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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2005

OR

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

For the transition period from ________ to ________.

Commission file number: 1-8729

UNISYS CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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

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

Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

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

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

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

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

Aggregate market value of the voting and non-voting common equity held by non-affiliates as of the last business day of the registrant's most recently completed second fiscal quarter: approximately $2.1 billion.

The amount shown is based on the closing price of Unisys Common Stock as reported on the New York Stock Exchange composite tape on June 30, 2005. Voting stock beneficially held by officers and directors is not included in the computation. However, Unisys Corporation has not determined that such individuals are "affiliates" within the meaning of Rule 405 under the Securities Act of 1933.

Number of shares of Unisys Common Stock, par value $.01, outstanding as of December 31, 2005: 341,966,150

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Unisys Corporation 2005 Annual Report to Stockholders — Part I, Part II and Part IV.

Portions of the Unisys Corporation Proxy Statement for the 2006 Annual Meeting of Stockholders — Part III.

PART I

ITEM 1. BUSINESS

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

Unisys has two business segments — Services and Technology. Financial information concerning the two segments is set forth in Note 17, "Segment information", of the Notes to Consolidated Financial Statements appearing in the Unisys 2005 Annual Report to Stockholders, and such information is incorporated herein by reference.

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

Principal Products and Services

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

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

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

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

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

Materials

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

Patents, Trademarks and Licenses

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

Seasonality

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

Customers

No single customer accounts for more than 10% of Unisys revenue. Sales of commercial products and services to various agencies of the U.S. government represented 17% of total consolidated revenue in 2005.

Backlog

In the Services segment, firm order backlog at December 31, 2005 was $6.4 billion, compared to $6.8 billion at December 31, 2004. Approximately $2.8 billion (44%) of 2005 backlog is expected to be filled in 2006. Although the Company believes that this backlog is firm, the Company may, for commercial reasons, allow the orders to be cancelled, with or without penalty. In addition, funded government contracts included in this backlog are generally subject to termination, in whole or part, at the convenience of the government or if funding becomes unavailable. In such cases, the Company is generally entitled to receive payment for work completed plus allowable termination or cancellation costs.

At the end of 2005, the Company also had $2.3 billion of potential future Services order value which it may receive under certain multi-year U.S. government contracts for which funding is appropriated annually. The comparable value of unfunded multi-year U.S. government contracts at the end of 2004 was $2.4 billion.

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

Competition

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

Research and Development

Unisys-sponsored research and development costs were $263.9 million in 2005, $294.3 million in 2004, and $280.1 million in 2003.

Environmental Matters

Capital expenditures, earnings and the competitive position of Unisys have not been materially affected by compliance with federal, state and local laws regulating the protection of the environment. Capital expenditures for environmental control facilities are not expected to be material in 2006 and 2007.

Employees

As of December 31, 2005, Unisys had approximately 36,100 employees.

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

International and Domestic Operations

Financial information by geographic area is set forth in Note 17, “Segment information”, of the Notes to Consolidated Financial Statements appearing in the Unisys 2005 Annual Report to Stockholders, and such information is incorporated herein by reference.

Available Information

Unisys makes available, free of charge through its Internet web site at http://www.unisys.com/about_unisys/investors, its annual report on Form 10-K,

quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC.

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

ITEM 1A. RISK FACTORS

Discussion of risk factors is set forth under the heading "Factors that may affect future results" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Unisys 2005 Annual Report to Stockholders and is incorporated herein by reference.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

As of December 31, 2005, Unisys had 21 major facilities in the United States with an aggregate floor space of approximately 4.6 million square feet, located primarily in California, Georgia, Michigan, Minnesota, New Jersey, Pennsylvania, Utah and Virginia. Two of these facilities, with aggregate floor space of approximately 1.0 million square feet, were owned by Unisys and 19, with approximately 3.6 million square feet of floor space, were leased to Unisys. Approximately 3.9 million square feet of the U.S. facilities were in current operation, approximately .2 million square feet were subleased to others, and approximately .5 million square feet were being held in reserve or were declared surplus with disposition efforts in progress.

As of December 31, 2005, Unisys had 23 major facilities outside the United States with an aggregate floor space of approximately 2.5 million square feet, located primarily in Australia, Brazil, France, Germany, India, Netherlands, South Africa, Switzerland and the United Kingdom. Four of these facilities, with approximately .7 million square feet of floor space, were owned by Unisys and 19, with approximately 1.8 million square feet of floor space, were leased to Unisys. Approximately 1.8 million square feet were in current operation, approximately .2 million square feet were subleased to others, and approximately .5 million square feet were being held in reserve or were declared surplus with disposition efforts in progress.

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

additional facilities, expand existing facilities, and dispose of existing facilities or parts thereof, as necessary.

ITEM 3. LEGAL PROCEEDINGS

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

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

No matters were submitted to a vote of security holders of Unisys during the fourth quarter of 2005.

ITEM 10. EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning the executive officers of Unisys as of February 1, 2006 is set forth below.

Name	Age	Position with Unisys
Joseph W. McGrath	53	President and Chief Executive Officer
Peter Blackmore	58	Executive Vice President; President, Worldwide Sales and Marketing
Janet B. Wallace	54	Executive Vice President
Janet Brutschea Haugen	47	Senior Vice President and Chief Financial Officer
Nancy Straus Sundheim	54	Senior Vice President, General Counsel and Secretary
Greg T. Baroni	52	Vice President; President, Global Public Sector
Scott A. Battersby	47	Vice President and Treasurer
Patricia A. Bradford	55	Vice President, Worldwide Human Resources
Dominick Cavuoto	52	Vice President; President, Global Financial Services
Leo C. Daiuto	60	Vice President; President, Systems and Technology
Randy J. Hendricks	49	Vice President; President, Global Outsourcing and Infrastructure Services

Jack F. McHale	56	Vice President, Investor Relations
Joseph M. Munnelly	41	Vice President and Corporate Controller

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

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

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

Ms. Wallace, Executive Vice President since 2004 and head of the company's Six Sigma Lean initiative in 2005. She has also served as President, Global Infrastructure Services (2000 until February 2005); Senior Vice President (2000 until February 2004) and Vice President and President, Global Network Services (1999). Prior to joining Unisys in 1999, she was Vice President of Services Marketing and Sales, Compaq Computer Corporation (1998-1999), and Vice President of Marketing and Services, Digital Equipment Corporation (1993-1998). Ms. Wallace has been an officer since 2000.

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

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

Mr. Baroni, Vice President and President, Global Public Sector since 2004. Mr. Baroni joined Unisys in 2001 as President, Global Public Sector.

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

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

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

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

Mr. Daiuto, Vice President and President, Systems and Technology since January 2005. From 2000 until 2004, he served as Vice President, Product Development and Technology. Prior to 2000, he had held a variety of business and engineering management positions with Unisys since he joined the Company in 1970. Mr. Daiuto has been an officer since 2000.

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

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

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

PART II

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

Unisys Common Stock (trading symbol "UIS") is listed for trading on the New York Stock Exchange, on exchanges in Amsterdam, Brussels, and London and on the SWX Swiss Exchange. Information on the high and low sales prices for Unisys Common Stock is set forth under the heading "Quarterly financial information" in the Unisys 2005 Annual Report to Stockholders and is incorporated herein by reference. At December 31, 2005, there were approximately 342.0 million shares outstanding and approximately 24,000 stockholders of record. Unisys has not declared or paid any cash dividends on its Common Stock since 1990 and does not anticipate declaring or paying cash dividends in the foreseeable future.

