

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2000

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number 1-8729

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

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

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

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

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

Number of shares of Common Stock outstanding as of September 30, 2000:  
314,135,593.

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Part I - FINANCIAL INFORMATION  
Item 1. Financial Statements.

UNISYS CORPORATION  
CONSOLIDATED BALANCE SHEET (UNAUDITED)  
(Millions)

	September 30, 2000	December 31, 1999
	-----	-----
Assets		
-----		
Current assets		
Cash and cash equivalents	\$ 234.9	\$ 464.0
Accounts and notes receivable, net	1,386.9	1,430.5
Inventories		
Parts and finished equipment	241.5	236.8
Work in process and materials	177.6	136.1
Deferred income taxes	482.3	472.7
Other current assets	94.8	105.6
	-----	-----
Total	2,618.0	2,845.7
	-----	-----

Properties	1,612.0	1,723.0
Less-Accumulated depreciation	996.1	1,102.2
	-----	-----
Properties, net	615.9	620.8
	-----	-----
Investments at equity	224.5	225.5
Software, net of accumulated amortization	283.2	259.8
Prepaid pension cost	1,080.8	975.9
Deferred income taxes	655.6	655.6
Other assets	366.5	306.4
	-----	-----
Total	\$5,844.5	\$5,889.7
	=====	=====
Liabilities and stockholders' equity		
-----		
Current liabilities		
Notes payable	\$ 472.3	\$ 26.9
Current maturities of long-term debt	18.7	22.9
Accounts payable	990.5	1,036.7
Other accrued liabilities	965.6	1,183.1
Estimated income taxes	359.5	348.9
	-----	-----
Total	2,806.6	2,618.5
	-----	-----
Long-term debt	535.9	950.2
Other liabilities	331.0	367.7
Stockholders' equity		
Common stock, issued: 2000,316.0; 1999,312.5	3.2	3.1
Accumulated deficit	(868.4)	(1,054.4)
Other capital	3,641.8	3,575.0
Accumulated other comprehensive loss	(605.6)	(570.4)
	-----	-----
Stockholders' equity	2,171.0	1,953.3
	-----	-----
Total	\$5,844.5	\$5,889.7
	=====	=====

See notes to consolidated financial statements.

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UNISYS CORPORATION  
CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)  
(Millions, except per share data)

	Three Months		Nine Months	
	Ended September 30		Ended September 30	
	2000	1999	2000	1999
	-----	-----	-----	-----
Revenue	\$1,690.9	\$1,865.4	\$4,956.7	\$5,584.7
	-----	-----	-----	-----
Costs and expenses				
Cost of revenue	1,216.2	1,195.2	3,461.9	3,581.8
Selling, general and administrative	320.1	354.8	924.1	1,034.9
Research and development expenses	77.5	86.2	237.8	251.4
	-----	-----	-----	-----
	1,613.8	1,636.2	4,623.8	4,868.1
	-----	-----	-----	-----
Operating income	77.1	229.2	332.9	716.6

Interest expense	18.5	34.1	57.7	103.0
Other income (expense), net	6.4	1.0	36.5	(65.3)
	-----	-----	-----	-----
Income before income taxes	65.0	196.1	311.7	548.3
Estimated income taxes	22.1	45.6	106.0	169.9
	-----	-----	-----	-----
Income before extraordinary items	42.9	150.5	205.7	378.4
Extraordinary items		(12.1)	(19.8)	(12.1)
	-----	-----	-----	-----
Net income	42.9	138.4	185.9	366.3
Dividends on preferred shares		1.9		36.7
	-----	-----	-----	-----
Earnings on common shares	\$ 42.9	\$ 136.5	\$ 185.9	\$ 329.6
	=====	=====	=====	=====
Earnings per common share				
Basic				
Before extraordinary items	\$ .14	\$ .49	\$ .66	\$ 1.22
Extraordinary items		(.04)	(.06)	(.04)
	-----	-----	-----	-----
Total	\$ .14	\$ .45	\$ .60	\$ 1.18
	=====	=====	=====	=====
Diluted				
Before extraordinary items	\$ .14	\$ .47	\$ .65	\$ 1.17
Extraordinary items		(.04)	(.06)	(.04)
	-----	-----	-----	-----
Total	\$ .14	\$ .43	\$ .59	\$ 1.13
	=====	=====	=====	=====

See notes to consolidated financial statements.

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UNISYS CORPORATION  
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)  
(Millions)

	Nine Months Ended September 30	
	2000	1999
	-----	-----
Cash flows from operating activities		
Income before extraordinary items	\$ 205.7	\$ 378.4
Add(deduct) items to reconcile income before extraordinary items to net cash (used for) provided by operating activities:		
Extraordinary items	(19.8)	(12.1)
Depreciation	109.4	105.3
Amortization:		
Marketable software	90.2	83.6
Goodwill	7.7	10.2
(Increase) in deferred income taxes, net	(9.6)	( 70.3)
Decrease (increase) in receivables, net	8.4	( 47.1)
(Increase) decrease in inventories	(46.2)	64.4
(Decrease) in accounts payable and other accrued liabilities	(335.6)	(224.0)
Increase in estimated income taxes	10.5	68.1
(Decrease) in other liabilities	(3.4)	( 16.2)
(Increase) in other assets	(110.6)	( 94.4)
Other	20.6	74.2

Net cash (used for) provided by operating activities	(72.7)	320.1
Cash flows from investing activities		
Proceeds from investments	525.1	803.6
Purchases of investments	(454.0)	(778.2)
Proceeds from sales of properties	17.0	21.7
Investment in marketable software	(113.6)	( 83.7)
Capital additions of properties	(143.2)	(139.0)
Purchases of businesses	(13.9)	( 53.9)
Net cash used for investing activities	(182.6)	(229.5)
Cash flows from financing activities		
Redemption of preferred stock		(197.0)
Proceeds from issuance of long-term debt		30.3
Payments of long-term debt	(447.2)	(161.5)
Net proceeds from (reduction in) short-term borrowings	442.5	( 9.1)
Dividends paid on preferred shares		( 59.4)
Proceeds from employee stock plans	42.5	74.4
Net cash provided by (used for) financing activities	37.8	(322.3)
Effect of exchange rate changes on cash and cash equivalents	(11.6)	( 10.7)
(Decrease) in cash and cash equivalents	(229.1)	(242.4)
Cash and cash equivalents, beginning of period	464.0	616.4
Cash and cash equivalents, end of period	\$ 234.9	\$ 374.0

See notes to consolidated financial statements.

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#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

- a. The shares used in the computations of earnings per share are as follows (in thousands):

	Three Months Ended September 30		Nine Months Ended September 30	
	2000	1999	2000	1999
Basic	313,744	302,183	312,473	279,678
Diluted	315,516	314,541	316,539	292,733

- b. A summary of the company's operations by business segment for the three and nine month periods ended September 30, 2000 and 1999 is presented below (in millions of dollars):

	Total	Corporate	Services	Technology
Three Months Ended September 30, 2000				
Customer revenue	\$1,690.9		\$1,200.2	\$ 490.7
Intersegment		\$( 92.8)	10.6	82.2

Total revenue	\$1,690.9	\$ ( 92.8)	\$1,210.8	\$ 572.9
	=====	=====	=====	=====
Operating income(loss)	\$ 77.1	\$ 2.8	\$ 18.1	\$ 56.2
	=====	=====	=====	=====

Three Months Ended  
September 30, 1999

Customer revenue	\$1,865.4		\$1,318.5	\$ 546.9
Intersegment		\$ (151.7)	17.7	134.0
	-----	-----	-----	-----
Total revenue	\$1,865.4	\$ (151.7)	\$1,336.2	\$ 680.9
	=====	=====	=====	=====
Operating income(loss)	\$ 229.2	\$ ( 13.5)	\$ 104.9	\$ 137.8
	=====	=====	=====	=====

Nine Months Ended  
September 30, 2000

Customer revenue	\$4,956.7		\$3,454.1	\$1,502.6
Intersegment		\$ (326.7)	35.2	291.5
	-----	-----	-----	-----
Total revenue	\$4,956.7	\$ (326.7)	\$3,489.3	\$1,794.1
	=====	=====	=====	=====
Operating income(loss)	\$ 332.9	\$ 20.4	\$ 37.5	\$ 275.0
	=====	=====	=====	=====

Nine Months Ended  
September 30, 1999

Customer revenue	\$5,584.7		\$3,901.3	\$1,683.4
Intersegment		\$ (415.6)	49.0	366.6
	-----	-----	-----	-----
Total revenue	\$5,584.7	\$ (415.6)	\$3,950.3	\$2,050.0
	=====	=====	=====	=====
Operating income(loss)	\$ 716.6	\$ ( 21.6)	\$ 288.7	\$ 449.5
	=====	=====	=====	=====

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Notes to Consolidated Financial Statements (cont'd)

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

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2000	1999	2000	1999
Total segment operating income	\$ 74.3	\$242.7	\$312.5	\$738.2
Interest expense	(18.5)	( 34.1)	(57.7)	(103.0)
Other income (expense), net	6.4	1.0	36.5	( 65.3)
Corporate and eliminations	2.8	( 13.5)	20.4	( 21.6)
	-----	-----	-----	-----
Total income before income taxes	\$ 65.0	\$196.1	\$311.7	\$548.3
	=====	=====	=====	=====

c. Comprehensive income for the three and nine months ended September 30, 2000 and 1999 includes the following components (in millions of dollars):

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2000	1999	2000	1999
	Net income	\$ 42.9	\$138.4	\$185.9
Other comprehensive income (loss)				
Foreign currency translation adjustment	2.0	( 19.9)	(21.5)	( 63.0)
Related tax expense (benefit)	5.1	1.0	13.7	1.5
	-----	-----	-----	-----

Total other comprehensive income (loss)	(3.1)	( 20.9)	(35.2)	( 64.5)
	-----	-----	-----	-----
Comprehensive income	\$ 39.8	\$117.5	\$150.7	\$301.8
	=====	=====	=====	=====

Accumulated other comprehensive income (loss), all of which relates to foreign currency translation adjustments, as of September 30, 2000 and December 31, 1999 is as follows (in millions of dollars):

	September 30, 2000	December 31, 1999
	-----	-----
Balance at beginning of period	\$ (570.4)	\$ (531.6)
Translation adjustments	( 35.2)	( 38.8)
	-----	-----
Balance at end of period	\$ (605.6)	\$ (570.4)
	=====	=====

- d. The amount credited to stockholders' equity for the income tax benefit related to the company's stock plans for the nine months ended September 30, 2000 and 1999 was \$10.5 million and \$53.8 million, respectively. The company expects to realize these tax benefits on future Federal income tax returns.

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

Overview

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The company is continuing to transition its business to meet the new requirements of the e-business marketplace. During the third quarter, the company completed a strategic business review aimed at focusing the company on higher-growth, higher-margin e-business opportunities and improving its financial performance. As a result of this review, the company plans to implement a series of actions during the fourth quarter of 2000 designed to build its revenue base in new high-growth markets; focus its research and development resources on high-potential new markets; de-emphasize non-strategic, low-growth and low-margin businesses and products; and reduce its cost structure in line with its new, more focused business model. In particular, the company plans to:

- \* Streamline its portfolio of industry-specific repeatable solutions from more than 30 programs currently to approximately 15 strategic solutions, and introduce new, high-potential solutions in growth areas such as wealth management and mobile-commerce;
- \* Enhance its outsourcing business to more aggressively pursue joint ventures and other new business models to drive accelerated growth in this key growth area;
- \* Focus its networking business on high value-added services, such as managed network outsourcing services, network consulting, and an expanded network security management practice;
- \* Continue to focus its technology business on high-end, enterprise-class servers and de-emphasize low-margin commodity products.

In addition, the company plans to reduce its cost structure in line with its lower revenue levels and its focus on higher-growth, higher-margin opportunities going forward. As the first action in this cost structure realignment, the company is offering an early retirement incentive to approximately 1,500 U.S. employees. To the extent eligible employees elect this program, funding will come from the company's pension plan. The company estimates that it will take a one-time, pre-tax charge of approximately \$200 million in the fourth quarter of 2000 related to the early retirement and other actions.

Results of Operations

For the three months ended September 30, 2000, the company reported net income of \$42.9 million or \$.14 per diluted share, compared to \$138.4 million, or \$.43 per diluted share, for the three months ended September 30, 1999. The prior period included an extraordinary item of \$12.1 million, or \$.04 per diluted common share, for the early extinguishment of debt and a one-time tax benefit of \$22.0 million, or \$.07 per diluted share. Excluding these items, earnings in the prior period were \$.40 per diluted common share.

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Total revenue for the quarter ended September 30, 2000 was \$1.69 billion, down 9% from revenue of \$1.87 billion for the quarter ended September 30, 1999. Excluding the negative impact of foreign currency translations, revenue in the quarter declined 6%. The decrease in revenue was principally due to continuing weakness in the company's services business as well as lower sales of enterprise servers. Total gross profit percent was 28.1% in the third quarter of 2000 compared to 35.9% in the year-ago period, principally due to a lower mix of higher-margin products and services than in the year-ago quarter and reduced utilization of services personnel.

For the three months ended September 30, 2000, selling, general and administrative expenses were \$320.1 million (18.9% of revenue) compared to \$354.8 million (19.0% of revenue) for the three months ended September 30, 1999. The decrease in these expenses reflected continued progress in controlling costs through the company's worldwide business process standardization program as well as the benefits of tight controls placed on discretionary spending during the quarter. This led to a reduction in general and administrative expenses which was partially offset by an increase in selling expenses. Research and development expenses were \$77.5 million compared to \$86.2 million a year earlier.

