

5.03 Death Benefits

(a) In the event of the death of a Participant who, at the time of death, has satisfied the vesting requirements described in Section 3.01(a) above, and who:

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

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

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

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

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

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

(4) had died on the following day.

(c) The benefit payable under this Section shall be paid to the surviving spouse in the form of a single life annuity and shall commence on the first day of the month coincident with or next following the month in which the Participant's death occurs, but not before the Participant would have attained age 55.

(d) No benefits shall be payable from this Plan to a surviving spouse (or any other beneficiary) of a Participant unless the form of benefit paid to the Participant provides for the payment of benefits upon the Participant's death or except as otherwise provided in this Section.

5.05 Benefit Offset

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

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

ARTICLE VI

BENEFIT PAYMENTS

6.01 Form of Benefit Payment

If a Participant should elect a form of benefit payment under the Company Plan (or such other plan or program, unless impracticable not to so elect) which is different than the form of benefit payment under this Plan, then for purposes of determining the offset under Section 5.05, the Participant shall be deemed to be in receipt of the amount of benefit payable as if the Participant had elected the Normal Form of Benefit under the Company Plan.

6.02 Commencement of Benefits

Payment of a Participant's vested benefits shall commence on the first day of the month coincident with or next following the Participant's separation from service, but not before age 55. Notwithstanding the foregoing, distributions upon a Participant's separation from service will not be made earlier than six months following the date of the Participant's separation from service, if the Participant is a Key Employee. Any benefit accrued and vested as of December 31, 2004 is exempt from the six-month delay.

6.03 Funding of Benefits

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

6.04 Forfeiture and Suspension of Benefits

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

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

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

ARTICLE VII

ADMINISTRATION

7.01 Committee

The Plan shall be administered by the Committee, which shall administer the Plan in a manner consistent with the administration of the Company Plan, except that this Plan shall be administered as an unfunded plan that is not intended to meet the requirements of Section 401 of the Code. The Committee shall be the Plan administrator and named fiduciary of the Plan that has the discretionary authority to control and manage the operation and administration of the Plan. The Committee has the discretionary authority to supply omissions, make factual determinations, and to decide any dispute that may arise regarding the rights of Participants. All such decisions are binding and conclusive on all interested parties.

7.02 Claims Procedure.

(a) Claims. Any person or entity claiming a benefit, requesting an interpretation or ruling under the Plan (hereinafter referred to as “claimant”), or requesting information under the Plan shall present the request in writing to the Committee, which shall respond in writing or electronically. The notice advising of the denial shall be furnished to the claimant within ninety (90) days of receipt of the benefit claim by the Committee, unless special circumstances require an extension of time to process the claim. If an extension is required, the Committee shall provide notice of the extension prior to the termination of the ninety (90) day period. In no event may the extension exceed a total of one hundred eighty (180) days from the date of the original receipt of the claim.

(b) Denial of Claim.

If the claim or request is denied, the written or electronic notice of denial shall state:

- The reason(s) for denial;
- Reference to the specific Plan provisions on which the denial is based;
- A description of any additional material or information required and an explanation of why it is necessary; and
- An explanation of the Plan's claims review procedures and the time limits applicable to such procedures, including the right to bring a civil action under section 502(a) of ERISA.

(c) Review of Claim.

Any claimant whose claim or request is denied or who has not received a response within sixty (60) days may request a review by notice given in writing or electronic form to the Committee. Such request must be made within sixty (60) days after receipt by the claimant of the written or electronic notice of denial, or in the event the claimant has not received a response, sixty (60) days after receipt by the Committee of the claimant's claim or request. The claim or request shall be reviewed by the Committee which may, but shall not be required to, grant the claimant a hearing. On review, the claimant may have representation, examine pertinent documents, and submit issues and comments in writing.

(d) Final Decision.

The decision on review shall normally be made within sixty (60) days after the Committee's receipt of claimant's claim or request. If an extension of time is required for a hearing or other special circumstances, the claimant shall be notified and the time limit shall be one hundred twenty (120) days. The decision shall be in writing or in electronic form and shall:

- state the specific reason(s) for the denial;

- reference the relevant Plan provisions;
- state that the claimant is entitled to receive, upon request and free of charge, and have reasonable access to and copies of all documents, records and other information relevant to the claim for benefits; and
- state that the claimant may bring an action under section 502(a) of ERISA.

All decisions on review shall be final and bind all parties concerned.

7.03 Plan Amendment and Termination

The Company expects to continue this Plan indefinitely, but reserves the right to amend or discontinue it if, in its sole judgment, such a change is deemed necessary or desirable. However, if the Company should amend or discontinue this Plan, the Company shall be liable for any benefits accrued under this Plan (determined on the basis of each Employee's presumed termination of employment as of the date of such amendment or discontinuance) as of the date of such action. Any change to the Plan which adversely affects a Participant's or Beneficiary's rights to benefits and/or the amount, form and manner in which benefits are accrued, vested and/or paid shall not affect the Participant's or Beneficiary's benefits accrued up to the date of the change. Changes which adversely affect a Participant's or Beneficiary's rights under the Plan may only take effect on the adoption date of the change and on a going forward basis.

7.04 No Employment Rights

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

7.05 Severability of Provisions

If any provision of this Plan is determined to be void by any court of competent jurisdiction, the Plan shall continue to operate and, for the purposes of the jurisdiction of that court only, shall be deemed not to include the provision determined to be void.

7.06 Non-Assignability

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

7.07 Withholding

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

7.08 Governing Law

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

Exhibit 10.19

2005 DEFERRED COMPENSATION PLAN
FOR DIRECTORS OF UNISYS CORPORATION

Article I
Purpose & Authority

1.1 Purpose. The purpose of the Plan is to offer members of the Board of Directors who are not employees of the Corporation the opportunity to defer receipt of a portion of their Compensation, under terms advantageous to both the Director and the Corporation and subject to rules that satisfy the requirements of section 409A of the Code.

1.2 Effective Date. The Board originally approved the Deferred Compensation Plan for Directors of Unisys Corporation on November 20, 1981, and that plan was subsequently amended, effective January 1, 1994 and, again, effective April 22, 2004. Deferrals of compensation earned and vested before January 1, 2005 were made under that plan and amounts deferred under that plan will continue to be subject to the rules set forth in that plan document. This Plan is effective January 1, 2005 and deferrals of compensation earned and vested on or after the Effective Date will be subject to the rules set forth in this Plan document as it may be amended from time to time.

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

Article II
Definitions

2.1 "Account" means, for any Participant, each memorandum account established for the Participant under Section 4.1. **"Stock Units Account"** means that portion of a Participant's Account attributable to Elective and Non-Elective Stock Units.

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

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

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

2.5 "Change in Control" shall have the same meaning as is ascribed to that term under Section 11(b) of the Unisys Corporation 2003 Long-Term Incentive and Equity Compensation Plan, except that each reference to "20%" in such section shall be replaced by "35%."

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

2.7 "Committee" means the Compensation Committee of the Board, or such other committee as may be appointed by the Board to administer the Plan.

2.8 "Compensation" means amounts payable by the Corporation, absent deferral, with respect to services provided by a Participant to the Corporation as a Director, including retainer and meeting fees, but shall not include Non-Elective Stock Unit amounts credited to a Participant's Account hereunder.

2.9 "Corporation" means Unisys Corporation.

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

2.11 "Effective Date" means January 1, 2005.

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

2.13 "Executives' Plan" means the Unisys Corporation 2005 Deferred Compensation Plan.

2.14 "Fair Market Value" means, on any date, the sales price of a share of Unisys Common Stock as of the official close of the New York Stock Exchange at 4:00 p.m. U.S. Eastern Standard Time on such date.

2.15 “Investment Measurement Option” means any of the hypothetical investment alternatives available for determining the additional amounts to be credited to a Participant’s Account under Section 4.2. The Investment Measurement Options available are all of the investment options available to eligible participants under the USP other than the Unisys Common Stock Fund.

2.16 “Participant” means an Eligible Director or a former Eligible Director who has not received a distribution of his or her entire Account Balance.

2.17 “Plan” means the 2005 Deferred Compensation Plan for Directors of Unisys Corporation, as set forth herein and as amended from time to time.

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

2.19 “Stock Units” means Unisys common stock-equivalent units, which are awarded pursuant to the Unisys Corporation 2003 Long-Term Incentive and Equity Compensation Plan as Elective or Non-Elective Stock Units. Elective Stock Units are Stock Units awarded as a result of a Participant’s election to defer the receipt of Compensation in accordance with Section 4.2(b) of the Plan. Non-Elective Stock Units are Stock Units awarded to the Participant by the Corporation without regard to a deferral election.

2.20 “USP” means the Unisys Savings Plan.

2.21 "Valuation Date" means any business day as of which the interest of a Participant in each of the Participant's Accounts is valued pursuant to the terms of the Plan.

Article III
Deferral of Compensation

3.1 Deferral Election.

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

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

(c) Once made, a Deferral Election shall become effective upon receipt by the Secretary of the Corporation and is thereafter irrevocable, except to the extent otherwise provided in Section 5.2.

(d) An Eligible Director's Deferral Election must specify either a percentage or a certain dollar amount of his or her Compensation to be deferred under the Plan. In addition, the Deferral Election must specify the date on which payment of the amount deferred **and payment in respect of any Non-Elective Stock Units that may be credited to the Participant's Account** is to commence and the manner in which such payment is to be made, as set forth below:

(1) Subject to Section 5.1(b) hereof, the Deferral Election must specify that such payment is to commence as of:

(A) his or her termination of service as an Eligible Director of the Corporation;

(B) a specific date that is at least two years after the end of the calendar year containing the date on which the amounts to be deferred, absent deferral, would be paid to the Eligible Director;

(C) upon the Eligible Director's becoming disabled (within the meaning of Code section 409A);

(D) upon a Change in Control of the Corporation; or

(E) upon the earlier (or earliest) to occur of two (or more) dates described in (A) – (D) of this Paragraph 3.1(d)(1).

(2) The Eligible Director must specify whether payment of his or her Account Balance, including any payment in respect of any Non-Elective Stock Units that may be credited to the Participant's Account, is to be made in a single sum or in annual installments.

(3) Notwithstanding the foregoing, any form of payment elected by an Eligible Director will provide that any payments otherwise not made by the March 31 first following the date that is 20 years after the date of the Eligible Director's termination of service will be made as soon as administratively practicable on or after that date.

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

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

Article IV
Treatment of Deferred Amounts

4.1 Memorandum Account. (a) The Corporation shall establish on its books a separate Account for each Participant for each calendar year in which the Participant elects to defer Compensation. Amounts deferred by a participant pursuant to a Deferral Election shall be credited to the Participant's Account on the date on which the deferred amounts, absent deferral, would have been paid to the Participant**.** Non-Elective Stock Units awarded to the Participant shall be credited to the Participant's

Account on such dates as are prescribed in the applicable award documents. In addition, as of each Valuation Date, incremental amounts determined in accordance with Section 4.2 will be credited or debited to each Participant's Account. Any payments made to or on behalf of the Participant and for his or her Beneficiary shall be debited from the Account. No assets shall be segregated or earmarked in respect to any Account and no Participant or Beneficiary shall have any right to assign, transfer, pledge or hypothecate his or her interest or any portion thereof in his or her Account. The Plan and the crediting of Accounts hereunder shall not constitute a trust or a funded arrangement of any sort and shall be merely for the purpose of recording an unsecured contractual obligation of the Corporation.

(b) If the Corporation shall issue a stock dividend on the common stock, stock dividend equivalents shall be credited to the Participant's Stock Unit Account, as of the dividend payment date, as Stock Units in the same amount as the stock dividends to which the Participant would have been entitled if the Stock Units were shares of common stock. Cash dividends, if any, shall be credited to the Stock Units Account, as of the dividend payment date, in the form of Stock Units based on the Fair Market Value of the Common Stock on the dividend payment date. The Stock Units Account shall be appropriately adjusted to reflect splits, reverse splits, or comparable changes to the Corporation's common stock.

4.2 Investment Measurement Options.

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

(b) Each Eligible Director may elect, at the same time as a Deferral Election is made, to have one or more of the Investment Measurement Options applied to current deferrals, or to have the current deferrals credited to his/her Stock Units Account in the form of Elective Stock Units. Such election with respect to current deferrals may be changed at any time upon appropriate notice to the Corporate Executive Compensation Department, provided, however, that an election to have current deferrals credited as Elective Stock Units may not be changed at any time during the effective period of the Deferral Election. If a Participant elects to have current deferrals credited as Elective Stock Units, the number of Stock Units to be credited to the Participant's Stock Unit Account under this Section 4.2(b) shall be the quotient of (i) divided by (ii) where (i) equals the amount of the current deferral to be credited as Stock Units and (ii) equals the Fair Market Value on the date on which the amounts are credited to the Participant's Stock Unit Account.

(c) Subject to the restrictions described in Subsection (d), a Participant may elect to change the manner in which Investment Measurement Options apply to existing Account Balances (excluding the Participant's Stock Units Account). In addition, a Participant may elect to have all or any portion of his/her existing Account Balances (other than the Stock Units Account) credited to his/her Stock Units Account as Elective Stock Units. The number of Stock Units to be credited to the Participant's Stock Unit Account under this Section 4.2(c) shall be the quotient of (x) divided by (y) where (x) equals the amount of the existing Account Balances to be credited as Stock Units and (y) equals the Fair Market Value on the effective date on which the amounts are credited to the Participant's Stock Unit Account. Any election described in this subsection (c) will be effective upon receipt of the appropriate notice to the Corporate Executive Compensation Department.

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

(1) The percentage of a Participant's current deferrals and/or Account Balance to which a specified Investment Measurement Option is to be applied must be a multiple of one percent (1%). The Participant may change the specified Investment Measurement Options that will apply to his or her Account(s) on any business day as of which the Plan's recordkeeper is open for business. Changes in a specified Investment Measurement Option with respect to a Participant's Account will be effective as soon as administratively practicable following receipt of the Participant's election.

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

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

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

Article V
Payment of Deferred Amounts

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

(a) Payments of a Participant's Account Balances (other than the Participant's Stock Units Account) shall be made in cash. Payments of the Participant's Stock Units Account shall be made in shares of Unisys common stock and the number of shares of Unisys common stock delivered to the Participant shall equal the number of Stock Units held in the Participant's Stock Units Account.

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

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

(d) To the extent a Participant has not specified the manner or time of payment of all or a part of his or her Account Balance, payment of the amounts not specified will be made in a single sum as soon as administratively practicable, but no later than 90 days, after the first Valuation Date following the Participant's termination of service as a Director.

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

(f) Notwithstanding any Deferral Election made by the Participant:

(1) If a Participant terminates service as a Director after beginning to receive any portion of an Account Balance that was to be paid to the Participant as of a specific date, the remaining Account Balance shall be distributed in accordance with the distribution election in effect at the time of the Participant's termination of service as a Director.

(2) If the balance in all of a Participant's Accounts is less than a minimum amount established by the Committee (which amount will not be less than $10,000) at the time of a Participant's termination of service as a Director, the balance in all the Participant's Accounts shall be paid to the Participant in a single sum.

(3) Any portion of a Participant's Account Balance that has not been paid to the Participant as of the date of his or her death shall be paid to the Participant's Beneficiary in a single sum as soon as administratively practicable after the Valuation Date following the date on which the Corporation receives notification of the Participant's death.

(4) If a Participant demonstrates to the satisfaction of the Committee that he or she has incurred an "unforeseeable emergency" within the meaning of Code section 409A, the Participant may receive a distribution of the amount necessary to meet his or her unforeseeable emergency.

5.2 Revised Election.

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

(1) a date for the commencement of the payment of the Participant's Account Balance that, if the Participant originally elected a specified date for payment (as opposed to payment upon termination of service with the Corporation), is a date at least five years after the date specified in the Participant's applicable Deferral Election; and/or

(2) a form of payment that calls for a greater number of annual installment payments than that specified in the Participant's applicable Deferral Election, or a number of annual installment payments where the Participant specified a single sum payment in his or her applicable Deferral Election, provided that the first installment begins no earlier than five years after the date on which the Participant originally elected that distribution commence.

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

(b) A Participant may only make three Revised Elections with respect to each of the Participant's Accounts.

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

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

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

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

5.3 SEC Rule 16b. If deemed necessary to comply with Rule 16b-3 under the Securities and Exchange Act of 1934, as amended, the Corporation may delay payment of Stock Units until six months following the date on which the Stock Units were credited to the Participant's Account.

Article VI
Miscellaneous

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

6.2 Administration. The Committee shall have the sole authority to interpret the Plan and in its discretion to establish and modify administrative rules for the Plan. Notwithstanding any provision of the Plan to the contrary, the Committee shall administer the Plan in a manner that is consistent with the requirements of section 409A of the Code. All expenses and costs in connection with the operation of this Plan shall be borne by the Corporation. The Corporation shall have the right to deduct from any payment to be made pursuant to this Plan any federal, state or local taxes required by law to be withheld, and any associated interest and/or penalties.

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

Article VII
Transfer of Account Balance

7.1 Transfer of Executives' Plan Accounts. Notwithstanding any other provision of the Plan to the contrary, a Director who is a former employee of Unisys Corporation and who is a participant in the Executives' Plan may elect to transfer any or all of his/her account balance in the Executives' Plan into this Plan. Upon transfer, such amounts shall be subject to the terms and conditions of this Plan, provided that all elections previously made under the Executives' Plan with respect to such amounts shall continue in effect until otherwise modified hereunder. Notwithstanding the payment election provision described in Article V hereof, in no event may a Director elect a form of payment with respect to amounts transferred from the Executives' Plan that is any more rapid than the form of payment in effect under the Executives' Plan at the time of such transfer, nor may it provide for any later payment of the amount transferred except to the extent that any election of such later payment complies with the requirements of Section 5.2 above.

Exhibit 10.20

UNISYS CORPORATION
2005 DEFERRED COMPENSATION PLAN

(Effective January 1, 2005)

Article I
Purpose & Authority

1.1 Purpose. The purpose of the Plan is to offer Eligible Executives the opportunity to defer receipt of a portion of their compensation from the Corporation, under terms advantageous to both the Eligible Executive and the Corporation and subject to rules that satisfy the requirements of section 409A of the Code.

1.2 Effective Date. The Board originally approved the Deferred Compensation Plan for Officers of Unisys Corporation on January 29, 1982. That plan, currently named the Unisys Corporation Deferred Compensation Plan, has been amended and restated from time to time since its original adoption. Deferrals of compensation earned and vested before January 1, 2005 were made under that plan and amounts deferred under that plan will continue to be subject to the rules set forth in that plan document. This Plan is effective January 1, 2005 and deferrals of compensation earned and vested on or after the Effective Date will be subject to the rules set forth in this Plan document as it may be amended from time to time.