ITEM 6. SELECTED FINANCIAL DATA

A summary of selected financial data for Unisys is set forth under the heading "Five-year summary of selected financial data" in the Unisys 2005 Annual Report to Stockholders and is incorporated herein by reference.

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

Management's discussion and analysis of financial condition and results of operations is set forth under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Unisys 2005 Annual Report to Stockholders and is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information concerning market risk is set forth under the heading "Market risk" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Unisys 2005 Annual Report to Stockholders and is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following documents appearing in the Company's 2005 Annual Report to Stockholders for the year ended December 31, 2005 are incorporated herein by reference:

- Consolidated Financial Statements
- Report of Independent Registered Public Accounting Firm on the Financial Statements
- Quarterly financial information
- Report of Management on Internal Control Over Financial Reporting
- Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

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

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

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

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) of the Securities Exchange Act of 1934) as of December 31, 2005. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective for gathering, analyzing and disclosing the information the Company is required to disclose in the reports it files under the Securities Exchange Act of 1934, within the time periods specified in the SEC's rules and forms. During the fourth quarter of 2005, the Company recorded certain accounting adjustments at its federal government group operations. The Company's corporate monitoring controls identified these issues prior to year end. In response to these issues, the Company is taking steps to strengthen its control processes at its federal government group operations. Among other things, the Company has added new personnel resources and enhanced certain reconciliation processes. The matter noted above has been discussed with the Company's Audit Committee.

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

Management's report on internal control over financial reporting and the attestation report of Ernst & Young LLP thereon are set forth under the headings "Report of Management on Internal Control over Financial Reporting" and "Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting" in the Unisys 2005 Annual Report to Stockholders, and are incorporated herein by reference.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

(a) Identification of Directors. Information concerning the directors of Unisys is set forth under the headings "Nominees for Election to the Board of Directors", "Members of the Board of Directors Continuing in Office — Term Expiring in 2007" and "Members of the Board of Directors Continuing in Office — Term Expiring in 2008" in the Unisys Proxy Statement for the 2006 Annual Meeting of Stockholders and is incorporated herein by reference.

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

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

(d) Identification of the Audit Committee. Information concerning the audit committee of Unisys is set forth under the heading "Committees" in the Unisys Proxy Statement for the 2006 Annual Meeting of Stockholders and is incorporated herein by reference.

(e) Code of Ethics. Information concerning the Unisys Code of Ethics and Business Conduct is set forth under the caption "Code of Ethics and Business Conduct" in the Unisys Proxy Statement for the 2006 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information concerning executive compensation is set forth under the headings "EXECUTIVE COMPENSATION," "REPORT OF THE COMPENSATION COMMITTEE" and "STOCK PERFORMANCE GRAPH" in the Unisys Proxy Statement for the 2006 Annual Meeting of Stockholders and is incorporated herein by reference.

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

Information concerning securities authorized for issuance under equity compensation plans is set forth under the heading "EQUITY COMPENSATION PLAN INFORMATION" in the Unisys Proxy Statement for the 2006 Annual Meeting of Stockholders and is incorporated herein by reference.

Information concerning shares of Unisys equity securities beneficially owned by certain beneficial owners and by management is set forth under the heading "SECURITY OWNERSHIP BY CERTAIN BENEFICIAL OWNERS AND MANAGEMENT" in the Unisys Proxy Statement for the 2006 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information concerning certain relationships and related transactions is set forth under the heading "EXECUTIVE COMPENSATION – Transactions with Management" in the Unisys Proxy Statement for the 2006 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information concerning fees and services of the Company's principal accountants is set forth under the heading "Relationship with Independent Registered Public Accounting Firm" in the Unisys Proxy Statement for the 2006 Annual Meeting of Stockholders and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this report:

1. Financial Statements from the Unisys 2005 Annual Report to Stockholders which are incorporated herein by reference:

Consolidated Balance Sheets at December 31, 2005 and December 31, 2004

Consolidated Statements of Income for each of the three years in the period ended December 31, 2005

Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2005

Consolidated Statements of Stockholders' Equity for each of the three years in the period ended December 31, 2005

Notes to Consolidated Financial Statements

Report of Management on Internal Control over Financial Reporting

Reports of Independent Registered Public Accounting Firm

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

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

The financial statement schedule should be read in conjunction with the consolidated financial statements and notes thereto in the Unisys 2005 Annual Report to Stockholders. Financial statement schedules not included with this report have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

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

3. Exhibits. Those exhibits required to be filed by Item 601 of Regulation S-K are listed in the Exhibit Index included in this report at pages 16 through 19. Management contracts and compensatory plans and arrangements are listed as Exhibits 10.1 through 10.23.

SIGNATURES

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

UNISYS CORPORATION

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

Date: February 17, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 17, 2006.

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

*Henry C. Duques
Henry C. Duques
Chairman of the Board and Director

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

*J. P. Bolduc
J. P. Bolduc
Director

/s/ Joseph M. Munnelly
Joseph M. Munnelly
Vice President and Corporate Controller
(principal accounting officer)

*James J. Duderstadt
James J. Duderstadt
Director

*Matthew J. Espe
Matthew J. Espe
Director

*Denise K. Fletcher
Denise K. Fletcher
Director

*Randall J. Hogan
Randall J. Hogan
Director

*Edwin A. Huston
Edwin A. Huston
Director

*Clayton M. Jones
Clayton M. Jones
Director

Leslie F. Kenne
Director

*Theodore M. Martin
Theodore M. Martin
Director

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

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

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions (1)	Balance at End of Period
Allowance for Doubtful Accounts (deducted from accounts and notes receivable):				
Year Ended December 31, 2003	$ 61.8	$ .6	$ (12.6)	$ 49.8
Year Ended December 31, 2004	$ 49.8	$ 1.9	$ (2.1)	$ 49.6
Year Ended December 31, 2005	$ 49.6	$ 9.0	$ (8.0)	$ 50.6

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

EXHIBIT INDEX

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of Unisys Corporation (incorporated by reference to Exhibit 3.1 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999)
3.2	By-Laws of Unisys Corporation, as amended through December 1, 2005 (incorporated by reference to Exhibit 3 to the registrant's Current Report on Form 8-K dated December 1, 2005)
4.1	Agreement to furnish to the Commission on request a copy of any instrument defining the rights of the holders of long-term debt which authorizes a total amount of debt not exceeding 10% of the total assets of the registrant (incorporated by reference to Exhibit 4 to the registrant's Annual Report on Form 10-K for the year ended December 31, 1982 (File No. 1-145))
4.2	Form of Rights Agreement dated as of March 7, 1986, which includes as Exhibit A, the Certificate of Designations for the Junior Participating Preferred Stock, and as Exhibit B, the Form of Rights Certificate (incorporated by reference to Exhibit 1 to the registrant's Registration Statement on Form 8-A, dated March 11, 1986)
4.3	Amendment No. 1, dated as of February 22, 1996, to Rights Agreement (incorporated by reference to Exhibit 4 to the registrant's Current Report on Form 8-K dated February 22, 1996)
4.4	Amendment No. 2, dated as of December 7, 2000, to Rights Agreement (incorporated by reference to Exhibit 4 to the registrant's Current Report on Form 8-K dated December 7, 2000)
10.1	Unisys Corporation Deferred Compensation Plan as amended and restated effective September 22, 2000 (incorporated by reference to Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000)
10.2	Deferred Compensation Plan for Directors of Unisys Corporation, as amended and restated effective April 22, 2004 (incorporated by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2004)
10.3	Unisys Corporation Director Stock Unit Plan, as amended and restated, effective September 22, 2000 (incorporated by reference to Exhibit 10.5 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000)