For the third quarter of 2000, the company reported an operating income percent of 4.6% compared to 12.3% for the third quarter of 1999.

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

	Total	Elimi- nations	Services	Technology
	-----	-----	-----	-----
Three Months Ended September 30, 2000 -----				
Customer revenue	\$1,690.9		\$1,200.2	\$490.7
Intersegment		\$( 92.8)	10.6	82.2
Total revenue	\$1,690.9	\$( 92.8)	\$1,210.8	\$572.9
	=====	=====	=====	=====
Gross profit percent	28.1%		21.6%	38.9%
	=====		=====	=====
Operating income percent	4.6%		1.5%	9.8%
	=====		=====	=====
Three Months Ended September 30, 1999 -----				
Customer revenue	\$1,865.4		\$1,318.5	\$546.9
Intersegment		\$(151.7)	17.7	134.0
Total revenue	\$1,865.4	\$(151.7)	\$1,336.2	\$680.9
	=====	=====	=====	=====
Gross profit percent	35.9%		25.8%	48.5%
	=====		=====	=====
Operating income percent	12.3%		7.8%	20.2%
	=====		=====	=====

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In the Services segment, customer revenue decreased 9% to \$1.20 billion in the third quarter of 2000 from \$1.32 billion in the third quarter of 1999 as an increase in networking services revenue was more than offset by declines in systems integration and repeatable solutions, proprietary maintenance, and outsourcing. The decline in proprietary maintenance revenue, which continues to decline industry wide, reflected customers' higher rates of replacement of older equipment last year with newer systems that are under warranty and require less maintenance. The gross profit percent declined to 21.6% in the current quarter compared to 25.8% in the prior period, principally reflecting reduced utilization of services personnel as well as a lower mix of higher-margin systems integration and solutions, and proprietary maintenance revenue in the quarter. Operating income percent declined to 1.5% in the current quarter from 7.8% last year, principally due to the gross profit decline.

In the Technology segment, customer revenue decreased 10% to \$491 million in the third quarter of 2000 from \$547 million in the prior-year period, as strong initial sales of the company's new Cellular MultiProcessing servers were more than offset by a decline in ClearPath enterprise server revenue. The current quarter comparison was difficult because the September 1999 quarter reflected strong revenue levels associated with spending by customers in preparation for the year 2000 transition. The gross profit percent was 38.9% in 2000 compared to 48.5% in 1999, due in large part to a lower percentage of enterprise server sales in the current quarter. Operating profit in this segment declined to 9.8% in 2000 from 20.2% in 1999, principally due to the gross profit decline.

Interest expense for the three months ended September 30, 2000 was \$18.5 million compared to \$34.1 million for the three months ended September 30, 1999. The decline was principally due to the company's debt reduction program.

Other income (expense), net, which can vary from quarter to quarter, was income of \$6.4 million in the current quarter compared to income of \$1.0 million in the year-ago quarter. The change was primarily due to higher interest income and foreign exchange gains in the current period versus a year ago.

Income before income taxes was \$65.0 million in the third quarter of 2000 compared to \$196.1 million last year. The provision for income taxes was \$22.1 million in the current period (34% effective rate) compared to \$45.6 million in the year-ago period. The tax provision in the prior period included a one-time benefit of \$22.0 million related to a U.S. Treasury income tax regulation pertaining to the use of net operating loss carryforwards of acquired companies. Exclusive of this benefit, the effective tax rate in 1999 was 35%. The decline in the effective tax rate was principally due to tax planning strategies.

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For the nine months ended September 30, 2000, revenue was \$4.96 billion, down 11% from \$5.58 billion for the nine months ended September 30, 1999. Net income in the current nine month period was \$185.9 million, or \$.59 per diluted share, compared to net income of \$366.3 million, or \$1.13 per diluted share, in the prior-year period. Both periods include an extraordinary item for the early extinguishment of debt: \$19.8 million, or \$.06 per diluted share, in the nine months ended September 30, 2000 and \$12.1 million, or \$.04 per diluted share, in the nine months ended September 30, 1999. In addition, the prior-year period included the one-time tax benefit mentioned above. Excluding these items, income in the current period was \$205.7 million, or \$.65 per diluted share, compared to \$356.4 million, or \$1.10 per diluted share, in the prior-year period.

In December 1999, the Securities and Exchange Commission's ("SEC") staff issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 provides the staff's views on applying generally accepted accounting principles to selected revenue recognition issues and is effective for the company in the first quarter of 2000. However, in March and again in September 2000, in response to requests from a number of groups asking for additional time to determine the effect, if any, on registrants' revenue recognition practices, the SEC staff delayed the implementation date of SAB No. 101. SAB No. 101 now must be implemented by the company no later than the fourth quarter of 2000, effective retroactively to the first quarter of 2000. In addition, on October 12, 2000, the SEC



staff issued a Frequently Asked Questions ("FAQ") document which clarifies and elaborates on the SEC staff's views regarding revenue recognition. The company's initial assessment of the impact of SAB No. 101 is that it would not have a material effect on its consolidated financial position, consolidated results of operations, or liquidity. However, the company is in the process of reassessing the impact, if any, of SAB No. 101 based on the FAQ document.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". This statement, which is effective for the company for the year beginning January 1, 2001, establishes accounting and reporting standards for derivative instruments and hedging activities. SFAS No. 133 requires a company to recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. Changes in the fair value of derivatives will be reported currently in earnings or in other comprehensive income depending on their effectiveness pursuant to SFAS No. 133. Adoption of SFAS No. 133 will also require a change in accounting for the company's yen cross currency swap, as discussed separately below. Management does not currently expect that adoption of SFAS No. 133 will have a material effect on the company's consolidated financial position, consolidated results of operations, or liquidity.

#### Financial Condition

Cash and cash equivalents at September 30, 2000 were \$234.9 million compared to \$464.0 million at December 31, 1999. During the nine months ended September 30, 2000, cash used for operations was \$72.7 million compared to cash provided by operations of \$320.1 million a year ago, primarily reflecting a decline in profitability and higher accounts receivable levels.

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Cash used for investing activities during the first nine months of 2000 was \$182.6 million compared to \$229.5 million during the first nine months of 1999. During the current period, both proceeds from investments and purchases of investments, which represent primarily foreign exchange hedging contract activity, declined from the prior year as a result of extending the duration of individual contracts to more closely match the timeframe of related underlying exposures. This change in duration of foreign currency contracts did not significantly impact net cash flows. In addition, the current period reflects lower cash usage for purchases of businesses and, as described below, \$27.5 million proceeds from the termination of the euro swap.

Cash provided by financing activities during the nine months ended September 30, 2000 was \$37.8 million compared to cash usage of \$322.3 million in the year-ago period. The current period includes net proceeds from short-term borrowings of \$442.5 million, principally borrowings used to repay long-term debt of \$447.2 million, as described below. Included in the prior period were payments of \$197.0 million for redemptions of preferred stock and \$59.4 million for preferred stock dividends.

Total debt was \$1.0 billion at September 30, 2000, up \$26.9 million from December 31, 1999.

The company has a \$400 million credit agreement which expires June 2001. As of September 30, 2000, \$240 million was outstanding under this agreement at an average rate of 7.05%.

On April 15, 2000, the company redeemed all of its \$399.5 million outstanding 12% senior notes due 2003 at the stated redemption price of 106% of principal. As a result, the company recorded an extraordinary after-tax charge of \$19.8 million, or \$.06 per diluted share, for the call premium and unamortized debt expense. In March 2000, the company entered into an additional \$150 million credit agreement expiring April 2001 for the purpose of funding this redemption. As of September 30, 2000, the entire amount was borrowed under this agreement at a rate of 7.47%. The redemption was funded through a combination of cash and short-term borrowings under the company's two credit agreements.

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.

In the third quarter of 1999, the company entered into interest rate swaps and currency swaps for euros and Japanese yen. In May 2000, the company terminated the euro currency swap and received \$27.5 million. A gain of \$.9 million on the termination was recorded in the second quarter of 2000. On October 5, 2000, the company terminated both of its interest rate swaps at a net cost of \$.7 million which will be recognized in interest expense over the remaining terms of the related debt instruments.

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The only remaining swap instrument is the Japanese yen cross currency swap, which has been designated as a hedge of the company's net investments denominated in yen. Under this instrument, the company is obligated to deliver on April 1, 2008, 23.2 billion yen in exchange for \$200 million. At September 30, 2000, the company has a payable of \$14.0 million included in other liabilities (long-term) related to the yen currency swap. Under this instrument, the company pays yen libor plus .40% and receives US libor plus .83% (.78875% and 7.49% at September 30, 2000, respectively). The company records the effect of the interest rate difference in interest expense, which, since inception of the swap, has approximated a \$3.5 million reduction in interest expense each quarter. Upon adoption of SFAS No. 133 on January 1, 2001, this benefit can no longer be recorded in interest expense.

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

At September 30, 2000, the company had deferred tax assets in excess of deferred tax liabilities of \$1,382 million. For the reasons cited below, management determined that it is more likely than not that \$1,085 million of such assets will be realized, therefore resulting in a valuation allowance of \$297 million.

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

Stockholders' equity increased \$217.7 million during the nine months ended September 30, 2000, principally reflecting net income of \$185.9 million and \$66.6 million for issuance of stock under stock option and other plans offset in part by currency translation of \$35.2 million.

#### Conversion to the Euro Currency

On January 1, 1999, certain member countries of the European Union established fixed conversion rates between their existing currencies and the European Union's common currency (the "euro"). The transition period for the introduction of the euro began on January 1, 1999. The company is addressing the issues involved with the introduction of the euro. The more important issues facing the company include converting information technology systems, reassessing currency risk, and negotiating and amending agreements. Based on progress to date, the company believes that the use of the euro will not have a significant impact on the manner in which it conducts its business. Accordingly, conversion to the euro is not expected to have a material effect on the company's consolidated financial position, consolidated results of operations, or liquidity.

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#### Factors That May Affect Future Results

From time to time, the company provides information containing "forward-looking" statements, as defined in the Private Securities Litigation Reform Act of 1995.

All forward-looking statements rely on assumptions and are subject to risks, uncertainties, and other factors that could cause the company's actual results to differ materially from expectations. In addition to changes in general economic and business conditions and natural disasters, these include, but are not limited to, the factors discussed below.

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

Future operating results will depend on the company's ability to design, develop, introduce, deliver, or obtain new products and services on a timely and cost-effective basis; on its ability to effectively implement the actions being taken as a result of its strategic review; on its ability to effectively execute its sales efforts under the organizational model implemented at the beginning of 2000; on its ability to mitigate the effects of competitive pressures and volatility in the information services and technology industry on revenues, pricing and margins; on its ability to effectively manage the shift of its business mix away from traditional high-margin product and services offerings; and on its ability to successfully attract and retain highly skilled people. In addition, future operating results could be impacted by market demand for and acceptance of the company's service and product offerings.

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

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

Approximately 58% of the company's total revenue derives from international operations. The risk of doing business internationally include foreign currency exchange rate fluctuations, changes in political or economic conditions, trade protection measures, and import or export licensing requirements.

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Part II - OTHER INFORMATION

Item 1. Legal Proceedings

As previously reported, most recently in the company's Quarterly Report on Form 10-Q for the period ended June 30, 2000, a number of purported class action lawsuits seeking unspecified compensatory damages have been filed against Unisys and various current and former officers in the U.S. District Court for the Eastern District of Pennsylvania by persons who acquired Unisys common stock during the period May 4, 1999 through October 14, 1999. On February 16, 2000, these actions, which are in the early stages, were consolidated under the caption In re: Unisys Corporation Securities Litigation. The plaintiffs allege violations of the Federal securities laws in connection with statements made by the company concerning certain of its services contracts. The company believes it has meritorious defenses and intends to defend this action vigorously.

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits  
See Exhibit Index
- (b) Reports on Form 8-K

During the quarter ended September 30, 2000, the company filed no Current Reports on Form 8-K.

SIGNATURES  
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Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNISYS CORPORATION

Date: October 23, 2000

By: /s/ Janet M. Brutschea Haugen  
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Janet M. Brutschea Haugen  
Senior Vice President and  
Chief Financial Officer  
(Principal Financial and  
Accounting Officer)

EXHIBIT INDEX

Exhibit Number -----	Description -----
10.1	1990 Unisys Long-Term Incentive Plan, as amended and restated effective September 22, 2000
10.2	Unisys Directors Stock Option Plan, as amended and restated effective September 22, 2000
10.3	Unisys Corporation Deferred Compensation Plan, as amended and restated effective September 22, 2000
10.4	Deferred Compensation Plan for Directors of Unisys Corporation, as amended and restated effective September 22, 2000
10.5	Unisys Corporation Director Stock Unit Plan, as amended and restated effective September 22, 2000
11.1	Statement of Computation of Earnings Per Share for the nine months ended September 30, 2000 and 1999
11.2	Statement of Computation of Earnings Per Share for the three months ended September 30, 2000 and 1999
12	Statement of Computation of Ratio of Earnings to Fixed Charges
27	Financial Data Schedule

1990 UNISYS LONG-TERM INCENTIVE PLAN

ARTICLE I  
PURPOSE AND ADOPTION OF THE PLAN

1.1 Purpose. The purpose of the 1990 Unisys Long-Term Incentive Plan (hereinafter referred to as the "Plan") is to assist in attracting and retaining highly competent employees and to act as an incentive in motivating selected officers and other key employees of Unisys and its Subsidiaries to achieve long-term corporate objectives.