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

Article II
Definitions

2.1 "Account" means, for any Participant, each memorandum account established for the Participant under Section 5.1.

2.2 "Account Balance" means, for any Participant as of any date and with respect to any Account, the aggregate amount reflected in that Account.

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

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

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

2.6 “Change in Control” shall have the same meaning as is ascribed to that term under Section 11(b) of the Unisys Corporation 2003 Long-Term Incentive and Equity Compensation Plan, except that each reference to “20%” in such section shall be replaced by “35%.”

2.7 “Code” means the Internal Revenue Code of 1986, as amended.

2.8 “Committee” means the Compensation Committee of the Board, or such other committee as may be appointed by the Board to administer the Plan.

2.9 “Corporation” means Unisys Corporation.

2.10 “Corporation Contributions” means discretionary contributions that are made by the Corporation at any time based on individual or corporate performance or such other criteria as is deemed appropriate by the Corporation.

2.11 “Corporation Contributions Account” means that portion of a Participant’s Account to which any Corporation Contributions made under the Plan for him or her are credited.

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

2.13 “Directors’ Plan” means the 2005 Deferred Compensation Plan for Directors of Unisys Corporation.

2.14 “Effective Date” means January 1, 2005.

2.15 "Eligible Executive" means, for any calendar year, an employee (a) whose base salary from the Corporation equals or exceeds 70 percent (70%) of the maximum amount of compensation that is permitted to be taken into account under section 401(a)(17) of the Code and who is eligible to receive Annual Incentive Pay or sales commissions, (b) whose base salary from the Corporation equals or exceeds the maximum amount of compensation that is permitted to be taken into account under section 401(a)(17) of the Code, or (c) who satisfies any other eligibility criteria established by the Committee.

2.16 "Fair Market Value" means, on any date, the sales price of a share of Unisys Common Stock as of the official close of the New York Stock Exchange at 4:00 p.m. US Eastern Standard Time.

2.17 "Investment Measurement Option" means any of the hypothetical investment alternatives available for determining the additional amounts to be credited to a Participant's Account under Section 5.2. As of the Effective Date, the Investment Measurement Options available are all of the investment options available to eligible participants under the USP. Performance Unit Compensation deferred under the Plan will be held as Stock Units.

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

2.19 "Performance Unit Compensation" means any amount payable to an Eligible Executive as a result of the Eligible Executive's vesting in a Performance

Unit award (including, but not limited to, share unit and restricted share unit awards) made under the terms of the Unisys Corporation 2003 Long-Term Incentive and Equity Compensation Plan, or any successor equity-based incentive compensation plan.

2.20 "Plan" means the Unisys Corporation 2005 Deferred Compensation Plan, as set forth herein and as amended from time to time.

2.21 "Revised Election" means an election made by a Participant, in accordance with Section 6.2, to change the date as of which payment of his or her Account Balance is to commence and/or the form in which such payment is to be made.

2.22 "Stock Units" means Unisys common stock-equivalent units. Each Stock Unit represents the equivalent of one share of Unisys common stock; therefore, the value of a Stock Unit on any given date is the Fair Market Value of a share of Unisys Common Stock on that date.

2.23 "USP" means the Unisys Savings Plan.

2.24 "Valuation Date" means any business day as of which the interest of a Participant in each of the Participant's Accounts is valued.

Article III
Deferral of Compensation

3.1 Deferral Election.

(a) During any calendar year, each individual who is an Eligible Executive for such calendar year may, by properly completing and filing a Deferral Election in the form and manner prescribed by the Committee, elect to defer:

(1) all or a portion of his or her salary that, absent deferral under this Plan but giving effect to any deferral or salary deduction election under any other plan maintained by the Corporation (other than the USP), would be paid to him or her for services rendered during the next following calendar year; and/or

(2) up to seventy-five percent (75%) of his or her sales commissions that, absent deferral under this Plan but giving effect to any deferral or salary deduction election under any other plan maintained by the Corporation (other than the USP), would be paid to him or her for sales made during the next following calendar year; and

(3) all or a portion of his or her Annual Incentive Pay that, absent deferral under this Plan, but giving effect to any deferral or salary deduction election under any other plan maintained by the Corporation (other than the USP), would be paid to him/her in the next following calendar year.

(b) To be effective, a Deferral Election with respect to salary or sales commissions must be filed by the date specified by the Committee, or if no date is specified, by October 31 of the calendar year immediately preceding the calendar year in which the amounts to be deferred, absent deferral, would be earned by the Eligible Executive. A Deferral Election with respect to Annual Incentive Pay must be made by June 30 of the calendar year for which the Annual Incentive Pay will be paid. Notwithstanding the foregoing, an individual who becomes an Eligible Executive after the Effective Date of the Plan (as set forth in Section 1.2) may make and file a Deferral Election on or before the date that is 30 days after the date on which he or she becomes an Eligible Executive with respect to salary and/or sales commissions that, absent deferral, would be paid to him or her during the remainder of the calendar year in which he or she becomes an Eligible Executive, with such Deferral Election becoming effective as soon as administratively practicable.

(c) In addition to the Deferral Elections described in Section 3.1(a), an Eligible Executive may make a Deferral Election with respect to Performance Unit Compensation that, absent deferral, would be paid to the Eligible Executive. To be effective, a Deferral Election with respect to Performance Unit Compensation must be made in writing by the Eligible Executive on or before the date on which the award of Performance Unit Compensation that the Eligible Executive intends to defer is granted to the Eligible Executive.

(d) Once made, a Deferral Election shall become effective upon approval by the Corporate Executive Compensation Department and is thereafter irrevocable, except to the extent otherwise provided in Section 6.2. A Deferral Election will be deemed to have been approved by the Corporate Executive Compensation Department if it is not disapproved by the Corporate Executive Compensation Department within ten days of the date on which it is received.

(e) An Eligible Executive's Deferral Election must specify either a percentage or a certain dollar amount of his or her salary, sales commissions, and/or Annual Incentive Pay, and/or a percentage of his or her Performance Unit Compensation, to be deferred under the Plan. In addition, the Deferral Election must specify the portion of the year, if less than the full year, to which the Deferral Election is to apply. Finally, the Deferral Election must specify the date on which payment of the Eligible Executive's Account Balance is to commence and the manner in which such payment is to be made.

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

(A) his or her termination of active employment with the Corporation;

(B) a specific date that is at least two years after the end of the calendar year containing the date on which the amounts to be deferred, absent deferral, would be paid to the Eligible Executive;

(C) upon the Eligible Executive's becoming disabled (within the meaning of Code section 409A);

(D) upon a Change in Control of the Corporation; or

(E) upon the earlier (or earliest) to occur of two (or more) dates described in (A) – (D) of this Paragraph 3.1(e)(1).

(2) The Eligible Executive must specify the manner in which payment of his or her Account Balance is to be made and may specify that such payment is to be made either in a single sum or in annual installments. If the Eligible Executive specifies a date for payment to commence that is before his or her termination of employment, then the Eligible Executive may not elect an installment payment over a period shorter than two years or longer than five years.

(3) Notwithstanding the foregoing, any form of payment elected by an Eligible Executive will provide that any payments otherwise not made by the March 31 first following the date that is 20 years after the date of the Eligible Executive's termination of employment will be made as soon as administratively practicable on or after that date.

(4) Notwithstanding the foregoing, if an Eligible Executive has elected that distribution be made pursuant to Subparagraph (1)(A) above, and the Eligible Employee is a "specified employee" within the meaning of Code section 409A, distribution will commence as soon as administratively practicable on or after the date that is six months after the date of the Eligible Executive's termination of employment with the Corporation.

(f) Deferrals of an Eligible Executive's salary shall be credited to the Plan ratably throughout the year (or, where applicable, the portion of the year) to which the Deferral Election applies. Deferrals of an Eligible Executive's Annual Incentive Pay and Performance Unit Compensation shall be credited in a single sum. Any deferral will be credited to the Plan as soon as administratively practicable after the date on which the amount, absent deferral, would be payable to the Participant.

(g) A Deferral Election with respect to salary shall expire as of the last day of the calendar year that includes the first day on which any amount, absent deferral, would be paid to the Eligible Executive and a Deferral Election with respect to Annual

Incentive Pay or Performance Unit Compensation shall expire as of the date on which the Annual Incentive Pay or Performance Unit Compensation that is the subject of the Deferral Election is credited under the Plan.

3.2 <u>Payment of FICA and Other Taxes</u>. Generally, any FICA or other taxes that are payable by the Eligible Executive and are required to be withheld by the Corporation during any period with respect to amounts deferred under the Plan pursuant to Section 3.1 above during such period shall be withheld from the compensation otherwise currently payable to the Eligible Executive during the period. To the extent that, as a result of a Deferral Election, the compensation currently payable to an Eligible Executive during any period is insufficient to permit an amount equal to the FICA and other taxes that are payable by the Eligible Executive, and required to be withheld by the Corporation, during that period to be withheld from such current compensation, the Eligible Executive's Account Balance shall be reduced by an amount equal to the sum of (a) the difference between the amount of FICA and other taxes payable by the Eligible Executive, and required to be withheld by the Corporation, during the period and the amount of compensation otherwise currently payable to the Eligible Executive during the period and (b) any additional Federal, state and local income taxes payable by the Eligible Executive with respect to the reduction in his or her Account Balance made pursuant to this Section 3.2.

Article IV
Corporation Contributions

4.1 Corporation Contributions. The Corporation may make Corporation Contributions to a Participant's Corporation Contributions Account from time to time.

4.2 Vesting. Participants will vest in their Corporation Contributions Accounts according to the schedule established by the Corporation when the Corporation Contribution is made to that Corporation Contributions Account. If a Participant dies while employed by the Corporation, the Participant will be fully vested in all his Corporation Contributions Accounts, if any.

Article V
Treatment of Deferred Amounts

5.1 Memorandum Account. The Corporation shall establish on its books a separate Account for each Participant for each calendar year in which the Participant defers amounts pursuant to a Deferral Election. In addition, Corporation Contributions, if any, will be credited to a Participant's Account and recorded in a separate Corporation Contributions Account therein. Performance Unit Compensation will be credited to the Participant's Account as Stock Units. As of each Valuation Date, incremental amounts determined in accordance with Section 5.2 will be credited or debited to each Participant's Account. Any payments made to or on behalf of the Participant and for his or her Beneficiary shall be debited from the Account. No assets shall be segregated or earmarked in respect to any Account and no Participant or Beneficiary shall have any right to assign, transfer, pledge or hypothecate his or her interest or any portion thereof in his or her Account. The Plan and the crediting of

Accounts hereunder shall not constitute a trust or a funded arrangement of any sort and shall be merely for the purpose of recording an unsecured contractual obligation of the Corporation.

5.2 Investment Measurement Options.

(a) Subject to the provisions of this Section 5.2, a Participant's Account shall be credited or debited with amounts equal to the amounts that would be earned or lost with respect to the Participant's Account Balance (including, with respect to Stock Units, dividend equivalents and other adjustments) if amounts equal to that Account Balance were actually invested in the Investment Measurement Options in the manner specified by the Participant.

(b) Each Eligible Executive may elect, at the same time as a Deferral Election is made, to have one or more of the Investment Measurement Options applied to current deferrals. Such election with respect to current deferrals may be changed at any time upon appropriate notice to the Plan recordkeeper.

(c) Subject to the restrictions described in subsection (e), a Participant may elect to change the manner in which Investment Measurement Options apply to existing Account Balances. Such an election will be effective as soon as practicable after the Participant has provided appropriate notice to the Plan recordkeeper.

(d) Notwithstanding anything to the contrary in the Plan, the deferral of Performance Unit Compensation may not be credited with any Investment Measurement Option.

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

(1) The percentage of a Participant's current deferrals and/or Account Balance to which a specified Investment Measurement Option is to be applied must be in integral multiples of one percent (1%). The Participant may change the specified Investment Measurement Options which shall apply to his or her Account(s) on any business day as of which the Plan's recordkeeper is open for business. Changes in a specified Investment Measurement Option with respect to a Participant's Account will be effective as soon as administratively practicable following receipt of the Participant's election.

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

(3) The chosen Investment Measurement Option or Options shall apply to deferred amounts on and after the date on which such amounts are credited to the Participant's Account.

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

Article VI
Payment of Deferred Amounts

6.1 Form and Time of Payment. The benefits to which a Participant or a Beneficiary may be entitled under the Plan shall be paid in accordance with this Section 6.1.

(a) All payments under the Plan shall be made in cash, provided, however, that unless otherwise provided by the Committee, Stock Units shall be paid in shares of Unisys common stock.

(b) Except as otherwise provided in Sections 6.3 and 6.4, payment of a Participant's Account Balance shall commence as of the Valuation Date next following the date or dates specified in the Participant's Deferral Election or Elections or (where applicable) the Participant's Revised Election or Elections, provided, however, that where the Participant's Deferral Election or Elections or (where applicable) the Participant's Revised Election or Elections specify that payments with respect to a Participant's Account Balance are to commence as of a specified date or specified dates not determined by reference to the Participant's termination of employment and the Participant terminates employment with the Corporation prior to such date or dates, payment of the portion of the Participant's Account Balance that was deferred to such date or dates shall commence as of the Valuation Date next following the Participant's termination of employment, but in the same form specified in the Participant's Deferral Election or Elections or (where applicable) the Participant's Revised Election or Elections.

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

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

(e) To the extent a Participant has elected payment in the form of annual installments, each installment payment after the initial installment payment shall be made on or about March 31 of each year following the year in which the first installment was paid. With respect to each Deferral Election made by a Participant, the amount of each annual installment payment to be made to a Participant or Beneficiary under such Deferral Election shall be determined by dividing the portion of the Participant's Account Balance attributable to such Deferral Election as of the latest Valuation Date preceding the date of payment by the number of installments remaining to be paid under such Deferral Election.

(f) Notwithstanding any Deferral Election made by the Participant:

(1) If the Participant terminates employment before the specific date as of which a Participant's Account Balance is scheduled to be paid to the Participant, the payment of the Participant's Account Balance will commence in the form elected by the Participant as soon as administratively practicable on or after the date as of which the Participant terminated employment.

(2) If a Participant terminates employment after beginning to receive any portion of an Account Balance that was to be paid to the Participant as of a specific date, the remaining Account Balance shall be distributed in accordance with the distribution election in effect at the time of the Participant's termination of employment.

(3) If the balance in all of a Participant's Accounts is less than $10,000 at the time of a Participant's termination of employment, the balance in all the Participant's Accounts shall be paid to the Participant in a single sum.

(4) Any portion of a Participant's Account Balance that has not been paid to the Participant as of the date of his or her death shall be paid to the Participant's Beneficiary in a single sum as soon as administratively practicable after the Valuation Date following the date on which the Corporation receives notification of the Participant's death.

(5) If a Participant demonstrates to the satisfaction of the Committee that he or she has incurred an "unforeseeable emergency" within the meaning of Code section 409A, the Participant may receive a distribution of the amount necessary to meet his or her unforeseeable emergency.

6.2 <u>Revised Election</u>.

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

(1) a date for the commencement of the payment of the Participant's Account Balance that, if the Participant originally elected a specified date for payment (as opposed to payment upon termination of employment with the Corporation), is a date at least five years after the date specified in the Participant's applicable Deferral Election; and/or

(2) a form of payment that calls for a greater number of annual installment payments than that specified in the Participant's applicable Deferral Election, or a number of annual installment payments where the Participant specified a single sum payment in his or her applicable Deferral Election, provided that the first installment begins no earlier than five years after the date on which the Participant originally elected that distribution commence.

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

(b) A Participant may only make three Revised Elections with respect to each of the Participant's Accounts.

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

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

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

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

Article VII
Miscellaneous

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

7.2 Administration. The Committee shall have the sole authority to interpret the Plan and in its discretion to establish and modify administrative rules for the Plan, including (but not limited to) establishing rules regarding elections, investments and distributions. Notwithstanding any provision of the Plan to the contrary, the Committee shall administer the Plan in a manner that is consistent with the requirements of section 409A of the Code. All expenses and costs in connection with the operation of this Plan shall be borne by the Corporation. The Corporation shall have the right to deduct from any payment to be made pursuant to this Plan any federal, state or local taxes required by law to be withheld, and any associated interest and/or penalties.

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

7.4 Unfunded Plan. It is intended that the Plan constitute an "unfunded" plan for deferred compensation. The Corporation may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan; provided, however, that, unless the Corporation otherwise determines, the existence of such trusts or other arrangements is consistent with the "unfunded" status of the Plan. Any liability of the Corporation to any person with respect to any grant under the Plan shall be based solely upon any contractual obligations that may be created pursuant to the Plan. No such obligation of the Corporation shall be deemed to be secured by any pledge of, or other encumbrance on, any property of the Corporation.

Article VIII
Transfer of Account Balance

8.1 Transfer to Director's Plan. Notwithstanding any election of form of payments made hereunder, a Participant who, following his termination of employment with the Corporation will be eligible to participate in the Directors' Plan, may elect at any time prior to the date that is three months and one day before the Participant's termination of employment to transfer all or any portion of his Account Balance to the Directors' Plan. Such transfer must occur prior to the date that payments of the Participant's Account Balance would otherwise be made, or commence, hereunder.

Upon transfer, the Participant's Account Balance (or the portion thereof transferred) will be subject to the terms and conditions of the Directors' Plan, provided, however, that any election of form of payment made under the Directors' Plan with respect to the amount transferred may not provide for a form of payment that is in any way more rapid than the form of payment in effect under this Plan with respect to such amounts immediately prior to transfer to the Directors' Plan, nor may it provide for any later payment of the amount transferred except to the extent that any election of such later payment complies with the requirements of Section 6.2 above. Valuation of the Account Balance (or the portion thereof) to be transferred shall be made consistent with the valuation provisions described in Article V. Upon transfer, the Participant's (or his or her Beneficiary's) rights hereunder with respect to the amounts transferred shall cease.