10.4	Unisys Directors Stock Option Plan, as amended and restated effective September 22, 2000 (incorporated by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000)
10.5	Unisys Executive Annual Variable Compensation Plan (incorporated by reference to Exhibit A to the registrant's Proxy Statement, dated March 23, 1993, for its 1993 Annual Meeting of Stockholders)
10.6	1990 Unisys Long-Term Incentive Plan, as amended and restated effective September 22, 2000 (incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000)
10.7	Form of Indemnification Agreement between Unisys Corporation and each of its Directors (incorporated by reference to Exhibit B to the registrant's Proxy Statement, dated March 22, 1988, for the 1988 Annual Meeting of Stockholders)
10.8	Form of Executive Employment Agreement (incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1995)
10.9	Unisys Corporation 2002 Stock Option Plan (incorporated by reference to Exhibit 10.17 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2002)
10.10	Unisys Corporation 2003 Long-Term Incentive and Equity Compensation Plan (incorporated by reference to Appendix B to the registrant's Proxy Statement, dated March 14, 2003, for its 2003 Annual Meeting of Stockholders)
10.11	Agreement, dated April 6, 2004, between Lawrence A. Weinbach and Unisys Corporation (incorporated by reference to Exhibit 10 to the registrant's Current Report on Form 8-K dated April 6, 2004)
10.12	Agreement, dated December 22, 2004, between Unisys Corporation and Joseph W. McGrath (incorporated by reference to Exhibit 10 to the registrant's Amendment No. 1 to Current Report on Form 8-K/A dated December 22, 2004)
10.13	Unisys Corporation Supplemental Executive Retirement Income Plan, as amended and restated effective January 1, 2005 (incorporated by reference to Exhibit 10.17 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2004)

10.14	Unisys Corporation Elected Officer Pension Plan, as amended and restated effective January 1, 2005 (incorporated by reference to Exhibit 10.18 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2004)
10.15	2005 Deferred Compensation Plan for Directors of Unisys Corporation (incorporated by reference to Exhibit 10.19 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2004)
10.16	Unisys Corporation 2005 Deferred Compensation Plan (incorporated by reference to Exhibit 10.20 to the registrant's Annual Report on Form 10-K for the year ended December 31, 2004)
10.17	Description of Turnaround Cash Incentive Program (incorporated by reference to Item 1.01(c) of the registrant's Current Report on Form 8-K dated February 9, 2006)
10.18	Description of 2006 compensation of directors (incorporated by reference to Item 1.01(d) of the registrant's Current Report on Form 8-K dated February 9, 2006)
10.19	Consulting Agreement dated as of February 1, 2006 between Unisys Corporation and Lawrence A. Weinbach (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K dated February 9, 2006)
10.20	Summary of 2006 Salary and Bonus Arrangements with certain executive officers (incorporated by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K dated February 9, 2006)
10.21	Unisys Corporation Executive Life Insurance Program, as amended and restated effective April 22, 2004
10.22	Unisys Corporation Savings Plan, as amended and restated effective January 1, 2005
10.23	Summary of supplemental executive benefits provided to officers of Unisys Corporation
12	Computation of Ratio of Earnings to Fixed Charges
13	Portions of the Annual Report to Stockholders of the Registrant for the year ended December 31, 2005
21	Subsidiaries of the Registrant
23	Consent of Independent Registered Public Accounting Firm
24	Power of Attorney
31.1	Certification of Joseph W. McGrath required by Rule 13a-14(a) or Rule 15d-14(a)
31.2	Certification of Janet Brutschea Haugen required by Rule 13a-14(a) or Rule 15d-14(a)

32.1	Certification of Joseph W. McGrath required by Rule 13a-14(b) or Rule 15d-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
32.2	Certification of Janet Brutschea Haugen required by Rule 13a-14(b) or Rule 15d-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350

Exhibit 10.21

UNISYS CORPORATION
Executive Life Insurance Program

Effective September 12, 1998

(as amended and restated effective April 22, 2004)

UNISYS CORPORATION
Executive Life Insurance Program
(as amended and restated effective April 22, 2004)

Article 1 – Establishment and Purpose

1.1 Establishment.

The Unisys Corporation Executive Life Insurance Program is established September 12, 1998. The Program as set forth herein, unless otherwise stated, is effective and applicable only for Eligible Employees who are employed by an Employer on or after September 12, 1998.

1.2 Purpose.

The purpose of the Program is to provide life insurance protection under a split-dollar arrangement as a benefit to certain executive employees of the Company, in order to encourage such employees to continue their employment with the Company, to reward such employees for their service with the Company, and to induce desirable persons to enter into the Company's employ in the future. The Program supersedes the Prior Plan and the life insurance policies thereunder and replaces the life insurance protection provided under the Prior Plan to a Participant with the life insurance protection provided under this Program.

Article 2 – Definitions

Except as otherwise provided, the following terms have the definitions hereinafter indicated whenever used in this Program with initial capital letters:

2.1 Base Salary.

"Base Salary" means a Participant's annualized base salary, exclusive of overtime, bonuses and other compensation, in effect at the time of the Participant's death or earlier Retirement.

2.2 Beneficiary.

"Beneficiary" means the person, persons, entity or entities designated to be the recipient of the Participant's share of the proceeds of a Policy.

2.3 Collateral Assignment Split-Dollar Agreement.

"Collateral Assignment Split-Dollar Agreement" means the written agreement entered into by the Company and an Eligible Employee (or such other third-party owner of the Policy as designated by the Eligible Employee under Section 6.8) pursuant to which such Eligible Employee becomes a Participant in the Program as of the date specified in such agreement.

2.4 Committee.

"Committee" means the Compensation Committee of the Board of Directors.

2.5 Company.

"Company" means Unisys Corporation, a Delaware corporation, and its successors and assigns.

2.6 Eligible Employee.

"Eligible Employee" means an Employee who is an elected officer of the Company or any other Employee who is selected by the Committee to participate in the Program. Employees who retire prior to the Effective Date of this Program are not eligible for this Program.

2.7 Employee.

"Employee" means any person who is or was before Retirement employed by Employer on a regular, full-time salaried basis as an executive employee, including officers of the Employer.

2.8 Employer.

"Employer" means the Company and its subsidiaries.

2.9 Insurer.

"Insurer" means the insurance company that provides life insurance coverage on a Participant under the Program or the insurance company to whom application for such coverage has been made.

2.10 Investment Committee.

"Investment Committee" means the Pension Investment Review Committee of the Company.

2.11 Participant.

"Participant" means an Eligible Employee who is participating in the Program.

2.12 Program.

"Program" means the Unisys Corporation Executive Life Insurance Program as set forth herein together with any and all amendments and supplements hereto.