1.2 Adoption and Term. The Plan has been approved by the Board and is effective as of January 1, 1990, and will remain in effect until terminated or abandoned by action of the Board; provided, however, that no Incentive Stock Option may be granted after December 31, 1999.

ARTICLE II  
DEFINITIONS

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

2.2 "Award" shall mean any one or a combination of Non-Qualified Stock Options or Incentive Stock Options described in Article VI, Stock Appreciation Rights described in Article VI, Restricted Shares described in Article VII, Performance Units described in Article VIII, Performance Awards described in Article IX, or any other award made under the terms of the Plan.

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

2.4 "Award Period" means, with respect to an Award, the period of time set forth in the Award Agreement during which specified target performance goals must be achieved or other conditions set forth in the Award Agreement must be satisfied.

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

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

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

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 2.07; or

(b) Individuals who, as of May 25, 1995, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director

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

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

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

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

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

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

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

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

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

2.14 "Exercise Price" means, with respect to a Stock Appreciation Right, the amount established by the Committee in the Award Agreement which is to be subtracted from the Fair Market Value on the date of exercise in order to determine the amount of the payment to be made to the Participant, as further described in Section 6.2.

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

2.16 "Incentive Stock Option" means a stock option within the meaning of Section 422A of the Code.

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

2.18 "Non-Qualified Stock Option" means a stock option which is not an Incentive Stock Option.

2.19 "Normal Retirement Date" means the date on which a Participant is eligible to retire with unreduced benefits under a defined benefit pension plan or arrangement of Unisys or one of its Subsidiaries or, in the event that the Participant is not a member of such a defined benefit pension plan or arrangement, the date on which the Participant would otherwise be eligible to retire with unreduced benefits under the Unisys Pension Plan.

2.20 "Options" means all Non-Qualified Stock Options and Incentive Stock Options granted at any time under the Plan.

2.21 "Other Retirement Date" means a date earlier than a Participant's Normal Retirement Date which is specifically designated by the Committee to be the date upon which a Participant retires for purposes of this Plan.

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

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

2.24 "Performance Awards" means Awards granted in accordance with Article IX.

2.25 "Performance Units" means Awards granted in accordance with Article VIII.

2.26 "Plan" shall mean the 1990 Unisys Long-Term Incentive Plan as described herein and as may be amended from time to time.

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

2.28 "Restricted Shares" means Company Common Stock subject to restrictions imposed in connection with Awards granted under Article VII.

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

2.30 "Stock Appreciation Right" means Awards granted in accordance with Article VI.

2.31 "Stock Award" means a Non-Qualified Stock Option, an Incentive Stock Option, a Stock Appreciation Right, a Restricted Stock Award or any other stock-based Award authorized by the Board hereunder.

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

2.33 "Termination of Employment" means the voluntary or involuntary termination of a Participant's employment with Unisys or a Subsidiary for any reason, including death, disability, retirement or as the result of the divestiture of the Participant's employer or any similar transaction in which the Participant's employer ceases to be Unisys or one of its Subsidiaries. Whether military or other government or eleemosynary service shall constitute Termination of Employment, or whether a Termination of Employment is a result of disability, shall be determined in each case by the Committee in its sole discretion.

2.34 "Transferee" means the holder of Non-Qualified Stock Options after a transfer in accordance with Section 11.4 and the Award Agreement.

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

3.1 Committee. The Plan shall be administered by the Committee. The Committee shall be selected from time to time by the Board, and shall be comprised of not less than three members of the Board or such other persons who would constitute a disinterested administrator under the requirements of Rule 16b-3. The Committee shall have exclusive and final authority in each determination, interpretation or other action affecting the Plan and its Participants. The Committee shall have the sole discretionary authority to interpret the Plan, to establish and modify administrative rules for the Plan, to impose such conditions and restrictions on Awards as it determines appropriate, to cancel Awards (including those made pursuant to other plans of Unisys), to allow some or all Non-Qualified Stock Options of some or all Participants to be transferable subject to the limitations set forth in the Award Agreement, and to substitute new options for underwater options (including options granted under other Plans of Unisys) with the consent of the recipient, and to take such steps in connection with the Plan and Awards granted as it may deem necessary or advisable. The Committee may, with respect to Participants who are not subject to Section 16(b) of the Exchange Act, delegate such of its powers and authority under the Plan as it deems appropriate to designated officers or employees of Unisys.

#### ARTICLE IV STOCK

4.1 Number of Shares Issuable. Subject to adjustments as provided in Section 11.9, the stock to be offered under the Plan shall be authorized and unissued shares, or issued shares which shall have been reacquired by Unisys, of Company Common Stock. The total number of shares initially authorized to be issued under the Plan shall be 4 million shares, which limit shall be increased as of January 1 of each calendar year commencing in 1991 by a number of shares equal to 2% of the total amount of Outstanding Company Common Stock (not including shares issued under this Plan) as of such January 1; provided, however, that not more than one million shares of Company Common Stock shall be issued upon the exercise of Incentive Stock Options awarded under the Plan. In addition, the 1.4 million shares remaining available for the grant of awards as of January 1, 1990 under the terms of the 1982 Unisys Long-Term Incentive Plan shall be available for issuance hereunder.

4.2 Shares Subject to Terminated Awards. The shares of Company Common Stock involved in any unexercised portions of terminated Options (including cancelled Options) granted under Article VI, shares of Company Common Stock forfeited as provided in Section 7.2(a), unexercised shares from terminated awards under Section 9.2 and shares of Company Common Stock subject to Awards which are otherwise surrendered by the Participant or Transferee may again be subject to Stock Awards. Shares of Company Common Stock subject to Options, or portions thereof, which have been surrendered in connection with the exercise of Stock Appreciation Rights shall not be available for subsequent Option grants under the Plan, but shares of Company Common Stock issued in payment of such Stock Appreciation Rights shall not be charged against the number of shares of Company Common Stock available for the grant of Options. Any shares of Company Common Stock issued by Unisys pursuant to its assumption or substitution of outstanding grants from acquired companies shall not reduce the number of shares available for grants under this Plan.

#### ARTICLE V PARTICIPANTS

5.1 Eligible Participants. Participants in the Plan shall be such officers and other key employees of Unisys and its Subsidiaries, whether or not members of the Board, as the Committee, in its sole discretion, may designate from time to time. The Committee's designation of a Participant in any year shall not require the Committee to designate such person to receive Awards or grants in any other year. The designation of a Participant to receive awards or grants under one portion of the Plan does not require the Committee to include such Participant under other portions of the Plan. The Committee shall consider such factors as it deems pertinent in selecting Participants and in determining the type and amount of their respective Awards.

#### ARTICLE VI STOCK OPTIONS AND STOCK APPRECIATION RIGHTS

6.1 Option Awards.

(a) The Committee may grant, to such Participants as the



Committee may select, Options entitling the Participant or Transferee to purchase Company Common Stock from Unisys in such quantity, at such price, and on such terms and subject to such conditions, not inconsistent with the terms of this Plan, as may be established by the Committee. The terms of any Stock Option granted under this Plan shall be set forth in an Award Agreement.

(b) Purchase Price of Options. The Purchase Price of each share of Company Common Stock which may be purchased upon exercise of any Option granted under the Plan shall be determined by the Committee, provided that, with respect to Participants or Transferees subject to Section 16(b) of the Exchange Act, such Purchase Price shall be not less than 50% of the Fair Market Value on the Date of Grant, and provided further that the Purchase Price for shares of Company Common Stock purchased pursuant to Stock Options designated by the Committee as Incentive Stock Options shall be equal to or greater than the Fair Market Value on the Date of Grant as required under Section 422A of the Code.

(c) Designation of Incentive Stock Options. Except as otherwise expressly provided in the Plan, the Committee may designate, at the time of the grant of each Option, the Option as an Incentive Stock Option under Section 422A of the Code.

(1) Incentive Stock Option Share Limitation. No Participant may be granted Incentive Stock Options under the Plan (or any other plans of Unisys) which would result in stock with an aggregate Fair Market Value (measured on the Date of Grant) of more than \$100,000 first becoming exercisable in any one calendar year, or which would entitle such Participant to purchase a number of shares greater than the maximum number permitted by Section 422A of the Code as in effect on the Date of Grant.

(2) Other Incentive Stock Option Terms. Whenever possible, each provision in the Plan and in every Option granted under this Plan which is designated by the Committee as an Incentive Stock Option shall be interpreted in such a manner as to entitle the Option to the tax treatment afforded by Section 422A of the Code. If any provision of this Plan or any Option designated by the Committee as an Incentive Stock Option shall be held not to comply with requirements necessary to entitle such Option to such tax treatment, then (A) such provision shall be deemed to have contained from the outset such language as shall be necessary to entitle the Option to the tax treatment afforded under Section 422A of the Code, and (B) all other provisions of this Plan and the Stock Option Agreement shall remain in full force and effect. If any agreement covering an Option designated by the Committee to be an Incentive Stock Option under this Plan shall not explicitly include any terms required to entitle such Incentive Stock Option to the tax treatment afforded by Section 422A of the Code, all such terms shall be deemed implicit in the designation of such Option and the Option shall be deemed to have been granted subject to all such terms.

(d) Rights as a Stockholder. A Participant or Transferee shall have no rights as a stockholder with respect to any shares of Company Common Stock covered by an Option until the Participant or Transferee shall have become the holder of record of any such shares, and no adjustment shall be made for dividends in cash or other property or distributions or other rights with respect to any such shares of Company Common Stock for which the record date is prior to the date on which the Participant or a Transferee of the Option shall have become the holder of record of any such shares covered by the Option.

## 6.2 Stock Appreciation Rights.

(a) Stock Appreciation Right Awards. The Committee is authorized to grant to any Participant a Stock Appreciation Right covering any share of Company Common Stock which is at the Date of Grant also covered by an Option granted to the same Participant either prior to or simultaneously with the grant to such

Participant of the Stock Appreciation Right, provided: (1) any Option covering any share of Company Common Stock shall expire and not be exercisable upon the exercise of any Stock Appreciation Right with respect to the same share; (2) any Stock Appreciation Right covering any share of Company Common Stock shall not be exercisable upon the exercise of any related Option with respect to the same share; and (3) an Option and Stock Appreciation Right covering the same share of Company Common Stock may not be exercised simultaneously. Upon exercise of a Stock Appreciation Right with respect to a share of Company Common Stock, the Participant will be entitled to receive an amount equal to the difference between (y) the Exercise Price established in the Award Agreement from (z) the Fair Market Value of a share of Company Common Stock on the date of exercise, which amount shall be payable as provided in Section 6.2(e).

(b) Exercise Price. The Exercise Price established under any Stock Appreciation Right granted under this Plan shall be determined by the Committee and shall not be less than the lower of (1) the Purchase Price of the related Option or (2) 50% of the Fair Market Value on the Date of Grant of the Stock Appreciation Right. Upon exercise of Stock Appreciation Rights, the number of shares subject to exercise under the related Option shall automatically be reduced by the number of shares of Company Common Stock represented by the Option or portion thereof which is surrendered as a result of the exercise of such Stock Appreciation Right.

(c) Payment of Incremental Value. Any payment which may become due from Unisys by reason of a Participant's exercise of a Stock Appreciation Right may be paid to the Participant as determined by the Committee (1) all in cash, (2) all in Company Common Stock, or (3) in any combination of cash and Company Common Stock. In the event that all or a portion of the payment is made in Company Common Stock, the number of shares of the Company Common Stock delivered in satisfaction of such payment shall be determined by dividing the amount of the payment by the Fair Market Value on the Exercise Date. The Committee may determine whether payment upon exercise of a Stock Appreciation Right will be made in cash or stock, or a combination thereof, upon or at any time prior to the exercise of such Stock Appreciation Right. No fractional share of Company Common Stock shall be issued to make any payment; if any fractional shares would be issuable, the mix of cash and Company Common Stock payable to the Participant shall be adjusted as directed by the Committee to avoid the issuance of any fractional share.

### 6.3 Terms of Stock Options and Stock Appreciation Rights.

(a) Conditions on Exercise. An Award Agreement with respect to Options or Stock Appreciation Rights may contain such waiting periods, exercise dates and restrictions on exercise (including, but not limited to, periodic installments which may be cumulative) as may be determined by the Committee at the time of grant. Where payment is to be made in whole or in part in cash, no Stock Appreciation Right may be exercised prior to six months from the Date of Grant.

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

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

(2) Termination of the Award as provided in Section 6.3(e), following the Participant's Termination of Employment; or

(3) In the case of an Incentive Stock Option, ten years from the Date of Grant; or

(4) Solely in the case of Stock Appreciation Rights, upon the expiration of the related Options.

(c) Acceleration of Exercise Time. The Committee, in its sole discretion, shall have the right (but shall not in any case be obligated) to permit purchase of shares under any Option exercise or exercise of a Stock Appreciation Right prior to the time such Option or Stock Appreciation Right would otherwise become exercisable under the terms of the Award Agreement.

(d) Extension of Exercise Time. In addition to the extensions permitted under Section 6.3(e) in the event of Termination of Employment, the Committee, in its sole discretion, shall have the right (but shall not in any case be obligated) to permit any Option or Stock Appreciation Right granted under this Plan to be exercised after its expiration date described in Section 6.3(e), subject, however to the limitations described in Section 6.3(b)(1), (3) and (4).

(e) Exercise of Options or Stock Appreciation Rights upon Termination of Employment.

(1) Termination of Vested Options and Stock Appreciation Rights Upon Termination of Employment.

(A) Termination. In the event of Termination of Employment of a Participant other than because of death, disability or retirement on a Normal Retirement Date, to the extent the right to exercise the Option or Stock Appreciation Right has accrued at the date of Termination of Employment, the right of the Participant or Transferee to exercise the Option or Stock Appreciation Right under the Plan shall terminate at the date of such Termination of Employment, unless otherwise provided in this Section 6.3(e) or as otherwise provided by the Committee in accordance with Section 6.3(d).

