UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2006

OR

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

For the transition period from ______ to ______.

Commission file number: 1-8729

UNISYS CORPORATION
(Exact name of registrant as specified in its charter)

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

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

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $.01	New York Stock Exchange

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Securities Act Rule 405. ☒ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 and Section 15(d) of the Act. ☐ Yes ☒ No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Exchange Act Rule 12b-2).

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). ☐ Yes ☒ No

Aggregate market value of the voting and non-voting common equity held by non-affiliates as of the last business day of the registrant's most recently completed second fiscal quarter: approximately $2.2 billion.

The amount shown is based on the closing price of Unisys Common Stock as reported on the New York Stock Exchange composite tape on June 30, 2006. Voting stock beneficially held by officers and directors is not included in the computation. However, Unisys Corporation has not determined that such individuals are "affiliates" within the meaning of Rule 405 under the Securities Act of 1933.

Number of shares of Unisys Common Stock, par value $.01, outstanding as of December 31, 2006: 345,254,057

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Unisys Corporation 2006 Annual Report to Stockholders — Part I, Part II and Part IV.

Portions of the Unisys Corporation Proxy Statement for the 2007 Annual Meeting of Stockholders — Part III.

PART I

ITEM 1. BUSINESS

Unisys Corporation ("Unisys" or the "Company") is a worldwide technology services and solutions company. The Company's employees apply Unisys expertise in consulting, systems integration, outsourcing, infrastructure, and server technology to help clients achieve secure business operations.

Unisys has two business segments — Services and Technology. Financial information concerning the two segments is set forth in Note 17, "Segment information", of the Notes to Consolidated Financial Statements appearing in the Unisys 2006 Annual Report to Stockholders, and such information is incorporated herein by reference.

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

Principal Products and Services

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

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

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

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

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

Materials

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

Patents, Trademarks and Licenses

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

Seasonality

The Company's revenue is affected by such factors as the introduction of new products and services, the length of sales cycles and the seasonality of purchases. Seasonality has generally resulted in higher fourth quarter revenue than in other quarters.

Customers

No single customer accounts for more than 10% of Unisys revenue. Sales of commercial products and services to various agencies of the U.S. government represented 16% of total consolidated revenue in 2006.

Backlog

In the Services segment, firm order backlog at December 31, 2006 was $6.6 billion, compared to $6.4 billion at December 31, 2005. Approximately $2.9 billion (44%) of 2006 backlog is expected to be filled in 2007. Although the Company believes that this backlog is firm, the Company may, for commercial reasons, allow the orders to be cancelled, with or without penalty. In addition, funded government contracts included in this backlog are generally subject to termination, in whole or part, at the convenience of the government or if funding becomes unavailable. In such cases, the Company is generally entitled to receive payment for work completed plus allowable termination or cancellation costs.

At the end of 2006, the Company also had $2.0 billion of potential future Services order value which it may receive under certain multi-year U.S. government contracts for which funding is appropriated annually. The comparable value of unfunded multi-year U.S. government contracts at the end of 2005 was $2.3 billion.

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

Competition

Unisys business is affected by rapid change in technology in the information services and technology industries and aggressive competition from many domestic and foreign companies. Principal competitors are systems integrators, consulting and other professional services firms, outsourcing providers, infrastructure services providers, computer hardware manufacturers and software providers. Unisys competes primarily on the basis of service, product performance, technological innovation, and price. Unisys believes that its continued focused investment in engineering and research and development, coupled with its marketing capabilities, will have a favorable impact on its competitive position.

Research and Development

Unisys-sponsored research and development costs were $231.7 million in 2006, $263.9 million in 2005, and $294.3 million in 2004.

Environmental Matters

Capital expenditures, earnings and the competitive position of Unisys have not been materially affected by compliance with federal, state and local laws regulating the protection of the environment. Capital expenditures for environmental control facilities are not expected to be material in 2007 and 2008.

Employees

As of December 31, 2006, Unisys had approximately 31,500 employees.

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

International and Domestic Operations

Financial information by geographic area is set forth in Note 17, “Segment information”, of the Notes to Consolidated Financial Statements appearing in the Unisys 2006 Annual Report to Stockholders, and such information is incorporated herein by reference.

Available Information

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

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

ITEM 1A. RISK FACTORS

Discussion of risk factors is set forth under the heading “Factors that may affect future results” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Unisys 2006 Annual Report to Stockholders and is incorporated herein by reference.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

As of December 31, 2006, Unisys had 21 major facilities in the United States with an aggregate floor space of approximately 4.2 million square feet, located primarily in California, Georgia, Michigan, Minnesota, New Jersey, Pennsylvania, Utah and Virginia. Two of these facilities, with aggregate floor space of approximately 1.0 million square feet, were owned by Unisys and 19, with approximately 3.2 million square feet of floor space, were leased to Unisys. Approximately 3.6 million square feet of the U.S. facilities were in current operation, approximately .1 million square feet were subleased to others, and approximately .5 million square feet were being held in reserve or were declared surplus with disposition efforts in progress.

As of December 31, 2006, Unisys had 23 major facilities outside the United States with an aggregate floor space of approximately 2.3 million square feet, located primarily in Australia, Brazil, France, Germany, India, Netherlands, South Africa, Switzerland and the United Kingdom. Four of these facilities, with approximately .7 million square feet of floor space, were owned by Unisys and 19, with approximately 1.6 million square feet of floor space, were leased to Unisys. Approximately 1.8 million square feet were in current operation, approximately .2 million square feet were subleased to others, and approximately .3 million square feet were being held in reserve or were declared surplus with disposition efforts in progress.

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

ITEM 3. LEGAL PROCEEDINGS

As of the date of filing of this report, Unisys has no material legal proceedings required to be disclosed under this Item 3.

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

No matters were submitted to a vote of security holders of Unisys during the fourth quarter of 2006.

ITEM 10. EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning the executive officers of Unisys as of February 1, 2007 is set forth below.

Name	Age	Position with Unisys
Joseph W. McGrath	54	President and Chief Executive Officer
Peter Blackmore	59	Executive Vice President; President, Worldwide Sales, Marketing and Technology
Greg J. Baroni	53	Senior Vice President; President, Federal Systems
Patricia A. Bradford	56	Senior Vice President, Worldwide Human Resources
Janet Brutschea Haugen	48	Senior Vice President and Chief Financial Officer
Randy J. Hendricks	50	Senior Vice President; President, Global Outsourcing and Infrastructure Services
Brian T. Maloney	53	Senior Vice President; President, Global Industries
Nancy Straus Sundheim	55	Senior Vice President, General Counsel and Secretary
Scott A. Battersby	48	Vice President and Treasurer
Leo C. Daiuto	61	Vice President; President, Systems and Technology
Jack F. McHale	57	Vice President, Investor Relations
Joseph M. Munnelly	42	Vice President and Corporate Controller

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

Mr. McGrath, Chief Executive Officer since 2005 and President since 2004. He also served as Chief Operating Officer (2004), Executive Vice President and President, Enterprise Transformation Services (2000-2004), and Senior Vice President of Major Accounts Sales and Chief Marketing Officer (1999). Prior to joining Unisys in 1999, he was with Xerox Corporation from 1988 until 1998, serving as vice president and general manager of its Production Color Systems unit and as vice president of strategy and integration for the Production Systems division. Mr. McGrath has been an officer since 1999.

Mr. Blackmore, Executive Vice President since 2005 and President, Worldwide Sales, Marketing and Technology since May 2006. He also served as President, Worldwide Sales and Marketing (2005-May 2006). Prior to joining Unisys in 2005, he was with Hewlett-Packard Company, a global technology solutions provider, serving as Executive Vice President, Customer Solutions Group (2004) and Executive Vice President, Enterprise Systems Group (2002-2004). From 1991 until its acquisition by Hewlett-Packard in 2002, he was with Compaq Computer Corporation, serving in a number of senior management positions, most recently as Executive Vice President, Worldwide Sales and Services (2000-2002). Mr. Blackmore has been an officer since 2005.

Mr. Baroni, Senior Vice President and President, Federal Systems since April 2006. He also served as Vice President (2004-April 2006) and President, Global Public Sector (2001-April 2006 Prior to joining Unisys in 2001, he spent almost 20 years at KPMG, LLP and KPMG Consulting (now Bearing Point) where his last position was as Senior Vice President of their Public Services Practice. Mr. Baroni has been an officer since 2004.

Ms. Bradford, Senior Vice President, Worldwide Human Resources since April 2006. Prior to that time, she served as Vice President, Worldwide Human Resources (2005- April 2006), Vice President, Human Resources Operations (2004), Vice President and Managing Business Partner, Enterprise Transformation Services (2003–2004), and Vice President and Managing Business Partner, Global Industries (1999-2003). Ms. Bradford joined Unisys in 1982 and has held several other leadership positions in Human Resources. Ms. Bradford has been an officer since 2005.

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

Mr. Hendricks, Senior Vice President since April 2006 and President, Global Outsourcing and Infrastructure Services since 2005. From 2005 until April 2006 he was a Vice President. Mr. Hendricks joined Unisys in 2001 and has served in a variety of other leadership roles. Prior to joining Unisys, he was President and Chief Executive Officer of Digite, a software company based in Silicon Valley (2000-2001). Prior to that he was with Arthur Andersen & Co. and Andersen Consulting (now Accenture) for 20 years. Mr. Hendricks has been an officer since 2005.

Mr. Maloney, Senior Vice President and President, Global Industries since July 2006. Before joining Unisys in May 2006, Mr. Maloney was an independent consultant providing services primarily in the areas of business growth, strategic uses of technology, outsourcing and offshoring (2005-2006). Prior to that, he was Chief Operating Officer of Perot Systems, a technology-based business solutions company (2002-2004), and prior to that, he was with AT&T for over 20 years, serving most recently as President and Chief Executive Officer, AT&T Solutions and Senior Vice President, AT&T Business Services (2001-2002). Mr. Maloney has been an officer since July 2006.

Ms. Sundheim, Senior Vice President, General Counsel and Secretary since 2001. From 1999 to 2001, she was Vice President, Deputy General Counsel and Secretary. She had been Deputy General Counsel since 1990. Ms. Sundheim has been an officer since 1999.

Mr. Battersby, Vice President and Treasurer since 2000. Prior to that time, he served as Vice President of Corporate Strategy and Development (1998-2000) and Vice President and Assistant Treasurer (1996-1998). Mr. Battersby has been an officer since 2000.

Mr. Daiuto, Vice President and President, Systems and Technology since 2005. From 2000 until 2004, he served as Vice President, Product Development and Technology. Mr. Daiuto joined Unisys in 1970 and has served in a variety of other business and engineering management positions. Mr. Daiuto has been an officer since 2000.

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

Mr. Munnelly, Vice President and Corporate Controller since 2005. Prior to joining Unisys in 2005, Mr. Munnelly was with KPMG where he served as a partner in the Audit and Risk Advisory Services Practice. Prior to KPMG, he spent 16 years with Arthur Andersen, most recently as a partner in the Audit and Business Advisory practice. Mr. Munnelly has been an officer since 2005.

PART II

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

Unisys Common Stock (trading symbol "UIS") is listed for trading on the New York Stock Exchange and London Stock Exchange. Information on the high and low sales prices for Unisys Common Stock is set forth under the heading "Quarterly financial information" in the Unisys 2006 Annual Report to

Stockholders and is incorporated herein by reference. At December 31, 2006, there were approximately 345.3 million shares outstanding and approximately 22,900 stockholders of record. Unisys has not declared or paid any cash dividends on its Common Stock since 1990 and does not anticipate declaring or paying cash dividends in the foreseeable future.

ITEM 6. SELECTED FINANCIAL DATA

A summary of selected financial data for Unisys is set forth under the heading "Five-year summary of selected financial data" in the Unisys 2006 Annual Report to Stockholders and is incorporated herein by reference.

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

Management's discussion and analysis of financial condition and results of operations is set forth under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Unisys 2006 Annual Report to Stockholders and is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information concerning market risk is set forth under the heading "Market risk" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Unisys 2006 Annual Report to Stockholders and is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements of Unisys, consisting of the consolidated balance sheets at December 31, 2006 and 2005 and the related consolidated statements of income, cash flows and stockholders' equity for each of the three years in the period ended December 31, 2006, appearing in the Unisys 2006 Annual Report to Stockholders, together with the report of Ernst & Young LLP, independent registered public accountants, on the financial statements at December 31, 2006 and 2005 and for each of the three years in the period ended December 31, 2006, appearing in the Unisys 2006 Annual Report to Stockholders, are incorporated herein by reference. Supplementary financial data, consisting of information appearing under the heading "Quarterly financial information" in the Unisys 2006 Annual Report to Stockholders, is incorporated herein by reference.

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

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures; Changes in Internal Control Over Financial Reporting

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 defined in Rules 13a-15(e) of the Securities Exchange Act of 1934) as of December 31, 2006. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective for gathering, analyzing and disclosing the information the Company is required to disclose in the reports it files under the Securities Exchange Act of 1934, within the time periods specified in the SEC's rules and forms. Such evaluation did not identify any change in the Company's internal controls over financial reporting that occurred during the quarter ended December 31, 2006 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

(b) Management's Report on Internal Control Over Financial Reporting; Attestation Report of Independent Registered Public Accounting Firm

Management's report on internal control over financial reporting and the attestation report of Ernst & Young LLP thereon are set forth under the headings "Report of Management on Internal Control over Financial Reporting" and "Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting" in the Unisys 2006 Annual Report to Stockholders, and are incorporated herein by reference.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

(a) Identification of Directors. Information concerning the directors of Unisys is set forth under the headings "Nominees for Election to the Board of Directors", "Members of the Board of Directors Continuing in Office — Term Expiring in 2008" and "Members of the Board of Directors Continuing in Office — Term Expiring in 2009" in the Unisys Proxy Statement for the 2007 Annual Meeting of Stockholders and is incorporated herein by reference.

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

(c) Code of Ethics. Information concerning the Unisys Code of Ethics and Business Conduct is set forth under the caption "Code of Ethics and Business Conduct" in the Unisys Proxy Statement for the 2007 Annual Meeting of Stockholders and is incorporated herein by reference.

(d) Audit Committee. Information concerning the audit committee of Unisys is set forth under the heading "Committees" in the Unisys Proxy Statement for the 2007 Annual Meeting of Stockholders and is incorporated herein by reference.

(e) Audit Committee Financial Experts. Information concerning audit committee financial experts is set forth under the heading “Committees” in the Unisys Proxy Statement for the 2006 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information concerning executive compensation is set forth under the headings “EXECUTIVE COMPENSATION” and “COMMITTEES” in the Unisys Proxy Statement for the 2007 Annual Meeting of Stockholders and is incorporated herein by reference.

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

Information concerning securities authorized for issuance under equity compensation plans is set forth under the heading “EQUITY COMPENSATION PLAN INFORMATION” in the Unisys Proxy Statement for the 2007 Annual Meeting of Stockholders and is incorporated herein by reference.

Information concerning shares of Unisys equity securities beneficially owned by certain beneficial owners and by management is set forth under the heading “SECURITY OWNERSHIP BY CERTAIN BENEFICIAL OWNERS AND MANAGEMENT” in the Unisys Proxy Statement for the 2007 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information concerning certain relationships and related transactions and director independence is set forth under the headings “Independence of Directors” and “Related Party Transactions” in the Unisys Proxy Statement for the 2007 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information concerning fees and services of the Company’s principal accountants is set forth under the heading “Relationship with Independent Registered Public Accounting Firm” in the Unisys Proxy Statement for the 2007 Annual Meeting of Stockholders and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this report:

1. Financial Statements from the Unisys 2006 Annual Report to Stockholders which are incorporated herein by reference:

Consolidated Balance Sheets at December 31, 2006 and December 31, 2005

Consolidated Statements of Income for each of the three years in the period ended December 31, 2006

Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2006

Consolidated Statements of Stockholders' Equity for each of the three years in the period ended December 31, 2006

Notes to Consolidated Financial Statements

Report of Management on Internal Control over Financial Reporting

Reports of Independent Registered Public Accounting Firm

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

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

The financial statement schedule should be read in conjunction with the consolidated financial statements and notes thereto in the Unisys 2006 Annual Report to Stockholders. Financial statement schedules not included with this report have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

Separate financial statements of subsidiaries not consolidated with Unisys and entities in which Unisys has a fifty percent or less ownership interest have been omitted because these operations do not meet any of the conditions set forth in Rule 3-09 of Regulation S-X.

3. Exhibits. Those exhibits required to be filed by Item 601 of Regulation S-K are listed in the Exhibit Index included in this report at pages 16 through 18. Management contracts and compensatory plans and arrangements are listed as Exhibits 10.1 through 10.20.

SIGNATURES

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

UNISYS CORPORATION

By: /s/ Joseph W. McGrath
Joseph W. McGrath
President and Chief Executive Officer

Date: February 20, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 15, 2007.

/s/ Joseph W. McGrath Joseph W. McGrath President and Chief Executive Officer (principal executive officer) and Director	*Henry C. Duques Henry C. Duques Chairman of the Board and Director
/s/ Janet Brutschea Haugen Janet Brutschea Haugen Senior Vice President and Chief Financial Officer (principal financial officer)	*J. P. Bolduc J. P. Bolduc Director
/s/ Joseph M. Munnelly Joseph M. Munnelly Vice President and Corporate Controller (principal accounting officer)	*James J. Duderstadt James J. Duderstadt Director

*Matthew J. Espe
Matthew J. Espe
Director

*Denise K. Fletcher
Denise K. Fletcher
Director

*Edwin A. Huston
Edwin A. Huston
Director

*Clayton M. Jones
Clayton M. Jones
Director

*Leslie F. Kenne
Leslie F. Kenne
Director

*Theodore M. Martin
Theodore M. Martin
Director

*By: /s/ Joseph W. McGrath
Joseph W. McGrath
Attorney-in-Fact

UNISYS CORPORATION

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS

(Millions)

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions (1)	Balance at End of Period
Allowance for Doubtful Accounts (deducted from accounts and notes receivable):				
Year Ended				
December 31, 2004	$ 49.8	$ 1.9	$ (2.1)	$ 49.6
Year Ended				
December 31, 2005	$ 49.6	$ 9.0	$ (8.0)	$ 50.6
Year Ended				
December 31, 2006	$ 50.6	$ 10.6	$ —	$ 61.2

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

EXHIBIT INDEX

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of Unisys Corporation (incorporated by reference to Exhibit 3.1 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999)
3.2	By-Laws of Unisys Corporation, as amended through February 8, 2007 (incorporated by reference to Exhibit 3 to the registrant's Current Report on Form 8-K dated February 8, 2007)
4.1	Agreement to furnish to the Commission on request a copy of any instrument defining the rights of the holders of long-term debt which authorizes a total amount of debt not exceeding 10% of the total assets of the registrant (incorporated by reference to Exhibit 4 to the registrant's Annual Report on Form 10-K for the year ended December 31, 1982 (File No. 1-145))
10.1	Unisys Corporation Deferred Compensation Plan as amended and restated effective September 22, 2000 (incorporated by reference to Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000)
10.2	Deferred Compensation Plan for Directors of Unisys Corporation, as amended and restated effective April 22, 2004 (incorporated by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2004)
10.3	Unisys Corporation Director Stock Unit Plan, as amended and restated, effective September 22, 2000 (incorporated by reference to Exhibit 10.5 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000)
10.4	Unisys Directors Stock Option Plan, as amended and restated effective September 22, 2000 (incorporated by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000)
10.5	Unisys Executive Annual Variable Compensation Plan (incorporated by reference to Exhibit A to the registrant's Proxy Statement, dated March 23, 1993, for its 1993 Annual Meeting of Stockholders)
10.6	1990 Unisys Long-Term Incentive Plan, as amended and restated effective September 22, 2000 (incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000)

10.7	Form of Indemnification Agreement between Unisys Corporation and each of its Directors (incorporated by reference to Exhibit B to the registrant's Proxy Statement, dated March 22, 1988, for the 1988 Annual Meeting of Stockholders)
10.8	Form of Executive Employment Agreement (incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1995)
10.9	Unisys Corporation 2002 Stock Option Plan (incorporated by reference to Exhibit 10.17 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002)
10.10	Unisys Corporation 2003 Long-Term Incentive and Equity Compensation Plan (incorporated by reference to Appendix B to the registrant's Proxy Statement, dated March 14, 2003, for its 2003 Annual Meeting of Stockholders)
10.11	Agreement, dated December 22, 2004, between Unisys Corporation and Joseph W. McGrath (incorporated by reference to Exhibit 10 to the registrant's Amendment No. 1 to Current Report on Form 8-K/A dated December 22, 2004)
10.12	2005 Deferred Compensation Plan for Directors of Unisys Corporation (incorporated by reference to Exhibit 10.19 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2004)
10.13	Description of Turnaround Cash Incentive Program (incorporated by reference to Item 1.01(c) of the registrant's Current Report on Form 8-K dated February 9, 2006)
10.14	Unisys Corporation Executive Life Insurance Program, as amended and restated effective April 22, 2004 (incorporated by reference to Exhibit 10.21 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2005)
10.15	Form of Restricted Stock Unit Agreement (incorporated by Reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2006)
10.16	Unisys Corporation Supplemental Executive Retirement Income Plan, as amended and restated effective January 1, 2005
10.17	Unisys Corporation Elected Officer Pension Plan, as amended and restated effective January 1, 2005
10.18	Unisys Corporation 2005 Deferred Compensation Plan, as Amended and restated effective January 1, 2005

10.19	Unisys Corporation Savings Plan, as amended and restated effective January 1, 2005
10.20	Summary of supplemental benefits provided to elected officers of Unisys Corporation
12	Computation of Ratio of Earnings to Fixed Charges
13	Portions of the Annual Report to Stockholders of the Registrant for the year ended December 31, 2006
21	Subsidiaries of the Registrant
23	Consent of Independent Registered Public Accounting Firm
24	Power of Attorney
31.1	Certification of Joseph W. McGrath 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 Joseph W. McGrath required by Rule 13a-14(b) or Rule 15d-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
32.2	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

Exhibit 10.16

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

PREAMBLE

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

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

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

This document is an amendment and restatement of the Supplemental Plan, effective as of January 1, 2005, and includes all amendments to the Plan made through December 31, 2006. Effective after December 31, 2006, the Supplemental Plan is frozen and no additional benefits shall be accrued hereunder.

Purpose

The Supplemental Plan (which consolidates the provisions of Parts I and II of the Burroughs Plan) provides for the payment of pension benefits that would have been paid under the Company Plan but for the benefit limitations imposed by the Internal Revenue Code (the

"Code"). The Supplemental Plan also provides for the payment of pension benefits that would have been paid under the Company Plan if deferred salary, bonuses and commissions had been included in the calculation of the employee's Compensation.

Effective Date

The Supplemental Plan, as amended and restated, herein is effective January 1, 2005, except as otherwise required by law or provided herein. Effective after December 31, 2006, the Supplemental Plan is frozen and no additional benefits shall be accrued hereunder.

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

ARTICLE I - SUPPLEMENTAL BENEFITS

1.1 Eligibility

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

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

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

(d) Notwithstanding any provision in this Plan to the contrary, an Employee who is hired or rehired on or after January 1, 2007 shall not become a Participant in the Plan (or resume participation in the Plan).

1.2 Calculation of Supplemental Pension Benefit

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

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

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

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

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

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

(e) Notwithstanding any provision in this Plan to the contrary, a Participant shall not accrue any additional service, benefits or cash balance pay credits after December 31, 2006, nor shall any compensation earned by a Participant after December 31, 2006 be considered in calculating a Participant's benefit, provided, however, that a Participant shall continue to earn interest credits and service for vesting and for determining eligibility for early retirement benefits and subsidies.

ARTICLE II - GENERAL PROVISIONS OF THE SUPPLEMENTAL PLAN

2.1 Survivor Benefits

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

2.2 Vesting Benefits

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

2.3 Forfeiture of Benefits

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

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

2.4 Administration

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

2.5 Payment of Benefits

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

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

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

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

2.6 Employees' Rights

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

2.7 Amendments and Discontinuance

The Company expects to continue this Supplemental Plan indefinitely, but reserves the right to amend or discontinue it if, in its sole judgment, such a change is deemed necessary or desirable. However, if the Company should amend or discontinue this Supplemental Plan, the Company shall be liable for any benefits accrued under this Supplemental Plan as of the date of such action. Any change to the Plan which adversely affects a Participant's or Beneficiary's rights to benefits and/or the amount, form and manner in which benefits are accrued, vested and/or paid shall not affect the Participant's or Beneficiary's benefits accrued up to the date of the change. Changes which adversely affect the Participant's or Beneficiary's rights under the Plan may only take effect on the adoption date of the change and on a going forward basis. Notwithstanding the foregoing, no Participant consent is necessary if any modification, amendment, suspension or termination of the Supplemental Plan is necessary to comply with the requirements of Code section 409A.

2.8 Claims Procedure

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

(b) Denial of Claim.

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

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

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

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

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

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

2.9 Benefit Offsets for Overpayments. If a Participant or Beneficiary receives benefits hereunder for any period in excess of the amount of benefits to which he was entitled under the terms of the applicable terms of the Plan, such overpayment shall be offset against current or future benefit payments, as applicable, until such time as the overpayment is entirely recouped by the Plan as determined by the Committee in its sole discretion.

2.10 Withholding. All federal, state and local income, employment or other taxes required to be withheld in connection with a benefit payment under the Supplemental Plan shall be the sole responsibility of the Employee. To the extent not otherwise paid for by Employee, the Company shall have the right to deduct from any wages or other compensation payable to the Employee or any payment made pursuant to this Supplemental Plan any such taxes, as the Committee may determine in its sole discretion.

IN WITNESS WHEREOF, and as evidence of the adoption of the Plan as amended and restated herein, Unisys Corporation has caused this instrument to be executed by its duly authorized representatives.

UNISYS CORPORATION:

By: /s/ Patricia A. Bradford
Patricia A. Bradford

Dated: December 22, 2006

By: /s/ Janet Brutschea Haugen
Janet Brutschea Haugen

Dated: December 27, 2006

Exhibit 10.17

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

ARTICLE I

PURPOSE

1.01 The Unisys Corporation Elected Officer Pension Plan (the "Plan") has been adopted by Unisys Corporation (the "Company") to provide a minimum level of retirement benefits for elected Officers (as defined in Section 2.12 below) of the Company. The Plan is effective June 1, 1988 and applies to any elected Officer or other eligible employee of the Company who terminates employment on or after that date. This document is an amendment and restatement effective January 1, 2005 and includes all amendments to the Plan made through December 31, 2006. Effective after December 31, 2006, the Plan is frozen and no additional benefits shall be accrued hereunder. Prior to June 1, 1988, elected Officers of the Company were provided executive pension benefits under the Unisys Corporation Supplemental Executive Retirement Income Plan - Part IV or the Sperry Corporation Executive Pension Plan. Officers who terminated employment prior to June 1, 1988 will receive executive pension benefits, if any, under the terms of the prior plan in effect on their termination date.