2.13 Policy.

"Policy" means, with respect to each Participant, any policy of individual life insurance on the Participant's life (and, where applicable, the life of the Participant's spouse) which the Participant acquires or otherwise utilizes pursuant to Article 6 to provide benefits under the Program. The Committee shall have the authority to select the type of Policy that will be offered to Participants under the Plan for the various coverages available under the Program.

2.14 Policy Proceeds.

"Policy Proceeds" means the aggregate amount payable by the Insurer pursuant to the Policy to the Participant's Beneficiary and the Company upon the death of the Participant.

2.15 Prior Plan.

"Prior Plan" means the Unisys Executive Life Insurance Plan which provided life insurance coverage through life insurance contracts issued by Cigna and Pacific Life.

2.16 Retirement.

"Retirement" means termination of an Employee's employment with the Employer, for reasons other than death, on or after the date the Employee reaches the Employee's earliest retirement date under a retirement plan sponsored by the Employer.

2.17 Total Compensation.

"Total Compensation" means the total of the Participant's Base Salary plus target Executive Variable Compensation.

Article 3 – Program Rights and Obligations

The rights of Participants are set forth herein. Each Participant is bound by the terms of the Program. As a condition of participation in this Program, an Eligible Employee's participation in the Prior Plan sponsored by the Company shall terminate as of the date specified in the Eligible Employee's Agreement under which the Eligible Employee becomes a Participant in this Program.

Article 4 – Amount of Coverage; Payment of Premiums

4.1 Basic Pre-Retirement Coverage.

The amount of life insurance coverage to be provided to a Participant while the Participant continues to be employed by the Employer shall be equal to two and one-half (2.5) times the Participant's Base Salary (coverage rounded up, if necessary, to the next $1,000), adjusted annually. The Basic Pre-Retirement Coverage is provided without evidence of insurability up to $1,000,000. Coverage over $1,000,000 or an annual adjustment in excess of 10% of Base Salary requires evidence of insurability.

4.2 Basic Post-Retirement Coverage.

The amount of life insurance coverage to be provided to a Participant after the Participant's Retirement shall be equal to two and one-half (2.5) times the Participant's Base Salary as of the Participant's Retirement date (coverage rounded up, if necessary to the next $1,000). The Basic Post-Retirement Coverage is provided without evidence of insurability.

4.3 Supplemental Pre-Retirement Coverage.

The Participant may elect to have the Company purchase additional coverage subject to the terms of the Plan to increase the total life insurance benefit up to a maximum of four (4) times the Participant's Total Compensation, when including the Basic Pre-Retirement Coverage described in paragraph 4.1. The Supplemental Pre-Retirement Coverage will require evidence of insurability and death benefits will only be provided to the extent of the coverage issued by the carrier.

4.4 Supplemental Post-Retirement Coverage.

The Participant will be allowed to purchase, at the Participant's expense, additional post-retirement life insurance coverage by using a portion or all of the Participant's Executive Variable Compensation or by such other means as are permitted by the Committee. The Company will not participate in the purchase of any Supplemental Post-Retirement Coverage.

4.5 Surviving Spouse Coverage.

The Participant may elect to include a spouse under his/her Basic and Supplemental coverage under a joint-life second-to-die (survivorship) policy under which the death benefit under Sections 4.1 through 4.4 will only be paid upon the later of the death of the Participant or the Participant's spouse. Evidence of insurability will be required for the Participant's spouse and death benefits will only be provided to the extent of the coverage issued by the carrier.

4.6 Payment of Premiums and Participant Contributions.

Except for premiums due for coverage purchased under Section 4.4, the Employer shall pay the premiums on each Policy to the Insurer on or before the due date or within the grace period provided therein. With respect to coverage purchased under Section 4.4, the Participant shall be responsible for the payment of all premiums when due. Taxable income will be imputed to the Participant annually based on the value of the insurance coverage provided to the Participant under Sections 4.1, 4.2, 4.3 and 4.5. This imputed amount is imputed through the Employer's payroll and is subject to withholding for Federal income tax, Social Security, Medicare and, in certain jurisdictions, state and local taxes. By participating in the Program, the Participant agrees to pay those taxes which apply.

Article 5 – Termination of Participation and Coverage: Repayment of Premiums.

5.1 Termination of Participation.

Termination of a Participant's participation under the Program will occur upon any of the following events: (1) termination of the Plan under Section 9.2, (2) termination of the Participant's employment with the Company and all other Employers for reasons other than the

Participant's death or Retirement, or (3) the termination of the Collateral Assignment Agreement at the later of the Participant's retirement or fifteen years from the date of issuance of the Policy. Thereafter, the Participant shall have no life insurance coverage or any other rights under this Program, but shall have rights to life insurance coverage solely in accordance with the Participant's Policy.

5.2 Repayment of Premiums upon Termination of Participation.

Upon termination of the Participant's participation in the Program under Section 5.1, the Participant will be obligated, in accordance with the terms of the Collateral Assignment Agreement, to repay to the Company the aggregate contributions that the Company has paid on behalf of the Participant under the Program. Repayment to the Company shall be made from the cash value under the Participant's Policy. Upon repayment of the Company contributions, the Policy will be owned by the Participant without encumbrance by the Company, with any death benefit and cash value that remains after repayment of the Company's contributions. If the cash value under the Policy is less than the Company contributions made on behalf of the Participant under the Program, (a) the Policy will be surrendered and the Participant will have no further life insurance coverage and (b) the Participant will not be obligated to repay to the Company any amounts greater than the remaining cash value in the Policy. The Committee may permit alternative methods for repayment of the Company's contributions under such rules as are deemed reasonable and appropriate by the Committee.

Article 6 – Policy Ownership and Rights

6.1 Introduction.

The provisions of this Article establish certain rights and obligations of the Company and each Participant with respect to the Policy (or Policies) used to provide benefits under this Program. The terms of this Article shall apply separately to each Participant.

6.2 Acquisition of Policy.

The Participant or other third-party owner designated by the Participant under Section 6.8 shall apply for a Policy. The Employer and the Participant shall take all reasonable actions to (a) cause the Insurer to issue the Policy and (b) cause the Policy to conform to the provisions of this Plan. The Policy shall be subject to the terms and conditions of this Program. Participants failing to take reasonable actions to cause the

Policy to be issued in a timely manner will not be eligible for benefits under this Program.

6.3 Policy Ownership.

Subject to Section 6.8, the Participant shall be the sole and absolute owner of the Policy and may exercise all ownership rights granted to the owner by terms of the Policy, except as may otherwise be provided within the Program.

6.4 Participant's Obligation to the Company.

The Participant or other third-party owner designated by the Participant shall be obligated to repay the Company the aggregate amount that the Company pays on behalf of the Participant under the Program. Repayment of such amounts shall be made in accordance with Section 5.2 or 7.2, as appropriate, or by any other means approved by the Committee.

6.5 Collateral Assignment.

The Participant or other third-party owner designated by the Participant shall assign the Policy to the Company to secure the Participant's obligation under Section 6.4 by completing a Collateral Assignment Split Dollar Agreement.

6.6 Beneficiary Designation.

The Participant or other third-party owner designated by the Participant will be able to select the Beneficiary to receive the death benefit to which the Participant is entitled under Article 4 of this Plan. The Company shall be the Beneficiary of the portion of the death benefit needed to repay the Participant's obligation under this Plan, as more fully described in Section 7.2.

