

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2004

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 (I.R.S. Employer
of incorporation or organization) Identification No.)

Unisys Way 19424
Blue Bell, Pennsylvania (Address of principal executive offices) (Zip Code)

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

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

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

Number of shares of Common Stock outstanding as of June 30, 2004:
334,846,823.

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Part I - FINANCIAL INFORMATION
Item 1. Financial Statements.

UNISYS CORPORATION
CONSOLIDATED BALANCE SHEETS
(Millions)

	June 30, 2004 (Unaudited)	December 31, 2003
	-----	-----
Assets		

Current assets		
Cash and cash equivalents	\$ 643.4	\$ 635.9
Accounts and notes receivable, net	885.2	1,027.8
Inventories		
Parts and finished equipment	112.7	121.7
Work in process and materials	120.0	116.9
Deferred income taxes	272.4	270.0

Other current assets	106.4	85.7
Total	2,140.1	2,258.0
Properties	1,347.4	1,352.7
Less-Accumulated depreciation and amortization	924.8	928.5
Properties, net	422.6	424.2
Outsourcing assets, net	529.9	477.5
Marketable software, net	329.8	332.2
Investments at equity	183.3	153.3
Prepaid pension cost	49.6	55.5
Deferred income taxes	1,385.7	1,384.6
Goodwill	186.6	177.5
Other long-term assets	189.3	211.8
Total	\$5,416.9	\$5,474.6
Liabilities and stockholders' equity		
Current liabilities		
Notes payable	\$ 10.4	\$ 17.7
Current maturities of long-term debt	150.7	2.2
Accounts payable	429.8	513.8
Other accrued liabilities	1,240.0	1,305.7
Income taxes payable	192.2	214.1
Total	2,023.1	2,053.5
Long-term debt	901.8	1,048.3
Accrued pension liabilities	460.1	433.6
Other long-term liabilities	539.1	544.0
Stockholders' equity		
Common stock, shares issued: 2004, 336.8; 2003, 333.8	3.4	3.3
Accumulated deficit	(366.4)	(414.8)
Other capital	3,856.9	3,818.6
Accumulated other comprehensive loss	(2,001.1)	(2,011.9)
Stockholders' equity	1,492.8	1,395.2
Total	\$5,416.9	\$5,474.6

See notes to consolidated financial statements.

UNISYS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(Millions, except per share data)

	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
Revenue				
Services	\$1,158.8	\$1,163.4	\$2,323.8	\$2,270.4
Technology	229.3	261.6	527.2	553.5
	1,388.1	1,425.0	2,851.0	2,823.9
Costs and expenses				

Cost of revenue:				
Services	930.2	906.8	1,855.9	1,789.3
Technology	90.8	126.1	236.5	255.4
	-----	-----	-----	-----
	1,021.0	1,032.9	2,092.4	2,044.7
Selling, general and administrative expenses	272.9	242.4	534.1	486.1
Research and development expenses	71.3	63.7	142.8	130.5
	-----	-----	-----	-----
	1,365.2	1,339.0	2,769.3	2,661.3
	-----	-----	-----	-----
Operating income	22.9	86.0	81.7	162.6
Interest expense	18.2	18.4	35.2	34.1
Other income (expense), net	24.0	10.6	24.6	7.2
	-----	-----	-----	-----
Income before income taxes	28.7	78.2	71.1	135.7
Provision for income taxes	9.3	25.7	22.8	44.7
	-----	-----	-----	-----
Net income	\$ 19.4	\$ 52.5	\$ 48.3	\$ 91.0
	=====	=====	=====	=====
Earnings per share				
Basic	\$.06	\$.16	\$.14	\$.28
	=====	=====	=====	=====
Diluted	\$.06	\$.16	\$.14	\$.28
	=====	=====	=====	=====

See notes to consolidated financial statements.

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UNISYS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(Millions)

	Six Months Ended June 30	
	----- 2004	2003 -----
Cash flows from operating activities		
Net income	\$ 48.3	\$ 91.0
Add(deduct) items to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of properties and outsourcing assets	123.1	105.4
Amortization of marketable software	62.9	59.9
(Increase) in deferred income taxes, net	(2.4)	(1.5)
Decrease (increase) in receivables, net	185.3	(6.6)
Decrease in inventories	6.4	19.5
(Decrease) in accounts payable and other accrued liabilities	(172.2)	(177.5)
(Decrease) increase in income taxes payable	(21.9)	17.5
Increase (decrease) in other liabilities	3.5	(14.8)
(Increase) in other assets	(27.8)	(39.1)
Other	8.8	(5.6)
	-----	-----
Net cash provided by operating activities	214.0	48.2
	-----	-----
Cash flows from investing activities		

Proceeds from investments	2,878.8	2,387.5
Purchases of investments	(2,879.0)	(2,421.7)
Investment in marketable software	(60.5)	(76.9)
Capital additions of properties and outsourcing assets	(143.5)	(112.0)
Purchases of businesses	(12.6)	(2.0)
	-----	-----
Net cash used for investing activities	(216.8)	(225.1)
	-----	-----
Cash flows from financing activities		
Net reduction in short-term borrowings	(10.6)	(59.6)
Proceeds from employee stock plans	24.0	13.9
Payments of long-term debt	(1.7)	(3.0)
Proceeds from issuance of long-term debt		293.3
	-----	-----
Net cash provided by financing activities	11.7	244.6
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	(1.4)	12.3
	-----	-----
Increase in cash and cash equivalents	7.5	80.0
Cash and cash equivalents, beginning of period	635.9	301.8
	-----	-----
Cash and cash equivalents, end of period	\$ 643.4	\$ 381.8
	=====	=====

See notes to consolidated financial statements.

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UNISYS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

In the opinion of management, the financial information furnished herein reflects all adjustments necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods specified. These adjustments consist only of normal recurring accruals. Because of seasonal and other factors, results for interim periods are not necessarily indicative of the results to be expected for the full year.

a. The following table shows how earnings per share were computed for the three and six months ended June 30, 2004 and 2003 (dollars in millions, shares in thousands):

	Three Months Ended June 30		Six Months Ended June 30	
	2004	2003	2004	2003
	-----	-----	-----	-----
Basic Earnings Per Share				
Net income	\$ 19.4	\$ 52.5	\$ 48.3	\$ 91.0
	=====	=====	=====	=====
Weighted average shares	334,411	328,783	333,567	327,996
	=====	=====	=====	=====
Basic earnings per share	\$.06	\$.16	\$.14	\$.28
	=====	=====	=====	=====
Diluted Earnings Per Share				
Net income	\$ 19.4	\$ 52.5	\$ 48.3	\$ 91.0
	=====	=====	=====	=====
Weighted average shares	334,411	328,783	333,567	327,996
Plus incremental shares from assumed exercises under employee stock plans	4,356	2,366	4,840	1,991
	-----	-----	-----	-----

Adjusted weighted average shares	338,767	331,149	338,407	329,987
	=====	=====	=====	=====
Diluted earnings per share	\$.06	\$.16	\$.14	\$.28
	=====	=====	=====	=====

At June 30, 2004, 25.8 million shares related to employee stock plans were not included in the computation of diluted earnings per share because the option prices are above the average market price of the company's common stock.

