SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

# FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 1999

OR

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

For the transition period from ____________ to ____________.

Commission file number: 1-8729

## UNISYS CORPORATION

(Exact name of registrant as specified in its charter)

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

| | |
|---|---|
| Unisys Way<br>Blue Bell, Pennsylvania | 19424 |
| (Address of principal executive offices) | (Zip Code) |

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

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

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

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

None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO ____

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

Aggregate market value of the voting stock held by non-affiliates: approximately $9,902,024 as of December 31, 1999. The amount shown is based on the closing price of Unisys Common Stock as reported on the New York Stock Exchange composite tape on that date. Voting stock beneficially held by officers and directors is not included in the computation. However, Unisys Corporation has not determined that such individuals are "affiliates" within the meaning of Rule 405 under the Securities Act of 1933.

Number of shares of Unisys Common Stock, par value $.01, outstanding as of December 31, 1999: 310,582,112.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Unisys Corporation 1999 Annual Report to Stockholders -- Part I, Part II and Part IV.

Portions of the Unisys Corporation Proxy Statement for the 2000 Annual Meeting of Stockholders -- Part III.

PART I

## ITEM 1. BUSINESS

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

Unisys has two business segments -- Services and Technology. Financial information concerning the two segments is set forth in Note 15, "Segment information", of the Notes to Consolidated Financial Statements appearing in the Unisys 1999 Annual Report to Stockholders, and such information is incorporated herein by reference.

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

### Principal Products and Services

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

In the Services segment, Unisys integrates and delivers the solutions, services and network infrastructure required by business and government to transform their organizations for the internet economy. Unisys offers a portfolio of solutions targeted at seven key vertical industries: financial services, communications, transportation, publishing, commercial, worldwide public sector and U.S. federal government. Offerings in the Services segment include vertical industry and custom solutions, systems integration, outsourcing, network services and multi-vendor information systems management and support.

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

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

Raw Materials

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

Patents, Trademarks and Licenses

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

Backlog

In the Services segment, firm order backlog at December 31, 1999 was $4.6 billion, compared to $3.4 billion at December 31, 1998. Approximately $2.0 billion (44%) of 1999 backlog is expected to be filled in 2000. Although the Company believes that this backlog is firm, the Company may, for commercial reasons, allow the orders to be cancelled, with or without penalty. In addition, funded U.S. Government contracts included in this backlog are generally subject to termination, in whole or part, at the convenience of the government or if funding becomes unavailable. In such cases, the Company is generally entitled to receive payment for work completed plus allowable termination or cancellation costs.

At the end of 1999, the Company also had $2.3 billion of potential future Services order value which it may receive under certain multi-year U.S. government contracts for which funding is appropriated annually. The comparable value of unfunded multi-year U.S. government contracts for 1998 was $2.4 billion.

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

Customers

No single customer accounts for more than 10% of Unisys revenue. Sales of commercial products to various agencies of the U.S. government represented 11% of total consolidated revenue in 1999.

Competition

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

## Research and Development

Unisys-sponsored research and development costs were $339.4 million in 1999, $308.3 million in 1998, and $314.8 million in 1997.

## 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 2000 and 2001.

## Employees

As of December 31, 1999, Unisys had approximately 35,800 employees.

## International and Domestic Operations

Financial information by geographic area is set forth in Note 15, "Segment information", of the Notes to Consolidated Financial Statements appearing in the Unisys 1999 Annual Report to Stockholders, and such information is incorporated herein by reference.

## Year 2000

The Company's Year 2000 disclosure is included under the heading "Year 2000 readiness disclosure" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Unisys 1999 Annual Report to Stockholders and is incorporated herein by reference.

# ITEM 2. PROPERTIES

As of December 31, 1999, Unisys had 26 major facilities in the United States with an aggregate floor space of approximately 5.5 million square feet, located primarily in California, Illinois, Michigan, Minnesota, Pennsylvania, Utah and Virginia. Three of these facilities, with aggregate floor space of approximately 1.5 million square feet, were owned by Unisys and 23, with approximately 4.0 million square feet of floor space, were leased to Unisys. Approximately 4.6 million square feet of the U.S. facilities were in current operation, approximately .7 million square feet were subleased to others, and approximately .2 million square feet were being held in reserve or were declared surplus with disposition efforts in progress.

As of December 31, 1999, Unisys had 29 major facilities outside the United States with an aggregate floor space of approximately 2.8 million square feet, located primarily in Brazil, Canada, France, South Africa, Switzerland and the United Kingdom. Six of these facilities, with approximately .9 million square feet of floor space, were owned by Unisys and 23, 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 .4 million square feet were subleased to others, and approximately .4 million square feet were being held in reserve or were declared surplus with disposition efforts in progress.

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

## ITEM 3. LEGAL PROCEEDINGS

As previously reported, most recently in the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999, a number of purported class action lawsuits seeking unspecified compensatory damages have been filed against the Company and various current and former officers in the U.S. District Court for the Eastern District of Pennsylvania by persons who acquired the Company's common stock during the period May 4, 1999 through October 14, 1999. The plaintiffs in these actions allege violations of the Federal securities laws in connection with statements made by the Company concerning certain of its services contracts. These actions, which are in the early stages, include the following: Frances W. Smith, et al. v. Unisys Corporation, Larry Weinbach, Jack McHale and Gerald Gagliardi (filed on October 28, 1999); Sam Wietschner, et al. v. Unisys Corporation, et al. (filed on November 1, 1999); Larry Morrison, et al. v. Unisys Corporation, et al. (filed on November 4, 1999); Alex Igdalski and Michael Sayegh, et al. v. Unisys Corporation, et al. (filed on November 9, 1999); Patrick Yam, et al. v. Unisys Corporation, et al. (filed on November 12, 1999); Edward L. Slate, et al. v. Unisys Corporation, et al. (filed on November 12, 1999); Joseph Operman, et al. v. Unisys Corporation, et al. (filed on November 16, 1999); Molly Levin, Custodian for Elizabeth H. Levin, et al. v. Unisys Corporation, et al. (filed on November 19, 1999); Gary L. Hopkins, et al. v. Unisys Corporation, et al. (filed on November 24, 1999); Marlene M. and Paul L. Baertschiger, et al. v. Unisys Corporation, et al. (filed on December 1, 1999); Joseph Lasensky, et al. v. Unisys Corporation, et al. (filed on December 3, 1999); and Robert M. Peters, et al. v. Unisys Corporation, Lawrence A. Weinbach, James F. McGuirk II, Jack F. McHale and Gerald Gagliardi (filed on December 3, 1999). The Company believes it has meritorious defenses to these actions and intends to defend them vigorously.

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

No matters were submitted to a vote of security holders of Unisys during the fourth quarter of 1999.

## ITEM 10. EXECUTIVE OFFICERS OF THE REGISTRANT

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

| Name | Age | Position with Unisys |
| --- | --- | --- |
| Lawrence A. Weinbach | 60 | Chairman of the Board, President and Chief Executive Officer |
| Jack A. Blaine | 55 | Executive Vice President; President, Worldwide Sales and Services |
| George R. Gazerwitz | 59 | Executive Vice President; President, Systems & Technology |
| Joseph W. McGrath | 47 | Executive Vice President; President, Global Industries |
| David O. Aker | 53 | Senior Vice President, Worldwide Human Resources |
| Harold S. Barron | 63 | Senior Vice President and General Counsel |
| James F. McGuirk II | 56 | Senior Vice President, Worldwide Public Sector |
| Janet B. Wallace | 48 | Senior Vice President; President, Global Network Services |
| Barbara A. Babcock | 51 | Vice President; President, e-Business Services |
| Richard D. Badler | 49 | Vice President, Corporate Communications |
| Robert D. Evans | 52 | Vice President; President, Global Outsourcing |
| Janet Brutschea Haugen | 41 | Vice President, Controller and Acting Chief Financial Officer |
| Jack F. McHale | 50 | Vice President, Investor Relations |
| Angus F. Smith | 58 | Vice President and Treasurer |
| Nancy Straus Sundheim | 48 | Vice President, Secretary and Deputy General Counsel |
| Alastair M. Taylor | 51 | Vice President, Worldwide Financial Services |

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

Mr. Weinbach, Chairman of the Board, President and Chief Executive Officer since 1997. Prior to that time, he held the position of Managing Partner-Chief Executive of Andersen Worldwide (Arthur Andersen and Andersen Consulting), a global professional services organization. He had been with Andersen Worldwide since 1961.

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

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

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

Mr. Aker, Senior Vice President, Worldwide Human Resources since 1997. Prior to that time, he served as Vice President, Worldwide Human Resources (1995-1997); and vice president of human resources for the information services and systems group (1994-1995). Mr. Aker has been an officer since 1995.

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

Mr. McGuirk, Senior Vice President, Worldwide Public Sector since January 2000. He has been a Senior Vice President since 1998 and also served as President, Federal Systems from 1992 to 1999. Mr. McGuirk has been an officer since 1996.

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

Ms. Babcock, Vice President and President, e-Business Services since January 2000. Prior to that time, she was the virtual general manager for electronic business (1999); and vice president of marketing and strategy for the information services group (1994-1999). Ms. Babcock has been an officer since 2000.

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

Mr. Evans, Vice President and President, Global Outsourcing since January 2000. Prior to that time, he served as vice president and general manager for outsourcing in North America (1996-1999); and vice president for information processing services and outsourcing (1995-1996). Mr. Evans has been an officer since 2000.

Ms. Haugen, Vice President and Controller since 1996 and the Acting Chief Financial Officer since December 1999. Prior to 1996, she held the position of partner at Ernst & Young LLP. She had been with Ernst & Young LLP since 1980. Ms. Haugen has been an officer since 1996.

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

Mr. Smith, Vice President and Treasurer since 1997. Prior to that time, he served as the Treasurer of Rohm and Haas Company (1980-1997). Mr. Smith has been an officer since 1997.

Ms. Sundheim, Vice President and Secretary since October 1999. She also has been Deputy General Counsel since 1990. Ms. Sundheim has been an officer since 1999.

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

# PART II

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

Unisys Common Stock (trading symbol "UIS") is listed for trading on the New York Stock Exchange, on exchanges in Amsterdam, Brussels, and London and on the Electronical Stock Exchange in Switzerland. Information on the high and low sales prices for Unisys Common Stock is set forth under the heading "Quarterly financial information", in the Unisys 1999 Annual Report to Stockholders and is incorporated herein by reference. At December 31, 1999, there were 310.6 million shares outstanding and approximately 32,800 stockholders of record. Unisys has not declared or paid any cash dividends on its Common Stock since 1990.

## ITEM 6. SELECTED FINANCIAL DATA

A summary of selected financial data for Unisys is set forth under the heading "Nine-year summary of selected financial data" in the Unisys 1999 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 1999 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 1999 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, 1999 and 1998 and the related consolidated statements of income, cash flows and stockholders' equity for each of the three years in the period ended December 31, 1999, appearing in the Unisys 1999 Annual Report to Stockholders, together with the report of Ernst & Young LLP, independent auditors, on the financial statements at December 31, 1999 and 1998 and for each of the three years in the period ended December 31, 1999, appearing in the Unisys 1999 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 1999 Annual Report to Stockholders, is incorporated herein by reference.

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

Not applicable.

PART III

## ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

(a) Identification of Directors. Information concerning the directors of Unisys is set forth under the headings "Nominees for Election to the Board of Directors", "Members of the Board of Directors Continuing in Office -- Term Expiring in 2001" and "Members of the Board of Directors Continuing in Office -- Term Expiring in 2002" in the Unisys Proxy Statement for the 2000 Annual Meeting of Stockholders and is incorporated herein by reference.

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

## ITEM 11. EXECUTIVE COMPENSATION

Information concerning executive compensation is set forth under the headings "EXECUTIVE COMPENSATION", "REPORT OF THE CORPORATE GOVERNANCE AND COMPENSATION COMMITTEE" and "STOCK PERFORMANCE GRAPH" in the Unisys Proxy Statement for the 2000 Annual Meeting of Stockholders and is incorporated herein by reference.

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

Information concerning shares of Unisys equity securities beneficially owned by certain beneficial owners and by management is set forth under the heading "SECURITY OWNERSHIP BY CERTAIN BENEFICIAL OWNERS AND MANAGEMENT" in the Unisys Proxy Statement for the 2000 Annual Meeting of Stockholders and is incorporated herein by reference.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

PART IV

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

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

1. Financial Statements from the Unisys 1999 Annual Report to Stockholders which are incorporated herein by reference:



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



The financial statement schedule should be read in conjunction with the consolidated financial statements and notes thereto in the Unisys 1999 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 19. Management contracts and compensatory plans and arrangements are listed as Exhibits 10.1 through 10.25.

(b) Reports on Form 8-K.

During the quarter ended December 31, 1999, the Company filed no Current Reports on Form 8-K.

SIGNATURES

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

UNISYS CORPORATION

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

Date: February 14, 2000

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 14, 2000.

| | |
|---|---|
| /s/ Lawrence A. Weinbach<br>Lawrence A. Weinbach<br>Chairman of the Board,<br>President and Chief Executive Officer (principal executive officer) and Director | *James J. Duderstadt<br>James J. Duderstadt<br>Director<br><br>*Henry C. Duques<br>Henry C. Duques<br>Director |
| /s/ Janet Brutschea Haugen<br>Janet Brutschea Haugen<br>Vice President, Acting Chief Financial Officer and Controller (principal financial and accounting officer) | *Gail D. Fosler<br>Gail D. Fosler<br>Director |
| *J. P. Bolduc<br>J. P. Bolduc<br>Director | *Melvin R. Goodes<br>Melvin R. Goodes<br>Director |
| *Kenneth A. Macke<br>Kenneth A. Macke<br>Director | *Edwin A. Huston<br>Edwin A. Huston<br>Director |
| *Robert McClements, Jr.<br>Robert McClements, Jr.<br>Director | *Theodore E. Martin<br>Theodore E. Martin<br>Director |

*By:/s/ Lawrence A. Weinbach
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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 (a) | Balance at End of Period |
|---|---|---|---|---|
| Allowance for Doubtful Accounts (deducted from accounts and notes receivable): | | | | |
| Year Ended December 31, 1997 | $84.5 | $10.2 | $ (24.7) | $70.0 |
| Year Ended December 31, 1998 | $70.0 | $ 4.0 | $( 22.8) | $51.2 |
| Year Ended December 31, 1999 | $51.2 | $13.6 | $( 13.0) | $51.8 |

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

# EXHIBIT INDEX

| Exhibit Number | Description |
|---|---|
| 3.1 | Restated Certificate of Incorporation of Unisys Corporation (incorporated by reference to Exhibit 3.1 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999) |
| 3.3 | By-Laws of Unisys Corporation (incorporated by reference to Exhibit 3 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1995) |
| 4.1 | Agreement to furnish to the Commission on request a copy of any instrument defining the rights of the holders of long-term debt which authorizes a total amount of debt not exceeding 10% of the total assets of the registrant (incorporated by reference to Exhibit 4 to the registrant's Annual Report on Form 10-K for the year ended December 31, 1982 (File No. 1-145)) |
| 4.2 | Form of Rights Agreement dated as of March 7, 1986, which includes as Exhibit A, the Certificate of Designations for the Junior Participating Preferred Stock, and as Exhibit B, the Form of Rights Certificate (incorporated by reference to Exhibit 1 to the registrant's Registration Statement on Form 8-A, dated March 11, 1986) |
| 4.3 | Amendment No. 1, dated as of February 22, 1996, to Rights Agreement (incorporated by reference to Exhibit 4 to the registrant's Current Report on Form 8-K dated February 22, 1996) |
| 10.1 | Deferred Compensation Plan for Executives of Unisys Corporation, as amended and restated effective February 26, 1998 (incorporated by reference to Exhibit 10.1 to the registrant's Annual Report on Form 10-K for the year ended December 31, 1998) |
| 10.2 | Amendment, effective September 24, 1999, to the Deferred Compensation Plan for Executives of Unisys Corporation (incorporated by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999) |
| 10.3 | Deferred Compensation Plan for Directors of Unisys Corporation, as amended and restated effective May 22, 1997 (incorporated by reference to Exhibit 10.5 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1997) |
| 10.4 | Amendment, effective September 24, 1999, to the Deferred Compensation Plan for Directors of Unisys Corporation (incorporated by reference to Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999) |