6.7 Investment Decisions.

Prior to the satisfaction of the Participant's obligation to the Company under Section 6.4, the Investment Committee shall reserve the right to select the investments for the Policy, if any. After the Participant's obligation to the Company under Section 6.4 is satisfied, the Participant or other third party owner will have the right to select the investment options for the Policy from those made available by the insurer.

6.8 Assignment of Participant's Interest.

The Participant may elect to transfer his/her rights in the Policy, but not the rights assigned to the Company, to a third party, such as a life insurance trust. Such third party may also be the original owner of the Policy. If a transfer of rights is made, the Participant will not have any further rights in the Policy or this Plan.

6.9 Limitations on Participant's Rights in the Policy.

Except as provided in this Plan, the Participant shall not sell, assign, transfer, borrow against, surrender or cancel the Policy, change the beneficiary designation provision, nor change any other part of the Policy without the written consent of the Company.

6.10 Right To Borrow from Policy.

As permitted by the Policy, the Company will have the right to take loans under the Policy to the extent of its interest in the Policy, until the Participant's obligation under Section 6.4 is satisfied. The Participant will have no right to take a loan under the Policy until the Participant's obligation under Section 6.4 is satisfied. If the Company has any indebtedness outstanding under a Participant's Policy at the time of the Participant's death or termination of participation under the Program, the Participant's obligation due to the Company under Section 6.4 will be reduced by the outstanding balance of the indebtedness, including any interest due on the indebtedness.

Article 7 – Death Benefits

7.1 Prompt Collection.

Upon the death of a Participant, the Employer, with the cooperation of the Beneficiary, shall promptly take all action necessary to initiate payment by the Insurer of the Policy Proceeds.

7.2 Division of Policy Proceeds.

Upon the death of a Participant prior to the satisfaction of the Participant's obligation under Section 6.4, a death benefit equal to the amount of life insurance coverage to which the Participant is entitled under Article 4 of this Plan, if any, shall be paid directly from the Insurer to the Participant's designated Beneficiary, and any remaining Policy Proceeds shall be paid to the Company, provided that in no event shall the portion of the Policy Proceeds paid to the Company be more than the amount to which the Company is entitled pursuant to Section 6.4. Any remaining Policy Proceeds shall be paid to the Participant's designated Beneficiary.

If the Policy Proceeds are insufficient to pay the amount of life insurance coverage to which the Participant is entitled under Article 4 and to reimburse the Company in accordance with Section 5.4, the Policy Proceeds shall be paid in accordance with the following priority schedule:

First	Payment of the Participant's Basic Coverage due under Section 4.1 or Section 4.2, as appropriate, to the designated Beneficiary
Second	Repayment of the Company's contributions due under Section 6.4
Third	Payment of Supplemental Coverage due under Section 4.3 or 4.4, as appropriate, to the designated Beneficiary

In the event that the Policy Proceeds are insufficient to repay the full amount of the Company's contributions, the Company will receive the amount of the Policy Proceeds that exceeds the amount necessary to pay the Basic Coverage and upon such payment to the Company, the Participant's obligation under Section 6.4 shall be extinguished.

7.3 Interest on Policy Proceeds.

Any interest payable by the Insurer with respect to a Beneficiary's share of the Policy Proceeds shall be paid to the Beneficiary and any interest payable by the Insurer with respect to the Employer's share of the Policy Proceeds shall be paid to the Employer.

Article 8 – Plan Administration

8.1 Named Fiduciary; Administration.

The Committee shall be the named fiduciary of the Program and shall have authority to control and manage the operation and administration of the Program. The Investment Committee shall be the named fiduciary of the Program responsible for selecting the investments under the Policies, if any. The Committee shall also have the power to establish, adopt, or revise such rules, regulations, procedures and forms as it may deem advisable for the administration of the Program. The interpretation and construction of the Program by the Committee and any action taken thereunder, shall be binding and conclusive upon all parties in interest. No member of the Committee or the Investment Committee shall, in any event, be liable to any person for any action taken or omitted to be taken in connection with the interpretation, construction or administration of the Program or for the investments made under the Program, so long as such action or omission to act is made in good faith. (Members of the Investment Committee shall be eligible to participate in the Program while serving as members of the Investment Committee, but a member of the Investment Committee shall not vote or act upon any matter that relates solely to such member's interest in the Program as a Participant.)

8.2 Determination of Benefits.

The Committee shall make all determinations concerning eligibility to participate, rights to benefits, the amount of benefits, and any other question under this Program. Any decision by the Committee denying a claim by a Participant or Beneficiary for benefits under this Program shall be stated in writing and delivered or mailed to the Participant or Beneficiary. Such decision shall set forth the specific reasons for the denial written in a manner calculated to be understood by the Participant or Beneficiary. In addition, the Committee shall afford a reasonable opportunity to the Participant or Beneficiary for a full and fair review of the decision denying such claim.

8.3 Indemnification.

The Company shall indemnify each member of the Board of Directors, each member of the Committee and the Investment Committee and any employee to whom any fiduciary or administrative responsibility with respect to the Plan is allocated or delegated, to the full extent permitted by the Certificate of Incorporation, bylaws or resolution of the Company.

For such purpose, the Company may obtain, pay for and keep current a policy of insurance, which policy of insurance shall not, however, release the Company under this provision.

Article 9 – General Provisions

9.1 No Contract of Employment.

Nothing contained herein shall be construed to be a contract of employment of any term of years, nor as conferring upon an Employee the right to continue in the employ of the Company in any capacity.

9.2 Amendment and Termination of Plan.

The Company, through action of the Committee, may, in its sole discretion, amend or terminate the Program in whole or in part at any time. The Program will also terminate, without notice, upon the total cessation of the business of the Company or upon the bankruptcy, receivership or dissolution of the Company.

9.3 Conflicting Provisions.

In the event of a conflict between the provisions of this Program and the provisions of any collateral assignment, beneficiary designation or other document related to a Policy, the provisions of the Program shall prevail.

9.4 Notice.

Any notice, consent, or demand required or permitted to be given under the provisions of this Program shall be in writing, and shall be signed by the party giving or making the same. If such notice, consent, or demand is mailed, it shall be sent by Untied States certified mail, postage prepaid, addressed to such party's last known address as shown on the records of the Company. If notice, consent or demand is sent to the Company, it shall be sent to:

Unisys Corporation
Executive Compensation
MS-B381
Township Line & Union Meeting Road
Blue Bell, Pennsylvania 19424-0001

The date of such mailing shall be deemed the date of notice, consent, or demand. Either party may change the address to which notice is to be sent by giving notice of the change of address in the manner aforesaid.

9.5 Governing Law.

This Program shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

9.6 Gender, Singular and Plural.

All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.

9.7 Captions.

The captions of the articles, sections, and paragraphs of this Program are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

9.8 Validity.

In the event any provision of this Program is held invalid, void, or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provision of this Plan.

9.9 Binding Effect.

This Program shall be binding upon, and inure to the benefit of the Company and its successors and assigns, and the Participants and their successors, assigns, heirs, executors, administrators and beneficiaries.

Exhibit 10.22

UNISYS CORPORATION
SAVINGS PLAN

Amended and Restated
Effective January 1, 2005

UNISYS CORPORATION
SAVINGS PLAN

Amended And Restated
Effective January 1, 2005

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UNISYS CORPORATION

SAVINGS PLAN

Amended and Restated

Effective January 1, 2005

ARTICLE I

HISTORY AND SCOPE

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

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

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

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

The Plan is hereby amended and restated, effective January 1, 2005, to reflect changes and clarifications related to the administration of the Plan.