- b. The company has two business segments: Services and Technology. Revenue classifications by segment are as follows: Services - consulting and systems integration, outsourcing, infrastructure services and core maintenance; Technology - enterprise-class servers and specialized technologies. The accounting policies of each business segment are the same as those followed by the company as a whole. Intersegment sales and transfers are priced as if the sales or transfers were to third parties. Accordingly, the Technology segment recognizes intersegment revenue and manufacturing profit on hardware and software shipments to customers under Services contracts. The Services segment, in turn, recognizes customer revenue and marketing profits on such shipments of company hardware and software to customers. The Services segment also includes the sale of hardware and software products sourced from third parties that are sold to customers through the company's Services channels. In the company's consolidated statements of income, the manufacturing costs of products sourced from the Technology segment and sold to Services customers are reported in cost of revenue for Services.

Also included in the Technology segment's sales and operating profit are sales of hardware and software sold to the Services segment for internal use in Services engagements. The amount of such profit included in operating income of the Technology segment for the three and six months ended June 30, 2004 and 2003 was \$1.3 million and \$11.5 million, and \$2.6 million and \$14.6 million, respectively. The profit on these transactions is eliminated in Corporate.

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The company evaluates business segment performance on operating income exclusive of restructuring charges and unusual and nonrecurring items, which are included in Corporate. All other corporate and centrally incurred costs are allocated to the business segments based principally on revenue, employees, square footage or usage.

A summary of the company's operations by business segment for the three and six month periods ended June 30, 2004 and 2003 is presented below (in millions of dollars):

	Total	Corporate	Services	Technology
Three Months Ended June 30, 2004	-----	-----	-----	-----
Customer revenue	\$1,388.1		\$1,158.8	\$ 229.3
Intersegment		\$ (57.3)	4.5	52.8
	-----	-----	-----	-----
Total revenue	\$1,388.1	\$ (57.3)	\$1,163.3	\$ 282.1
	=====	=====	=====	=====
Operating income (loss)	\$ 22.9	\$ (.4)	\$ 8.2	\$ 15.1
	=====	=====	=====	=====
Three Months Ended June 30, 2003	-----	-----	-----	-----
Customer revenue	\$1,425.0		\$1,163.4	\$ 261.6
Intersegment		\$ (89.2)	6.3	82.9
	-----	-----	-----	-----
Total revenue	\$1,425.0	\$ (89.2)	\$1,169.7	\$ 344.5
	=====	=====	=====	=====
Operating income (loss)	\$ 86.0	\$ (4.9)	\$ 64.1	\$ 26.8
	=====	=====	=====	=====
Six Months Ended June 30, 2004	-----	-----	-----	-----

Customer revenue	\$2,851.0		\$2,323.8	\$ 527.2
Intersegment		\$ (103.0)	9.3	93.7
	-----		-----	-----
Total revenue	\$2,851.0	\$ (103.0)	\$2,333.1	\$ 620.9
	=====	=====	=====	=====
Operating income (loss)	\$ 81.7	\$ -	\$ 37.4	\$ 44.3
	=====	=====	=====	=====
Six Months Ended June 30, 2003				
	-----		-----	-----
Customer revenue	\$2,823.9		\$2,270.4	\$ 553.5
Intersegment		\$ (159.2)	11.9	147.3
	-----		-----	-----
Total revenue	\$2,823.9	\$ (159.2)	\$2,282.3	\$ 700.8
	=====	=====	=====	=====
Operating income (loss)	\$ 162.6	\$ (2.3)	\$ 98.5	\$ 66.4
	=====	=====	=====	=====

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
	-----	-----	-----	-----
Total segment operating income	\$ 23.3	\$ 90.9	\$ 81.7	\$164.9
Interest expense	(18.2)	(18.4)	(35.2)	(34.1)
Other income (expense), net	24.0	10.6	24.6	7.2
Corporate and eliminations	(.4)	(4.9)	-	(2.3)
	-----	-----	-----	-----
Total income before income taxes	\$ 28.7	\$ 78.2	\$ 71.1	\$135.7
	=====	=====	=====	=====

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
	-----	-----	-----	-----
Services				
Consulting and systems integration	\$ 413.9	\$ 386.0	\$ 791.0	\$ 742.4
Outsourcing	419.4	421.8	862.4	831.1
Infrastructure services	180.0	211.8	379.5	412.6
Core maintenance	145.5	143.8	290.9	284.3
	-----	-----	-----	-----
	1,158.8	1,163.4	2,323.8	2,270.4
Technology				
Enterprise-class servers	185.5	193.8	387.3	411.6
Specialized technologies	43.8	67.8	139.9	141.9
	-----	-----	-----	-----
	229.3	261.6	527.2	553.5
	-----	-----	-----	-----
Total	\$1,388.1	\$1,425.0	\$2,851.0	\$2,823.9
	=====	=====	=====	=====

c. Comprehensive income for the three and six months ended June 30, 2004 and 2003 includes the following components (in millions of dollars):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
	-----	-----	-----	-----

Net income	\$ 19.4	\$ 52.5	\$ 48.3	\$ 91.0
Other comprehensive income (loss)				
Cash flow hedges				
Income (loss), net of tax of \$1.4, \$(2.6), \$.4, and \$(2.6)	2.5	(4.7)	.9	(4.8)
Reclassification adjustments, net of tax of \$(.1), \$1.0, \$1.6, and \$2.0	(.2)	1.7	2.9	3.8
Foreign currency translation adjustments	(13.2)	38.6	7.0	30.9
	-----	-----	-----	-----
Total other comprehensive income (loss)	(10.9)	35.6	10.8	29.9
	-----	-----	-----	-----
Comprehensive income	\$ 8.5	\$ 88.1	\$ 59.1	\$120.9
	=====	=====	=====	=====

Accumulated other comprehensive income (loss) as of December 31, 2003 and June 30, 2004 is as follows (in millions of dollars):

	Total	Translation Adjustments	Cash Flow Hedges	Minimum Pension Liability
	-----	-----	-----	-----
Balance at December 31, 2002	\$ (2,236.9)	\$ (745.0)	\$ (1.5)	\$ (1,490.4)
Change during period	225.0	65.3	(5.1)	164.8
	-----	-----	-----	-----
Balance at December 31, 2003	(2,011.9)	(679.7)	(6.6)	(1,325.6)
Change during period	10.8	7.0	3.8	
	-----	-----	-----	-----
Balance at June 30, 2004	\$ (2,001.1)	\$ (672.7)	\$ (2.8)	\$ (1,325.6)
	=====	=====	=====	=====

- d. The amount credited to stockholders' equity for the income tax benefit related to the company's stock plans for the six months ended June 30, 2004 and 2003 was \$2.9 million and \$1.8 million, respectively. The company expects to realize these tax benefits on future Federal income tax returns.