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| 10.5 | 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) |
| 10.6 | Employment Agreement, dated September 23, 1997, between the registrant and Lawrence A. Weinbach (incorporated by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1997) |
| 10.7 | Unisys Corporation Director Stock Unit Plan, as amended and restated, effective May 22, 1997, (incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1997) |
| 10.8 | Amendment, effective September 24, 1999, to the Director Stock Unit Plan (incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999) |
| 10.9 | Summary of supplemental executive benefits provided to officers of Unisys Corporation (incorporated by reference to Exhibit 10(k) of the registrant's Annual Report on Form 10-K for the year ended December 31, 1992) |
| 10.10 | 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) |
| 10.11 | 1982 Unisys Long-Term Incentive Plan, as amended and restated through September 1, 1989 (incorporated by reference to Exhibit 10(p) to the registrant's Annual Report on Form 10-K for the year ended December 31, 1990) |
| 10.12 | Amendment, dated December 11, 1989, to the 1982 Unisys Long-Term Incentive Plan (incorporated by reference to Exhibit 10(o) to the registrant's Annual Report on Form 10-K for the year ended December 31, 1989) |
| 10.13 | Amendment, dated July 25, 1990, to 1982 Unisys Long-Term Incentive Plan (incorporated by reference to Exhibit 10(r) to the registrant's Annual Report on Form 10-K for the year ended December 31, 1990) |
| 10.14 | 1990 Unisys Long-Term Incentive Plan, effective as of January 1, 1990 (incorporated by reference to Exhibit A to the registrant's Proxy Statement, dated March 20, 1990, for its 1990 Annual Meeting of Stockholders) |
| 10.15 | Amendment, dated May 26, 1994, to 1990 Unisys Long-Term Incentive Plan, effective as of February 22, 1990 (incorporated by reference to Exhibit 10.15 to the registrant's Annual Report on |

Form 10-K for the year ended December 31, 1994)

| | |
|---|---|
| 10.16 | Amendment, dated May 25, 1995, to 1990 Unisys Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1995) |
| 10.17 | Amendment, dated February 22, 1996, to 1990 Unisys Long-Term Incentive Plan (incorporated by reference to Exhibit 10 to registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1996) |
| 10.18 | Amendment, effective April 28, 1999, to the 1990 Unisys Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1999) |
| 10.19 | Unisys Corporation Officers' Car Allowance Program, effective as of July 1, 1991 (incorporated by reference to Exhibit 10(hh) to the registrant's Annual Report on Form 10-K for the year ended December 31, 1991) |
| 10.20 | Form of Indemnification Agreement between Unisys Corporation and each of its Directors (incorporated by reference to Exhibit B to the registrant's Proxy Statement, dated March 22, 1988, for the 1988 Annual Meeting of Stockholders) |
| 10.21 | Unisys Corporation Elected Officer Pension Plan, as amended through May 22, 1997 (incorporated by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1997) |
| 10.22 | Unisys Corporation Supplemental Executive Retirement Income Plan, as amended through May 22, 1997 (incorporated by reference to Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1997) |
| 10.23 | 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) |
| 10.24 | Employment Agreement, dated as of November 19, 1999, by and between Unisys Corporation and Joseph W. McGrath |
| 10.25 | Unisys Directors Stock Option Plan, effective January 1, 2000 |
| 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, 1999 |
| 21 | Subsidiaries of the Registrant |
| 23 | Consent of Independent Auditors |

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| 24 | Power of Attorney |
| 27 | Financial Data Schedule |

Exhibit 10.24

November 19, 1998

Mr. Joseph W. McGrath
10 Pine Acres Drive
Rochester, NY 14618

Dear Joe:

On behalf of Unisys Corporation, I am pleased to offer you the position of Senior Vice President, Global Marketing, reporting directly to me. At the next Board of Directors meeting, you will be recommended to be made an elected officer of Unisys Corporation.

Your salary will be at the annual rate of $325,000, which is $27,083 monthly. Our method of payment is by direct deposit to your bank account. You will participate in the Executive Variable Compensation (EVC) Plan, and your target will be 55% of your annual salary. You will have an EVC minimum guarantee in 1999 (paid in March 2000) of $178,750, provided that you continue to be employed through the payment date. Going forward, your actual award under the EVC Plan can vary from zero to 150% of the target amount. Under the terms of the EVC Plan, you must continue to be actively employed on a full time basis through the EVC payout date in order to be eligible to receive an award. You will also receive a signing bonus of $110,000 (subject to normal taxes), payable within 30 days of the commencement of your employment.

You will be recommended for a stock option grant under the terms of the 1990 Unisys Long-Term Incentive Plan to be made at the next Board of Directors Compensation & Organization Committee (the "Committee") meeting following your acceptance of this offer. You will be recommended for a grant of 60,000 shares which will vest 25% per year starting with the first anniversary following the date of grant. The option price for this grant will be the Fair Market Value of Unisys Stock on the date of grant, which will be the date of the Committee meeting or the first work day following your becoming an employee, if later. This grant is conditional upon your signing a Stock Option Agreement, a copy of which is attached. You will have 60 days from the date of issue to sign and return the Stock Option Agreement.

You will be recommended for a restricted share unit grant under the terms of the 1990 Unisys Long-Term Incentive Plan at the next Committee meeting following your acceptance of this offer. You will be recommended for a grant of 58,000 restricted share units which will vest over three years, with one-third vesting each year starting with the first anniversary following the date of grant.

You will be eligible for relocation assistance under the Corporation's Full Support Relocation Assistance Policy. In accepting this offer you agree to relocate to the Philadelphia area within the next twelve months. Attached is a brief summary with more specific details to be provided by our Relocation Center. This plan provides a comprehensive program through an outside relocation firm to help you sell your home. Once you have accepted our offer a representative from our Relocation Center will contact you. You should take no action to list your home prior to a discussion with our Relocation Representative. The program will include an option to buy out your current home. You will also receive a one-time incidental allowance of two months' salary ($54,166), in addition to our normal relocation provisions.

You will receive all the supplemental executive benefits made available to elected officers, including a car allowance of $600 per month, subject to normal taxes. You will also be eligible for a membership in an approved luncheon club, an annual executive physical, participation in the Executive Deferred Compensation Plan, life insurance up to four times annual salary plus target EVC (subject to underwriting requirements) pursuant to the Unisys Executive Life Insurance Plan, umbrella personal liability insurance up to $5,000,000, and contribution toward financial counseling services of $7,500 for the first year and $5,000 per year thereafter. In addition, you and your eligible dependents will be eligible to participate in all basic retirement, welfare, and other benefit arrangements generally applicable to elected officers. You are also eligible to join a country club of your choice. This requires the approval of Dave Aker, Senior Vice President, Worldwide Human Resources. You will be entitled to 20 days of vacation. The vacation year is from April 1 to March 31. Your vacation will be prorated from your start date to March 31, 1999. As an elected officer of Unisys, you will also receive the attached Employment Agreement which applies in the event of a change in control.

You will also be eligible to participate in the Unisys Elected Officer Pension Plan which has minimum vesting requirements of age 50 with five years of service, and provides a minimum normal retirement benefit after five years of service equal to 20% of final average earnings. Thereafter, the accrual is an additional 4% per year up to 10 years of service, plus 1% for each additional year of service, with a 60% final average earnings (30 year) maximum. See the attached Plan document for more details.

Each of the above-described benefits, which are more fully described in an applicable Unisys plan document, are subject to the terms of such plan document (as may be amended by Unisys from time to time); and, except as expressly provided in this agreement, each such plan document will govern the benefit payable hereunder and thereunder. In addition, you agree that the Unisys policies and procedures applicable to all Unisys employees shall be applicable to you.

If, at any time during the term of this agreement, your employment is terminated by Unisys without "cause", or you terminate your employment for "Good Reason", you will be entitled to receive the continued monthly payment of your base salary at the time of the termination plus an EVC bonus payment at 100% target and continuation of medical and dental benefits for the remaining term of this agreement or twelve (12) months from the date of termination, whichever is greater. In the event of any such termination during the first year of your employment, you will also receive the initial one-third allocation of your restricted share unit. You agree to accept these termination payments as the sole and exclusive remedy against Unisys for any claims arising out of your employment relationship, including, but not limited to the termination thereof. These termination payments are not eligible compensation for purposes of any employee benefit plan, including, but not limited to, the Elected Officer Pension Plan, the Unisys Pension Plan and the Unisys Savings Plan. These termination payments shall be paid notwithstanding your subsequent employment elsewhere during the termination period.

For purposes of this agreement, "cause" means intentional dishonesty; conviction of a felony; or your conviction of a misdemeanor which, in the opinion of Unisys, impairs your ability to substantially perform your job; any conduct which violates the Unisys Code of Ethical Conduct; your continued failure to adequately perform your duties; or engaging in conduct against the best interest of Unisys, provided that Unisys has provided you with notice identifying the manner in which it believes that you have failed to adequately perform such duties or identified the conduct in question and you fail to cure your inadequate performance or correct such conduct within 30 days of receiving such notice; or your inability to perform your duties because of a mental or physical disability which extends for a period of six months, or your death. "Good Reason" means a reduction in your base pay or annual bonus target as stated herein, or the assignment to you of job duties not comparable to the duties of Vice President, Global Marketing, or any material reduction in such responsibilities or status unless such reduction or change is (a) for cause, as defined above, or (b) is done with your written consent. You recognize that the dynamic nature of Unisys business may result in changes in your duties, responsibilities and status. It is agreed that the assignment to you of duties comparable to your duties and changes in your responsibilities or status that are not material reductions thereof, will not constitute "Good Reason" hereunder.

The payments under this agreement are not intended to duplicate payments under any other Unisys agreement or severance program, including, without limitation, the Employment Agreement applicable to Unisys elected officers which covers and takes effect only upon change in control situations, as defined therein. To the extent that you may be entitled to receive duplicate payments under this and any other Unisys agreement or program, the provisions of that agreement or program which is most favorable to you or provides you with the greater benefit shall be effective.

The term of your employment under this agreement shall be three years from your first day of employment. If you are still employed by Unisys at the end of such term, this agreement shall be null and void and the standard Unisys policies and procedures applicable to elected officers will govern your employment.

Your employment is contingent upon your representations that you are not subject to any restrictions that would prevent you from performing the duties described above for Unisys and the verification of the information provided on your employment application, which includes a criminal record check. In addition, we will require proof of employment eligibility and identity under the Immigration Reform Control Act of 1986, and signing of our Employee Proprietary Information, Invention and Non-Competition Agreement. For purposes of Paragraph 6(c) of said Proprietary Agreement, it is agreed that this paragraph is necessary to protect Unisys from any unfair disadvantage that may be caused by your commencement of employment, as an employee, consultant or otherwise, with any competitor, customer, or prospective customer of Unisys, under circumstances whereby the disclosure or potential disclosure of Unisys confidential, proprietary, trade secret or other specialized knowledge would disadvantage Unisys. It is not the intention of the parties to unfairly restrict or restrain you from obtaining gainful employment and pursuing your professional goals in the event you subsequently leave Unisys. Consistent with this understanding, it is also agreed that Paragraph 6(c) of the Proprietary

Agreement is hereby amended by inserting the words "which approval shall not be unreasonably withheld" after the words "in writing".

Any dispute or controversy arising under or in connection with this agreement shall be settled exclusively by arbitration in accordance with the rules of the American Arbitration Association in Philadelphia, Pennsylvania.

You agree that you will keep the contents of this Agreement and all discussions leading up to it confidential and that you will not disclose them to any third party, except as may be required by law. You are permitted, however, to discuss this Agreement with your family, attorney and financial advisor.

Joe, we all look forward to your positive response to our offer and to having someone of your experience and personal attributes with us in the near future. If you have any questions, or if we can be of personal assistance to you in any way, please feel free to call me at 215-986-5212 or Terry Laudal at 215-986-7666.

Sincerely,

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

CC: David O. Aker
Terry W. Laudal

Enclosures

Accepted: Joseph W. McGrath Date: November 20, 1998

Exhibit 10.25

# UNISYS DIRECTORS STOCK OPTION PLAN

## ARTICLE I
## Purpose and Adoption of the Plan

1.1 Purpose. The Unisys Directors Stock Option Plan (the "Plan") is established as a sub-plan to the 1990 Unisys Long-Term Incentive Plan. The purpose of the Plan is to assist in attracting and retaining highly qualified individuals to serve as outside directors of Unisys, to reward outside directors for their service to Unisys and to act as an incentive in motivating the outside directors to achieve long-term objectives of Unisys and its shareholders.

1.2 Adoption and Term. The Plan has been approved by the Board and is effective as of January 1, 2000, and will remain in effect until terminated or abandoned by action of the Board.

## ARTICLE II
## Definitions

2.1 "Adjusted Fair Market Value" means, in the event of a Change in Control, the greater of (i) the highest Fair Market Value of a share of Company Common Stock during the sixty day period ending on the date of such Change in Control or (ii) in the case of a Change in Control described in Section 2.7(a) or 2.7(c), the highest price per share of Company Common Stock paid to holders of Company Common Stock in any transaction (or series of transactions) constituting or resulting from such Change in Control.

2.2 "Award" shall mean the grant of an Option made under the terms of the Plan.

2.3 "Award Agreement" means a written agreement between the Company and a Participant or a written acknowledgement from the Company specifically setting forth the terms and conditions of an Award granted under the Plan.

2.4 "Beneficiary" means an individual, trust or estate who or which by designation of the Participant or operation or law succeeds to the rights and obligations of the Participant under the Plan and Award Agreement upon the Participant's death.

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

2.6 "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 2.07; or

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

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

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

2.7 "Code" means the Internal Revenue Code of 1986, as amended. References to a section of the Code shall include that section and any comparable section or sections of any future legislation that amends, supplement or supersedes said section.

2.8 "Committee" means the Corporate Governance and Compensation Committee of the Board.

2.9 "Company Common Stock" means the common stock of Unisys, par value $.01 per share.

2.10 "Company Voting Securities" means the combined voting power of all outstanding voting securities of Unisys entitled to vote generally in the election of directors for the Board.

2.11 "Date of Grant" means the date designated by the Committee as the date as of which it grants an Award, which shall not be earlier than the date on which the Committee approves the granting of such Award.

2.12 "Exchange Act" means the Securities Exchange Act of 1934, as amended.

2.13 "Fair Market Value" means, on any date, the average of the high and low quoted sales prices of a share of Company Common Stock, sold regular way, as reported on the Composite Tape for New York Stock Exchange Listed Companies, on such date or, if there were no sales on such date, on the last date preceding such date on which a sale was reported.

2.14 "Incumbent Board" means the Board as of May 25, 1995.

2.15 "Non-Qualified Stock Option" means a stock option that is not an incentive stock option within the meaning of Section 422A of the Code.

2.16 "Option" means a Non-Qualified Stock Option granted under the Plan.

2.17 "Outstanding Company Common Stock" means, at any time, the issued and outstanding shares of Company Common Stock.

2.18 "Participant" shall have the meaning set forth in Section 5.1.

2.19 "Plan" shall mean the Unisys Directors Stock Option Plan as described herein and as may be amended from time to time.

2.20 "Purchase Price", with respect to Options, shall have the meaning set forth in Section 6.1(b).

2.21 "Rule 16b-3" means Rule 16b-3 promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act, as it may be amended from time to time, and any successor rule.

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

2.23 "Termination of Service" means the voluntary or involuntary termination of a Participant's service as a director of Unisys for any reason, including death, disability or retirement. Whether a Termination of Service is a result of disability shall be determined in each case by the Committee in its sole discretion.

2.24 "Unisys" means Unisys Corporation, a Delaware corporation.

## ARTICLE III
## Administration

3.1 Committee. The Plan shall be administered by the Committee. The Committee shall be selected from time to time by the Board, and shall be comprised of not less than three members of the Board or such other persons who would constitute "Non-Employee Directors" under the requirements of Rule 16b-3. The Committee shall have exclusive and final authority in each determination, interpretation or other action affecting the Plan and its Participants. The Committee shall have the sole discretionary authority to interpret the Plan, and to take such steps in connection with the Plan and Awards granted as it may deem necessary or advisable. With Board ratification, the Committee may cancel Awards and substitute new Options for underwater Options with the consent of the recipient and under such terms as it deems appropriate.

## ARTICLE IV
## Shares Issued Under Awards

4.1 Shares Available for Issuance. The shares issued as a result of the grant of Awards under this Plan shall be issued from the shares available for awards made under the terms of the 1990 Unisys Long-Term Incentive Plan.

4.2 Shares Subject to Terminated Awards. The shares of Company Common Stock involved in any unexercised portions of terminated Options (including cancelled Options) granted under the Plan may again be subject to Awards under the Plan or the 1990 Unisys Long-Term Incentive Plan.

## ARTICLE V
## Participants

5.1 Eligible Participants. Participants in the Plan eligible to receive Awards shall be those members of the Board who are not employees of Unisys.