1.02 Effective Dates. The effective date of the Plan is April 1, 1988, the original effective date of the Plan. This amendment and restatement of the Plan is effective January 1, 2005.

1.03 Rights Affected. Unless provided to the contrary herein, the provisions of the Plan shall apply to Employees who are credited with an Hour of Service after December 31, 2004.

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

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

ARTICLE II

DEFINITIONS

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

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

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

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

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

2.05 "Affiliate" means any entity included with the Employer in (a) a controlled group of employers or trades or businesses within the meaning of section 414(b) or 414(c) of the Code; (b) an affiliated service group within the meaning of section 414(m) of the Code; or (c) a group required to be aggregated pursuant to the regulations under section 414(o) of the Code; provided that any such employer shall be included within the term "Affiliate" only while a member of a group including the Employer. For purposes of Section 5.05, whether a member of a controlled group is an Affiliate shall

be determined under section 1563(a) of the Code (as incorporated through application of sections 414(b) and (c) of the Code) by substituting "50%" for "80%" everywhere it appears in section 1563(a) of the Code.

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

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

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

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

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

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

2.12 “Board” means the Board of Directors of the Company.

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

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

2.15 “Company” means Unisys Corporation.

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

2.17 “Covered Employee” means any Employee other than:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) a 5% owner of the Employer.

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

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

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

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

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

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

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

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

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

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

2.38 "Normal Retirement Age" means age 65.

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

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

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

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

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

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

2.44 "Plan Year" means the calendar year.

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) Service shall include:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

enrollment process for the Employer's health plan, shall be included as Testing Compensation.

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

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

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

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

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

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

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

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

ARTICLE III

ELIGIBILITY FOR PARTICIPATION

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

3.02 Participation Commencement Date. Each Covered Employee who was a Participant as of December 31, 2004, shall continue to be a Participant on January 1, 2005, if he is then a Covered Employee. Each other Covered Employee shall be a Participant on his first day of employment as a Covered Employee.

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

ARTICLE IV

CONTRIBUTIONS

4.01 Tax Deferred Contributions.

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

(2) The amount of the Tax Deferred Contribution made for a Participant with respect to any Plan Year pursuant to this subsection (a) shall be the amount specified in the salary reduction notice. The percentage specified shall be a whole percentage of the Participant's Compensation not to exceed (A) 20% (30% as of January 1, 2003) with respect to a Non-Highly Compensated Employee, or (B) 18% with respect to a Highly Compensated Employee. The Administrative Committee may, in its discretion, increase or decrease the maximum permissible amount of Tax Deferred Contributions at any time and from time to time as it deems appropriate. Any salary reduction notice shall relate only to Compensation as yet unearned when the notice is filed and may not be amended during the period to which it pertains, except that it may be terminated as to amounts unearned at the date of a Participant's Termination of Employment.

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

for all Plan purposes as contributed under subsection (a) above in lieu of this subsection, unless the Participant is unable to make additional Salary Deferral Contributions under subsection (a) above for the Plan Year due to limitations imposed by the Plan or applicable federal law.

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

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

4.02 After-Tax Contributions.

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

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

(1) with respect to any Participant who is not employed by an Employer domiciled in Puerto Rico, 1% (6% as of January 1, 2003); and

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

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

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

(d) Subject to, and in accordance with, the rules and procedures established by the Administrative Committee, a Participant may elect to change, discontinue, or

resume the percentage of Compensation under his salary reduction notice. All such elections shall become effective in accordance with the ruled and procedures established by the Administrative Committee.

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

(a) Subject to the minimum set forth in subsection (b), the amount of the Matching Contribution made in accordance with this Section 4.03 with respect to each pay period in the Plan Year shall be an amount equal to 50% of the first 4% of Compensation contributed as a Tax Deferred Contribution made pursuant to Section 4.01(a), (or, with respect to Participants employed by an Employer domiciled in Puerto Rico, as an After-Tax Contribution); provided, that the maximum Matching Contribution payable to a Participant shall not equal more than 2% of such Participant's Compensation for the period.

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

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

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

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

(2) each Participant who was employed by an Employer on December 31 of a Plan Year beginning on or after January 1, 1999 and who had Tax Deferred Contributions made on his behalf shall receive a minimum Matching Contribution, in accordance with procedures adopted by the Administrative Committee, in an amount, when added to the Matching Contributions made on behalf of such Participant (before application of this paragraph), equal to the lesser of:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE V

LIMITATIONS ON EMPLOYER CONTRIBUTIONS

5.01 Dollar Limitation on Tax Deferred Contributions.

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

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

5.02 Limitation on Tax Deferred Contributions for Highly Compensated Employees.

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

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

(2) the lesser of:

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

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

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

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

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

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

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

(4) either:

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

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

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

(c) To the extent that a Matching Contribution relates to excess Tax Deferred Contributions returned or recharacterized pursuant to subsection (b)(4), such Matching

Contributions, as adjusted in accordance with subsection (d), shall be forfeited immediately. Amounts forfeited during the Plan Year shall be used to reduce future Matching Contributions made by the Employer.

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

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

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

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

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

(2) the lesser of:

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

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

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

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

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

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

(3) reduce the After-Tax Contributions (including any Tax Deferred Contributions recharacterized as After-Tax Contributions pursuant to Section 5.02(b)(4)(B)) and then, to the extent necessary, the Matching Contributions of the Highly Compensated Employee with the greatest dollar amount of aggregate After-Tax and Matching Contributions made on their behalf with respect to the Plan Year by the lesser of (A) the amount by which the dollar amount of the affected Highly Compensated Employee's aggregate After-Tax and Matching Contributions exceeds the dollar amount of the Highly Compensated Employee with the next highest dollar amount of After-Tax and Matching Contributions, or (B) the amount equal to the excess dollar amount determined under clause (2); and

(4) either:

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

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

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

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

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

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

5.04 Limitations on Allocations.

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

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

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

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

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

gains and losses of the Fund) by the Trustee until the following Plan Year. Such amounts shall be used in the following Plan Year to reduce the Matching Contributions otherwise payable by the Employer by which the Participant is employed in such subsequent Plan Year.

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

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

ARTICLE VI

INVESTMENT AND VALUATION OF ACCOUNTS

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

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

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

(b) A Participant's ESOP Account and Regular Account (excluding amounts attributable to the Burroughs Plan or the Sperry Plan) shall be invested solely in the Unisys Common Stock Fund until the Participant's attainment of age 50. Upon his attainment of age 50, a Participant may direct the investment of his ESOP Account and Regular Account in accordance with Section 6.01.

(c) Generally, the portion of a Participant's Accounts attributable to the Sperry Plan may be invested in accordance with Section 6.01; provided, however, that any amounts which a Participant directs to have invested in the Unisys Common Stock Fund must remain in such Investment Fund until the Participant attains age 50.