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- e. For equipment manufactured by the company, the company warrants that it will substantially conform to relevant published specifications for 12 months after shipment to the customer. The company will repair or replace, at its option and expense, items of equipment that do not meet this warranty. For company software, the company warrants that it will conform substantially to then-current published functional specifications for 90 days from customer's receipt. The company will provide a workaround or correction for material errors in its software that prevents its use in a production environment.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
	----	----	----	----
Balance at beginning of period	\$17.9	\$19.3	\$20.8	\$19.2
Accruals for warranties issued during the period	2.1	6.8	7.1	11.7
Settlements made during the period	(4.2)	(4.4)	(8.9)	(9.1)

Changes in liability for pre-existing warranties during the period, including expirations	(.8)	(.6)	(4.0)	(.7)
	-----	-----	-----	-----
Balance at June 30	\$15.0	\$21.1	\$15.0	\$21.1
	=====	=====	=====	=====

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
	-----	-----	-----	-----
Net income as reported	\$ 19.4	\$ 52.5	\$ 48.3	\$ 91.0
Deduct total stock-based employee compensation expense determined under fair value method for all awards, net of tax	(7.7)	(10.3)	(17.7)	(24.8)
	-----	-----	-----	-----
Pro forma net income	\$ 11.7	\$ 42.2	\$ 30.6	\$ 66.2
	=====	=====	=====	=====
Earnings per share				
Basic - as reported	\$.06	\$.16	\$.14	\$.28
Basic - pro forma	\$.03	\$.13	\$.09	\$.20
Diluted - as reported	\$.06	\$.16	\$.14	\$.28
Diluted - pro forma	\$.03	\$.13	\$.09	\$.20

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- g. Net periodic pension expense (income) for the three and six months ended June 30, 2004 and 2003 is presented below (in millions of dollars):

	Three Months Ended June 30, 2004			Three Months Ended June 30, 2003		
	Total	U.S. Plans	Int'l. Plans	Total	U.S. Plans	Int'l. Plans
	-----	-----	-----	-----	-----	-----
Service cost	\$ 28.6	\$ 16.5	\$ 12.1	\$ 23.5	\$ 13.5	\$ 10.0
Interest cost	90.7	66.7	24.0	86.7	66.6	20.1
Expected return on plan assets	(123.3)	(94.7)	(28.6)	(125.7)	(101.0)	(24.7)
Amortization of prior service (benefit) cost	(1.6)	(1.9)	.3	(2.5)	(3.0)	0.5
Recognized net actuarial loss	30.4	24.3	6.1	8.9	4.9	4.0
Settlement/curtailment loss				1.2		1.2
	-----	-----	-----	-----	-----	-----
Net periodic pension expense (income)	\$24.8	\$ 10.9	\$ 13.9	\$ (7.9)	\$ (19.0)	\$ 11.1
	=====	=====	=====	=====	=====	=====
	Six Months Ended June 30, 2004			Six Months Ended June 30, 2003		
	-----			-----		

	Total	U.S. Plans	Int'l. Plans	Total	U.S. Plans	Int'l. Plans
	-----	-----	-----	-----	-----	-----
Service cost	\$ 57.9	\$ 33.6	\$ 24.3	\$ 48.7	\$ 29.4	\$ 19.3
Interest cost	180.2	132.3	47.9	173.4	133.6	39.8
Expected return on plan assets	(246.8)	(189.5)	(57.3)	(251.1)	(201.8)	(49.3)
Amortization of prior service (benefit) cost	(3.0)	(3.8)	.8	(5.3)	(6.0)	0.7
Recognized net actuarial loss	58.7	46.5	12.2	17.8	10.4	7.4
Settlement/curtailment loss				2.2		2.2
	-----	-----	-----	-----	-----	-----
Net periodic pension expense (income)	\$47.0	\$19.1	\$ 27.9	\$(14.3)	\$(34.4)	\$ 20.1
	=====	=====	=====	=====	=====	=====

The company currently expects to make cash contributions of approximately \$70 million to its worldwide defined benefit pension plans in 2004 compared with \$62.5 million in 2003. For the six months ended June 30, 2004 and 2003, \$27.5 million and \$22.7 million, respectively of cash contributions have been made. In accordance with regulations governing contributions to U.S. defined benefit pension plans, the company is not required to fund its U.S. qualified defined benefit pension plan in 2004.

Net periodic postretirement benefit expense for the three and six months ended June 30, 2004 and 2003 is presented below (in millions of dollars):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
	-----	-----	-----	-----
Interest cost	\$ 3.5	\$ 3.6	\$ 7.0	\$ 7.2
Amortization of prior service benefit	(.5)	(.5)	(1.0)	(1.0)
Recognized net actuarial loss	1.0	.7	2.0	1.4
	-----	-----	-----	-----
Net periodic postretirement benefit expense	\$ 4.0	\$ 3.8	\$ 8.0	\$ 7.6
	=====	=====	=====	=====

The company expects to make cash contributions of approximately \$25 million to its postretirement benefit plan in 2004. For the six months ended June 30, 2004, \$14 million of cash contributions have been made.

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- h. Substantially all of the company's investments at equity consist of Nihon Unisys, Ltd., a publicly traded Japanese company ("NUL"). NUL is the exclusive supplier of the company's hardware and software products in Japan. The company owns approximately 28% of NUL's outstanding common stock. Prior to January 1, 2004, the company's share of NUL's earnings or losses were recorded semiannually in the second quarter and fourth quarter on a quarter-lag basis since NUL's quarterly financial results were not available. Due to recent regulatory changes in Japan, NUL is required to publish its earnings quarterly. Accordingly, effective January 1, 2004, the company has begun to record its equity earnings in NUL quarterly on a quarter-lag basis, and recorded equity income of \$9.1 million and \$14.4 million for the three and six months ended June 30, 2004, respectively.
- i. Cash paid during the six months ended June 30, 2004 and 2003 for income taxes was \$35.7 million and \$42.2 million, respectively.
- Cash paid during the six months ended June 30, 2004 and 2003 for interest was \$42.7 million and \$33.8 million, respectively.
- j. In November 2003, the company purchased KPMG's Belgian consulting business for approximately \$3.3 million of cash plus assumed liabilities. The preliminary purchase price allocation was completed in December 2003 and assumed that the excess of the purchase price over the assets acquired and liabilities assumed was allocated to goodwill. An outside appraisal company completed its appraisal during the March 2004 quarter. Approximately \$1.5

million of amortizable intangibles (principally customer relationships) were identified and recorded. The intangible assets have a weighted average life of approximately 5.5 years. The goodwill from this acquisition has been assigned to the Services segment.

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

In June 2004, the company purchased the security services and identity and access management solutions business of ePresence, Inc., whose consultants design and implement enterprise directory and security solutions that enable identity management within and across organizations. The purchase price of \$10.6 million will be allocated to assets acquired and liabilities assumed based on their estimated fair values. The preliminary allocation of the purchase price assumes that the excess of the purchase price over the assets acquired and liabilities assumed of \$8.2 million will be allocated to goodwill. There can be no assurance that this preliminary allocation will represent the final purchase price allocation. The purchase price allocation will be completed within the next few months after finalization of appraisals. The goodwill from this acquisition has been assigned to the Services segment.

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

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

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

On May 19, 2004, the FASB issued Staff Position No. FAS 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003", ("FSP No. 106-2"). The above Act introduces a prescription drug benefit under Medicare as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. FSP No. 106-2 is effective for the first interim period beginning after

June 15, 2004 and provides that an employer shall measure the accumulated plan benefit obligation ("APBO") and net periodic postretirement benefit cost taking into account any subsidy received under the Act. As of June 30, 2004, the company's measurements of both the APBO and the net postretirement benefit cost do not reflect any amounts associated with the subsidy because the company has not yet been able to conclude whether the benefits provided by its postretirement medical plan are actuarially equivalent to Medicare Part D under the Act.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations

The company experienced a slowdown in certain areas of its business, particularly in infrastructure services and in enterprise servers in the second quarter of 2004. This resulted in deferrals and delays of some technology contracts and services projects late in the quarter, leading to lower-than-anticipated results for the period.

For the three months ended June 30, 2004, the company reported net income of \$19.4 million, or \$.06 per share, compared with \$52.5 million, or \$.16 per share, for the three months ended June 30, 2003.