Exhibit 12

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

	Years Ended December 31				
	2004	2003	2002	2001	2000
Fixed charges					
Interest expense	$ 69.0	$ 69.6	$ 66.5	$ 70.0	$ 79.8
Interest capitalized during the period	16.3	14.5	13.9	11.8	11.4
Amortization of debt issuance expenses	3.5	3.8	2.6	2.7	3.2
Portion of rental expense representative of interest	61.6	55.2	53.0	53.9	42.2
Total Fixed Charges	150.4	143.1	136.0	138.4	136.6
Earnings					
Income (loss) from continuing operations before income taxes	(76.0)	380.5	332.8	(73.0)	348.5
Add (deduct) the following:					
Share of loss (income) of associated companies	(14.0)	(16.2)	14.2	(8.6)	(20.5)
Amortization of capitalized interest	11.7	10.2	8.8	5.4	2.2
Subtotal	(78.3)	374.5	355.8	(76.2)	330.2
Fixed charges per above	150.4	143.1	136.0	138.4	136.6
Less interest capitalized during the period	(16.3)	(14.5)	(13.9)	(11.8)	(11.4)
Total earnings	$ 55.8	$503.1	$477.9	$ 50.4	$455.4
Ratio of earnings to fixed charges	*	3.52	3.51	*	3.33

* Earnings for the years ended December 31, 2004 and 2001 were inadequate to cover fixed charges by $94.6 million and $88.0 million, respectively.

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

Overview

In 2004 the company's financial results were impacted by a number of factors that resulted in lower earnings compared with 2003. Operationally, the company experienced execution issues in several of its large, transformational business process outsourcing engagements. These contracts involve transitioning from the client's legacy environment to a new, state-of-the-art environment with new processes and software. The company underestimated the amount of time and related expense needed to complete this transition to the new environment. It has taken the company longer to develop the new software and transition to the new processes. This has resulted in higher-than-expected costs on the contracts, not only in terms of creating the new technology and processes, but also in the salary costs involved in the legacy operation. While the company has experienced transitional issues in these engagements, it has continued to meet service level agreements and achieve targeted cost reductions for clients. The company is addressing these execution issues but expects the issues to continue to impact its results into 2005. Despite the issues discussed above, the company remains committed to the outsourcing business. Outsourcing is the fastest-growing area of the IT services industry, and with the company's end-to-end services portfolio and vertical industry focus, the company believes it has the appropriate capabilities to succeed in this market. In addition, the company experienced a decline in sales of large enterprise servers. Lower sales of these systems, which are highly profitable, significantly contributed to the lower earnings in 2004. The company expects the challenges in the outsourcing engagements, and the weakness in high-end enterprise server sales, to continue to impact its financial results in 2005.

The company's results in 2004 included the following significant items:

- The company recorded a pretax, non-cash impairment charge of $125.6 million, or $.26 per share, to write off all of the contract-related assets related to one of the company's outsourcing operations. See Note 3 of the Notes to Consolidated Financial Statements.
- During the fourth quarter of 2004, the company favorably settled various income tax audit issues. As a result of the settlements, the company recorded a tax benefit of $28.8 million, or $.09 per share. See Note 3 of the Notes to Consolidated Financial Statements.
- To reduce costs, on September 30, 2004 the company consolidated facility space and committed to a work force reduction of about 1,400 positions, primarily in general and administrative areas. These actions resulted in an after-tax charge to earnings of $60.0 million, or $.18 per diluted share, in the third quarter of 2004. See Note 3 of the Notes to Consolidated Financial Statements.
- In the third quarter of 2004, the U.S. Congressional Joint Committee on Taxation approved an income tax refund to the company related to the settlement of tax audit issues dating from the mid-1980s. As a result of the resolution of these audit issues, the company recorded a tax benefit of $68.2 million, or $.20 per diluted share, to net income in 2004. See Note 3 of the Notes to Consolidated Financial Statements.
- In 2004, the company experienced a significant impact to its earnings due to pension accounting. In 2004, the company recorded pretax pension expense of $93.6 million compared with pretax pension income of $22.6 million in 2003 – a year-over-year increase in expense of $116.2 million. Despite the impact of the year-over-year increase in pension expense, the company's cash requirements for its pension plans in 2004 of $63 million were flat compared with 2003. The company expects its reported earnings in 2005 to be impacted by a further significant increase in pension expense. See the discussion of "Pensions" later in this Management's Discussion and Analysis as well as Note 17 of the Notes to Consolidated Financial Statements.

Largely as a result of these factors, the company reported lower earnings in 2004 compared with 2003. In 2004, the company reported net income of $38.6 million, or $.11 per diluted share, compared with net income of $258.7 million, or $.78 per diluted share, in 2003. In 2002, the company reported net income of $223.0 million, or $.69 per share.

Results of operations

Company results

Revenue for 2004 was $5.82 billion compared with $5.91 billion in 2003 and $5.61 billion in 2002. Revenue in 2004 decreased 2% from the prior year. This decrease was due to a 10% decline in Technology revenue offset in part by an increase of 1% in Services revenue. Foreign currency fluctuations had a 4% positive impact on revenue in 2004 compared with 2003. Revenue in 2003 increased 5% from the prior year. The increase was due to an increase of 9% in Services revenue offset in part by an 8% decline in Technology revenue. Foreign currency fluctuations had a 4% positive impact on revenue in 2003 compared with 2002. Revenue from international operations in 2004, 2003 and 2002 was $3.18 billion, $3.15 billion and $3.11 billion, respectively. On a constant currency basis, international revenue declined 7% in 2004 compared with 2003. Revenue from U.S. operations was $2.64 billion in 2004, $2.76 billion in 2003 and $2.50 billion in 2002.

Pension expense for 2004 was $93.6 million compared with pension income of $22.6 million in 2003 and pension income of $143.5 million in 2002. The change to pension expense in 2004 from pension income in 2003 was due to the following: (a) a decline in the discount rate used for the U.S. qualified defined benefit pension plan to 6.25% at December 31, 2003 from 6.75% at December 31, 2002, (b) an increase in amortization of net unrecognized losses, (c) lower expected returns on plan assets due to four-year smoothing of the differences between the calculated value of plan assets and the fair value of plan assets, and (d) for international plans, declines in discount rates and the effects of currency translation. The principal reasons for the decline in pension income in 2003 from 2002 were the following: (a) effective January 1, 2003, the company reduced its expected long-term rate of return on plan assets for its U.S. pension plan to 8.75% from 9.50%, (b) the discount rate used for the U.S. pension plan declined to 6.75% at December 31, 2002 from 7.50% at December 31, 2001, (c) lower expected return on U.S. plan assets due to asset declines and the company's change as of January 1, 2003 to a cash balance plan in the U.S., and (d) for international plans, declines in discount rates, lower expected long-term rates of return on plan assets, and currency translation. The company records pension income or expense, as well as other employee-related costs such as payroll taxes 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 category is based on where the salaries of active employees are charged.

Total gross profit percent was 23.4% in 2004, 29.0% in 2003 and 30.1% in 2002. The decrease in gross profit percent in 2004 compared with 2003 principally reflected (a) the $125.6 million impairment charge in 2004, (b) a $28.1 million charge in 2004 relating to the cost reduction actions, (c) pension expense of $67.2 million in 2004 compared with pension expense of $1.3 million in 2003, and (d) execution issues in 2004 in several outsourcing contracts. The decrease in gross profit percent in 2003 compared with 2002 principally reflected pension expense of $1.3 million in 2003 and pension income of $73.0 million in 2002.

Selling, general and administrative expenses were $1.10 billion in 2004 (18.9% of revenue), $1.01 billion in 2003 (17.0% of revenue) and $.99 billion in 2002 (17.7% of revenue). The increase in selling, general and administrative expenses in 2004 was principally due to (a) a $50.2 million charge in 2004 relating to the cost reduction actions, (b) $18.3 million of pension expense in 2004 compared with pension income of $9.7 million in 2003, and (c) the impact of foreign currency exchange rates. The increase in expense in 2003 was principally due to (a) pension income of $9.7 million in 2003 compared with pension income of $39.4 million in 2002 and (b) the impact of foreign currency exchange rates, offset, in part, by continued tight cost controls.

Research and development (R&D) expenses in 2004 were $294.3 million compared with $280.1 million in 2003 and $273.3 million in 2002. The company continues to invest in high-end Cellular MultiProcessing (CMP) server technology and in key programs within its industry practices. R&D in 2004 includes an $8.4 million charge relating to the cost reduction actions as well as $8.1 million of pension expense compared with pension income of $14.2 million in 2003. The increase in expense in 2003 compared with 2002 was principally due to lower pension income of $14.2 million in 2003 compared with pension income of $31.1 million in 2002.

In 2004, the company reported a pretax operating loss of $34.8 million compared with pretax operating income of $427.7 million in 2003 and income of $423.2 million in 2002. The operating loss in 2004 principally reflected (a) the $125.6 million impairment charge, (b) an $86.7 million charge relating to the cost reduction actions, (c) pension expense of $93.6 million in 2004 compared with pension income of $22.6 million in 2003, and (d) execution issues in 2004 in several outsourcing contracts.

Interest expense was $69.0 million in 2004, $69.6 million in 2003 and $66.5 million in 2002.

Other income (expense), net, which can vary from year to year, was income of $27.8 million in 2004, compared with income of $22.4 million in 2003 and expense of $23.9 million in 2002. The difference in 2004 from 2003 was principally due to foreign exchange losses of $5.2 million in 2004 compared with foreign exchange losses of $11.3 million in 2003. The difference in 2003 from 2002 was principally due to equity income of $18.3 million in 2003 compared with a loss of $12.4 million in 2002. Specifically in 2003, the company recognized $12.2 million income related to its share of a subsidy recorded by Nihon Unisys, Ltd. (NUL) upon transfer of a portion of its pension plan obligation to the Japanese government. In 2002, the company recognized a charge of $21.8 million related to its share of an early retirement charge recorded by NUL. In addition in 2003, the company recorded $10.7 million of income related to minority investors' share of companies owned 51% by the company, compared with $.3 million in 2002. Partially offsetting these items were foreign exchange losses in 2003 of $11.3 million compared with losses in 2002 of $1.2 million.

Income before income taxes in 2004 was a loss of $76.0 million compared with income of $380.5 million in 2003 and income of $332.8 million in 2002.

The provision for income taxes in 2004 was a benefit of $114.6 million compared with a provision of $121.8 million in 2003 and a provision of $109.8 million in 2002. The 2004 benefit for taxes includes (a) a benefit of $68.2 million related to the tax refund, (b) a benefit of $28.8 million related to the other favorable income tax audit settlements, (c) a $37.7 million benefit related to the impairment charge, and (d) a $22.0 million benefit related to the cost reduction actions.

At December 31, 2004, the company owned approximately 29% of the voting common stock of NUL. NUL is the exclusive supplier of the company's hardware and software products in Japan. The company accounts for this investment by the equity method. For the years ended December 31, 2004, 2003 and 2002, total direct and indirect sales to NUL were approximately $240 million, $275 million and $270 million, respectively.

At December 31, 2004, the market value of the company's investment in NUL was approximately $318 million and the amount of this investment recorded on the company's books was $196 million, which is net of $47 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 a 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 – consulting and 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 agreements. The amount of such profit included in operating income of the Technology segment for the years ended December 31, 2004, 2003 and 2002, was $17.9 million, $24.4 million and $19.2 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. Therefore, the segment comparisons below exclude the cost reduction items mentioned above. See Note 16 of the Notes to Consolidated Financial Statements.

Information by business segment for 2004, 2003 and 2002 is presented below:

(millions of dollars)	Total	Eliminations	Services	Technology
2004				
Customer revenue	$5,820.7		$4,724.7	$ 1,096.0
Intersegment		$ (251.8)	18.1	233.7
Total revenue	$5,820.7	$ (251.8)	$4,742.8	$ 1,329.7
Gross profit percent	23.4%		14.8%	51.7%
Operating income percent	(.6)%		(1.7)%	10.2%
2003				
Customer revenue	$5,911.2		$4,691.9	$ 1,219.3
Intersegment		$ (319.8)	25.9	293.9
Total revenue	$5,911.2	$ (319.8)	$4,717.8	$ 1,513.2
Gross profit percent	29.0%		20.2%	50.4%
Operating income percent	7.2%		5.0%	12.7%
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%

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

In the Services segment, customer revenue was $4.72 billion in 2004, $4.69 billion in 2003 and $4.29 billion in 2002. Foreign currency translation had about a 5% positive impact on Services revenue in 2004 compared with 2003. Revenue in 2004 was up 1% from 2003, principally due to a 4% increase in consulting and systems integration ($1.65 billion in 2004 compared with $1.60 billion in 2003) and a 3% increase in outsourcing ($1.73 billion in 2004 compared with $1.68 billion in 2003) offset, in part, by an 8% decrease in infrastructure services ($.77 billion in 2004 compared with $.84 billion in 2003). Core maintenance revenue was flat year-to-year at $.57 billion. Revenue in 2003 was up 9% from 2002, principally due to a 17% increase in outsourcing ($1.68 billion in 2003 compared with $1.44 billion in 2002), a 10% increase in consulting and systems integration ($1.60 billion in 2003 compared with $1.46 billion in 2002), a 1% increase in infrastructure services ($.84 billion in 2003 compared with $.83 billion in 2002) and a 3% increase in core maintenance ($.57 billion in 2003 compared with $.56 billion in 2002). In 2003, the consulting and systems integration business benefited from growth in the company's U.S. Federal government business.

Services gross profit was 14.8% in 2004, 20.2% in 2003 and 22.2% in 2002. The decline in 2004 was principally due to (a) the $125.6 million impairment charge in 2004 and (b) pension expense of $65.7 million in 2004 compared with pension expense of $4.7 million in 2003. The decline in 2003 was principally due to pension expense of $4.7 million in 2003 compared with pension income of $63.4 million in 2002. Services operating income (loss) percent was (1.7)% in 2004 compared with 5.0% in 2003 and 5.9% in 2002. The decline in 2004 operating income was principally due to the $125.6 million impairment charge in 2004 and pension expense of $81.1 million in 2004 compared with pension income of $4.6 million in 2003. The decline in operating income in 2003 was principally due to pension income of $4.6 million in 2003 compared with pension income of $92.3 million in 2002.

In the Technology segment, customer revenue was $1.10 billion in 2004, $1.22 billion in 2003 and $1.32 billion in 2002. Demand throughout the period in the Technology segment remained weak as customers continued to defer spending on new computer hardware and software. Foreign currency translation had a positive impact of approximately 3% on Technology revenue in 2004 compared with 2003. Revenue in 2004 was down 10% from 2003, due to a 22% decrease in sales of specialized technology products ($.23 billion in 2004 compared with $.29 billion in 2003) and a 6% decline in sales of enterprise-class servers ($.87 billion in 2004 compared with $.93 billion in 2003). Revenue in 2003 decreased 8% from 2002 due to a 21% decrease in sales of specialized technology products ($.29 billion in 2003 compared with $.37 billion in 2002) and a 3% decline in sales of enterprise-class servers ($.93 billion in 2003 compared with $.96 billion in 2002).

Technology gross profit was 51.7% in 2004, 50.4% in 2003 and 46.5% in 2002. Gross profit included pension expense of $1.5 million in 2004 compared with pension income of $3.4 million in 2003 and pension income of $9.6 million in 2002. The margin improvements in 2004 and 2003 primarily reflected a richer mix of higher-margin ClearPath servers and software offset in part by the effect of pension accounting. Technology operating income percent was 10.2% in 2004 compared with 12.7% in 2003 and 11.7% in 2002. The decline in operating income percent in 2004 was principally due to pension expense of $12.5 million in 2004 compared with pension income of $18.0 million in 2003. The margin improvements in 2003 primarily reflected a richer mix of higher-margin ClearPath servers and software offset in part by lower pension income.

New accounting pronouncements

On December 21, 2004, the Financial Accounting Standards Board (FASB) issued FASB Staff Position No. FAS 109-2 (FSP No. 109-2), “Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provisions within the American Jobs Creation Act of 2004” (the Jobs Act). FSP No. 109-2 provides guidance with respect to reporting the potential impact of the repatriation provisions of the Jobs Act on an enterprise’s income tax expense and deferred tax liability. The Jobs Act was enacted on October 22, 2004, and provides for a temporary 85% dividends received deduction on certain foreign earnings repatriated during a one-year period. The deduction would result in an approximate 5.25% federal tax rate on the repatriated earnings. To qualify for the deduction, the earnings must be reinvested in the United States pursuant to a domestic reinvestment plan established by a company’s chief executive officer and approved by a company’s board of directors. Certain other criteria in the Jobs Act must be satisfied as well. FSP No. 109-2 states that an enterprise is allowed time beyond the financial reporting period to evaluate the effect of the Jobs Act on its plan for reinvestment or repatriation of foreign earnings. Although the company has not yet completed its evaluation of the impact of the repatriation provisions of the Jobs Act, the company does not expect that these provisions will have a material impact on its consolidated financial position, consolidated results of operations, or liquidity. Accordingly, as provided for in FSP No. 109-2, the company has not adjusted its tax expense or deferred tax liability to reflect the repatriation provisions of the Jobs Act.

In December 2004, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), "Share-Based Payment" (SFAS No. 123R), which replaces SFAS No. 123 and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values beginning with the first interim period after June 15, 2005, with early adoption encouraged. The pro forma disclosures previously permitted under SFAS No. 123 no longer will be an alternative to financial statement recognition. The company is required to adopt SFAS No. 123R in the third quarter of 2005. Under SFAS No. 123R, the company must determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at date of adoption. The permitted transition methods include either retrospective or prospective adoption. Under the retrospective option, prior periods may be restated either as of the beginning of the year of adoption or for all periods presented. The prospective method requires that compensation expense be recorded for all unvested stock options at the beginning of the first quarter of adoption of SFAS No. 123R, while the retrospective methods would record compensation expense for all unvested stock options beginning with the first period presented. The company is currently evaluating the requirements of SFAS No. 123R and expects that adoption of SFAS No. 123R will have a material impact on the company's consolidated financial position and consolidated results of operations. The company has not yet determined the method of adoption or the effect of adopting SFAS No. 123R, and it has not determined whether the adoption will result in amounts that are similar to the current pro forma disclosures under SFAS No. 123. See stock-based compensation plans in Note 1 of the Notes to Consolidated Financial Statements.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions" (SFAS No. 153). SFAS No. 153 eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21 (b) of APB Opinion No. 29, "Accounting for Nonmonetary Transactions," and replaces it with an exception for exchanges that do not have commercial substance. SFAS No. 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for periods beginning after June 15, 2005. The company does not expect that adoption of SFAS No. 153 will have a material effect on its consolidated financial position, consolidated results of operations, or liquidity.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs an amendment of ARB No. 43, Chapter 4" (SFAS No. 151). SFAS No. 151 amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, handling costs and wasted material (spoilage). Among other provisions, the new rule requires that such items be recognized as current-period charges, regardless of whether they meet the criterion of "so abnormal" as stated in ARB No. 43. SFAS No. 151 is effective for fiscal years beginning after June 15, 2005. The company does not expect that adoption of SFAS No. 151 will have a material effect on its consolidated financial position, consolidated results of operations, or liquidity.