ARTICLE II

DEFINITIONS

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

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

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

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

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

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

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

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

2.09 "Final Average Compensation" shall mean the Participant's Final Average Compensation, as defined in the Company Plan, except that any salary amounts deferred under an arrangement approved by the Board not included by the Company Plan and any amounts excluded from consideration under the Company Plan due to the application of Section 401(a)(17) of the Code shall be included in the calculation of Final Average Compensation in the month in which such amounts were or would otherwise have been paid; provided, however, that no more than the most recent five annual bonus amounts (whether paid or deferred) shall be included in the calculation of Final Average Compensation. Notwithstanding any provision in this Plan to the contrary, a Participant's Final Average Compensation shall not be taken into account after December 31, 2006.

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

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

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

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

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

2.15 “Primary Social Security Benefit” shall mean the annualized amount calculated according to the rules for computing the primary social security benefit payable to a Participant upon attainment of Social Security Retirement Age under the Federal Social Security Act as in effect at the time the Participant retires. In the event that a Participant retires prior to attainment of eligibility for Social Security benefits, the Participant’s Primary Social Security Benefit shall be deemed to be 80% of the Primary Social Security Benefit payable at Social Security Retirement Age. In the event the Participant retires after attainment of eligibility for Social Security benefits, but before Social Security Retirement Age, the Primary Social Security Benefit shall be deemed to be an amount prorated between the benefit payable at Social Security Retirement Age and 80% of such amount. For purposes of this calculation, it will be assumed that the Participant has no earnings for Social Security purposes beyond the date of retirement. Notwithstanding any provision in this Plan to the contrary, a Participant shall not accrue additional service or earnings for purposes of determining the Primary Social Security Benefit after December 31, 2006.

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

2.17 “Change in Control” means any of the following events:

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

(b) Individuals who, as of May 25, 1995, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the

Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

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

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

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

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

ARTICLE III

PARTICIPATION AND VESTING

3.01 Participation

An Officer shall become a Participant in the Plan on the later of (i) the Effective Date or (ii) the effective date on which the Officer is elected to officer status by the Board. Notwithstanding any provision in this Plan to the contrary, an Employee who is elected as an Officer on or after January 1, 2007 shall not become a Participant in the Plan (or resume participation in the Plan if rehired).

3.02 Vesting

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

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

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

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

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

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

(c) A former Officer who was a Participant but who continues in active employment for more than twelve months after ceasing to be an Officer shall be eligible, upon application, to receive a vested annual retirement benefit calculated in accordance with Sections 5.01(a), 5.02, 5.04 and 5.05, utilizing as an offset the amount of benefits payable under the Company Plan and the Supplemental Plan calculated as if the Participant had elected a single life annuity form of benefit under the Company Plan, and such former Officer shall not be eligible for the survivor benefits described in Section 5.03. This Section 3.01(c) shall not apply after the occurrence of a Change in Control with respect to any individual who was an Officer on the date of the Change in Control.

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

ARTICLE IV

CREDITED SERVICE

4.01 Credited Service

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

(a) periods of employment as an Officer; and

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

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

(d) Notwithstanding any provision in this Plan to the contrary, a Participant shall not accrue Credited Service for purposes of the calculation of Plan benefits after December 31, 2006, but shall continue to accrue Credited Service for purposes of vesting under Section 3.02 and for purposes of eligibility to receive early retirement benefits and subsidies.

ARTICLE V

CALCULATION OF BENEFITS

5.01 Amount of Benefits

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

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

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

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

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

5.02 Early Retirement Prior to Age 62

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

5.03 Death Benefits

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

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

(2) who has a surviving spouse,

such Participant’s surviving spouse shall receive a survivor’s benefit in the amount described in paragraph (b).

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

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

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

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

(4) had died on the following day.

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

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

5.05 Benefit Offset

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

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

ARTICLE VI

BENEFIT PAYMENTS

6.01 Form of Benefit Payment

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

6.02 Commencement of Benefits

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

6.03 Funding of Benefits

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

6.04 Forfeiture and Suspension of Benefits

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

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

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

6.05 Benefit Offsets for Overpayments

If a Participant or Beneficiary receives benefits hereunder for any period in excess of the amount of benefits to which he was entitled under the terms of the applicable terms of the Plan, such overpayment shall be offset against current or future benefit payments, as applicable, until such time as the overpayment is entirely recouped by the Plan as determined by the Committee in its sole discretion.

ARTICLE VII

ADMINISTRATION

7.01 Committee

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

7.02 Claims Procedure.

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

(b) Denial of Claim.

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

- The reason(s) for denial;

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

(c) Review of Claim.

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

(d) Final Decision.

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

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

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

7.03 Plan Amendment and Termination

The Company expects to continue this Plan indefinitely, but reserves the right to amend or discontinue it if, in its sole judgment, such a change is deemed necessary or desirable. However, if the Company should amend or discontinue this Plan, the Company shall be liable for any benefits accrued under this Plan (determined on the basis of each Employee's presumed termination of employment as of the date of such amendment or discontinuance) as of the date of such action. Any change to the Plan which adversely affects a Participant's or Beneficiary's rights to benefits and/or the amount, form and manner in which benefits are accrued, vested and/or paid shall not affect the Participant's or Beneficiary's benefits accrued up to the date of the change. Changes which adversely affect a Participant's or Beneficiary's rights under the Plan may only take effect on the adoption date of the change and on a going forward basis. Notwithstanding the foregoing, no Participant consent is necessary if any modification, amendment, suspension or termination of the Plan is necessary to comply with the requirements of Code section 409A.

7.04 No Employment Rights

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

7.05 Severability of Provisions

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

7.06 Non-Assignability

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

7.07 Withholding

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

7.08 Governing Law

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

IN WITNESS WHEREOF, and as evidence of the adoption of the Plan as amended and restated herein, Unisys Corporation has caused this instrument to be executed by its duly authorized representatives.

UNISYS CORPORATION:

By: /s/ Patricia A. Bradford
Patricia A. Bradford

Dated: December 22, 2006

By: /s/ Janet Brutschea Haugen
Janet Brutschea Haugen

Dated: December 27, 2006

UNISYS CORPORATION
2005 DEFERRED COMPENSATION PLAN

(As Amended and Restated Effective January 1, 2005)

Article I
Purpose & Authority

1.1 Purpose. The purpose of the Plan is to offer Eligible Executives the opportunity to defer receipt of a portion of their compensation from the Corporation, to receive Corporation Contributions and, effective January 1, 2007, to receive Savings Plan Credits, under terms advantageous to both the Eligible Executive and the Corporation and subject to rules that are intended to satisfy the requirements of Code section 409A.

1.2 Effective Date. The Board originally approved the Deferred Compensation Plan for Officers of Unisys Corporation on January 29, 1982. That plan, currently named the Unisys Corporation Deferred Compensation Plan, has been amended and restated from time to time since its original adoption. Deferrals of compensation earned and vested before January 1, 2005 were made under that plan and amounts deferred under that plan will continue to be subject to the rules set forth in that plan document. This Plan was originally effective January 1, 2005. This document is an amendment and restatement and includes all amendments to the Plan made through December 31, 2006. Deferrals of compensation earned and vested on or after the Effective Date will be subject to the rules set forth in this Plan document as it may be amended from time to time.

1.3 <u>Authority</u>. 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
<u>Definitions</u>

2.1 "Account" means, for any Participant, each memorandum account established for the Participant under Section 6.1.

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

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

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

2.5 “Board” means the Board of Directors of the Corporation.

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

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

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

2.9 “Corporation” means Unisys Corporation.

2.10 “Corporation Contributions” means discretionary amounts that are credited by the Corporation to the Corporation Contributions Accounts of eligible Participants at any time based on individual or corporate performance or such other criteria as is deemed appropriate by the Corporation.

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

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

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

2.14 “Effective Date” means January 1, 2005, the original effective date of the Plan.

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

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

2.17 “Investment Measurement Option” means any of the hypothetical investment alternatives available for determining the additional amounts to be credited to a Participant’s Account under Section 6.2. As of the Effective Date, the

Investment Measurement Options available are all of the investment options available to eligible participants under the USP. Performance Unit Compensation deferred under the Plan will be held as Stock Units.

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

2.19 "Performance Unit Compensation" means any amount payable to an Eligible Executive as a result of the Eligible Executive's vesting in a Performance Unit award (including, but not limited to, share unit and restricted share unit awards) made under the terms of the Unisys Corporation 2003 Long-Term Incentive and Equity Compensation Plan, or any successor equity-based incentive compensation plan.

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

2.21 "Revised Election" means an election made by a Participant, in accordance with Section 7.2, to change the date as of which payment of his or her Account Balance is to commence and/or the form in which such payment is to be made.

2.22 "Savings Plan Credits" means, effective January 1, 2007, amounts automatically credited by the Corporation to the Savings Plan Credits Accounts of eligible Participants in accordance with the provisions of Article IV of the Plan.

2.23 “Savings Plan Credits Account” means that portion of a Participant’s Account to which any Savings Plan Credits under the Plan for him or her are credited.

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

2.25 “USP” means the Unisys Savings Plan.

2.26 “Valuation Date” means any business day as of which the interest of a Participant in each of the Participant’s Accounts is valued.

Article III
Deferral of Compensation

3.1 Deferral Election.

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

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

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

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

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

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

(d) Once made, a Deferral Election shall become effective upon approval by the Corporate Executive Compensation Department and is thereafter irrevocable, except to the extent otherwise provided in Section 7.2. A Deferral Election will be deemed to have been approved by the Corporate Executive Compensation Department if it is not disapproved by the Corporate Executive Compensation Department within ten days of the date on which it is received.

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

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

(A) his or her separation from service (within the meaning of Code section 409A) with the Corporation;

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

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

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

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

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

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

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

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

(g) A Deferral Election with respect to salary shall expire as of the last day of the calendar year that includes the first day on which any amount, absent deferral, would be paid to the Eligible Executive and a Deferral Election with respect to Annual Incentive Pay or Performance Unit Compensation shall expire as of the date on which the Annual Incentive Pay or Performance Unit Compensation that is the subject of the Deferral Election is credited under the Plan.

Article IV
Savings Plan Credits

4.1 Savings Plan Credits. Effective January 1, 2007, with respect to any calendar year, unless the Corporation determines otherwise prior to the beginning of such calendar year, the Corporation will credit Savings Plan Credits to the Plan on behalf of any Participant as provided in this Section 4.1. The amount of Savings Plan Credits that will be credited to the Participant's Savings Plan Credits Account for a calendar year will be equal to (a) 6% of such Participant's compensation (as defined under the USP) for the calendar year that is in excess, if any, of the maximum amount of compensation that is permitted to be taken into account under Code section 401(a)(17), and (b) 6% of the Participant's Deferral Election, if any, under Section 3.1(a) for the calendar year.

4.2 Vesting. Effective January 1, 2007,

(a) Participants will be fully vested in their Savings Plan Credits Accounts, if any.

(b) Notwithstanding any provision of the Plan to the contrary, any amounts credited to a Participant's Savings Plan Credits Account will be immediately forfeited in the event it is found by the Committee that a Participant, either during or following separation from service with the Corporation, willfully engaged in any activity which is determined by the Committee to be materially adverse or detrimental to the interests of the Corporation, including any activity which might reasonably be considered by the Committee to be of a nature warranting dismissal of an employee for cause. While the Committee's decision is pending, the Committee may suspend the payment of benefits to such Participant, and will furnish notice to the Participant of such review. The

Committee will consider in its deliberation relative to this provision any explanation or justification submitted to it in writing by the Participant within 60 days following the giving of such notice. The acceptance by a Participant of any benefit under this Plan shall constitute an agreement with the provisions of this Plan and a representation that he or she is not engaged or employed in any activity serving as a basis for suspension or forfeiture of benefits hereunder. The Committee may require each Participant eligible for a benefit under this Plan to acknowledge in writing prior to payment of such benefit that he or she will accept payment of benefits under this Plan only if there is no basis for such suspension or forfeiture.

4.3 Timing of Savings Plan Credits. Savings Plan Credits to a Participant's Savings Plan Credits Account under Section 4.1(a) will commence to be credited each payroll period following the first payroll period for the calendar year in which the Participant's compensation (as defined under the USP) exceeds the maximum amount of compensation that is permitted to be taken into account under Code section 401(a)(17). Savings Plan Credits to a Participant's Savings Plan Credits Account pursuant to Section 4.1(b) will be credited to the Plan ratably throughout the year (or, where applicable, the portion of the year) to which the corresponding Deferral Election applies. Any Savings Plan Credits will be credited to the Plan as soon as administratively practicable after the applicable pay period to which such Savings Plan Credits are applicable.

4.4 Distribution of Savings Plan Credits. Amounts credited to a Participant's Savings Plan Credits Account will be distributed to the Participant as a single sum distribution upon his or her separation from service (within the meaning of Code section 409A) with the Corporation; provided, however, that if the Participant is a "specified employee" (within the meaning of Code section 409A) at such time, distributions will commence as soon as administratively practicable on of after the date that is six months after the date of the Participant's separation from service with the Corporation.

Article V
Corporation Contributions

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

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

Article VI
Treatment of Deferred Amounts

6.1 Memorandum Account. The Corporation shall establish on its books a separate Account for each Participant for each calendar year in which the Participant defers amounts pursuant to a Deferral Election. In addition, Corporation

Contributions, if any, and, effective January 1, 2007, Savings Plan Credits, if any, will be credited to a Participant's Account and recorded in a separate Corporation Contributions Account and Savings Plan Credits Account, respectively, therein. Performance Unit Compensation will be credited to the Participant's Account as Stock Units. As of each Valuation Date, incremental amounts determined in accordance with Section 6.2 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.

6.2 Investment Measurement Options.

(a) Subject to the provisions of this Section 6.2, a Participant's Account shall be credited or debited with amounts equal to the amounts that would be earned or lost with respect to the Participant's Account Balance (including, with respect to Stock Units, dividend equivalents and other adjustments) if amounts equal to that Account Balance were actually invested in the Investment Measurement Options in the manner specified by the Participant.

(b) Each Eligible Executive may elect, at the same time as a Deferral Election is made, to have one or more of the Investment Measurement Options applied to current deferrals. Such election with respect to current deferrals may be changed at any time upon appropriate notice to the Plan recordkeeper. Corporation Contributions will be hypothetically invested in the same manner as amounts attributable to a participant's Deferral Elections for such calendar year, unless the Participant elects otherwise if permitted by the Committee.

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

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

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

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

(2) To the extent that a Participant has not specified an Investment Measurement Option to apply to all or a portion of his or her current deferrals, Corporation Contributions, Account Balance and/or, effective January 1, 2007, Savings Plan Credits, the Fidelity Balanced Fund or such other fund as designated by the Committee from time to time shall be deemed to be the applicable Investment Measurement Option.

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

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

Article VII
Payment of Deferred Amounts

7.1 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 7.1.

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

(b) Except as otherwise provided in Section 4.3 with respect to Savings Plan Credits and Sections 7.2, 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 separation from service and the Participant separates from 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 separation from service, but in the same form specified in the Participant's Deferral Election or Elections or (where applicable) the Participant's Revised Election or Elections.

(c) All payments shall be made in the form or forms specified in the Participant's Deferral Election or Elections or (where applicable) the Participant's Revised Election or Elections, provided, however, that payment of a Participant's Savings Plan Credits Account will be made in the form of a single sum upon the Participant's separation from service with the Corporation as provided in Section 4.4.

(d) To the extent a Participant has not specified the form or time of payment of his or her Account Balance, payment of the portion of the Participant's Account attributable to Deferral Election and the Participant's Corporation Contributions Account will be made in a single sum as soon as administratively practicable, but within 90 days, after the first Valuation Date following the Participant's separation from service with the Corporation.

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

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

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

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

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

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

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

7.2 <u>Revised Election</u>.

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

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

(2) a form of payment that calls for a greater number of annual installment payments than that specified in the Participant's applicable Deferral Election,

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

(3) Notwithstanding the foregoing, 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 Participant's separation from service.

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

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

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

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

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

Article VIII
Miscellaneous

8.1 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 amount credited to him or her for any period prior to the effective date of such modification, amendment, suspension or termination, except no Participant consent is necessary if such modification, amendment, suspension or termination is necessary to comply with the requirements of Code section 409A. The Plan shall remain in effect until terminated pursuant to this provision.

8.2 Administration. The Committee shall have the sole authority to interpret the Plan and in its discretion to establish and modify administrative rules for the Plan, including (but not limited to) establishing rules regarding elections, investments and distributions. Notwithstanding any provision of the Plan to the contrary, the Committee shall administer the Plan in a manner that is consistent with the requirements of Code section 409A. 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, local or foreign taxes required by law to be withheld, and any associated interest and/or penalties.

8.3 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.

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

8.5 Payment of FICA and Other Taxes. Generally, any FICA or other taxes that are payable by the Participant and are required to be withheld by the Corporation during any period with respect to amounts deferred under the Plan pursuant to Section 3.1 or, effective January 1, 2007, amounts credited by the Corporation pursuant to Sections 4.1 or 5.1 during such period shall be withheld from the compensation otherwise currently payable to the Participant during the period. To the extent that, as a result of a Deferral Election, the compensation currently payable to an Participant during any period is insufficient to permit an amount equal to the FICA and other taxes that are payable by the Participant, and required to be withheld by the Corporation, during that period to be withheld from such current compensation, the Participant's Account Balance shall be reduced by an amount equal to the sum of (a) the difference between the amount of FICA and other taxes payable by the Participant, and required to be withheld by the Corporation, during the period and the amount of compensation otherwise currently payable to the Participant during the period and (b) any additional federal, state, local and foreign income taxes payable by the Participant with respect to the reduction in his or her Account Balance made pursuant to this Section 8.5.

Article IX
Transfer of Account Balance

9.1 Transfer to Director's Plan. Notwithstanding any election of form of payments made hereunder, a Participant who, following his separation from service with the Corporation will be eligible to participate in the Directors' Plan, may elect at any time prior to the date that is three months and one day before the Participant's separation from service to transfer all or any portion of his Account Balance attributable to a Deferral Election to the Directors' Plan; provided, however, that such transfer election may only be made if permitted under Code section 409A and such transfer complies with the requirements of Code section 409A. Such transfer must occur prior to the date that payments of the Participant's Account Balance would otherwise be made, or commence, hereunder. Upon transfer, the Participant's Account Balance (or the portion thereof transferred) will be subject to the terms and conditions of the Directors' Plan, provided, however, that any election of form of payment made under the Directors' Plan with respect to the amount transferred may not provide for a form of payment that is in any way more rapid than the form of payment in effect under this Plan with respect to such amounts immediately prior to transfer to the Directors' Plan, nor may it provide for any later payment of the amount transferred except to the extent that any election of such later payment complies with the requirements of Section 7.2 above. Valuation of the Account Balance (or the portion thereof) to be transferred shall be made consistent with the valuation provisions described in Article VI. Upon transfer, the Participant's (or his or her Beneficiary's) rights hereunder with respect to the amounts transferred shall cease.

IN WITNESS WHEREOF, and as evidence of the adoption of the Plan as amended and restated herein, Unisys Corporation has caused this instrument to be executed by its duly authorized representatives.

UNISYS CORPORATION:

By: /s/ Patricia A. Bradford
Patricia A. Bradford

Dated: December 22, 2006

By: /s/ Janet Brutschea Haugen
Janet Brutschea Haugen

Dated: December 27, 2006

Exhibit 10.19

UNISYS CORPORATION
SAVINGS PLAN

Amended and Restated
Effective January 1, 2007

UNISYS CORPORATION
SAVINGS PLAN

Amended And Restated
Effective January 1, 2007

TABLE OF CONTENTS

UNISYS CORPORATION

SAVINGS PLAN

Amended and Restated

Effective January 1, 2007

ARTICLE I

HISTORY AND SCOPE

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

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

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

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

The Plan was amended and restated, effective January 1, 2006, to reflect changes and clarifications related to the administration of the Plan.

The Plan is hereby amended and restated, generally effective January 1, 2007, except as otherwise required by law or provided herein, to bring the Plan into compliance with certain final regulations issued under sections 401(k) and 401(m) of the Code, reflect certain provisions of the Pension Protection Act of 2006, reflect hurricane relief provisions and reflect certain design changes.

1.02 Effective Dates. The original effective date of the Plan was April 1, 1988, the original effective date of the Plan. This amendment and restatement of the Plan is generally effective January 1, 2007, except as otherwise required by law or provided herein.

1.03 Rights Affected. Unless provided to the contrary herein, the provisions of the Plan shall apply to Employees who are credited with an Hour of Service after December 31, 2006.

1.04 Qualification Under the Internal Revenue Code. It is intended that the Plan be a qualified plan within the meaning of section 401(a) of the Code and that the Trust be exempt from federal income taxation under the provisions of section 501(a) of the Code.

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

ARTICLE II

DEFINITIONS

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

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

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

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

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

2.05 "Affiliate" means any entity included with the Employer in (a) a controlled group of employers or trades or businesses within the meaning of section 414(b) or

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

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

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

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

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

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

2.11 "Benefit Commencement Date" means the first day on which all events have occurred that entitle a Participant to the benefit.

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

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

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

2.15 "Company" means Unisys Corporation.

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

2.17 "Covered Employee" means any Employee other than:

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

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

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

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

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

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

(g) effective as of September 26, 2006, an Employee who is employed by Unisys Technical Services L.L.C.

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

2.19 "Determination Date" means the last day of the preceding Plan Year.

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

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

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

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

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

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

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

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

2.28 “Highly Compensated Employee” means an Employee who either:

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

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

2.29 “Hour of Service” means each hour for which an Employee is directly or indirectly paid or entitled to payment by the Company, an Affiliate, or an Associated Company for the performance of Service.

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

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

2.32 “Investment Manager” means the individual or entity, if any, selected by the Trustee responsible for the investment of all or a portion of the Fund.

2.33 “Key Employee” means a person employed or formerly employed by the Employer or an Affiliate who, during the Plan Year or during any of the preceding four Plan Years, was any of the following:

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

(b) a 5% owner of the Employer.

(c) a person who is both an employee whose annual Testing Compensation exceeds $150,000 and who is a 5% owner of the Employer.

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

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

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

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

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

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

2.35 "Matching Contribution" means a contribution made by an Employer in accordance with Section 4.03.

2.36 "Non-Highly Compensated Employee" means an Employee other than a Highly Compensated Employee.

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

2.38 “Normal Retirement Age” means age 65.

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

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

2.41 “Period of Severance” means a period beginning on the date of an Employee’s Severance from Service and ending on the date on which the Employee again performs an Hour of Service.

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

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

2.43 “Plan Manager” means the individual or individuals responsible for certain matters relating to the administration of the Plan, as described under Article XII.

2.44 “Plan Year” means the calendar year.

2.45 “Prior Plan” means the Burroughs Plan, Sperry Plan, CTIP, RIP or RIPII.

2.46 "Qualified Domestic Relations Order" means a judgment, decree or order that relates to a Participant's benefit under the Plan and meets the requirements of section 414(p) of the Code.

2.47 "Qualified Joint and Survivor Annuity" means an annuity for the life of the Participant with a survivor annuity for the life of the Participant's Spouse equal to 50% of the monthly amount payable for the Participant's life.

2.48 "Qualified Nonelective ESOP Account" means a Participant's account to which are credited Qualified Nonelective ESOP Contributions, if any, and earnings and losses thereon.

2.49 "Qualified Nonelective ESOP Contribution" means a contribution made by the Employer pursuant to Section 4.05 for purposes of satisfying the requirements of Section 5.03.

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

2.51 "Qualified Nonelective Non-ESOP Contribution" means a contribution made by the Employer pursuant to Section 4.05 for purposes of satisfying the requirements of Section 5.02.

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

2.53 "RIP" means the Unisys Retirement Investment Plan, as in effect on March 31, 1992.

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

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

2.56 "Rollover Contribution" means a contribution made by a Participant pursuant to Section 4.06.

2.57 "Service" means the periods determined in accordance with the following provisions of this Section 2.57. An Employee's total period of Service shall be determined from the first date the Employee performs an Hour of Service until the date of his Separation from Service.

(a) Service shall include:

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

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

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

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

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

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

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

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

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

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

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

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

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

2.59 "Sperry Plan" means the Sperry Retirement Program - Part B, as in effect on March 30, 1988.

2.60 "Spouse" means the spouse or surviving spouse of the Participant who is a person of the opposite gender who is the lawful husband or lawful wife of a Participant under the laws of the state or country of the Participant 's domicile; provided, however, that a former spouse shall be treated as the Spouse or surviving Spouse to the extent provided under a Qualified Domestic Relations Order.

2.61 "Tax Deductible Contribution Account" means a Participant's account to which are credited tax deductible contributions, if any, made to the Plan before April 1, 1989, and earnings and losses thereon.

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

2.63 "Tax Deferred Contribution" means a contribution made by an Employer in accordance with a Participant's salary reduction agreement pursuant to Section 4.01(a).

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

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

2.66 "Total Disability" means a condition resulting from injury or sickness that, in the judgement of the Administrative Committee or its designee:

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

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

Notwithstanding the foregoing, however, in no event shall a Participant be deemed to have incurred a Total Disability until he has exhausted all benefits available under his Employer's short-term disability plan or other plan providing short term disability benefits. For purposes of this Section 2.66, a determination of a Participant's disabled status under the Unisys Long-Term Disability Plan or similar long-term disability plan sponsored by an Employer shall be deemed a conclusive and binding determination of the Participant's Total Disability status under the Plan.

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

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

2.69 "Unisys Stock" means Unisys Corporation common stock, par value $0.01 per share.

2.70 "Valuation Date" means each day of each calendar year.

ARTICLE III

ELIGIBILITY FOR PARTICIPATION

3.01 Eligibility Requirement. An Employee shall be eligible to become a Participant if he is a Covered Employee.

3.02 Participation Commencement Date. Each Covered Employee who was a Participant as of December 31, 2006, shall continue to be a Participant on January 1, 2007, if he is then a Covered Employee. Each other Covered Employee shall be a Participant on his first day of employment as a Covered Employee.

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

ARTICLE IV

CONTRIBUTIONS

4.01 Tax Deferred Contributions.

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

(2) The amount of the Tax Deferred Contribution made for a Participant with respect to any Plan Year pursuant to this subsection (a) shall be the amount specified in the salary reduction notice. The percentage specified shall be a whole percentage of the Participant's Compensation not to exceed (A) 30% with respect to a Non-Highly Compensated Employee, or (B) 18% with respect to a Highly Compensated Employee. The Administrative Committee may, in its discretion, increase or decrease the maximum permissible amount of Tax Deferred Contributions at any time and from time to time as it deems appropriate. Any salary reduction notice shall relate only to Compensation as yet unearned when the notice is filed and may not be amended during the period to which it pertains, except that it may be terminated as to amounts unearned at the date of a Participant's Termination of Employment.