Total revenue for the quarter ended June 30, 2004 was \$1.39 billion, down 3% from revenue of \$1.43 billion for the quarter ended June 30, 2003. Foreign currency translations had a 4% positive impact on revenue in the quarter when compared with the year-ago period. In the current quarter, Services revenue was flat and Technology revenue decreased 12% from the prior year.

U.S. revenue decreased 5% in the current quarter compared with the year-ago period and revenue in international markets was flat as an increase in Europe was offset by declines in other international regions. On a constant currency basis, international revenue declined 8% in the quarter.

Pension expense for the three months ended June 30, 2004 was \$24.8 million compared with \$7.9 million of pension income for the three months ended June 30, 2003. The change was due to the following: (1) a decline in the discount rate used for the U.S. pension plan to 6.25% at December 31, 2003 from 6.75% at December 31, 2002, (2) an increase in amortization of net unrecognized losses, (3) lower expected returns on plan assets due to amortization of the difference between the calculated value of plan assets and the fair value of plan assets, and (4) for international plans, declines in discount rates and currency translation. The company records pension income or expense, as well as other employee-related costs such as FICA and medical insurance costs, in operating income in the following income statement categories: cost of sales; selling, general and administrative expenses; and research and development expenses. The amount allocated to each income statement line is based on where the salaries of the active employees are charged. The company currently expects to report pension expense of approximately \$90 - \$95 million in 2004 compared with pension income of \$22.6 million in 2003.

Total gross profit margin was 26.4% in the second quarter of 2004 compared with 27.5% in the year-ago period, the change principally reflected pension expense of \$17.8 million in the current quarter compared with pension income of \$1.5 million in the year-ago quarter.

For the three months ended June 30, 2004, selling, general and administrative expenses were \$272.9 million (19.7% of revenue) compared with \$242.4 million (17.0% of revenue) for the three months ended June 30, 2003. The increase principally reflected pension expense of \$4.8 million in the current year

compared with \$2.4 million of pension income in the year-ago period as well as the impact of foreign currency exchange rates.

Research and development ("R&D") expense was \$71.3 million compared with \$63.7 million a year ago. The company continues to invest in high-end Cellular MultiProcessing server technology and in key programs within its industry practices. R&D in the current period includes \$2.2 million of pension expense compared with pension income of \$4.0 million in the year-ago period.

For the second quarter of 2004, the company reported an operating income percent of 1.6% compared with 6.0% for the second quarter of 2003. The change principally reflected pension expense of \$24.8 million in the current quarter compared with pension income of \$7.9 million in the year-ago period as well as lower revenue and higher selling, general and administrative expenses.

Interest expense for the three months ended June 30, 2004 was \$18.2 million compared with \$18.4 million for the three months ended June 30, 2003.

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Other income (expense), net was income of \$24.0 million in the current quarter compared with income of \$10.6 million in the year-ago quarter. The increase in income was principally due to foreign currency exchange gains of \$1.5 million in the current quarter compared with exchange losses of \$6.9 million in the year-ago quarter.

Income before income taxes was \$28.7 million in the second quarter of 2004 compared with \$78.2 million last year. The provision for income taxes was \$9.3 million in the current period compared with \$25.7 million in the year-ago period. The effective tax rate was 32% in 2004 and 33% in 2003.

For the six months ended June 30, 2004, the company reported net income of \$48.3 million, or \$.14 per share, compared with \$91.0 million, or \$.28 per share, for the six months ended June 30, 2003.

Total revenue for the six months ended June 30, 2004 was \$2.85 billion, up 1% from revenue of \$2.82 billion for the six months ended June 30, 2003. Foreign currency translations had a 5% positive impact on revenue in the six months when compared with the year-ago period. In the current six-month period, Services revenue increased 2% and Technology revenue decreased 5%.

U.S. revenue decreased 1% in the current six-month period compared with the year-ago period and revenue in international markets increased 3% driven by an increase in Europe which was partially offset by declines in other international regions. On a constant currency basis, international revenue declined 7% in the six months ended June 30, 2004.

Pension expense for the six months ended June 30, 2004 was \$47.0 million compared with \$14.3 million of pension income for the six months ended June 30, 2003.

Total gross profit margin was 26.6% in the six months ended June 30, 2004 compared with 27.6% in the year-ago period. The change principally reflected pension expense of \$33.3 million in the current period compared with pension income of \$2.7 million in the year-ago period.

For the six months ended June 30, 2004, selling, general and administrative expenses were \$534.1 million (18.7% of revenue) compared with \$486.1 million (17.2% of revenue) for the six months ended June 30, 2003.

R&D expense for the six months ended June 30, 2004 was \$142.8 million compared with \$130.5 million a year ago. R&D in the current period includes \$4.0 million of pension expense compared with pension income of \$7.2 million in the year-ago period.

For the six months ended June 30, 2004, the company reported an operating income percent of 2.9% compared with 5.8% for the six months ended June 30, 2003. The change principally reflected pension expense of \$47.0 million in the current period compared with pension income of \$14.3 million in the year-ago period.

Interest expense for the six months ended June 30, 2004 was \$35.2 million compared with \$34.1 million for the six months ended June 30, 2003. The

increase in interest expense was due to higher borrowing levels in 2004.

Other income (expense), net was income of \$24.6 million in the current six-month period compared with income of \$7.2 million in the year-ago period. The increase in income was principally due to foreign exchange losses of \$.7 million in the current year compared with losses of \$11.3 million in the prior-year period as well as Nihon Unisys Ltd. ("NUL") equity income of \$14.4 million in the current period compared with \$10.2 million in the prior-year period.

Income before income taxes was \$71.1 million in the six months ended June 30, 2004 compared with \$135.7 million last year. The provision for income taxes was \$22.8 million in the current period compared with \$44.7 million in the year-ago period. The effective tax rate was 32% in 2004 and 33% in 2003.

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Segment results

The company has two business segments: Services and Technology. Revenue classifications are as follows: Services - consulting and systems integration, outsourcing, infrastructure services, and core maintenance; Technology - enterprise-class servers and specialized technologies. The accounting policies of each business segment are the same as those followed by the company as a whole. Intersegment sales and transfers are priced as if the sales or transfers were to third parties. Accordingly, the Technology segment recognizes intersegment revenue and manufacturing profit on hardware and software shipments to customers under Services contracts. The Services segment, in turn, recognizes customer revenue and marketing profit on such shipments of company hardware and software to customers. The Services segment also includes the sale of hardware and software products sourced from third parties that are sold to customers through the company's Services channels. In the company's consolidated statements of income, the manufacturing costs of products sourced from the Technology segment and sold to Services customers are reported in cost of revenue for Services.

Also included in the Technology segment's sales and operating profit are sales of hardware and software sold to the Services segment for internal use in Services engagements. The amount of such profit included in operating income of the Technology segment for the three months ended June 30, 2004 and 2003, was \$1.3 million and \$11.5 million, respectively. The profit on these transactions is eliminated in Corporate.

The company evaluates business segment performance on operating income exclusive of restructuring charges and unusual and nonrecurring items, which are included in Corporate. All other corporate and centrally incurred costs are allocated to the business segments based principally on revenue, employees, square footage or usage.