(B) Disability or Retirement. Upon a Participant's Termination of Employment by reason of disability or retirement on a Normal Retirement Date, a Participant or Transferee may, within five years after the Termination of Employment, exercise all or a part of his or her Options which were exercisable upon such Termination of Employment (or which became exercisable at a later date pursuant to Sections 6.3(e)(2) or (3)), and may, within six months after Termination of Employment, exercise all or a part of his or her Stock Appreciation Rights which he or she was entitled to exercise upon Termination of Employment (or which became exercisable at a later date pursuant to Sections 6.3(e)(2) or (3)). In no event, however, may any Option or Stock Appreciation Right be exercised later than the date described in Section 6.3(b)(1), (3) or (4).

(C) Death. In the event of the death of a Participant while employed by Unisys or a Subsidiary, or within the additional period of time from the date of Termination of Employment and prior to the expiration of the Option or Stock Appreciation Right as permitted in Section 6.3(e)(1)(B) or Sections 6.3(e)(2) or (3), to the extent the right to exercise the Option or Stock Appreciation Right accrued as of the date of such Termination of Employment or thereafter and did not expire during such additional period and prior to the Participant's death, the right of the Participant's Beneficiary or Transferee to exercise the Option under the Plan shall expire upon the earliest of (i) five years from the date of the Participant's death or (ii) five years from the date of the Participant's Termination of Employment or (iii) the date of expiration of the Option determined pursuant to Section 6.3(b)(1), (3) or (4). Unless otherwise provided by the Committee in accordance with Section 6.3(d), Stock Appreciation Rights shall expire upon the Participant's death.

(2) Termination of Unvested Options or Stock Appreciation Rights Upon Termination of Employment. Except as otherwise provided in Section 6.3(e)(3), to the extent the right to exercise an Option or a Stock Appreciation Right, or any portion thereof, has not accrued as of the date of Termination of Employment, such

right shall expire at the date of such Termination of Employment.

Notwithstanding the foregoing, the Committee, within its discretion and under such terms as it deems appropriate, may permit a Participant who terminates employment on a Normal Retirement Date or Other Retirement Date and who will continue to render significant services to Unisys or one of its Subsidiaries after his or her Termination of Employment, to continue vesting in his or her Options and Stock Appreciation Rights during the period in which the individual continues to render such services.

(3) Continued Vesting in Options upon Retirement at Age 55 with Five Years of Service -- Extended Period of Exercise -- Effective for Option Grants Made on and after April 22, 1999. Notwithstanding anything in this Section 6.3(e) to the contrary, with respect to any Option or Stock Appreciation Right granted on or after April 22, 1999,

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

(B) the Participant or Transferee may exercise the Option, to the extent the right to exercise has accrued as of the date of Termination of Employment or thereafter in accordance with this Section 6.3(e)(3), within five years of the date of the Participant's Termination of Employment, and may exercise the Stock Appreciation Right, to the extent the right to exercise has accrued as of the date of Termination of Employment or thereafter in accordance with this Section 6.3(e)(3), within six months of the date of the Participant's Termination of Employment,

provided that the Termination of Employment occurs after the Participant has attained age 55 and completed five years of service with Unisys and/or its Subsidiaries. In no event, however, may any Option or Stock Appreciation Right be exercised later than the date described in Section 6.3(b)(1), (3) or (4).

The rights described in this Section 6.3(e)(3) may be revoked by the Senior Vice-President, Worldwide Human Resources, or his/her successor, if in his/her discretion it is determined that the Participant has been terminated for cause or, before or after termination, has engaged in conduct that is deemed to be materially adverse or detrimental to the interests of the Company, including, but not limited to, the violation of any restrictive covenant contained in the Participant's stock option Award Agreement.

6.4 Exercise Procedures. Each Option and Stock Appreciation Right granted under the Plan shall be exercised by written notice to Unisys which must be received by the office of Unisys designated in the Award Agreement on or before the expiration date of the Award. The Purchase Price of shares purchased upon exercise of an Option granted under the Plan shall be paid in full in cash by the Participant or Transferee pursuant to the Award Agreement; provided, however, that the Committee may (but need not) permit payment to be made by delivery to Unisys of either (a) shares of Company Common Stock (which may include Restricted Shares or shares issued in connection with the exercise of the Option, subject to such rules as the Committee deems appropriate) or (b) any combination of cash and shares of Company Common Stock, or (c) such other consideration as the Committee deems appropriate and in compliance with applicable law (including payment in accordance with a cashless exercise program under which, if so instructed by the Participant or Transferee, shares of Company Common Stock may be issued directly to the Participant's or Transferee's broker or dealer upon receipt of the Purchase Price in cash from the broker or dealer.) In the event that any Company Common Stock shall be transferred to Unisys to satisfy all or any part of the Purchase Price, the part of the Purchase Price deemed to have been satisfied by such transfer of Company Common Stock shall be equal to the product derived by multiplying the Fair Market Value as of the date of exercise times the number of shares transferred. The Participant or Transferee may not transfer to Unisys in satisfaction of the Purchase Price

(y) a number of shares which when multiplied times the Fair Market Value as of the date of exercise would result in a product greater than the Purchase Price or (z) any fractional share of Company Common Stock. Any part of the Purchase Price paid in cash upon the exercise of any Option shall be added to the general funds of Unisys and be used for any proper corporate purpose. Unless the Committee shall otherwise determine, any Company Common Stock transferred to Unisys as payment of all or part of the Purchase Price upon the exercise of any Option shall be held as treasury shares.

#### 6.5 Change in Control.

(a) Options. In the event of a Change in Control, (1) all Options outstanding on the date of such Change in Control shall become immediately and fully exercisable, and (2) a Participant who is an elected officer or director of Unisys will be permitted to surrender for cancellation within sixty days after such Change in Control any Option or portion of an Option to the extent not yet exercised (or with respect to an Option or portion of an Option granted less than six months prior to the date of the Change in Control, within sixty days after the expiration of a six month period following the Date of Grant) and to receive a cash payment in an amount equal to the excess, if any, of (A) in the case of a Non-Qualified Stock Option, the Adjusted Fair Market Value of the Company Common Stock subject to the Option or a portion thereof surrendered or in the case of an Incentive Stock Option, the Fair Market Value of the Company Common Stock subject to the Option or portion thereof surrendered, over (B) the Purchase Price. The provisions of this Section 6.5(a) shall be applicable to Non-Qualified Stock Options and Incentive Stock Options. The provisions of this Section 6.5(a) shall not be applicable to any Options granted to a Participant if any Change in Control results from such Participant's beneficial ownership (within the meaning of Rule 13d(3) under the Exchange Act) of Company Common Stock or Company Voting Securities.

(b) Stock Appreciation Rights. In the event of a Change in Control, all Stock Appreciation Rights shall become immediately and fully exercisable. Upon any exercise of a Stock Appreciation Right (other than a Stock Appreciation Right granted in tandem with a related Incentive Stock Option) or any portion thereof during the 60-day period following the Change in Control, (or with respect to a Stock Appreciation Right granted to an officer or director of Unisys less than six months prior to the date of the Change in Control, within sixty days after the expiration of a six month period following the Date of Grant) the amount payable shall be determined by reference to the Adjusted Fair Market Value of the Company Common Stock and shall be paid in cash. Stock Appreciation Rights granted in connection with Incentive Stock Options will be payable as determined by reference to the Fair Market Value of the Company Common Stock on the date of such exercise and shall be paid in cash. The provisions of this Section 6.5(b) shall not be applicable to any Stock Appreciation Rights granted to a Participant if any Change in Control results from such Participant's beneficial ownership (within the meaning of Rule 13d(3) under the Exchange Act) of Company Common Stock or Company Voting Securities.

### ARTICLE VII RESTRICTED SHARES

7.1 Restricted Share Awards. The Committee may grant to any Participant an Award of shares of Company Common Stock in such quantity, and on such terms, conditions and restrictions (whether based on performance standards, periods of service or otherwise) as the Committee shall establish. The terms of any Restricted Share Award granted under this Plan shall be set forth in an Award Agreement with provisions subject to and not inconsistent with this Plan.

(a) Issuance of Restricted Shares. As soon as practicable after the Date of Grant of a Restricted Share Award by the Committee, Unisys shall cause to be transferred on the books of the Company, shares of Company Common Stock, evidencing the Restricted Shares covered by the Award, but subject to forfeiture to Unisys as of the Date of Grant if an Award Agreement with respect to the Restricted Shares covered by the Award is not duly

executed by the Participant and timely returned to Unisys. At the discretion of the Company, the shares will be registered on behalf of the Participant in book entry form or will be registered in the name of the Participant with a stock certificate, appropriately legended to reference the applicable restrictions, duly issued. All shares of Company Common Stock covered by Awards under this Article VII shall be subject to the restrictions, terms and conditions contained in the Plan and Award Agreement entered into by the Participant.

(b) Stockholder Rights. Beginning on the Date of Grant of the Restricted Share Award and subject to execution of the Award Agreement provided for in Section 7.1(a), the Participant will become a stockholder of Unisys with respect to all shares represented under the Award Agreement and shall have all of the rights of a stockholder, including, but not limited to, the right to vote such shares and the right to receive dividends (or dividend equivalents); provided, however, that any shares of Company Common Stock distributed as a dividend or otherwise with respect to any Restricted Shares as to which the restrictions have not yet lapsed shall be subject to the same restrictions as such Restricted Shares and shall be represented by book entry and held as prescribed in Section 7.1(a); and

(c) Restriction on Transferability. None of the Restricted Shares may be assigned or transferred (other than by will or the laws of descent and distribution, or to an inter vivos trust with respect to which the Participant is treated as the owner under sections 671 through 677 of the Code), pledged or sold prior to their delivery to a Participant or, in the case of a Participant's death, to the Participant's Beneficiary; and

(d) Delivery of Shares Upon Vesting. Upon expiration or earlier termination of the forfeiture period without a forfeiture and the satisfaction of or release from any other conditions prescribed by the Committee, or at such earlier time as provided under the provisions of Section 7.3, the restrictions applicable to the Restricted Shares shall lapse. As promptly as administratively feasible thereafter, Unisys shall deliver to the Participant or, in case of the Participant's death, to the Participant's Beneficiary, a stock certificate for the appropriate number of shares of Company Common Stock, free of all such restrictions, except for any restrictions that may be imposed by law. Except in the case where a Participant has made an Election described in Section 11.5(c), the appropriate number of shares shall equal the number of Restricted Shares with respect to which the restrictions have lapsed, less the number of shares of Company Common Stock, rounded up for any fraction to the next whole number, whose Fair Market Value as of the date on which the restrictions lapse is equal to such amount as is determined by Unisys to be sufficient to satisfy applicable federal, state or local withholding tax requirements. Unisys shall remit in a timely manner to the appropriate taxing authorities the amount so withheld with any partial share excess applied to federal withholding. Although the stock certificate delivered to the Participant or the Participant's beneficiary will be for a net number of shares, the Participant or the Participant's beneficiary shall be considered, for tax purposes, to have received a number of shares of Company Common Stock equal to the full number of Restricted Shares with respect to which the restrictions have lapsed. In the case where a Participant has made an Election described in Section 11.5(c) with respect to Restricted Shares, the appropriate number shall equal the number of Restricted Shares with respect to which the restrictions have lapsed.

## 7.2 Terms of Restricted Shares.

(a) Forfeiture of Restricted Shares. Subject to Sections 7.2(b) and 7.3, all of the Restricted Shares with respect to a Restricted Share Award shall be forfeited and returned to Unisys and all rights of the Participant with respect to such Restricted Shares shall terminate unless the Participant continues in the service of Unisys or a Subsidiary as an employee until the expiration of the forfeiture period and satisfies any other conditions set forth in the Award Agreement. The Committee shall

determine the forfeiture period and any other terms and conditions applicable with respect to any Restricted Share Award.

(b) Waiver of Forfeiture Period. Notwithstanding anything contained in this Article VII to the contrary, the Committee may, in its sole discretion, waive the forfeiture period and any other conditions set forth in any Award Agreement under certain circumstances (including the death, disability or retirement of the Participant or a material change in circumstances arising after the date of an Award) and subject to such terms and conditions (including forfeiture of a proportionate number of the Restricted Shares) as the Committee shall deem appropriate.

7.3 Change in Control. In the event of a Change in Control, and irrespective of whether or not the one year period following the date of the Restricted Share Award required under the provisions of Section 7.2(a) has been met, all restrictions applicable to a pro-rata portion of the Restricted Shares represented by each such Restricted Share Award shall terminate fully and the Participant shall immediately have the right to the delivery of stock certificates in accordance with Section 7.1(d). The pro-rata portion of the Participant's Restricted Shares represented by each Restricted Share Award shall be determined by multiplying the number of shares subject to such Award by a fraction, the numerator of which is the number of whole months such Participant was employed during the Award period through the date of the Change in Control and the denominator of which is the number of months in the Award Period. In the event a Participant remains in the employment of Unisys following a Change in Control through the end of the Award Period for a Restricted Share Award with respect to which a pro-rata portion of the Restricted Shares granted under such Award has been delivered to a Participant under this Section, the Participant shall be entitled to receive the difference between (x) the number of Restricted Shares delivered pursuant to this Section and (y) the number of Restricted Shares or other consideration otherwise deliverable or payable at such time pursuant to the Award.