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

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

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

4.02 After-Tax Contributions.

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

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

(1) with respect to any Participant who is not employed by an Employer domiciled in Puerto Rico, 6%; and

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

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

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

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

4.03 Matching Contributions. Subject to the limitations in Article V, each Employer shall make a Matching Contribution for each Plan Year to the ESOP Account of each of its Covered Employees who, with respect to such Plan Year, is a Participant and has filed a salary reduction notice in accordance with Section 4.01. In addition, subject to the limitations in Article V, each Employer domiciled in Puerto Rico shall make a Matching Contribution for each Plan Year to the ESOP Account of each of its Covered Employees who made After-Tax Contributions with respect to such Plan Year. The amount of Matching Contributions for pay periods beginning on or after July 1, 1998 shall be the amount determined in accordance with subsections (a) and (b) below.

(a) Subject to the minimum set forth in subsection (b),

(1) With respect to a Participant whose employment is not subject to a collective bargaining agreement or whose collective bargaining agreement provides that such Participant shall be treated in the same manner as a non-union Employee, the amount of the Matching Contribution made in accordance with this Section 4.03 with respect to each pay period in the Plan Year commencing January 1, 2007 shall be an amount equal to 100% of the first 6% of Compensation contributed as a Tax Deferred Contribution made pursuant to Section 4.01(a), (or, with respect to Participants employed by an Employer domiciled in Puerto Rico, as an After-Tax Contribution); provided, that the maximum Matching Contribution payable to a Participant shall not equal more than 6% of such Participant's Compensation for the period.

(2) With respect to a Participant not described in Section 4.03(a)(1), the amount of the Matching Contribution made in accordance with this Section 4.03 with respect to each pay period in the Plan Year shall be an amount equal to 50% of the first 4% of Compensation contributed as a Tax Deferred Contribution made pursuant to Section 4.01(a); provided, that the maximum Matching Contribution payable to a Participant shall not equal more than 2% of such Participant's Compensation for the period.

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

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

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

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

(2) each Participant who was employed by an Employer on December 31 of a Plan Year beginning on or after January 1, 1999 and who had Tax Deferred Contributions made on his behalf shall receive a minimum Matching Contribution, in accordance with procedures adopted by the Administrative Committee, in an amount, when added to the Matching Contributions made on behalf of such Participant (before application of this paragraph), equal to (a) in the case of a Participant whose employment is not subject to a collective bargaining agreement or whose collective bargaining agreement provides that such Participant shall be treated in the same manner as a non-union Employee, 6% of the Participant's Compensation not in excess of the limit described in section 401(a)(17) of the Code as in effect with respect to such Plan Year, or (b) in the case of a Participant not described in the preceding subsection (a), the lesser of:

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

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

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

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

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

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

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

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

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

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

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

4.10 Recovery of Employer Contributions. The Employer may recover its contributions under the Plan as follows:

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

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

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

ARTICLE V

LIMITATIONS ON EMPLOYER CONTRIBUTIONS

5.01 Dollar Limitation on Tax Deferred Contributions.

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

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

5.02 Limitation on Tax Deferred Contributions for Highly Compensated Employees.

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

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

(2) the lesser of:

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

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

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

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

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

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

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

(4) either:

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

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

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

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

(d) The excess Tax Deferred Contributions returned or recharacterized pursuant to subsection (b), and any Matching Contributions forfeited pursuant to subsection (c) shall be adjusted for any income or loss thereon up to the date of distribution or forfeiture, as applicable, using the Plan's method for allocating income and loss as provided under Section 5.05.

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

5.03 Limitation on After-Tax Contributions and Matching Contributions for Highly Compensated Employees.

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

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

(2) the lesser of:

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

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

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

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

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

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

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

dollar amount of the Highly Compensated Employee with the next highest dollar amount of After-Tax and Matching Contributions, or (B) the amount equal to the excess dollar amount determined under clause (2); and

(4) either:

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

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

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

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

(d) The excess After-Tax and Matching Contributions returned or recharacterized pursuant to subsection (b) shall be adjusted for any income or loss thereon up to the date of the distribution or forfeiture, as applicable, using the Plan’s method for allocating income and loss as provided under Section 5.05.

(e) Notwithstanding anything in this Section 5.03 to contrary, the provisions of this Section 5.03 shall be applied separately to the After-Tax Contributions of Employees in Puerto Rico by taking into account only such After-Tax Contributions and, to the extent permitted by applicable Treasury regulations, any Tax-Deferred Contributions or Qualified Nonelective Non-ESOP Contributions or under any other plan maintained by an Employer or an Affiliate that is or could be aggregated with the non-ESOP Portion of the Plan for purposes of section 410(b) of the Code. For purposes of this subsection (e), only Employees in Puerto Rico shall be treated as Employees. In the event that such After-Tax Contributions fail to satisfy the limit under subsection (a) for any Plan Year, the Plan Manager shall correct such failure in a manner comparable to one or more of the correction methods described in paragraph (4) of subsection (b).

5.04 Limitations on Allocations.

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

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

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

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

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

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

5.05 Distribution or Forfeiture of Income. Effective January 1, 2006, any distribution or forfeiture of Tax Deferred Contributions, After-Tax Contributions or Matching Contributions necessary pursuant to Sections 5.02 and 5.03 shall include a distribution or forfeiture of the income, if any, allocable to such contributions. Such income shall be equal to the sum of (1) the allocable gain or loss for the Plan Year (determined by multiplying the income allocable to the Participant's Tax Deferred Contributions, After-Tax Contributions or Matching Contributions, as applicable, for the Plan Year by a fraction, the numerator of which is the Participant's excess Tax Deferred Contributions, After-Tax Contributions or Matching Contributions, as applicable, for the Plan Year and the denominator is the sum of the Participant' s Tax Deferred Contribution Account, After-Tax Contributions or Matching Contribution Account, as applicable, as of the beginning of the Plan Year plus any contributions made to the applicable Account during the Plan Year), plus (2) if the Participant's excess Tax Deferred Contributions, After-Tax Contributions or Matching Contributions, as applicable, would be credited with gain or loss during the period beginning on the first day of the following Plan Year and ending on the date such amounts are distributed (or a date that is no more than seven (7) days prior to such distribution date) if the Participant's entire Account was distributed on such date, ten percent (10%) of the amount determined under clause (1) multiplied by the number of whole calendar months between the end of the Plan Year and the date of distribution (or a date that is no more than seven (7) days prior to such distribution date), counting the month of distribution if distribution occurs after the fifteenth day of the month.

5.06 Overall Deductibility Limit. In no event may the aggregate contribution made by an Employer under the Plan for a Plan Year exceed the amount that may be deducted under section 404 of the Code with respect to such Plan Year.

ARTICLE VI

INVESTMENT AND VALUATION OF ACCOUNTS

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

6.02 Restrictions on Participant Investment Direction. Notwithstanding the investment direction otherwise provided to Participants under Section 6.01, the restrictions set forth below shall apply to the availability of investment direction to Participants.

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

(b) The portion of a Participant's ESOP Account and Regular Account (excluding amounts attributable to the Burroughs Plan or the Sperry Plan) contributed in the form of Unisys stock attributable to amounts contributed prior to January 1, 2007 shall be invested solely in the Unisys Common Stock Fund until the Plan Year in which the Participant is expected to attain age 50. As of the first day of the Plan Year in which the Participant is expected to attain age 50, a Participant may direct the investment of the portion of his ESOP Account and Regular Account attributable to amounts contributed prior to January 1, 2007 in accordance with Section 6.01. Effective January 1, 2007, a Participant may direct the investment of the portion of his ESOP Account and Regular Account in accordance with Section 6.01, regardless of age.

(c) Generally, the portion of a Participant's Accounts attributable to the Sperry Plan may be invested in accordance with Section 6.01; provided, however, that any amounts that a Participant directed to have invested in the Unisys Common Stock Fund prior to January 1, 2007 must remain in such Investment Fund until the first day of the Plan Year in which the Participant is expected to attain age 50. Effective January 1, 2007, a Participant may direct the investment of the portion of his Accounts attributable to the Sperry Plan that the Participant directed to have invested in the Unisys Common Stock Fund in accordance with Section 6.01, regardless of age.

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

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

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

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

(b) Each Participant who has any amounts under his Account invested in the Unisys Common Stock Fund shall be given notice by the Trustee of the date and purpose of each meeting of the stockholders of the Company at which shares of Unisys Stock are entitled to be voted, and instructions shall be requested from each such Participant as to the voting at the meeting of such Unisys Stock. If the Participant furnishes instructions within the time specified in the notification given to him, the Trustee shall vote such Unisys Stock in accordance with the Participant's instructions.

Shares of Unisys Stock that have not been credited to any Participant's Account or for which no instructions were timely received by the Trustees, whether or not credited to the Account of any Participant shall be voted by the Trustee in the same proportion that the allocated and voted shares of Unisys Stock have been voted by Participants. The Investment Committee shall establish procedures under which notices shall be furnished to Participants as required by this subsection (b) and under which the Participants' instructions shall be furnished to the Trustee.

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

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

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

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

6.07 Section 404(c) Compliance. The Plan is intended to constitute a plan described in section 404(c) of ERISA and section 2550.404c-1 of the United States

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

ARTICLE VII

VESTING

7.01 Vesting Schedule.

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

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

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

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

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

7.02 Forfeitures.

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

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

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

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

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

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

ARTICLE VIII

AMOUNT OF BENEFITS

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

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

ARTICLE IX

PAYMENT AND FORM OF BENEFITS

9.01 Form of Benefit Paid to Participant.

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

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

(1) an annuity as described below:

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

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

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

(ii) a single life annuity.

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

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

9.02 <u>Benefit Commencement Date</u>.

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

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

9.03 <u>Form and Payment of Death Benefit</u>. A Participant shall designate a Beneficiary or Beneficiaries to receive any benefits which may be payable under the Plan in the event of his death. If the vested Account balance to which a Beneficiary is entitled is $1,000 or less, such amount shall be paid in a single sum, subject to Section 9.04. If the Account balance payable upon a Participant's death is zero, the Participant's Beneficiary shall be deemed to have received a single sum payment of the Participant's entire Account balance under the Plan or on the date of the Participant's death. If the vested Account balance exceeds $1,000, the form of the death benefit shall be determined as follows:

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

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

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

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

(1) an immediately payable single sum;

(2) a single life annuity; or

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

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

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

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

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

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

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

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

9.07 Minimum Required Distribution. If a Participant is a 5% owner of the Employer (as determined under section 416 of the Code), or if a Participant attained age 70 $^1/_2$ before January 1, 2002, he shall receive, with respect to each calendar year during which and following the calendar year in which he attained age 70 $^1/_2$, the minimum required distribution amount described under section 401(a)(9) of the Code and the regulations thereunder. In no event shall the first minimum required distribution be made later than the April 1 of the calendar year following the calendar year in which he attained age 70 $^1/_2$. The amount of such distribution shall be determined in accordance with section 401(a)(9) of the Code and the regulations thereunder. The amount of minimum required distributions for calendar years prior to 2003 shall be determined and made in accordance with the regulations under section 401(a)(9) of the Code that were proposed in 1987, including the minimum distribution incidental benefit requirement of section 1.401(a)(9)-2 of the proposed regulations. The amount of minimum required distributions for the 2003 calendar year and thereafter shall be determined and made in accordance with the final regulations promulgated under section 401(a)(9) of the Code, including the minimum distribution incidental benefit requirement of Q&A-1(d) of section 1.401(a)(9)-5 of the final regulations.

ARTICLE X

WITHDRAWALS AND LOANS

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

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

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

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

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

10.03 Withdrawals from Tax Deductible Contribution Account and Rollover Account. Subject to the requirements set forth in Section 10.01, a Participant may withdraw all or a portion of the balance of his Tax Deductible Contribution Account or Rollover Account at any time.

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

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

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

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

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

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

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

10.07 Hardship Withdrawals.

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

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

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

(1) expenses for medical care described in section 213(d) of the Code incurred by the Participant, the Participant's spouse, or any dependents of the Participant as defined in Treas. Reg. Section 1.401(k)-1(d)(3)(iii)(B)(3) (or the distribution is necessary for such persons to obtain such medical care);

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

(3) the payment of tuition and related educational fees for the next 12 months of post-secondary education for the Participant, his spouse, children or dependents (as defined in Treas. Reg. Section 1.401(k)-1(d)(3)(iii)(B)(3));

(4) expenses for the repair of damage to the Participant's principal residence that would qualify for the casualty deduction under section 165 of the Code (determined without regard to whether the loss exceeds 10% of adjusted gross income);

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

(6) payments for burial or funeral expenses for the Participant's deceased parent, spouse, children or dependents (as defined in Treas. Reg. Section 1.401(k)-1(d)(3)(iii)(B)(3));

(7) federal, state or local income taxes or penalties reasonably anticipated to result from the distribution; or

(8) such other circumstances as may be prescribed by the Secretary of the Treasury or his delegate.

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

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

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

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

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

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

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

10.09 Loans to Participants. The Plan Manager may, in his discretion, cause the Plan to lend to any qualified Participant an amount, as requested by the Participant, from his Accounts (excluding amounts held in his Tax Deductible Contribution Account or GPEP Account), upon such terms as the Plan Manager may see fit and, if applicable, in accordance with Appendix B.

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

(b) Amount of Loan. The amount lent to any Participant shall not exceed the lesser of:

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

(2) the greater of $10,000, or one-half of the value of the vested portion of the Employee's accounts under all plans maintained by the Employer and all Affiliates.

For purposes of determining the maximum amount of a loan under this subsection (b), the balance of a Participant's Tax Deductible Contribution Account and GPEP Account shall be disregarded. The minimum amount of any loan made to a Participant shall be set by the Plan Manager from time to time, in a uniform and nondiscriminatory manner. A Participant may not have more than one loan outstanding at any time.

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

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

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

(f) Expense of Loan. The Plan Manager may charge a reasonable loan processing fee as well as an annual loan administration fee for each year the loan is outstanding. Such fee shall be applied on a uniform and nondiscriminatory manner.

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

(h) Loan Security and Documentation. A loan shall be evidenced by a written document containing such terms and conditions as the Plan Manager shall determine, and shall be secured by the Participant's vested interest in his Accounts (other than his Tax Deductible Contributions Account).

ARTICLE XI

SPECIAL PROVISIONS FOR TOP-HEAVY PLANS

11.01 Determination of Top-Heavy Status. The Plan shall be considered top-heavy for the Plan Year, if, as of the Determination Date:

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

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

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

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

11.03 Adjustments to Maximum Limits on Benefits and Contributions. For any Plan Year in which the Plan is determined in accordance with Section 11.01 to be a top-heavy plan or a super top-heavy plan, the definitions of "defined contribution fraction" and "defined benefit fraction" for purposes of the limitation on benefits referenced in Section 5.05 shall be modified as required under section 416 of the Code.

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

ARTICLE XII

PLAN ADMINISTRATION

12.01 Fiduciary Responsibility.

(a) The Plan shall be administered by the Administrative Committee, which shall be the Plan's "named fiduciary" and "administrator," as those terms are defined by ERISA, and its agent designated to receive service of process. All matters relating to the administration of the Plan, including the duties imposed upon the plan administrator by law, except those duties allocated to the Plan Manager and those duties relating to the control or management of Plan assets, shall be the responsibility of the Administrative Committee. The Administrative Committee or the Plan Manager, as the case may be, shall have the power to interpret and construe the provisions of the Plan, and to decide such questions as may rise in connection with the operation of the Plan, including interpretation of ambiguous Plan provisions, determination of disputed facts, and application of Plan provisions to unanticipated circumstances. The determination of the Administrative Committee or the Plan Manager (to the extent of his duties under the Plan), as the case may be, shall be subject to review only for abuse of discretion.

(b) The Plan Manager shall be responsible for the day-to-day administration of the Plan and shall have the authority to adopt such rules, guidelines, forms and procedures, not inconsistent with the terms of the Plan, as deemed necessary and/or appropriate to the operation and/or administration of the Plan. The Plan Manager shall also be responsible for the reporting and disclosure requirements applicable to the Plan under ERISA, the Code and/or any other Federal, state or local law.

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

12.02 Appointment and Removal of Plan Manager and Committees. The Plan Manager, the Administrative Committee and the Investment Committee shall be appointed and may be removed by the Board. The Plan Manager and persons appointed to the Administrative Committee or the Investment Committee may be, but need not be, employees of the Employer. The Plan Manager and any Administrative Committee or Investment Committee member may resign by giving written notice to the Board, which notice shall be effective 30 days after delivery. The Plan Manager and any Administrative Committee or Investment Committee member may be removed by the Board by written notice to such Committee person, which notice shall be effective upon delivery. The Board shall promptly select a successor following the resignation or removal of the Plan Manager or of any Administrative Committee or Investment Committee member, if necessary to maintain both an Administrative Committee and the Investment Committee of at least one member.

12.03 Compensation and Expenses of Plan Manager and Committees. The Plan Manager and members of the Administrative Committee and members of the Investment Committee who are Employees shall serve without compensation. The Plan Manager and members of the Administrative Committee or Investment Committee who are not Employees may be paid reasonable compensation for services rendered to the Plan. Such compensation, if any, and all ordinary and necessary expenses of the Plan Manager, and the Administrative Committee and Investment Committee shall be paid from the Fund unless paid by the Employer.

12.04 Plan Manager and Committee Procedures. The Plan Manager, and the Administrative Committee and Investment Committee may enact such rules and regulations for the conduct of their business and for the administration of the Plan, as each may deem desirable. The Administrative Committee and Investment Committee may act either at meetings at which a majority of its members are present or by a writing signed by a majority of its members without the holding of a meeting. Records shall be kept of the meetings and actions of the Administrative Committee and the Investment Committee, and of the actions of the Plan Manager. Neither the Plan Manager, nor any Administrative Committee or Investment Committee member who is a Participant in the Plan shall vote upon, or take an active role in resolving, any question affecting only his Accounts.

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

12.06 Exclusive Benefit Rule. The Plan Manager and the Administrative Committee and Investment Committee shall administer the Plan for the exclusive purpose of (a) providing benefits to Participants and their Beneficiaries and (b) defraying reasonable expenses of administering the Plan.

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

12.08 Payment of Plan Expenses. The expenses incurred by the Employer in connection with the operation of the Plan, including, but not limited to, expenses incurred by reason of the engagement of professional assistants and consultants, shall be expenses of the Plan and shall be payable by the Plan at the direction of the Plan Manager. The Employer shall have the option, but not the obligation, to pay any such expenses, in whole or in part, and, by so doing, to relieve the Plan from the obligation of bearing such expenses. Payment of any such expenses by the Employer on one occasion shall not bind the Employer to pay any similar expenses on any subsequent occasion. For the purpose of administrative convenience, the Employer may pay certain expenses otherwise payable by the Plan, for which it shall seek reimbursement by the Trustee from the assets held in the Fund.

12.09 Method of Handling Plan Funds. All payments to the Fund shall be made by the employee of the Employer charged with that responsibility by the Board. All payments from the Fund shall be made by the Trustee.

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

12.11 Claims Procedures.

(a) Initial Claim. In the event of a claim by a Participant or his or her Beneficiary with respect to the Plan, such claimant (himself or through his authorized representative) shall present his or her claim in writing to the Administrative Committee or its designee. The Administrative Committee or its designee shall, within 90 days after receipt of such written claim, make a determination and send a written or electronic notification to the claimant as to its disposition. If the Administrative Committee or its designee determines that special circumstances require an extension of time for processing the claim, the Administrative Committee or its designee shall be allowed an extension of time not to exceed 90 days from the end of the initial period and shall so notify the claimant in writing prior to the termination of the initial 90-day period, and shall indicate the special circumstances requiring an extension of time and the date by which to expect the benefit determination. In the event the claim is wholly or partially denied, such notification shall:

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

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

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

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

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

(b) Review of Denial. In the event a claimant wishes to appeal the denial of his claim, the claimant (or his or her authorized representative) may request a review of such denial by making application in writing to the Administrative Committee within 60 days after receipt of such denial. Such review will take into account all comments, documents, records, and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. Such claimant (or his or her duly authorized representative) may, upon written request to the Administrative Committee and free of charge, have reasonable access to, and copies of, all documents, records, and other information relevant to the claim for benefits. In addition, the claimant or his authorized representative may submit to the Administrative Committee written comments, documents, records and other information related to the claim for benefits. Appeals not timely filed shall be barred. Within 60 days after receipt of a written appeal, the Administrative Committee shall make a determination and notify the claimant of its final decision. If the Administrative Committee determines that special circumstances require an extension of time for processing the claim, the Administrative Committee shall be allowed an extension of time of up to an additional 60 days and shall so notify the claimant in writing (prior to the end of the initial period) the reason or reasons for such extension and the date by which a decision is expected. The final decision on review shall contain:

(1) specific reasons therefor;

(2) reference to the specific Plan provisions upon which it is based;

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

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

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

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

ARTICLE XIII

AMENDMENT AND TERMINATION

13.01 Amendment. The Plan may be amended at any time and from time to time by or pursuant to a formal written action of the Board, the Compensation Committee of the Board, the Company's Chief Financial Officer and the most senior Human Resources officer of the Company acting as a committee, or the Administrative Committee, subject to the following restrictions:

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

(b) the Company's Chief Financial Officer and most senior Human Resources officer of the Company acting as a committee may make amendments only to the extent that the effect of the amendments results in an annual cost of less than $1,000,000;

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

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

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

13.02 Termination or Partial Termination.

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

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

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

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

ARTICLE XIV

MISCELLANEOUS

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

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

14.03 Nonalienation. No benefit payable under the Plan shall be subject in any manner to anticipation, assignment, or voluntary or involuntary alienation. This Section 14.03 shall not preclude the Trustee from complying with the terms of (a) a Qualified Domestic Relations Order, (b) a federal tax levy made pursuant to section 6331 of the

Code, (c) subject to section 401(a)(13) of the Code, a judgement relating to the Participant's conviction of a crime involving the Plan, or (d) subject to section 401(a)(13) of the Code, a judgement, order, decree, or settlement agreement between the Participant and the United States Department of Labor relating to a violation (or an alleged violation) of part 4 subtitle B of Title I of ERISA.

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

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

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

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

14.08 Benefit Offsets for Overpayments. If a Participant or Beneficiary receives benefits hereunder for any period in excess of the amount of benefits to which he was entitled under the applicable terms of the Plan, such overpayment shall be offset against current or future benefit payments, as applicable, until such time as the overpayment is entirely recouped by the Plan, as determined by the Plan Manager in his sole discretion.

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

14.10 Controlling Law. The Plan shall be construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania, without regard to any choice of law provisions, to the extent not preempted by federal law, which shall otherwise control.

IN WITNESS WHEREOF, and as evidence of the adoption of the Plan as amended and restated herein, Unisys Corporation has caused this instrument to be executed by its duly authorized representatives.

UNISYS CORPORATION:

By: /s/ Patricia A. Bradford
Patricia A. Bradford

Dated: December 22, 2006

By: /s/ Janet Brutschea Haugen
Janet Brutschea Haugen

Dated: December 27, 2006

APPENDIX A

PARTICIPATING AFFILIATES

Unisys Corporation

Unisys Unigen Corporation

Unisys European Services Ltd.

Unisys Latin American and Caribbean Headquarters

APPENDIX B

This Addendum amends and supplements the Plan to reflect relief granted by the Internal Revenue Service as well as relief granted under the Katrina Emergency Tax Relief Act of 2005 and the Gulf Opportunity Zone Act of 2005 for certain individuals affected by Hurricanes Katrina, Rita and Wilma.

I. Definitions. For purposes of this Addendum, the following definitions apply:

1.1 "Eligible Retirement Plan" means a qualified retirement plan, such as the Plan, a 403(a) annuity, a 403(b) annuity, a 457 governmental plan or an individual retirement account or annuity that accepts rollovers.

1.2 "Qualified Hurricane Katrina Participant" means an individual whose principal place of residence on August 28, 2005 was located in the Hurricane Katrina disaster area and who has sustained an economic loss by reason of Hurricane Katrina.

1.3 "Qualified Hurricane Rita Participant" means an individual whose principal place of residence on September 23, 2005 was located in the Hurricane Rita disaster area and who has sustained an economic loss by reason of Hurricane Rita.

1.4 "Qualified Hurricane Wilma Participant" means an individual whose principal place of residence on October 23, 2005 was located in the Hurricane Wilma disaster area and who has sustained an economic loss by reason of Hurricane Wilma.

1.5 "Qualified Hurricane Katrina Distribution" means a distribution from an Eligible Retirement Plan made on or after August 25, 2005, and before January 1, 2007, to a Qualified Hurricane Katrina Participant.

1.6 "Qualified Hurricane Rita Distribution" means a distribution from an Eligible Retirement Plan made on or after September 23, 2005, and before January 1, 2007, to a Qualified Hurricane Rita Participant.

1.7 "Qualified Hurricane Wilma Distribution" means a distribution from an Eligible Retirement Plan made on or after October 23, 2005, and before January 1, 2007, to a Qualified Hurricane Wilma Participant.

II. Distributions.

2.1 Any Qualified Hurricane Katrina Distribution, Qualified Hurricane Rita Distribution or Qualified Hurricane Wilma Distribution, as applicable, made to a Participant pursuant to this Addendum shall not exceed the lesser of (1) $100,000 or (2) the vested portion of such Participant's Account balance, whether or not such Participant has otherwise satisfied the requirements to receive a distribution under the Plan. However, any such distribution from this or any other Eligible Retirement Plan of the Company shall not, in the aggregate, exceed $100,000.

2.2 Any portion of a Qualified Hurricane Katrina Distribution, Qualified Hurricane Rita Distribution or Qualified Hurricane Wilma Distribution, as applicable, made to a Participant pursuant to this Addendum may be repaid by such Participant at any time during the three-year period beginning on the day after the date on which such Participant received the distribution. The repayment may be made to any Eligible Retirement Plan, regardless of the plan from which the distribution was received.

III. Loans.

3.1 A Qualified Hurricane Katrina Participant, a Qualified Hurricane Rita Participant or a Qualified Hurricane Wilma Participant may obtain a loan from the Plan (after taking into account the outstanding balance of other loans) in an amount equal to the lesser of $100,000 or 100 percent of the vested portion of the Participant's Account (less the highest value of all other outstanding loans in the prior 12 months).

3.2 Any loan repayment otherwise due on or after (1) August 25, 2005 through December 31, 2006 in the case of a Qualified Hurricane Katrina Participant, (2) September 23, 2005 through December 31, 2006 in the case of a Qualified Hurricane Rita Participant or (3) October 23, 2005 through December 31, 2006 in the case of a Qualified Hurricane Wilma Participant shall be delayed for one year. After the one-year delay, such Participant's loan repayments shall be adjusted to reflect the delayed repayments and unpaid interest. The loan repayment term shall be extended by one year regardless of whether such extension would cause the loan original loan term to extend beyond five years in the case of loan not used to purchase a Participant's principal residence.

IV. Hardship Withdrawals.

4.1 A Qualified Hurricane Katrina Participant who obtained a hardship withdrawal from the Plan after February 28, 2005 and before August 29, 2005 for purchase or construction of a principal residence that was not finalized because it was in an area affected by Hurricane Katrina shall be permitted to repay all or a portion of such distribution to an Eligible Retirement Plan on or before February 28, 2006.