## ARTICLE VI
## Stock Options

6.1 Option Awards.

(a) The Committee may grant, to such Participants as the Committee may select, Options entitling the Participant to purchase Company Common Stock from Unisys in such quantity, at such price, and on such terms and subject to such conditions, not inconsistent with the terms of this Plan, as may be established by the Committee. The terms of any Stock Option granted under this Plan shall be set forth in an Award Agreement. All Awards made by the Committee under the Plan will be subject to ratification by the Board.

(b) Purchase Price of Options. The Purchase Price of each share of Company Common Stock which may be purchased upon exercise of any Option granted under the Plan shall be determined by the Committee, provided that such Purchase Price shall be not less than 50% of the Fair Market Value on the Date of Grant

(c) Rights as a Stockholder. A Participant or a transferee of an Option pursuant to Section 7.4 shall have no rights as a stockholder with respect to any shares of Company Common Stock covered by an Option until the Participant or transferee shall have become the holder of record or beneficial owner of any such shares, and no adjustment shall be made for dividends in cash or other property or distributions or other rights with respect to any such shares of Company

Common Stock for which the record date is prior to the date on which the Participant or a transferee of the Option shall have become the holder of record or beneficial owner of any such shares covered by the Option.

6.2 Terms of Stock Options.

(a) Conditions on Exercise. An Award Agreement with respect to Options may contain such waiting periods, exercise dates and restrictions on exercise (including, but not limited to, periodic installments which may be cumulative) as may be determined by the Committee at the time of grant. Unless otherwise authorized by the Board, no Stock Option may be exercised in whole or in part prior to one year from the Date of Grant, except as set forth in Section 6.4.

(b) Duration of Options. Options shall terminate after the first to occur of the following events:

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

(2) Termination of the Award as provided in Section 6.2(e), following the Participant's Termination of Service.

(c) Acceleration of Exercise Time. The Committee, in its sole discretion, shall have the right (but shall not in any case be obligated) to permit purchase of shares under any Option prior to the time such Option would otherwise become exercisable under the terms of the Award Agreement, except that the acceleration of exercise prior to one year from the Date of Grant must be approved by the Board.

(d) Extension of Exercise Time. In addition to the extensions permitted under Section 6.2(e) in the event of Termination of Service, the Committee, in its sole discretion, shall have the right (but shall not in any case be obligated) to permit any Option granted under this Plan to be exercised after its expiration date described in Section 6.2(e), subject, however to the limitations described in Section 6.2(b)(1).

(e) Exercise of Options upon Termination of Service.

(1) Termination with Less than Five Years of Service. In the event of Termination of Service of a Participant who had not served on the Board for at least five years for a reason other than death or disability, to the extent the right to exercise the Option had accrued at the date of Termination of Service, the right of the Participant to exercise the Option under the Plan shall terminate at the date of such Termination of Service, unless otherwise provided by the Committee in accordance with Section 6.2(d). Options, or any portion thereof, that had not become exercisable as of the date of such Termination of Service shall expire as of such date.

(A) Disability. Upon a Participant's Termination of Service by reason of disability prior to the date on which the Participant completes five years of service, the Participant may, within five years after the Termination of Service, exercise all or any part of his or her Options which were exercisable upon such Termination of Service. In no event, however, may any Option be exercised later than the date described in Section 6.2(b)(1). Options, or any portion thereof, that had not become exercisable as of the date of such Termination of Service shall expire as of such date.

(B) Death. In the event of the death of a Participant while serving as a director of Unisys or within the additional period of time from the date of Termination of Service and prior to the expiration of the Option as permitted in Section 6.2(e)(1)(A) or Section 6.2(e)(2), to the extent the right to exercise the Option accrued as of the date of such Termination of Service or thereafter and did not expire during such additional period and prior to the Participant's death, the right of the Participant's Beneficiary to exercise the Option under the Plan shall expire upon the earliest of (i) five years from the date of the Participant's death or (ii) five years from the date of the Participant's Termination of Service or (iii) the date of expiration of the Option determined pursuant to Section 6.2(b)(1). Options, or any portion thereof, that had not become exercisable as of the date of the Participant's death shall expire as of the date of death.

(2) Termination of Service with Five Years of Service. If a Participant terminates service after completing five years of service as a director of Unisys,

(A) to the extent that the right to exercise an Option, or any portion thereof, has not accrued as of the date of Termination of Service, the Participant shall continue to vest in the Option after Termination of Service in accordance with the vesting schedule contained in the applicable Award Agreement, and

(B) the Participant may exercise the Option, to the extent the right to exercise has accrued as of the date of Termination of Service or thereafter in accordance with Section 6.2(e)(2)(A), within five years of the date of the Participant's Termination of Service, provided in no event may any Option be exercised later than the date described in Section 6.2(b)(1).

6.3 Exercise Procedures. Each Option granted under the Plan shall be exercised by written notice to Unisys which must be received by the office of Unisys designated in the Award Agreement on or before the expiration date of the Award. The Purchase Price of shares purchased upon exercise of an Option granted under the Plan shall be paid in full in cash by the Participant pursuant to the Award Agreement; provided, however, that the Committee may (but need not) permit payment to be made by delivery to Unisys of either (a) shares of Company Common Stock (which may include shares issued in connection with the exercise of the Option, subject to such rules as the Committee deems appropriate) or (b) any combination of cash and shares of Company Common Stock, or (c) such other consideration as the Committee deems appropriate and in compliance with applicable law (including payment in accordance with a cashless exercise program under which, if so instructed by the Participant, shares of Company Common Stock may be issued directly to the Participant's broker or dealer upon receipt of the Purchase Price in cash from the broker or dealer.) In the event that any Company Common Stock shall be transferred to Unisys to satisfy all or any part of the Purchase Price, the part of the Purchase Price deemed to have been satisfied by such transfer of Company Common Stock shall be equal to the product derived by multiplying the Fair Market Value as of the date of exercise times the number of shares transferred. The Participant may not transfer to Unisys in satisfaction of the Purchase Price (y) a number of shares which when multiplied times the Fair Market Value as of the date of exercise would result in a product greater than the Purchase Price or (z) any fractional share of Company Common Stock. Any part of the Purchase Price paid in cash upon the exercise of any Option shall be added to the general funds of Unisys and be used for any proper corporate purpose. Unless the Committee shall otherwise determine, any Company Common Stock transferred to Unisys as payment of all or part of the Purchase Price upon the exercise of any Option shall be held as treasury shares.

6.4 Change in Control. In the event of a Change in Control, (1) all Options outstanding on the date of such Change in Control shall become immediately and fully exercisable, and (2) a Participant will be permitted to surrender for cancellation within sixty days after such Change in Control any Option or portion of an Option to the extent not yet exercised (or with respect to an Option or portion of an Option granted less than six months prior to the date of the Change in Control, within sixty days after the expiration of a six month period following the Date of Grant) and to receive a cash payment in an amount equal to the excess, if any, of (A) the Adjusted Fair Market Value of the Company Common Stock subject to the Option or a portion thereof surrendered, over (B) the Purchase Price. The provisions of this Section 6.4 shall not be applicable to any Options granted to a Participant if any Change in Control results from such Participant's beneficial ownership (within the meaning of Rule 13d(3) under the Exchange Act) of Company Common Stock or Company Voting Securities.

## ARTICLE VII
## Terms Applicable to All Awards Granted Under the Plan

7.1 Plan Provisions Control Award Terms. The terms of the Plan shall govern all Awards granted under the Plan, and in no event shall the Committee have the power to grant any Award under the Plan which is contrary to any of the provisions of the Plan. In the event any provision of any Award granted under the Plan should conflict with any term in the Plan as constituted on the Date of Grant of such Award, the term in the Plan as constituted on the Date of Grant of such Award shall control. Except as provided in Section 7.3, the terms of any Award granted under the Plan may not be changed after the Date of Grant of such Award so as to materially decrease the value of the Award without the express approval of the holder.

7.2 Award Agreement. No person shall have any rights under any Award granted under the Plan unless and until Unisys and the Participant to whom such Award shall have been granted shall have executed and delivered an Award Agreement or other Award acknowledgment expressly granting the Award to such person and containing provisions setting forth the terms of the Award.

7.3 Modification of Award After Grant. No Award granted under the Plan to a Participant may be modified (unless such modification does not materially decrease the value of the Award) after the date of its grant unless by express written agreement between Unisys and the Participant provided that any such change (a) shall not be inconsistent with the terms of the Plan, and (b) shall be approved by the Committee. No modifications may be made to any Awards granted to a Participant while the Participant is subject to Section 16(b) of the Exchange Act except in compliance with Rule 16b-3.

7.4 Limitations on Transfer. A Participant's rights and interest under the Plan may not be assigned or transferred other than by will or the laws of descent and distribution, and during the lifetime of a Participant, only the Participant personally (or the Participant's personal representative) may exercise rights under the Plan. The Participant's Beneficiary may exercise the Participant's rights to the extent they are exercisable under the Plan following the death of the Participant.

7.5 Taxes. Unisys shall be entitled, if the Committee deems it necessary or desirable, to withhold (or secure payment from the Participant in lieu of withholding) the amount of any withholding or other tax required by law to be withheld or paid by Unisys with respect to any amount payable and/or shares issuable under such Participant's Award, and Unisys may defer payment or issuance of the cash or stock upon exercise of an Award unless indemnified to its satisfaction against any liability for any such tax. The amount of such withholding or tax payment shall be determined by the Committee and shall be payable by the Participant at the time of issuance or payment

7.6 Surrender of Awards. Any Award granted under the Plan may be surrendered to Unisys for cancellation on such terms as the Committee and holder approve.

7.9 Adjustments to Reflect Capital Changes.

(a) Recapitalization. The number and kind of shares subject to outstanding Awards, the Purchase Price or Exercise Price for such shares, and the number and kind of shares available for Awards subsequently granted under the Plan shall be appropriately adjusted to reflect any stock dividend, stock split, combination or exchange of shares, merger, consolidation or other change in capitalization with a similar substantive effect upon the Plan or the Awards granted under the Plan. The Committee shall have the power to determine the amount of the adjustment to be made in each case.

(b) Sale or Reorganization. After any reorganization, merger or consolidation in which Unisys is the surviving corporation, each Participant shall, at no additional cost, be entitled upon any exercise of an Option to receive (subject to any required action by shareholders), in lieu of the number of shares of Company Common Stock receivable or exercisable pursuant to such Award, the number and class of shares of stock or other securities to which such Participant would have been entitled pursuant to the terms of the reorganization, merger or consolidation if, at the time of such reorganization, merger or consolidation, such Participant had been the holder of record of a number of shares of stock equal to the number of shares receivable or exercisable pursuant to such Award. Comparable rights shall accrue to each Participant in the event of successive reorganizations, mergers or consolidations of the character described above.

(c) Options to Purchase Stock of Acquired Companies. After any reorganization, merger or consolidation in which Unisys or a Subsidiary of Unisys shall be a surviving corporation, the Committee may grant substituted options under the provisions of the Plan, pursuant to Section 425 of the Code, replacing old options granted under a plan of another party to the reorganization, merger or consolidation whose stock subject to the old options may no longer be issued following such merger or consolidation. The foregoing adjustments and manner of application of the foregoing provisions shall be determined by the Committee in its sole discretion. Any such adjustments may provide for the elimination of any fractional shares, which might otherwise become subject to any Options.

7.7 Governing Law. All determinations made and actions taken pursuant to the Plan shall be governed by the laws of the Commonwealth of Pennsylvania and construed in accordance therewith.

7.8 No Strict Construction. No rule of strict construction shall be implied against Unisys, the Committee, or any other person in the interpretation of any of the terms of the Plan, any Award granted under the Plan or any rule or procedure established by the Committee.

7.9 Compliance with Rule 16b-3. It is intended that the Plan be applied and administered in compliance with Rule 16b-3. If any provision of the Plan would be in violation of Rule 16b-3 if applied as written, such provision shall not have effect as written and shall be given effect so as to comply with Rule 16b-3, as determined by the Committee. The Board is authorized to amend the plan and to make any such modifications to Award Agreements to comply with Rule 16b-3, as it may be amended from time to time, and to make any other such amendments or modifications as it deems necessary or appropriate to better accomplish the purposes of the Plan in light of any amendments made to Rule 16b-3.

7.10 Captions. The captions (i.e., all underlined words) used in the Plan are for convenience only, do not constitute a part of the Plan, and shall not be deemed to limit, characterize or affect in any way any provisions of the Plan, and all provisions of the Plan shall be construed as if no captions have been used in the Plan.

7.11 Severability. Whenever possible, each provision in the Plan and every Award at any time granted under the Plan shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of the Plan or any Award at any time granted under the Plan shall be held to be prohibited by or invalid under applicable law, then (a) such provision shall be deemed amended to accomplish the objectives of the provision as originally written to the fullest extent permitted by law and (b) all other provisions of the Plan and every other Award at any time granted under the Plan shall remain in full force and effect.

7.12 Amendment and Termination.

(a) Amendment. The Board shall have complete power and authority to amend the Plan at any time and to add any other stock award or other incentive compensation programs to the Plan as it deems necessary or appropriate and no approval by the stockholders of Unisys or by any other person, committee or entity of any kind shall be required to make any amendment. No termination or amendment of the Plan may, without the consent of the Participant to whom any Award shall theretofore have been granted under the Plan, adversely affect the right of such individual under such Award.

(b) Termination. The Board shall have the right and the power to terminate the Plan at any time. No Award shall be granted under the Plan after the termination of the Plan, but the termination of the Plan shall not have any other effect and any Award outstanding at the time of the termination of the Plan may be exercised after termination of the Plan at any time prior to the expiration date of such Award to the same extent such Award would have been exercisable had the Plan not terminated.

EXHIBIT 12

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

| | Years Ended December 31 | | | | |
|---|---|---|---|---|---|
| | 1999 | 1998 | 1997 | 1996 | 1995 |
| Fixed charges | | | | | |
| Interest expense | $127.8 | $171.7 | $ 233.2 | $ 249.7 | $ 202.1 |
| Interest capitalized during the period | 3.6 | - | - | - | - |
| Amortization of debt issuance expenses | 4.1 | 4.6 | 6.7 | 6.3 | 5.1 |
| Portion of rental expense representative of interest | 46.3 | 49.1 | 51.8 | 59.8 | 65.9 |
| Total Fixed Charges | 181.8 | 225.4 | 291.7 | 315.8 | 273.1 |
| Earnings | | | | | |
| Income (loss) from continuing operations before income taxes | 770.3 | 594.2 | (748.1) | 80.2 | (786.0) |
| Add (deduct) share of loss (income) of associated companies | 8.9 | (.3) | 5.9 | (4.9) | 5.0 |
| Subtotal | 779.2 | 593.9 | (742.2) | 75.3 | (781.0) |
| Fixed charges per above | 181.8 | 225.4 | 291.7 | 315.8 | 273.1 |
| Less interest capitalized during the period | (3.6) | - | - | - | - |
| Total earnings (loss) | $957.4 | $819.3 | $(450.5) | $ 391.1 | $(507.9) |
| Ratio of earnings to fixed charges | 5.27 | 3.63 | * | 1.24 | * |

* Earnings for the years ended December 31, 1997 and 1995 were inadequate to cover fixed charges by approximately $742.2 and $781.0 million, respectively.

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

Results of operations

For 1999, the company reported net income of $510.7 million, or $1.59 per diluted common share, compared to $376.4 million, or $1.01 per diluted common share, for 1998. The current year included a one-time tax benefit of $22.0 million, or $.07 per diluted common share, related to a new U.S. Treasury income tax regulation, as well as an extraordinary charge of $12.1 million, or $.04 per diluted share, for the early extinguishment of debt. Excluding those items, diluted earnings per share in 1999 was $1.56.

In 1997, net income before one-time charges was $176.4 million, or $.35 per common share. In the fourth quarter of 1997, the company recorded one-time charges against net income of $1.0 billion. Including these charges, the company had a 1997 net loss of $852.9 million, or $5.25 per share. For further information on the 1997 fourth quarter charges, see Note 5 of Notes to Consolidated Financial Statements.

In August of 1999, the company acquired PulsePoint Communications, Tech Hackers, Inc. and Publishing Partners International, Inc. Approximately 2.9 million shares of the company's common stock were exchanged for all of the outstanding shares of these companies. The transactions were accounted for as poolings of interests and all prior periods presented were restated.

The following comparisons of income statement categories exclude the one-time charges in 1999 and 1997 discussed above.