#### ARTICLE VIII PERFORMANCE UNITS

##### 8.1 Performance Unit Awards.

(a) Grant of Performance Units. The Committee may grant to Participants Performance Units, the value of which is related to the value of or the appreciation in the value of Company Common Stock. The number of Performance Units awarded, the method for valuing such Units, and such terms and conditions as the Committee deems appropriate shall be set forth in an Award Agreement. At the discretion of and subject to any terms established by the Committee, Participants may be credited with dividend equivalents or other distribution equivalents to correspond to dividends or distributions made with respect to holders of Company Common Stock.

(b) Payment of Performance Units. Performance Units may become payable to the Participant after a specified period of time or upon the occurrence of a specified event such as death, disability, retirement or such other date, and may be subject to forfeiture under such circumstances, as are established by the Committee in the Award Agreement. Payment may be made in cash, Company Common Stock or in such other form, in a lump sum or installments, as the Committee establishes in the Award Agreement.

#### ARTICLE IX PERFORMANCE AWARDS

##### 9.1 Performance Awards.

(a) Award Periods and Calculations of Potential Incentive Amounts. The Committee may grant Performance Awards to Participants. A Performance Award shall consist of the right to receive a payment contingent upon certain predetermined performance targets and earned during an Award Period. Performance Awards may be made in conjunction with, or in addition to, Restricted Share Awards made under Article VII and may, in addition to predetermined performance targets, be based on other factors such as changes in the Fair Market Value over the Award

Period. Unless otherwise determined by the Committee, the Award Period shall be a period of three calendar years commencing as of the beginning of the calendar year in which the Performance Award is granted. The Committee, in its discretion and under such terms as it deems appropriate, may permit newly eligible employees, such as those who are promoted or newly hired, to receive Performance Awards after an Award Period has commenced. A new Award Period shall commence each year, unless otherwise specified by the Committee.

(b) Performance Targets. The performance targets may include specified levels of earnings per share, return on investment, return on shareholder equity and/or such other goals related to Unisys performance as may be established by the Committee in its discretion. The performance targets established by the Committee may vary for different Award Periods and need not be the same for each Participant receiving a Performance Award in an Award Period. The Committee, in its discretion, but only under extraordinary circumstances as determined by the Committee, may change any prior determination of performance targets for any Award Period at any time prior to the final determination of the Award when events or transactions occur to cause the performance targets to be an inappropriate measure of achievement.

(c) Earning Performance Awards. The Committee at the Date of Grant shall prescribe a formula to determine the percentage of the Performance Award to be earned based upon the degree of attainment of performance targets. In the event the minimum performance targets established by the Committee is not achieved, no payment shall be made to the Participant. In the event the performance targets are fully achieved, 100% of the Performance Award shall be paid to the Participant. The Committee may provide for grants up to a maximum of 150% of Performance Awards for achievement exceeding performance targets.

(d) Payment of Earned Performance Awards. Payments of earned Performance Awards shall be made in cash or Company Common Stock, or a combination of cash and Company Stock at the discretion of the Committee. Payment normally will be made as soon as is practicable following the end of an Award Period; the Committee, however, may permit deferral of the payment of all or a portion of a Performance Award paid in cash upon the request of the Participant timely made in accordance with rules prescribed by the Committee. Deferred amounts may generate earnings for the Participant under the conditions of a separate plan providing for such as adopted by the Board. The Committee, in its sole discretion, may also define such other conditions of payment of earned Performance Awards as it may deem desirable in carrying out the purposes of the Plan.

## 9.2 Terms of Performance Awards.

(a) Termination of Employment. Unless otherwise provided below or in Section 9.3, in the case of a Participant's Termination of Employment prior to the end of an Award Period, the Participant will not have earned any Performance Awards.

(b) Retirement. If a Participant's Termination of Employment is because of retirement on a Normal Retirement Date or Other Retirement Date prior to the end of an Award Period, the Participant will not be paid any Performance Awards, unless the Committee, in its sole and exclusive discretion, determines that an Award should be paid. In such a case, the Participant shall be entitled to receive a pro-rata portion of his or her Award as determined under Subsection (d).

(c) Death or Disability. If a Participant's Termination of Employment is due to death or disability (as determined in the sole and exclusive discretion of the Committee) following at least twenty-four months of participation in any three year Award Period, but prior to the end of an Award Period, the Participant will be entitled to receive a pro-rata share of his or her Award as determined under Subsection (d).

(d) Pro-Rata Payment. The amount of any payment made to a



Participant whose employment is terminated by retirement, death or disability (under circumstances described in subsections (b) and (c)) will be the amount determined by multiplying the amount of the Performance Award which would have been earned, determined at the end of the Award Period, had such employment not been terminated by a fraction, the numerator of which is the number of whole months such Participant was employed during the Award Period, and the denominator of which is the number of months of the Award Period. Any such payment made to a Participant whose employment is terminated prior to the end of an Award Period under this Section 9.2 shall be made at the end of the respective Award Period, unless otherwise determined by the Committee in its sole discretion. Any partial payment previously made or credited to a deferred account for the benefit of a Participant as provided under Section 9.1(d) of the Plan shall be subtracted from the amount otherwise determined as payable as provided in this Section.

(e) Other Events. Notwithstanding anything to the contrary in this Article IX, the Committee may, in its sole and exclusive discretion, determine to pay all or any portion of a Performance Award to a Participant who has terminated employment prior to the end of an Award Period under certain circumstances (including the death, disability or retirement of the Participant or a material change in circumstances arising after the Date of Grant) and subject to such terms and conditions as the Committee shall deem appropriate, provided that the Participant shall have completed, at his or her Termination of Employment, one year of employment after the Date of Grant. The Board may determine to pay all or a part of a Performance Award to a Participant who has completed less than one year of employment after the Date of Grant.

9.3 Change in Control. In the event of a Change in Control, a pro-rata portion of Performance Awards for all Award Periods not yet completed shall immediately become fully payable to all Participants and shall be paid within 30 days after such Change in Control to Participants. The pro-rata portion of each Performance Award shall be determined by multiplying 100 percent of the targeted award by a fraction, the numerator of which is the number of whole months such Participant was employed during the Award Period as of the date of the Change in Control and the denominator of which is the total number of months in the Award Period. All payments made with respect to Performance Awards on and after the date of Change in Control shall be made wholly in cash and shall be reduced by the amount of any previous prepayment or deferral with respect to the Award. In the event a Participant remains in the employment of Unisys following a Change in Control through the end of any Award Period with respect to which a pro-rata portion of Performance Awards have been accelerated pursuant to this Section and the amounts payable as a result of the Company's reaching performance targets set forth in the Performance Award have exceeded the amounts paid to a Participant under this Section, a Participant shall be entitled to receive the difference between (x) the amount paid pursuant to this Section and (y) the amount otherwise payable at such time pursuant to the Award.

#### ARTICLE X OTHER STOCK-BASED AWARDS

10.1 Grant of Other Awards. Other Awards of Company Common Stock or other securities of Unisys Corporation and other Awards that are valued in whole or in part by reference to, or are otherwise based on, Company Common Stock may be granted either alone or in addition to or in conjunction with other Awards under the Plan. Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the persons to whom and the time or times at which such Awards shall be made, the number of shares of Company Common Stock or other securities, if any, to be granted pursuant to such Awards, and all other conditions of the Awards. Any such Award shall be confirmed by an Award Agreement executed by the Committee and the Participant, which Agreement shall contain such provisions as the Committee determines to be necessary or appropriate to carry out the intent of this Plan with respect to such Award.

10.2 Terms of Other Awards. In addition to the terms and conditions specified in the Award Agreement, Awards made pursuant to this Article X shall be subject to the following:

(a) Any shares of Company Common Stock subject to Awards made under this Article X may not be sold, assigned, transferred, pledged or otherwise encumbered prior to the date on which the shares are issued, or, if later, the date on which any applicable restriction, performance or deferral period lapses; and

(b) If specified by the Committee in the Award Agreement, the recipient of an Award under this Article X shall be entitled to receive, currently or on a deferred basis, interest or dividends or dividend equivalents with respect to the Company Common Stock or other securities covered by the Award; and

(c) The Award Agreement with respect to any Award shall contain provisions dealing with the disposition of such Award in the event of a Termination of Employment prior to the exercise, realization or payment of such Award, whether such termination occurs because of retirement, disability, death or other reason, with such provisions to take account of the specific nature and purpose of the Award.

#### ARTICLE XI

##### TERMS APPLICABLE TO ALL AWARDS GRANTED UNDER THE PLAN

11.1 Plan Provisions Control Award Terms. The terms of the Plan shall govern all Awards granted under the Plan, and in no event shall the Committee have the power to grant any Award under the Plan which is contrary to any of the provisions of the Plan. In the event any provision of any Award granted under the Plan shall conflict with any term in the Plan as constituted on the Date of Grant of such Award, the term in the Plan as constituted on the Date of Grant of such Award shall control. Except as provided in Section 11.3, the terms of any Award granted under the Plan may not be changed after the Date of Grant of such Award so as to materially decrease the value of the Award without the express approval of the holder.

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

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

11.4 Limitations on Transfer. Except as provided in Section 7.1(c) and this Section 11.4, a Participant's or Transferee's rights and interest under the Plan may not be assigned or transferred other than by will or the laws of descent and distribution, and during the lifetime of a Participant or Transferee, only the Participant or Transferee personally (or the Participant's or Transferee's personal representative) may exercise rights under the Plan. The Participant's or Transferee's Beneficiary may exercise the Participant's or Transferee's rights to the extent they are exercisable under the Plan following the death of the Participant or Transferee. The Committee, in its discretion, may allow some or all Non-Qualified Stock Options of some or all Participants to be transferable subject to limitations set forth in the Award Agreement.

11.5 Taxes. Except as otherwise provided in Section 7.1(d) with respect to Restricted Share Awards, Unisys shall be entitled, if the Committee deems it necessary or desirable, to withhold (or secure payment from the Participant in lieu of withholding) the amount of any withholding or other tax required by law to be withheld or paid by Unisys with respect to any amount payable and/or shares issuable under such Participant's Award, or with respect to any income recognized upon a disqualifying disposition of shares received pursuant to the exercise of an Incentive Stock Option, and Unisys may defer payment or issuance of the cash or stock upon exercise or vesting of an Award unless indemnified to its satisfaction against any liability for any such tax. The amount of such withholding or tax payment shall be determined by the Committee and shall be payable by the Participant at the time of issuance

or payment (except as otherwise payable under Section 11.5(c)) in accordance with the following rules:

(a) Unless otherwise provided by the Committee, with respect to Participants who are subject to the provisions of Section 16(b) of the Exchange Act on the date on which the withholding requirements apply, Unisys shall withhold from such Award the appropriate number of shares of Company Common Stock, rounded up to the next whole number, whose Fair Market Value is equal to such amount, or, in the case of a cash payment, the amount of cash, as is determined by Unisys to be sufficient to satisfy applicable tax withholding requirements;

(b) With respect to Participants who are not subject to the provisions of Section 16(b) of the Exchange Act on the date on which the withholding requirements apply, the Participants shall have the right to elect to meet his or her withholding requirement through the method described in Subsection (a) above or by direct payment to Unisys of the amount of any taxes required to be withheld with respect to such Award; provided however, that the payment of withholding requirements with respect to Restricted Share Awards shall be governed solely by the provisions of Section 7.1(d).

(c) Election to be Taxed at Date of Grant.

If permitted under applicable Federal income tax laws, a Participant may elect to be taxed in the year in which an Award is made. If the Participant makes such an election, the Participant shall promptly notify Unisys in writing and shall provide Unisys with a copy of the executed election form as filed with the Internal Revenue Service by no later than thirty days from the Date of the Grant. Promptly following such notification, the Participant shall pay directly to Unisys the cash amount determined by Unisys to be sufficient to satisfy applicable federal, state or local withholding tax requirements.

11.6 Modification for Overseas Participants. Notwithstanding any provision to the contrary, the Committee may incorporate such provisions, or make such modifications or amendments in Award Agreements of Participants who reside or are employed outside of the United States of America, or who are citizens of a country other than the United States of America, as the Committee deems necessary or appropriate to accomplish the purposes of the Plan with respect to such Participant in light of differences in applicable law, tax policies or customs, and to ascertain compliance with all applicable laws.

11.7 Special Provisions for Certain Non-Employees. Notwithstanding any provision herein to the contrary, the Committee may grant Awards under the Plan to non-employees who, in the judgment of the Committee, render significant services to Unisys or any of its Subsidiaries, on such terms and conditions as the Committee deems appropriate and consistent with the intent of the Plan.

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

11.9 Adjustments to Reflect Capital Changes.

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

(b) Sale or Reorganization. After any reorganization, merger or consolidation in which Unisys is the surviving corporation, each Participant shall, at no additional cost, be entitled upon any exercise of an Option or receipt of other Award to receive (subject to any required action by shareholders), in

lieu of the number of shares of Company Common Stock receivable or exercisable pursuant to such Award, the number and class of shares of stock or other securities to which such Participant would have been entitled pursuant to the terms of the reorganization, merger or consolidation if, at the time of such reorganization, merger or consolidation, such Participant had been the holder of record of a number of shares of stock equal to the number of shares receivable or exercisable pursuant to such Award. Comparable rights shall accrue to each Participant in the event of successive reorganizations, mergers or consolidations of the character described above.

(c) Options to Purchase Stock of Acquired Companies.

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

11.10 No Right to Employment. No employee or other person shall have any claim of right to be granted an Award under this Plan. Either the Plan or any action taken hereunder shall be construed as giving any employee any right to be retained in the employ of Unisys or any of its Subsidiaries.