Information by business segment is presented below (in millions of dollars):

	Total	Elimi-	Services	Technology
	-----	nations	-----	-----

Three Months Ended				
June 30, 2004				

Customer revenue	\$1,388.1		\$1,158.8	\$229.3
Intersegment		\$(57.3)	4.5	52.8
	-----		-----	-----
Total revenue	\$1,388.1	\$(57.3)	\$1,163.3	\$282.1
	=====	=====	=====	=====
Gross profit percent	26.4%		18.5%	53.3%
	=====		=====	=====
Operating income				
percent	1.6%		.7%	5.4%
	=====		=====	=====
Three Months Ended				
June 30, 2003				

Customer revenue	\$1,425.0		\$1,163.4	\$261.6
Intersegment		\$(89.2)	6.3	82.9
Total revenue	\$1,425.0	\$(89.2)	\$1,169.7	\$344.5
Gross profit percent	27.5%		20.0%	46.6%
Operating income percent	6.0%		5.5%	7.8%

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

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In the Services segment, customer revenue was \$1.16 billion for the three months ended June 30, 2004, compared with \$1.16 billion for the three months ended June 30, 2003. Foreign currency translations had about a 4% positive impact on Services revenue in the quarter when compared with the year-ago period. In Services revenue there was a 7% increase in consulting and systems integration (\$414 million in 2004 compared with \$386 million in 2003) and a 1% increase in core maintenance revenue (\$146 million in 2004 compared with \$143 million in 2003). Offsetting these increases was a decline of 15% in infrastructure services revenue (\$180 million in 2004 compared with \$212 million in 2003). Outsourcing revenue was flat (\$419 million in 2004 compared with \$422 million in 2003). The decline in infrastructure services revenue was principally due to less project-based work in the current quarter compared with the year-ago quarter. Services gross profit was 18.5% for the three months ended June 30, 2004 compared with 20.0% in the year-ago period. This change was principally due to the impact of pension expense of \$17.4 million in the current quarter compared with pension income of \$.7 million in the year-ago period. Services operating income percent was .7% for the three months ended June 30, 2004 compared with 5.5% last year. This change was principally due to the impact of pension expense of \$21.1 million in the current quarter compared with pension income of \$3.2 million in the prior year as well as higher selling, and general and administrative expenses in the current quarter.

In the Technology segment, customer revenue was \$229 million for the three months ended June 30, 2004, down 12% compared with \$262 million for the three months ended June 30, 2003. Foreign currency translations had about a 2% positive impact on Technology revenue in the quarter when compared with the year-ago period. The decrease in revenue was due to a 35% decrease in sales of specialized technology products (\$44 million in 2004 compared with \$68 million in 2003) and a 4% decline in sales of enterprise-class servers (\$185 million in 2004 compared with \$194 million in 2003). The decrease in specialized technology revenue was caused by lower sales of semiconductor test systems and payment systems. Sales of these systems can vary significantly from quarter to quarter depending on customer needs. Technology gross profit was 53.3% for the three months ended June 30, 2004 compared with 46.6% in the year-ago period, and Technology operating income percent was 5.4% for the three months ended June 30, 2004 compared with 7.8% last year. The gross profit increase primarily reflected a higher proportion of high-end, higher-margin products within the ClearPath product line. The decline in operating income percent was principally due to pension expense of \$3.7 million in the current period compared with pension income of \$4.7 million in the prior-year period.

New Accounting Pronouncements

In January 2003, the Financial Accounting Standards Board ("FASB") issued interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities, an interpretation of ARB 51." The primary objectives of this interpretation are to provide guidance on the identification of entities for which control is achieved through means other than through voting rights ("variable interest entities") and how to determine when and which business enterprise (the "primary beneficiary") should consolidate the variable interest entity. This new model for consolidation applies to an entity in which either (i) the equity investors (if any) do not have a controlling financial interest, or (ii) the equity investment at risk is insufficient to finance that entity's activities

without receiving additional subordinated financial support from other parties. In addition, FIN 46 requires that the primary beneficiary, as well as all other enterprises with a significant variable interest in a variable interest entity, make additional disclosures. Certain disclosure requirements of FIN 46 were effective for financial statements issued after January 31, 2003. In December 2003, the FASB issued FIN 46 (revised December 2003), "Consolidation of Variable Interest Entities" ("FIN 46-R") to address certain FIN 46 implementation issues.

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

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

Financial Condition

Cash and cash equivalents at June 30, 2004 were \$643.4 million compared with \$635.9 million at December 31, 2003.

During the six months ended June 30, 2004, cash provided by operations was \$214.0 million compared with \$48.2 million for the six months ended June 30, 2003. Operating cash flow increased principally due to higher receivable collections and lower restructuring expenditures. Cash expenditures in the six months ended June 30, 2004 related to prior-year restructuring charges (which are included in operating activities) were approximately \$7 million compared with \$45 million for the prior-year period, and are expected to be approximately \$6 million for the remainder of 2004 and \$10 million in total for all subsequent years, principally for work-force reductions and idle lease costs.

Cash used for investing activities for the six months ended June 30, 2004 was \$216.8 million compared with \$225.1 million during the six months ended June 30, 2003. The decrease in cash used was principally due to net purchases of investments of \$.2 million in the current period compared with net purchases of \$34.2 million in the prior-year period. In addition, the current period investment in marketable software was \$60.5 million compared with \$76.9 million in the prior-year. Capital additions were \$143.5 million for the six months ended June 30, 2004 compared with \$112.0 million in the prior-year period. The increase in current year capital expenditures was principally due to additions of revenue-generating assets, particularly in the company's outsourcing business, as well as expenditures related to the move of the company's Federal headquarters into a new facility. Cash expenditures for purchases of businesses was \$12.6 million for the six months ended June 30, 2004 compared with \$2.0 million in the prior year.

Cash provided by financing activities during the six months ended June 30, 2004 was \$11.7 million compared with \$244.6 million in the prior year. The prior period includes net proceeds from issuance of long-term debt of \$293.3 million in connection with the company's issuance in March 2003 of \$300 million of 6 7/8% senior notes due 2010.

At June 30, 2004 and December 31, 2003, total debt was \$1.1 billion.

The company has a \$500 million credit agreement that expires in May 2006. As of June 30, 2004, there were no borrowings under this facility, and the entire \$500 million was available for borrowings. Borrowings under the agreement bear interest based on the then-current LIBOR or prime rates and the company's credit rating. The credit agreement contains financial and other covenants, including maintenance of certain financial ratios, a minimum level of net worth and limitations on certain types of transactions, which could reduce the amount the company is able to borrow. Events of default under the credit agreement include failure to perform covenants, material adverse change, change of control and default under other debt aggregating at least \$25 million. If an event of default were to occur under the credit agreement, the lenders would be

entitled to declare all amounts borrowed under it immediately due and payable. The occurrence of an event of default under the credit agreement could also cause the acceleration of obligations under certain other agreements and the termination of the company's U.S. trade accounts receivable facility, described below.

In addition, the company and certain international subsidiaries have access to certain uncommitted lines of credit from various banks. Other sources of short-term funding are operational cash flows, including customer prepayments, and the company's U.S. trade accounts receivable facility. Using this facility, the company sells, on an on-going basis, up to \$225 million of its eligible U.S. trade accounts receivable through a wholly owned subsidiary, Unisys Funding Corporation I. The facility is renewable annually at the purchasers' option and expires in December 2006. At June 30, 2004, the company had sold \$217 million of eligible receivables compared with \$225 million at December 31, 2003.

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At June 30, 2004, the company has met all covenants and conditions under its various lending and funding agreements. Since the company believes that it will continue to meet these covenants and conditions, the company believes that it has adequate sources and availability of short-term funding to meet its expected cash requirements.

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

The company has on file with the Securities and Exchange Commission a registration statement covering \$1.2 billion of debt or equity securities, which enables the company to be prepared for future market opportunities.