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

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

6.05 Unisys Common Stock Fund. Unless subsequently discontinued by the Investment Committee, the Investment Funds under the Plan shall include the Unisys

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

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

(b) Each Participant who has any amounts under his Account invested in the Unisys Common Stock Fund shall be given notice by the Trustee of the date and purpose of each meeting of the stockholders of the Company at which shares of Unisys Stock are entitled to be voted, and instructions shall be requested from each such Participant as to the voting at the meeting of such Unisys Stock. If the Participant furnishes instructions within the time specified in the notification given to him, the Trustee shall vote such Unisys Stock in accordance with the Participant's instructions. Shares of Unisys Stock that have not been credited to any Participant's Account or for which no instructions were timely received by the Trustees, whether or not credited to the Account of any Participant shall be voted by the Trustee in the same proportion that the allocated and voted shares of Unisys Stock have been voted by Participants. The Investment Committee shall establish procedures under which notices shall be furnished to Participants as required by this subsection (b) and under which the Participants' instructions shall be furnished to the Trustee.

(c) Each Participant who has any amounts under his Account invested in the Unisys Common Stock Fund shall be given notice of any tender offer for, or a request or invitation for tenders of, Unisys Stock made to the Trustees. Instructions shall be requested from each such Participant as to the tendering of shares of Unisys Stock credited to his Account and for this purpose Participants shall be provided with a reasonable period of time in which they may consider any such tender offer for, or

request or invitation for tenders of, Unisys Stock made to the Trustees. The Trustees shall tender such Unisys Stock as to which the Trustees have received instructions to tender from Participants within the time specified. Unisys Stock credited to an Account as to which the Trustee has not received instructions from a Participant shall not be tendered. Shares of stock that have not been credited to any Participant's Account shall be tendered by the Trustee in the same proportion that the allocated and tendered shares of Unisys Stock have been tendered by Participants. The Investment Committee shall establish procedures under which notices shall be furnished to Participants as required by this subsection (c) and under which the Participants' instructions shall be furnished to the Trustee. In carrying out their responsibilities under this subsection (c) the Trustees may rely on information furnished to them by (or under procedures established by) the Investment Committee.

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

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

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

6.07 Section 404(c) Compliance. The Plan is intended to constitute a plan described in section 404(c) of ERISA and section 2550.404c-1 of the United States Department of Labor regulations. Thus, no fiduciary of the Plan shall be liable for any loss, or by reason of any breach, which results from any investment direction made by a Participant, Beneficiary or alternate payee under a Qualified Domestic Relations Order. The Company or its delegate shall comply with, or monitor compliance with, as required, all disclosure and other responsibilities described in sections 2550.404c-1(b)(2)(i)(A) and (b)(2)(i)(B)(1) of the United States Department of Labor regulations except that the Trustee shall monitor compliance with those procedures established to provide confidentiality of information relating to the exercise of voting and tender rights by Participants. If the Company determines that a situation has potential for undue influence by the Company, the Company shall direct an independent party to perform such activities as are necessary to ensure the confidentiality of the rights of Participants.

ARTICLE VII

VESTING

7.01 Vesting Schedule.

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

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

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

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

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

7.02 Forfeitures.

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

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

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

(b) For purposes of subsection (a), a Participant who terminates employment with the Employer and all Affiliates and has no vested interest in his Accounts at such time, shall be deemed to have received a single sum payment of his entire vested interest in his Accounts as of the date of his Termination of Employment. Restorations

pursuant to this subsection (b) shall be made from currently forfeited accounts in accordance with subsection (d), or from additional contributions by the Employer.

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

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

ARTICLE VIII

AMOUNT OF BENEFITS

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

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

ARTICLE IX

PAYMENT AND FORM OF BENEFITS

9.01 Form of Benefit Paid to Participant.

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

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

Administrative Committee. The optional forms of distribution among which a Participant may elect shall be determined as follows:

(1) an annuity as described below:

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

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

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

(ii) a single life annuity.

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

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

9.02 Benefit Commencement Date.

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

(b) Except as otherwise provided under this Article IX, if the Participant's vested Account balance as of his Benefit Commencement Date is greater than $1,000, the benefit payable to a Participant in accordance with Article VIII shall be paid or commence as of the first day of the month following the Participant's attainment of

Normal Retirement Age. If the Participant's Severance from Service occurs before his attainment of Normal Retirement Age, however, the Participant may elect, in writing, to have his benefit paid or commence on the first day of any month following the month in which his Severance from Service occurred.

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

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

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

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

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

(1) an immediately payable single sum;

(2) a single life annuity; or

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

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

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

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

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

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

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

For purposes of this Section 9.06, an "eligible retirement plan" means (1) an individual retirement account described in section 408(a) of the Code, (2) an individual retirement annuity described in section 408(b) of the Code (other than an endowment contract), (3) a qualified plan the terms of which permit the acceptance of rollover distributions, or (4) an annuity plan described in section 403(a) of the Code; provided, however, that the

eligible retirement plans described in clauses (3) and (4) shall not apply with respect to a distribution made to a Beneficiary who is the surviving spouse of a Participant.

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

ARTICLE X

WITHDRAWALS AND LOANS

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

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

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

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

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

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

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

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

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

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

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

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

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

10.07 Hardship Withdrawals.

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

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

(c) For purposes of this Section 10.07, effective as of January 1, 2006 or as soon as administratively practicable thereafter, an immediate financial hardship is expenses incurred as a result of:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE XI

SPECIAL PROVISIONS FOR TOP-HEAVY PLANS

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

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

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

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

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

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

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

ARTICLE XII

PLAN ADMINISTRATION

12.01 Fiduciary Responsibility.

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

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

(c) The Investment Committee shall be responsible for all matters relating to the control and management of Plan assets to the extent not assigned to the Trustee in

the Trust Agreement or other instrument. The duties and responsibilities of the Investment Committee shall include, but not be limited to, the selection of the Investment Funds, the selection of the Investment Manager, and the monitoring of the performance of the Investment Manager and Trustee. The Investment Committee shall be a "named fiduciary" as that term is defined by ERISA.

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

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

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

12.05 Indemnification of the Plan Manager and Committees. The Plan Manager and each member of the Administrative Committee and the Investment Committee shall be indemnified by the Company against costs, expenses and liabilities (other than amounts paid in settlement to which the Company does not consent) reasonably incurred by him in connection with any action to which he may be a party by reason of his service as Plan Manager or a member of the Administrative Committee or

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

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

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

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

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

12.10 Delegation and Allocation of Responsibility. To the extent permitted under the terms of the Trust Agreement or applicable law, the Trustee and any named fiduciary of the Plan may, by unanimous action in writing, delegate or assign any of its

responsibilities for administering the Plan to one or more individuals or entities. In the event of any such delegation or allocation, the Trustee or any named fiduciary, as applicable, shall establish procedures for the thorough and frequent review of the performance of such duties. Persons to whom responsibilities have been delegated may not delegate to others any discretionary authority or discretionary control with respect to the management or administration of the Plan.