Revenue for 1999 was $7.54 billion compared to $7.24 billion in 1998 and $6.66 billion in 1997. Revenue in 1999 and 1998 increased 4% and 9%, respectively. Excluding the negative impact of foreign currency translation in 1999 and 1998, revenue in those years would have risen 7% and 11%, respectively. Revenue from international operations in 1999, 1998, and 1997 was $4.19 billion, $4.09 billion and $3.93 billion, respectively. Revenue from U.S. operations was $3.35 billion in 1999, $3.15 billion in 1998, and $2.73 billion in 1997.

Total gross profit percent was 35.6% in 1999, 34.1% in 1998, and 35.0% in 1997. The increase in 1999 from 1998 reflects improvements in both the services and technology segments.

Selling, general and administrative expenses were $1.38 billion in 1999 (18.4% of revenue), $1.36 billion in 1998 (18.8% of revenue), and $1.43 billion in 1997 (21.5% of revenue).

Research and development expenses in 1999 were $339.4 million compared to $308.3 million in 1998 and $309.9 million in 1997.

In 1999, the company reported operating income of $960.7 million (12.7% of revenue) compared to $799.0 million (11.0% of revenue) in 1998 and $588.8 million (8.8% of revenue) in 1997.

Information by business segment for 1999, 1998, and 1997 is presented below:

| (Millions of dollars) | Total | Eliminations | Services | Technology |
|---|---|---|---|---|
| **1999** | | | | |
| Customer revenue | $7,544.6 | | $5,287.0 | $2,257.6 |
| Intersegment | | $(577.5) | 65.6 | 511.9 |
| Total revenue | $7,544.6 | $(577.5) | $5,352.6 | $2,769.5 |
| Gross profit percent | 35.6% | | 25.6% | 48.1% |
| Operating income percent | 12.7% | | 7.9% | 20.3% |
| **1998** | | | | |
| Customer revenue | $7,243.9 | | $4,944.8 | $2,299.1 |
| Intersegment | | $(511.2) | 73.7 | 437.5 |
| Total revenue | $7,243.9 | $(511.2) | $5,018.5 | $2,736.6 |
| Gross profit percent | 34.1% | | 24.4% | 46.9% |
| Operating income percent | 11.0% | | 6.6% | 18.7% |
| **1997** | | | | |
| Customer revenue | $6,662.9 | | $4,307.9 | $2,355.0 |
| Intersegment | | $(483.8) | 70.0 | 413.8 |
| Total revenue | $6,662.9 | $(483.8) | $4,377.9 | $2,768.8 |
| Gross profit percent | 35.0% | | 24.3% | 46.2% |
| Operating income percent | 8.8% | | 3.4% | 16.0% |

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

In the Services segment, customer revenue was $5.29 billion in 1999, $4.94 billion in 1998, and $4.31 billion in 1997. Customer revenue grew 7% in 1999 led by growth in outsourcing and systems integration/industry solutions revenue. Excluding proprietary maintenance revenue, which continues to decline industry-wide, services revenue increased 9% in the year. Services revenue growth in 1999 was also constrained by delays in the expected rollout of some large networking projects and year 2000 customer spending lockdowns. Services customer revenue grew 15% in 1998 led principally by increases in network services, systems integration and outsourcing revenue which more than offset the decline in proprietary maintenance revenue. Services gross profit improved to 25.6% in 1999 from 24.4% in 1998 and 24.3% in 1997. Operating profit in the services segment improved to 7.9% in 1999 from 6.6% in 1998 and 3.4% in 1997. The increases in both gross profit and operating profit were largely due to productivity improvements and cost reduction programs.

In the Technology segment, customer revenue was $2.25 billion in 1999, $2.30 billion in 1998, and $2.35 billion in 1997. In 1999, revenue for ClearPath enterprise servers was up slightly compared to 1998. Personal computer revenue declined, as expected, reflecting the company's shift, in 1998, to outsourcing the supply of notebooks, PCs, and entry-level servers. The gross profit percent was 48.1% in 1999, 46.9% in 1998, and 46.2% in 1997. These increases were due in large part to a richer mix of enterprise servers and enterprise server software sales. Operating profit in this segment was 20.3% in 1999, 18.7% in 1998, and 16.0% in 1997. The increases in operating profit, above the respective increases in gross profit, were largely due to cost reduction programs as well as stringent controls over all discretionary expenditures.

Interest expense declined to $127.8 million in 1999 from $171.7 million in 1998 and $233.2 million in 1997. The declines were principally due to lower average debt levels.

Other income (expense), net, which can vary from year to year, was an expense of $62.6 million in 1999, $33.1 million in 1998, and $64.5 million in 1997. The difference in 1999 compared to 1998 was principally due to higher charges related to several legal matters and lower interest income. The difference in 1998 compared to 1997 was principally due to lower goodwill amortization and higher equity income. In addition in 1998, a net gain on the sale of properties was offset by charges related to several legal matters and the early extinguishment of debt.

Income before income taxes in 1999 was $770.3 million compared to $594.2 million in 1998 and $291.1 million in 1997.

Estimated income taxes in 1999 were $247.5 million compared to $217.8 million in 1998 and $114.7 million in 1997. The 1999 tax provision included a benefit of $22.0 million related to a new U.S. Treasury income tax regulation pertaining to the use of net operating loss carryforwards of acquired companies.

In 1999, the Securities and Exchange Commission's staff issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 provides guidance on revenue recognition and had no effect on the company's consolidated financial position, consolidated results of operations, or liquidity.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement, which is effective for the year beginning January 1, 2001, establishes accounting and reporting standards for derivative instruments and for hedging activities. SFAS No. 133 requires a company to recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. Management is evaluating the impact this statement may have on the company's financial statements.

Financial condition

Cash and cash equivalents at December 31, 1999 were $464.0 million compared to $616.4 million at December 31, 1998.

During 1999, cash provided by operations was $517.6 million compared to $642.2 million in 1998, principally reflecting an increase in working capital. The company's days of sales outstanding increased, reflecting in part late year-end technology sales that were not able to be collected in December. Cash expenditures related to prior-year restructuring actions (which are included in operating activities) in 1999, 1998, and 1997 were $44.6 million, $118.4 million, and $178.7 million, respectively, and are expected to be approximately $35 million in 2000 and $19 million thereafter, principally for work-force reductions and facility costs. Personnel reductions in 1999 related to restructuring actions were approximately 280 and are expected to be approximately 120 thereafter, principally in 2000.

Cash used for investing activities during 1999 was $328.4 million compared to $277.7 million for 1998. The increase was principally due to the purchase of Datamec, a Brazilian application outsourcing company, in June of 1999.

Cash used for financing activities during 1999 was $328.4 million compared to $569.3 million in 1998. Included in 1999 were payments of $197.0 million for the redemption of preferred stock and $164.4 million related to the repayment of long-term debt. Included in 1998 were payments of debt of $749.2 million, partially offset by $195.2 million from the issuance of the company's 7 7/8% senior notes due 2008. Dividends paid on preferred stock were $59.4 million in 1999 compared to $106.5 million in 1998.

At December 31, 1999, total debt was $1.0 billion, a decrease of $163.0 million from December 31, 1998. The decrease was principally due to the early extinguishment, by means of open market purchases, of $115.8 million principal amount of the company's 11 3/4% senior notes due 2004, and $25.5 million of 12% senior notes due 2003. The decrease also reflects the March 15, 1999 conversion into common stock of the remaining $27 million of the 8 1/4% convertible subordinated notes due 2006, which were called during the first quarter. Approximately 3.9 million common shares were issued for the conversion of the 8 1/4% notes. At December 31, 1999, the debt-to-capital ratio was 33.9% compared to 43.1% at December 31, 1998.

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

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

As part of the company's ongoing program to reduce interest expense, in the third quarter of 1999, the company entered into interest rate and currency swaps for euros and Japanese yen. In these arrangements, the company receives payments based on a U.S. fixed rate of interest and pays interest based on a foreign currency denominated floating rate. The company is obligated to deliver, on April 1, 2008, 23.2 billion yen in exchange for $200 million and is obligated to deliver on October 15, 2004, 194.4 million euros in exchange for $200 million. These currency swaps have been designated as hedges of the company's net investments in entities measured in these currencies.

The company has a $400 million credit agreement that expires June 2001. As of December 31, 1999, there were no borrowings under the agreement.

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

On July 2, 1999, Moody's Investors Service increased its rating on the company's senior long-term debt to Ba1 from Ba3. On August 2, 1999, Standard & Poor's Corporation increased its rating on the company's senior long-term debt to BB+ from BB-. On August 10, 1999, Duff & Phelps Credit Rating Co. increased its rating on the company's senior long-term debt to BBB- from BB+.

At December 31, 1999, the company had deferred tax assets in excess of deferred tax liabilities of $1,384 million. For the reasons cited below, management determined that it is more likely than not that $1,075 million of such assets will be realized, therefore resulting in a valuation allowance of $309 million.

The company evaluates quarterly the realizability of its deferred tax assets and adjusts the amount of the related valuation allowance, if necessary. The factors used to assess the likelihood of realization are the company's forecast of future taxable income and available tax planning strategies that could be implemented to realize deferred tax assets. Approximately $3.2 billion of future taxable income (predominantly U.S.) is needed to realize all of the net deferred tax assets. Failure to achieve forecasted taxable income might affect the ultimate realization of the net deferred tax assets. See "Factors that may affect future results" below.

Stockholders' equity increased $417.7 million during 1999. The increase principally reflects net income of $510.7 million, issuance of stock under stock option and other plans of $85.6 million, $66.1 million of tax benefits related to employee stock plans, and $26.4 million from conversion of the remaining 8 1/4% convertible notes, offset in part by the redemption of $197.0 million of preferred stock, translation adjustments of $38.8 million, and preferred stock dividends declared of $32.9 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. As part of its ongoing program to reduce interest expense, the company entered into interest rate and currency swaps for Japanese yen and euros. See Note 10 of Notes to Consolidated Financial Statements for components of the company's long-term debt. The company believes that the market risk from changes in interest rates would not be material to the fair value of these financial instruments, or the related cash flows, or future results of operations.

The company is also exposed to foreign currency exchange rate risks. The company uses derivative financial instruments to reduce its exposure to market risks from changes in foreign currency exchange rates. The derivative instruments used are foreign exchange forward contracts, foreign exchange options and foreign currency swaps. The company does not hold or issue derivatives for speculative trading purposes. See Note 13 of the Notes to Consolidated Financial Statements for additional information on the company's derivative financial instruments.

The company has performed a sensitivity analysis assuming a hypothetical 10% adverse movement in foreign currency exchange rates applied to these derivative financial instruments described above. As of December 31, 1999 and 1998, the analysis indicated that such market movements would have reduced the estimated fair value of these derivative financial instruments by approximately $70 million and $20 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 materially from the above analysis.

## Year 2000 readiness disclosure

The following is a summary of actions taken by the company during the years preceding January 1, 2000 in anticipation of the year 2000 transition and the potential problems that computer systems and embedded technology could experience handling dates beyond the year 1999.

As part of its development efforts, the company designed or redesigned its current product offerings to be year 2000 ready, as defined by the company. Certain of the company's older hardware and software products still used by customers required upgrades or other remediation to become year 2000 ready. The company notified customers of the year 2000 issue, provided information and resources on the company's year 2000 web site, emphasized the importance of customer testing of their own systems in their own unique business environments, and offered consulting services to assist customers in assessing their year 2000 risk. No major issues with products were reported over the year 2000 transition.

The company also assessed the year 2000 readiness of its key suppliers by inquiring about their year 2000 readiness and, whenever possible, obtaining year 2000 readiness warranties or statements as to their readiness. The company identified alternate sources or strategies where necessary if significant exposure was identified. No major vendor issues were reported over the year 2000 transition.

The company's year 2000 internal systems effort involved three stages: inventory and assessment of its hardware, software and embedded systems; remediation or replacement of those that were not year 2000 ready; and testing the systems. Remediation, integrated testing and replacement of both information technology ("IT") applications and key non-IT systems were completed prior to December 31, 1999. There were no major internal systems issues reported over the year 2000 transition.

The company estimates that, as of December 31, 1999, the cost of remediating/replacing its internal systems was approximately $26 million. The company funded this effort through normal working capital. This estimate includes remediation of key IT and non-IT systems, but does not include the cost of replacing or consolidating IT systems in connection with the company's worldwide IT simplification project, which was undertaken for reasons unrelated to year 2000 issues, potential costs related to any customer or other claims, the costs associated with making the company's product offerings year 2000 ready, and the costs of any disruptions caused by suppliers not being year 2000 ready. This estimate is based on a current assessment of the year 2000 projects and is subject to change.

Because the company experienced no major year 2000-related issues internally or externally over the year 2000 transition, it does not currently believe that it will incur material costs or experience material disruptions in its business associated with the year 2000. However, there can be no assurance that the company's or its suppliers' current product offerings do not contain undetected errors or defects associated with year 2000 date functions. These could give rise to increased customer satisfaction costs related to year 2000 and to litigation over year 2000 compliance issues. In addition, customer spending patterns have been, and may continue to be, impacted by the year 2000 issue, although the company is unable to quantify the impact. Some of the company's customers shifted technology spending from the fourth quarter of 1999 to earlier quarters of 1999 in preparation for the year 2000 transition. In addition, the company could experience a shift in revenue to the later quarters of 2000 as customers wrap up issues in their IT environments and begin spending more proactively on new projects.

## Conversion to the euro currency

On January 1, 1999, certain member countries of the European Union established fixed conversion rates between their existing currencies and the European Union's common currency (the "euro"). The transition period for the introduction of the euro began on January 1, 1999. Beginning January 1, 2002, the participating countries will issue new euro-denominated bills and coins for use in cash transactions. No later than July 1, 2002, the participating countries will withdraw all bills and coins denominated in the legacy currencies, so that the legacy currencies will no longer be legal tender for any transactions, making the conversion to the euro complete.

The company is addressing the issues involved with the introduction of the euro. The more important issues facing the company include converting information technology systems, reassessing currency risk, and negotiating and amending agreements. Based on progress to date, the company believes that the use of the euro will not have a significant impact on the manner in which it conducts its business. Accordingly, conversion to the euro is not expected to have a material effect on the company's consolidated financial position, consolidated results of operations, or liquidity.

Factors that may affect future results

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

The company operates in an industry characterized by aggressive competition, rapid technological change, evolving technology standards, and short product life cycles.

Future operating results will depend on the company's ability to design, develop, introduce, deliver, or obtain new products and services on a timely and cost-effective basis; on its ability to successfully implement its recent organizational realignment; on its ability to mitigate the effects of competitive pressures and volatility in the information technology and services industry on revenues, pricing, and margins; on its ability to effectively manage the shift of its business mix away from traditional high-margin product and services offerings; and on its ability to successfully attract and retain highly skilled people. In addition, future operating results could be impacted by market demand for and acceptance of the company's service and product offerings.

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

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

Approximately 55% of the company's total revenue derives from international operations. The risks of doing business internationally include foreign currency exchange rate fluctuations, changes in political or economic conditions, trade protection measures, and import or export licensing requirements.

UNISYS CORPORATION

Consolidated Financial Statements
Consolidated Statement of Income

| Year Ended December 31 (Millions, except per share data) | 1999 | 1998 | 1997 |
|---|---|---|---|
| Revenue | $7,544.6 | $7,243.9 | $6,662.9 |
| Costs and expenses | | | |
| Cost of revenue | 4,859.9 | 4,775.9 | 4,387.0 |
| Selling, general and administrative expenses | 1,384.6 | 1,360.7 | 1,446.6 |
| Research and development expenses | 339.4 | 308.3 | 314.8 |
| Impairment charges | | | 922.9 |
| | 6,583.9 | 6,444.9 | 7,071.3 |
| Operating income (loss) | 960.7 | 799.0 | (408.4) |
| Interest expense | 127.8 | 171.7 | 233.2 |
| Other income (expense), net | (62.6) | (33.1) | (106.5) |
| Income (loss) before income taxes | 770.3 | 594.2 | (748.1) |
| Estimated income taxes | 247.5 | 217.8 | 104.8 |
| Income (loss) before extraordinary item | 522.8 | 376.4 | (852.9) |
| Extraordinary item | (12.1) | | |
| Net income (loss) | 510.7 | 376.4 | (852.9) |
| Dividends on preferred shares | 36.7 | 106.5 | 111.1 |
| Earnings (loss) on common shares | $ 474.0 | $ 269.9 | $ (964.0) |
| Earnings (loss) per common share - basic | | | |
| Before extraordinary item | $ 1.69 | $ 1.07 | $ (5.25) |
| Extraordinary item | (.04) | | |
| Total | $ 1.65 | $ 1.07 | $ (5.25) |
| Earnings (loss) per common share - diluted | | | |
| Before extraordinary item | $ 1.63 | $ 1.01 | $ (5.25) |
| Extraordinary item | (.04) | | |
| Total | $ 1.59 | $ 1.01 | $ (5.25) |

See notes to consolidated financial statements.