On May 19, 2004, the FASB issued Staff Position No. FAS 106-2 (FSP No. 106-2), "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" (the Act). The Act introduces a prescription drug benefit under Medicare, as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. FSP No. 106-2 is effective for the first interim period beginning after June 15, 2004, and provides that an employer shall measure the accumulated plan benefit obligation (APBO) and net periodic postretirement benefit cost, taking into account any subsidy received under the Act. As of December 31, 2004, the company's measurements of both the APBO and the net postretirement benefit cost do not reflect any amounts associated with the subsidy. While final regulations have not been released, guidance provided to date implies that the company's plan will probably not be considered actuarially equivalent to Medicare Part D. Accordingly, the company does not expect that adoption of FSP No. 106-2 will have a material effect on its consolidated financial position, consolidated results of operations, or liquidity.

In January 2003, the FASB issued Interpretation No. 46 (FIN 46), “Consolidation of Variable Interest Entities, an interpretation of ARB 51.” The primary objectives of this interpretation are to provide guidance on the identification of entities for which control is achieved through means other than through voting rights (variable interest entities) and how to determine when and which business enterprise (the primary beneficiary) should consolidate the variable interest entity. This new model for consolidation applies to an entity in which either (a) the equity investors (if any) do not have a controlling financial interest, or (b) the equity investment at risk is insufficient to finance that entity’s activities without receiving additional subordinated financial support from other parties. In addition, FIN 46 requires that the primary beneficiary, as well as all other enterprises with a significant variable interest in a variable interest entity, make additional disclosures. Certain disclosure requirements of FIN 46 were effective for financial statements issued after January 31, 2003. In December 2003, the FASB issued FIN 46 (revised December 2003), “Consolidation of Variable Interest Entities” (FIN 46-R) to address certain FIN 46 implementation issues.

The provisions of FIN 46 were applicable for variable interests in entities obtained after January 31, 2003. The adoption of the provisions applicable to special purpose entities (SPEs) and all other variable interests obtained after January 31, 2003, did not have a material impact on the company’s consolidated financial position, consolidated results of operations, or liquidity.

Effective March 31, 2004, the company adopted the provisions of FIN 46-R applicable to non-SPEs created prior to February 1, 2003. Adoption of FIN 46-R had no impact on the company’s consolidated financial position, consolidated results of operations, or liquidity.

Effective January 1, 2003, the company adopted 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. Previously recorded losses on the early extinguishment of debts that were classified as an extraordinary item in prior periods have been reclassified to other income (expense), net. The adoption of SFAS No. 145 had no effect on the company’s consolidated financial position, consolidated results of operations, or liquidity.

Effective January 1, 2003, the company adopted 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 is effective for the company for exit or disposal activities initiated after December 31, 2002. Adoption of this statement had no material impact on the company’s consolidated financial position, consolidated results of operations, or liquidity.

Effective January 1, 2003, the company adopted FASB 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 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 guarantee. In addition, FIN 45 requires disclosures about the guarantees that an entity has issued, including a roll-forward of the entity’s product warranty liabilities. 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. Adoption of this interpretation had no material impact on the company’s consolidated financial position, consolidated results of operations, or liquidity.

Effective July 1, 2003, the company adopted the FASB’s consensus on 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. Adoption of this issue had no material impact on the company’s consolidated financial position, consolidated results of operations, or liquidity.

In May 2003, the EITF reached a consensus on Issue No. 03-5, "Applicability of AICPA Statement of Position 97-2, Software Revenue Recognition, to Non-Software Deliverables in an Arrangement Containing More-Than-Incidental Software." The FASB ratified this consensus in August 2003. EITF Issue No. 03-5 affirms that AICPA Statement of Position 97-2 applies to non-software deliverables, such as hardware and services, in an arrangement if the software is essential to the functionality of the non-software deliverables. The adoption of EITF Issue No. 03-5 did not have a material impact on the company's consolidated financial position, consolidated results of operations, or liquidity.

Financial condition

Cash and cash equivalents at December 31, 2004 were $660.5 million compared with $635.9 million at December 31, 2003.

During 2004, cash provided by operations was $469.8 million compared with $570.8 million in 2003, principally reflecting lower earnings. Cash expenditures related to prior-year restructuring actions and the 2004 cost reduction actions (which are included in operating activities) in 2004, 2003 and 2002 were $18.6 million, $58.4 million and $104.4 million, respectively, principally for work force reductions and facility costs. Cash expenditures for prior-year restructuring actions and the 2004 cost reduction actions are expected to be approximately $72 million in 2005, principally for work force reductions.

Cash used for investing activities in 2004 was $479.6 million compared with $510.4 million in 2003. Proceeds from investments and purchases of investments represent derivative financial instruments used to manage the company's currency exposure to market risks from changes in foreign currency exchange rates. The decrease in cash used for investing activities was due to net purchases of investments of $27.8 million for 2004 compared with $68.1 million in the prior-year period. In addition in 2004, the investment in marketable software was $119.6 million compared with $144.1 million in 2003, capital additions of properties were $137.0 million in 2004 compared with $116.7 million in 2003 and capital additions of outsourcing assets were $177.5 million in 2004 compared with $176.2 million in 2003. The increase in capital additions of properties was principally related to the relocation of the company's federal headquarters into a new facility. Cash expenditures for the purchases of businesses were $19.4 million in 2004 compared with $5.3 million in 2003.

Cash provided by financing activities during 2004 was $15.3 million compared with $255.5 million in 2003. In 2003, the company issued long-term debt of $293.3 million, as described below. In addition, during 2003, net short-term borrowings of $64.5 million were reduced as compared with a reduction of $20.0 million in 2004.

In March 2003, the company issued $300 million of 6 7/8% senior notes due 2010. At December 31, 2004, total debt was $1.1 billion, a decrease of $17.1 million from December 31, 2003.

On January 18, 2005, the company paid $150 million from cash on hand to retire at maturity all its 7 1/4% senior notes. See Note 10 of the Notes to Consolidated Financial Statements for the components of the company's long-term debt.

The company has a $500 million credit agreement that expires in May 2006 with no amounts outstanding as of December 31, 2004. 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 light of the company's 2004 fourth quarter results (see Note 3 of the Notes to Consolidated Financial Statements), the company requested and obtained a waiver of one of its financial covenants at December 31, 2004, and an amendment of certain financial covenants going forward, from its various lenders. The entire $500 million of the credit agreement is available for borrowing as of December 31, 2004.

In addition, the company and certain international subsidiaries have access to 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 is renewable annually at the purchasers' option and expires in December 2006. At each of December 31, 2004 and December 31, 2003, the company had sold $225 million of eligible receivables. See Note 6 of the Notes to Consolidated Financial Statements.

After considering the amendment discussed above, the company believes that it will continue to meet the covenants and conditions under its various lending and funding arrangements. It therefore believes that it has adequate sources and availability of short-term funding to meet its expected cash requirements.

As described more fully in Notes 5, 10 and 11 of the Notes to Consolidated Financial Statements, at December 31, 2004 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	$ 1.0	$ 1.0			
Long-term debt	1,050.0	150.0	$400.0	$200.0	$300.0
Capital lease obligations	3.0	1.7	1.3	—	—
Operating leases	718.8	142.6	217.6	131.6	227.0
Minimum purchase obligations	23.0	10.0	8.0	5.0	—
Work force reductions	75.4	62.3	13.1	—	—
Total	$1,871.2	$367.6	$640.0	$336.6	$527.0

As more fully described in Note 13 to the Notes to Consolidated Financial Statements, the company could have an additional obligation under an operating lease for one of its facilities and as described in Note 17 to the Notes to Consolidated Financial Statements, the company expects to make cash contributions of approximately $70 million to its worldwide defined benefit pension plans in 2005.

At December 31, 2004, the company had outstanding standby letters of credit and surety bonds of approximately $266 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 $1.2 billion of debt or equity securities, which enables the company to be prepared for future market opportunities.

Stockholders' equity increased $111.3 million during 2004, principally reflecting currency translation of $43.5 million, net income of $38.6 million, $60.9 million for issuance of stock under stock option and other plans and $4.4 million of tax benefits related to employee stock plans, offset in part by an increase in the minimum pension liability adjustment of $39.2 million.

Market risk

The company has exposure to interest rate risk from its short-term and long-term debt. In general, the company's long-term debt is fixed rate, and the short-term debt is variable rate. See Note 10 of the Notes to Consolidated Financial Statements for components of the company's long-term debt. The company believes that the market risk assuming a hypothetical 10% increase 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 14 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, 2004 and 2003, the analysis indicated that such market movements would have reduced the estimated fair value of these derivative financial instruments by approximately $57 million and $58 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

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates, judgments and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates and assumptions. Certain accounting policies, methods and estimates are particularly important because of their significance to the financial statements and because of the possibility that future events affecting them may differ from management's current judgments. Although there are a number of accounting policies, methods and estimates affecting the company's financial statements as described in Note 1 of the Notes to Consolidated Financial Statements, the following critical accounting policies reflect the significant estimates, judgments and assumptions.

Outsourcing

Typically, the terms of the company's outsourcing 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 often requires 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 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 are internally developed, are capitalized and depreciated over the shorter of their life or the term of the contract.

Recoverability of outsourcing assets is subject to various business risks, including the timely completion and ultimate cost of the outsourcing solution, realization of expected profitability of existing outsourcing contracts and obtaining additional outsourcing customers. The company quarterly compares the fair value of the outsourcing assets with the undiscounted future cash flows expected to be generated by the outsourcing assets to determine if there is an impairment. If impaired, the outsourcing assets are reduced to an estimated fair value on a discounted cash flow approach. The company prepares its cash flow estimates based on assumptions that it believes to be reasonable but are also inherently uncertain. Actual future cash flows could differ from these estimates. At December 31, 2004 and 2003, the net capitalized amount related to outsourcing contracts was $431.9 million and $477.5 million, respectively.

Systems integration

For long-term fixed price 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 because reasonably dependable estimates of the revenue and costs applicable to various elements of a contract can be made. Because 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 profit. 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.

Income 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 the entire deferred tax asset will not be realized.

At December 31, 2004 and 2003, the company had deferred tax assets in excess of deferred tax liabilities of $2,157 million and $2,034 million, respectively. For the reasons cited below, at December 31, 2004 and 2003, management determined that it is more likely than not that $1,625 million and $1,583 million, respectively, of such assets will be realized, resulting in a valuation allowance of $532 million and $451 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 to avoid the potential loss of future tax benefits.

In addition to the repatriation provisions discussed above, the Jobs Act extends the excess foreign tax credit carryforward period from five to 10 years and limits the carryback period to one year. At December 31, 2004, the company's deferred tax asset included approximately $183 million of foreign tax credit carryforwards. The Jobs Act should provide the company with additional opportunities to fully utilize this portion of the deferred tax asset.

Approximately $4.9 billion of future taxable income (predominately U.S.) ultimately is needed to realize the net deferred tax assets at December 31, 2004. 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 continuing decline in sales or margins, loss of market share, delays in product availability or technological obsolescence. See "Factors that may affect future results."

The company's annual provision for income taxes and the determination of the resulting deferred tax assets and liabilities involve a significant amount of management judgement and are based on the best information available at the time. The company operates within federal, state and international 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. As a result, the actual income tax liabilities to the jurisdictions with respect to any fiscal year are ultimately determined long after the financial statements have been published. The company maintains reserves for estimated tax exposures. Income tax exposures include potential challenges of research and development credits and intercompany pricing. Exposures are settled primarily through the settlement of audits within these tax jurisdictions, but can also be affected by changes in applicable tax law or other factors, which could cause management of the company to believe a revision of past estimates is appropriate. Management believes that an appropriate liability has been established for estimated exposures; however, actual results may differ materially from these estimates. The liabilities are reviewed quarterly for their adequacy and appropriateness. As of December 31, 2004, the company was subject to U.S. Federal income tax audits for fiscal years 1997 through 1999. The liabilities associated with these years will ultimately be resolved when events such as the completion of audits by the taxing jurisdictions occur. To the extent the audits or other events result in a material adjustment to the accrued estimates, the effect would be recognized in the provision for income taxes line in the company's Consolidated Statement of Income in the period of the event.

Pensions

The company accounts for its defined benefit pension plans in accordance with SFAS No. 87, "Employers' Accounting for Pensions," which allows that amounts recognized in financial statements be determined on an actuarial basis. The measurement of the company's pension obligations, costs and liabilities is dependent on a variety of assumptions selected by the company and used by the company's actuaries. These assumptions include estimates of the present value of projected future pension payments to plan participants, taking into consideration the likelihood of potential future events such as salary increases and demographic experience. The assumptions used in developing the required estimates include the following key factors: discount rates, salary growth, retirement rates, inflation, expected return on plan assets and mortality rates.

As permitted by SFAS No. 87, the company uses a calculated value of plan assets (which is further described below). SFAS No. 87 allows 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 substantial portion of the company's pension plan assets and liabilities relates to its defined benefit plan in the United States.

A significant element in determining the company's pension income (expense) in accordance with SFAS No. 87 is the expected long-term rate of return on plan assets. The company sets the expected long-term rate of return based on the expected long-term return of the various asset categories in which it invests. The company considers the current expectations for future returns and the actual historical returns of each asset class. Also, because the company's investment policy is to actively manage certain asset classes where the potential exists to outperform the broader market, the expected returns for those asset classes are adjusted to reflect the expected additional returns. For 2005 and 2004, the company has assumed that the expected long-term rate of return on U.S. plan assets will be 8.75%. A change of 25 basis points in the expected long-term rate of return for the company's U.S. pension plan causes a change of approximately $10 million in pension expense. 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 December 31, 2004, for the company's U.S. defined benefit pension plan, the calculated value of plan assets was $4.28 billion compared with the fair value of plan assets of $4.36 billion.

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 (a) receive one of the two highest ratings given by a recognized ratings agency and (b) are currently available and expected to be available during the period to maturity of the pension benefits. At December 31, 2004, the company determined this rate to be 5.88% for its U.S. defined benefit pension plan, a decrease of 37 basis points from the rate used at December 31, 2003. A change of 25 basis points in the U.S. discount rate causes a change in pension expense of approximately $12 million and a change of approximately $115 million in the projected benefit obligation. 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, as permitted by SFAS No. 87.

Management chose the above assumptions as to the expected long-term rate of return on plan assets and the discount rate with consultation from and concurrence of the company's third-party actuaries.

SFAS No. 87 defines gains and losses as changes in the amount of either the projected benefit obligation or plan assets resulting from experience different from that assumed and from changes in assumptions. Because gains and losses may reflect refinements in estimates as well as real changes in economic values and because some gains in one period may be offset by losses in another and vice versa, SFAS No. 87 does not require recognition of gains and losses as components of net pension cost of the period in which they arise.

As a minimum, amortization of an unrecognized net gain or loss must be included as a component of net pension cost for a year if, as of the beginning of the year, that unrecognized net gain or loss exceeds 10 percent of the greater of the projected benefit obligation or the calculated value of plan assets. If amortization is required, the minimum amortization is that excess above the 10 percent divided by the average remaining service period of active employees expected to receive benefits under the plan. For the company's U.S. defined benefit pension plan, that period is approximately nine years. At December 31, 2004, based on the calculated value of plan assets, the estimated unrecognized loss was $1.66 billion.

For the year ended December 31, 2004, the company recognized consolidated pretax pension expense of $93.6 million, compared with $22.6 million of consolidated pretax pension income for the year ended December 31, 2003. Approximately $107 million of the increase in expense was in the U.S. and $9 million was in international subsidiaries, principally the United Kingdom. The change was principally due to the following: (a) a decline in the discount rate used for the U.S. pension plan to 6.25% at December 31, 2003 from 6.75% at December 31, 2002, (b) an increase in amortization of net unrecognized losses, (c) lower expected returns on plan assets due to four-year smoothing of the difference between the calculated value of plan assets and the fair value of plan assets, and (d) for international plans, declines in discount rates and currency translation.

For 2005, the company expects to recognize pension expense of approximately $186 million, comprising $105 million of expense in the U.S. and $81 million of expense in international plans. This would represent an increase in pension expense of approximately $92.4 million from 2004. The reasons for the increase of approximately $67 million in the U.S. are as follows: (a) approximately $17 million due to the change in the discount rate from 6.25% to 5.88% and (b) approximately $50 million increase in amortization of net unrecognized losses. For international plans, the expected increase in pension expense is approximately $25 million principally due to lower discount rates and currency translation.

During 2004, the company made cash contributions to its worldwide defined benefit pension plans of approximately $63 million and expects to make cash contributions of approximately $70 million during 2005. In accordance with regulations governing contributions to U.S. defined benefit pension plans, the company is not required to fund its U.S. qualified defined benefit plan in 2005.

At December 31 of each year, accounting rules require a company to recognize a liability on its balance sheet for each defined benefit 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 values of pension plan assets experience further declines or the discount rate is reduced, additional charges to accumulated other comprehensive income (loss) may be required at a future year-end.

At December 31, 2004, the difference between the ABO and the fair value of pension plan assets increased from the amount at December 31, 2003. As a result at December 31, 2004, the company adjusted its minimum pension liability adjustment as follows: increased its pension plan liabilities by approximately $95 million, increased its investments at equity by approximately $27 million relating to the company's share of the change in NUL's minimum pension liability, increased prepaid pension asset by $13 million, and offset these changes by an increase in other comprehensive loss of approximately $55 million, or $39 million net of tax.

This accounting treatment has no effect on the company's net income, liquidity or cash flows. Financial ratios and net worth covenants in the company's credit agreements and debt securities are unaffected by charges or credits to stockholders' equity caused by adjusting 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," "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. Statements in this report concerning anticipated savings from cost reduction actions are subject to the risk that the company may not implement the headcount reductions as quickly or as fully as currently planned. Other factors that could affect future results 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. The company continues to face a highly competitive business environment and economic weakness in certain geographic regions. In this environment, many organizations continue to delay 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 company's business could also be affected by acts of war, terrorism or natural disasters. Current world tensions could escalate, and this could have unpredictable consequences on the world economy and on the company's business.

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 consulting and other professional services firms, systems integrators, outsourcing providers, infrastructure services providers, computer hardware manufacturers and software 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 also may be better able to compete for skilled professionals. Any of these factors 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 grow 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 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.