4.2 A Qualified Hurricane Rita Participant who obtained a hardship withdrawal from the Plan after February 28, 2005 and before September 24, 2005 for purchase or construction of a principal residence that was not finalized because it was in an area affected by Hurricane Rita shall be permitted to repay all or a portion of such distribution to an Eligible Retirement Plan on or before February 28, 2006.

4.3 A Qualified Hurricane Wilma Participant who obtained a hardship withdrawal from the Plan after February 28, 2005 and before October 24, 2005 for purchase or construction of a principal residence that was not finalized because it was in an area affected by Hurricane Wilma shall be permitted to repay all or a portion of such distribution to an Eligible Retirement Plan on or before February 28, 2006.

4.4 In the case of a Qualified Hurricane Katrina Participant or a Participant who is not a Qualified Hurricane Katrina Participant but who either (1) maintained principal residence in an area affected by Hurricane Katrina, (2) had his principal place of employment in an area affected by Hurricane Katrina, or (3) had lineal descendants or ascendants, a spouse or other dependents whose principal residence or place of employment was in an area affected by Hurricane Katrina, any distribution on account of Hurricane Katrina shall be deemed to be a hardship withdrawal, provided such distribution is made on or after August 29, 2005, and no later than March 31, 2006. Furthermore, the Plan's six-month suspension requirement on contributions following a hardship withdrawal shall not apply.

Exhibit 10.20

Elected Officer Supplemental Benefits

1. Personal Liability Umbrella Insurance – Unisys provides $5 million personal liability insurance for coverage over and above minimum levels of personal insurance for home, cars, recreational vehicles or watercraft.
2. Financial Counseling Services – Unisys will reimburse executives for financial counseling services, including investment planning, estate planning and/or tax preparation up to a fixed amount as noted below.

Role	1st Year of Employment	Annual Maximum Thereafter	Retirement Supplement
CEO	$ 12,000	$ 7,500	$ 12,000
Executive VP/Senior VP	$ 7,500	$ 5,000	$ 7,500
Elected Officer VP	$ 5,000	$ 4,000	$ 6,000

3. Car Allowance – A monthly car allowance, which will be taxed as ordinary income at the time of payment. The costs of vehicle acquisition, insurance, maintenance, repair, and gasoline are the executive's responsibility; however, business mileage expense is reimbursable under normal expense reporting procedures.

Role	Monthly Allowance
Elected Officer	$ 600
CEO	$ 900

4. Luncheon and Country Club – Elected Officers may join a luncheon club or country club (does not include social or athletic membership).
5. Airline Club Membership – Elected Officers may join one airline club of their preference. This is to enable them to perform their executive role while traveling on company business.
6. Annual Physical Examination – Elected Officers have the opportunity to participate, at no cost, in the Executive Health Program through the University of Pennsylvania Health System. Alternatively, if elected officers choose not to participate in this program, they are eligible to obtain an annual company-paid examination from their personal physicians.

Exhibit 12

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

	Years Ended December 31				
	2006	2005	2004	2003	2002
Fixed charges	$ 77.2	$ 64.7	$ 69.0	$ 69.6	$ 66.5
Interest expense					
Interest capitalized during the period	9.9	15.0	16.3	14.5	13.9
Amortization of debt issuance expenses	3.8	3.4	3.5	3.8	2.6
Portion of rental expense representative of interest	56.7	60.9	61.6	55.2	53.0
Total Fixed Charges	147.6	144.0	150.4	143.1	136.0
Earnings					
Income (loss) from continuing operations before income taxes	(250.9)	(170.9)	(76.0)	380.5	332.8
Add (deduct) the following:					
Share of loss (income) of associated companies	4.5	(7.2)	(14.0)	(16.2)	14.2
Amortization of capitalized interest	13.7	12.9	11.7	10.2	8.8
Subtotal	(232.7)	(165.2)	(78.3)	374.5	355.8
Fixed charges per above	147.6	144.0	150.4	143.1	136.0
Less interest capitalized during the period	(9.9)	(15.0)	(16.3)	(14.5)	(13.9)
Total earnings	$ (95.0)	$ (36.2)	$ 55.8	$503.1	$477.9
Ratio of earnings to fixed charges	*	*	*	3.52	3.51

* Earnings for the years ended December 31, 2006, 2005 and 2004 were inadequate to cover fixed charges by $242.6 million, $180.2 million and $94.6 million, respectively.

Unisys Corporation

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

Overview

For 2006, the company reported a net loss of $278.7 million, or $.81 per share. During the year, the company executed against its plan to fundamentally reposition the company for improved profitability by 2008. During the year, the company:

- Committed to a reduction of 5,665 employees, which resulted in pretax charges of $330.1 million. During the year, 4,900 of the employee reductions were realized. See Note 3 of the Notes to Consolidated Financial Statements.
- Adopted changes to its U.S. defined benefit pension plans effective December 31, 2006, and will increase matching contributions to its defined contribution savings plan beginning January 1, 2007. As a result of stopping the accruals for future benefits under its U.S. defined benefit pension plans, the company recorded a pretax curtailment gain of $45.0 million. See Note 18 of the Notes to Consolidated Financial Statements.
- Initiated the divestiture of non-core assets. In March 2006, the company sold its ownership in Nihon Unisys, Ltd. (NUL), a leading IT solutions provider in Japan. The company sold all of its 30.5 million shares in NUL, generating cash proceeds of approximately $378 million, which was used to fund the company's cost reduction program. A pretax gain of $149.9 million was recorded on the sale. The company also sold certain assets of its Unigen semiconductor test equipment business for cash proceeds of approximately $8 million. On November 22, 2006, the company signed an agreement to sell its media business. This transaction is expected to close in the first quarter of 2007. See Note 10 of the Notes to Consolidated Financial Statements.
- Renegotiated agreements relating to the company's iPSL payment processing joint venture in the United Kingdom. The terms of the new agreement, which went into effect on January 1, 2006, include new tariff arrangements that are expected to yield about $150 million in additional revenue to the company over the 2006-2010 time frame.
- Reached a series of alliance agreements with NEC Corporation (NEC) to collaborate in server technology, research and development, manufacturing and solutions delivery. Among the areas included in the agreements, the two companies will co-design and develop a common high-end, Intel-based server platform for customers of both companies, and NEC is recognizing the company as a preferred provider of technology support and maintenance services and managed security services in markets outside of Japan by offering the company the opportunity to bid these services.
- Introduced next-generation enterprise server architecture as well as new high-end products in the company's ClearPath family.

The company's results in 2005 included the following significant items:

- In the third quarter of 2005, the company recorded a full valuation allowance against all of its deferred tax assets in the U.S. and certain foreign subsidiaries. This resulted in the company taking a third-quarter 2005 non-cash charge of $1,573.9 million, or $4.62 per share. See Note 8 of the Notes to Consolidated Financial Statements.
- In 2005, the company experienced a significant impact to its earnings due to pension accounting. In 2005, the company recorded pretax pension expense of $181.1 million compared with $93.6 million in 2004.

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

- The company recorded a pretax, non-cash impairment charge of $125.6 million, or $.26 per share, to write off all of the contract-related assets related to one of the company's outsourcing operations. See Note 4 of the Notes to Consolidated Financial Statements.

- During the fourth quarter of 2004, the company favorably settled various income tax audit issues. As a result of the settlements, the company recorded a tax benefit of $28.8 million, or $.09 per share, to net income. See Note 4 of the Notes to Consolidated Financial Statements.
- To reduce costs, particularly in the general and administrative area, on September 30, 2004, the company consolidated facility space and committed to a work-force reduction in global headcount of about 1,400 positions, primarily in general and administrative areas. These actions resulted in an after-tax charge to earnings of $60.0 million, or $.18 per diluted share, in the third quarter of 2004. See Note 4 of the Notes to Consolidated Financial Statements.
- In the third quarter of 2004, the U.S. Congressional Joint Committee on Taxation approved an income tax refund to the company related to the settlement of tax audit issues dating from the mid-1980s. As a result of the resolution of these audit issues, the company recorded a tax benefit of $68.2 million, or $.20 per diluted share, to net income in 2004. See Note 4 of the Notes to Consolidated Financial Statements.
- In 2004, the company experienced a significant impact to its earnings due to pension accounting. In 2004, the company recorded pretax pension expense of $93.6 million compared with pretax pension income of $22.6 million in 2003 – a year-over-year increase in expense of $116.2 million.

Results of operations

Key factors impacting 2006 results of operations

In October 2005, the company announced a restructuring plan to right size the company's cost structure. During 2006, the company committed to a reduction of 5,665 employees. This resulted in pretax charges in 2006 of $330.1 million, principally related to severance costs, which were comprised of: (a) a charge of $72.4 million for 2,250 employees in the U.S. and (b) a charge of $257.7 million for 3,415 employees outside the U.S. The pretax charges were recorded in the following statement of income classifications: cost of revenue – services, $216.9 million; cost of revenue – technology, $2.0 million; selling, general and administrative expenses, $84.6 million; research and development expenses, $29.4 million; and other income (expense), net, $2.8 million. The income recorded in other income (expense), net relates to minority shareholders' portion of the charge related to the company's fully consolidated majority-owned subsidiaries. Net of investments in offshore resources and outsourcing of certain internal, non-client facing functions, the company anticipates that these actions will yield annualized cost savings in excess of $340 million by the second half of 2007. The company continues to explore other approaches to reducing its cost structure, including additional work-force reductions and potential idle facility charges, which could result in additional cost reduction charges in 2007.

On March 17, 2006, the company adopted changes to its U.S. defined benefit pension plans effective December 31, 2006, and will increase matching contributions to its defined contribution savings plan beginning January 1, 2007. The changes to the U.S. pension plans affect most U.S. employees and senior management and involve ending the accrual of future benefits in the company's defined benefit pension plans for employees effective December 31, 2006. There will be no new entrants to the plans after that date. In addition, the company will increase its matching contribution under the company savings plan to 100 percent of the first 6 percent of eligible pay contributed by participants, up from the current 50 percent of the first 4 percent of eligible pay contributed by participants. The company match is made in company common stock. The changes do not affect the vested accrued pension benefits of current and former employees, including retirees. As a result of the amendment to stop accruals for future benefits in its U.S. defined benefit pension plans, the company recorded a pretax curtailment gain of $45.0 million in the first quarter of 2006.

Company results

Revenue for 2006 and 2005 was $5.76 billion. Services revenue in 2006 increased by 3% which was offset by a 13% decline in Technology revenue. Foreign currency fluctuations had a 1 percentage point positive impact on revenue in 2006 compared with 2005. Revenue in 2005 decreased 1% from 2004. The 2005 decrease was due to an 11% decline in Technology revenue offset in part by an increase of 1% in Services revenue. Foreign currency fluctuations had a 1 percentage point positive impact on revenue in 2005 compared with 2004. Revenue from international operations in 2006, 2005 and 2004 was $3.22 billion, $3.11 billion and $3.18 billion, respectively. On a constant currency basis, international revenue increased 2% in 2006 compared with 2005. Revenue from U.S. operations was $2.54 billion in 2006, $2.65 billion in 2005 and $2.64 billion in 2004.

Pension expense for 2006 was $135.5 million compared with pension expense of $181.1 million in 2005 and $93.6 million in 2004. The decrease in pension expense in 2006 from 2005 was due to the $45.0 million curtailment gain recognized in the U.S., discussed above. The increase in pension expense in 2005 from 2004 was due to the following: (a) a decline in the discount rate used for the U.S. pension plans to 5.88% at December 31, 2004 from 6.25% at December 31, 2003, (b) an increase in amortization of net unrecognized losses for the U.S. plan, and (c) 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 payroll taxes and medical insurance costs, in operating income in the following income statement categories: cost of sales; selling, general and administrative expenses; and research and development expenses. The amount allocated to each category is based on where the salaries of active employees are charged.

Gross profit percent was 17.5% in 2006, 20.2% in 2005 and 23.4% in 2004. The decline in gross profit percent in 2006 compared with 2005 principally reflected a $218.9 million cost reduction charge recorded in 2006. Excluding the cost reduction charge, gross margin improved in 2006 principally due to operational improvements in several large business process outsourcing (BPO) contracts as well as the benefits derived from the cost reduction actions. The decline in gross profit percent in 2005 compared with 2004 principally reflected (a) pension expense of $125.8 million in 2005 compared with pension expense of $67.2 million in 2004, (b) lower sales in 2005 of high-margin enterprise servers, (c) underutilization of personnel in project-based services in 2005, (d) increased costs related to execution issues in 2005 in several outsourcing operations, (e) the $125.6 million impairment charge in 2004, and (f) a $28.1 million charge in 2004 relating to cost reduction actions.

Selling, general and administrative expenses were $1.10 billion in 2006 (19.2% of revenue), $1.06 billion in 2005 (18.4% of revenue) and $1.10 billion in 2004 (18.9% of revenue). The increase in selling, general and administrative expenses in 2006 compared with 2005 was principally due to an $84.6 million cost reduction charge recorded in 2006. Excluding the cost reduction charge, selling, general and administrative expenses in 2006 declined principally due to the benefits derived from the cost reduction actions. The change in selling, general and administrative expenses in 2005 compared with 2004 was principally due to (a) $35.8 million of pension expense in 2005 compared with pension expense of $18.3 million in 2004, (b) a $50.2 million charge in 2004 relating to cost reduction actions, and (c) the impact of foreign currency exchange rates.

Research and development (R&D) expenses in 2006 were $231.7 million compared with $263.9 million in 2005 and $294.3 million in 2004. The company continues to invest in proprietary operating systems, middleware and in key programs within its industry practices. R&D expense in 2006 included a $29.4 million charge relating to the 2006 cost reduction actions. The decline in R&D in 2006 compared with 2005, exclusive of the current period cost reduction charge, was principally a result of cost reduction actions. R&D in 2005 includes $19.5 million of pension expense compared with pension expense of $8.1 million in 2004. In addition, R&D expense in 2004 included an $8.4 million charge relating to 2004 cost reduction actions which contributed to the R&D decline in 2005 compared with 2004.

In 2006, the company reported an operating loss of $326.8 million compared with operating losses of $162.4 million in 2005 and $34.8 million in 2004. The principal item affecting the comparison of 2006 with 2005 was a $332.9 million charge in 2006 related to the cost reduction actions. The principal items affecting the comparison of 2005 with 2004 were (a) pension expense of $181.1 million in 2005 compared with pension expense of $93.6 million in 2004, (b) increased costs related to execution issues in 2005 in several outsourcing operations, (c) an $86.7 million charge in 2004 relating to cost reduction actions, and (d) the $125.6 million impairment charge in 2004.

Interest expense was $77.2 million in 2006, $64.7 million in 2005 and $69.0 million in 2004. The increase in 2006 compared with 2005 was principally due to higher average debt.

Other income (expense), net, which can vary from year to year, was income of $153.1 million in 2006, compared with income of $56.2 million in 2005 and income of $27.8 million in 2004. The difference in 2006 from 2005 was principally due to (a) a gain of $149.9 million on the sale of all of the company’s shares of NUL (see Note 10 of the Notes to Consolidated Financial Statements) compared with a gain on the sale of property of $15.8 million in 2005, (b) a charge of $10.7 million in 2005 related to the debt tender offer discussed below, offset in part by (c) a loss of $6.0 million in 2006 compared with income of $36.6 million in 2005 related to minority shareholders’ portion of losses of iPSL, a 51%-owned subsidiary which is fully consolidated by the company, due to increased profit from iPSL resulting from the renegotiated contract in January 2006, and (d) an equity loss in 2006 of $4.5 million compared with equity income of $9.2 million in 2005. The difference in 2005 from 2004 was principally due to (a) income of $36.6 million in 2005 compared with income of $11.9 million in 2004 related to minority shareholders' portion of losses of iPSL, (b) a gain on the sale of property of $15.8 million in 2005, (c) foreign exchange gains of $6.5 million in 2005 compared with foreign exchange losses of $5.2 million in 2004, offset in part by (d) a charge of $10.7 million in 2005 related to the debt tender offer, discussed below, (e) lower equity income in 2005, $9.2 million compared with $16.1 million in 2004, and (f) higher discounts on the sales of receivables in 2005, $9.6 million compared with $3.6 million in 2004.

Income before income taxes in 2006 was a loss of $250.9 million compared with a loss of $170.9 million in 2005 and $76.0 million in 2004.

During the financial close for the quarter ended September 30, 2005, the company performed its quarterly assessment of its net deferred tax assets. Up to that point in time, as previously disclosed in the company's critical accounting policies section of its Form 10-K, the company had principally relied on its ability to generate future taxable income (predominately in the U.S.) in its assessment of the realizability of its net deferred tax assets.

Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes" (SFAS No. 109), limits the ability to use future taxable income to support the realization of deferred tax assets when a company has experienced recent losses even if the future taxable income is supported by detailed forecasts and projections. After considering the company's pretax losses in 2004 and for the nine months ended September 30, 2005, the expectation of a pretax loss for the full year of 2005, and the impact over the short term of the company's announced plans to restructure its business model by divesting non-core assets, reducing its cost structure and shifting its focus to high-growth core markets, the company concluded that it could no longer rely on future taxable income as the basis for realization of its net deferred tax assets.

Accordingly, the company recorded a non-cash charge in the third quarter of 2005 of $1,573.9 million, or $4.62 per share, to increase the valuation allowance against deferred tax assets. With this increase, the company has a full valuation allowance against its deferred tax assets for all of its U.S. operations and for certain foreign subsidiaries. This non-cash charge did not affect the company's compliance with the financial covenants under its credit agreements. It was recorded in provision for income taxes in the accompanying consolidated statement of income. The company expects to continue to record a full valuation allowance on future tax benefits in such jurisdictions until other positive evidence is sufficient to justify recognition.

The realization of the remaining net deferred tax assets of approximately $158 million is primarily dependent on forecasted future taxable income within certain foreign jurisdictions. Any reduction in estimated forecasted future taxable income may require the company to record an additional valuation allowance against the remaining deferred tax assets. Any increase or decrease in the valuation allowance would result in additional or lower income tax expense in such period and could have a significant impact on that period's earnings.

The provision for income taxes in 2006 was $27.8 million compared with a provision of $1,561.0 million in 2005 and a benefit of $114.6 million in 2004. The 2006 income tax provision includes a benefit of $44.0 million related to the cost reduction charges. The 2005 income tax provision includes the increase of $1,573.9 million in the deferred tax valuation allowance discussed above. The 2004 benefit for taxes includes (a) a benefit of $68.2 million related to a tax refund, (b) a benefit of $28.8 million related to the other favorable income tax audit settlements, (c) a $37.7 million benefit related to the impairment charge discussed above, and (d) a $22.0 million benefit related to cost reduction actions.

In March 2006, the company sold all of the shares it owned in NUL, a publicly traded Japanese company. The company received gross proceeds of $378.1 million and recognized a pretax gain of $149.9 million in the first quarter of 2006. NUL continues to be the exclusive distributor of the company's hardware and software in Japan.

At December 31, 2005, the company owned approximately 29% of the voting common stock of NUL. The company accounted for this investment by the equity method, and, at December 31, 2005, the amount recorded in the company's books for the investment, after the reversal of a minimum pension liability adjustment, was $243 million. During the years ended December 31, 2006, 2005 and 2004, the company recorded equity income (loss) related to NUL of $(4.2) million, $9.1 million and $16.2 million, respectively. These amounts were recorded in "Other income (expense), net" in the company's consolidated statements of income. For the years ended December 31, 2006, 2005 and 2004, total direct and indirect sales to NUL were approximately $245 million, $245 million and $240 million, respectively.

In 2005, the company and NUL amended the terms of a license and support agreement pursuant to which NUL receives access to certain of the company's intellectual property and support services. Prior to the revised agreement, NUL paid annual royalties to the company based on a percentage of NUL's revenue. In 2004, these royalties amounted to approximately $103 million. The royalty fees are included in the direct and indirect sales disclosed above. Under the revised arrangement, the company has granted NUL a perpetual license to the intellectual property, and, in lieu of an annual royalty, NUL paid the company a one-time fixed fee of $225 million, one-half of which was paid in October 2005 and one-half of which was paid in September 2006. The company is recognizing the $225 million as revenue over the three-year period ending March 31, 2008. In addition, the parties have agreed that NUL will pay the company a fee of $20 million per year for each of the three years ending March 31, 2008 for the support services it provides under the license and support agreement. NUL has an option to renew the support services arrangement for an additional two years at the same price. In prior periods, the support services fee was included as part of the royalty payments.

In January 2006, the company and the minority shareholders of iPSL executed the agreements discussed above whereby the company retains its current 51% ownership interest in iPSL, and the fees charged under the outsourcing services agreements were increased beginning January 1, 2006. The estimated increase in iPSL revenue resulting from the amended outsourcing services agreements, together with its existing revenue, is currently estimated to provide the company with sufficient cash flow to recover all of iPSL's outsourcing assets. The company prepares its cash flow estimates based on assumptions that it believes to be reasonable but are also inherently uncertain. Actual future cash flows could differ from these estimates.

In February of 2006, the company and NEC signed a series of alliance agreements to collaborate in technology research and development, manufacturing and solutions delivery. These alliances cover a number of areas of joint development and solutions delivery activities focusing on server technology, software, integrated solutions and support services. NEC and the company will collaborate and develop a common high-end, Intel-based server platform to provide customers of each company with increasingly powerful, scalable and cost-effective servers. The new servers are to be manufactured by NEC on behalf of both companies. The company will continue to supply its customers with ClearPath mainframes with the benefit, over time, of joint research and development by both companies and manufacturing provided by NEC.

In 2002, the company and the Transportation Security Administration (TSA) entered into a competitively awarded contract providing for the establishment of secure information technology environments in airports. The Defense Contract Audit Agency (DCAA), at the request of TSA, reviewed contract performance and raised some government contracting issues. The company continues to work to address certain contracts administration issues raised by the DCAA. In addition, the company has learned that the Civil Division of the Department of Justice, working with the Inspector General's Office of the Department of Homeland Security, is reviewing issues raised by the DCAA relating to labor categorization and overtime on the TSA contract. The company understands that the Civil Division is at an early stage in its review. The company is working cooperatively with the Civil Division. The company does not know whether the Civil Division will pursue the matter, or, if pursued, what effect this might have on the company.

Segment results

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

Also included in the Technology segment's sales and operating profit are sales of hardware and software sold to the Services segment for internal use in Services agreements. The amount of such profit included in operating income of the Technology segment for the years ended December 31, 2006, 2005 and 2004, was $16.4 million, $16.1 million and $17.9 million, respectively. The profit on these transactions is eliminated in Corporate.

The company evaluates business segment performance on operating income exclusive of restructuring charges and unusual and nonrecurring items, which are included in Corporate. All other corporate and centrally incurred costs are allocated to the business segments, based principally on revenue, employees, square footage or usage. Therefore, the segment comparisons below exclude the restructuring charges mentioned above. See Note 17 of the Notes to Consolidated Financial Statements.

Information by business segment for 2006, 2005 and 2004 is presented below:

(millions of dollars)	Total	Eliminations	Services	Technology
2006				
Customer revenue	$5,757.2		$4,917.2	$ 840.0
Intersegment		$ (250.3)	14.8	235.5
Total revenue	$5,757.2	$ (250.3)	$4,932.0	$ 1,075.5
Gross profit percent	17.5%		15.1%	44.2%
Operating loss percent	(5.7)%		(.5)%	1.7%
2005				
Customer revenue	$5,758.7		$4,788.5	$ 970.2
Intersegment		$ (259.6)	18.7	240.9
Total revenue	$5,758.7	$ (259.6)	$4,807.2	$ 1,211.1
Gross profit percent	20.2%		12.1%	48.4%
Operating loss percent	(2.8)%		(4.3)%	4.2%
2004				
Customer revenue	$5,820.7		$4,724.7	$ 1,096.0
Intersegment		$ (251.8)	18.1	233.7
Total revenue	$5,820.7	$ (251.8)	$4,742.8	$ 1,329.7
Gross profit percent	23.4%		14.8%	51.7%
Operating loss percent	(.6)%		(1.7)%	10.2%

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

In the Services segment, customer revenue was $4.92 billion in 2006, $4.79 billion in 2005 and $4.72 billion in 2004. Foreign currency translation had about a 1-percentage-point positive impact on Services revenue in 2006 compared with 2005. Revenue in 2006 was up 3% from 2005, principally due to a 10% increase in outsourcing ($1,916.2 million in 2006 compared with $1,749.1 million in 2005) and a 9% increase in infrastructure services ($948.2 million in 2006 compared with $867.1 million in 2005), offset, in part, by a 4% decrease in systems integration and consulting revenue ($1,591.8 million in 2006 compared with $1,654.4 million in 2005) and an 11% decrease in core maintenance revenue ($461.0 million in 2006 compared with $517.9 million in 2005). Revenue in 2005 was up 1% from 2004, principally due to a 6% increase in outsourcing ($1,749.1 million in 2005 compared with $1,649.7 million in 2004) and a 3% increase in infrastructure services ($867.1 million in 2005 compared with $844.6 million in 2004), offset, in part, by an 11% decrease in core maintenance revenue ($517.9 million in 2005 compared with $578.7 million in 2004). Systems integration and consulting revenue was flat year-to-year at $1,654.4 million in 2005.

Services gross profit was 15.1% in 2006, 12.1% in 2005 and 14.8% in 2004. Services operating income (loss) percent was (0.5)% in 2006 compared with (4.3)% in 2005 and (1.7)% in 2004. The improvement in the Services margins in 2006 compared with 2005 was principally due to operational improvements in several large BPO contracts as well as the benefits derived from the cost reduction actions. Included in operating income (loss) in 2005 was pension expense of $151.6 million compared with $81.1 million of expense in 2004. In addition, the 2005 gross profit and operating profit margins were negatively impacted by operational issues in two outsourcing operations and underutilization of personnel in project-based businesses.

In the Technology segment, customer revenue was $840.0 million in 2006, $970.2 million in 2005 and $1,096.0 million in 2004. Foreign currency translation had a negligible impact on Technology revenue in 2006 compared with 2005. Revenue in 2006 was down 13% from 2005, due to a 15% decrease in sales of enterprise-class servers ($668.6 million in 2006 compared with $786.1 million in 2005) and a 7% decline in sales of specialized technology products ($171.4 million in 2006 compared with $184.1 million in 2005). Revenue in 2005 was down 11% from 2004, due to a 10% decrease in sales of enterprise-class servers ($786.1 million in 2005 compared with $870.3 million in 2004) and an 18% decline in sales of specialized technology products ($184.1 million in 2005 compared with $225.7 million in 2004). The decline in revenue in the three years primarily reflected the continuing secular decline in the proprietary mainframe industry.

Technology gross profit was 44.2% in 2006, 48.4% in 2005 and 51.7% in 2004. Technology operating income percent was 1.7% in 2006 compared with 4.2% in 2005 and 10.2% in 2004. The decline in margins in 2006 compared with 2005 primarily reflected lower sales of ClearPath products. The decline in margins in 2005 compared with 2004 primarily reflected lower sales of ClearPath products as well as pension expense of $29.5 million in 2005 compared with $12.5 million in 2004.