Consolidated Balance Sheet

| December 31 (Millions) | 1999 | 1998 |
| --- | --- | --- |
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $ 464.0 | $ 616.4 |
| Accounts and notes receivable, net | 1,430.5 | 1,239.0 |
| Inventories | 372.9 | 471.0 |
| Deferred income taxes | 472.7 | 428.8 |
| Other current assets | 105.6 | 88.9 |
| Total | 2,845.7 | 2,844.1 |
| Properties | 1,723.0 | 1,734.6 |
| Less-- Accumulated depreciation | 1,102.2 | 1,149.2 |
| Properties, net | 620.8 | 585.4 |
| Investments at equity | 225.5 | 184.6 |
| Software, net of accumulated amortization | 259.8 | 247.7 |
| Prepaid pension cost | 975.9 | 833.8 |
| Deferred income taxes | 655.6 | 694.4 |
| Other assets | 306.4 | 223.2 |
| Total | $ 5,889.7 | $ 5,613.2 |
| **Liabilities and stockholders' equity** | | |
| Current liabilities | | |
| Notes payable | $ 26.9 | $ 52.2 |
| Current maturities of long-term debt | 22.9 | 4.1 |
| Accounts payable | 1,036.7 | 928.5 |
| Other accrued liabilities | 1,183.1 | 1,308.2 |
| Estimated income taxes | 348.9 | 277.0 |
| Dividends payable | | 26.6 |
| Total | 2,618.5 | 2,596.6 |
| Long-term debt | 950.2 | 1,106.7 |
| Other liabilities | 367.7 | 374.3 |
| Stockholders' equity | | |
| Preferred stock | | 1,444.7 |
| Common stock, shares issued: 1999-312.5; 1998-259.4 | 3.1 | 2.6 |
| Accumulated deficit | (1,054.4) | (1,532.2) |
| Other capital | 3,575.0 | 2,152.1 |
| Accumulated other comprehensive loss | (570.4) | (531.6) |
| Stockholders' equity | 1,953.3 | 1,535.6 |
| Total | $ 5,889.7 | $ 5,613.2 |

See notes to consolidated financial statements.

UNISYS CORPORATION

Consolidated Statement of Cash Flows

| Year Ended December 31 (Millions) | 1999 | 1998 | 1997 |
| --- | --- | --- | --- |
| Cash flows from operating activities | | | |
| Income (loss) before extraordinary item | $ 522.8 | $ 376.4 | $ (852.9) |
| Add (deduct) items to reconcile income (loss) before extraordinary item to net cash provided by operating activities: | | | |
| Extraordinary item | (12.1) | | |
| Depreciation | 141.8 | 149.2 | 159.1 |
| Amortization: | | | |
| Marketable software | 110.9 | 112.3 | 97.2 |
| Goodwill | 12.5 | 8.9 | 963.9 |
| (Increase) in deferred income taxes, net | (9.9) | (26.7) | (25.2) |
| (Increase) decrease in receivables, net | (244.5) | (277.3) | 24.9 |
| Decrease in inventories | 98.0 | 94.4 | 80.6 |
| (Decrease) increase in accounts payable and other accrued liabilities | (81.8) | 103.1 | (233.2) |
| Increase in estimated income taxes | 78.2 | 148.0 | 32.9 |
| (Decrease) increase in other liabilities | (2.2) | 13.2 | (85.6) |
| (Increase) decrease in other assets | (159.2) | (57.6) | 106.6 |
| Other | 63.1 | (1.7) | 102.2 |
| Net cash provided by operating activities | 517.6 | 642.2 | 370.5 |
| Cash flows from investing activities | | | |
| Proceeds from investments | 1,033.8 | 1,991.0 | 1,662.5 |
| Purchases of investments | (1,013.8) | (2,006.5) | (1,630.0) |
| Proceeds from sales of properties | 47.9 | 51.1 | 5.1 |
| Investment in marketable software | (122.8) | (100.3) | (133.5) |
| Capital additions of properties | (219.6) | (209.1) | (184.0) |
| Purchases of businesses | (53.9) | (3.9) | (22.2) |
| Proceeds from marketable securities | | | 4.8 |
| Net cash (used for) investing activities | (328.4) | (277.7) | (297.3) |
| Cash flows from financing activities | | | |
| Redemption of preferred stock | (197.0) | | (150.0) |
| Proceeds from issuance of long-term debt | 30.3 | 197.3 | |
| Payments of long-term debt | (164.4) | (749.2) | (.1) |
| Net (reduction in) proceeds from short-term borrowings | (25.6) | 9.6 | 28.4 |
| Dividends paid on preferred shares | (59.4) | (106.5) | (113.1) |
| Proceeds from employee stock plans | 87.7 | 79.5 | 8.6 |
| Costs of debt conversions | | | (46.1) |
| Proceeds from issuance of preferred stock | | | 13.1 |
| Other | | | 6.6 |
| Net cash (used for) financing activities | (328.4) | (569.3) | (252.6) |
| Effect of exchange rate changes on cash and cash equivalents | (13.2) | (3.0) | (24.9) |
| Net cash used for continuing operations | (152.4) | (207.8) | (204.3) |
| Net cash used for discontinued operations | | | (19.1) |
| Decrease in cash and cash equivalents | (152.4) | (207.8) | (223.4) |
| Cash and cash equivalents, beginning of year | 616.4 | 824.2 | 1,047.6 |
| Cash and cash equivalents, end of year | $ 464.0 | $ 616.4 | $ 824.2 |

See notes to consolidated financial statements.

UNISYS CORPORATION

Consolidated Statement of Stockholders' Equity

| (Millions) | Preferred Stock | Common Stock | Accumulated Deficit | Treasury Stock | Other, Principally Paid-In Capital | Accumulated Other Comprehensive Income (Loss)* | Comprehensive Income (Loss) |
|---|---|---|---|---|---|---|---|
| Balance at December 31, 1996 | $ 1,425.2 | $1.8 | $ (836.1) | $(16.3) | $1,429.5 | $(390.1) | |
| Conversions to common stock | (.1) | .7 | | | 606.0 | | |
| Issuance of stock under stock option and other plans | | | | 4.0 | 8.6 | | |
| Issuance of preferred stock | 13.1 | | | | | | |
| Net loss | | | (852.9) | | | | $(852.9) |
| Other comprehensive income - translation adjustments | | | | | | (58.0) | (58.0) |
| Comprehensive loss | | | | | | | $(910.9) |
| Dividends | | | (113.1) | | | | |
| Unearned compensation | | | | | 3.0 | | |
| Tax benefit related to stock plans | | | | | 1.5 | | |
| Other | | | | .1 | 1.0 | | |
| Balance at December 31, 1997 | 1,438.2 | 2.5 | (1,802.1) | (12.2) | 2,049.6 | (448.1) | |
| Conversions to common stock | (.1) | | | | .5 | | |
| Conversion of shareholder notes | 6.6 | | | | | | |
| Issuance of stock under stock option and other plans | | .1 | | (11.4) | 90.2 | | |
| Net income | | | 376.4 | | | | $ 376.4 |
| Other comprehensive income- translation adjustments | | | | | | (83.5) | (83.5) |
| Comprehensive income | | | | | | | $ 292.9 |
| Dividends | | | (106.5) | | | | |
| Unearned compensation | | | | | 4.8 | | |
| Tax benefit related to stock plans | | | | | 30.6 | | |
| Balance at December 31, 1998 | 1,444.7 | 2.6 | (1,532.2) | (23.6) | 2,175.7 | (531.6) | |
| Conversions to common stock | (1,245.3) | .4 | | | 1,271.2 | | |
| Redemption of preferred stock | (197.0) | | | | | | |
| Issuance of stock under stock option and other plans | | .1 | | (17.8) | 103.4 | | |
| Net income | | | 510.7 | | | | $ 510.7 |
| Other comprehensive income- translation adjustments | | | | | | (38.8) | (38.8) |
| Comprehensive income | | | | | | | $ 471.9 |
| Dividends | | | (32.9) | | | | |
| Unearned compensation | | | | | | | |
| Tax benefit related to stock plans | | | | | 66.1 | | |
| Other | (2.4) | | | | | | |
| Balance at December 31, 1999 | $ - | $3.1 | $(1,054.4) | $(41.4) | $3,616.4 | $(570.4) | |

*Entire amount relates to foreign currency translation adjustments.

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Summary of significant accounting policies

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

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

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

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

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

| | Rate per Year (%) |
|---|---|
| Buildings | 2-5 |
| Machinery and office equipment | 5-25 |
| Rental equipment | 25 |

Advertising costs. The company expenses all advertising costs as they are incurred. The amount charged to expense during 1999, 1998, and 1997 was $48.6, $48.2, and $53.1 million, respectively.

Revenue recognition. Sales revenue is recorded upon shipment of product in the case of sales contracts and upon installation in the case of sales-type leases. Revenue from equipment maintenance is recorded as earned over the lives of the respective contracts. Revenue from software licenses is recorded when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectibility is probable. Revenue for post-contract software support arrangements, which are marketed separately, is recorded over the support period or as the contract elements are delivered.

Revenue under systems integration and services contracts is recognized on the basis of the estimated percentage of completion of services rendered or when services have been performed and accepted, depending on the nature of the project.

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

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

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

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 foreign currency swaps designated as hedges of international net asset investments and exchange gains and losses on intercompany balances of a long-term investment nature are also reported in other comprehensive income.

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

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

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

The company has interest rate and foreign currency swaps. In the interest rate swaps, the company receives payments based on a U.S. fixed rate of interest and pays interest based on a foreign currency denominated floating rate. Over the terms of these agreements, the difference between what the company receives and pays for the interest rate swaps is recognized in interest expense. The company uses the foreign currency swaps in order to hedge the foreign currency exposure of its net investments in foreign subsidiaries and equity investments. The currency effects of the hedges are reflected in accumulated other comprehensive income (loss), thereby offsetting a portion of the foreign currency translation of net assets.

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

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

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

2 Earnings per share

The following table shows how earnings per share was computed for the three years ended December 31, 1999.

| Year ended December 31 (Millions, except per share data) | 1999 | 1998 | 1997 |
|---|---|---|---|
| Basic earnings per share computation | | | |
| Income (loss) before extraordinary item | $ 522.8 | $ 376.4 | $ (852.9) |
| Less dividends on preferred shares | (36.7) | (106.5) | (111.1) |
| Income (loss) available to common stockholders before extraordinary item | 486.1 | 269.9 | (964.0) |
| Extraordinary item | (12.1) | | |
| Net income (loss) available to common stockholders | $ 474.0 | $ 269.9 | $ (964.0) |
| Weighted average shares (thousands) | 287,290 | 253,335 | 183,550 |
| Basic earnings per share | | | |
| Before extraordinary item | $ 1.69 | $ 1.07 | $ (5.25) |
| Extraordinary item | (.04) | | |
| Total | $ 1.65 | $ 1.07 | $ (5.25) |
| Diluted earnings per share computation | | | |
| Income (loss) available to common stockholders before extraordinary item | $ 486.1 | $ 269.9 | $ (964.0) |
| Plus interest expense on assumed conversion of 8 1/4% Convertible Notes due 2006, net of tax | .3 | 1.5 | |
| Income (loss) available to common stockholders plus assumed conversions before extraordinary item | 486.4 | 271.4 | (964.0) |
| Extraordinary item | (12.1) | | |
| Net income (loss) available to common stockholders | $ 474.3 | $ 271.4 | $ (964.0) |
| Weighted average shares (thousands) | 287,290 | 253,335 | 183,550 |
| Plus incremental shares from assumed conversions: | | | |
| Preferred stock | 877 | 1,350 | |
| Employee stock plans | 9,835 | 11,164 | |
| 8 1/4% Convertible Notes due 2006 | 818 | 3,994 | |
| Adjusted weighted average shares | 298,820 | 269,843 | 183,550 |
| Diluted earnings per share | | | |
| Before extraordinary item | $ 1.63 | $ 1.01 | $ (5.25) |
| Extraordinary item | (.04) | | |
| Total | $ 1.59 | $ 1.01 | $ (5.25) |

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

| Year ended December 31 (thousands) | 1999 | 1998 | 1997 |
|---|---|---|---|
| Employee stock plans | 6,680 | 101 | 22,792 |
| Preferred stock | | 47,448 | 48,800 |
| 8 1/4% convertible notes due 2006 | | | 4,042 |

## 3 Acquisitions

During 1999, the company acquired the following companies: Datamec, a Brazilian application outsourcing company; Motay Electronics, a U.S.-based company that provides advanced automated burn-in systems and products to the semiconductor industry; and City Lifeline Systems Limited, a U.K.-based company that provides software and solutions for organizations trading in fixed income securities. These companies were acquired for an aggregate purchase price of approximately $60.0 million and were accounted for under the purchase method of accounting.

During 1999, the company also acquired the following U.S. companies: PulsePoint Communications, a developer of carrier-class enhanced services solutions for the communications industry; Tech Hackers, Inc., a developer of software tools and enterprise systems for securities trading and financial operations; and Publishing Partners International, Inc., a provider of advertising management software and services for the publishing industry. Approximately 2.9 million shares of the company's common stock were exchanged for all of the outstanding shares of these companies. These acquisitions were accounted for under the pooling of interests method of accounting and all prior periods were restated.

## 4 Accounting changes

In 1999, the Securities and Exchange Commission's staff issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 provides guidance on revenue recognition and had no effect on the company's consolidated financial position, consolidated results of operations, or liquidity.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement, which is effective for the year beginning January 1, 2001, establishes accounting and reporting standards for derivative instruments and for hedging activities. SFAS No. 133 requires a company to recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. Management is evaluating the impact this statement may have on the company's financial statements.

As discussed in Note 5, effective December 31, 1997, the company elected to change its method of measuring goodwill impairment.

## 5 One-time charges

Strategic realignments. In the fourth quarter of 1997, the company recorded a pretax charge of $113.6 million, $103.7 million after tax, or $.56 per diluted common share. The charge was related to plans to discontinue the manufacturing and assembly of personal computers and low-end servers, and to dispose of a small, non-strategic technology product. The charge included (a) $64.9 million for work-force reductions of approximately 1,000 people (500 U.S.-based and 500 European-based), (b) $46.2 million for product and program discontinuances, and (c) $2.5 million associated with facilities. A further breakdown of these costs is as follows (in millions of dollars):

| Cost Category | Total | Personal Computers Manufacturing | Non-Strategic Technology Product |
|---|---|---|---|
| Work-force reductions-- | | | |
| Europe | $ 54.5 | $47.7 | $ 6.8 |
| U.S. | 10.4 | 10.4 | |
| Subtotal | 64.9 | 58.1 | 6.8 |
| Products and Programs -- | | | |
| Provision for asset write-downs | 15.0 | 13.7 | 1.3 |
| Associated goodwill | 33.7 | 18.3 | 15.4 |
| Cumulative translation adjustments | (2.5) | | (2.5) |
| Subtotal | 46.2 | 32.0 | 14.2 |
| Facilities (representing provision for idle lease costs) | 2.5 | | 2.5 |
| Total charge | $113.6 | $90.1 | $23.5 |

Activity related to these 1997 restructuring actions during the years ended December 31, 1999, 1998 and 1997, was as follows:

| (Millions) | Total | Work-Force Reductions(1) | Products | Facilities |
|---|---|---|---|---|
| Total charge | $113.6 | $ 64.9 | $ 46.2 | $ 2.5 |
| Immediate asset write-downs | (31.2) | | (31.2) | |
| Balance at Dec. 31, 1997 | 82.4 | 64.9 | 15.0 | 2.5 |
| Utilized | (40.0) | (32.0) | (8.0) | |
| Other(2) | (20.8) | (18.3) | | (2.5) |
| Balance at Dec. 31, 1998 | 21.6 | 14.6 | 7.0 | - |
| Utilized | (12.1) | (7.3) | (2.9) | (1.9) |
| 0ther(2) | .5 | (1.0) | (.7) | 2.2 |
| Balance at Dec. 31, 1999 | $ 10.0 | $ 6.3 | $ 3.4 | $ .3 |
| Expected future utilization | | | | |
| 2000 | $ 6.4 | $ 3.6 | $ 2.8 | |
| 2001 and thereafter | 3.6 | 2.7 | .6 | $ .3 |

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

(2) Includes changes in estimates, reversals of excess reserves, translation adjustments, and additional provisions.