Recoverability of outsourcing assets is subject to various business risks, including the timely completion and ultimate cost of the outsourcing solution, realization of expected profitability of existing outsourcing contracts and obtaining additional outsourcing customers. These risks could result in an impairment of a portion of the associated assets, which are tested for recoverability quarterly.

As long-term relationships, outsourcing contracts provide a base of recurring revenue. However, outsourcing contracts are highly complex and can involve the design, development, implementation and operation of new solutions and the transitioning of clients from their existing business processes to the new environment. In the early phases of these contracts, gross margins may be lower than in later years when an integrated solution has been implemented, the duplicate costs of transitioning from the old to the new system have been eliminated and the work force and facilities have been rationalized for efficient operations. Future results will depend on the company's ability to effectively and timely complete these implementations, transitions and rationalizations.

Future results will also depend in part on the company's ability to drive profitable growth in consulting and systems integration. 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 creating and enhancing a common high-performance platform for both its proprietary operating environments and open standards-based operating environments such as Microsoft Windows and Linux. In addition, the company is applying its resources to develop value-added software capabilities and optimized solutions for these server platforms which provide competitive differentiation. The high-end enterprise server platforms are based on its Cellular MultiProcessing (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 supporting industry standard software. The company has transitioned both its legacy ClearPath servers and its Intel-based ES7000s to the CMP platform. 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 and to develop next-generation ClearPath products that are purchased by the installed base. 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 and Linux operating system software. However, competition in these new markets 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 customer 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-price 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.

More than half 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, new tax legislation, and weaker intellectual property protections in some jurisdictions.

The company cannot be sure 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.

Consolidated Financial Statements

Consolidated Statements of Income

Year ended December 31 (millions, except per share data)	2004	2003	2002
Revenue			
Services	**$4,724.7**	$4,691.9	$4,285.1
Technology	**1,096.0**	1,219.3	1,322.3
	5,820.7	5,911.2	5,607.4
Costs and expenses			
Cost of revenue:			
Services	**3,940.8**	3,654.7	3,244.9
Technology	**517.5**	541.5	674.0
	4,458.3	4,196.2	3,918.9
Selling, general and administrative expenses	**1,102.9**	1,007.2	992.0
Research and development expenses	**294.3**	280.1	273.3
	5,855.5	5,483.5	5,184.2
Operating income (loss)	**(34.8)**	427.7	423.2
Interest expense	**69.0**	69.6	66.5
Other income (expense), net	**27.8**	22.4	(23.9)
Income (loss) before income taxes	**(76.0)**	380.5	332.8
Provision (benefit) for income taxes	**(114.6)**	121.8	109.8
Net income	**$ 38.6**	$ 258.7	$ 223.0
Earnings per share			
Basic	**$ .12**	$ .79	$ .69
Diluted	**$ .11**	$ .78	$ .69

See notes to consolidated financial statements.

Consolidated Balance Sheets

December 31 (millions)	2004	2003
Assets		
Current assets		
Cash and cash equivalents	**$ 660.5**	$ 635.9
Accounts and notes receivable, net	**1,136.8**	1,027.8
Inventories:		
Parts and finished equipment	**93.7**	121.7
Work in process and materials	**122.4**	116.9
Deferred income taxes	**291.8**	270.0
Prepaid expenses and other current assets	**112.4**	85.7
Total	**2,417.6**	2,258.0
Properties	**1,305.5**	1,352.7
Less – Accumulated depreciation and amortization	**881.4**	928.5
Properties, net	**424.1**	424.2
Outsourcing assets, net	**431.9**	477.5
Marketable software, net	**336.8**	332.2
Investments at equity	**197.1**	153.3
Prepaid pension cost	**52.5**	55.5
Deferred income taxes	**1,394.6**	1,384.6
Goodwill	**189.9**	177.5
Other long-term assets	**176.4**	206.8
Total	**$ 5,620.9**	$ 5,469.6
Liabilities and stockholders' equity		
Current liabilities		
Notes payable	**$ 1.0**	$ 17.7
Current maturities of long-term debt	**151.7**	2.2
Accounts payable	**487.4**	513.8
Other accrued liabilities	**1,316.1**	1,305.7
Income taxes payable	**66.6**	214.1
Total	**2,022.8**	2,053.5
Long-term debt	**898.4**	1,048.3
Accrued pension liability	**537.9**	433.6
Other long-term liabilities	**655.3**	539.0
Stockholders' equity		
Common stock, par value $.01 per share (720.0 million shares authorized; 339.4 million shares and 333.8 million shares, issued)	**3.4**	3.3
Accumulated deficit	**(376.2)**	(414.8)
Other capital	**3,883.8**	3,818.6
Accumulated other comprehensive loss	**(2,004.5)**	(2,011.9)
Stockholders' equity	**1,506.5**	1,395.2
Total	**$ 5,620.9**	$ 5,469.6

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Year ended December 31 (millions)	2004	2003	2002
Cash flows from operating activities			
Net income	**$ 38.6**	$ 258.7	$ 223.0
Add (deduct) items to reconcile net income to net cash provided by operating activities:			
Equity (income) loss	**(16.1)**	(18.2)	12.4
Depreciation and amortization of properties	**136.5**	144.4	125.2
Depreciation and amortization of outsourcing assets	**123.3**	82.3	64.9
Amortization of marketable software	**134.2**	123.6	121.0
Impairment charge related to outsourcing assets	**125.6**	—	—
(Increase) decrease in deferred income taxes, net	**(41.2)**	57.2	39.4
(Increase) decrease in receivables, net	**(61.8)**	(67.7)	156.5
Decrease in inventories	**23.0**	54.1	53.0
(Decrease) increase in accounts payable and other accrued liabilities	**(1.6)**	25.6	(137.4)
Decrease in income taxes payable	**(120.5)**	(4.8)	(15.5)
Increase (decrease) in other liabilities	**111.3**	(70.9)	(61.2)
Increase in other assets	**(16.2)**	(6.0)	(209.1)
Other	**34.7**	(7.5)	17.9
Net cash provided by operating activities	**469.8**	570.8	390.1
Cash flows from investing activities			
Proceeds from investments	**6,026.5**	5,054.0	3,447.1
Purchases of investments	**(6,054.3)**	(5,122.1)	(3,485.4)
Investment in marketable software	**(119.6)**	(144.1)	(139.9)
Capital additions of properties	**(137.0)**	(116.7)	(100.9)
Capital additions of outsourcing assets	**(177.5)**	(176.2)	(160.9)
Purchases of businesses	**(19.4)**	(5.3)	(4.8)
Proceeds from sales of businesses	**1.7**	—	—
Net cash used for investing activities	**(479.6)**	(510.4)	(444.8)
Cash flows from financing activities			
Net reduction in short-term borrowings	**(20.0)**	(64.5)	(1.6)
Proceeds from employee stock plans	**38.8**	31.5	29.0
Payments of long-term debt	**(3.5)**	(4.8)	(2.1)
Proceeds from issuance of long-term debt	—	293.3	—
Net cash provided by financing activities	**15.3**	255.5	25.3
Effect of exchange rate changes on cash and cash equivalents	**19.1**	18.2	5.3
Increase (decrease) in cash and cash equivalents	**24.6**	334.1	(24.1)
Cash and cash equivalents, beginning of year	**635.9**	301.8	325.9
Cash and cash equivalents, end of year	**$ 660.5**	$ 635.9	$ 301.8

See notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

(millions)	Common Stock Shares	Common Stock Par Value	Accumulated Deficit	Treasury Stock Shares	Treasury Stock Cost	Paid-In Capital	Accumulated Other Comprehensive Loss	Comprehensive Income (Loss)
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)	
Issuance of stock under stock option and other plans	5.7				(.2)	50.8		
Net income			258.7					$ 258.7
Other comprehensive income:								
Translation adjustments							65.3	
Cash flow hedges							(5.1)	
Minimum pension liability							164.8	
							225.0	225.0
Comprehensive income								$ 483.7
Tax benefit related to stock plans						4.9		
Balance at December 31, 2003	333.8	3.3	(414.8)	(1.9)	(42.6)	3,861.2	(2,011.9)	
Issuance of stock under stock option and other plans	5.6	.1		(.1)	(.6)	61.4		
Net income			38.6					$ 38.6
Other comprehensive income:								
Translation adjustments							43.5	
Cash flow hedges							3.1	
Minimum pension liability							(39.2)	
							7.4	7.4
Comprehensive income								$ 46.0
Tax benefit related to stock plans						4.4		
Balance at December 31, 2004	339.4	$ 3.4	$ (376.2)	(2.0)	$(43.2)	$3,927.0	$ (2,004.5)	

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 U.S. 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. The principal estimated lives used are summarized below:

	Estimated life (years)
Buildings	20-50
Machinery and office equipment	4-7
Rental equipment	4
Internal-use software	3-10

Advertising costs The company expenses all advertising costs as they are incurred. The amount charged to expense during 2004, 2003 and 2002 was $10.8 million, $17.9 million and $29.3 million, respectively.

Shipping and handling Costs related to shipping and handling are included in cost of revenue.

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

Revenue from software licenses is recognized at the inception of the initial license term and upon execution of an extension to the license term. Revenue for post-contract software support arrangements, which are marketed separately, is recorded on a straight-line basis over the support period for multi-year contracts and at 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 software, and elements for which software is essential to the functionality, the allocation is based on vendor-specific objective evidence of fair value. The company recognizes revenue on multiple-element arrangements only if: (a) any undelivered products or services are not essential to the functionality of the delivered products or services, (b) the company has an enforceable claim to receive the amount due in the event it does not deliver the undelivered products or services, (c) there is evidence of the fair value for each undelivered product or service, and (d) the revenue recognition criteria otherwise have been met for the delivered elements. For software arrangements with extended payment terms beyond 12 months, the company recognizes revenue at the inception of the arrangement, provided that the arrangement meets the software revenue recognition criteria discussed above, considering, among other things, the history of successfully collecting under the original payment terms without providing refunds or concessions, otherwise revenue is recognized as payments are due.

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 are 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 out-sourcing contracts is recognized as the services are provided.

Income taxes Income taxes are based on income (loss) for financial reporting purposes and reflect a current tax liability (asset) for the estimated taxes payable (recoverable) in the current year tax return and changes in deferred taxes. Deferred tax assets or liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using enacted tax laws and rates. A valuation allowance is provided on deferred tax assets if it is determined that it is more likely than not that the asset will not be realized.

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. The company performs quarterly reviews to ensure that unamortized costs remain recoverable from future revenue.

Internal-use software In accordance with SOP 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," the company capitalizes certain internal and external costs incurred to acquire or create internal-use software, principally related to software coding, designing system interfaces, and installation and testing of the software. These costs are amortized in accordance with the fixed asset policy described above.

Outsourcing assets Costs on outsourcing contracts are generally expensed as incurred. However, certain costs incurred upon initiation of an outsourcing contract are deferred and expensed over the contract life. These costs consist principally of initial customer setup and employment obligations related to employees assumed. Additionally, marketable software development costs incurred to develop specific application software for outsourcing are capitalized once technological feasibility has been established. Capitalized software used in outsourcing arrangements is amortized based on current and estimated future revenue from the product. The amortization expense is not less than straight-line amortization expense over the product's useful life. Fixed assets acquired in connection with outsourcing contracts are capitalized and depreciated over the shorter of the contract life or in accordance with the fixed asset policy described above.

Recoverability of outsourcing assets is subject to various business risks, including the timely completion and ultimate cost of the outsourcing solution, realization of expected profitability of existing outsourcing contracts and obtaining additional out-sourcing customers. The company quarterly compares the fair value of the outsourcing assets with the undiscounted future cash flows expected to be generated by the outsourcing assets to determine if there is an impairment. If impaired, the out-sourcing assets are reduced to an estimated fair value on a discounted cash flow approach. The company prepares its cash flow estimates based on assumptions that it believes to be reasonable but are also inherently uncertain. Actual future cash flows could differ from these estimates.

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 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 17. 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 Employee 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.

Year ended December 31 (millions, except per share data)	**2004**	**2003**	**2002**
Net income as reported	**$ 38.6**	$258.7	$223.0
Deduct total stock-based employee compensation expense determined under fair value method for all awards, net of tax	**(32.6)**	(47.7)	(49.0)
Pro forma net income	**$ 6.0**	$211.0	$174.0
Earnings per share			
Basic – as reported	**$ .12**	$ .79	$ .69
Basic – pro forma	**$ .02**	$ .64	$ .54
Diluted – as reported	**$ .11**	$ .78	$ .69
Diluted – pro forma	**$ .02**	$ .63	$ .54

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 long-term rate of return on plan assets. This expected return is an assumption as to 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 31 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 ratings agency.

Reclassifications Certain prior-year amounts have been reclassified to conform with the 2004 presentation.

2. Earnings per share

The following table shows how earnings per share were computed for the three years ended December 31, 2004.

Year ended December 31 (millions, except per share data)	2004	2003	2002
Basic earnings per share computation			
Net income	**$ 38.6**	$ 258.7	$ 223.0
Weighted average shares (thousands)	**334,896**	329,349	323,526
Basic earnings per share	**$ .12**	$ .79	$ .69
Diluted earnings per share computation			
Net income	**$ 38.6**	$ 258.7	$ 223.0
Weighted average shares (thousands)	**334,896**	329,349	323,526
Plus incremental shares from assumed conversions of employee stock plans	**3,321**	3,599	1,218
Adjusted weighted average shares	**338,217**	332,948	324,744
Diluted earnings per share	**$ .11**	$ .78	$ .69

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, (in thousands): 2004, 35,581; 2003, 22,005; 2002, 35,415.

3. 2004 significant items

The company recorded a pretax, non-cash impairment charge of $125.6 million, or $.26 per share, to write off all of the contract-related long-lived assets related to one of the company's outsourcing operations in the fourth quarter of 2004. The entire charge was recorded in services cost of revenue in the company's Services segment. In the fourth quarter, impairment indicators arose, resulting in significantly lower estimates of future cash flows from the outsourcing assets.

During the fourth quarter of 2004, the company favorably settled various income tax audit issues. As a result of the settlements, the company recorded a tax benefit of $28.8 million, or $.09 per share.

During the third quarter of 2004, the U.S. Congressional Joint Committee on Taxation approved an income tax refund to the company related to the settlement of tax audit issues dating from the mid-1980s. The refund, including interest, is approximately $40 million and is recorded in current accounts receivable in the company's consolidated balance sheet. After payment of related state taxes, the company expects a net cash refund of approximately $30 million in early 2005. As a result of the resolution of these audit issues, the company recorded a tax benefit of $68.2 million, or $.20 per diluted share. The company also recorded a reduction of goodwill of $8.0 million, as certain amounts of the tax benefit related to the preacquisition period of an acquired entity.

As part of its ongoing efforts to reduce its cost base and enhance its administrative efficiency, on September 30, 2004, the company consolidated facility space and committed to a work force reduction of 1,415 employees, primarily in general and administrative areas. These actions resulted in a pretax charge of $82.0 million, or $.18 per diluted share. The charge related to work force reductions is $75.3 million and comprises: (a) 752 employees in the U.S. for a charge of $23.2 million and (b) 663 employees outside the U.S. for a charge of $52.1 million. The charge for work force reductions is principally related to severance costs. The facility charge of $6.7 million relates principally to a single U.S. leased property that the company ceased using as of September 30, 2004. The facility charge represents the fair value of the liability at the cease-use date and was determined based on the remaining lease rental payments, reduced by estimated sublease rentals that could be reasonably obtained for the property. The work force reductions are expected to be substantially completed by the end of the second quarter of 2005. The company anticipates that these actions will yield approximately $70 million of annualized cost savings on a run-rate basis by the end of 2005. Cash expenditures related to these actions during 2004 were $6.8 million and are expected to be approximately $65 million in 2005 and $16 million in total for all subsequent years.

The pretax charge was recorded in the following statement of income classifications: cost of revenue-services, $28.1 million; selling, general and administrative expenses, $50.2 million; research and development expenses, $8.4 million; and other income (expense), net, $4.7 million. The income recorded in other income (expense), net relates to the minority shareholders' portion of the charge related to a 51%-owned subsidiary, which is consolidated by the company.

During the fourth quarter of 2004, to further reduce its cost base and enhance its administrative efficiency, the company identified additional cost reduction actions and recorded a provision of $3.4 million, for a work force reduction of 106 people.

A further breakdown of the individual components of these costs follows:

			Work Force Reductions*		
($ in millions)	Headcount	Total	U.S.	Int'l	Idle Lease Cost
Work force reductions*	1,415	$75.3	$23.2	$52.1	
Other		6.7			$ 6.7
Total charge	1,415	82.0	23.2	52.1	6.7
Minority interest		4.7		4.7	
Balance at Sept. 30, 2004	1,415	86.7	23.2	56.8	6.7
Utilized	(404)	(6.8)	(1.7)	(4.1)	(1.0)
Additional provisions	106	3.4	1.2	2.2	
Changes in estimates and revisions	(266)	(6.7)	(.2)	(6.5)	
Translation adjustments		4.5		4.5	
Balance at Dec. 31, 2004	851	$81.1	$22.5	$52.9	$ 5.7
Expected future utilization:					
2005	851	$65.0	$22.5	$39.8	$ 2.7
2006 and thereafter	—	16.1	—	13.1	3.0

* Includes severance, notice pay, medical and other benefits.

As a result of prior-year cost reduction actions, cash expenditures in 2004, 2003 and 2002 were $11.8 million, $58.4 million and $104.4 million, respectively. At December 31, 2004, a $12.1 million accrued liability remains principally for idle lease costs. Cash expenditures in 2005 related to these actions are expected to be approximately $7.2 million.

4. Acquisitions and goodwill

In November 2003, the company purchased KPMG's Belgian consulting business for approximately $3.3 million of cash, plus assumed liabilities. The purchase price allocation was finalized in March 2004 and approximately $1.5 million of amortizable intangible assets (principally customer relationships) were identified and recorded with a weighted average life of approximately 5.5 years. The goodwill from this acquisition has been assigned to the Services segment.

In April 2004, the company purchased the document services business unit of Interpay Nederlands B.V. (Interpay) for $5.2 million. This business unit processes approximately 110 million paper-related payments a year for Dutch banks. The purchase price was allocated to assets acquired and liabilities assumed based on their estimated fair values, and resulted in goodwill of $3.4 million. The acquisition provides for the company to make contingent payments to Interpay based on the achievement of certain future revenue levels. The contingent consideration will be recorded as additional goodwill when the contingencies are resolved and consideration is issued or becomes issuable. The goodwill from this acquisition has been assigned to the Services segment.