At June 30, 2004, the company had deferred tax assets in excess of deferred tax liabilities of \$2,032 million. For the reasons cited below, management determined that it is more likely than not that \$1,586 million of such assets will be realized, therefore resulting in a valuation allowance of \$446 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 \$4.8 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 \$97.6 million during the six months ended June 30, 2004, principally reflecting net income of \$48.3 million, \$35.4 million for issuance of stock under stock option and other plans, \$2.9 million of tax benefits related to employee stock plans and currency translation of \$7.0 million.

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

At December 31, 2002, for all of the company's defined benefit pension plans, the ABO exceeded the fair value of pension plan assets. At December 31, 2003, the difference between the ABO and the fair value of pension plan assets decreased. As a result, at December 31, 2003, the company adjusted its minimum

pension liability as follows: decreased its pension plan liabilities by approximately \$300 million, increased its investments at equity by approximately \$6 million relating to the company's share of the change in NUL's minimum pension liability, decreased prepaid pension asset by \$56 million, and offset these changes by a credit to other comprehensive income of approximately \$250 million, or \$165 million net of tax.

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

In accordance with regulations governing contributions to U.S. defined benefit pension plans, the company is not required to fund its U.S. qualified defined benefit plan in 2004. The company expects to make cash contributions of approximately \$70 million to its other defined benefit pension plans during 2004.

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Factors That May Affect Future Results

From time to time, the company provides information containing "forward-looking" statements, as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements provide current expectations of future events and include any statement that does not directly relate to any historical or current fact. Words such as "anticipates," "believes," "expects," "intends," "plans," "projects" and similar expressions may identify such forward-looking statements. All forward-looking statements rely on assumptions and are subject to risks, uncertainties and other factors that could cause the company's actual results to differ materially from expectations. These other factors include, but are not limited to, those discussed below. Any forward-looking statement speaks only as of the date on which that statement is made. The company assumes no obligation to update any forward-looking statement to reflect events or circumstances that occur after the date on which the statement is made.

The company's business is affected by changes in general economic and business conditions. The company continues to face a highly competitive business environment and economic weakness in certain geographic regions. In this environment, many organizations are delaying planned purchases of information technology products and services. If the level of demand for the company's products and services declines in the future, the company's business could be adversely affected. The company's business could also be affected by acts of war, terrorism or natural disasters. Current world tensions could escalate and this could have unpredictable consequences on the world economy and on our business.

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

The company operates in a highly volatile industry characterized by rapid technological change, evolving technology standards, short product life cycles and continually changing customer demand patterns. Future success will depend in part on the company's ability to anticipate and respond to these market trends and to design, develop, introduce, deliver or obtain new and innovative products and services on a timely and cost-effective basis. The company may not

be successful in anticipating or responding to changes in technology, industry standards or customer preferences, and the market may not demand or accept its services and product offerings. In addition, products and services developed by competitors may make the company's offerings less competitive.

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

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

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

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

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

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

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

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

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

Approximately 54% of the company's total revenue derives from international operations. The risks of doing business internationally include foreign currency exchange rate fluctuations, changes in political or economic conditions, trade protection measures, import or export licensing requirements, multiple and possibly overlapping and conflicting tax laws, and weaker intellectual property protections in some jurisdictions.

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

Item 4. Controls and Procedures

The company's management, with the participation of the company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the company's disclosure controls and procedures as of June 30, 2004. Based on this evaluation, the company's Chief Executive Officer and Chief Financial Officer concluded that the company's disclosure controls and procedures are effective for gathering, analyzing and disclosing the information the company is required to disclose in the reports it files under the Securities Exchange Act of 1934, within the time periods specified in the SEC's rules and forms. Such evaluation did not identify any change in the company's internal control over financial reporting that occurred during the quarter ended June 30, 2004 that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.

Part II - OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

(a) The company's 2004 Annual Meeting of Stockholders (the "Annual Meeting") was held on April 22, 2004 in Philadelphia, Pennsylvania.

(c) The following matter was voted upon at the Annual Meeting and received the following votes:

Election of Directors as follows:

Henry C. Duques - 293,986,489 votes for; 10,001,384 votes withheld

Clayton M. Jones - 293,943,825 votes for; 10,044,048 votes withheld

Theodore E. Martin - 290,945,808 votes for; 13,042,065 votes withheld

Lawrence A. Weinbach - 295,253,437 votes for; 8,734,436 votes withheld

Item 5 Other Information

On July 22, 2004, the company's Board of Directors elected Matthew J. Espe, chairman and chief executive officer of IKON Office Solutions, Inc., as a director of Unisys. Mr. Espe has been named to the Finance Committee of the Board.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

See Exhibit Index

(b) Reports on Form 8-K

As previously disclosed in the company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2004, on April 6, 2004, the company filed a Current Report on Form 8-K dated April 6, 2004, to report under Items 5 and 7 of that form.

On April 15, 2004 the company furnished a Current Report on Form 8-K to provide, under Items 7 and 12, the company's earnings release reporting its financial results for the quarter ended March 31, 2004. Such information shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934.

SIGNATURES

Pursuant to the requirements 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

Date: July 22, 2004

By: /s/ Janet M. Brutschea Haugen

Janet M. Brutschea Haugen
Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

By: /s/ Carol S. Sabochick

Carol S. Sabochick
Vice President and
Corporate Controller
(Chief Accounting Officer)

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EXHIBIT INDEX

Exhibit Number -----	Description -----
3.1	Restated Certificate of Incorporation of Unisys Corporation (incorporated by reference to Exhibit 3.1 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999)
3.2	Bylaws of Unisys Corporation, as amended through April 22, 2004 (incorporated by reference to Exhibit 3 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2004)
10.1	Agreement, dated April 6, 2004, between Lawrence A. Weinbach and Unisys Corporation (incorporated by reference to Exhibit 10 to the registrant's current Report on Form 8-K dated April 6, 2004)
10.2	Deferred Compensation Plan for Directors of Unisys Corporation, as amended and restated effective April 22, 2004
12	Statement of Computation of Ratio of Earnings to Fixed Charges
31.1	Certification of Lawrence A. Weinbach required by Rule 13a-14(a) or Rule 15d-14(a)
31.2	Certification of Janet Brutschea Haugen required by Rule 13a-14(a) or Rule 15d-14(a)
32.1	Certification of Lawrence A. Weinbach required by Rule 13a-14(b) or Rule 15d-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
32.2	Certification of Janet Brutschea Haugen required by Rule 13a-14(b) or Rule 15d-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350

DEFERRED COMPENSATION
PLAN FOR DIRECTORS OF UNISYS CORPORATION

ARTICLE I
PURPOSE & AUTHORITY

1.1 PURPOSE. The purpose of the Plan is to offer members of the Board of Directors who are not employees of the Corporation the opportunity to defer receipt of a portion of their Compensation, under terms advantageous to both the Director and the Corporation.

1.2 EFFECTIVE DATE. The Board originally approved the Plan on November 20, 1981, and the Plan was subsequently amended, effective January 1, 1994. This document reflects the Plan as amended and restated effective April 22, 2004. The terms of this amended and restated Plan shall apply to all Account Balances and elections made pursuant to the Plan prior to its amendment.

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

ARTICLE II
DEFINITIONS

2.1 "Account" means, for any Participant, each memorandum account established for the Participant under Section 4.1. "Stock Units Account" means that portion of a Participant's Account attributable to Elective and Non-Elective Stock Units. Effective April 22, 2004, each Participant's Account maintained under the Unisys Corporation Director Stock Unit Plan will be transferred to this Plan and become part of the Participant's Stock Unit Account.