11.11 Awards Not Includable for Benefit Purposes. Payments received by a Participant pursuant to the provisions of the Plan shall not be included in the determination of benefits under any pension, group insurance or other benefit plan applicable to the Participant which are maintained by Unisys or any of its Subsidiaries, except as may be determined by the Board.

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

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

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

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

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

11.17 Amendment and Termination.

(a) Amendment. The Board shall have complete power and authority to amend the Plan at any time and to add any other stock award or other incentive compensation programs to the Plan as it deems necessary or appropriate and no approval by the stockholders of Unisys or by any other person, committee or entity of any kind shall be required to make any amendment; provided, however, that the Board shall not, without the requisite affirmative approval of stockholders of Unisys, make any amendment which requires shareholder approval under Rule 16b-3 or the Code, unless such compliance is no longer desired, or under any other applicable law. No termination or amendment of the Plan may, without the consent of the Participant to whom any Award shall theretofore have been granted under the Plan or without the consent of a Transferee, adversely affect the right of such individual under such Award. For the purposes of this section, an amendment to the Plan shall be deemed to have the affirmative approval of the stockholders of Unisys if such amendment shall have been submitted for a vote by the stockholders at a duly called and constituted meeting of such stockholders at which a quorum is present and a majority of the votes cast with respect to such amendment at such meeting shall have been cast in favor of such amendment.

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

September 22, 2000

UNISYS DIRECTORS STOCK OPTION PLAN

ARTICLE I

Purpose and Adoption of the Plan

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

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

ARTICLE II

Definitions

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

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

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

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

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

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

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 2.07; or

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

respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.24 "Transferee" means the holder of Non-Qualified Stock Option after a transfer in accordance with Section 7.4.

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

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

ARTICLE IV  
Shares Issued Under Awards  
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4.1 SHARES AVAILABLE FOR ISSUANCE. The shares issued as a result of the grant of Awards under this Plan shall be issued from the shares available for awards made under the terms of the 1990 Unisys Long-Term Incentive Plan.

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

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

ARTICLE VI  
Stock Options  
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6.1 OPTION AWARDS.

(a) The Committee may grant, to such Participants as the Committee may select, Options entitling the Participant or Transferee to purchase Company Common Stock from Unisys in such quantity, at such price, and on such terms and subject to such conditions, not inconsistent with the terms of this Plan, as may be established by the Committee. The terms of any



Stock Option granted under this Plan shall be set forth in an Award Agreement. All Awards made by the Committee under the Plan will be subject to ratification by the Board.

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

(c) RIGHTS AS A STOCKHOLDER. A Participant or Transferee shall have no rights as a stockholder with respect to any shares of Company Common Stock covered by an Option until the Participant or Transferee shall have become the holder of record or beneficial owner of any such shares, and no adjustment shall be made for dividends in cash or other property or distributions or other rights with respect to any such shares of Company Common Stock for which the record date is prior to the date on which the Participant or Transferee shall have become the holder of record or beneficial owner of any such shares covered by the Option.

## 6.2 TERMS OF STOCK OPTIONS.

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

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

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

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

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

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

(e) EXERCISE OF OPTIONS UPON TERMINATION OF SERVICE.

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

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

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

(2) TERMINATION OF SERVICE WITH FIVE YEARS OF SERVICE.

If a Participant terminates service after completing five years of service as a director of Unisys,

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

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

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

6.4 CHANGE IN CONTROL. In the event of a Change in Control, (1) all Options outstanding on the date of such Change in Control shall become immediately and fully exercisable, and (2) a Participant will be permitted to surrender for cancellation within sixty days after such Change in Control any Option or portion of an Option to the extent not yet exercised (or with respect to an Option or portion of an Option granted less than six months prior to the date of the Change in Control, within sixty days after the expiration of a six month period following the Date of Grant) and to receive a cash payment in an amount equal to the excess, if any, of (A) the Adjusted Fair Market Value of the Company Common Stock subject to the Option or a portion thereof surrendered, over (B) the Purchase Price. The provisions of

this Section 6.4 shall not be applicable to any Options granted to a Participant if any Change in Control results from such Participant's beneficial ownership (within the meaning of Rule 13d(3) under the Exchange Act) of Company Common Stock or Company Voting Securities.

#### ARTICLE VII

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

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

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

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

7.4 LIMITATIONS ON TRANSFER. A Participant's or Transferee's rights and interest under the Plan may not be assigned or transferred other than by will or the laws of descent and distribution, and during the lifetime of a Participant or Transferee, only the Participant or Transferee personally (or the Participant's or Transferee's personal representative) may exercise rights under the Plan. The Participant's or Transferee's Beneficiary may exercise the Participant's or Transferee's rights to the extent they are exercisable under the Plan following the death of the Participant or Transferee. The Committee, in its discretion, may allow some or all Non-Qualified Stock Options of some or all Participants to be transferable subject to limitations set forth in the Award Agreement.

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

7.6 SURRENDER OF AWARDS. Any Award granted under the Plan may be surrendered to Unisys for cancellation on such terms as the Committee and holder approve.

7.9 ADJUSTMENTS TO REFLECT CAPITAL CHANGES.

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

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

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

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

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

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

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

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

7.12 AMENDMENT AND TERMINATION.

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

(b) TERMINATION. The Board shall have the right and the

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

UNISYS CORPORATION  
DEFERRED COMPENSATION PLAN  
(as amended and restated effective September 22, 2000)

ARTICLE I  
PURPOSE & AUTHORITY

1.1 PURPOSE. The purpose of the Plan is to offer Eligible Executives the opportunity to defer receipt of a portion of their compensation from the Corporation, under terms advantageous to both the Eligible Executive and the Corporation.

1.2 EFFECTIVE DATE. The Board originally approved the Officers' Plan on January 29, 1982. The Plan has been amended and restated from time to time since its original adoption and, except to the extent specifically provided otherwise, this amended and restated version of the Plan is effective with respect to all amounts credited to a Participant's Account as of September 22, 2000 or any date thereafter.

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

ARTICLE II  
DEFINITIONS

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

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

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

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

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

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

2.7 "Corporation" means Unisys Corporation.

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

2.9 "Corporation Contributions Account" means that portion of a Participant's Account to which any Corporation Contributions made

under the Plan for him or her are credited.

2.10 "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.

2.11 "Directors' Plan" means the Deferred Compensation Plan for Directors of Unisys Corporation.

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

2.13 "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. .

2.14 "Investment Measurement Option" means any of the hypothetical investment alternatives available for determining the additional amounts to be credited to a Participant's Account under Section 5.2. Effective January 1, 1997, 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.

2.15 "Officers' Plan" means the Deferred Compensation Plan for Officers of Unisys Corporation, the predecessor of this Plan.

2.16 "Option for Stock Units" means an option, created pursuant to a Participant's election in accordance with Section 3.2, that, if exercised by the Participant, will result in the crediting of Stock Units to the Participant's Account.

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

2.18 "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 1990 Unisys Long-Term Incentive Plan, or any successor equity-based incentive compensation plan.

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

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

2.21 "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.

2.22 "USP" means the Unisys Savings Plan.

2.23 "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 (including properly completing a life insurance application if required 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 remainder of the current calendar year and/or 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 during the remainder of the current calendar year and/or 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, sales commissions and/or Annual Incentive Pay 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 paid to the Eligible Executive. Notwithstanding the foregoing, an Eligible Executive may make a Deferral Election with respect to salary and/or sales commissions by filing a Deferral Election on or before the date that is at least three months and one day before the date on which the amounts to be deferred, absent deferral, would be paid to the Eligible Executive, provided, however, that an individual who becomes an Eligible Executive after the effective date of the Plan (as set forth in Section 1.2) may make and file a Deferral Election on or before the date that is 30 days after the date on which he or she becomes an Eligible Executive with respect to salary and/or sales commissions that, absent deferral, would be paid to him or her during the remainder of the calendar year in which he or she becomes an Eligible Executive, with such Deferral Election becoming effective as soon as administratively practicable.

(c) In addition to the Deferral Elections described in Section 3.1(a), an Eligible Executive may make a Deferral Election with respect to Performance Unit Compensation that, absent deferral, would be paid to the Eligible Executive. To be effective, a Deferral Election with respect to Performance Unit Compensation must be made in writing by the Eligible Executive on or before the date that is 12 months and one day before the date on which the amounts to be deferred, absent deferral, would be paid to the Executive.

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

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

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



(A) his or her termination of active employment (including as a result of retirement, onset of long term disability or other reason for termination) with the Corporation; or

(B) a specific date (which may be determined by reference to the Eligible Executive's termination of employment by retirement or otherwise) 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.

(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 is still employed when such distributions commence, then annual installments may not be for a period shorter than 2 years nor longer than 5 years.

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

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

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

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

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

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

for Stock Units, the Participant must certify to the Corporation or its designee that he or she currently owns shares of Corporation common stock sufficient to pay the aggregate option price and, if the shares were acquired for services to the Corporation that he or she has held those shares for at least six months.

(c) EFFECT OF EXERCISE.

(1) As soon as practicable following receipt of a Participant's notice of exercise under Section 3.2(b), Stock Units will be credited to the Participant's Account. The number of Stock Units to be so credited will be equal to (A) the difference between (i) the aggregate Fair Market Value (as defined in the Unisys 1990 Long-Term Incentive Plan) on the date of exercise of the shares of Corporation common stock relating to the portion of the Option for Stock Units that the Participant has elected to exercise and (ii) the sum of (a) the aggregate exercise price and (b) any Social Security, Medicare or state or local income tax required to be withheld with respect to the exercise, divided by (B) the Fair Market Value (as defined in the Unisys 1990 Long-Term Incentive Plan) of a share of Corporation common stock on the date of exercise.

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

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

3.3 PAYMENT OF FICA AND OTHER TAXES. Generally, any FICA or other taxes that are payable by the Eligible Executive and are required to be withheld by the Corporation during any period with respect to amounts deferred under the Plan pursuant to Section 3.1 above during such period shall be withheld from the compensation otherwise currently payable to the Eligible Executive during the period. To the extent that, as a result of a Deferral Election, the compensation currently payable to an Eligible Executive during any period is insufficient to permit an amount equal to the FICA and other taxes that are payable by the Eligible Executive, and required to be withheld by the Corporation, during that period to be withheld from such current compensation, the Eligible Executive's Account Balance shall be reduced by an amount equal to the sum of (a) the difference between the amount of FICA and other taxes payable by the Eligible Executive, and required to be withheld by the Corporation, during the period and the amount of compensation otherwise currently payable to the Eligible Executive during the period and (b) any additional Federal, state and local income taxes payable by the Eligible Executive with respect to the reduction in his or her Account Balance made pursuant to this Section 3.3.

ARTICLE IV  
CORPORATION CONTRIBUTIONS

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

4.2 VESTING. Participants will vest in their Corporation Contributions Accounts according to the schedule established by the Corporation when the Corporation Contribution is made to that

Corporation Contributions Account. If a Participant dies while employed by the Corporation, the Participant will be fully vested in all his Corporation Contributions Accounts, if any.

ARTICLE V  
TREATMENT OF DEFERRED AMOUNTS

5.1 MEMORANDUM ACCOUNT. The Corporation shall establish on its books a separate Account for each Participant for each calendar year in which the Participant defers amounts pursuant to a Deferral Election. In addition, Corporation Contributions, if any, will be credited to a Participant's Account and recorded in a separate Corporation Contributions Account therein. Further, when a Participant acquires any Deferred Stock Units, those Deferred Stock Units will be credited to his or her Account. Performance Unit Compensation will be credited to the Participant's Account as Stock Units. As of each Valuation Date, incremental amounts determined in accordance with Section 5.2 will be credited or debited to each Participant's Account. Any payments made to or on behalf of the Participant and for his or her Beneficiary shall be debited from the Account. No assets shall be segregated or earmarked in respect to any Account and no Participant or Beneficiary shall have any right to assign, transfer, pledge or hypothecate his or her interest or any portion thereof in his or her Account. The Plan and the crediting of Accounts hereunder shall not constitute a trust or a funded arrangement of any sort and shall be merely for the purpose of recording an unsecured contractual obligation of the Corporation.

5.2 INVESTMENT MEASUREMENT OPTIONS.

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

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

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

(d) Notwithstanding anything to the contrary in the Plan, Deferred Stock Units credited to a Participant's Account as the result of the Participant's exercise of an Option for Stock Units or the deferral of Performance Unit Compensation may not be credited with any Investment Measurement Option.

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

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

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

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

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

ARTICLE VI  
PAYMENT OF DEFERRED AMOUNTS

6.1 FORM AND TIME OF PAYMENT. The benefits to which a Participant or a Beneficiary may be entitled under the Plan shall be paid in accordance with this Section 6.1.

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

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

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

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

(e) Where a Participant has elected payment in the form of annual installments, each installment payment after the initial installment payment shall be made on or about March 31 of each year following the year in which the first installment was paid. With respect to each Deferral Election made by a Participant, the amount of each annual installment payment to be made to a Participant 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 (by retirement, by onset of a long term disability or otherwise) before the specific date as of which a Participant's Account Balance is scheduled to be paid to the Participant, the Participant's election with respect to the time of commencement of payment will be accelerated until the date as of which the Participant terminated employment.

(2) If a Participant terminates employment (by reason of retirement, long term disability or otherwise) after beginning to receive any portion of an Account Balance that was to be paid to the

Participant as of a specific date, the remaining Account Balance shall be distributed in accordance with the distribution election in effect at the time of the Participant's termination of employment.

(3) If the balance in all of a Participant's Accounts is less than \$25,000 at the time of a Participant's termination of employment (by retirement or otherwise), 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.