In June 2004, the company purchased the security services and identity and access management solutions business of ePresence, Inc., whose consultants design and implement enterprise directory and security solutions that enable identity management within and across organizations. The purchase price of $10.6 million was allocated to assets acquired and liabilities assumed based on their estimated fair values. Approximately $.7 million of amortizable intangible assets (principally customer relationships) were identified and recorded. The intangible assets have a weighted average life of approximately 3.8 years. The goodwill from this acquisition (approximately $7.5 million) has been assigned to the Services segment.

In July 2004, the company purchased Baesch Computer Consulting, Inc., a provider of technology solutions and services to the U.S. intelligence and defense communities, for $6.0 million. The purchase price was allocated to assets acquired and liabilities assumed based on their estimated fair values, and resulted in goodwill of $6.3 million. The goodwill from this acquisition has been assigned to the Services segment.

The company accounts for goodwill and other intangible assets in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets." These assets are reviewed annually for impairment in accordance with this statement. SFAS No. 142 requires a company to perform an impairment test on an annual basis and whenever events or circumstances occur indicating that the goodwill may be impaired. During 2004, the company performed its annual impairment test, which indicated that the company's goodwill was not impaired.

The changes in the carrying amount of goodwill by segment for the years ended December 31, 2004 and 2003, were as follows:

(millions)	Total	Services	Technology
Balance at December 31, 2002	$160.6	$ 42.5	$ 118.1
Acquisitions	10.3	10.3	
Foreign currency translation adjustments	6.6	4.5	2.1
Balance at December 31, 2003	177.5	57.3	120.2
Acquisitions	17.2	17.2	
Transfers[1]	(1.5)	(1.5)	
Foreign currency translation adjustments	3.8	2.4	1.4
Other[2]	(7.1)	(.3)	(6.8)
Balance at December 31, 2004	$189.9	$ 75.1	$ 114.8

(1) *Transfer to amortizable intangible assets upon finalization of the purchase price allocation in March 2004 relating to the acquisition of KPMG's Belgian consulting business.*

(2) *Principally represents the amount of the tax benefit received related to the preaquisition period of an acquired entity. See Note 3.*

5. Recent accounting pronouncements and accounting changes

On December 21, 2004, the Financial Accounting Standards Board (FASB) issued FASB Staff Position No. FAS 109-2 (FSP No. 109-2), "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provisions within the American Jobs Creation Act of 2004" (the Jobs Act). FSP No. 109-2 provides guidance with respect to reporting the potential impact of the repatriation provisions of the Jobs Act on an enterprise's income tax expense and deferred tax liability. The Jobs Act was enacted on October 22, 2004, and provides for a temporary 85% dividends received deduction on certain foreign earnings repatriated during a one-year period. The deduction would result in an approximate 5.25% federal tax rate on the repatriated earnings. To qualify for the deduction, the earnings must be reinvested in the United States pursuant to a domestic reinvestment plan established by a company's chief executive officer and approved by a company's board of directors. Certain other criteria in the Jobs Act must be satisfied as well. FSP No. 109-2 states that an enterprise is allowed time beyond the financial reporting period to evaluate the effect of the Jobs Act on its plan for reinvestment or repatriation of foreign earnings. Although the company has not yet completed its evaluation of the impact of the repatriation provisions of the Jobs Act, the company does not expect that these provisions will have a material impact on its consolidated financial position, consolidated results of operations, or liquidity. Accordingly, as provided for in FSP No. 109-2, the company has not adjusted its tax expense or deferred tax liability to reflect the repatriation provisions of the Jobs Act.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" (SFAS No. 123R), which replaces SFAS No. 123 and supersedes APB Opinion No. 25. SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values beginning with the first interim period after June 15, 2005, with early adoption encouraged. The pro forma disclosures previously permitted under SFAS No. 123 no longer will be an alternative to financial statement recognition. The company is required to adopt SFAS No. 123R in the third quarter of 2005. Under SFAS No. 123R, the company must determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at date of adoption. The permitted transition methods include either retrospective or prospective adoption. Under the retrospective option, prior periods may be restated either as of the beginning of the year of adoption or for all periods presented. The prospective method requires that compensation expense be recorded for all unvested stock options at the beginning of the first quarter of adoption of SFAS No. 123R, while the retrospective methods would record compensation expense for all unvested stock options beginning with the first period presented. The company is currently evaluating the requirements of SFAS No. 123R and expects that adoption of SFAS No. 123R will have a material impact on the company's consolidated financial position and consolidated results of operations. The company has not yet determined the method of adoption or the effect of adopting SFAS No. 123R, and it has not determined whether the adoption will result in amounts that are similar to the current pro forma disclosures under SFAS No. 123. See stock-based compensation plans in Note 1.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions" (SFAS No. 153). SFAS No. 153 eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21 (b) of APB Opinion No. 29, "Accounting for Nonmonetary Transactions," and replaces it with an exception for exchanges that do not have commercial substance. SFAS No. 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for periods beginning after June 15, 2005. The company does not expect that adoption of SFAS No. 153 will have a material effect on its consolidated financial position, consolidated results of operations, or liquidity.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs an amendment of ARB No. 43, Chapter 4" (SFAS No. 151). SFAS No. 151 amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, handling costs and wasted material (spoilage). Among other provisions, the new rule requires that such items be recognized as current-period charges, regardless of whether they meet the criterion of "so abnormal" as stated in ARB No. 43. SFAS No. 151 is effective for fiscal years beginning after June 15, 2005. The company does not expect that adoption of SFAS No. 151 will have a material effect on its consolidated financial position, consolidated results of operations, or liquidity.

On May 19, 2004, the FASB issued FASB Staff Position No. FAS 106-2 (FSP No. 106-2), "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" (the Act). The Act introduces a prescription drug benefit under Medicare, as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. FSP No. 106-2 is effective for the first interim period beginning after June 15, 2004, and provides that an employer shall measure the accumulated plan benefit obligation (APBO) and net periodic postretirement benefit cost, taking into account any subsidy received under the Act. As of December 31, 2004, the company's measurements of both the APBO and the net postretirement benefit cost do not reflect any amounts associated with the subsidy. While final regulations have not been released, guidance provided to date implies that the company's plan will probably not be considered actuarially equivalent to Medicare Part D. Accordingly, the company does not expect that adoption of FSP No. 106-2 will have a material effect on its consolidated financial position, consolidated results of operations, or liquidity.

In January 2003, the FASB issued Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities, an interpretation of ARB 51." The primary objectives of this interpretation are to provide guidance on the identification of entities for which control is achieved through means other than through voting rights (variable interest entities) and how to determine when and which business enterprise (the primary beneficiary) should consolidate the variable interest entity. This new model for consolidation applies to an entity in which either (a) the equity investors (if any) do not have a controlling financial interest, or (b) the equity investment at risk is insufficient to finance that entity's activities without receiving additional subordinated financial support from other parties. In addition, FIN 46 requires that the primary beneficiary, as well as all other enterprises with a significant variable interest in a variable interest entity, make additional disclosures. Certain disclosure requirements of FIN 46 were effective for financial statements issued after January 31, 2003. In December 2003, the FASB issued FIN 46 (revised December 2003), "Consolidation of Variable Interest Entities" (FIN 46-R) to address certain FIN 46 implementation issues.

The provisions of FIN 46 were applicable for variable interests in entities obtained after January 31, 2003. The adoption of the provisions applicable to special purpose entities (SPEs) and all other variable interests obtained after January 31, 2003, did not have a material impact on the company's consolidated financial position, consolidated results of operations, or liquidity.

Effective March 31, 2004, the company adopted the provisions of FIN 46-R applicable to non-SPEs created prior to February 1, 2003. Adoption of FIN 46-R had no impact on the company's consolidated financial position, consolidated results of operations, or liquidity.

Effective January 1, 2003, the company adopted 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. Previously recorded losses on the early extinguishment of debts that were classified as an extraordinary item in prior periods have been reclassified to other income (expense), net. The adoption of SFAS No. 145 had no effect on the company's consolidated financial position, consolidated results of operations, or liquidity.

Effective January 1, 2003, the company adopted 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 is effective for the company for exit or disposal activities initiated after December 31, 2002. Adoption of this statement had no material impact on the company's consolidated financial position, consolidated results of operations, or liquidity.

Effective January 1, 2003, the company adopted FASB 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 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 guarantee. In addition, FIN 45 requires disclosures about the guarantees that an entity has issued, including a roll-forward of the entity's product warranty liabilities. 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. Adoption of this interpretation had no material impact on the company's consolidated financial position, consolidated results of operations, or liquidity.

Effective July 1, 2003, the company adopted the FASB's consensus on 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. Adoption of this issue had no material impact on the company's consolidated financial position, consolidated results of operations, or liquidity.

In May 2003, the EITF reached a consensus on Issue No. 03-5, "Applicability of AICPA Statement of Position 97-2, Software Revenue Recognition, to Non-Software Deliverables in an Arrangement Containing More-Than-Incidental Software." The FASB ratified this consensus in August 2003. EITF Issue No. 03-5 affirms that AICPA Statement of Position 97-2 applies to non-software deliverables, such as hardware and services, in an arrangement if the software is essential to the functionality of the non-software deliverables. The adoption of EITF Issue No. 03-5 did not have a material impact on the company's consolidated financial position, consolidated results of operations, or liquidity.

6. Accounts receivable

In December 2003, the company renewed its agreement to sell, through Unisys Funding Corporation I, a wholly owned subsidiary, interests in eligible U.S. trade accounts receivable for up to $225 million. The agreement is renewable annually, at the purchasers' option, for up to three years. Unisys Funding Corporation I has been structured to isolate its assets from creditors of Unisys. The company received proceeds of $1.5 billion in 2004, and $2.3 billion, in each of 2003 and 2002, from ongoing sales of accounts receivable interests under the program. At each of December 31, 2004 and 2003, the company retained subordinated interests of $144 million in the associated receivables; these receivables have been included in accounts and notes receivable in the accompanying consolidated balance sheets. As collections reduce previously sold interests, interests in new, eligible receivables can be sold, subject to meeting certain conditions. At each of December 31, 2004 and 2003, receivables of $225 million were sold and therefore removed from the accompanying consolidated balance sheets.

The selling price of the receivables interests reflects a discount (2.3% at December 31, 2004, and 1.1% at December 31, 2003) based on the A-1 rated commercial paper borrowing rates of the purchasers. 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, 2004, 2003 and 2002, was $3.3 million, $3.4 million and $4.2 million, respectively. These discounts are recorded in other income (expense), net in the accompanying consolidated statements of income.

Accounts receivable consist principally of trade accounts receivable from customers and are generally unsecured and due within 30 days. Credit losses relating to these receivables consistently have been within management's expectations. Expected credit losses are recorded as an allowance for doubtful accounts in the consolidated balance sheets. Estimates of expected credit losses are based primarily on the aging of the accounts receivable balances. The collection policies and procedures of the company vary by credit class and prior payment history of customers.

Revenue recognized in excess of billings on services contracts, or unbilled accounts receivable, was $218.9 million and $146.7 million at December 31, 2004 and 2003, respectively. Such amounts are included in accounts and notes receivable, net. At December 31, 2004 and 2003, the company had long-term accounts and notes receivable, net of $114.4 million and $141.0 million, respectively. Such amounts are included in other long-term assets in the accompanying consolidated balance sheets.

Unearned income, which is reported as a deduction from accounts and notes receivable, was $18.2 million and $14.7 million at December 31, 2004 and 2003, respectively. The allowance for doubtful accounts, which is reported as a deduction from accounts and notes receivable, was $49.6 million and $49.8 million at December 31, 2004 and 2003, respectively.

7. Income taxes

Year ended December 31 (millions)	**2004**	**2003**	**2002**
Income (loss) before income taxes			
United States	**$ (34.7)**	$177.7	$125.7
Foreign	**(41.3)**	202.8	207.1
Total income (loss) before income taxes	**$ (76.0)**	$380.5	$332.8
Provision (benefit) for income taxes			
Current			
United States	**$ (8.5)**	$ (34.5)	$ (6.5)
Foreign	**10.8**	49.1	62.4
State and local	**(97.1)**	17.2	7.7
Total	**(94.8)**	31.8	63.6
Deferred			
United States	**19.3**	45.9	19.2
Foreign	**(39.1)**	44.1	27.0
Total	**(19.8)**	90.0	46.2
Total provision (benefit) for income taxes	**$(114.6)**	$121.8	$109.8

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

Year ended December 31 (millions)	**2004**	**2003**	**2002**
United States statutory income tax (benefit)	**$ (26.6)**	$133.2	$116.5
Foreign taxes	**(9.2)**	17.4	(4.1)
Tax refund claims, audit issues and other matters			
U.S. federal	**(14.0)**	(36.3)	(16.0)
U.S. state	**(63.1)**	11.1	5.0
Other	**(1.7)**	(3.6)	8.4
Provision (benefit) for income taxes	**$(114.6)**	$121.8	$109.8

The tax effects of temporary differences and carryforwards that give rise to significant portions of deferred tax assets and liabilities at December 31, 2004 and 2003, were as follows:

December 31 (millions)	**2004**	**2003**
Deferred tax assets		
Capitalized research and development	**$ 522.1**	$ 534.5
Tax loss carryforwards	**487.1**	395.2
Other tax credit carryforwards	**216.1**	238.8
Capitalized intellectual property rights	**213.8**	254.3
Foreign tax credit carryforwards	**182.6**	139.3
Pensions	**169.6**	156.2
Deferred revenue	**115.1**	120.7
Depreciation	**81.0**	66.2
Postretirement benefits	**59.8**	64.3
Employee benefits	**47.0**	50.4
Impairment charge related to outsourcing assets	**37.7**	—
Restructuring	**27.7**	8.3
Other	**165.1**	177.4
	2,324.7	2,205.6
Valuation allowance	**(531.9)**	(450.7)
Total deferred tax assets	**$1,792.8**	$1,754.9
Deferred tax liabilities		
Sales-type leases	**$ 59.6**	$ 72.2

Other	**108.5**	99.9
Total deferred tax liabilities	**$ 168.1**	$ 172.1
Net deferred tax assets	**$1,624.7**	$1,582.8

SFAS No. 109 requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized. The valuation allowance at December 31, 2004, applies principally 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 2004, the net increase in the valuation allowance of $81.2 million was principally related to an increase in foreign deferred tax assets resulting from foreign subsidiary losses and currency translation adjustments, and U.S. tax credit carryforwards.

Cumulative undistributed earnings of foreign subsidiaries, for which no U.S. income or foreign withholding taxes have been recorded, approximated $1.03 billion at December 31, 2004. As the company intends to permanently reinvest all such earnings, no provision has been made for income taxes that may become payable upon distribution of such earnings, and it is not practicable to determine the amount of the related unrecognized deferred income tax liability. Although 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, net of refunds, during 2004, 2003 and 2002 for income taxes was $55.9 million, $64.4 million and $72.3 million, respectively.

At December 31, 2004, 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 $487.1 million. These carryforwards will expire as follows (in millions): 2005, $4.9; 2006, $9.8; 2007, $10.7; 2008, $8.3; 2009, $12.5; and $440.9 thereafter. The company also has available tax credit carryforwards of approximately $398.7 million, which will expire as follows (in millions): 2005, $5.8; 2006, $ – ; 2007, $ – ; 2008, $13.0; 2009, $26.9; and $353.0 thereafter.

See Note 3 for information concerning favorable settlements of tax audit issues.

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.

8. Properties

Properties comprise the following:

December 31 (millions)	2004	2003
Land	**$ 5.3**	$ 5.5
Buildings	**140.0**	145.7
Machinery and office equipment	**879.8**	927.3
Internal-use software	**197.7**	179.5
Rental equipment	**82.7**	94.7
Total properties	**$1,305.5**	$1,352.7

9. 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, 2004, 2003 and 2002, total direct and indirect sales to NUL were approximately $240 million, $275 million and $270 million, respectively. At December 31, 2004, the company owned approximately 29% of NUL's common stock that had a market value of approximately $318 million. Prior to January 1, 2004, the company's share of NUL's earnings or losses was recorded semiannually in the second quarter and fourth quarter on a quarter-lag basis because NUL's quarterly financial results were not available. Due to recent regulatory changes in Japan, NUL is required to publish its earnings quarterly. Accordingly, effective January 1, 2004, the company has begun to record its equity earnings in NUL quarterly on a quarter-lag basis in other income (expense), net in the company's consolidated statements of income. During the years ended December 31, 2004, 2003 and 2002, the company recorded equity income or (loss) related to NUL of $16.2 million, $18.2 million and $(11.8) million, respectively. The year ended December 31, 2003, included $12.2 million income related to the company's share of a subsidy recorded by NUL upon transfer of a portion of its pension plan obligation to the Japanese government. The year ended December 31, 2002, included a $21.8 million charge related to the company's share of an early retirement charge recorded by NUL. The company has approximately $199 million of retained earnings that represent undistributed earnings of NUL. The revenue and the equity earnings from NUL are included in the company's Technology segment. See Note 16.

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

(millions)	2004	2003	2002
Year ended March 31			
Revenue	**$2,740.8**	$2,535.6	$2,451.8
Gross profit	**659.8**	645.9	646.0
Pretax income (loss)	**78.8**	128.4	(101.2)
Net income (loss)	**34.7**	68.5	(62.4)
At March 31			
Current assets	**1,322.1**	1,178.8	1,257.6
Noncurrent assets	**970.6**	903.1	892.3
Current liabilities	**861.6**	772.0	936.3
Noncurrent liabilities	**686.4**	782.7	851.2
Minority interests	**5.4**	14.2	10.7

The company owns 51% of Intelligent Processing Solutions Limited (iPSL), a U.K.-based company, which provides high-volume payment processing. iPSL is consolidated in the company's financial statements. The minority owners' interests are reported in other long-term liabilities ($37.1 million and $48.9 million at December 31, 2004 and 2003, respectively) and in other income (expense), net ($11.9 million, $10.7 million and $.3 million in 2004, 2003 and 2002, respectively) in the company's financial statements.

10. Debt

Long-term debt comprises the following:

December 31 (millions)	2004	2003
8 1/8% senior notes due 2006	**$ 400.0**	$ 400.0
6 7/8% senior notes due 2010	**300.0**	300.0
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	**.1**	.5
Total	**1,050.1**	1,050.5
Less – current maturities	**151.7**	2.2
Total long-term debt	**$ 898.4**	$1,048.3

Total long-term debt maturities in 2005, 2006, 2007, 2008, 2009 and 2010 are $151.7 million, $400.9 million, $.4 million, $200.0 million, $ – million and $300.0 million, respectively.