New accounting pronouncements

See Note 6 of the Notes to Consolidated Financial Statements for a full description of recent accounting pronouncements, including the expected dates of adoption and estimated effects on results of operations and financial condition.

Financial condition

Cash and cash equivalents at December 31, 2006 were $719.3 million compared with $642.5 million at December 31, 2005.

During 2006, cash provided by operations was $28.7 million compared with cash provided by operations of $282.0 million in 2005. Principal factors contributing to the reduction in operating cash flow were an increase in cash expenditures for restructuring actions and a reduction in the amount of receivables sold in the company's U.S. securitization. Cash expenditures related to current-year and prior-year restructuring actions (which are included in operating activities) in 2006, 2005 and 2004 were $198.0 million, $57.8 million and $18.6 million, respectively, principally for work-force reductions. At December 31, 2006 and December 31, 2005, receivables of $170 million and $225 million, respectively, were sold under the company's U.S. securitization. In 2005, the company received a tax refund of approximately $39 million from the U.S. Internal Revenue Service tax audit settlement in 2004. Cash expenditures for the current-year and prior-year restructuring actions are expected to be approximately $135 million in 2007, principally for work-force reductions.

Cash provided by investing activities in 2006 was $109.1 million compared with a cash usage of $343.0 million in 2005. The principal reason for the increase was that in 2006, the company received net proceeds of $380.6 million from the sale of the NUL shares and other assets compared with 2005 cash proceeds of $23.4 million principally from the sale of properties. Proceeds from investments and purchases of investments reflect the cash flows from derivative financial instruments used to manage the company's currency exposure to market risks from changes in foreign currency exchange rates. In 2006, net purchases of investments were $13.9 million compared with net proceeds of $16.6 million in 2005. In addition in 2006, the investment in marketable software was $105.4 million compared with $125.7 million in 2005, capital additions of properties were $70.1 million in 2006 compared with $112.0 million in 2005 and capital additions of outsourcing assets were $81.0 million in 2006 compared with $143.8 million in 2005.

Cash used for financing activities during 2006 was $77.9 million compared with cash provided of $62.4 million in 2005. The current period includes a cash expenditure of $57.9 million to retire at maturity all of the company's remaining 8 1/8% senior notes. The prior-year period includes the following: (a) $541.5 million net proceeds from the September 2005 issuances of $400 million 8% senior notes due 2012 and $150 million 8 1/2% senior notes due 2015, (b) the cash expenditure of $351.6 million (including tender premium and expenses of $9.5 million) for the repayment of $342.1 million of the company's $400 million 8 1/8% senior notes due 2006 pursuant to a September 2005 tender offer by the company, and (c) the cash expenditure of $150.0 million to retire at maturity all of the company's 7 1/4% senior notes.

At December 31, 2006, total debt was $1.1 billion, a decrease of $75.1 million from December 31, 2005.

The company has a three-year, secured revolving credit facility which expires in 2009 that provides for loans and letters of credit up to an aggregate of $275 million. Borrowings under the facility bear interest based on short-term rates and the company's credit rating. The credit agreement contains customary representations and warranties, including no material adverse change in the company's business, results of operations or financial condition. It also contains financial covenants requiring the company to maintain certain interest coverage, leverage and asset coverage ratios and a minimum amount of liquidity, which could reduce the amount the company is able to borrow. The credit facility also includes covenants limiting liens, mergers, asset sales, dividends and the incurrence of debt. Events of default include non-payment, failure to perform covenants, materially incorrect representations and warranties, 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, discussed below. Also, the credit facility may be terminated if the 7 7/8% senior notes due 2008 have not been repaid, refinanced or defeased by payment of amounts due to an escrow agent on or prior to January 1, 2008. The credit facility is secured by the company's assets, except that the collateral does not include accounts receivable that are subject to the receivable facility, U.S. real estate or the stock or indebtedness of the company's U.S. operating subsidiaries. As of December 31, 2006, there were letters of credit of $50.9 million issued under the facility and there were no cash borrowings.

In addition, the company and certain international subsidiaries have access to uncommitted lines of credit from various banks. Other sources of short-term funding are operational cash flows, including customer prepayments, and the company's U.S. trade accounts receivable facility.

Under the accounts receivable facility, the company has agreed to sell, on an ongoing basis, through Unisys Funding Corporation I, a wholly owned subsidiary, interests in up to $300 million of eligible U.S. trade accounts receivable. The receivables are sold at a discount that reflects a margin based on, among other things, the company's then-current S&P and Moody's credit rating. The facility is terminable by the purchasers if the company's corporate rating is below B by S&P or B2 by Moody's and requires the maintenance of certain ratios related to the sold receivables. At December 31, 2006, the company's corporate rating was B+ and B2 by S&P and Moody's, respectively. The facility is renewable annually at the purchasers' option until November 2008. The average life of the receivables sold is about 50 days. At December 31, 2006 and December 31, 2005, the company had sold $170 million and $225 million, respectively, of eligible receivables.

At December 31, 2006, the company has met all covenants and conditions under its various lending and funding agreements. The company expects to continue to meet these covenants and conditions. The company believes that it will have adequate sources and availability of short-term funding to meet its expected cash requirements.

As described more fully in Notes 3, 4, 11 and 14 of the Notes to Consolidated Financial Statements, at December 31, 2006, the company had certain cash obligations, which are due as follows:

(millions of dollars)	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Notes payable	$ 1.2	$ 1.2			
Long-term debt	1,050.0	—	$ 200.0	$ 300.0	$ 550.0
Interest payments on long-term debt	402.5	81.1	138.6	99.8	83.0
Capital lease obligations	.5	.5	—	—	—
Operating leases	659.5	130.1	192.8	114.8	221.8
Minimum purchase obligations	9.0	4.0	5.0	—	—
Work-force reductions	144.8	127.2	17.6	—	—
Total	$2,267.5	$ 344.1	$ 554.0	$ 514.6	$ 854.8

As more fully described in Note 14 of the Notes to Consolidated Financial Statements, the company could have an additional obligation under an operating lease for one of its facilities and as described in Note 18 of the Notes to Consolidated Financial Statements, the company expects to make cash contributions of approximately $75 million to its worldwide defined benefit pension plans in 2007.

At December 31, 2006, the company had outstanding standby letters of credit and surety bonds of approximately $240 million related to performance and payment guarantees. On the basis of experience with these arrangements, the company believes that any obligations that may arise will not be material.

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

The company has on file with the Securities and Exchange Commission a registration statement covering $650 million of debt or equity securities, which enables the company to be prepared for future market opportunities.

Stockholders' equity decreased $31.6 million during 2006, principally reflecting the net loss of $278.7 million and currency translation of $5.8 million, offset in part by a decrease of $224.8 million in the charge in other comprehensive loss due to pension accounting and $28.2 million for issuance of stock under share-based plans.

Effective April 1, 2005, the company discontinued its Employee Stock Purchase Plan, which enabled employees to purchase shares of the company's common stock through payroll deductions at 85% of the market price at the beginning or end of a calendar quarter, whichever was lower. For the period from January 1, 2005 to April 1, 2005, employees had purchased 1.8 million shares for $12.5 million.

Market risk

The company has exposure to interest rate risk from its short-term and long-term debt. In general, the company's long-term debt is fixed rate, and the short-term debt is variable rate. See Note 11 of the Notes to Consolidated Financial Statements for components of the company's long-term debt. The company believes that the market risk assuming a hypothetical 10% increase in interest rates would not be material to the fair value of these financial instruments, or the related cash flows, or future results of operations.

The company is also exposed to foreign currency exchange rate risks. The company is a net receiver of currencies other than the U.S. dollar and, as such, can benefit from a weaker dollar, and can be adversely affected by a stronger dollar relative to major currencies worldwide. Accordingly, changes in exchange rates, and in particular a strengthening of the U.S. dollar, may adversely affect consolidated revenue and operating margins as expressed in U.S. dollars. To minimize currency exposure gains and losses, the company enters into forward exchange contracts and enters into natural hedges by purchasing components and incurring expenses in local currencies. The company uses derivative financial instruments to reduce its exposure to market risks from changes in foreign currency exchange rates. The derivative instruments used are foreign exchange forward contracts and foreign exchange options. See Note 15 of the Notes to Consolidated Financial Statements for additional information on the company's derivative financial instruments.

The company has performed a sensitivity analysis assuming a hypothetical 10% adverse movement in foreign currency exchange rates applied to these derivative financial instruments described above. As of December 31, 2006 and 2005, the analysis indicated that such market movements would have reduced the estimated fair value of these derivative financial instruments by approximately $65 million and $59 million, respectively.

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

Critical accounting policies

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates, judgments and assumptions that affect the amounts reported in the financial statements and accompanying notes. Certain accounting policies, methods and estimates are particularly important because of their significance to the financial statements and because of the possibility that future events affecting them may differ from management's current judgments. The company bases its estimates and judgments on historical experience and on other assumptions that it believes are reasonable under the circumstances; however, to the extent there are material differences between these estimates, judgments and assumptions and actual results, the financial statements will be affected. Although there are a number of accounting policies, methods and estimates affecting the company's financial statements as described in Note 1 of the Notes to Consolidated Financial Statements, the following critical accounting policies reflect the significant estimates, judgments and assumptions. The development and selection of these critical accounting policies have been determined by management of the company and the related disclosures have been reviewed with the Audit Committee of the Board of Directors.

Outsourcing

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

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

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

Recoverability of outsourcing assets is subject to various business risks, including the timely completion and ultimate cost of the outsourcing solution, and realization of expected profitability of existing outsourcing contracts. The company quarterly compares the carrying value of the outsourcing assets with the undiscounted future cash flows expected to be generated by the outsourcing assets to determine if there is an impairment. If impaired, the outsourcing assets are reduced to an estimated fair value on a discounted cash flow approach. The company prepares its cash flow estimates based on assumptions that it believes to be reasonable but are also inherently uncertain. Actual future cash flows could differ from these estimates. At December 31, 2006 and 2005, the net capitalized amount related to outsourcing contracts was $401.1 million and $416.0 million, respectively.

Revenue recognition

The majority of the company's sales agreements to sell its products and services contain standard business terms and conditions; however, some agreements contain multiple elements or non-standard terms and conditions. As discussed in Note 1 of the Notes to Consolidated Financial Statements, the company enters into multiple-element arrangements, which may include any combination of hardware, software or services. As a result, significant contract interpretation is sometimes required to determine the appropriate accounting, including whether the deliverables specified in a multiple-element arrangement should be treated as separate units of accounting for revenue recognition purposes, and, if so, how the price should be allocated among the elements and when to recognize revenue for each element. The company recognizes revenue on delivered elements only if: (a) any undelivered products or services are not essential to the functionality of the delivered products or services, (b) the company has an enforceable claim to receive the amount due in the event it does not deliver the undelivered products or services, (c) there is evidence of the fair value for each undelivered product or service, and (d) the revenue recognition criteria otherwise have been met for the delivered elements. Otherwise, revenue on delivered elements is recognized when the undelivered elements are delivered. For arrangements with multiple elements where software is more than incidental to the arrangement, fair value of undelivered products or services is determined by "vendor-specific objective evidence," which is based upon normal pricing and discounting practices for those products and services when sold separately, or renewal rates offered to the customers. The company's continued ability to determine vendor-specific objective evidence of fair value will depend on continued sufficient volumes of stand-alone transactions and renewals for the undelivered elements. If vendor-specific objective evidence of fair value does not exist for undelivered elements, revenue is deferred. In addition, the company's revenue recognition policy requires an assessment as to whether collectibility is probable. Changes in judgments on these assumptions and estimates could materially impact the timing of revenue recognition.

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

Income Taxes

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

At December 31, 2006 and 2005, the company had deferred tax assets in excess of deferred tax liabilities of $2,154 million and $2,080 million, respectively. For the reasons cited below, at December 31, 2006 and 2005, management determined that it is more likely than not that $158 million and $98 million, respectively, of such assets will be realized, resulting in a valuation allowance of $1,996 million and $1,982 million, respectively.

The company evaluates quarterly the realizability of its deferred tax assets by assessing its valuation allowance and by adjusting the amount of such allowance, if necessary. The factors used to assess the likelihood of realization are the company's forecast of future taxable income and available tax-planning strategies that could be implemented to realize the net deferred tax assets. The company has used tax-planning strategies to realize or renew net deferred tax assets to avoid the potential loss of future tax benefits. The company recorded a non-cash charge in the third quarter of 2005 of $1,573.9 million, or $4.62 per share, to increase the valuation allowance against deferred taxes (see Note 4 of the Notes to Consolidated Financial Statements).

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

The company's provision for income taxes and the determination of the resulting deferred tax assets and liabilities involve a significant amount of management judgment and are based on the best information available at the time. The company operates within federal, state and international taxing jurisdictions and is subject to audit in these jurisdictions. These audits can involve complex issues, which may require an extended period of time to resolve.

As a result, the actual income tax liabilities in the jurisdictions with respect to any fiscal year are ultimately determined long after the financial statements have been published. The company evaluates its income tax contingencies in accordance with SFAS No. 5, "Accounting for Contingencies." The company maintains reserves for estimated tax exposures including related interest. Income tax exposures include potential challenges of research and development credits and intercompany pricing. Exposures are settled primarily through the settlement of audits within these tax jurisdictions, but can also be affected by changes in applicable tax law or other factors, which could cause management of the company to believe a revision of past estimates is appropriate. Management believes that an appropriate liability has been established for estimated exposures; however, actual results may differ materially from these estimates. The liabilities are reviewed quarterly for their adequacy and appropriateness.

In the third quarter of 2005, the IRS closed its examination of the company's U.S. Federal Income tax returns for all fiscal years through 1999 with no further consequences to the company. The audit of the company's U.S. Federal Income tax returns for fiscal years 2000 through 2003 commenced in 2006. The liabilities, if any, associated with these years will ultimately be resolved when events such as the completion of audits by the taxing jurisdictions occur. To the extent the audits or other events result in a material adjustment to the accrued estimates, the effect would be recognized in the provision for income taxes line in the company's consolidated statement of income in the period of the event.

Pensions

The company accounts for its defined benefit pension plans in accordance with SFAS No. 87, "Employers' Accounting for Pensions," and SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)," which require that amounts recognized in financial statements be determined on an actuarial basis. The measurement of the company's pension obligations, costs and liabilities is dependent on a variety of assumptions selected by the company and used by the company's actuaries. These assumptions include estimates of the present value of projected future pension payments to plan participants, taking into consideration the likelihood of potential future events such as salary increases and demographic experience. The assumptions used in developing the required estimates include the following key factors: discount rates, salary growth, retirement rates, inflation, expected return on plan assets and mortality rates.

As permitted, the company uses a calculated value of plan assets (which is further described below). This allows that the effects of the performance of the pension plan's assets and changes in pension liability discount rates on the company's computation of pension income (expense) be amortized over future periods. A substantial portion of the company's pension plan assets and liabilities relates to its qualified defined benefit plan in the United States.

A significant element in determining the company's pension income (expense) is the expected long-term rate of return on plan assets. The company sets the expected long-term rate of return based on the expected long-term return of the various asset categories in which it invests. The company considers the current expectations for future returns and the actual historical returns of each asset class. Also, because the company's investment policy is to actively manage certain asset classes where the potential exists to outperform the broader market, the expected returns for those asset classes are adjusted to reflect the expected additional returns. For 2007 and 2006, the company has assumed that the expected long-term rate of return on U.S. plan assets will be 8.75%. A change of 25 basis points in the expected long-term rate of return for the company's U.S. pension plan causes a change of approximately $11 million in pension expense. The assumed long-term rate of return on assets is applied to a calculated value of plan assets, which recognizes changes in the fair value of plan assets in a systematic manner over four years. This produces the expected return on plan assets that is included in pension income (expense). The difference between this expected return and the actual return on plan assets is deferred. The net deferral of past asset gains (losses) affects the calculated value of plan assets and, ultimately, future pension income (expense). At December 31, 2006, for the company's U.S. qualified defined benefit pension plan, the calculated value of plan assets was $4.62 billion and the fair value was $4.93 billion.

At the end of each year, the company determines the discount rate to be used to calculate the present value of plan liabilities. The discount rate is an estimate of the current interest rate at which the pension liabilities could be effectively settled at the end of the year. In estimating this rate, the company looks to rates of return on high-quality, fixed-income investments that (a) receive one of the two highest ratings given by a recognized ratings agency and (b) are currently available and expected to be available during the period to maturity of the pension benefits. At December 31, 2006, the company determined this rate to be 6.02% for its U.S. defined benefit pension plans, an increase of 18 basis points from the rate used at December 31, 2005. A change of 25 basis points in the U.S. discount rate causes a change in pension expense of approximately $9 million and a change of approximately $127 million in the benefit obligation. The net effect of changes in the discount rate, as well as the net effect of other changes in actuarial assumptions and experience, has been deferred, as permitted.

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

Gains and losses are defined as changes in the amount of either the projected benefit obligation or plan assets resulting from experience different from that assumed and from changes in assumptions. Because gains and losses may reflect refinements in estimates as well as real changes in economic values and because some gains in one period may be offset by losses in another and vice versa, the accounting rules do not require recognition of gains and losses as components of net pension cost of the period in which they arise.

As a minimum, amortization of an unrecognized net gain or loss must be included as a component of net pension cost for a year if, as of the beginning of the year, that unrecognized net gain or loss exceeds 10 percent of the greater of the projected benefit obligation or the calculated value of plan assets. If amortization is required, the minimum amortization is that excess above the 10 percent divided by the average remaining service period of active employees expected to receive benefits under the plan. For the company's U.S. defined benefit pension plan, that period is approximately 8.7 years. At December 31, 2006, based on the calculated value of plan assets, the estimated unrecognized loss was $1.30 billion.

For the year ended December 31, 2006, the company recognized consolidated pretax pension expense of $135.5 million, compared with $181.1 million of consolidated pretax pension expense for the year ended December 31, 2005. The principal reason for the decline was the $45.0 million curtailment gain recognized in the company's U.S. defined benefit plans. See Note 18 of the Notes to Consolidated Financial Statements.

For 2007, the company expects to recognize pension expense of approximately $42 million comprising $15 million of income in the U.S. and $57 million of expense in international plans. This would represent a decrease in pension expense of approximately $94 million from 2006. The principal reason for the expected decline in pension expense is the changes adopted to the company's U.S. defined benefit pension plans effective December 31, 2006, resulting in stopping the accruals for future benefits. The decline in pension expense will be offset in part by an estimated increase of approximately $40 million in matching contributions to the company's U.S. defined contribution savings plan beginning January 1, 2007. See Note 18 of the Notes to Consolidated Financial Statements.

During 2006, the company made cash contributions to its worldwide defined benefit pension plans (principally international plans) of approximately $78 million and expects to make cash contributions of approximately $75 million during 2007. 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 2007.

Restructuring

From time to time, the company engages in actions associated with cost reduction initiatives which are accounted for under SFAS No. 112, "Employers' Accounting for Postemployment Benefits," and SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." The company's restructuring actions require significant estimates including (a) expenses for severance and other employee separation costs, (b) remaining lease obligations, including sublease income, and (c) other exit costs. The company has accrued amounts that it believes are its best estimates of the obligations it expects to incur in connection with these actions, but these estimates are subject to change due to market conditions and final negotiations. Should the actual amounts differ from the estimated amounts, the restructuring charges could be materially impacted.

In 2006, the company recognized approximately $330 million in restructuring charges, which are discussed in more detail in Note 3 of the Notes to Consolidated Financial Statements.

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. Factors that could affect future results include, but are not limited to, those discussed below. Any forward-looking statement speaks only as of the date on which that statement is made. The company assumes no obligation to update any forward-looking statement to reflect events or circumstances that occur after the date on which the statement is made.

Statements in this report regarding the company's cost reduction plan are subject to the risk that the company may not implement the planned headcount reductions or increase its offshore resources as quickly as currently planned, which could affect the timing of anticipated cost savings. The amount of anticipated cost savings is also subject to currency exchange rate fluctuations with regard to actions taken outside the U.S. Statements in this report regarding the revenue increases anticipated from the new iPSL tariff arrangements are based on assumptions regarding iPSL processing volumes and costs over the 2006-2010 time frame. Because these volumes and costs are subject to change, the amount of anticipated revenue is not guaranteed. In addition, because iPSL is paid by its customers in British pounds, the U.S. dollar amount of revenue recognized by the company is subject to currency exchange rate fluctuations. Statements in this report regarding expected pension expense in 2007 are based on actuarial assumptions and on assumptions regarding interest rates and currency exchange rates, all of which are subject to change.

Other factors that could affect future results include the following:

The company's business is affected by changes in general economic and business conditions. The company continues to face a highly competitive business environment. If the level of demand for the company's products and services declines in the future, the company's business could be adversely affected. The company's business could also be affected by acts of war, terrorism or natural disasters. Current world tensions could escalate, and this could have unpredictable consequences on the world economy and on the company's business.

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

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

The company's future results will depend in part on the success of its efforts to control and reduce costs through the development and use of low-cost subsidiaries and low-cost offshore and global sourcing models. Future results will also depend in part on the success of the company's focused investment and sales and marketing strategies. These strategies are based on various assumptions, including assumptions regarding market segment growth, client demand, and the proper skill set of and training for sales and marketing management and personnel, all of which are subject to change.

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. 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. The company will need to have available sufficient financial resources in order to take on these obligations and make these investments.

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

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

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 on the level of demand for systems integration projects. It will also depend on an improvement in the utilization of services delivery personnel. 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 attain sufficient rates and 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 demand for the company's high-end enterprise servers and customer acceptance of the new models announced in the second quarter of 2006. The company continues to apply its resources to develop value-added software capabilities and optimized solutions for these server platforms which provide competitive differentiation. Future results will depend, in part, on customer acceptance of new ClearPath 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 growth potential in the market for high-end, Intel-based servers running Microsoft and Linux operating system software. However, 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. Future results of the technology business will also depend, in part, on the successful implementation of the company’s new arrangements with NEC.

The company frequently enters into contracts with governmental entities. U.S. government agencies, including the Defense Contract Audit Agency and the Department of Labor, routinely audit government contractors. These agencies review a contractor’s performance under its contracts, cost structure and compliance with applicable laws, regulations and standards. The U.S. government also may review the adequacy of, and a contractor’s compliance with, its systems and policies, including the contractor’s purchasing, property, estimating, accounting, compensation and management information systems. Any costs found to be overcharged or improperly allocated to a specific contract will be subject to reimbursement to the government. If an audit uncovers improper or illegal activities, the company may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines and suspension or prohibition from doing business with the U.S. government. Other risks and uncertainties associated with 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. In addition, if the company’s performance is unacceptable to the customer under a government contract, the government retains the right to pursue remedies under the affected contract, which remedies could include termination.

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

Certain of the company’s outsourcing agreements require that the company’s prices be benchmarked and provide for a downward adjustment to those prices if the pricing for similar services in the market has changed. As a result, anticipated revenues from these contracts may decline.

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

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

The company has commercial relationships with suppliers, channel partners and other parties that have complementary products, services or skills. The company has announced that alliance partnerships with select IT companies are a key factor in the development and delivery of the company’s refocused portfolio. Future results will depend, in part, on the performance and capabilities of these third parties, on the ability of external suppliers to deliver components at reasonable prices and in a timely manner, and on the financial condition of, and the company’s relationship with, distributors and other indirect channel partners.

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

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

Unisys Corporation

Consolidated Financial Statements

Consolidated Statements of Income

Year ended December 31 (millions, except per share data)	**2006**	**2005**	**2004**
Revenue			
Services	**$4,917.2**	$ 4,788.5	$4,724.7
Technology	**840.0**	970.2	1,096.0
	5,757.2	5,758.7	5,820.7
Costs and expenses			
Cost of revenue:			
Services	**4,317.1**	4,161.8	3,940.8
Technology	**430.5**	435.5	517.5
	4,747.6	4,597.3	4,458.3
Selling, general and administrative expenses	**1,104.7**	1,059.9	1,102.9
Research and development expenses	**231.7**	263.9	294.3
	6,084.0	5,921.1	5,855.5
Operating loss	**(326.8)**	(162.4)	(34.8)
Interest expense	**77.2**	64.7	69.0
Other income (expense), net	**153.1**	56.2	27.8
Loss before income taxes	**(250.9)**	(170.9)	(76.0)
Provision (benefit) for income taxes	**27.8**	1,561.0	(114.6)
Net income (loss)	**$ (278.7)**	$(1,731.9)	$ 38.6
Earnings (loss) per share			
Basic	**$ (.81)**	$ (5.09)	$ .12
Diluted	**$ (.81)**	$ (5.09)	$ .11

See notes to consolidated financial statements.

Unisys Corporation

Consolidated Balance Sheets

December 31 (millions)	2006	2005
Assets		
Current assets		
Cash and cash equivalents	**$ 719.3**	$ 642.5
Accounts and notes receivable, net	**1,164.6**	1,111.5
Inventories:		
Parts and finished equipment	**95.0**	103.4
Work in process and materials	**81.2**	90.7
Deferred income taxes	**30.0**	68.2
Prepaid expenses and other current assets	**148.4**	137.0
Total	**2,238.5**	2,153.3
Properties	**1,233.4**	1,320.8
Less – Accumulated depreciation and amortization	**892.1**	934.4
Properties, net	**341.3**	386.4
Outsourcing assets, net	**401.1**	416.0
Marketable software, net	**304.3**	327.6
Investments at equity	**.1**	207.8
Prepaid postretirement assets	**250.1**	66.1
Deferred income taxes	**191.3**	138.4
Goodwill	**193.9**	192.0
Other long-term assets	**117.3**	141.3
Total	**$ 4,037.9**	$ 4,028.9
Liabilities and stockholders' equity (deficit)		
Current liabilities		
Notes payable	**$ 1.2**	$ 18.1
Current maturities of long-term debt	**.5**	58.8
Accounts payable	**460.9**	444.6
Other accrued liabilities	**1,469.1**	1,293.3
Total	**1,931.7**	1,814.8
Long-term debt	**1,049.1**	1,049.0
Long-term postretirement liabilities	**667.7**	652.3
Other long-term liabilities	**453.6**	545.4
Stockholders' equity (deficit)		
Common stock, par value $.01 per share (720.0 million shares authorized; 347.5 million shares and 344.2 million shares issued)	**3.5**	3.4
Accumulated deficit	**(2,386.8)**	(2,108.1)
Other capital	**3,945.1**	3,917.0
Accumulated other comprehensive loss	**(1,626.0)**	(1,844.9)
Stockholders' equity (deficit)	**(64.2)**	(32.6)
Total	**$ 4,037.9**	$ 4,028.9

See notes to consolidated financial statements.