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

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

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

2.5 "Change in Control" shall have the same meaning as is ascribed to that term under the Unisys Corporation 2003 Long-Term Incentive and Equity Compensation Plan, or any successor stock option plan.

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

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

2.8 "Corporation" means Unisys Corporation.

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

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

2.11 "Executives' Plan" means the Unisys Corporation Deferred Compensation Plan.

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

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

2.14 "Option for Stock Units" means an option, created pursuant to a Director's election in accordance with Section 6 that, if exercised by the Director, will result in the crediting of Stock Units to the Director's Account.

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

2.16 "Plan" means the Deferred Compensation Plan for Directors of Unisys Corporation, as set forth herein and as amended from time to time.

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

2.18 "Stock Units" means Unisys common stock-equivalent units, which are awarded pursuant to the Unisys Corporation 2003 Long-Term Incentive and Equity Compensation Plan as Elective or Non-Elective Stock Units. Elective Stock Units are Stock Units awarded as a result of a Participant's election to defer the receipt of Compensation in accordance with Section 4.2(b) of the Plan or the Participant's election to convert an option for stock to an Option for Stock Units in accordance with Section 3.2 of the Plan. Non-Elective Stock Units are Stock Units awarded to the Participant by the Corporation without regard to a deferral election.

2.19 "USP" means the Unisys Savings Plan.

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

ARTICLE III DEFERRAL OF COMPENSATION

3.1 DEFERRAL ELECTION.

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

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

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

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

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

(A) his or her termination of service as a member of the Board (including as a result of disability); or

(B) a specific date (which may be determined by reference to the Eligible Director's termination of service) that is at least two years after the date on which the initial amounts to be deferred, absent deferral, would be paid to the Eligible Director.

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

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

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

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

3.2 OPTIONS FOR STOCK UNITS. A Director who holds an option for Corporation common stock that was awarded to him or her under any plan maintained by the Corporation may elect, to the extent permitted under that plan or otherwise by the Committee, to convert all or part of that option to an Option for Stock Units in accordance with the provisions of this Section 3.2.

(a) ELECTION TO CONVERT OPTION. A Director can elect to convert all or a portion of an outstanding option to an Option for Stock Units by providing written notice to the Corporation, which must be received by the Corporate Executive Compensation Department, at least six months before the expiration date of the option. The election must specify the number of shares of Corporation common stock subject to the option that are to become subject to the Option for Stock Units. The election must also specify the date on which the Stock Units to be credited to the Director's Account upon the exercise of the Option for Stock Units are to be paid to the Director; such date may be (1) the Director's termination of service or (2) a specific date (which may be determined by reference to the Director's termination of service or by reference to the date of the Director's exercise of the Option for Stock Units).

(b) EXERCISE OF OPTIONS FOR STOCK UNITS. A Director may not exercise an Option for Stock Units until the expiration of the six-month period beginning on the date on which the Director's option is converted to an Option for Stock Units. Thereafter, but only until the expiration of the period during which the option that the Director converted to an Option for Stock Units could, in accordance with its original terms be exercised, a Director may exercise Options for Stock Units by providing written notice of exercise to the place designated by the Committee. At the time of the exercise of an Option for Stock Units, the Director must certify to the Corporation or its designee that he or she currently owns shares of

Corporation common stock sufficient to pay the aggregate option price and, if the shares were acquired for services to the Corporation that he or she has held those shares for at least six months.

(c) EFFECT OF EXERCISE.

(1) As soon as practicable following receipt of a Director's notice of exercise under Section 3.2(b), Stock Units will be credited to the Director's Account. The number of Stock Units to be so credited will be equal to (A) the difference between (i) the aggregate fair market value on the date of exercise of the shares of Corporation common stock relating to the portion of the Option for Stock Units that the Director has elected to exercise and (ii) the sum of (a) the aggregate exercise price and (b) any Social Security, Medicare or state or local income tax required to be withheld with respect to the exercise, divided by (B) the fair market value of a share of Corporation common stock on the date of exercise. For purposes of this Section 3.2(c)(1), "fair market value" means, on any date, the average of the high and the low sales price of a share of Unisys common stock as reported on the New York Stock Exchange for that day, but not later than the earlier of the official close of the New York Stock Exchange or 4:00 p.m. US Eastern Standard Time or Eastern Daylight Time, as the case may be

(2) Notwithstanding a Director's election of a payment date under Section 3.2(a), if the Director exercises an Option for Stock Units later than two years before the payment date elected, payment in respect of the Stock Units credited to his or her Account as a result of the exercise will be made as soon as practicable after the second anniversary of the date of exercise.

(d) EFFECT OF TERMINATION OF SERVICE. If a Director terminates service before exercising an Option for Stock Units, the Option for Stock Units will remain exercisable to the extent that the option that the Director converted to the Option for Stock Units would have remained exercisable absent conversion. If, however, the Director (or his or her Beneficiary) subsequently exercises the Option for Stock Units after his or her Account Balance has been paid or has begun to be paid as a result of his or her termination of service, payment in respect of the Stock Units acquired upon such exercise will be made immediately. If the Director (or his or her Beneficiary) fails to exercise the Option for Stock Units before the date on which the option that the Director converted to an Option for Stock Units would have expired or terminated, then the Director's (or Beneficiary's) right to exercise the Option for Stock Units will likewise terminate.

ARTICLE IV
TREATMENT OF DEFERRED AMOUNTS

4.1 MEMORANDUM ACCOUNT. (a) The Corporation shall establish on its books a separate Account for each Participant for each calendar year in which the Participant elects to defer Compensation. Amounts deferred by a participant pursuant to a Deferral Election shall be credited to the Participant's Account on the date on which the deferred amounts, absent deferral, would have been paid to the Participant. Non-Elective Stock Units awarded to the Participant shall be credited to the Participant's Account on such dates as are prescribed in the applicable award documents. In addition, as of each Valuation Date, incremental amounts determined in accordance with Section 4.2 will be credited or debited to each Participant's Account. Any payments made to or on behalf of the Participant and for his or her Beneficiary shall be debited from the Account. No assets shall be segregated or earmarked in respect to any Account and no Participant or Beneficiary shall have any right to assign, transfer, pledge or hypothecate his or her interest or any portion thereof in his or her Account. The Plan and the crediting of Accounts hereunder shall not constitute a trust or a funded arrangement of any sort and shall be merely for the purpose of recording an unsecured contractual obligation of the Corporation.

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

appropriately adjusted to reflect splits, reverse splits, or comparable changes to the Corporation's common stock.

4.2 INVESTMENT MEASUREMENT OPTIONS.

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

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

(c) Subject to the restrictions described in Subsection (d), a Participant may elect to change the manner in which Investment Measurement Options apply to existing Account Balances (excluding the Participant's Stock Units Account). In addition, a Participant may elect to have all or any portion of his/her existing Account Balances (other than the Stock Units Account) credited to his/her Stock Units Account as Elective Stock Units.

(i) The number of Stock Units to be credited to the Participant's Stock Unit Account under this Section 4.2(b) shall be the quotient of (x) divided by (y) where (x) equals the amount of the current deferral to be credited as Stock Units and (y) equals the Fair Market Value on the effective date on which the amounts are credited to the Participant's Stock Unit Account.

Any election described in this subsection (c) will be effective upon receipt of the appropriate notice to the Corporate Executive Compensation Department.