Cash paid during 2004, 2003 and 2002 for interest was $83.2 million, $76.6 million and $73.6 million, respectively. Capitalized interest expense during 2004, 2003 and 2002 was $16.3 million, $14.5 million and $13.9 million, respectively.

On January 18, 2005, the company paid $150 million from cash on hand to retire at maturity all of its 7 1/4% senior notes. In 2003, the company issued $300 million of 6 7/8% senior notes due 2010.

The company has a $500 million credit agreement that expires in May 2006 with no amounts outstanding as of December 31, 2004. Borrowings under the credit 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 light of the company's 2004 fourth quarter results (see Note 3), the company requested and obtained a waiver of one of its financial covenants at December 31, 2004, and an amendment of certain financial covenants going forward, from its various lenders. The entire $500 million of the credit agreement is available for borrowing as of December 31, 2004. In addition, the company and certain international subsidiaries have access to uncommitted lines of credit from various banks.

11. Other accrued liabilities

Other accrued liabilities (current) comprise the following:

December 31 (millions)	2004	2003
Deferred revenue	**$ 637.5**	$ 625.7
Payrolls and commissions	**163.9**	197.3
Accrued vacations	**133.4**	128.6
Taxes other than income taxes	**98.9**	72.9
Restructuring*	**72.2**	12.1
Other	**210.2**	269.1
Total other accrued liabilities	**$1,316.1**	$1,305.7

* *At December 31, 2004 and 2003, an additional $21.0 million and $6.4 million, respectively, were reported in other long-term liabilities on the consolidated balance sheets.*

12. Product warranty

For equipment manufactured by the company, the company warrants that it will substantially conform to relevant published specifications for 12 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 90 days from customer's receipt. The company will provide a workaround or correction for material errors in its software that prevent 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)	2004	2003
Balance at January 1	**$ 20.8**	$ 19.2
Accruals for warranties issued during the period	**11.8**	23.5
Settlements made during the period	**(16.1)**	(18.3)
Changes in liability for pre-existing warranties during the period, including expirations	**(4.9)**	(3.6)
Balance at December 31	**$ 11.6**	$ 20.8

13. Rental expense and commitments

Rental expense, less income from subleases, for 2004, 2003 and 2002 was $184.7 million, $165.6 million and $159.0 million, respectively.

Minimum net rental commitments under noncancelable operating leases outstanding at December 31, 2004, substantially all of which relate to real properties, were as follows: 2005, $142.6 million; 2006, $118.8 million; 2007, $98.8 million; 2008, $76.9 million; 2009, $54.7 million; and $227.0 million thereafter. Such rental commitments have been reduced by minimum sublease rentals of $117.9 million, due in the future under noncancelable subleases.

In 2003, the company entered into a new lease for its facility at Malvern, Pa., that replaced a former lease that was due to expire in March 2005. The new lease has a 60-month term expiring in June 2008. Under the new lease, the company has the option to purchase the facility at any time for approximately $34 million. In addition, if the company does not exercise its purchase option and the lessor sells the facility at the end of the lease term for a price that is less than approximately $34 million, the company will be required to guarantee the lessor a residual value on the property of up to $29 million. The lessor is a substantive independent leasing company that does not have the characteristics of a variable interest entity as defined by FIN 46 and is therefore not consolidated by the company.

The company has accounted for the lease as an operating lease and, therefore, neither the leased facility nor the related debt is reported in the company's accompanying consolidated balance sheets. As stated above, under the lease, the company is required to provide a guaranteed residual value on the facility of up to $29 million to the lessor at the end of the 60-month lease term. The company recognized a liability of approximately $1 million for the related residual value guarantee. The value of the guarantee was determined by computing the estimated present value of probability-weighted cash flows that might be expended under the guarantee, discounted using the company's incremental borrowing rate of approximately 6.5%. The company has recorded a liability for the fair value of the obligation with a corresponding asset recorded as prepaid rent, which will be amortized to rental expense over the lease term. The liability will be subsequently assessed and adjusted to fair value as necessary.

At December 31, 2004, the company had outstanding standby letters of credit and surety bonds of approximately $266 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.

14. 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 12-month foreign exchange forward contracts.

The company recognizes the fair value of its cash flow hedge derivatives as either assets or liabilities in its consolidated balance sheets. 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, 2004, 2003 and 2002, related to cash flow hedge derivatives for third-party royalties was a (loss) gain of approximately $(1.4) million, $.5 million and $1.7 million, respectively. The ineffective amount related to cash flow hedge derivatives for intercompany transactions was immaterial during the years ended December 31, 2004, 2003 and 2002. 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, 2004, is expected to be reclassified into earnings within the next 12 months.

When a cash flow hedge is discontinued because it is probable that the original forecasted 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, 2004, 2003 and 2002 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 consolidated balance sheets, and changes in the fair value are recognized immediately in earnings in other income (expense), net in the company's consolidated statements of income.

During the years ended December 31, 2004, 2003 and 2002, the company recognized foreign exchange transaction gains or (losses) in other income (expense), net in its consolidated statements of income of $(5.2) million, $(11.3) million and $(1.2) million, respectively.

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, 2004, 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 consolidated balance sheets at cost plus accrued interest, which approximates market value. Realized gains or losses during 2004 and 2003, as well as unrealized gains or losses at December 31, 2004, were immaterial. Receivables are due from a large number of customers that are dispersed worldwide across many industries. At December 31, 2004 and 2003, 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.

15. Litigation

There are various lawsuits, claims and proceedings that have been brought or asserted against the company. In accordance with SFAS No. 5, "Accounting for Contingencies," the company records a provision for these matters when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Any provisions are reviewed at least quarterly and are adjusted to reflect the impact and status of settlements, rulings, advice of counsel and other information pertinent to a particular matter. Although the ultimate results of these lawsuits, claims and proceedings are not currently determinable, the company believes that at December 31, 2004, it has adequate provisions for any such matters.

16. 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 – consulting and 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, 2004, 2003 and 2002, was $17.9 million, $24.4 million and $19.2 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.

In 2004, the Services segment operating loss included an impairment charge of $125.6 million. See Note 3. The company also recognized an impairment charge in the Services segment operating loss of approximately $11 million for the write down to net realizable value of certain contract-related assets.

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 $900 million, $895 million and $579 million in 2004, 2003 and 2002, respectively. Included in these amounts are $53 million, $165 million and $86 million, respectively, of revenue associated with products leased to various agencies of the U.S. Government and sold to a third-party finance company.

A summary of the company's operations by business segment for 2004, 2003 and 2002 is presented below:

(millions)	Total	Corporate	Services	Technology
2004				
Customer revenue	$5,820.7		$4,724.7	$ 1,096.0
Intersegment		$ (251.8)	18.1	233.7
Total revenue	$5,820.7	$ (251.8)	$4,742.8	$ 1,329.7
Operating income (loss)	$ (34.8)	$ (88.0)	$ (82.8)	$ 136.0
Depreciation and amortization	394.0		244.5	149.5
Total assets	5,620.9	2,334.7	2,364.9	921.3
Investments at equity	197.1	1.1		196.0
Capital expenditures	314.5	14.4	262.5	37.6
2003				
Customer revenue	$5,911.2		$4,691.9	$ 1,219.3
Intersegment		$ (319.8)	25.9	293.9
Total revenue	$5,911.2	$ (319.8)	$4,717.8	$ 1,513.2
Operating income (loss)	$ 427.7	$ (.6)	$ 236.2	$ 192.1
Depreciation and amortization	350.3		201.3	149.0
Total assets	5,469.6	2,239.1	2,256.3	974.2
Investments at equity	153.3	1.1		152.2
Capital expenditures	292.9	11.8	243.9	37.2
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	311.1		180.5	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	261.8	15.3	208.0	38.5

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

Year ended December 31 (millions)	2004	2003	2002
Total segment operating income	**$ 53.2**	$428.3	$444.6
Interest expense	**(69.0)**	(69.6)	(66.5)
Other income (expense), net	**27.8**	22.4	(23.9)
Cost reduction charge	**(82.0)**	—	—
Corporate and eliminations	**(6.0)**	(.6)	(21.4)
Total income (loss) before income taxes	**$(76.0)**	$380.5	$332.8

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

December 31 (millions)	2004	2003	2002
Total segment assets	**$3,286.2**	$3,230.5	$2,986.1
Cash and cash equivalents	**660.5**	635.9	301.8
Prepaid pension assets	**52.5**	55.5	—
Deferred income taxes	**1,686.4**	1,654.6	1,787.3
Elimination for sale of receivables	**(249.8)**	(264.4)	(273.5)
Other corporate assets	**185.1**	157.5	179.7
Total assets	**$5,620.9**	$5,469.6	$4,981.4

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

Year ended December 31 (millions)	2004	2003	2002
Services			
Consulting and systems integration	**$1,651.7**	$1,595.8	$1,455.6
Outsourcing	**1,725.9**	1,682.7	1,441.2
Infrastructure services	**775.9**	841.3	831.7
Core maintenance	**571.2**	572.1	556.6
	4,724.7	4,691.9	4,285.1
Technology			
Enterprise-class servers	**870.3**	928.7	955.9
Specialized technologies	**225.7**	290.6	366.4
	1,096.0	1,219.3	1,322.3
Total	**$5,820.7**	$5,911.2	$5,607.4

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

(millions)	2004	2003	2002
Revenue			
United States	**$2,636.0**	$2,757.1	$2,500.7
United Kingdom	**898.9**	837.4	749.3
Other foreign	**2,285.8**	2,316.7	2,357.4
Total	**$5,820.7**	$5,911.2	$5,607.4
Properties, net			
United States	**$ 275.5**	$ 278.6	$ 294.0
United Kingdom	**54.3**	49.7	48.7
Other foreign	**94.3**	95.9	104.1
Total	**$ 424.1**	$ 424.2	$ 446.8
Outsourcing assets, net			
United States	**$ 104.1**	$ 88.0	$ 67.8
United Kingdom*	**285.7**	321.7	230.9
Other foreign	**42.1**	67.8	22.3
Total	**$ 431.9**	$ 477.5	$ 321.0

* *Amounts in 2004 relate principally to iPSL, a 51% owned U.K.-based company. See Note 9.*

17. 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 10 years and become exercisable in annual installments over a four-year period following date of grant.

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, 2004, 2003 and 2002, $1.4 million, $.9 million and $.2 million, respectively, was charged to income related to restricted stock units.

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 with a limit of $25,000 per employee. 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, 2004, 2003 and 2002, employees purchased newly issued shares from the company for $27.4 million, $25.4 million and $24.1 million, respectively.

U.S. employees are eligible to participate in an employee savings plan. Under this plan, employees may contribute a percentage of their pay for investment in various investment alternatives. Company matching contributions of up to 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, 2004, 2003 and 2002, was $19.7 million, $18.8 million and $17.9 million, respectively.

The company applies APB Opinion 25 for its stock plans and the disclosure-only option under SFAS No. 123. 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 2004, 2003 and 2002, respectively: risk-free interest rates of 3.13%, 2.89% and 4.44%, 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:

	2004		2003		2002	
Year ended December 31 (shares in thousands)	**Shares**	**Weighted Avg. Exercise Price**	**Shares**	**Weighted Avg. Exercise Price**	**Shares**	**Weighted Avg. Exercise Price**
Outstanding at beginning of year	**41,498**	**$ 18.70**	38,890	$ 19.73	28,653	$ 22.56
Granted	**4,560**	**13.80**	5,327	8.93	13,873	14.39
Exercised	**(1,256)**	**9.09**	(736)	8.39	(647)	7.68
Forfeited and expired	**(1,616)**	**16.89**	(1,983)	16.84	(2,989)	29.18
Outstanding at end of year	**43,186**	**18.53**	41,498	18.70	38,890	19.73
Exercisable at end of year	**27,159**	**21.58**	21,704	22.18	15,570	21.94
Shares available for granting options at end of year	**15,014**		19,560		12,449	
Weighted average fair value of options granted during the year		**$ 7.17**		$ 4.20		$ 5.95

December 31, 2004 (shares in thousands)	Outstanding			Exercisable	
Exercise Price Range	**Shares**	**Average Life ***	**Average Exercise Price**	**Shares**	**Average Exercise Price**
$6.00-11.79	8,986	6.21	$ 8.76	4,449	$ 8.79
$11.80-12.88	8,659	7.14	12.12	4,194	12.12
$12.89-18.57	10,708	7.29	16.83	4,928	18.40
$18.58-30.19	9,386	4.76	26.64	8,173	26.96
$30.20-51.73	5,447	5.13	34.20	5,415	34.20
Total	43,186	6.21	18.53	27,159	21.58

* *Average contractual remaining life in years.*

Retirement benefits December 31 is the measurement date for both U.S. and international defined benefit pension plans. Retirement plans' funded status and amounts recognized in the company's consolidated balance sheets at December 31, 2004 and 2003, follow:

	U.S. Plans		International Plans	
December 31 (millions)	**2004**	**2003**	**2004**	**2003**
Change in benefit obligation				
Benefit obligation at beginning of year	**$4,351.6**	$4,123.9	**$1,797.2**	$1,317.8
Service cost	**67.2**	58.8	**49.2**	41.3
Interest cost	**264.3**	267.4	**96.0**	80.0
Plan participants' contributions			**9.3**	8.5
Plan amendments				2.2
Actuarial loss	**204.8**	194.2	**145.9**	92.8
Benefits paid	**(295.4)**	(292.7)	**(55.6)**	(44.5)
Termination payments			**16.8**	5.0
Foreign currency translation adjustments			**180.6**	211.4
Other*				82.7
Benefit obligation at end of year	**$4,592.5**	$4,351.6	**$2,239.4**	$1,797.2
Accumulated benefit obligation	**$4,570.3**	$4,327.2	**$1,922.4**	$1,561.5
Change in plan assets				
Fair value of plan assets at beginning of year	**$4,129.5**	$3,574.4	**$1,356.2**	$ 974.6
Actual return on plan assets	**524.2**	841.9	**121.0**	118.8
Employer contribution	**5.6**	5.9	**57.2**	56.6
Plan participants' contributions			**9.3**	8.5
Benefits paid	**(295.4)**	(292.7)	**(55.6)**	(44.5)
Foreign currency translation adjustments			**135.8**	161.5
Other*				80.7
Fair value of plan assets at end of year	**$4,363.9**	$4,129.5	**$1,623.9**	$1,356.2
Funded status	**$ (228.6)**	$ (222.1)	**$ (615.5)**	$ (441.0)
Unrecognized net actuarial loss	**1,567.5**	1,601.3	**822.1**	640.6
Unrecognized prior service (benefit) cost	**(54.7)**	(62.4)	**10.3**	11.1
Net amount recognized	**$1,284.2**	$1,316.8	**$ 216.9**	$ 210.7
Amounts recognized in the consolidated balance sheets consist of:				
Prepaid pension cost			**$ 52.5**	$ 55.5
Intangible asset			**8.0**	8.8
Accrued pension liability	**$ (206.5)**	$ (197.7)	**(331.4)**	(235.9)
Accumulated other comprehensive loss**	**1,490.7**	1,514.5	**487.8**	382.3
	$1,284.2	$1,316.8	**$ 216.9**	$ 210.7

* *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 $47.3 million and $74.0 million at December 31, 2004 and 2003, respectively, in other comprehensive loss related to its share of NUL's minimum pension liability adjustment. (See Note 9.)*

Information for plans with an accumulated benefit obligation in excess of plan assets at December 31, 2004 and 2003, follows:

December 31 (millions)	**2004**	**2003**
Accumulated benefit obligation	**$6,078.5**	$5,574.0
Fair value of plan assets	**5,551.4**	5,146.1

Information for plans with a projected benefit obligation in excess of plan assets at December 31, 2004 and 2003, follows:

December 31 (millions)	**2004**	**2003**
Projected benefit obligation	**$6,831.9**	$6,148.8
Fair value of plan assets	**5,987.8**	5,485.7

Net periodic pension cost for 2004, 2003 and 2002 includes the following components:

	U.S. Plans			International Plans		
Year ended December 31 (millions)	**2004**	**2003**	**2002**	**2004**	**2003**	**2002**
Service cost	**$ 67.2**	$ 58.8	$ 36.0	**$ 49.2**	$ 41.3	$ 27.6
Interest cost	**264.3**	267.4	278.9	**96.0**	80.0	64.3
Expected return on plan assets	**(378.9)**	(403.6)	(459.8)	**(115.8)**	(97.2)	(91.4)
Amortization of prior service (benefit) cost	**(7.7)**	(12.0)	(5.6)	**1.5**	1.0	.8
Recognized net actuarial loss (gain)	**93.2**	20.6	1.7	**24.6**	14.0	2.6
Settlement/curtailment (gain) loss			(.4)		7.1	1.8
Net periodic pension cost (income)	**$ 38.1**	$ (68.8)	$(149.2)	**$ 55.5**	$ 46.2	$ 5.7

Weighted-average assumptions used to determine net periodic pension cost for the years ended December 31 were as follows:

Discount rate	**6.25%**	6.75%	7.50%	**5.30%**	5.86%	6.25%
Rate of compensation increase	**4.60%**	5.40%	5.40%	**3.00%**	3.64%	3.80%
Expected long-term rate of return on assets*	**8.75%**	8.75%	9.50%	**7.51%**	7.64%	8.20%

* *For 2005, 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%.*

Weighted-average assumptions used to determine benefit obligations at December 31 were as follows:

Discount rate	**5.88%**	6.25%	6.75%	**5.12%**	5.30%	5.86%
Rate of compensation increase	**4.62%**	4.60%	5.40%	**3.14%**	3.00%	3.64%

The asset allocation for the defined benefit pension plans at December 31, 2004 and 2003, follows:

	U.S.		Int'l	
December 31	**2004**	**2003**	**2004**	**2003**
Asset Category				
Equity securities	**69%**	68%	**49%**	48%
Debt securities	**24**	24	**49**	50
Real estate	**6**	6	**0**	0
Cash	**1**	2	**2**	2
Total	**100%**	100%	**100%**	100%

The company's investment policy targets and ranges for each asset category are as follows:

	U.S.		Int'l	
Asset Category	**Target**	**Range**	**Target**	**Range**
Equity securities	68%	65-71%	49%	44-54%
Debt securities	26%	23-29%	50%	45-56%
Real estate	6%	3-9%	0%	0-1%
Cash	0%	0-5%	1%	0-4%

The company periodically reviews its asset allocation, taking into consideration plan liabilities, local regulatory requirements, plan payment streams and then-current capital market assumptions. The actual asset allocation for each plan is monitored at least quarterly, relative to the established policy targets and ranges. If the actual asset allocation is close to or out of any of the ranges, a review is conducted. Rebalancing will occur toward the target allocation, with due consideration given to the liquidity of the investments and transaction costs.