Unisys Corporation

Consolidated Statements of Cash Flows

Year ended December 31 (millions, except per share data)	2006	2005	2004
Cash flows from operating activities			
Net income (loss)	**$ (278.7)**	$(1,731.9)	$ 38.6
Add (deduct) items to reconcile net income (loss) to net cash provided by operating activities:			
Equity loss (income)	**4.5**	(9.2)	(16.1)
Employee stock compensation	**6.7**	.6	1.4
Depreciation and amortization of properties	**120.5**	120.7	136.5
Depreciation and amortization of outsourcing assets	**135.1**	128.8	123.3
Amortization of marketable software	**132.9**	124.7	134.2
Gain on sale of NUL shares and other assets	**(153.2)**	(15.8)	—
Loss on the tender of debt	**—**	10.7	—
Impairment charge related to outsourcing assets	**—**	—	125.6
(Increase) decrease in deferred income taxes, net	**(66.5)**	1,491.2	(41.2)
Decrease (increase) in receivables, net	**14.2**	34.8	(61.8)
Decrease in inventories	**19.4**	20.9	23.0
Increase (decrease) in accounts payable and other accrued liabilities	**74.1**	(61.4)	(122.1)
(Decrease) increase in other liabilities	**(68.8)**	149.4	111.3
Decrease (increase) in other assets	**52.8**	(34.3)	(16.2)
Other	**35.7**	52.8	33.3
Net cash provided by operating activities	**28.7**	282.0	469.8
Cash flows from investing activities			
Proceeds from investments	**7,522.0**	7,726.2	6,026.5
Purchases of investments	**(7,535.9)**	(7,709.6)	(6,054.3)
Investment in marketable software	**(105.4)**	(125.7)	(119.6)
Capital additions of properties	**(70.1)**	(112.0)	(137.0)
Capital additions of outsourcing assets	**(81.0)**	(143.8)	(177.5)
Proceeds from sales of NUL shares and other assets	**380.6**	23.4	1.7
Purchases of businesses	**(1.1)**	(1.5)	(19.4)
Net cash provided by (used for) investing activities	**109.1**	(343.0)	(479.6)
Cash flows from financing activities			
Net (reduction in) proceeds from short-term borrowings	**(17.0)**	17.2	(20.0)
Proceeds from employee stock plans	**1.6**	12.8	38.8
Payments of long-term debt	**(57.9)**	(509.1)	(3.5)
Financing fees	**(4.6)**	—	—
Proceeds from issuance of long-term debt	**—**	541.5	—
Net cash (used for) provided by financing activities	**(77.9)**	62.4	15.3
Effect of exchange rate changes on cash and cash equivalents	**16.9**	(19.4)	19.1
Increase (decrease) in cash and cash equivalents	**76.8**	(18.0)	24.6
Cash and cash equivalents, beginning of year	**642.5**	660.5	635.9
Cash and cash equivalents, end of year	**$ 719.3**	$ 642.5	$ 660.5

See notes to consolidated financial statements.

Unisys Corporation

Consolidated Statements of Stockholders' Equity

(millions)	Common Stock Shares	Common Stock Par Value	Accumulated Deficit	Treasury Stock Shares	Treasury Stock Cost	Paid-In Capital	Accumulated Other Comprehensive Loss	Comprehensive Income (Loss)
Balance at December 31, 2003	333.8	$ 3.3	($ 414.8)	(1.9)	$ (42.6)	$3,861.2	$ (2,011.9)	
Issuance of stock under stock option and other plans	5.6	.1		(.1)	(.6)	61.4		
Net income			38.6					$ 38.6
Other comprehensive income:								
Translation adjustments							43.5	
Cash flow hedges							3.1	
Minimum pension liability							(39.2)	
							7.4	7.4
Comprehensive income								$ 46.0
Tax benefit related to stock plans						4.4		
Balance at December 31, 2004	339.4	3.4	(376.2)	(2.0)	(43.2)	3,927.0	(2,004.5)	
Issuance of stock under stock option and other plans	4.8					32.4		
Net loss			(1,731.9)					$ (1,731.9)
Other comprehensive income:								
Translation adjustments							8.9	
Cash flow hedges							3.6	
Minimum pension liability							147.1	
							159.6	159.6
Comprehensive loss								$ (1,572.3)
Tax benefit related to stock plans						.8		
Balance at December 31, 2005	344.2	3.4	(2,108.1)	(2.0)	(43.2)	3,960.2	(1,844.9)	
Issuance of stock under stock option and other plans	3.3	.1		(.1)	(.4)	28.5		
Net loss			(278.7)					$ (278.7)
Other comprehensive income:								
Translation adjustments							(5.8)	
Cash flow hedges							(.1)	
Postretirement plans							1,544.6	
							1,538.7	1,538.7
Comprehensive income								$ 1,260.0
Adoption of SFAS No. 158, net of tax							(1,319.8)	
Balance at December 31, 2006	347.5	$ 3.5	$ (2,386.8)	(2.1)	$ (43.6)	$3,988.7	$ (1,626.0)	

See notes to consolidated financial statements.

Unisys Corporation

Notes to Consolidated Financial Statements

1. Summary of significant accounting policies

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

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

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

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

Properties Properties are carried at cost and are depreciated over the estimated lives of such assets using the straight-line method. The estimated lives used are summarized below:

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

Advertising costs The company expenses all advertising costs as they are incurred. The amount charged to expense during 2006, 2005 and 2004 was $8.5 million, $7.2 million and $10.8 million, respectively.

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

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

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

Revenue from software licenses is recognized at the inception of the initial license term and upon execution of an extension to the license term. Revenue for post-contract software support arrangements, which are marketed separately, is recorded on a straight-line basis over the support period. The company also enters into multiple-element arrangements, which may include any combination of hardware, software or services. In these transactions, the company allocates the total revenue to be earned under the arrangement among the various elements based on their relative fair value. For software, and elements for which software is essential to the functionality, the allocation is based on vendor-specific objective evidence (VSOE) of fair value. VSOE of fair value for all elements of an arrangement is based upon the normal pricing and discounting practices for those products and services when sold separately, and for software license updates and software support services it is based upon the rates when renewed. There may be cases in which there is VSOE of fair value of the undelivered elements but no such evidence for the delivered elements. In these cases, the residual method is used to allocate the arrangement consideration. Under the residual method, the amount of consideration allocated to the delivered elements equals the total arrangement consideration less the aggregate VSOE of fair value of the undelivered elements. The company recognizes revenue on delivered elements only if: (a) any undelivered products or services are not essential to the functionality of the delivered products or services, (b) the company has an enforceable claim to receive the amount due in the event it does not deliver the undelivered products or services, (c) there is evidence of the fair value for each undelivered product or service, and (d) the revenue recognition criteria otherwise have been met for the delivered elements. Otherwise, revenue on delivered elements is recognized when the undelivered elements are delivered.

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

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

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

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

The company recognizes penalties and interest accrued related to income tax liabilities in provision (benefit) for income taxes in its consolidated statements of income.

Marketable software The cost of development of computer software to be sold or leased, incurred subsequent to establishment of technological feasibility, is capitalized and amortized to cost of sales over the estimated revenue-producing lives of the products, but not in excess of three years following product release. The company performs quarterly reviews to ensure that unamortized costs remain recoverable from future revenue.

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

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

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

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

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

Stock-based compensation plans Effective January 1, 2006, the company adopted Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), "Share-Based Payment" (SFAS No. 123R), which replaced SFAS No. 123 and superseded APB Opinion No. 25, using the modified-prospective transition method and therefore has not restated results for prior periods. Stock-based compensation represents the cost related to stock-based awards granted to employees and directors. The company recognizes compensation expense for the fair value of stock options, which have graded vesting, on a straight-line basis over the requisite service period. The company estimates the fair value of stock options using a Black-Scholes valuation model. The expense is recorded in selling, general and administrative expenses. The company's stock-based compensation plans are described more fully in Note 18.

Retirement benefits The company accounts for its defined benefit pension plans in accordance with SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)," and SFAS No. 87, "Employers' Accounting for Pensions," which requires that amounts recognized in financial statements be determined on an actuarial basis. A significant element in determining the company's pension income (expense) is the expected long-term rate of return on plan assets. This expected return is an assumption as to the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the projected pension benefit obligation. The company applies this assumed long-term rate of return to a calculated value of plan assets, which recognizes changes in the fair value of plan assets in a systematic manner over four years. This produces the expected return on plan assets that is included in pension income (expense). The difference between this expected return and the actual return on plan assets is deferred. The net deferral of past asset gains (losses) affects the calculated value of plan assets and, ultimately, future pension income (expense).

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

Reclassifications Prior-year postretirement liabilities have been reclassified to conform with the 2006 presentation.

2. Earnings per share

The following table shows how earnings (loss) per share were computed for the three years ended December 31, 2006.

Year ended December 31 (millions, except per share data)	2006	2005	2004
Basic earnings (loss) per share computation			
Net income (loss)	**$ (278.7)**	$(1,731.9)	$ 38.6
Weighted average shares (thousands)	**343,747**	340,216	334,896
Basic earnings (loss) per share	**$ (.81)**	$ (5.09)	$ .12
Diluted earnings (loss) per share computation			
Net income (loss)	**$ (278.7)**	$(1,731.9)	$ 38.6
Weighted average shares (thousands)	**343,747**	340,216	334,896
Plus incremental shares from assumed conversions of employee stock plans	**—**	—	3,321
Adjusted weighted average shares	**343,747**	340,216	338,217
Diluted earnings (loss) per share	**$ (.81)**	$ (5.09)	$ .11

The following shares were not included in the computation of diluted earnings per share, because either a loss was reported or the option prices were above the average market price of the company's common stock, (in thousands): 2006, 43,190; 2005, 47,536; 2004, 35,581.

3. 2006 cost-reduction charges

In October 2005, the company announced a cost-reduction plan to right size the company's cost structure. During 2006, the company committed to a reduction of 5,665 employees. This resulted in pretax charges in 2006 of $330.1 million, principally related to severance costs, and were comprised of: (a) a charge of $72.4 million for 2,250 employees in the U.S. and (b) a charge of $257.7 million for 3,415 employees outside the U.S.

The pretax charges were recorded in the following statement of income classifications: cost of revenue – services, $216.9 million; cost of revenue – technology, $2.0 million; selling, general and administrative expenses, $84.6 million; research and development expenses, $29.4 million; and other income (expense), net, $2.8 million. The income recorded in other income (expense), net relates to minority shareholders' portion of the charge related to majority owned subsidiaries which are fully consolidated by the company.

A further breakdown of the individual components of these costs follows (in millions of dollars):

	Headcount	Total	U.S.	Int'l.
Charge for work-force reductions	5,665	$ 330.1	$ 72.4	$ 257.7
Minority interest		2.8		2.8
	5,665	332.9	72.4	260.5
Utilized	(4,431)	(182.9)	(46.1)	(136.8)
Changes in estimates and revisions	(477)	(19.3)	(.2)	(19.1)
Translation adjustments		11.9		11.9
Balance at December 31, 2006	757	$ 142.6	$ 26.1	$ 116.5
Expected future utilization:				
2007	757	$ 125.0	$ 26.1	$ 98.9
Beyond 2007		17.6		17.6

4. 2005 and 2004 significant items

2005

During the financial close for the quarter ended September 30, 2005, the company performed its quarterly assessment of its net deferred tax assets. Up to that point in time, as previously disclosed in the company's critical accounting policies section of its Form 10-K, the company had principally relied on its ability to generate future taxable income (predominately in the U.S.) in its assessment of the realizability of its net deferred tax assets. SFAS No. 109, "Accounting for Income Taxes" (SFAS No. 109), limits the ability to use future taxable income to support the realization of deferred tax assets when a company has experienced recent losses even if the future taxable income is supported by detailed forecasts and projections. After considering the company's pretax losses in 2004 and for the nine months ended September 30, 2005, the expectation of a pretax loss for the full year of 2005, and the impact over the short term of the company's announced plans to restructure its business model by divesting non-core assets, reducing its cost structure and shifting its focus to high-growth core markets, the company concluded that it could no longer rely on future taxable income as the basis for realization of its net deferred tax assets.

Accordingly, the company recorded a non-cash charge in the third quarter of 2005 of $1,573.9 million, or $4.62 per share, to increase the valuation allowance against deferred tax assets. With this increase, the company has a full valuation allowance against its deferred tax assets for all of the U.S. operations and certain foreign subsidiaries. This non-cash charge did not affect the company's compliance with the financial covenants under its credit agreements. It has been recorded in provision for income taxes in the accompanying consolidated statement of income. The company expects to continue to record a full valuation allowance on future tax benefits in such jurisdictions until other positive evidence is sufficient to justify realization.

The realization of the remaining net deferred tax assets of approximately $158 million is primarily dependent on forecasted future taxable income within certain foreign jurisdictions. A reduction in estimated forecasted future taxable income in such jurisdictions may require the company to record an additional valuation allowance against the remaining deferred tax assets. Any increase or decrease in the valuation allowance would result in additional or lower income tax expense in such period and could have a significant impact on that period's earnings.

See Note 8 for more information on income taxes.

2004

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

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

During the third quarter of 2004, the U.S. Congressional Joint Committee on Taxation approved an income tax refund to the company related to the settlement of tax audit issues dating from the mid-1980s. The refund, including interest, was approximately $40 million. As a result of the resolution of these audit issues, the company recorded a tax benefit of $68.2 million, or $.20 per diluted share. The company also recorded a reduction of goodwill of $8.0 million, as certain amounts of the tax benefit related to the preacquisition period of an acquired entity.

As part of its ongoing efforts to reduce its cost base and enhance its administrative efficiency, on September 30, 2004, the company consolidated facility space and committed to a work-force reduction of 1,415 employees, primarily in general and administrative areas. These actions resulted in a pretax charge of $82.0 million, or $.18 per diluted share. The charge related to work-force reductions was $75.3 million and comprised: (a) 752 employees in the U.S. for a charge of $23.2 million and (b) 663 employees outside the U.S. for a charge of $52.1 million. The charge for work-force reductions was principally related to severance costs. The facility charge of $6.7 million related principally to a single U.S. leased property that the company ceased using as of September 30, 2004. The facility charge represented the fair value of the liability at the cease-use date and was determined based on the remaining lease rental payments, reduced by estimated sublease rentals that could be reasonably obtained for the property. Cash expenditures related to these actions, as well as prior years' cost-reduction actions, during 2006, 2005 and 2004 were $15.2 million, $57.8 million and $18.6 million, respectively, and are expected to be approximately $10.5 million in 2007.

The 2004 pretax charge was recorded in the following statement of income classifications: cost of revenue –services, $28.1 million; selling, general and administrative expenses, $50.2 million; research and development expenses, $8.4 million; and other income (expense), net, $4.7 million. The income recorded in other income (expense), net relates to the minority shareholders' portion of the charge related to a 51%-owned subsidiary, which is consolidated by the company.

5. Goodwill

The company accounts for goodwill and other intangible assets in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets." These assets are reviewed annually for impairment in accordance with this statement. SFAS No. 142 requires a company to perform an impairment test on an annual basis and whenever events or circumstances occur indicating that the goodwill may be impaired. During 2006, the company performed its annual impairment test, which indicated that the company's goodwill was not impaired.

The changes in the carrying amount of goodwill by segment for the years ended December 31, 2006 and 2005, were as follows:

(millions)	Total	Services	Technology
Balance at December 31, 2004	$189.9	$ 75.1	$ 114.8
Foreign currency translation adjustments	(1.7)	(.6)	(1.1)
Other(*)	3.8	3.8	
Balance at December 31, 2005	192.0	78.3	113.7
Foreign currency translation adjustments	3.1	3.7	(.6)
Sale	(1.2)		(1.2)
Balance at December 31, 2006	$193.9	$ 82.0	$ 111.9

(*) Resolution of contingent consideration.

6. Recent accounting pronouncements and accounting changes

Effective January 1, 2006, the company adopted SFAS No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4" (SFAS No. 151). SFAS No. 151 amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, handling costs and wasted material (spoilage). Among other provisions, the new rule requires that such items be recognized as current-period charges, regardless of whether they meet the criterion of "so abnormal" as stated in ARB No. 43. Adoption of SFAS No. 151 did not have a material effect on the company's consolidated financial position, consolidated results of operations, or liquidity.

On December 31, 2006, the company adopted Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)," (SFAS No. 158). SFAS No. 158 requires an employer to recognize in its statement of financial position the funded status of a benefit plan, measured as the difference between plan assets at fair value and the benefit obligation. For pension plans, the benefit obligation is the projected benefit obligation; for any other postretirement benefit plan, such as a retiree health care plan, the benefit obligation is the accumulated benefit obligation. If plan assets exceed plan liabilities, an asset would be recognized, and if plan liabilities exceed plan assets, a liability would be recognized. In addition, SFAS No. 158 requires that changes in the funded status of a defined benefit postretirement plan be recognized in comprehensive income in the year in which the changes occur. SFAS No. 158 does not change the amount of expense recorded in a company's statement of income related to defined benefit postretirement plans. Adoption of SFAS No. 158 resulted in the recognition of a $1.3 billion non-cash charge, net of tax, to accumulated other comprehensive income. This charge had no effect on the company's net income, liquidity, cash flows, or financial ratio covenants in the company's credit agreements and public debt securities. See Note 18.

Effective July 1, 2005, the company adopted SFAS No. 153, "Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29, Accounting for Nonmonetary Trans-actions" (SFAS No. 153). SFAS No. 153 eliminates the exception from fair value measurement for non-monetary exchanges of similar productive assets in paragraph 21 (b) of APB Opinion No. 29, "Accounting for Nonmonetary Transactions," and replaces it with an exception for exchanges that do not have commercial substance. SFAS No. 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. Adoption of SFAS No. 153 did not have a material effect on the company's consolidated financial position, consolidated results of operations, or liquidity.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" (SAB 108). SAB 108 requires companies to evaluate the materiality of identified unadjusted errors on each financial statement and related financial statement disclosure using both the "rollover" approach and the "iron curtain" approach. The rollover approach quantifies misstatements based on the amount of the error in the current-year financial statement whereas the iron curtain approach quantifies misstatements based on the effects of correcting the misstatement existing in the balance sheet at the end of the current year, irrespective of the misstatement's year(s) of origin. Financial statements would require adjustment when either approach results in quantifying a misstatement that is material. SAB 108 is effective for interim periods of the first fiscal year ending after November 15, 2006. Adoption of SAB 108 did not have a material impact on the company's consolidated results of operations or financial position.

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" (FIN 48). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 is effective for fiscal years beginning after December 15, 2006. The company does not currently expect that adoption of FIN 48 will have a material impact on the company's consolidated results of operations and financial position.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This statement applies under other accounting pronouncements that require or permit fair value measurements. Accordingly, SFAS No. 157 does not require any new fair value measurements. The provisions of SFAS No. 157 are to be applied prospectively and are effective for financial statements issued for fiscal years beginning after November 15, 2007. The company is currently evaluating what effect, if any, adoption of SFAS No. 157 will have on the company's consolidated results of operations and financial position.

In addition, the company is reviewing the following Emerging Issues Task Force (EITF) consensuses and does not currently expect that the adoption of these will have a material impact on the company's consolidated results of operations and financial position.

EITF 06-2, "Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43," was issued in June 2006 and is effective for fiscal years beginning after December 15, 2006. EITF 06-2 applies to compensated absences that require a minimum service period but have no increase in the benefit even with additional years of service and requires the benefit to be recognized as a liability over the service period.

EITF 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements," was issued in September 2006 and is effective for fiscal years beginning after December 15, 2007. EITF 06-4 requires that, for split-dollar life insurance arrangements that provide a benefit to an employee that extends to postretirement periods, an employer should recognize a liability for future benefits in accordance with SFAS No. 106.

EITF 06-4 requires that recognition of the effects of adoption should be either by (a) a change in accounting principle through a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption or (b) a change in accounting principle through retrospective application to all prior periods.

EITF 06-5, "Accounting for Purchases of Life Insurance –Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4," was issued in September 2006 and is effective for fiscal years beginning after December 15, 2006. EITF 06-5 requires that a policyholder should consider any additional amounts included in the contractual terms of the policy in determining the amount that could be realized under the insurance contract on a policy-by-policy basis. EITF 06-5 requires that recognition of the effects of adoption should be either by (a) a change in accounting principle through a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption or (b) a change in accounting principle through retrospective application to all prior periods.

7. Accounts receivable

Under the company's accounts receivable facility, the company has agreed to sell, on an on-going basis, through Unisys Funding Corporation I, a wholly owned subsidiary, interests in up to $300 million of eligible U.S. trade accounts receivable. The receivables are sold at a discount that reflects a margin based on, among other things, the company's then-current S&P and Moody's credit rating. The facility is terminable by the purchasers if the company's corporate rating is below B by S&P or B2 by Moody's and requires the maintenance of certain ratios related to the sold receivables. At December 31, 2006, the company's corporate rating was B+ and B2 by S&P and Moody's, respectively. The facility is renewable annually at the purchasers' option until November 2008. Unisys Funding Corporation I has been structured to isolate its assets from creditors of the company.

The company received proceeds of $1.6 billion in 2006, $2.5 billion in 2005, and $1.5 billion in 2004, from ongoing sales of accounts receivable interests under the program. At December 31, 2006 and 2005, the company retained subordinated interests of $276 million and $325 million, respectively, in the associated receivables; these receivables have been included in accounts and notes receivable in the accompanying consolidated balance sheets. As collections reduce previously sold interests, interests in new, eligible receivables can be sold, subject to meeting certain conditions. At December 31, 2006 and 2005, receivables of $170 million and $225 million, respectively, were sold and therefore removed from the accompanying consolidated balance sheets.

The selling price of the receivables interests reflects a discount (5.3% at December 31, 2006, and 4.3% at December 31, 2005) based on the A-1 rated commercial paper borrowing rates of the purchasers. The company remains responsible for servicing the underlying accounts receivable, for which it will receive a fee of 0.5% of the outstanding balance, which it believes represents adequate compensation. The company estimates the fair value of its retained interests by considering two key assumptions: the payment rate, which is derived from the average life of the accounts receivable, which is about 50 days, and the rate of expected credit losses. Based on the company's favorable collection experience and very short-term nature of the receivables, both assumptions are considered to be highly predictable. Therefore, the company's estimated fair value of its retained interests in the pool of eligible receivables is approximately equal to book value, less the associated allowance for doubtful accounts. The discount on the sales of these accounts receivable during the years ended December 31, 2006, 2005 and 2004, was $8.6 million, $9.3 million and $3.3 million, respectively. These discounts are recorded in other income (expense), net in the accompanying consolidated statements of income.

Accounts receivable consist principally of trade accounts receivable from customers and are generally unsecured and due within 30 days. Credit losses relating to these receivables consistently have been within management's expectations. Expected credit losses are recorded as an allowance for doubtful accounts in the consolidated balance sheets. Estimates of expected credit losses are based primarily on the aging of the accounts receivable balances. The company records a specific reserve for individual accounts when it becomes aware of a customer's inability to meet its financial obligations, such as in the case of bankruptcy filings or deterioration in the customer's operating results or financial position. The collection policies and procedures of the company vary by credit class and prior payment history of customers.

Revenue recognized in excess of billings on services contracts, or unbilled accounts receivable, was $261.7 million and $247.9 million at December 31, 2006 and 2005, respectively. Such amounts are included in accounts and notes receivable, net. At December 31, 2006 and 2005, the company had long-term accounts and notes receivable, net of $42.6 million and $68.4 million, respectively. Such amounts are included in other long-term assets in the accompanying consolidated balance sheets.

Unearned income, which is reported as a deduction from accounts and notes receivable, was $2.8 million and $7.7 million at December 31, 2006 and 2005, respectively. The allowance for doubtful accounts, which is reported as a deduction from accounts and notes receivable, was $61.2 million and $50.6 million at December 31, 2006 and 2005, respectively. The provision for doubtful accounts, which is reported in selling, general and administrative expenses in the consolidated statements of income, was $10.6 million, $9.0 million and $1.9 million, in 2006, 2005 and 2004, respectively.

8. Income taxes

The tax effects of temporary differences and carryforwards that give rise to significant portions of deferred tax assets and liabilities at December 31, 2006 and 2005, were as follows:

December 31 (millions)	2006	2005
Deferred tax assets		
Tax loss carryforwards	**$ 542.6**	$ 563.1
Capitalized research and development	**509.7**	540.5
Foreign tax credit carryforwards	**229.9**	199.6
Other tax credit carryforwards	**217.4**	213.6
Deferred revenue	**163.3**	150.9
Capitalized intellectual property rights	**142.0**	170.6
Postretirement benefits	**77.7**	58.0
Pensions	**61.6**	157.9
Depreciation	**51.6**	40.3
Restructuring	**49.6**	3.5
Employee benefits	**40.6**	41.3
Impairment charge related to outsourcing assets	**15.0**	13.3
Other	**143.0**	130.9
	2,244.0	2,283.5
Valuation allowance	**(1,996.2)**	(1,982.3)
Total deferred tax assets	**$ 247.8**	$ 301.2
Deferred tax liabilities		
Sales-type leases	**$ 19.8**	$ 41.8
Undistributed earnings of NUL	**—**	82.5
Other	**70.1**	78.7
Total deferred tax liabilities	**$ 89.9**	$ 203.0
Net deferred tax assets	**$ 157.9**	$ 98.2

SFAS No. 109 requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized. In September 2005, the company recorded a non-cash charge of $1,573.9 million, or $4.62 per share, to increase the valuation allowance against deferred tax assets. See Note 4.

Following is the total loss before income taxes and the provision (benefit) for income taxes for the three years ended December 31, 2006.

Year ended December 31 (millions)	2006	2005	2004
Loss before income taxes			
United States	**$(120.2)**	$ (220.3)	$ (34.7)
Foreign	**(130.7)**	49.4	(41.3)
Total loss before income taxes	**$(250.9)**	$ (170.9)	$ (76.0)
Provision (benefit) for income taxes			
Current			
United States	**$ 9.2**	$ 4.8	$ (8.5)
Foreign	**69.7**	57.0	10.8
State and local	**2.3**	2.3	(97.1)
Total	**81.2**	64.1	(94.8)
Deferred			
United States	**—**	1,466.9	19.3
Foreign	**(53.4)**	30.0	(39.1)
Total	**(53.4)**	1,496.9	(19.8)
Total provision (benefit) for income taxes	**$ 27.8**	$1,561.0	$(114.6)

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

Year ended December 31 (millions)	2006	2005	2004
United States statutory income tax (benefit)	**$(87.8)**	$ (59.8)	$ (26.6)
Change in U.S. valuation allowance	**—**	1,466.9	—
U.S. losses	**51.3**	77.1	—
Foreign taxes	**62.0**	76.8	(9.2)
Tax refund claims, audit issues and other matters			
U.S. Federal	**—**	(2.3)	(14.0)
U.S. state	**2.3**	2.3	(63.1)
Other	**—**	—	(1.7)
Provision (benefit) for income taxes	**$ 27.8**	$1,561.0	$(114.6)

Cumulative undistributed earnings of foreign subsidiaries, for which no U.S. income or foreign withholding taxes have been recorded, approximated $925 million at December 31, 2006. As the company intends to indefinitely reinvest all such earnings, no provision has been made for income taxes that may become payable upon distribution of such earnings, and it is not practicable to determine the amount of the related unrecognized deferred income tax liability. Although there are no specific plans to distribute the undistributed earnings in the immediate future, where economically appropriate to do so, such earnings may be remitted.