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

Cash expenditures in 1999 and 1998 relating to the above restructuring actions were $8.9 million and $32.6 million, respectively. Employee levels were reduced in 1999 and 1998 by 59 and 600 people, respectively, through termination actions, and, in addition, approximately 20 positions will be terminated in 2000 as certain support operations are phased out in completion of the original plan to discontinue PC manufacturing. The $6.3 million balance of the reserve at December 31, 1999 for work-force reductions represents amounts of termination indemnities expected to be paid for these actions.

Other restructuring actions

The amounts below relate principally to restructuring actions taken in 1995. In October 1995, the company announced that it would realign internally into three business units -- information services, support services, and computer systems -- each with its own marketing and sales organization. In the fourth quarter of 1995, in connection with this realignment, the company recorded a restructuring charge of $717.6 million. The charge initially covered (a) $436.6 million for work-force reductions of approximately 7,900 people including severance, notice pay, medical, and other benefits, (b) $218.6 million for consolidation of office facilities and manufacturing capacity, and (c) $62.4 million for costs associated with product and program discontinuances. Activity during the years ended December 31, 1999, 1998 and 1997 in the reserves related to these restructuring actions was as follows:

| (Millions) | Total | Work-Force Reductions(1) | Facilities(2) | Products |
|---|---|---|---|---|
| Balance at Dec. 31, 1996 | $ 433.9 | $ 207.5 | $192.3 | $ 34.1 |
| Utilized | (253.0) | (140.9) | (76.5) | (35.6) |
| Other(3) | (9.7) | (1.0) | (15.1) | 6.4 |
| Balance at Dec. 31, 1997 | 171.2 | 65.6 | 100.7 | 4.9 |
| Utilized | (87.3) | (48.0) | (36.0) | (3.3) |
| Other(3) | 2.0 | 10.8 | (8.3) | (.5) |
| Balance at Dec. 31, 1998 | 85.9 | 28.4 | 56.4 | 1.1 |
| Utilized | (36.7) | (15.8) | (20.4) | (.5) |
| Other(3) | (2.0) | 3.6 | (5.6) | |
| Balance at Dec. 31, 1999 | $ 47.2 | $ 16.2 | $ 30.4 | $ .6 |
| Expected future utilization: 2000 | $ 29.8 | $ 15.0 | $ 14.2 | $ .6 |
| 2001 and thereafter | 17.4 | 1.2 | 16.2 | - |

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

(2) Includes consolidation of office facilities and manufacturing capacity.

(3) Includes changes in estimates, reversals of excess reserves, translation adjustments, and additional provisions.

Cash expenditures associated with these restructuring actions in 1999, 1998 and 1997 were $35.7 million, $85.8 million and $178.7 million, respectively. Personnel reductions related to these restructuring actions during 1999, 1998 and 1997 were approximately 225, 300 and 2,600, respectively. The $16.2 million balance of the reserve at December 31, 1999 for work-force reductions represents the remaining balance of $12.2 million of extended payment severance packages for terminated employees and an accrual of $4.0 million for planned work-force reductions of approximately 100 people, which were identified in 1998 and late 1997 and which are expected to be completed by early 2001. The $30.4 million 1999 ending reserve balance for facility consolidations represents contractual obligations (reduced by sub-lease income) existing under long-term leases of vacated facilities.

Other charges. Effective December 31, 1997, the company elected to change its method of measuring goodwill impairment, which is reported as a change in accounting principle that is inseparable from a change in estimate. Prior to the change, when impairment indicators existed, goodwill was evaluated for impairment and any impairment would have been measured based on comparing the unamortized goodwill to projected undiscounted operating results. Under the company's new accounting method, any impairment of goodwill indicated by such comparison would be measured by discounting projected cash flows using a discount rate commensurate with the risks involved. If the estimate of the future discounted cash flows, net of the carrying amount of tangible net assets, is less than the carrying amount of goodwill, the difference would be charged to operations. When a goodwill impairment must be recognized, the company believes the discounted cash flow method is a better measurement of the remaining value of goodwill, considering the company's circumstances, particularly the rapid changes that continue to occur in the marketplace away from the proprietary technology and maintenance businesses, and the continuing declines in revenue and margins in these businesses.

In the fourth quarter of 1997, the company recorded a charge of $883.6 million, or $4.81 per diluted common share, principally for the writeoff of goodwill related to the 1986 acquisition of Sperry Corporation. Yearly amortization of such goodwill was approximately $36 million.

In connection with a strategic operations review in the fourth quarter of 1997, indicators of a potential impairment were identified, and the company concluded that it should test the remaining Sperry goodwill for recoverability. The most significant impairment indicator was an expected decline in Sperry-related revenue. The majority of Sperry-related revenue results from hardware and associated operating systems software. Since the acquisition of Sperry in 1986, experience has seen a shift from centralized processing to desktop computing with customer demand for open architectures. This shift in market demand led to industry-wide erosions in demand for mainframe systems and continued competitive pricing pressure. Another significant aspect to the decline in Sperry-related revenue is the continuing industry-wide erosion of proprietary maintenance revenue and margin streams. The company prepared an estimate of projected cash flows relating to the remaining Sperry businesses. The sum of these expected future undiscounted cash flows were less than the carrying amount of the remaining Sperry goodwill, which indicated the existence of an impairment loss. In preparing the cash flow analysis used by the company to measure goodwill impairment for Sperry, the following major assumptions were used: (1) the company's one year detail plan and its three-year strategic plan were used as a basis to project future results. (2) a risk-based rate of 17.3% was used to discount future cash flows, (3) a 6% compounded annual decline in Sperry-related revenue, (4) a continuation of declining gross profit margins, (5) expense levels were based on a percent of revenue, consistent with historical experience, and (6) a 40% effective income tax rate. The projections of Sperry-related cash flows were based on management's best estimate of future results. Actual results could differ materially from those estimates.

In addition, in the fourth quarter of 1997, the company completed the conversion of $271.2 million of its 8 1/4% convertible subordinated notes due 2006. The conversion was in response to a special offer to pay holders of these notes a cash premium for each note converted. The company recorded a one-time charge of $42.0 million, or $.23 per diluted common share, to cover the cost of this special offer.

Summary. The 1997 restructuring and other charges were recorded in the following statement of income classifications: Cost of revenue, $57.1 million; selling, general and administrative expenses, $12.3 million; research and development expenses, $4.9 million; impairment charges, $922.9 million; and other income (expense), net, $42.0 million.

## 6 Accounts receivable and inventories

Accounts and notes receivable, net include unbilled accounts receivable, for which revenue has been recorded under the percentage of completion method, at December 31, 1999 and 1998 of $217.8 million and $184.8 million, respectively.

Inventories comprise the following:

| December 31 (Millions) | 1999 | 1998 |
|---|---|---|
| Parts and finished equipment | $236.8 | $264.1 |
| Work in process and materials | 136.1 | 206.9 |
| Total inventories | $372.9 | $471.0 |

At December 31, 1999 and 1998, work in process inventories included $33.3 and $85.9 million, respectively, of costs related to long-term contracts.

## 7 Estimated income taxes

| Year ended December 31 (Millions) | 1999 | 1998 | 1997 |
|---|---|---|---|
| Income (loss) before income taxes | | | |
| United States | $485.4 | $ 397.8 | $(960.4) |
| Foreign | 284.9 | 196.4 | 212.3 |
| Total income (loss) before income taxes | $770.3 | $ 594.2 | $(748.1) |
| Estimated income taxes (benefit) | | | |
| Current | | | |
| United States | $ 22.3 | $ 26.7 | $ 28.0 |
| Foreign | 112.1 | 51.8 | 69.0 |
| State and local | 10.5 | 23.3 | 23.1 |
| Total | 144.9 | 101.8 | 120.1 |
| Deferred | | | |
| United States | 75.7 | 115.2 | (21.9) |
| Foreign | 24.4 | .7 | 6.8 |
| State and local | 2.5 | .1 | (.2) |
| Total | 102.6 | 116.0 | (15.3) |
| Total estimated income taxes | $247.5 | $ 217.8 | $ 104.8 |

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

| Year ended December 31 (Millions) | 1999 | 1998 | 1997 |
|---|---|---|---|
| United States statutory income tax (benefit) | $269.6 | $208.0 | $(261.8) |
| Difference in estimated income taxes on foreign earnings, losses, and remittances | 3.8 | (46.1) | (35.7) |
| State taxes | 9.3 | 15.1 | 14.8 |
| Tax refund claims, audit issues, and other matters | (18.0) | 31.2 | 42.7 |
| Amortization of goodwill | 2.3 | 1.8 | 335.1 |
| U.S. tax law change | (22.0) | | |
| Other | 2.5 | 7.8 | 9.7 |
| Estimated income taxes | $247.5 | $217.8 | $ 104.8 |

The tax effects of temporary differences and carryforwards that give rise to significant portions of deferred tax assets and liabilities at December 31, 1999 and 1998, were as follows:

| December 31 (Millions) | 1999 | 1998 |
|---|---|---|
| Deferred tax assets | | |
| Capitalized research and development | $ 596.1 | $ 591.6 |
| Tax loss carryforwards | 254.2 | 282.9 |
| Foreign tax credit carryforwards | 114.4 | 232.3 |
| Other tax credit carryforwards | 243.3 | 140.7 |
| Prepayments | 138.5 | 109.7 |
| Postretirement benefits | 82.4 | 91.0 |
| Employee benefits | 88.5 | 64.2 |
| Depreciation | 46.3 | 60.8 |
| Restructuring | 38.2 | 50.7 |
| Other | 281.7 | 239.0 |
| | 1,883.6 | 1,862.9 |
| Valuation allowance | (308.7) | (354.5) |
| Total deferred tax assets | $1,574.9 | $1,508.4 |
| Deferred tax liabilities | | |
| Pensions | $ 424.1 | $ 337.3 |
| Other | 75.3 | 110.0 |
| Total deferred tax liabilities | $ 499.4 | $ 447.3 |
| Net deferred tax asset | $1,075.5 | $1,061.1 |

SFAS No. 109 requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized. During 1999, the net decrease in the valuation allowance was $45.8 million. Included in this decrease was a one-time tax benefit of $22.0 million, or $.07 per diluted common share, related to a new U.S. Treasury income tax regulation pertaining to the use of net operating loss carryforwards of acquired companies.

Cumulative undistributed earnings of foreign subsidiaries, for which no U.S. income or foreign withholding taxes have been recorded, approximated $790.0 million at December 31, 1999. Such earnings are expected to be reinvested indefinitely. Determination of the amount of unrecognized deferred tax liability with respect to such earnings is not practicable. The additional taxes payable on the earnings of foreign subsidiaries, if remitted, would be substantially offset by U.S. tax credits for foreign taxes already paid. While there are no specific plans to distribute the undistributed earnings in the immediate future, where economically appropriate to do so, such earnings may be remitted.

Cash paid during 1999, 1998, and 1997 for income taxes was $96.6, $92.7, and $80.0 million, respectively.

At December 31, 1999, 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 $254.2 million. These carryforwards will expire as follows (in millions): 2000, $8.6; 2001, $7.4; 2002, $7.5; 2003, $12.1; 2004, $10.4; and $208.2 thereafter. The company also has available tax credit carryforwards of approximately $357.7 million, which will expire as follows (in millions): 2000, $9.0; 2001, $62.0; 2002, $56.6; 2003, $7.2; 2004, $7.5; and $215.4 thereafter.

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

The company is currently contesting issues before the Internal Revenue Service in connection with Sperry Corporation for the years ended March 31, 1982, through September 16, 1986. In management's opinion, adequate provisions for income taxes have been made for all years.

8 Properties

Properties comprise the following:

| December 31 (Millions) | 1999 | 1998 |
|---|---|---|
| Land | $ 8.4 | $ 10.3 |
| Buildings | 164.4 | 166.4 |
| Machinery and office equipment | 1,323.0 | 1,261.1 |
| Rental and outsourcing equipment | 227.2 | 296.8 |
| Total properties | $1,723.0 | $1,734.6 |

9 Investments at equity

Substantially all of the company's investments at equity consist of Nihon Unisys, Ltd., a Japanese company ("NUL"). At December 31, 1999, the company owned approximately 28.6% of NUL's common stock that has a fair market value of approximately $1.1 billion. The company has approximately $157 million of retained earnings that represents undistributed earnings of NUL.

10 Long-term debt

Long-term debt comprises the following:

| December 31 (Millions) | 1999 | 1998 |
|---|---|---|
| 12% senior notes due 2003 | $399.5 | $ 425.0 |
| 11 3/4% senior notes due 2004* | 334.2 | 450.0 |
| 7 7/8% senior notes due 2008* | 200.0 | 200.0 |
| 8 1/4% convertible subordinated notes | | 27.0 |
| Other, net of unamortized discounts | 39.4 | 8.8 |
| Total | 973.1 | 1,110.8 |
| Less -- Current maturities | 22.9 | 4.1 |
| Total long-term debt | $950.2 | $1,106.7 |

*See interest rate swap discussion below.

Total long-term debt maturities in 2000, 2001, 2002, 2003, and 2004 are $22.9, $17.9, $.3, $399.7, and $334.4 million, respectively.

Cash paid during 1999, 1998, and 1997 for interest was $141.5, $185.6, and $253.1 million, respectively.

As discussed in Note 13, the company entered into interest rate swaps that convert the interest rate on the company's $200 million 7 7/8% senior notes due 2008 and $200 million of its 11 3/4% senior notes due 2004 to a U.S. floating rate. Under foreign currency swaps, the effective interest rate on these principal balances is Japanese libor plus .40% (.59% at December 31, 1999) and euro libor plus 4.71% (8.05% at December 31, 1999), respectively.

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

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

The company has a $400 million credit agreement expiring June 2001. As of December 31, 1999, there were no borrowings outstanding under the facility and the entire $400 million was available for borrowings. The company pays commitment fees on the total amount of the facility. In addition, the company has access to certain uncommitted lines of credit from U.S. banks and international subsidiaries maintain short-term credit arrangements with banks in accordance with local customary practice.

## 11 Other accrued liabilities

Other accrued liabilities (current) comprise the following:

| December 31 (Millions) | 1999 | 1998 |
|---|---|---|
| Payrolls and commissions | $ 360.9 | $ 334.3 |
| Customers' deposits and prepayments | 522.0 | 629.5 |
| Taxes other than income taxes | 113.5 | 133.0 |
| Restructuring * | 36.2 | 70.7 |
| Other | 150.5 | 140.7 |
| Total other accrued liabilities | $1,183.1 | $1,308.2 |

* At December 31, 1999 and 1998, an additional $21.0 million and $36.8 million, respectively, was reported in other liabilities (long term) on the consolidated balance sheet.

## 12 Leases

Rental expense, less income from subleases, for 1999, 1998, and 1997 was $139.0, $147.4, and $155.3 million, respectively.

Minimum net rental commitments under noncancelable operating leases outstanding at December 31, 1999, substantially all of which relate to real properties, were as follows: 2000, $134.8 million; 2001, $112.1 million; 2002, $86.7 million; 2003, $64.3 million; 2004, $49.4 million; and thereafter, $304.7 million. Such rental commitments have been reduced by minimum sublease rentals of $84.7 million due in the future under noncancelable subleases.

## 13 Financial instruments

The company uses derivative financial instruments to manage its exposure to market risks from changes in foreign currency exchange and interest rates. The derivative instruments used are foreign exchange forward contracts, foreign exchange options, interest rate swaps and foreign currency swaps.

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

The cost of foreign currency options is recorded in other current assets in the consolidated balance sheet. At December 31, 1999, such amount was $3.5 million. When the U.S. dollar strengthens against foreign currencies, the decline in value of the underlying exposures is partially offset by gains in the value of purchased currency options designated as hedges. When the U.S. dollar weakens, the increase in the value of the underlying exposures is reduced only by the premium paid to purchase the options. The cost of options is reported in income ratably over the option term, and any gains thereon are reported in income when the related transactions being hedged (generally within 12 months) are recognized.

The company also enters into foreign exchange forward contracts. Gains and losses on such contracts are deferred and included in current liabilities until the corresponding transaction is recognized. At December 31, 1999, the company had a total of $264.7 million (of notional value) of such contracts, $237.0 million to sell foreign currencies, and $27.7 million to buy foreign currencies. At December 31, 1998, the company had a total of $192.3 million (of notional value) of foreign exchange forward contracts, $181.9 million to sell foreign currencies, and $10.4 million to buy foreign currencies. At December 31, 1999, a realized net loss on such contracts of approximately $5.6 million was deferred and included in current liabilities. Gains or losses on foreign exchange forward contracts are reported in income when the related transactions being hedged (principally within three months) are recognized.