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

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

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

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

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

5.1 FORM AND TIME OF PAYMENT. The benefits to which a Participant or a Beneficiary may be entitled under the Plan shall be paid in accordance with this Section 5.1.

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

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

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

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

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

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

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

(2) If the balance in all of a Participant's Accounts is less than a minimum amount established by the Committee at the time of a Participant's termination of service as a Director, the balance in all the Participant's Accounts shall be paid to the Participant in a single sum.

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

5.2 REVISED ELECTION.

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

(1) a date for the commencement of the payment of the Participant's Account Balance that is either the date of the Participant's

termination of service as a Director or a date at least one year after the date specified in the Participant's applicable Deferral Election; and/or

(2) a manner of payment that calls for a greater number of annual installment payments than that specified in the Participant's applicable Deferral Election, or a number of annual installment payments where the Participant specified a single sum payment in his or her applicable Deferral Election.

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

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

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

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

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

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

5.3 SPECIAL PAYMENT.

(a) Notwithstanding any other provision of the Plan to the contrary, a Participant may receive payment of all or a portion of his or her Account Balance as soon as administratively practicable following the receipt by the Secretary of the Corporation of the Participant's written request for such payment; provided, however, that a Participant will not be permitted to receive any portion of his/her Non-Elective Stock Units under this Section 5.3(a) prior to termination of service as a Director.

(b) As a condition of receiving any payment made pursuant to Subsection 5.3(a), a Participant will be subject to, as a penalty, payment to the Company of an amount equal to eight percent of the amount of the payment made pursuant to Subsection 5.3(a). The payment to the Company shall generally be deducted from the amount otherwise payable to the Participant under Subsection 5.3(a).

(c) If a Participant receives a payment of less than his or her entire Account Balance pursuant to Subsection 5.3(a), the portion of the Participant's Account Balance to which each Investment Measurement Option is applied shall be reduced proportionately so that the Investment Measurement Options apply to the Participant's Account Balance in the same percentage immediately before and immediately after the payment.

(d) Notwithstanding any provision of the Plan to the contrary, in the event the Committee determines that any portion of a Participant's Account Balance is the subject of a determination by the Internal Revenue Service that such portion is includible in the Participant's taxable income, the Participant's Account Balance shall be distributed to the extent it is so includible. Payments made in respect of the Participant's Stock Units Account will be made in shares of Unisys common stock. All income taxes and related interest and penalties associated with credits to or distributions from a Participant's Account shall be borne by the Participant.

5.4 ACCELERATION OF PAYMENT. Notwithstanding any other provision of this Plan to the contrary, the Committee in its sole discretion may accelerate the payment of Account Balances to all or any group of similarly situated Participants or Beneficiaries, whether before or after the Participant's termination of service, in response to changes in the tax laws or accounting principles.

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

ARTICLE VI
MISCELLANEOUS

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

6.2 ADMINISTRATION. The Committee shall have the sole authority to interpret the Plan and in its discretion to establish and modify administrative rules for the Plan. All expenses and costs in connection with the operation of this Plan shall be borne by the Corporation. The Corporation shall have the right to deduct from any payment to be made pursuant to this Plan any federal, state or local taxes required by law to be withheld, and any associated interest and/or penalties.

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

ARTICLE VII
TRANSFER OF ACCOUNT BALANCE

7.1 TRANSFER OF EXECUTIVES' PLAN ACCOUNTS. Notwithstanding any other provision of the Plan to the contrary, a Director who is a former employee of Unisys Corporation and who is a participant in the Executives' Plan may elect to transfer any or all of his/her account balance in the Executives' Plan into this Plan. Upon transfer, such amounts shall be subject to the terms and conditions of this Plan, provided that all elections previously made under the Executives' Plan with respect to such amounts shall continue in effect until otherwise modified hereunder. Notwithstanding the payment election provision described in Article V hereof, in no event may a Director elect a form of payment with respect to amounts transferred from the Executives' Plan that is any more rapid than the form of payment in effect under the Executives' Plan at the time of such transfer.

ARTICLE VIII
CHANGE IN CONTROL

8.1 WITHDRAWAL ELECTION.

(a) Notwithstanding any other provision of the Plan to the contrary, in the event of a Change in Control, each Participant may elect to receive a single sum payment of all or any portion of his/her account balance. Such election shall only be effective if delivered to the Secretary of the Corporation within the ninety-day period immediately following the date of the occurrence of the Change in Control.

(b) If an election is timely made, the Participant (or Beneficiary) will be entitled to receive, as soon as practicable after the expiration of the ninety-day period, an amount equal to (1) the full value or any portion thereof of the Account Balance minus (2) an early withdrawal penalty equal to 8% of the total value of (1). The Committee, upon advice of counsel, may modify the early withdrawal penalty described above in any way it deems appropriate and consistent with the purposes of the Plan.

8.2 LITIGATION EXPENSES. If litigation is brought by a Participant or Beneficiary after a Change in Control to enforce or interpret any provision of the Plan, the Corporation to the extent permitted by

applicable law shall reimburse the Participant (or Beneficiary) for the reasonable fees and disbursements of counsel incurred in such litigation.

Exhibit 12

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

	Six Months Ended	Years Ended December 31				
	June 30, 2004	2003	2002	2001	2000	1999
Fixed charges						
Interest expense	\$ 35.2	\$ 69.6	\$ 66.5	\$ 70.0	\$ 79.8	\$127.8
Interest capitalized during the period	8.5	14.5	13.9	11.8	11.4	3.6
Amortization of debt issuance expenses	1.7	3.8	2.6	2.7	3.2	4.1
Portion of rental expense representative of interest	27.6	55.2	53.0	53.9	42.2	46.3
Total Fixed Charges	73.0	143.1	136.0	138.4	136.6	181.8
Earnings						
Income (loss) from continuing operations before income taxes	71.1	380.5	332.8	(73.0)	348.5	751.7
Add (deduct) the following:						
Share of loss (income) of associated companies	(13.2)	(16.2)	14.2	(8.6)	(20.5)	8.9
Amortization of capitalized interest	5.6	10.2	8.8	5.4	2.2	-
Subtotal	63.5	374.5	355.8	(76.2)	330.2	760.6
Fixed charges per above	73.0	143.1	136.0	138.4	136.6	181.8
Less interest capitalized during the period	(8.5)	(14.5)	(13.9)	(11.8)	(11.4)	(3.6)
Total earnings	\$128.0	\$503.1	\$477.9	\$ 50.4	\$455.4	\$938.8
Ratio of earnings to fixed charges	1.75	3.52	3.51	*	3.33	5.16

* Earnings for the year ended December 31, 2001 were inadequate to cover fixed charges by approximately \$88 million.

CERTIFICATION

I, Lawrence A. Weinbach, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Unisys Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 22, 2004

/s/ Lawrence A. Weinbach

Name: Lawrence A. Weinbach
Title: Chairman of the Board and
Chief Executive Officer

CERTIFICATION

I, Janet Brutschea Haugen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Unisys Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 22, 2004

/s/ Janet Brutschea Haugen

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

CERTIFICATION OF PERIODIC REPORT

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

(1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2004 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

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

Dated: July 22, 2004

/s/ Lawrence A. Weinbach

Lawrence A. Weinbach
Chairman of the Board and
Chief Executive Officer

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

CERTIFICATION OF PERIODIC REPORT

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

- (1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2004 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 22, 2004

/s/ Janet Brutschea Haugen

Janet Brutschea Haugen
Senior Vice President and
Chief Financial Officer

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