Cash paid, net of refunds, during 2006, 2005 and 2004 for income taxes was $76.6 million, $44.2 million and $55.9 million, respectively.

At December 31, 2006, the company has U.S. federal and state and local tax loss carryforwards and foreign tax loss carryforwards for certain foreign subsidiaries, the tax effect of which is approximately $542.6 million. These carryforwards will expire as follows (in millions): 2007, $15.5; 2008, $13.0; 2009, $10.0; 2010, $11.0; 2011, $19.1; and $474.0 thereafter. The company also has available tax credit carryforwards of approximately $447.3 million, which will expire as follows (in millions): 2007, $–; 2008, $13.0; 2009, $26.8; 2010, $50.8; 2011, $13.0; and $343.7 thereafter.

See Note 4 for information concerning favorable settlements of tax audit issues in 2004.

The company has approximately $157.9 million of net deferred tax assets. Failure to achieve forecasted taxable income might affect the ultimate realization of such assets. Factors that may affect the company's ability to achieve sufficient forecasted taxable income include, but are not limited to, the following: increased competition, a decline in sales or margins, loss of market share, delays in product availability or technological obsolescence.

9. Properties

Properties comprise the following:

December 31 (millions)	2006	2005
Land	**$ 4.0**	$ 4.0
Buildings	**114.2**	109.3
Machinery and office equipment	**787.9**	874.0
Internal-use software	**223.6**	228.9
Rental equipment	**103.7**	104.6
Total properties	**$1,233.4**	$1,320.8

10. Investments at equity and minority interests

In March 2006, the company sold all of the shares it owned in Nihon Unisys, Ltd. (NUL), a publicly traded Japanese company. The company received gross proceeds of $378.1 million and recognized a pretax gain of $149.9 million which is included in "Other income (expense), net" in the 2006 consolidated statement of income. NUL continues to be the exclusive distributor of the company's hardware and software in Japan.

At December 31, 2005, the company owned approximately 29% of the voting common stock of NUL. The company accounted for this investment by the equity method, and, at December 31, 2005, the amount recorded in the company's books for the investment, after the reversal of a minimum pension liability adjustment, was $243 million. During the years ended December 31, 2006, 2005 and 2004, the company recorded equity income (loss) related to NUL of $(4.2) million, $9.1 million and $16.2 million, respectively. These amounts were recorded in "Other income (expense), net" in the company's consolidated statements of income. For the years ended December 31, 2006, 2005 and 2004, total direct and indirect sales to NUL were approximately $245 million, $245 million and $240 million, respectively.

In 2005, the company and NUL amended the terms of a license and support agreement pursuant to which NUL receives access to certain of the company's intellectual property and support services. Prior to the revised agreement, NUL paid annual royalties to the company based on a percentage of NUL's revenue. In 2004, these royalties amounted to approximately $103 million. The royalty fees are included in the direct and indirect sales disclosed above. Under the revised arrangement, the company has granted NUL a perpetual license to the intellectual property, and, in lieu of an annual royalty, NUL paid the company a one-time fixed fee of $225 million, one-half of which was paid in October 2005 and one-half of which was paid in September 2006. The company is recognizing the $225 million as revenue over the three-year period ending March 31, 2008. In addition, the parties have agreed that NUL will pay the company a fee of $20 million per year for each of the three years ending March 31, 2008 for the support services it provides under the license and support agreement. NUL has an option to renew the support services arrangement for an additional two years at the same price. In prior periods, the support services fee was included as part of the royalty payments.

The company owns 51% of Intelligent Processing Solutions Limited (iPSL), a U.K.-based company, which provides high-volume payment processing. iPSL is consolidated in the company's financial statements. The minority owners' interests in the gains or (losses) of iPSL are reported in other income (expense), net ($(6.0) million, $36.6 million and $11.9 million in 2006, 2005 and 2004, respectively) in the company's consolidated statements of income.

At December 31, 2006, the company's total outsourcing assets, net were $401.1 million, approximately $206.6 million of which relate to iPSL. In January 2006, the company and the minority shareholders executed agreements whereby the company retains its current 51% ownership interest in iPSL and the fees charged under the outsourcing services agreements increased beginning January 1, 2006. The estimated increase in iPSL revenue resulting from the amended outsourcing services agreements, together with its existing revenue, is currently estimated to provide the company with sufficient cash flow to recover all of iPSL's outsourcing assets. The company prepares its cash flow estimates based on assumptions that it believes to be reasonable but are also inherently uncertain. Actual future cash flows could differ from these estimates.

11. Debt

Long-term debt is comprised of the following:

December 31 (millions)	2006	2005
8% senior notes due 2012	**$ 400.0**	$ 400.0
6 7/8% senior notes due 2010	**300.0**	300.0
7 7/8% senior notes due 2008	**200.0**	200.0
8 1/2% senior notes due 2015	**150.0**	150.0
8 1/8% senior notes	**—**	57.9
Other, net of unamortized discounts	**(.4)**	(.1)
Total	**1,049.6**	1,107.8
Less – current maturities	**.5**	58.8
Total long-term debt	**$1,049.1**	$1,049.0

Total long-term debt maturities in 2007, 2008, 2009, 2010 and 2011 are $.5 million, $200.0 million, $– million, $300.0 million and $– million, respectively.

Cash paid during 2006, 2005 and 2004 for interest was $91.3 million, $73.1 million and $83.2 million, respectively. Capitalized interest expense during 2006, 2005 and 2004 was $9.9 million, $15.0 million and $16.3 million, respectively.

In September 2005, the company issued $400.0 million of 8% senior notes due 2012 and $150.0 million of 8 1/2% senior notes due 2015. In June 2006, the company retired at maturity all $57.9 million of its remaining 8 1/8% senior notes. In September and October 2005, the company repaid $342.1 million of its $400 million 8 1/8% senior notes due 2006 pursuant to a cash tender offer. The company recorded expense of $10.7 million in other income (expense), net in its consolidated statement of income related to the tender offer. On January 18, 2005, the company paid $150 million from cash on hand to retire at maturity all of its 7 1/4% senior notes.

The company has a three-year, secured revolving credit facility which expires in 2009 that provides for loans and letters of credit up to an aggregate of $275 million. Borrowings under the facility bear interest based on short-term rates and the company’s credit rating. The credit agreement contains customary representations and warranties, including no material adverse change in the company’s business, results of operations or financial condition. It also contains financial covenants requiring the company to maintain certain interest coverage, lever-age and asset coverage ratios and a minimum amount of liquidity, which could reduce the amount the company is able to borrow. The credit facility also includes covenants limiting liens, mergers, asset sales, dividends and the incurrence of debt. Events of default include non-payment, failure to perform covenants, materially incorrect representations and warranties, 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. Also, the credit facility may be terminated if the 7 7/8% senior notes due 2008 have not been repaid, refinanced or defeased by payment of amounts due to an escrow agent on or prior to January 1, 2008. The credit facility is secured by the company’s assets, except that the collateral does not include accounts receivable that are subject to the receivable facility, U.S. real estate or the stock or indebtedness of the company’s U.S. operating subsidiaries. As of December 31, 2006, there were letters of credit of approximately $50.9 million issued under the facility and there were no cash borrowings. In addition, the company and certain international subsidiaries have access to uncommitted lines of credit from various banks.

12. Other liabilities

Other accrued liabilities (current) are comprised of the following:

December 31 (millions)	2006	2005
Deferred revenue	**$ 721.9**	$ 685.1
Payrolls and commissions	**171.9**	120.3
Restructuring	**135.4**	22.6
Accrued vacations	**123.0**	132.3
Taxes other than income taxes	**81.0**	95.6
Income taxes	**53.8**	47.2
Postretirement	**29.3**	—
Other	**152.8**	190.2
Total other accrued liabilities	**$1,469.1**	$1,293.3

In addition, other long-term liabilities include deferred revenue of $384.0 million and $413.9 million at December 31, 2006 and 2005, respectively.

13. Product warranty

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

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

Year ended December 31 (millions)	2006	2005
Balance at January 1	**$ 8.0**	$ 11.6
Accruals for warranties issued during the period	**8.7**	8.8
Settlements made during the period	**(8.7)**	(10.3)
Changes in liability for pre-existing warranties during the period, including expirations	**.2**	(2.1)
Balance at December 31	**$ 8.2**	$ 8.0

14. Rental expense and commitments

Rental expense, less income from subleases, for 2006, 2005 and 2004 was $170.0 million, $182.6 million and $184.7 million, respectively.

Minimum net rental commitments under noncancelable operating leases outstanding at December 31, 2006, substantially all of which relate to real properties, were as follows: 2007, $130.1 million; 2008, $109.3 million; 2009, $83.5 million; 2010, $67.0 million; 2011, $47.8 million; and $221.8 million thereafter. Such rental commitments have been reduced by minimum sublease rentals of $108.1 million, due in the future under noncancelable subleases.

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

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

At December 31, 2006, the company had outstanding standby letters of credit and surety bonds of approximately $240 million related to performance and payment guarantees. On the basis of experience with these arrangements, the company believes that any obligations that may arise will not be material.

15. Financial instruments

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

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

The company recognizes the fair value of its cash flow hedge derivatives as either assets or liabilities in its consolidated balance sheets. Changes in the fair value related to the effective portion of such derivatives are recognized in other comprehensive income until the hedged item is recognized in earnings, at which time the accumulated gain or loss is reclassified out of other comprehensive income and into earnings. The ineffective portion of such derivatives' change in fair value is immediately recognized in earnings. The ineffective amount related to cash flow hedge derivatives for intercompany transactions was immaterial during the years ended December 31, 2006, 2005 and 2004. Both the amounts reclassified out of other comprehensive income and into earnings and the ineffectiveness recognized in earnings related to cash flow hedge derivatives for forecasted inter-company transactions are recognized in cost of revenue. There were no cash flow hedges in place at December 31, 2006, and therefore the accumulated income or loss in other comprehensive income related to cash flow hedges at December 31, 2006 was zero.

When a cash flow hedge is discontinued because it is probable that the original forecasted transaction will not occur by the end of the original specified time period, the company is required to reclassify any gains or losses out of other comprehensive income and into earnings. The amount of such reclassifications during the years ended December 31, 2006, 2005 and 2004 was immaterial.

In addition to the cash flow hedge derivatives mentioned above, the company enters into foreign exchange forward contracts that have not been designated as hedging instruments.

Such contracts generally have maturities of one month and are used by the company to manage its exposure to changes in foreign currency exchange rates principally on intercompany accounts. The fair value of such instruments is recognized as either assets or liabilities in the company's consolidated balance sheets, and changes in the fair value are recognized immediately in earnings in other income (expense), net in the company's consolidated statements of income.

During the years ended December 31, 2006, 2005 and 2004, the company recognized foreign exchange transaction gains or (losses) in other income (expense), net in its consolidated statements of income of $8.5 million, $6.5 million and $(5.2) million, respectively.

Financial instruments also include temporary cash investments and customer accounts receivable. Temporary investments are placed with creditworthy financial institutions, primarily in money market funds and time deposits. At December 31, 2006, the company's cash equivalents principally have maturities of less than one month. Due to the short maturities of these instruments, they are carried on the consolidated balance sheets at cost plus accrued interest, which approximates market value. Realized gains or losses during 2006 and 2005, as well as unrealized gains or losses at December 31, 2006, were immaterial. Receivables are due from a large number of customers that are dispersed worldwide across many industries. At December 31, 2006 and 2005, the company had no significant concentrations of credit risk. At December 31, 2006, the company had approximately $300 million of receivables due from various U.S. federal governmental agencies. At December 31, 2006, the carrying amount of cash and cash equivalents, notes payable and long-term debt approximated fair value.

16. Litigation and contingencies

There are various lawsuits, claims, investigations and proceedings that have been brought or asserted against the company, which arise in the ordinary course of business. In accordance with SFAS No. 5, "Accounting for Contingencies," the company records a provision for these matters when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Any provisions are reviewed at least quarterly and are adjusted to reflect the impact and status of settlements, rulings, advice of counsel and other information pertinent to a particular matter.

In 2002, the company and the Transportation Security Administration (TSA) entered into a competitively awarded contract providing for the establishment of secure information technology environments in airports. The Defense Contract Audit Agency (DCAA), at the request of TSA, reviewed contract performance and raised some government contracting issues. The company continues to work to address certain contracts administration issues raised by the DCAA. In addition, the company has learned that the Civil Division of the Department of Justice, working with the Inspector General's Office of the Department of Homeland Security, is reviewing issues raised by the DCAA relating to labor categorization and overtime on the TSA contract. The company understands that the Civil Division is at an early stage in its review. The company is working cooperatively with the Civil Division. The company does not know whether the Civil Division will pursue the matter, or, if pursued, what effect this might have on the company.

Although the ultimate results of these lawsuits, claims, investigations and proceedings are not currently determinable, the company believes that at December 31, 2006, it has adequate provisions for any such matters.

17. Segment information

The company has two business segments: Services and Technology. The products and services of each segment are marketed throughout the world to commercial businesses and governments. Revenue classifications by segment are as follows: Services – systems integration and consulting, outsourcing, infrastructure services and core maintenance; Technology – enterprise-class servers and specialized technologies.

The accounting policies of each business segment are the same as those described in the summary of significant accounting policies. Intersegment sales and transfers are priced as if the sales or transfers were to third parties. Accordingly, the Technology segment recognizes intersegment revenue and manufacturing profit on hardware and software shipments to customers under Services contracts. The Services segment, in turn, recognizes customer revenue and marketing profit on such shipments of company hardware and software to customers. The Services segment also includes the sale of hardware and software products sourced from third parties that are sold to customers through the company's Services channels. In the company's consolidated statements of income, the manufacturing costs of products sourced from the Technology segment and sold to Services customers are reported in cost of revenue for Services.

Also included in the Technology segment's sales and operating profit are sales of hardware and software sold to the Services segment for internal use in Services engagements. The amount of such profit included in operating income of the Technology segment for the years ended December 31, 2006, 2005 and 2004, was $16.4 million, $16.1 million and $17.9 million, respectively. The profit on these transactions is eliminated in Corporate.

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

No single customer accounts for more than 10% of revenue. Revenue from various agencies of the U.S. Government, which is reported in both business segments, was approximately $921 million, $980 million and $900 million in 2006, 2005 and 2004, respectively.

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

A summary of the company's operations by business segment for 2006, 2005 and 2004 is presented below:

(millions)	Total	Corporate	Services	Technology
2006				
Customer revenue	$5,757.2		$4,917.2	$ 840.0
Intersegment		$ (250.3)	14.8	235.5
Total revenue	$5,757.2	$ (250.3)	$4,932.0	$ 1,075.5
Operating income (loss)	$ (326.8)	$ (322.0)	$ (22.6)	$ 17.8
Depreciation and amortization	388.5		264.5	124.0
Total assets	4,037.9	1,132.6	2,222.2	683.1
Investments at equity	.1	.1		
Capital expenditures	256.5	5.3	144.7	106.5
2005				
Customer revenue	$5,758.7		$4,788.5	$ 970.2
Intersegment		$ (259.6)	18.7	240.9
Total revenue	$5,758.7	$ (259.6)	$4,807.2	$ 1,211.1
Operating income (loss)	$ (162.4)	$ (6.4)	$ (207.0)	$ 51.0
Depreciation and amortization	374.2		244.6	129.6
Total assets	4,028.9	819.0	2,310.2	899.7
Investments at equity	207.8	1.2		206.6
Capital expenditures	381.5	11.5	247.0	123.0
2004				
Customer revenue	$5,820.7		$4,724.7	$ 1,096.0
Intersegment		$ (251.8)	18.1	233.7
Total revenue	$5,820.7	$ (251.8)	$4,742.8	$ 1,329.7
Operating income (loss)	$ (34.8)	$ (88.0)	$ (82.8)	$ 136.0
Depreciation and amortization	394.0		244.5	149.5
Total assets	5,620.9	2,334.7	2,364.9	921.3
Investments at equity	197.1	1.1		196.0
Capital expenditures	434.1	14.4	291.9	127.8

In 2004, the Services segment operating loss included an impairment charge of $125.6 million (see Note 4). The company also recognized an impairment charge of approximately $11 million in 2004 in the Services segment operating loss for the write-down to net realizable value of certain contract-related assets.

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

Year ended December 31 (millions)	2006	2005	2004
Services			
Systems integration and consulting	**$1,591.8**	$1,654.4	$1,651.7
Outsourcing	**1,916.2**	1,749.1	1,649.7
Infrastructure services	**948.2**	867.1	844.6
Core maintenance	**461.0**	517.9	578.7
	4,917.2	4,788.5	4,724.7
Technology			
Enterprise-class servers	**668.6**	786.1	870.3
Specialized technologies	**171.4**	184.1	225.7
	840.0	970.2	1,096.0
Total	**$5,757.2**	$5,758.7	$5,820.7

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

Year ended December 31 (millions)	2006	2005	2004
Total segment operating income (loss)	**$ (4.8)**	$(156.0)	$ 53.2
Interest expense	**(77.2)**	(64.7)	(69.0)
Other income (expense), net	**150.3**	56.2	27.8
Cost reduction charges	**(330.1)**	—	(82.0)
Corporate and eliminations	**10.9**	(6.4)	(6.0)
Total loss before income taxes	**$(250.9)**	$(170.9)	$(76.0)

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

December 31 (millions)	2006	2005	2004
Total segment assets	**$2,905.3**	$3,209.9	$3,286.2
Cash and cash equivalents	**719.3**	642.5	660.5
Prepaid postretirement assets	**250.1**	66.1	52.5
Deferred income taxes	**221.3**	206.6	1,686.4
Elimination for sale of receivables	**(168.7)**	(239.1)	(249.8)
Other corporate assets	**110.6**	142.9	185.1
Total assets	**$4,037.9**	$4,028.9	$5,620.9

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

Year ended December 31 (millions)	2006	2005	2004
Revenue			
United States	**$2,539.9**	$2,651.6	$2,636.0
United Kingdom	**873.2**	826.4	898.9
Other foreign	**2,344.1**	2,280.7	2,285.8
Total	**$5,757.2**	$5,758.7	$5,820.7
Properties, net			
United States	**$ 211.9**	$ 258.7	$ 275.5
United Kingdom	**45.2**	44.3	54.3
Other foreign	**84.2**	83.4	94.3
Total	**$ 341.3**	$ 386.4	$ 424.1
Outsourcing assets, net			
United States	**$ 130.8**	$ 141.7	$ 104.1
United Kingdom*	**221.4**	224.5	285.7
Other foreign	**48.9**	49.8	42.1
Total	**$ 401.1**	$ 416.0	$ 431.9

* Amounts relate principally to iPSL, a 51%–owned U.K.-based company. See Note 10.

18. Employee plans

Stock plans Under the company's stockholder approved stock-based plans, stock options, stock appreciation rights, restricted stock and restricted stock units may be granted to officers, directors and other key employees. At December 31, 2006, 5.9 million shares of unissued common stock of the company were available for granting under these plans.

As of December 31, 2006, the company has granted non-qualified stock options and restricted stock units under these plans. Prior to January 1, 2006, the company applied the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for those plans, whereby for stock options, at the date of grant, no compensation expense was reflected in 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. Pro forma information regarding net income and earnings per share was provided in accordance with Statement of Financial Accounting Standards (SFAS) No. 148, "Accounting for Stock-Based Compensation —Transition and Disclosure" (SFAS No. 148), as if the fair value method defined by SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123) had been applied to stock-based compensation. For purposes of the pro forma disclosures, the estimated fair value of stock options was amortized to expense over the options' vesting period.

Effective January 1, 2006, the company adopted SFAS No. 123 (revised 2004), "Share-Based Payment" (SFAS No. 123R), which replaces SFAS No. 123 and supersedes APB Opinion No. 25. SFAS No. 123R requires all share-based payments to employees,

including grants of employee stock options, to be recognized in the financial statements based on their fair values. The company adopted SFAS No. 123R using the modified-prospective transition method, which requires the company, beginning January 1, 2006 and thereafter, to expense the grant date fair value of all share-based awards over their remaining vesting periods to the extent the awards were not fully vested as of the date of adoption and to expense the fair value of all share-based awards granted subsequent to December 31, 2005 over their requisite service periods. Stock-based compensation expense for all share-based payment awards granted after January 1, 2006 is based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123R. The company recognizes compensation cost net of a forfeiture rate and recognizes the compensation cost for only those awards expected to vest on a straight-line basis over the requisite service period of the award, which is generally the vesting term. The company estimated the forfeiture rate based on its historical experience and its expectations about future forfeitures. As required under the modified-prospective transition method, prior periods have not been restated. In March 2005, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 107 (SAB 107) regarding the SEC's interpretation of SFAS No. 123R and the valuation of share-based payments for public companies. The company has applied the provisions of SAB 107 in its adoption of SFAS No. 123R. The company records share-based payment expense in selling, general and administrative expenses.

The company's stock option and time-based restricted stock unit grants include a provision that if termination of employment occurs after the participant has attained age 55 and completed 5 years of service with the company, or for directors, the completion of 5 years of service as a director, the participant shall continue to vest in each of his or her awards in accordance with the vesting schedule set forth in the applicable award agreement. For purposes of the pro forma information required to be disclosed by SFAS No. 123, the company recognized compensation expense over the vesting period. Under SFAS No. 123R, compensation expense is recognized over the period through the date that the employee first becomes eligible to retire and is no longer required to provide service to earn the award. For grants prior to January 1, 2006, compensation expense continues to be recognized under the prior method; compensation expense for awards granted after December 31, 2005 is recognized over the period to the date the employee first becomes eligible for retirement.

Options have been granted to purchase the company's common stock at an exercise price equal to or greater than the fair market value at the date of grant. Options granted before January 1, 2005 generally have a maximum duration of ten years and were exercisable in annual installments over a four-year period following date of grant. Stock options granted after January 1, 2005 generally have a maximum duration of five years and become exercisable in annual installments over a three-year period following date of grant. On September 23, 2005, the company accelerated the vesting of all of its then-issued unvested stock options. On December 19, 2005, the company granted fully vested stock options to purchase a total of 3.4 million shares of the company's common stock at an exercise price of $6.05, the fair market value of the company's common stock on December 19, 2005.

Prior to January 1, 2006, restricted stock units had been granted and were subject to forfeiture upon employment termination prior to the release of the restrictions. Compensation expense resulting from these awards is recognized as expense ratably from the date of grant until the date the restrictions lapse and is based on the fair market value of the shares at the date of grant.

For stock options issued both before and after adoption of SFAS No. 123R, the fair value is estimated at the date of grant using a Black-Scholes option pricing model. As part of its adoption of SFAS No. 123R, for stock options issued after December 31, 2005, the company reevaluated its assumptions in estimating the fair value of stock options granted. Principal assumptions used are as follows: (a) expected volatility for the company's stock price is based on historical volatility and implied market volatility, (b) historical exercise data is used to estimate the options' expected term, which represents the period of time that the options granted are expected to be outstanding, and (c) the risk-free interest rate is the rate on zero-coupon U.S. government issues with a remaining term equal to the expected life of the options. The company recognizes compensation expense for the fair value of stock options, which have graded vesting, on the straight-line basis over the requisite service period of the awards.

The fair value of stock option awards was estimated using the Black-Scholes option pricing model with the following assumptions and weighted-average fair values as follows:

Year Ended December 31	2006	2005	2004
Weighted-average fair value of grant	**$ 2.46**	$ 2.93	$ 7.17
Risk-free interest rate	**4.35%**	3.82%	3.13%
Expected volatility	**45.88%**	55.00%	55.00%
Expected life of options in years	**3.67**	3.50	5.00
Expected dividend yield	**—**	—	—

Prior to January 1, 2006, the company would grant an annual stock option award to officers, directors and other key employees generally in the first quarter of a year. For 2006, this annual stock option award was replaced with restricted stock unit awards. The company currently expects to continue to grant stock option awards, principally to newly hired individuals. The restricted stock unit awards granted in March of 2006 contain both time-based units (25% of the grant) and performance-based units (75% of the grant). The time-based units vest in three equal annual installments beginning with the first anniversary of the grant, and the performance-based units vest in three equal annual installments, beginning with the first anniversary of the grant, based upon the achievement of pretax profit and revenue growth rate goals in 2006, 2006-2007, and 2006-2008, for each installment, respectively. Each performance-based unit will vest into zero to 1.5 shares depending on the degree to which the performance goals are met. Compensation expense resulting from these awards is recognized as expense ratably for each installment from the date of grant until the date the restrictions lapse and is based on the fair market value at the date of grant and the probability of achievement of the specific performance-related goals.

During the year ended December 31, 2006, the company recorded $6.7 million of share-based compensation expense, which is comprised of $6.1 million of restricted stock unit expense and $.6 million of stock option expense. During the years ended December 31, 2005 and 2004, $.6 million and $1.4 million, respectively, were charged to income related to restricted stock units.

The adoption of SFAS No. 123R had an immaterial impact to income before income taxes and net income for the year ended December 31, 2006.

A summary of stock option activity for the year ended December 31, 2006 follows (shares in thousands):

Options	Shares	Weighted-Average Exercise Price	Average Remaining Contractual Term (years)	Aggregate Intrinsic Value ($ in millions)
Outstanding at Dec. 31, 2005	47,536	$ 16.54		
Granted	570	6.29		
Exercised	(247)	6.43		
Forfeited and expired	(4,669)	16.79		
Outstanding at Dec. 31, 2006	43,190	16.44	4.19	$ 9.1
Vested and expected to vest at Dec. 31, 2006	43,190	16.44	4.19	$ 9.1
Exercisable at Dec. 31, 2006	42,609	16.58	4.19	$ 8.1

The aggregate intrinsic value in the above table reflects the total pretax intrinsic value (the difference between the company’s closing stock price on the last trading day of the period and the exercise price of the options, multiplied by the number of in-the-money stock options) that would have been received by the option holders had all option holders exercised their options on December 31, 2006. The intrinsic value of the company’s stock options changes based on the closing price of the company’s stock. The total intrinsic value of options exercised for the years ended December 31, 2006 and 2005 was immaterial. As of December 31, 2006, $1.5 million of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of 1.4 years.

A summary of restricted stock unit activity for the year ended December 31, 2006 follows (shares in thousands):

	Restricted Stock Units	Weighted-Average Grant-Date Fair Value
Outstanding at December 31, 2005	352	$ 8.89
Granted	1,950	6.55
Vested	(135)	7.55
Forfeited and expired	(204)	8.90
Outstanding at December 31, 2006	1,963	6.66

The fair value of restricted stock units is determined based on the average of the high and low trading price of the company’s common shares on the date of grant. The weighted-average grant-date fair value of restricted stock units granted during the years ended December 31, 2006 and 2005 was $6.55 and $7.08, respectively. As of December 31, 2006, there was $6.5 million of total unrecognized compensation cost related to outstanding restricted stock units granted under the company’s plans. That cost is expected to be recognized over a weighted-average period of 1.3 years. The total fair value of restricted share units vested during the year ended December 31, 2006 was $.9 million. No restricted share units vested during the year ended December 31, 2005.