In 1999, the company entered into interest rate and currency swaps for Japanese yen and euros. In the currency swaps, the company is obligated to deliver on April 1, 2008, 23.2 billion yen in exchange for $200 million and is obligated to deliver on October 15, 2004, 194.4 million euros in exchange for $200 million. At December 31, 1999, the company had a payable of $22.5 million included in other liabilities (long term) related to these currency swaps. Over the terms of these swaps, the company receives payments based on a U.S. fixed rate of interest and pays interest based on a foreign currency denominated floating rate. The difference between what the company receives and pays for the interest rate swaps is recognized over the life of the agreements in interest expense. The company has designated the currency swaps as hedges of the foreign currency exposure on its net investments in foreign subsidiaries and equity investments. The currency effects of these hedges are reflected in accumulated other comprehensive income (loss) thereby offsetting a portion of the foreign currency translation of net assets.

Financial instruments comprise the following:

| December 31 (Millions) | 1999 | 1998 |
|---|---|---|
| Outstanding: | | |
| Long-term debt | $ 973.1 | $1,110.8 |
| Foreign exchange forward contracts* | 264.7 | 192.3 |
| Foreign exchange options* | 288.2 | 262.2 |
| Interest rate swaps* | 400.0 | -- |
| Foreign currency swaps * | 400.0 | -- |
| Estimated fair value: | | |
| Long-term debt | $1,021.2 | $1,352.0 |
| Foreign exchange forward contracts | (1.9) | (1.5) |
| Foreign exchange options | 8.4 | 2.8 |
| Interest rate swaps | 3.4 | -- |
| Foreign currency swaps | (27.2) | -- |

*notional value

Financial instruments also include temporary cash investments and customer accounts receivable. Temporary investments are placed with creditworthy financial institutions, primarily in over-securitized treasury repurchase agreements, Euro-time deposits, or commercial paper of major corporations. At December 31, 1999, the company's cash equivalents principally have maturities of less than one month. Due to the short maturities of these instruments, they are carried on the balance sheet at cost plus accrued interest, which approximates market value. Realized gains or losses during 1999 and 1998, as well as unrealized gains or losses at December 31, 1999, were immaterial. Receivables are due from a large number of customers that are dispersed worldwide across many industries. At December 31, 1999 and 1998, the company had no significant concentrations of credit risk.

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

## 14 Litigation

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

## 15 Segment information

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

The accounting policies of each business segment are the same as those described in the summary of significant accounting policies, except for warranty obligations related to company-manufactured PCs in the Technology business segment. For segment reporting purposes, prior to 1998, such costs are accounted for on a cash basis, whereas on a total company basis, such costs are accounted for on an accrual basis. In 1998, the company outsourced the manufacture of such products and any warranty costs related to company-manufactured PCs are considered corporate costs. The effect of the difference between the cash and accrual basis in 1997 was immaterial. Intersegment sales and transfers are priced as if the sales or transfers were to third parties. The company evaluates business segment performance on operating income exclusive of restructuring charges and unusual and nonrecurring items. All corporate and centrally incurred costs are allocated to the business segments based principally on assets, revenue, employees, square footage, or usage.

Corporate assets are principally cash and cash equivalents, prepaid pension assets, and deferred income taxes. The expense or income related to corporate assets are allocated to the business segments. In addition, corporate assets include an offset for accounts receivable that have been recorded as sales in accordance with SFAS No. 125 because such receivables are included in the assets of the business segments.

No single customer accounts for more than 10% of revenue. Revenue from various agencies of the U.S. Government, which is reported in both business segments, approximated $865, $917, and $791 million in 1999, 1998, and 1997, respectively.

A summary of the company's operations by business segment for 1999, 1998, and 1997 is presented below:

| (Millions of dollars) | Total | Corporate | Services | Technology |
|---|---|---|---|---|
| **1999** | | | | |
| Customer revenue | $7,544.6 | | $ 5,287.0 | $ 2,257.6 |
| Intersegment | | $ (577.5) | 65.6 | 511.9 |
| Total revenue | $7,544.6 | $ (577.5) | $ 5,352.6 | $ 2,769.5 |
| Operating income (loss) | $ 960.7 | $ (23.6) | $ 421.0 | $ 563.3 |
| Depreciation and amortization | 265.2 | | 115.1 | 150.1 |
| Total assets | 5,889.7 | 2,754.9 | 1,991.8 | 1,143.0 |
| Investments at equity | 225.5 | 1.8 | | 223.7 |
| Capital expenditures for properties | 219.6 | 59.9 | 97.8 | 61.9 |
| **1998** | | | | |
| Customer revenue | $7,243.9 | | $ 4,944.8 | $ 2,299.1 |
| Intersegment | | $ (511.2) | 73.7 | 437.5 |
| Total revenue | $7,243.9 | $ (511.2) | $ 5,018.5 | $ 2,736.6 |
| Operating income (loss) | $ 799.0 | $ (45.3) | $ 332.3 | $ 512.0 |
| Depreciation and amortization | 270.4 | | 88.1 | 182.3 |
| Total assets | 5,613.2 | 2,717.8 | 1,837.6 | 1,057.8 |
| Investments at equity | 184.6 | 2.1 | | 182.5 |
| Capital expenditures for properties | 209.1 | 44.2 | 86.5 | 78.4 |
| **1997** | | | | |
| Customer revenue | $6,662.9 | | $ 4,307.9 | $ 2,355.0 |
| Intersegment | | $ (483.8) | 70.0 | 413.8 |
| Total revenue | $6,662.9 | $ (483.8) | $ 4,377.9 | $ 2,768.8 |
| Operating income (loss) | $ (408.4) | $(1,001.1) | $ 148.6 | $ 444.1 |
| Depreciation and amortization | 1,220.2 | 952.2 | 90.1 | 177.9 |
| Total assets | 5,631.6 | 2,791.0 | 1,573.7 | 1,266.9 |
| Investments at equity | 215.7 | 9.9 | | 205.8 |
| Capital expenditures for properties | 184.0 | | 81.8 | 102.2 |

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

| Year ended December 31 (Millions) | 1999 | 1998 | 1997 |
|---|---|---|---|
| Total segment operating income | $ 984.3 | $ 844.3 | $ 592.7 |
| Interest expense | (127.8) | (171.7) | (233.2) |
| Other income (expense), net | (62.6) | (33.1) | (106.5) |
| Impairment charges | | | (922.9) |
| Other special charges | | | (74.3) |
| Corporate and eliminations | (23.6) | (45.3) | (3.9) |
| Total income (loss) before income taxes | $ 770.3 | $ 594.2 | $(748.1) |

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

| December 31 (Millions) | 1999 | 1998 | 1997 |
|---|---|---|---|
| Total segment assets | $3,134.8 | $2,895.4 | $2,840.6 |
| Cash and cash equivalents | 464.0 | 616.4 | 824.2 |
| Prepaid pension assets | 975.9 | 833.8 | 762.4 |
| Deferred income taxes | 1,128.3 | 1,123.2 | 1,127.1 |
| Elimination for sale of receivables | (30.7) | (28.4) | (125.9) |
| Other corporate assets | 217.4 | 172.8 | 203.2 |
| Total assets | $5,889.7 | $5,613.2 | $5,631.6 |

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

| (Millions) | 1999 | 1998 | 1997 |
|---|---|---|---|
| Revenue | | | |
| United States | $3,357.9 | $3,154.3 | $2,732.4 |
| Foreign | 4,186.7 | 4,089.6 | 3,930.5 |
| Total | $7,544.6 | $7,243.9 | $6,662.9 |
| Properties, net | | | |
| United States | $ 367.2 | $ 322.3 | $ 312.7 |
| United Kingdom | 64.2 | 56.2 | 53.5 |
| Brazil | 38.8 | 61.9 | 67.9 |
| Other foreign | 150.6 | 145.0 | 152.4 |
| Total | $ 620.8 | $ 585.4 | $ 586.5 |

## 16 Employee plans

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

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

Restricted stock and restricted stock units have been granted and are subject to forfeiture until the expiration of a specified period of service commencing on the date of grant. Compensation expense resulting from the awards is charged to income ratably from the date of grant until the date the restrictions lapse and is based on fair market value at the date of grant. During the years ended December 31, 1999, 1998, and 1997, $2.5, $6.0, and $6.4 million was charged to income, respectively.

Effective July 1, 1998, the company implemented a world-wide Employee Stock Purchase Plan ("ESPP"), which enables substantially all regular employees to purchase shares of the company's common stock through payroll deductions of up to 10% of eligible pay. The price the employee pays is 85% of the market price at the beginning or end of a calendar quarter, whichever is lower. During the years ended December 31, 1999 and 1998, employees purchased shares, all of which were newly issued shares, for which $35.1 million and $5.6 million was paid to the company, respectively.

U.S. employees are eligible to participate in an employee savings plan. Under this plan, a percentage of the employee's pay may be contributed to various investment alternatives. Effective July 1, 1998, a company match for up to 1% of pay was reinstituted. Effective January 1, 2000 such company match was increased to 2%. The match consists of the company contributing newly issued shares of its common stock to the plan. The charge to income, related to such company match, for the years ended December 31, 1999 and 1998 was $8.2 million and $4.1 million, respectively.

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

Pro forma information regarding net income and earnings per share is required by SFAS No. 123, and has been determined as if the company had accounted for its stock plans under the fair value method of SFAS No. 123. The fair value of stock options is estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions for 1999, 1998, and 1997, respectively: risk-free interest rates of 5.14%, 5.67%, and 6.59%, volatility factors of the expected market price of the company's common stock of 55%, a weighted average expected life of the options of five years, and no dividends.

For purposes of the pro forma disclosures, the estimated fair value of the options is amortized to expense over the options vesting period. The company's pro forma net income (loss) for the years ended December 31, 1999, 1998, and 1997, respectively, follows: 1999, $472.2 million, or income of $1.46 per diluted share; 1998, $361.6 million, or income of $.95 per diluted share; and 1997, $(858.1) million, or a loss of $5.28 per share.

A summary of the status of stock option activity follows:

| Year ended December 31 (Shares in thousands) | 1999 | | 1998 | | 1997 | |
|---|---|---|---|---|---|---|
| | Shares | Weighted Avg. Exercise Price | Shares | Weighted Avg. Exercise Price | Shares | Weighted Avg. Exercise Price |
| Outstanding at beginning of year | 18,252 | $13.28 | 20,439 | $ 9.90 | 18,332 | $10.32 |
| Granted | 6,981 | 30.54 | 5,492 | 23.14 | 5,327 | 7.79 |
| Exercised | (4,649) | 11.28 | (6,842) | 10.76 | (944) | 8.45 |
| Forfeited and expired | (1,426) | 17.05 | (837) | 14.05 | (2,276) | 9.60 |
| Outstanding at end of year | 19,158 | 19.74 | 18,252 | 13.28 | 20,439 | 9.90 |
| Exercisable at end of year | 6,138 | 11.39 | 7,547 | 10.50 | 11,297 | 11.42 |
| Shares available for granting options at end of year | 2,601 | | 4,592 | | 4,058 | |
| Weighted average fair value of options granted during the year | | $15.95 | | $12.79 | | $ 4.38 |

| December 31, 1999 (Shares in thousands) | Outstanding | | | Exercisable | |
|---|---|---|---|---|---|
| Exercise Price Range | Shares | Average Life * | Average Exercise Price | Shares | Average Exercise Price |
| $4-11 | 5,492 | 6.25 | $ 6.95 | 3,332 | $ 7.37 |
| $11-30 | 6,986 | 7.31 | 19.12 | 2,718 | 15.39 |
| $30-82 | 6,680 | 9.31 | 30.90 | 88 | 40.18 |
| Total | 19,158 | 7.70 | 19.74 | 6,138 | 11.39 |

*Average contractual remaining life in years

Retirement benefits

Retirement plans funded status and amounts recognized in the company's consolidated balance sheet at December 31, 1999 and 1998, follows:

| | U.S. Plans | | International Plans | |
|---|---|---|---|---|
| December 31 (Millions) | 1999 | 1998 | 1999 | 1998 |
| Change in benefit obligation | | | | |
| Benefit obligation at beginning of year | $3,684.1 | $3,543.7 | $811.7 | $685.4 |
| Service cost | 39.3 | 35.7 | 18.0 | 15.3 |
| Interest cost | 251.3 | 248.3 | 51.5 | 45.8 |
| Plan participants' contributions | | | 10.2 | 9.7 |
| Plan amendments | | .6 | | 3.0 |
| Actuarial (gain) loss | (234.5) | 105.8 | 16.3 | 76.5 |
| Benefits paid | (249.1) | (250.0) | (35.9) | (34.5) |
| Effect of settlements/curtailments | | | 1.1 | |
| Foreign currency translation adjustments | | | (66.9) | 10.5 |
| Other | | | 38.2 | |
| Benefit obligation at end of year | $3,491.1 | $3,684.1 | $844.2 | $811.7 |
| Change in plan assets | | | | |
| Fair value of plan assets at beginning of year | $4,459.1 | $4,107.1 | $877.9 | $789.3 |
| Actual return on plan assets | 831.0 | 597.2 | 113.8 | 86.6 |
| Employer contribution | 4.5 | 4.8 | 15.3 | 13.9 |
| Plan participants' contributions | | | 10.2 | 9.7 |
| Benefits paid | (249.1) | (250.0) | (35.9) | (34.5) |
| Foreign currency translation adjustments | | | (73.2) | 10.6 |
| Other | | | 51.2 | 2.3 |
| Fair value of plan assets at end of year | $5,045.5 | $4,459.1 | $959.3 | $877.9 |
| Funded status | $1,554.4 | $ 775.0 | $115.1 | $ 66.2 |
| Unrecognized net actuarial (gain) loss | (660.0) | 13.1 | (34.4) | (17.8) |
| Unrecognized prior service (benefit) cost | (20.0) | (28.0) | 7.6 | 9.1 |
| Unrecognized net obligation at date of adoption | .8 | 1.5 | .7 | 1.0 |
| Prepaid pension cost | $ 875.2 | $ 761.6 | $ 89.0 | $ 58.5 |
| Amounts recognized in the statement of financial position consist of: | | | | |
| Prepaid pension cost | $ 875.2 | $ 761.6 | $100.7 | $ 72.2 |
| Other liabilities | | | (11.7) | (13.7) |
| | $ 875.2 | $ 761.6 | $ 89.0 | $ 58.5 |

The projected benefit obligations, accumulated benefit obligations and fair value of plan assets for plans with accumulated benefit obligations in excess of plan assets was as follows (in millions of dollars): $187.2 million, $178.1 million, and $108.2 million at December 31, 1999; and $92.0 million, $86.2 million, and $13.3 million at December 31, 1998.