The objectives of the company's investment strategies are as follows: (a) to provide a total return that, over the long term, increases the ratio of plan assets to liabilities by maximizing investment return on assets, at a level of risk deemed appropriate, (b) to maximize return on assets by investing primarily in equity securities in the U.S. and for international plans by investing in appropriate asset classes, subject to the constraints of each plan design and local regulations, (c) to diversify investments within asset classes to reduce the impact of losses in single investments, and (d) for the U.S. plan to invest in compliance with the Employee Retirement Income Security Act of 1974 (ERISA), as amended and any subsequent applicable regulations and laws, and for international plans to invest in a prudent manner in compliance with local applicable regulations and laws.

The company sets the expected long-term rate of return based on the expected long-term return of the various asset categories in which it invests. The company considered the current expectations for future returns and the actual historical returns of each asset class. Also, since the company's investment policy is to actively manage certain asset classes where the potential exists to outperform the broader market, the expected returns for those asset classes were adjusted to reflect the expected additional returns.

The company expects to make cash contributions of approximately $70 million to its worldwide defined benefit pension plans in 2005. In accordance with regulations governing contributions to U.S. defined benefit pension plans, the company is not required to fund its U.S. qualified defined benefit pension plan in 2005.

As of December 31, 2004, the following benefit payments, which reflect expected future service, are expected to be paid from the defined benefit pension plans:

Year ending December 31 (millions)	Expected payments U.S.	Int'l
2005	$ 303.6	$ 64.4
2006	308.6	61.6
2007	315.4	66.9
2008	323.0	71.8
2009	330.2	75.5
2010-2014	1,764.2	510.3

Other postretirement benefits December 31 is the measurement date for the company's postretirement benefit plan. A reconciliation of the benefit obligation, fair value of the plan assets and the funded status of the postretirement benefit plan at December 31, 2004 and 2003, follow:

December 31 (millions)	2004	2003
Change in benefit obligation		
Benefit obligation at beginning of year	**$ 233.6**	$ 234.7
Interest cost	**14.0**	15.0
Plan participants' contributions	**30.8**	30.4
Actuarial loss	**16.7**	11.4
Benefits paid	**(59.7)**	(57.9)
Benefit obligation at end of year	**$ 235.4**	$ 233.6
Change in plan assets		
Fair value of plan assets at beginning of year	**$ 15.1**	$ 16.3
Actual return on plan assets	**.7**	(.4)
Employer contributions	**27.4**	26.7
Plan participants' contributions	**30.8**	30.4
Benefits paid	**(59.7)**	(57.9)
Fair value of plan assets at end of year	**$ 14.3**	$ 15.1
Funded status	**$(221.1)**	$(218.5)
Unrecognized net actuarial loss	**69.3**	56.3
Unrecognized prior service benefit	**(3.9)**	(5.9)
Accrued benefit cost	**$(155.7)**	$(168.1)

Net periodic postretirement benefit cost for 2004, 2003 and 2002, follows:

Year ended December 31 (millions)	2004	2003	2002
Interest cost	**$14.0**	$15.0	$14.7
Expected return on assets	**(.4)**	(.4)	—
Amortization of prior service benefit	**(2.0)**	(2.0)	(2.0)
Recognized net actuarial loss	**4.1**	3.7	1.9
Net periodic benefit cost	**$15.7**	$16.3	$14.6

Weighted-average assumptions used to determine net periodic postretirement benefit cost for the years ended December 31 were as follows:

Discount rate	**6.74%**	7.00%	7.40%
Expected return on plan assets	**6.75%**	6.75%	8.00%

Weighted-average assumptions used to determine benefit obligation at December 31 were as follows:

Discount rate	**6.51%**	6.74%	7.00%

The plan assets are invested as follows: 58% debt securities, 38% insurance contracts and 4% cash. The company reviews its asset allocation periodically, taking into consideration plan liabilities, plan payment streams and then-current capital market assumptions. The company sets the long-term expected return on asset assumption, based principally on the long-term expected return on debt securities. These return assumptions are based on a combination of current market conditions, capital market expectations of third-party investment advisors and actual historical returns of the asset classes.

The company expects to contribute approximately $27 million to its postretirement benefit plan in 2005.

Assumed health care cost trend rates at December 31	2004	2003
Health care cost trend rate assumed for next year	**11.3%**	9.3%

Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	**5.0%**	5.5%
Year that the rate reaches the ultimate trend rate	**2014**	2008

A one-percentage-point change in assumed health care cost trend rates would have the following effects (in millions of dollars):

	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on interest cost	$ .7	$ (.7)
Effect on postretirement benefit obligation	11.2	(11.2)

As of December 31, 2004, the following benefit payments are expected to be paid from the company's postretirement plan:

Year ending December 31 (millions)	Expected payments
2005	$ 26.7
2006	28.1
2007	29.5
2008	30.8
2009	31.3
2010-2014	149.6

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) introduces a prescription drug benefit under Medicare, as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. On May 19, 2004, the FASB issued Staff Position No. FAS 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003." FSP No. 106-2 is effective for the first interim period beginning after June 15, 2004 and provides that an employer shall measure the accumulated plan benefit obligation (APBO) and net periodic postretirement benefit cost, taking into account any subsidy received under the Act. As of December 31, 2004, the company's measurements of both the APBO and the net postretirement benefit cost do not reflect any amounts associated with the subsidy. While final regulations have not been released, guidance provided to date implies that the company's plan will probably not be considered actuarially equivalent to Medicare Part D. Accordingly, the company does not expect that adoption of FSP No. 106-2 will have a material effect on its consolidated financial position, consolidated results of operations, or liquidity.

18. 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, 2004, 80.4 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, 2004, includes the following components:

Year ended December 31 (millions)	2004	2003	2002
Net income	**$ 38.6**	$258.7	$ 223.0
Other comprehensive income (loss)			
Cash flow hedges			
Income (loss), net of tax of $(4.1), $(8.6) and $(4.3)	**(7.6)**	(15.9)	(7.9)
Reclassification adjustments, net of tax of $5.7, $5.9 and $ 1.2	**10.7**	10.8	2.0
Foreign currency translation adjustments	**43.5**	65.3	(33.8)
Minimum pension liability, net of tax of $15.7, $(85.9) and $731.2	**(39.2)**	164.8	(1,490.4)
Total other comprehensive income (loss)	**7.4**	225.0	(1,530.1)
Comprehensive income (loss)	**$ 46.0**	$483.7	$(1,307.1)

Accumulated other comprehensive income (loss) as of December 31, 2004, 2003 and 2002, is as follows (in millions of dollars):

	Total	Translation Adjustments	Cash Flow Hedges	Minimum Pension Liability
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)
Change during period	225.0	65.3	(5.1)	164.8
Balance at December 31, 2003	(2,011.9)	(679.7)	(6.6)	(1,325.6)
Change during period	7.4	43.5	3.1	(39.2)
Balance at December 31, 2004	$(2,004.5)	$ (636.2)	$ (3.5)	$(1,364.8)

Report of Management on the Financial Statements

The management of the company is responsible for the integrity of its financial statements. These statements have been prepared in conformity with U.S. generally accepted accounting principles 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.

Ernst & Young LLP, an independent registered public accounting firm, has audited the company's financial statements. Its accompanying report is based on audits conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States).

The Board of Directors, through its Audit Committee, which is composed entirely of independent directors, oversees management's responsibilities in the preparation of the financial statements and selects the independent registered public accounting firm, subject to stockholder ratification. The Audit Committee meets regularly with the independent registered public accounting firm, 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.

Lawrence A. Weinbach	Joseph W. McGrath	Janet Brutschea Haugen
Chairman	President and	Senior Vice President and
	Chief Executive Officer	Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Unisys Corporation

We have audited the accompanying consolidated balance sheets of Unisys Corporation as of December 31, 2004 and 2003, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2004. 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 the standards of the Public Company Accounting Oversight Board (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, 2004 and 2003, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Unisys Corporation's internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 4, 2005 expressed an unqualified opinion thereon.

Ernst + Young LLP

Philadelphia, Pennsylvania
February 4, 2005

Report of Management on Internal Control Over Financial Reporting

The management of Unisys Corporation (the company), is responsible for establishing and maintaining adequate internal control over financial reporting. The company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U. S. generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2004, based on criteria for effective internal control over financial reporting described in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, we assert that the company maintained effective internal control over financial reporting as of December 31, 2004, based on the specified criteria.

Ernst & Young LLP, an Independent Registered Public Accounting Firm, has audited the company's consolidated financial statements and has issued an attestation report on management's assessment of the company's internal control over financial reporting which appears on the following page.

Lawrence A. Weinbach
Chairman

Joseph W. McGrath
President and
Chief Executive Officer

Janet Brutschea Haugen
Senior Vice President and
Chief Financial Officer

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

To the Board of Directors and Shareholders of Unisys Corporation

We have audited management’s assessment, included in the Report of Management on Internal Control over Financial Reporting appearing on page 61 that Unisys Corporation maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Unisys Corporation’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management’s assessment and an opinion on the effectiveness of the company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management’s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management’s assessment that Unisys Corporation maintained effective internal control over financial reporting as of December 31, 2004 is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Unisys Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Unisys Corporation as of December 31, 2004 and 2003, and the related consolidated statements of income, stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2004 and our report dated February 4, 2005 expressed an unqualified opinion thereon.

Ernst + Young LLP

Philadelphia, Pennsylvania
February 4, 2005

Supplemental Financial Data (Unaudited)

Quarterly financial information

(millions, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2004					
Revenue	$1,462.9	$1,388.1	$1,445.7	$1,524.0	$5,820.7
Gross profit	391.5	367.1	341.0	262.8	1,362.4
Income (loss) before income taxes	42.4	28.7	(57.2)	(89.9)	(76.0)
Net income (loss)	28.9	19.4	25.2	(34.9)	38.6
Earnings (loss) per share – basic	.09	.06	.08	(.10)	.12
– diluted	.09	.06	.07	(.10)	.11
Market price per share – high	15.88	15.00	13.84	11.83	15.88
– low	12.48	12.05	9.57	9.50	9.50
2003					
Revenue	$1,398.9	$1,425.0	$1,449.7	$1,637.6	$5,911.2
Gross profit	387.1	392.1	425.1	510.7	1,715.0
Income before income taxes	57.5	78.2	84.0	160.8	380.5
Net income	38.5	52.5	56.2	111.5	258.7
Earnings per share – basic	.12	.16	.17	.34	.79
– diluted	.12	.16	.17	.33	.78
Market price per share – high	11.24	12.45	14.19	16.85	16.85
– low	8.25	9.08	11.41	13.32	8.25

In the fourth quarter of 2004, the company recorded a pretax impairment charge of $125.6 million, or $.26 per share, and an after-tax benefit of $28.8 million, or $.09 per share, related to the favorable settlement of income tax audit issues. See Note 3 of the Notes to Consolidated Financial Statements.

In the third quarter of 2004, the company recorded a pretax cost reduction charge of $82.0 million, or $.18 per share, and a tax benefit related to the settlement of tax audit issues of $68.2 million, or $.20 per share. See Note 3 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

(dollars in millions, except per share data)	2004(1) (2)	2003	2002	2001(1)	2000(1)
Results of operations					
Revenue	**$5,820.7**	$5,911.2	$5,607.4	$6,018.1	$6,885.0
Operating income (loss)	**(34.8)**	427.7	423.2	(4.5)	426.8
Income (loss) before income taxes	**(76.0)**	380.5	332.8	(73.0)	348.5
Net income (loss)	**38.6**	258.7	223.0	(67.1)	225.0
Earnings (loss) per share					
Basic	**.12**	.79	.69	(.21)	.72
Diluted	**.11**	.78	.69	(.21)	.71
Financial position					
Total assets	**$5,620.9**	$5,469.6	$4,981.4	$5,769.1	$5,713.3
Long-term debt	**898.4**	1,048.3	748.0	745.0	536.3
Stockholders' equity	**1,506.5**	1,395.2	856.0	2,112.7	2,186.1
Stockholders' equity per share	**4.46**	4.20	2.62	6.59	6.93
Other data					
Research and development	**$ 294.3**	$ 280.1	$ 273.3	$ 331.5	$ 333.6
Capital additions of properties	**137.0**	116.7	100.9	156.5	181.3
Capital additions of outsourcing assets	**177.5**	176.2	160.9	114.0	30.4
Investment in marketable software	**119.6**	144.1	139.9	141.8	152.4
Depreciation and amortization					
Properties	**136.5**	144.4	125.2	121.4	123.5
Outsourcing assets	**123.3**	82.3	64.9	42.4	28.7
Amortization of marketable software	**134.2**	123.6	121.0	145.5	115.5
Amortization of goodwill	**—**	—	—	16.5	21.8
Common shares outstanding (millions)	**337.4**	331.9	326.2	320.6	315.4
Stockholders of record (thousands)	**25.2**	26.3	27.3	28.4	29.7
Employees (thousands)	**36.4**	37.3	36.4	38.9	36.9

(1) Includes cost reduction pretax charges of $82.0 million, $276.3 million and $127.6 million for the years ended December 31, 2004, 2001 and 2000, respectively.

(2) Includes a pretax impairment charge of $125.6 million and favorable income tax audit settlements of $97.0 million in 2004.

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	United Kingdom
Unisys Nederland N.V.	Netherlands
Unisys Korea Limited	Korea
Unisys Funding Corporation I	Delaware
Intelligent Processing Solutions Limited	United Kingdom
Unisys Philippines Limited	Michigan
Unisys Insurance Services Ltd.	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 REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Unisys Corporation of our reports dated February 4, 2005, with respect to the consolidated financial statements of Unisys Corporation, management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting, included in the 2004 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 also 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 1990 Unisys Long-Term Incentive Plan,

(4) Registration Statement (Form S-8 No. 333-73399) pertaining to the Deferred Compensation Plan for Executives of Unisys Corporation,

(5) Registration Statement (Form S-4 No. 333-74745) of Unisys Corporation,

(6) Registration Statement (Form S-8 No. 333-87409) pertaining to the PulsePoint Communications 1983 Stock Option Plan, the Stock Option Plan for Independent Directors of Digital Sound Corporation and the Tech Hackers, Inc. 1997 Equity Incentive Plan,

(7) Registration Statement (Form S-8 No. 333-87411) pertaining to the Unisys Savings Plan,

(8) Registration Statement (Form S-8 No. 333-40012) pertaining to the Director Stock Unit Plan,

(9) Registration Statement (Form S-8 No. 333-56036) pertaining to the Global Employee Stock Purchase Plan,

(10) Registration Statement (Form S-8 No. 333-56038) pertaining to the Unisys Savings Plan,

(11) Registration Statement (Form S-3 No. 333-85650) of Unisys Corporation, Unisys Capital Trust I, Unisys Capital Trust II,

(12) Registration Statement (Form S-8 No. 333-103324) pertaining to the Unisys Corporation 2002 Stock Option Plan,

(13) Registration Statement (Form S-8 No. 333-107338) pertaining to the Employee Stock Purchase Plan,

(14) Registration Statement (Form S-8 No. 333-110019) pertaining to the Unisys Savings Plan, and

(15) Registration Statement (Form S-8 No. 333-114718) pertaining to the Unisys Corporation 2003 Long-Term Incentive and Equity Compensation Plan;

of our report dated February 4, 2005, with respect to the consolidated financial statements incorporated herein by reference, our report dated February 4, 2005, with respect to management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting 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.

Ernst + Young LLP

Philadelphia, Pennsylvania
February 16, 2005

Exhibit 24

POWER OF ATTORNEY
Unisys Corporation
Annual Report on Form 10-K
for the year ended December 31, 2004

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below does hereby make, constitute and appoint LAWRENCE A. WEINBACH, JOSEPH W. MCGRATH, JANET BRUTSCHEA HAUGEN AND NANCY STRAUS SUNDHEIM, and each one of them severally, his or her 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, 2004, 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 10, 2005

/s/ J. P. Bolduc

J. P. Bolduc
Director

/s/ James J. Duderstadt

James J. Duderstadt
Director

/s/ Henry C. Duques

Henry C. Duques
Director

/s/ Matthew J. Espe

Matthew J. Espe
Director

/s/ Denise K. Fletcher

Denise K. Fletcher
Director

/s/ Gail D. Fosler

Gail D. Fosler
Director

/s/ Randall J. Hogan

Randall J. Hogan
Director

/s/ Edwin A. Huston

Edwin A. Huston
Director

/s/ Clayton M. Jones

Clayton M. Jones
Director

/s/ Theodore E. Martin

Theodore E. Martin
Director

/s/ Joseph W. McGrath

Joseph W. McGrath
President and Chief
Executive Officer;
Director

/s/ Lawrence A. Weinbach

Lawrence A. Weinbach
Chairman of the Board;
Director

Exhibit 31.1

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 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, 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 and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 16, 2005

/s/ Lawrence A. Weinbach

Name: Lawrence A. Weinbach
Title: Chairman of the Board

Exhibit 31.2

CERTIFICATION

I, Joseph W. McGrath, certify that:

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

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, 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 and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 16, 2005

/s/ Joseph W. McGrath

Name: Joseph W. McGrath
Title: President and Chief Executive Officer

Exhibit 31.3

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 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, 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 and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 16, 2005

/s/ Janet Brutschea Haugen

Name: Janet Brutschea Haugen
Title: Senior Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF PERIODIC REPORT

I, Lawrence A. Weinbach, Chairman of Unisys Corporation (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Annual Report on Form 10-K of the Company for the year ended December 31, 2004 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 16, 2005

/s/ Lawrence A. Weinbach

Lawrence A. Weinbach
Chairman of the Board

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION OF PERIODIC REPORT

I, Joseph W. McGrath, President and Chief Executive Officer of Unisys Corporation (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Annual Report on Form 10-K of the Company for the year ended December 31, 2004 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 16, 2005

/s/ Joseph W. McGrath

Joseph W. McGrath
President and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.3

CERTIFICATION OF PERIODIC REPORT

I, Janet Brutschea Haugen, Senior Vice President and Chief Financial Officer of Unisys Corporation (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Annual Report on Form 10-K of the Company for the year ended December 31, 2004 (the “Report”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 16, 2005

/s/ Janet Brutschea Haugen

Janet Brutschea Haugen
Senior Vice President and
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.