For the years ended December 31, 2005 and 2004, 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, except per share amounts):

Years Ended December 31	2005	2004
Net income (loss) as reported	$(1,731.9)	$ 38.6
Deduct total stock-based employee compensation expense determined under fair value method for all awards, net of tax	(73.5)	(32.6)
Pro forma net income (loss)	$(1,805.4)	$ 6.0
Earnings (loss) per share		
Basic - as reported	$ (5.09)	$ .12
Basic - pro forma	$ (5.31)	$ .02
Diluted - as reported	$ (5.09)	$ .11
Diluted - pro forma	$ (5.31)	$ .02

Common stock issued upon exercise of stock options or upon lapse of restrictions on restricted stock units are newly issued shares. Cash received from the exercise of stock options for the years ended December 31, 2006 and 2005 was $1.6 million and $.3 million, respectively. The company is currently not recognizing any tax benefits from the exercise of stock options or upon issuance of stock upon lapse of restrictions on restricted stock units in light of its tax position. Prior to the adoption of SFAS No. 123R, the company presented such tax benefits as operating cash flows. Upon the adoption of SFAS No. 123R, tax benefits resulting from tax deductions in excess of the compensation costs recognized are classified as financing cash flows.

Prior to April 1, 2005, the company had a worldwide Employee Stock Purchase Plan (ESPP), which enabled substantially all regular employees to purchase shares of the company's common stock through payroll deductions of up to 10% of eligible pay with a limit of $25,000 per employee. The price the employee paid was 85% of the market price at the beginning or end of a calendar quarter, whichever was lower. Effective April 1, 2005, the company discontinued such plan. During the years ended December 31, 2005 and 2004, employees purchased newly issued shares from the company for $12.5 million and $27.4 million, respectively.

U.S. employees are eligible to participate in an employee savings plan. Under this plan, employees may contribute a percentage of their pay for investment in various investment alternatives. Company matching contributions of up to 2 percent of pay are made in the form of newly issued shares of company common stock. The charge to income related to the company match for the years ended December 31, 2006, 2005 and 2004, was $18.3 million, $19.3 million and $19.7 million, respectively. Effective January 1, 2007, the company is increasing its matching contribution to 100 percent of the first 6 percent of eligible pay contributed by plan participants.

The company has defined contribution plans in certain locations outside the United States. The charge to income related to these plans was $24.6 million, $27.1 million and $28.3 million, for the years ended December 31, 2006, 2005 and 2004, respectively. For plans outside the United States, company contributions are made in cash.

Retirement benefits On March 17, 2006, the company adopted changes to its U.S. defined benefit pension plans effective December 31, 2006. The changes affect most U.S. employees and senior management and include ending the accrual of future benefits in the company's defined benefit pension plans for employees effective December 31, 2006. There will be no new entrants to the plans after that date. The changes do not affect the vested accrued pension benefits of current and former employees, including retirees. As a result of the amendment to stop accruals for future benefits in its U.S. defined benefit pension plans, the company recorded a pretax curtailment gain of $45.0 million in the first quarter of 2006.

The company has non-qualified compensation plans, which allow certain highly compensated employees and directors to defer the receipt of a portion of their salary, bonus and fees. Participants can earn a return on their deferred balance that is based on hypothetical investments in various investment vehicles. Changes in the market value of these investments are reflected as an adjustment to the liability with an offset to expense. As of December 31, 2006, the liability to the participants of these plans was $19.4 million. This amount reflects the accumulated participant deferrals and earnings thereon as of that date. The company makes no contributions to the deferred compensation plans and remains contingently liable to the participants.

Retirement plans’ funded status and amounts recognized in the company’s consolidated balance sheets at December 31, 2006 and 2005, follow:

December 31 (millions)	U.S. Plans 2006	U.S. Plans 2005	International Plans 2006	International Plans 2005
Change in projected benefit obligation				
Benefit obligation at beginning of year	**$4,846.9**	$4,592.5	**$2,242.8**	$2,239.4
Service cost	**61.4**	69.3	**48.4**	47.3
Interest cost	**278.3**	262.9	**112.6**	106.7
Plan participants’ contributions			**10.4**	10.2
Plan amendments	**(26.9)**	.1	**(9.4)**	(5.7)
Actuarial (gain) loss	**(73.9)**	222.3	**(148.6)**	176.8
Benefits paid	**(314.0)**	(300.2)	**(80.2)**	(61.8)
Foreign currency translation adjustments			**288.1**	(279.3)
Other*				9.2
Benefit obligation at end of year	**$4,771.8**	$4,846.9	**$2,464.1**	$2,242.8
Change in plan assets				
Fair value of plan assets at beginning of year	**$4,567.4**	$4,363.9	**$1,693.3**	$1,623.9
Actual return on plan assets	**668.4**	497.8	**129.7**	252.6
Employer contribution	**9.5**	5.9	**68.5**	65.7
Plan participants’ contributions			**10.4**	10.2
Benefits paid	**(314.0)**	(300.2)	**(80.2)**	(61.8)
Foreign currency translation adjustments			**226.9**	(209.3)
Other*				12.0
Fair value of plan assets at end of year	**$4,931.3**	$4,567.4	**$2,048.6**	$1,693.3
Funded status at end of year	**$ 159.5**	$ (279.5)	**$ (415.5)**	$ (549.5)
Unrecognized net actuarial loss		1,512.6		730.8
Unrecognized prior service (benefit) cost		(47.0)		2.3
Net amount recognized	**$ 159.5**	$1,186.1	**$ (415.5)**	$ 183.6
Amounts recognized in the consolidated balance sheets consist of:				
Prepaid postretirement assets	**$ 250.1**			$ 66.1
Other long-term assets				3.5
Other accrued liabilities	**(7.5)**			
Long-term postretirement liabilities	**(83.1)**	$ (246.5)	**$ (415.5)**	(260.4)
Total funded status	**$ 159.5**		**$ (415.5)**	
Accumulated other comprehensive loss, net of tax**				
Net loss	**$ 989.1**		**$ 503.4**	
Prior service cost			**$ 1.0**	
Minimum pension liability		1,432.6		374.4
		$1,186.1		$ 183.6
Accumulated benefit obligation	**$4,771.8**	$4,813.9	**$2,144.0**	$1,894.8

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

** In addition to amounts recognized in other comprehensive loss relating to company pension plans, the company recorded $36.4 million at December 31, 2005 in other comprehensive loss related to its share of NUL’s minimum pension liability adjustment. (See Note 10.)

Information for defined benefit retirement plans with an accumulated benefit obligation in excess of plan assets at December 31, 2006 and 2005, follows:

December 31 (millions)	2006	2005
Accumulated benefit obligation	**$1,179.3**	$6,155.8
Fair value of plan assets	**916.7**	5,656.0

Information for defined benefit retirement plans with a projected benefit obligation in excess of plan assets at December 31, 2006 and 2005, follows:

December 31 (millions)	2006	2005
Projected benefit obligation	**$2,430.4**	$7,089.7
Fair value of plan assets	**1,924.3**	6,260.7

Net periodic pension cost for 2006, 2005 and 2004 includes the following components:

	U.S. Plans			International Plans		
Year ended December 31 (millions)	2006	2005	2004	2006	2005	2004
Service cost	**$ 61.4**	$ 69.3	$ 67.2	**$ 48.4**	$ 47.3	$ 49.2
Interest cost	**278.3**	262.9	264.3	**112.6**	106.7	96.0
Expected return on plan assets	**(367.2)**	(361.0)	(378.9)	**(122.7)**	(117.6)	(115.8)
Amortization of prior service (benefit) cost	**(1.9)**	(7.6)	(7.7)	**.9**	1.5	1.5
Recognized net actuarial loss (gain)	**121.3**	140.4	93.2	**49.4**	39.2	24.6
Settlement/curtailment (gain) loss	**(45.0)**					
Net periodic pension cost	**$ 46.9**	$ 104.0	$ 38.1	**$ 88.6**	$ 77.1	$ 55.5

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

Discount rate*	**5.84/6.29%**	5.88%	6.25%	**4.77%**	5.12%	5.30%
Rate of compensation increase	**4.58%**	4.62%	4.60%	**3.12%**	3.14%	3.00%
Expected long-term rate of return on assets**	**8.75%**	8.75%	8.75%	**7.25%**	7.43%	7.51%

* The dual rate for 2006 was caused by the remeasurement of the U.S. plans in March.

** For 2007, the company has assumed that the expected long-term rate of return on plan assets for its U.S. defined benefit pension plan will be 8.75%.

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

Discount rate	**6.02%**	5.84%	5.88%	**5.03%**	4.77%	5.12%
Rate of compensation increase	**N/A**	4.58%	4.62%	**3.13%**	3.12%	3.14%

The expected pretax amortization in 2007 of net periodic pension cost is as follows: net loss, $132.4 million; and prior service cost, $.6 million.

The asset allocation for the defined benefit pension plans at December 31, 2006 and 2005, follows:

	U.S.		Int'l	
December 31	2006	2005	2006	2005
Asset Category				
Equity securities	**70%**	70%	**54%**	53%
Debt securities	**25**	24	**45**	46
Real estate	**4**	5	**0**	0
Cash	**1**	1	**1**	1
Total	**100%**	100%	**100%**	100%

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

	U.S.		Int'l	
Asset Category	Target	Range	Target	Range
Equity securities	68%	65-71%	51%	46-56%
Debt securities	26%	23-29%	48%	43-53%
Real estate	6%	3-9%	0%	0-2%
Cash	0%	0-5%	1%	0-4%

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

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

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

The company expects to make cash contributions of approximately $75 million to its worldwide defined benefit pension plans (principally international plans) in 2007. 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 2007.

As of December 31, 2006, the following benefit payments, which reflect expected future service, are expected to be paid from the defined benefit pension plans:

Year ending December 31 (millions)	U.S.	Int'l
2007	$ 322.4	$ 79.8
2008	329.1	84.1
2009	337.4	88.9
2010	345.7	94.6
2011	354.0	101.4
2012 - 2016	1,888.3	661.2

Other postretirement benefits A reconciliation of the benefit obligation, fair value of the plan assets and the funded status of the postretirement benefit plan at December 31, 2006 and 2005, follows:

December 31 (millions)	2006	2005
Change in accumulated benefit obligation		
Benefit obligation at beginning of year	**$ 214.9**	$ 235.4
Interest cost	**12.7**	13.4
Plan participants' contributions	**24.4**	28.0
Amendments	**(.5)**	—
Actuarial loss	**.6**	5.0
Federal drug subsidy	**3.4**	(11.3)
Benefits paid	**(51.8)**	(55.6)
Benefit obligation at end of year	**$ 203.7**	$ 214.9
Change in plan assets		
Fair value of plan assets at beginning of year	**$ 13.2**	$ 14.3
Actual return on plan assets	**.1**	.1
Employer contributions	**26.9**	26.4
Plan participants' contributions	**24.4**	28.0
Benefits paid	**(51.8)**	(55.6)
Fair value of plan assets at end of year	**$ 12.8**	$ 13.2
Funded status at end of year	**$(190.9)**	$(201.7)
Unrecognized net actuarial loss		58.2
Unrecognized prior service benefit		(1.9)
Net amount recognized	**$(190.9)**	$(145.4)
Amounts recognized in the consolidated balance sheets consist of:		
Other accrued liabilities	**$ (21.8)**	$ —
Long-term postretirement liabilities	**(169.1)**	(145.4)
Total funded status	**$(190.9)**	$(145.4)
Accumulated other comprehensive loss, net of tax		
Net loss	**$ 54.0**	—
Prior service (benefit)	**(.5)**	—

Net periodic postretirement benefit cost for 2006, 2005 and 2004, follows:

Year ended December 31 (millions)	2006	2005	2004
Interest cost	**$12.7**	$13.4	$14.0
Expected return on assets	**(.5)**	(.4)	(.4)
Amortization of prior service benefit	**(1.9)**	(2.0)	(2.0)
Recognized net actuarial loss	**5.0**	5.1	4.1
Net periodic benefit cost	**$15.3**	$16.1	$15.7
Weighted-average assumptions used to determine net periodic postretirement benefit cost for the years ended December 31 were as follows:			
Discount rate	**6.46%**	6.51%	6.74%
Expected return on plan assets	**6.75%**	6.75%	6.75%
Weighted-average assumptions used to determine benefit obligation at December 31 were as follows:			
Discount rate	**6.58%**	6.46%	6.51%

The expected pretax amortization in 2007 of net periodic postretirement benefit cost is as follows: net loss, $5.1 million; and prior service credit, $(.1) million.

The plan assets are invested as follows: 49% debt securities, 46% insurance contracts and 5% cash. The company reviews its asset allocation periodically, taking into consideration plan liabilities, plan payment streams and then-current capital market assumptions. The company sets the long-term expected return on asset assumption, based principally on the long-term expected return on debt securities. These return assumptions are based on a combination of current market conditions, capital market expectations of third-party investment advisors and actual historical returns of the asset classes.

The company expects to contribute approximately $30 million to its postretirement benefit plan in 2007.

Assumed health care cost trend rates at December 31	2006	2005
Health care cost trend rate assumed for next year	**9.8%**	11.4%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	**5.0%**	5.0%
Year that the rate reaches the ultimate trend rate	**2014**	2014

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

	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on interest cost	$ .6	$ (.5)
Effect on postretirement benefit obligation	9.7	(8.7)

As of December 31, 2006, the following benefits are expected to be paid to or from the company's postretirement plan:

Year ending December 31 (millions)	Gross Medicare Part D Receipts	Gross Expected Payments
2007	$ 4.5	$ 29.6
2008	4.4	29.5
2009	4.5	30.4
2010	4.4	28.9
2011	4.4	29.2

2012 - 2016	15.7	103.0

The incremental effect of applying SFAS No. 158 on individual line items in the company's consolidated balance sheet at December 31, 2006 was as follows:

(millions)	Before Application of SFAS No. 158	Adjustments	After Application of SFAS No. 158
Prepaid postretirement assets	$ 1,345.4	$ (1,095.3)	$ 250.1
Deferred income taxes, net	123.8	34.1	157.9
Other long-term assets	119.7	(2.4)	117.3
Other accrued liabilities	1,472.2	(3.1)	1,469.1
Long-term postretirement liabilities	408.4	259.3	667.7
Accumulated other comprehensive gain (loss)	(306.2)	(1,319.8)	(1,626.0)

19. Stockholders' equity

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

At December 31, 2006, 69.1 million shares of unissued common stock of the company were reserved principally for stock-based incentive and savings plans.

Comprehensive income (loss) for the three years ended December 31, 2006, includes the following components:

Year ended December 31 (millions)	2006	2005	2004
Net income (loss)	**$ (278.7)**	$(1,731.9)	$ 38.6
Other comprehensive income (loss)			
Cash flow hedges			
Income (loss), net of tax of $(.3), $1.9 and $(4.1)	**(1.1)**	3.7	(7.6)
Reclassification adjustments, net of tax of $.3, $- and $5.7	**1.0**	(.1)	10.7
Foreign currency translation adjustments	**(5.8)**	8.9	43.5
Postretirement adjustments, net of tax of $(40.9), $(35.3) and $15.7	**1,544.6**	147.1	(39.2)
Total other comprehensive income (loss)	**1,538.7**	159.6	7.4
Comprehensive income (loss)	**$1,260.0**	$(1,572.3)	$ 46.0

Accumulated other comprehensive income (loss) as of December 31, 2006, 2005 and 2004, is as follows (in millions of dollars):

	Total	Translation Adjustments	Cash Flow Hedges	Postretirement Plans
Balance at Dec. 31, 2003	$(2,011.9)	$ (679.7)	$ (6.6)	$ (1,325.6)
Change during period	7.4	43.5	3.1	(39.2)
Balance at Dec. 31, 2004	(2,004.5)	(636.2)	(3.5)	(1,364.8)
Change during period	159.6	8.9	3.6	147.1
Balance at Dec. 31, 2005	(1,844.9)	(627.3)	.1	(1,217.7)
Change during period	1,538.7	(5.8)	(.1)	1,544.6
Adoption of SFAS No. 158	(1,319.8)			(1,319.8)
Balance at Dec. 31, 2006	$(1,626.0)	$ (633.1)	$ —	$ (992.9)

Report of Management on the Financial Statements

The management of the company is responsible for the integrity of its financial statements. These statements have been prepared in conformity with U.S. generally accepted accounting principles and include amounts based on the best estimates and judgments of management. Financial information included elsewhere in this report is consistent with that in the financial statements.

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

The Board of Directors, through its Audit Committee, which is composed entirely of independent directors, oversees management's responsibilities in the preparation of the financial statements and selects the independent registered public accounting firm, subject to stockholder ratification. The Audit Committee meets regularly with the independent registered public accounting firm, representatives of management, and the internal auditors to review the activities of each and to assure that each is properly discharging its responsibilities. To ensure complete independence, the internal auditors and representatives of Ernst & Young LLP have full access to meet with the Audit Committee, with or without management representatives present, to discuss the results of their audits and their observations on the adequacy of internal controls and the quality of financial reporting.

Joseph W. McGrath President and Chief Executive Officer	Janet Brutschea Haugen Senior Vice President and Chief Financial Officer

Report of Independent Registered Public Accounting Firm on the Financial Statements

To the Board of Directors and Shareholders of Unisys Corporation

We have audited the accompanying consolidated balance sheets of Unisys Corporation as of December 31, 2006 and 2005, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of Unisys Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Unisys Corporation at December 31, 2006 and 2005, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2006, Unisys Corporation adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment." Also, as discussed in Note 6 to the consolidated financial statements, Unisys Corporation adopted the provisions of Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - An Amendment of FASB No. 87, 88, 106 and 132(R)", as of December 31, 2006.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Unisys Corporation's internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 20, 2007 expressed an unqualified opinion thereon.

Ernst + Young LLP

Philadelphia, Pennsylvania
February 20, 2007

Report of Management on Internal Control Over Financial Reporting

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

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

Management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2006, based on criteria for effective internal control over financial reporting described in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, we assert that the company maintained effective internal control over financial reporting as of December 31, 2006, based on the specified criteria.

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

Joseph W. McGrath
President and
Chief Executive Officer

Janet Brutschea Haugen
Senior Vice President and
Chief Financial Officer

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

To the Board of Directors and Shareholders of Unisys Corporation

We have audited management's assessment, included in the Report of Management on Internal Control Over Financial Reporting appearing on page 42 that Unisys Corporation maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Unisys Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, management's assessment that Unisys Corporation maintained effective internal control over financial reporting as of December 31, 2006 is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Unisys Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Unisys Corporation as of December 31, 2006 and 2005, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2006 and our report dated February 20, 2007 expressed an unqualified opinion thereon.

Ernst + Young LLP

Philadelphia, Pennsylvania
February 20, 2007

Unisys Corporation

Supplemental Financial Data (Unaudited)

Quarterly financial information

(millions, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2006					
Revenue	$ 1,387.8	$ 1,407.3	$ 1,410.1	$ 1,552.0	$ 5,757.2
Gross profit	201.9	162.9	258.7	386.1	1,009.6
Income (loss) before income taxes	(35.2)	(203.5)	(61.5)	49.3	(250.9)
Net income (loss)	(27.9)	(194.6)	(77.5)	21.3	(278.7)
Earnings (loss) per share – basic	(.08)	(.57)	(.23)	.06	(.81)
– diluted	(.08)	(.57)	(.23)	.06	(.81)
Market price per share – high	7.20	7.08	6.44	7.87	7.87
– low	5.77	5.92	4.72	5.53	4.72
2005					
Revenue	$ 1,366.6	$ 1,435.5	$ 1,387.1	$ 1,569.5	$ 5,758.7
Gross profit	260.3	277.4	246.0	377.7	1,161.4
Income (loss) before income taxes	(78.3)	(39.8)	(80.0)	27.2	(170.9)
Net loss	(45.5)	(27.1)	(1,628.2)	(31.1)	(1,731.9)
Loss per share – basic	(.13)	(.08)	(4.78)	(.09)	(5.09)
– diluted	(.13)	(.08)	(4.78)	(.09)	(5.09)
Market price per share – high	10.24	7.54	7.15	6.84	10.24
– low	6.64	6.09	6.13	4.38	4.38

In the first, second, third and fourth quarters of 2006, the company recorded pretax restructuring charges of $145.9 million, $141.2 million, $36.4 million and $6.6 million, respectively. In the first quarter of 2006, the company recorded a pretax gain of $149.9 million on the sale of NUL and a $45.0 million curtailment gain. See Notes 3, 10 and 18 of the Notes to Consolidated Financial Statements.

In the third quarter of 2005, the company recorded an increase in its valuation allowance for deferred tax assets resulting in a non-cash charge of $1,573.9 million, or $4.62 per share. See Note 4 of the Notes to Consolidated Financial Statements.

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

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

Five-year summary of selected financial data

(dollars in millions, except per share data)	2006(1)	2005(2)	2004(1) (3)	2003	2002
Results of operations					
Revenue	**$5,757.2**	$ 5,758.7	$5,820.7	$5,911.2	$5,607.4
Operating income (loss)	**(326.8)**	(162.4)	(34.8)	427.7	423.2
Income (loss) before income taxes	**(250.9)**	(170.9)	(76.0)	380.5	332.8
Net income (loss)	**(278.7)**	(1,731.9)	38.6	258.7	223.0
Earnings (loss) per share					
Basic	**(.81)**	(5.09)	.12	.79	.69
Diluted	**(.81)**	(5.09)	.11	.78	.69
Financial position					
Total assets	**$4,037.9**	$ 4,028.9	$5,620.9	$5,469.6	$4,981.4
Long-term debt	**1,049.1**	1,049.0	898.4	1,048.3	748.0
Stockholders' equity (deficit)	**(64.2)**	(32.6)	1,506.5	1,395.2	856.0
Stockholders' equity (deficit) per share	**(.19)**	(.10)	4.46	4.20	2.62
Other data					
Capital additions of properties	**$ 70.1**	$ 112.0	$ 137.0	$ 116.7	$ 100.9
Capital additions of outsourcing assets	**81.0**	143.8	177.5	176.2	160.9
Investment in marketable software	**105.4**	125.7	119.6	144.1	139.9
Depreciation and amortization					
Properties	**120.5**	120.7	136.5	144.4	125.2
Outsourcing assets	**135.1**	128.8	123.3	82.3	64.9
Amortization of marketable software	**132.9**	124.7	134.2	123.6	121.0
Common shares outstanding (millions)	**345.4**	342.2	337.4	331.9	326.2
Stockholders of record (thousands)	**22.9**	24.1	25.2	26.3	27.3
Employees (thousands)	**31.5**	36.1	36.4	37.3	36.4

(1) *Includes pretax cost- reduction charges of $330.1 million and $82.0 million for the years ended December 31, 2006 and 2004, respectively.*
(2) *Includes an increase in the valuation allowance for deferred tax assets resulting in a non-cash charge of $1,573.9 million.*
(3) *Includes a pretax impairment charge of $125.6 million and favorable income tax audit settlements of $97.0 million.*

Exhibit 21

SUBSIDIARIES OF THE REGISTRANT

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

Name of Company	State or Other Jurisdiction Under the Laws of Which Organized
Unisys Deutschland G.m.b.H.	Germany
Unisys Brasil Ltda.	Brazil
Unisys France	France
Unisys Limited	United Kingdom
Unisys Nederland N.V.	Netherlands
Unisys Funding Corporation I	Delaware
Intelligent Processing Solutions Limited	United Kingdom
Unisys Insurance Services Ltd.	United Kingdom
Unisys Belgium	Belgium

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

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Unisys Corporation of our reports dated February 20, 2007, with respect to the consolidated financial statements of Unisys Corporation, management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting, included in the 2006 Annual Report to Stockholders of Unisys Corporation.

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

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

(1) Registration Statement (Form S-3 No. 33-51747) of Unisys Corporation,

(2) Registration Statement (Form S-8 No. 333-51887) pertaining to the 1990 Unisys Long-Term Incentive Plan,

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

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

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

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

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

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

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

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

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

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

of our report dated February 20, 2007, with respect to the consolidated financial statements incorporated herein by reference, our report dated February 20, 2007, with respect to management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting incorporated herein by reference, and our report included in the preceding paragraph with respect to the financial statement schedule included in this Annual Report (Form 10-K) of Unisys Corporation.

Ernst + Young LLP

Philadelphia, Pennsylvania
February 20, 2007

Exhibit 24

POWER OF ATTORNEY
Unisys Corporation
Annual Report on Form 10-K
for the year ended December 31, 2006

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below does hereby make, constitute and appoint JOSEPH W. MCGRATH, JANET BRUTSCHEA HAUGEN AND NANCY STRAUS SUNDHEIM, and each one of them severally, his true and lawful attorneys-in-fact and agents, for such person and in such person's name, place and stead, to sign the Unisys Corporation Annual Report on Form 10-K for the year ended December 31, 2006, and any and all amendments thereto and to file such Annual Report on Form 10-K and any and all amendments thereto with the Securities and Exchange Commission, and does hereby grant unto such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as said person might or could do in person, hereby ratifying and confirming all that such attorney-in-fact and agents and each of them may lawfully do or cause to be done by virtue hereof.

Dated: February 8, 2007

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

/s/ James J. Duderstadt
James J. Duderstadt
Director

/s/ Henry C. Duques
Henry C. Duques
Chairman of the Board and Director

/s/ Matthew J. Espe
Matthew J. Espe
Director

/s/ Denise K. Fletcher
Denise K. Fletcher
Director

/s/ Edwin A. Huston
Edwin A. Huston
Director

/s/ Clayton M. Jones
Clayton M. Jones
Director

/s/ Leslie F. Kenne
Leslie F. Kenne
Director

/s/ Theodore E. Martin
Theodore E. Martin
Director

/s/ Joseph W. McGrath
Joseph W. McGrath
President and Chief Executive Officer; Director

Exhibit 31.1

CERTIFICATION

I, Joseph W. McGrath, certify that:

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

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

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

4. The registrant's other certifying 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)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

5. The registrant's other certifying 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: February 20, 2007

/s/ Joseph W. McGrath

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

Exhibit 31.2

CERTIFICATION

I, Janet Brutschea Haugen, certify that:

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

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

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

4. The registrant's other certifying 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)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

5. The registrant's other certifying 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: February 20, 2007

/s/ Janet Brutschea Haugen

Name: Janet Brutschea Haugen

Title: Senior Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF PERIODIC REPORT

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

(1) the Annual Report on Form 10-K of the Company for the year ended December 31, 2006 (the “Report”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

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

Dated: February 20, 2007

/s/ Joseph W. McGrath
Joseph W. McGrath
President and Chief Executive Officer

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

Exhibit 32.2

CERTIFICATION OF PERIODIC REPORT

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

(1) the Annual Report on Form 10-K of the Company for the year ended December 31, 2006 (the “Report”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

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

Dated: February 20, 2007

/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.