Net periodic pension costs for 1999, 1998, and 1997 includes the following components:

| | U.S. Plans | | | International Plans | | |
|---|---|---|---|---|---|---|
| Year ended December 31 (Millions) | 1999 | 1998 | 1997 | 1999 | 1998 | 1997 |
| Service cost | $ 39.3 | $ 35.7 | $ 33.4 | $ 18.0 | $ 15.3 | $ 14.2 |
| Interest cost | 251.3 | 248.3 | 247.3 | 51.5 | 45.8 | 42.8 |
| Expected return on plan assets | (395.4) | (356.5) | (332.6) | (67.4) | (56.8) | (53.7) |
| Amortization of prior service (benefit) cost | (6.3) | (6.6) | (7.3) | 1.0 | .8 | .7 |
| Amortization of asset or liability at adoption | .7 | .7 | .7 | .1 | | .1 |
| Recognized net actuarial loss (gain) | 1.4 | 23.7 | 23.6 | 2.8 | (.1) | (1.8) |
| Settlement/curtailment (gain) loss | | (.4) | (2.8) | 1.1 | | .4 |
| Net periodic pension (income) cost | $(109.0) | $ (55.1) | $ (37.7) | $ 7.1 | $ 5.0 | $ 2.7 |
| Weighted-average assumptions as of December 31 were as follows: | | | | | | |
| Discount rate | 7.75% | 7.00% | 7.25% | 6.35% | 6.36% | 6.77% |
| Rate of compensation increase | 5.40% | 5.40% | 5.40% | 3.81% | 4.07% | 3.74% |
| Expected long-term rate of return on assets | 10.00% | 10.00% | 10.00% | 8.44% | 8.23% | 8.25% |

Other postretirement benefits

A reconciliation of the benefit obligation, fair value of the plan assets, and the funded status of the postretirement medical plan at December 31, 1999 and 1998, follows:

| December 31 (Millions) | 1999 | 1998 |
|---|---|---|
| Change in benefit obligation | | |
| Benefit obligation at beginning of year | $ 225.8 | $ 227.4 |
| Interest cost | 14.9 | 15.5 |
| Plan participants' contributions | 23.8 | 24.6 |
| Actuarial loss (gain) | 1.5 | (2.1) |
| Benefits paid | (43.1) | (39.6) |
| Effect of settlement/curtailment | (5.5) | |
| Benefit obligation at end of year | $ 217.4 | $ 225.8 |
| Change in plan assets | | |
| Fair value of plan assets at beginning of year | $ 13.3 | $ 15.4 |
| Actual return on plan assets | (.1) | 1.0 |
| Employer contributions | 19.5 | 11.9 |
| Plan participants' contributions | 23.8 | 24.6 |
| Benefits paid | (43.1) | (39.6) |
| Fair value of plan assets at end of year | $ 13.4 | $ 13.3 |
| Funded status | $(204.0) | $(212.5) |
| Unrecognized net actuarial loss | 12.1 | 16.8 |
| Unrecognized prior service benefit | (13.6) | (22.9) |
| Accrued benefit cost | $(205.5) | $(218.6) |

Net periodic postretirement benefit cost for 1999, 1998, and 1997 follows:

| Year ended December 31 (Millions) | 1999 | 1998 | 1997 |
|---|---|---|---|
| Interest cost | $14.9 | $15.5 | $16.3 |
| Expected return on plan assets | (.4) | (1.1) | (1.8) |
| Amortization of prior service benefit | (2.2) | (2.7) | (2.7) |
| Recognized net actuarial loss | .6 | .6 | 1.2 |
| Settlement/curtailment gain | (6.5) | | |

| | | | |
|---|---|---|---|
| Net periodic benefit cost | $ 6.4 | $12.3 | $13.0 |
| Weighted-average assumptions as of December 31 were as follows: | | | |
| Discount rate | 7.50% | 7.20% | 7.30% |
| Expected return on plan assets | 8.00% | 8.00% | 8.00% |

The assumed health care cost trend rate used in measuring the expected cost of benefits covered by the plan was 8.4% for 1999, gradually declining to 5.5% in 2006 and thereafter. A one-percentage point increase (decrease) in the assumed health care cost trend rate would increase (decrease) the accumulated postretirement benefit obligation at December 31, 1999, by $8.4 million and $(7.6) million, respectively, and increase (decrease) the aggregate of the service and interest cost components of net periodic postretirement benefit cost for 1999 by $.7 million and $(.6) million, respectively.

## 17 Stockholders' equity

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

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

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

Each outstanding share of common stock has attached to it one preferred share purchase right. The rights become exercisable only if a person or group acquires 20% or more of the company's common stock, or announces a tender or exchange offer for 30% or more of the common stock. Until the rights become exercisable, they have no dilutive effect on net income per common share.

At December 31, 1999, 27.0 million shares of unissued common stock of the company were reserved for stock options and for stock purchase and savings plans.

Changes in issued shares during the three years ended December 31, 1999, were as follows:

| (Thousands) | Preferred Stock | Common Stock | Treasury Stock |
|---|---|---|---|
| Balance at December 31, 1996 | 28,831 | 177,271 | (899) |
| Conversions to common stock | (2) | 73,150 | |
| Issuance of stock under stock option and other plans | | 1,259 | 160 |
| Other | (29) | 84 | |
| Balance at December 31, 1997 | 28,800 | 251,764 | (739) |
| Conversions to common stock | (2) | 110 | |
| Issuance of stock under stock option and other plans | 143 | 7,573 | (553) |
| Balance at December 31, 1998 | 28,941 | 259,447 | (1,292) |
| Conversions to common stock | (24,952) | 46,090 | |
| Redemptions | (3,941) | | |
| Issuance of stock under stock option and other plans | | 6,916 | (578) |
| Other | (48) | | |
| Balance at December 31, 1999 | -- | 312,453 | (1,870) |

Comprehensive income for the three years ended December 31, 1999, includes the following components:

| Year ended December 31 (Millions) | 1999 | 1998 | 1997 |
|---|---|---|---|
| Net income (loss) | $510.7 | $376.4 | $(852.9) |
| Other comprehensive income (loss) | | | |
| Foreign currency translation adjustments* | (41.6) | (89.6) | (40.4) |
| Related tax (benefit) expense | (2.8) | (6.1) | 17.6 |
| Total other comprehensive income (loss) | (38.8) | (83.5) | (58.0) |
| Comprehensive income (loss) | $471.9 | $292.9 | $(910.9) |

*Net of income (loss) on translation adjustments reclassified to income upon sale or writeoff of ownership interest in foreign investments as follows: 1999, $.2 million; 1998, $(.1) million; and 1997, $2.8 million.

## Report of Independent Auditors

To the Board of Directors of Unisys Corporation

We have audited the accompanying consolidated balance sheets of Unisys Corporation at December 31, 1999 and 1998, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of Unisys Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Unisys Corporation at December 31, 1999 and 1998, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

As described in Note 5 to the consolidated financial statements, effective December 31, 1997, Unisys Corporation changed its method of accounting for the measurement of goodwill impairment.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
January 18, 2000

UNISYS CORPORATION

Supplemental Financial Data (Unaudited)

Quarterly financial information

| (Millions, except per share data) | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Year |
|---|---|---|---|---|---|
| **1999** | | | | | |
| Revenue | $1,822.8 | $1,896.5 | $1,865.4 | $1,959.9 | $7,544.6 |
| Gross profit | 668.6 | 664.1 | 670.2 | 681.8 | 2,684.7 |
| Income before income taxes | 169.7 | 182.5 | 196.1 | 222.0 | 770.3 |
| Income before extraordinary item | 109.9 | 118.0 | 150.5 | 144.4 | 522.8 |
| Net income | 109.9 | 118.0 | 138.4 | 144.4 | 510.7 |
| Dividends on preferred shares | 22.8 | 12.0 | 1.9 | | 36.7 |
| Earnings on common shares | 87.1 | 106.0 | 136.5 | 144.4 | 474.0 |
| Earnings per common share -- basic | | | | | |
| Before extraordinary item | .33 | .39 | .49 | .47 | 1.69 |
| Extraordinary item | | | (.04) | | (.04) |
| Total | .33 | .39 | .45 | .47 | 1.65 |
| Earnings per common share -- diluted | | | | | |
| Before extraordinary item | .31 | .37 | .47 | .46 | 1.63 |
| Extraordinary item | | | (.04) | | (.04) |
| Total | .31 | .37 | .43 | .46 | 1.59 |
| Market price per common share -- high | 36 1/2 | 39 15/16 | 49 11/16 | 47 7/16 | 49 11/16 |
| -- low | 27 5/8 | 27 3/8 | 37 1/16 | 20 15/16 | 20 15/16 |
| **1998** | | | | | |
| Revenue | $1,656.1 | $1,737.2 | $1,792.3 | $2,058.3 | $7,243.9 |
| Gross profit | 563.0 | 586.8 | 605.9 | 712.3 | 2,468.0 |
| Income before income taxes | 95.2 | 137.8 | 147.6 | 213.6 | 594.2 |
| Net income | 59.9 | 87.0 | 93.8 | 135.7 | 376.4 |
| Dividends on preferred shares | 26.7 | 26.6 | 26.6 | 26.6 | 106.5 |
| Earnings on common shares | 33.2 | 60.4 | 67.2 | 109.1 | 269.9 |
| Earnings per common share -- basic | .13 | .24 | .26 | .43 | 1.07 |
| -- diluted | .13 | .23 | .25 | .40 | 1.01 |
| Market price per common share -- high | 20 3/16 | 28 3/8 | 30 11/16 | 35 3/8 | 35 3/8 |
| --low | 13 5/16 | 17 1/4 | 17 5/8 | 18 1/8 | 13 5/16 |

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

Included in the third quarter of 1999, the company recognized a one-time tax benefit of $22.0 million, or $.07 per diluted common share. See Note 7 to the Notes to Consolidated Financial Statements.

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

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

Nine-year summary of selected financial data(1)

| (Millions, except per share data) | 1999 | 1998 | 1997(2) | 1996 | 1995(2) | 1994(2) | 1993 | 1992 | 1991(2) |
|---|---|---|---|---|---|---|---|---|---|
| Results of operations | | | | | | | | | |
| Revenue | $7,544.6 | $7,243.9 | $6,662.9 | $6,397.9 | $6,370.3 | $6,130.6 | $6,133.0 | $6,750.9 | $ 6,943.0 |
| Operating income (loss) | 960.7 | 799.0 | (408.4) | 313.1 | (568.4) | 273.8 | 692.7 | 690.2 | (612.7) |
| Income (loss) from continuing operations before income taxes | 770.3 | 594.2 | (748.1) | 80.2 | (786.0) | 17.4 | 365.2 | 304.6 | (1,422.2) |
| Income (loss) from continuing operations before extraordinary items and changes in accounting principles | 522.8 | 376.4 | (852.9) | 50.7 | (632.2) | 14.8 | 280.6 | 168.6 | (1,517.8) |
| Net income (loss) | 510.7 | 376.4 | (852.9) | 38.6 | (629.5) | 103.2 | 559.7 | 363.5 | (1,390.9) |
| Dividends on preferred shares | 36.7 | 106.5 | 111.1 | 120.8 | 120.3 | 120.1 | 121.6 | 122.1 | 121.2 |
| Earnings (loss) on common shares | 474.0 | 269.9 | (964.0) | (82.2) | (749.8) | (16.9) | 438.1 | 241.4 | (1,512.1) |
| Earnings (loss) from continuing operations per common share | | | | | | | | | |
| Basic | 1.69 | 1.07 | (5.25) | (.40) | (4.36) | (.61) | .97 | .28 | (10.05) |
| Diluted | 1.63 | 1.01 | (5.25) | (.40) | (4.36) | (.61) | .88 | .28 | (10.05) |
| Financial position | | | | | | | | | |
| Working capital | $ 227.2 | $ 247.5 | $ 321.9 | $ 684.5 | $ 93.5 | $1,044.2 | $ 700.9 | $ 537.7 | $ 406.7 |
| Total assets | 5,889.7 | 5,613.2 | 5,631.6 | 7,002.3 | 7,153.3 | 7,238.1 | 7,386.3 | 7,365.1 | 8,256.5 |
| Long-term debt | 950.2 | 1,106.7 | 1,438.4 | 2,271.5 | 1,533.3 | 1,864.1 | 2,025.0 | 2,172.8 | 2,694.6 |
| Common stockholders' equity(3) | 1,953.3 | 90.9 | (210.3) | 188.8 | 303.7 | 1,052.0 | 1,072.0 | 561.8 | 359.2 |
| Common stockholders' equity per share | 6.29 | .35 | (.84) | 1.07 | 1.76 | 6.10 | 6.24 | 3.44 | 2.20 |
| Other data | | | | | | | | | |
| Research and development | $ 339.4 | $ 308.3 | $ 314.8 | $ 352.0 | $ 411.7 | $ 464.8 | $ 496.9 | $ 513.3 | $ 617.3 |
| Capital additions of properties | 219.6 | 209.1 | 184.0 | 164.3 | 196.0 | 209.4 | 174.0 | 228.4 | 224.1 |
| Investment in marketable software | 122.8 | 100.3 | 133.5 | 116.6 | 123.0 | 121.3 | 118.7 | 110.2 | 167.7 |
| Depreciation | 141.8 | 149.2 | 159.1 | 184.4 | 205.5 | 228.7 | 254.0 | 313.4 | 413.9 |
| Amortization | | | | | | | | | |
| Marketable software | 110.9 | 112.3 | 97.2 | 101.7 | 151.7 | 150.5 | 144.6 | 131.8 | 241.0 |
| Goodwill | 12.5 | 8.9 | 963.9 | 46.1 | 40.9 | 36.9 | 36.7 | 36.8 | 246.6 |
| Common shares outstanding (millions) | 310.6 | 258.2 | 251.0 | 176.4 | 172.9 | 172.5 | 171.9 | 163.4 | 163.1 |
| Stockholders of record (thousands) | 32.8 | 28.6 | 37.3 | 39.2 | 41.5 | 45.3 | 47.8 | 51.7 | 54.6 |
| Employees (thousands) | 35.8 | 33.5 | 32.9 | 33.2 | 37.6 | 38.0 | 38.4 | 42.0 | 46.7 |

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

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

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

EXHIBIT 21

# SUBSIDIARIES OF THE REGISTRANT

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

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

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

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Unisys Corporation of our report dated January 18, 2000, included in the 1999 Annual Report to Stockholders of Unisys Corporation.

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

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

(1) Registration Statement (Form S-8 No. 33-7893) pertaining to the Burroughs LTIP,
(2) Registration Statement (Form S-8 No. 33-4317) pertaining to the Burroughs 1985 Payroll Deduction Stock Purchase Plan,
(3) Registration Statement (Form S-3 No. 33-25715) of Unisys Corporation,
(4) Registration Statement (Form S-8 No. 33-3937) pertaining to the Burroughs LTIP,
(5) Registration Statement (Form S-8 No. 2-63842) pertaining to the Burroughs LTIP,
(6) Registration Statement (Form S-8 No. 33-38711) pertaining to the Unisys Savings Plan,
(7) Registration Statement (Form S-8 No. 33-38712) pertaining to the Unisys Retirement Investment Plan II,
(8) Registration Statement (Form S-8 No. 33-38713) pertaining to the Unisys Retirement Investment Plan,
(9) Registration Statement (Form S-8 No. 33-40259) pertaining to the Unisys LTIP,
(10) Registration Statement (Form S-3 No. 33-51747) of Unisys Corporation,
(11) Registration Statement (Form S-3 No. 333-20373) of Unisys Corporation,
(12) Registration Statement (Form S-3 No. 333-51885) of Unisys Corporation,
(13) Registration Statement (Form S-8 No. 333-51887) pertaining to the Unisys LTIP,
(14) Registration Statement (Form S-8 No. 333-51889) pertaining to the Unisys Global Employee Stock Purchase Plan,
(15) Registration Statement (Form S-8 No. 333-73399) pertaining to the Deferred Compensation Plan for Executives of Unisys Corporation,
(16) Registration Statement (Form S-4 No. 333-74745) of Unisys Corporation,
(17) 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 and
(18) Registration Statement (Form S-8 No. 333-87411) pertaining to the Unisys Savings Plan;

of our report dated January 18, 2000, with respect to the consolidated financial statements incorporated herein by reference and our report included in the preceding paragraph with respect to the financial statement schedule included in this Annual Report (Form 10-K) of Unisys Corporation.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 14, 2000

EXHIBIT 24

# POWER OF ATTORNEY

Unisys Corporation
Annual Report on Form 10-K
for the year ended December 31, 1999

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below does hereby make, constitute and appoint LAWRENCE A. WEINBACH, JANET BRUTSCHEA HAUGEN AND NANCY STRAUS SUNDHEIM, and each one of them severally, his true and lawful attorneys-in-fact and agents, for such person and in such person's name, place and stead, to sign the Unisys Corporation Annual Report on Form 10-K for the year ended December 31, 1999, 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 14, 2000

| | |
|---|---|
| /S/ J. P. Bolduc<br>- -------------------------<br>J. P. Bolduc<br>Director | /s/ Edwin A. Huston<br>-----------------------------<br>Edwin A. Huston<br>Director |
| /s/ James J. Duderstadt<br>- -------------------------<br>James J. Duderstadt<br>Director | /s/ Kenneth A. Macke<br>-----------------------------<br>Kenneth A. Macke<br>Director |
| /s/ Henry C. Duques<br>- -------------------------<br>Henry C. Duques<br>Director | /s/ Theodore E. Martin<br>-----------------------------<br>Theodore E. Martin<br>Director |
| /s/ Gail D. Fosler<br>- -------------------------<br>Gail D. Fosler<br>Director | /s/ Robert McClements, Jr.<br>-----------------------------<br>Robert McClements, Jr.<br>Director |
| /s/ Melvin R. Goodes<br>- -------------------------<br>Melvin R. Goodes<br>Director | /s/ Lawrence A. Weinbach<br>-----------------------------<br>Lawrence A. Weinbach<br>Chairman of the Board, President<br>and Chief Executive Officer;<br>Director |

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
COMPANY'S FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999 AND
IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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12-MOS
DEC-31-1999
DEC-31-1999
464
0
1,451
(43)
373
2,846
1,723
(1,102)
5,890
2,619
950
0
0
3
1,950
5,890
2,770
7,545
1,437
4,860
0
14
128
770
247
523
0
(12)
0
511
1.65
1.59