## 6.2 REVISED ELECTION.

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

(1) a date for the commencement of the payment of the Participant's Account Balance that is either the date of the Participant's termination of employment (by retirement or otherwise) or a date at least one year 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.

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

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

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

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

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

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

## 6.3 SPECIAL PAYMENTS.

(a) Notwithstanding any other provision of the Plan to the contrary, a Participant may receive payment of all or a portion of the balance in one or more of his or her Accounts as soon as administratively practicable following the receipt by the Corporate Executive Compensation Department of the Participant's written request for such payment. The Participant's election may specify the Account or Accounts from which the payment is to be made.

(b) As a condition of receiving any payment made pursuant to Subsection 6.3(a), a Participant will be required to pay to the Corporation an amount equal to eight percent of the amount of the payment made pursuant to Subsection 6.3(a), which payment shall generally be deducted from the amount otherwise payable to the

Participant under Subsection 6.3(a), and the Participant will be subject to suspension of the Participant's further participation in the Plan or any equivalent plan or plans maintained by the Corporation or a subsidiary of the Corporation until the last day of the first full calendar year that follows the date on which the Participant submits his request for payment under this Subsection 6.3(b).

(c) If a Participant receives a payment of less than the entire balance in any of his or her Accounts from which payment is being made pursuant to Subsection 6.3(a), the portion of the Participant's Account Balance to which each Investment Measurement Option is applied shall be reduced proportionately so that the Investment Measurement Options apply to the Participant's Account Balance in the same percentages immediately before and immediately after the payment.

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

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

#### ARTICLE VII MISCELLANEOUS

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

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

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

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

#### ARTICLE VIII TRANSFER OF ACCOUNT BALANCE

8.1 TRANSFER TO DIRECTOR'S PLAN. Notwithstanding any

election of form of payments made hereunder, a Participant who, following his termination of employment with the Corporation will be eligible to participate in the Directors' Plan, may elect at any time prior to the date that is three months and one day before the Participant's termination of employment to transfer all or any portion of his Account Balance to the Directors' Plan. Such transfer must occur prior to the date that payments of the Participant's Account Balance would otherwise be made, or commence, hereunder. Upon transfer, the Participant's Account Balance (or the portion thereof transferred) will be subject to the terms and conditions of the Directors' Plan; provided, however, that any election of form of payment made under the Directors' Plan with respect to the amount transferred may not provide for a form of payment that is in any way more rapid than the form of payment in effect under this Plan with respect to such amounts immediately prior to transfer to the Directors' Plan. Valuation of the Account Balance (or the portion thereof) to be transferred shall be made consistent with the valuation provisions described in Article V. Upon transfer, the Participant's (or his or her Beneficiary's) rights hereunder with respect to the amounts transferred shall cease.

DEFERRED COMPENSATION  
PLAN FOR DIRECTORS OF UNISYS CORPORATION

ARTICLE I  
PURPOSE & AUTHORITY

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

1.2 Effective Date. The Board originally approved the Plan on November 20, 1981, and the Plan was subsequently amended, effective January 1, 1994. This document reflects the Plan as amended and restated effective September 22, 2000. The terms of this amended and restated Plan shall apply to all Account Balances and elections made pursuant to the Plan prior to its amendment.

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

ARTICLE II  
DEFINITIONS

2.1 "Account" means, for any Participant, each memorandum account established for the Participant under Section 4.1.

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

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

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

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

2.6 "Compensation" means amounts payable by the Corporation, absent deferral, with respect to services provided by a Participant to the Corporation as a Director, including retainer and meeting fees, but shall not include non-elective stock unit amounts credited, payable or paid under the Stock Unit Plan.

2.7 "Corporation" means Unisys Corporation.

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

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

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

2.11 "Investment Measurement Option" means any of the



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

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

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

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

2.15 "USP" means the Unisys Savings Plan.

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

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

(c) Once made, a Deferral Election shall become effective upon approval by the Secretary of the Corporation and is thereafter irrevocable, except to the extent otherwise provided in Section 5.2. A Deferral Election will be deemed to have been approved by the Secretary of the Corporation if it is not disapproved by the Secretary of the Corporation within ten days of the date on which it is received.

(d) An Eligible Director's Deferral Election must specify either a percentage or a certain dollar amount of his or her Compensation to be deferred under the Plan. In addition, the Deferral Election must specify the date on which payment of the amount deferred is to commence and the manner in which such payment is to be made.

(1) The Eligible Director must specify the date as of which payment of the amount deferred is to commence, subject to Section 5.1(b) hereof, and may specify that such payment is to commence as of:

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

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

(2) The Eligible Director must specify 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.

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

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

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

#### ARTICLE IV TREATMENT OF DEFERRED AMOUNTS

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

#### 4.2 Investment Measurement Options.

(a) Subject to the provisions of this Section 4.2, 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 if amounts equal to that Account Balance were actually invested in the Investment Measurement Options in the manner specified by the Participant.

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

(c) Subject to the restrictions described in Subsection (d), a Participant may elect to change the manner in which Investment Measurement Options apply to existing Account Balances. In addition, a Participant may elect to transfer all or any portion of his/her Account balance to the Director Stock Unit Plan and such amounts will be credited under that Plan as Elective Stock Units, subject to the terms and conditions of the Director Stock Unit Plan. Any election described in this subsection (c) will be effective upon appropriate notice to the Corporate Executive Compensation Department.

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

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

respect to a Participant's Account will be effective as soon as administratively practicable following receipt of the Participant's election.

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

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

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

#### ARTICLE V PAYMENT OF DEFERRED AMOUNTS

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

(a) All payments under the Plan shall be made in cash.

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

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

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

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

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

(1) If the Participant terminates service as a Director before the specific date as of which a Participant's Account Balance is scheduled to be paid to the Participant, the Participant's election with respect to the time of commencement of payment will be accelerated to the

date as of which the Participant terminated service as a director.

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

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

(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.

## 5.2 Revised Election.

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

(1) a date for the commencement of the payment of the Participant's Account Balance that is either the date of the Participant's termination of service as a Director or a date at least one year after the date specified in the Participant's applicable Deferral Election; and/or

(2) a 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.

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

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

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

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

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

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

## 5.3 Special Payment.

(a) Notwithstanding any other provision of the Plan to the contrary, a Participant may receive payment of all or a portion of his or her Account Balance as soon as administratively practicable following the receipt by the Secretary of the Corporation of the Participant's written request for such payment.

(b) As a condition of receiving any payment made pursuant to Subsection 5.3(a), a Participant will be subject to, as a penalty, payment to the Company of an amount equal to eight percent of the amount of the payment made pursuant to Subsection 5.3(a) and suspension of the Participant's further participation in the Plan, the Unisys Corporation Director Stock Unit Plan, or any equivalent plan or plans maintained by the Corporation or a

subsidiary of the Corporation for the entire full calendar year that follows the date on which the Participant submits to the Secretary of the Corporation his or her request for payment pursuant to Subsection 5.3(a). The payment to the Company shall generally be deducted from the amount otherwise payable to the Participant under Subsection 5.3(a).

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

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

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

#### ARTICLE VI MISCELLANEOUS

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

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

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

#### ARTICLE VII TRANSFER OF ACCOUNT BALANCE

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

ARTICLE VIII  
CHANGE IN CONTROL

8.1 Withdrawal Election.

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

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

8.2 Litigation Expenses. If litigation is brought by a Participant or Beneficiary after a change in control to enforce or interpret any provision of the Plan, the Corporation to the extent permitted by applicable law shall reimburse the Participant (or Beneficiary) for the reasonable fees and disbursements of counsel incurred in such litigation.

8.3 Change in Control Definition. For purposes of this Article VIII, a "change in control" shall have the same meaning as is ascribed to that term under the 1990 Long-Term Incentive Plan, or any successor plan designated by the Committee.

UNISYS CORPORATION  
DIRECTOR STOCK UNIT PLAN

1. Purpose. The purpose of the Unisys Corporation Director Stock Unit Plan (the "Plan") is to provide a vehicle through which all or a portion of the remuneration paid to Directors of Unisys Corporation (the "Corporation") who are not employees of the Corporation may be paid in a form which (1) more closely aligns directors' and stockholders' interests and (ii) permits Directors to defer recognition of income until termination of service with the Corporation.

2. Effective Date. The Board of Directors (the "Board") approved the Plan on November 21, 1991. The Plan has been amended and restated from time to time since its original adoption and the effective date of this amended and restated Plan is September 22, 2000.

3. Definitions.

(A) "Account" means, for any Director, each memorandum account established for the Director under Section 7.

(B) "Beneficiary" means the person or persons designated from time to time in writing by a participating Director to receive payments after the death of such Director or, in the absence of any such designation or in the event that such designated person or persons shall predecease such Director, his/her estate.

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

(D) "Change in Control" shall have the same meaning as is ascribed to that term under the 1990 Long-Term Incentive Plan, or any successor stock option plan.

(E) "Committee" means the Corporate Governance and Compensation Committee of the Board.

(F) "Compensation" includes remuneration (other than that paid in accordance with Section 4(B) hereof) for services as a Director, including Directors' retainer fees ("Retainer Fees") and Board and Committee meeting fees ("Meeting Fees").

(G) "Compensation Payment Date" means, with respect to a Retainer Fee, the first business day of the month for which such monthly Retainer Fee or Meeting Fee is due and payable or such other date as may be designated by the Board or Committee from time to time as the payment date for Retainer Fees or Meeting Fees. If Unisys Common Stock is not traded on such date, the Compensation Payment Date shall be the next preceding trading day.

(H) "Corporation" means Unisys Corporation.

(I) "Deferred Compensation" means the amount the Director elects to defer pursuant to Section 4(A) hereof.

(J) "Director" means a member of the Board who is not an employee of the Corporation.

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

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

(M) "Stock Units" means Unisys common stock-equivalent units, which may be awarded pursuant to the Plan as Elective or Non-elective Stock Units or may be credited to a Director's Account as a result of the Director's exercise of an Option for Stock Units. Stock Units also include

Frozen Stock Units held under the Directors Deferred Compensation Plan and transferred to this Plan effective July 25, 1996.

(N) "Stock Unit Award Value" means the dollar amount of the Retainer Fee or Meeting Fee, as established by the Board from time to time, payable on a Compensation Payment Date.

(O) "Valuation Date" means any business day as of which the value of a Director's Accounts are determined.

#### 4. Crediting of Stock Units.

(A) \ Elective Stock Units. Prior to or during any calendar year, a Director may elect (i) to defer all or a portion of his or her cash Compensation that would be paid to him for services rendered during the following calendar year or for the remainder of the current calendar year, as applicable, and (ii) to be credited in lieu of such amount with Stock Units.

(B) Non-Elective Stock Unit Awards. On the Compensation Payment Date, each Director's Account shall be credited with Stock Units equal to the Stock Unit Award Value. The Board shall have the discretion to make additional Stock Unit awards at such times and in such amounts as it deems appropriate.

(C) Amount Credited. The number of Stock Units to be credited to a Director's Account under Sections 4(A) and (B) shall be the quotient of (a) divided by (b) where (a) equals the Deferred Compensation or Stock Unit Award Value, as applicable, and (b) equals the Fair Market Value on the Compensation Payment Date.

(D) Transfer of Previously Deferred Amounts. Upon the election of a Director, all or any portion of a Director's Account held under the terms of the Deferred Compensation Plan for Directors of Unisys Corporation may be transferred and credited under this Plan as Elective Stock Units, based on the Fair Market Value on the date of transfer. Payment of a Director's Stock Units credited to the Plan under this Section 4(D) shall be made in accordance with the Director's original deferral election, subject to any subsequent elections permitted under this Plan.

#### 5. Elections.

(A) A Director's election to defer Compensation shall be executed in writing on a form furnished by the Secretary of the Corporation on or before the date that is (I) no later than December 31 of the year preceding the calendar year to which the election applies or (II) at least three months and one day before the date on which the Retainer Fee or Meeting Fee to be deferred, absent deferral, would be paid to the Director, provided, however, that an individual who becomes a Director after January 1 of a calendar year may make an Election with respect to Compensation that has not been paid and, absent deferral, would be paid to him or her during the remainder of the calendar year in which he or she has become a Director, by executing the required written election on or before the date that is 30 days after the date on which he or she becomes a Director. The election must specify that the Director desires to be credited Stock Units in lieu of receiving his/her Compensation in cash.

(B) An election, once made, shall be irrevocable with respect to Compensation payable for the calendar year or years to which it applies.

(C) An election must specify either a percentage or a certain dollar amount of the Compensation to be deferred under the Plan.

(D) Any amounts distributed under the Plan on or after April 26, 2000 shall be distributed in the form of shares of common stock of the Corporation.

(E) An election shall specify the date on which payment of the amount deferred is to commence, subject to Sections 9 and 10 hereof, and may specify that such payment is to commence as of:

(1) the Director's termination of service as a member of the Board (including as a result of disability); or

(2) a specific date (which may be determined by reference to the Director's termination of service) that is at least two years after



the date on which the initial amounts to be deferred, absent deferral, would be paid to the Director.

(F) The Director must specify the manner in which payment of his or her Account is to be made and may specify that such payment is to be made either in a single sum or in annual installments.

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

(H) Deferrals of a Director's Compensation shall be credited to the Plan at the time at which the Compensation, absent deferral, would otherwise be payable to the Director.

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

(J) Additional payment elections with respect to Non- Elective Stock Unit Awards may be provided if deemed necessary and appropriate by the Committee.

6. Options for Stock Units. A Director who holds an option for Corporation common stock that was awarded to him or her under any plan maintained by the Corporation may elect, to the extent permitted under that plan or otherwise by the Committee, to convert all or part of that option to an Option for Stock Units in accordance with the provisions of this Section 6.

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

(b) Exercise of Options for Stock Units. A Director may not exercise an Option for Stock Units until the expiration of the six-month period beginning on the date on which the Director's option is converted to an Option for Stock Units. Thereafter, but only until the expiration of the period during which the option that the Director converted to an Option for Stock Units could, in accordance with its original terms be exercised, a Director may exercise Options for Stock Units by providing written notice of exercise to the place designated by the Committee. At the time of the exercise of an Option for Stock Units, the Director must certify to the Corporation or its designee that he or she currently owns shares of Corporation common stock sufficient to pay the aggregate option price and, if the shares were acquired for services to the Corporation that he or she has held those shares for at least six months.

(c) Effect of Exercise.

(1) As soon as practicable following receipt of a Director's notice of exercise under Section 6(b), Stock Units will be credited to the Director's Account. The number of Stock Units to be so credited will be equal to (A) the difference between (i) the aggregate Fair Market Value (as defined in the Directors Stock Option Plan) on the date of exercise of the shares of Corporation common stock relating to the portion of the Option for Stock Units that the Director has elected to exercise and (ii) the sum of (a) the aggregate exercise price and (b) any Social Security, Medicare or state or local income tax required to be withheld with respect to the exercise, divided by (B) the Fair Market Value (as defined in Directors Stock Option Plan) of a share of Corporation common stock on the date of

exercise.

(2) Notwithstanding a Director's election of a payment date under Section 6(a), if the Director exercises an Option for Stock Units later than two years before the payment date elected, the Stock Units credited to his or her Account as a result of the exercise will be paid as soon as practicable after the second anniversary of the date of exercise.

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

7. Memorandum Account. The Corporation shall establish on its books a separate memorandum account for each Director for each year in which Stock Units are awarded to the Director. Stock Units, dividends and other adjustments shall be credited to the account and payments made to the Director or Beneficiary shall be debited to the account. No assets shall be segregated or earmarked in respect of any amounts credited to the Account and no Director 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 and shall be merely for the purpose of recording an unsecured contractual obligation.

8. Dividends and Other Adjustments. If the Corporation shall issue a stock dividend on the common stock, stock dividend equivalents shall be credited to the Account, as of the dividend payment date, as Stock Units in the same amount as the stock dividends to which the Director would have been entitled if the Stock Units were shares of common stock. Cash dividends, if any, shall be credited to the Account, as of the dividend payment date, in the form of Stock Units determined in the manner set forth in Section 4(C) hereof based on the Fair Market Value of the Common Stock on the dividend payment date. The Account shall be appropriately adjusted to reflect splits, reverse splits, or comparable changes to the Corporation's common stock.

9. Distribution of Accounts.

(A) Payment Election. Except as otherwise provided in Section 10, payment of an Account shall commence as of the Valuation Date next following the date or dates specified in the Election or Elections or (where applicable) the Revised Election or Elections; provided, however, that where the Election or Elections or (where applicable) the Revised Election or Elections specify that payments with respect to an Account are to commence as of a specified date or specified dates not determined by reference to the Director's termination of service and the Director terminates service prior to such date or dates, payment of the portion of the Director's Account that was to commence on such date or dates shall commence as of the Valuation Date next following the Director's termination of service, but in the same form specified in the Director's Election or Elections or (where applicable) the Revised Election or Elections.

(1) All payments shall be made in the form or forms specified in the Election or Elections or (where applicable) the Revised Election or Elections.

(2) To the extent a Director has not specified the form or time of payment of all or a part of his or her Account, payment of the amounts not specified will be made in a single sum as soon as administratively practicable, but within 90 days, after the first Valuation Date following the Director's termination of service as a Director.

(3) Where a Director 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 Election made by

a Director, the amount of each annual installment payment to be made to the Director shall be determined by dividing the portion of the Director's Account covered by such Election as of the latest Valuation Date preceding the date of payment by the number of installments remaining to be paid under such Election.

(4) Notwithstanding any election made by a Director, any portion of a Director's Account that has not been paid to the Director as of the date of his or her death shall be paid to the Director's Beneficiary in a single sum as soon as administratively practicable, but within 90 days following the Valuation Date on which the Corporation receives notification of the Director's death.

(B) Revised Election.

(1) Pursuant to a Revised Election, a Director may specify:

(I) a date for the commencement of the payment of the Director's Account that is after the date specified in the Director's Election; and/or

(II) a form of payment that calls for a greater number of annual installment payments than that specified in the Director's Election, or a number of annual installment payments where the Director specified a single sum payment in his or her Election; and/or

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

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

(I) made in writing by the Director on a form furnished for such purpose by the Secretary of the Corporation;

(II) submitted to the Secretary of the Corporation on or before the date that is three months and one day before the date on which the portion of the Director's Account that is the subject of the Revised Election would, absent the Revised Election, first become payable; and

(III) approved by the Secretary of the Corporation. A Revised Election will be deemed to have been approved by the Secretary of the Corporation if it is not disapproved by the Secretary of the Corporation within ten days of the date on which it is received.

(3) A Director may only make three revised elections with respect to each of his or her accounts.

(C) Valuation of Account. In determining the amount to be paid upon termination of service, the cash value of a Director's Account shall equal the product of the number of Stock Units credited to the Account multiplied by the Fair Market Value as of the applicable Valuation Date. The value of Stock Units payable in stock shall equal shares of Unisys Common Stock equal to the number of whole Stock Units. The value of fractional Stock Units shall be paid in cash. The amount of each annual installment payment shall be determined by dividing the value determined in according with the preceding sentence as of the date of the installment payment by the number of installments remaining to be paid.

(D) No Early Withdrawals. No early withdrawal of a Director's Account shall be permitted. Except as provided in Section 9 hereof or as provided in an Election or Revised Election, distribution of a Director's Account may be made only upon termination of service as a Director.

9. Accelerated Payment.

(A) Change in Control.

(1) Notwithstanding any other provision of the Plan to the contrary, in the event of a "change in control," each Director may elect to receive a single sum payment of all or any portion of his or her Stock Unit Account balance. Such election shall only be effective if delivered to the Secretary of the Corporation within the ninety-day period immediately

following the date of the occurrence of the change in control.

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

(3) If litigation is brought by the Director or the Beneficiary after a change in control to enforce or interpret any provision of the Plan, the Corporation to the extent permitted by applicable law shall reimburse the Director (or Beneficiary) for the reasonable fees and disbursements of counsel incurred in such litigation.

(B) Change in Circumstances. Notwithstanding any other provision of this Plan to the contrary, the Committee in its sole discretion may accelerate the payment of Stock Units Accounts to all or any group of similarly situated Directors or Beneficiaries, whether before or after the Director's termination of service, in response to changes in the tax laws or accounting principles.

10. Amendment and Termination. The Board may modify or amend, in whole or in part, any or all of 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 participating Director's consent, adversely affect any amount credited to his/her Account for any period prior to the effective date of such modification, amendment, suspension or termination. The Plan shall remain in effect until terminated pursuant to this provision.

11. Administration. The Plan shall be administered by the Committee. Any decision made or action taken by the Committee arising out of or in connection with the construction, administration, interpretation, or effect of the Plan shall be within the absolute discretion of the Committee and shall be conclusive and binding on all parties.

12. Expenses and Taxes. All expenses and costs in connection with the operation of this Plan shall be borne by the Corporation. The Corporation shall have the right to deduct from any payment to be made pursuant to this Plan any federal, state or local taxes required by law to be withheld.

13. 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 any federal law.

14. SEC Rule 16b. The Plan is intended to comply with SEC Rule 16b-3 as adopted by the Securities and Exchange Commission effective November 1, 1996, and as amended thereafter, and the Committee is authorized to interpret the Plan, modify the Plan and/or adopt rules pursuant to the Plan in order to comply with Rule 16b-3 or such other exemptions as may be applicable. Specifically, the Committee may delay payment of accounts which have been deferred or credited for a period of less than six months as of the payment date.

UNISYS CORPORATION  
STATEMENT OF COMPUTATION OF EARNINGS PER SHARE  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000 AND 1999  
(UNAUDITED)  
(Millions, except share data)

	2000	1999
	-----	-----
Basic Earnings Per Common Share		
Income before extraordinary items	\$ 205.7	\$ 378.4
Less dividends on preferred shares		( 36.7)
	-----	-----
Income available to common stockholders before extraordinary items	205.7	341.7
Extraordinary items	( 19.8)	( 12.1)
	-----	-----
Net income available to common stockholders	\$ 185.9	\$ 329.6
	=====	=====
Weighted average shares	312,473,220	279,677,558
	=====	=====
Basic earnings per share		
Before extraordinary items	\$ .66	\$ 1.22
Extraordinary items	(.06)	(.04)
	-----	-----
Total	\$ .60	\$ 1.18
	=====	=====
Diluted Earnings Per Common Share		
Income available to common stockholders before extraordinary items	\$ 205.7	\$ 341.7
Plus impact of assumed conversions Interest expense on 8 1/4% Convertible Notes due 2006, net of tax		.3
	-----	-----
Income available to common stockholders plus assumed conversions before extraordinary items	205.7	342.0
Extraordinary items	( 19.8)	( 12.1)
	-----	-----
Net income available to common stockholders	\$ 185.9	\$ 329.9
	=====	=====
Weighted average shares	312,473,220	279,677,558
Plus incremental shares from assumed conversions		
Employee stock plans	4,065,766	10,796,201
8 1/4% Convertible Notes due 2006		1,090,473
Preferred		
stock		1,169,000
	-----	-----
Adjusted weighted average shares	316,538,986	292,733,232
	=====	=====
Diluted earnings per share		
Before extraordinary items	\$ .65	\$ 1.17
Extraordinary items	(.06)	(.04)
	-----	-----
Total	\$ .59	\$ 1.13
	=====	=====

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

Series A preferred stock

25,862,243

UNISYS CORPORATION  
STATEMENT OF COMPUTATION OF EARNINGS PER SHARE  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2000 AND 1999  
(UNAUDITED)  
(Millions, except share data)

	2000	1999
	-----	-----
<b>Basic Earnings Per Common Share</b>		
Income before extraordinary item	\$ 42.9	\$ 150.5
Less dividends on preferred shares		( 1.9)
	-----	-----
Income available to common stockholders before extraordinary item	42.9	148.6
Extraordinary item		( 12.1)
	-----	-----
Net income available to common stockholders	\$ 42.9	\$ 136.5
	=====	=====
 Weighted average shares	 313,744,279	 302,182,675
	=====	=====
Basic earnings per share		
Before extraordinary item	\$ .14	\$ .49
Extraordinary item		(.04)
	-----	-----
Total	\$ .14	\$ .45
	=====	=====
 <b>Diluted Earnings Per Common Share</b>		
Income available to common stockholders before extraordinary item	\$ 42.9	\$ 148.6
Extraordinary item		( 12.1)
	-----	-----
Net income available to common stockholders	\$ 42.9	\$ 136.5
	=====	=====
 Weighted average shares	 313,744,279	 302,182,675
Plus incremental shares from assumed conversions		
Employee stock plans	1,771,865	11,492,800
Preferred stock		866,000
	-----	-----
Adjusted weighted average shares	315,516,144	314,541,475
	=====	=====
Diluted earnings per share		
Before extraordinary item	\$ .14	\$ .47
Extraordinary item		(.04)
	-----	-----
Total	\$ .14	\$ .43
	=====	=====

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

Series A preferred stock	3,895,078
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UNISYS CORPORATION  
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES (UNAUDITED)  
 (\$ in millions)

	Nine Months Ended Sept. 30, 2000 -----	Years Ended December 31				
		1999 -----	1998 -----	1997 -----	1996 -----	1995 -----
Fixed charges						
Interest expense	\$ 57.7	\$127.8	\$171.7	\$233.2	\$249.7	\$202.1
Interest capitalized during the period	8.9	3.6	-	-	-	-
Amortization of debt issuance expenses	2.6	4.1	4.6	6.7	6.3	5.1
Portion of rental expense representative of interest	34.7	46.3	49.1	51.8	59.8	65.9
<b>Total Fixed Charges</b>	<b>103.9</b>	<b>181.8</b>	<b>225.4</b>	<b>291.7</b>	<b>315.8</b>	<b>273.1</b>
Earnings						
Income (loss) from continuing operations before income taxes	311.7	770.3	594.2	(748.1)	80.2	(786.0)
Add (deduct) share of loss (income) of associated companies	(17.7)	8.9	(.3)	5.9	(4.9)	5.0
<b>Subtotal</b>	<b>294.0</b>	<b>779.2</b>	<b>593.9</b>	<b>(742.2)</b>	<b>75.3</b>	<b>(781.0)</b>
Fixed charges per above	103.9	181.8	225.4	291.7	315.8	273.1
Less interest capitalized during the period	(8.9)	(3.6)	-	-	-	-
<b>Total earnings (loss)</b>	<b>\$389.0</b>	<b>\$957.4</b>	<b>\$819.3</b>	<b>\$(450.5)</b>	<b>\$391.1</b>	<b>\$(507.9)</b>
Ratio of earnings to fixed charges	3.74	5.27	3.63	*	1.24	*

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

<ARTICLE> 5  
 <LEGEND> THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS INCLUDED IN THE COMPANY'S FORM 10-Q FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.  
 <MULTIPLIER> 1,000,000

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 <FISCAL-YEAR-END> DEC-31-2000  
 <PERIOD-END> SEP-30-2000

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<INVENTORY>	419
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<NET-INCOME>	186
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<EPS-DILUTED>	.59