12.11 Claims Procedures.

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

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

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

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

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

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

(b) Review of Denial. In the event a claimant wishes to appeal the denial of his claim, the claimant (or his or her authorized representative) may request a review of such denial by making application in writing to the Administrative Committee within 60 days after receipt of such denial. Such review will take into account all comments, documents, records, and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. Such claimant (or his or her duly authorized representative) may, upon written request to the Administrative Committee and free of charge, have reasonable access to, and copies of, all documents, records, and other information relevant to the claim for benefits. In addition, the claimant or his authorized

representative may submit to the Administrative Committee written comments, documents, records and other information related to the claim for benefits. Appeals not timely filed shall be barred. Within 60 days after receipt of a written appeal, the Administrative Committee shall make a determination and notify the claimant of its final decision. If the Administrative Committee determines that special circumstances require an extension of time for processing the claim, the Administrative Committee shall be allowed an extension of time of up to an additional 60 days and shall so notify the claimant in writing (prior to the end of the initial period) the reason or reasons for such extension and the date by which a decision is expected. The final decision on review shall contain:

(1) specific reasons therefor;

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

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

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

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

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

ARTICLE XIII

AMENDMENT AND TERMINATION

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

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

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

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

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

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

13.02 Termination or Partial Termination.

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

(b) Treatment of Participants Upon Termination. If the Plan is terminated or partially terminated, Accrued Benefits of the Participants affected thereby shall immediately vest and be nonforfeitable, to the extent funded. No employees of such

Employer who are not then Participants may thereafter be admitted to the Plan, and the Employer shall make no further contributions to the Fund.

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

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

ARTICLE XIV

MISCELLANEOUS

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

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

14.03 Nonalienation. No benefit payable under the Plan shall be subject in any manner to anticipation, assignment, or voluntary or involuntary alienation. This Section 14.03 shall not preclude the Trustee from complying with the terms of (a) a Qualified Domestic Relations Order, (b) a federal tax levy made pursuant to section 6331 of the Code, (c) subject to section 401(a)(13) of the Code, a judgement relating to the Participant's conviction of a crime involving the Plan, or (d) subject to section 401(a)(13) of the Code, a judgement, order, decree, or settlement agreement between the Participant and the United States Department of Labor relating to a violation (or an alleged violation) of part 4 subtitle B of Title I of ERISA.

14.04 General Distribution Requirements. All distributions under the Plan shall be determined and made in accordance with the minimum distribution incidental death

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

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

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

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

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

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

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

IN WITNESS WHEREOF, and as evidence of the adoption of the Plan as amended and restated herein, Unisys Corporation has caused this instrument to be executed by its duly authorized representatives and corporate seal to be affixed hereto this 22 day of December 2005.

UNISYS CORPORATION:

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

By: /s/ Janet Brutschea Haugen
Janet Brutschea Haugen

APPENDIX A

PARTICIPATING AFFILIATES

Unisys Unigen Corporation

Exhibit 10.23

Elected Officer Supplemental Benefits

1. Personal Liability Umbrella Insurance – Unisys provides $5 million personal liability insurance for coverage over and above minimum levels of personal insurance for home, cars, recreational vehicles or watercraft.

2. Financial Counseling Services – Unisys will reimburse executives for financial counseling services, including investment planning, estate planning and/or tax preparation up to a fixed amount as noted below.

Role	1st Year of Appointment	Annual Maximum Thereafter
VP	$ 5,000	$ 4,000
Executive/Senior VP	$ 7,500	$ 5,000

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

Role	Monthly Allowance
Elected Officer	$ 600
CEO	$ 900

4. Luncheon and Country Club – Elected Officers may join a luncheon club or country club (does not include social or athletic membership).

5. Airline Club Membership – Elected Officers may join one airline club of their preference. This is to enable them to perform their executive role while traveling on company business.

6. Annual Physical Examination – Elected Officers have the opportunity to participate, at no cost, in the Executive Health Program through the University of Pennsylvania Health System. Alternatively, if elected officers choose not to participate in this program, they are eligible to obtain an annual company-paid examination from their personal physicians.

Exhibit 12

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

	Years Ended December 31				
	2005	2004	2003	2002	2001
Fixed charges					
Interest expense	$ 64.7	$ 69.0	$ 69.6	$ 66.5	$ 70.0
Interest capitalized during the period	15.0	16.3	14.5	13.9	11.8
Amortization of debt issuance expenses	3.4	3.5	3.8	2.6	2.7
Portion of rental expense representative of interest	60.9	61.6	55.2	53.0	53.9
Total Fixed Charges	144.0	150.4	143.1	136.0	138.4
Earnings					
Income (loss) from continuing operations before income taxes	(170.9)	(76.0)	380.5	332.8	(73.0)
Add (deduct) the following:					
Share of loss (income) of associated companies	(7.2)	(14.0)	16.2	14.2	(8.6)
Amortization of capitalized interest	12.9	11.7	10.2	8.8	5.4
Subtotal	(165.2)	(78.3)	374.5	355.8	(76.2)
Fixed charges per above	144.0	150.4	143.1	136.0	138.4
Less interest capitalized during the period	(15.0)	(16.3)	(14.5)	(13.9)	(11.8)
Total earnings	$ (36.2)	$ 55.8	$503.1	$477.9	$ 50.4
Ratio of earnings to fixed charges	*	*	3.52	3.51	*

* Earnings for the years ended December 31, 2005, 2004 and 2001 were inadequate to cover fixed charges by $180.2 million, $94.6 million and $88.0 million, respectively.

Unisys Corporation

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

Overview

The company's financial results for 2005 were negatively impacted by a number of factors that resulted in a loss for the year. In its Technology segment, the company experienced continued weakness in its high-end server business. Revenue in the Technology segment declined 11% from 2004 primarily driven by a 10% decline in sales of large enterprise servers. In its Services segment, the company's results were impacted by lower than expected revenue, underutilization of resources in project-based businesses, and continuing issues in two challenging outsourcing operations. In addition, the company's earnings continue to be negatively impacted by higher pension expense. Pretax pension expense in 2005 increased to $181.1 million compared with $93.6 million in 2004.

Given the company's recent operating losses, and the impact over the short term of its recently announced plans (described below) to restructure its business model to focus on high-growth core markets, reduce its cost structure, and drive profitable growth, in the third quarter of 2005, the company recorded a full valuation allowance against all of its deferred tax assets in the U.S. and certain foreign subsidiaries. This resulted in the company taking a third-quarter 2005 non-cash charge of $1,573.9 million, or $4.62 per share.

To address its performance issues and reposition it for profitable growth, the company is taking actions in the following areas:

- Focused investments. The company is focusing its resources on high-growth market areas - outsourcing, open source/Linux, Microsoft solutions, and security - delivered through a vertical industry focus. Within its technology business, the company remains committed to its ClearPath and ES7000 systems and will continue to invest in operating systems and software to drive continuous improvements and new features and capabilities. During the fourth quarter, the company began the process of pooling and training its global delivery workforce around these focused areas of growth and the new "integrated competency" organization was launched in January of 2006.
- Divestitures. As it concentrates its resources on the areas discussed above, the company plans to divest non-strategic areas of the business and use the proceeds from such asset sales or divestitures to implement cost reduction actions, fund its core growth businesses, and pursue complementary tuck-in acquisitions. During the fourth quarter, the company identified potential non-core areas for divestiture and began exploratory discussions with interested parties.
- Cost reduction. The company plans to right size its cost structure to support its more focused business model and to improve margins. As a result of a series of expected actions in services delivery, research and development, and selling, general, and administrative areas, the company plans to reduce its headcount by 10% of its current workforce over the next year or so. The company expects to take cost restructuring charges of approximately $250 - $300 million through 2006 for these actions. These actions are expected to yield approximately $250 million of annualized cost savings on a run-rate basis by the end of 2007. During the fourth quarter, the company identified areas where it expects to make headcount reductions, which are expected to begin as funding from the divestiture program becomes available.
- Sales and marketing. The company continues to make significant changes to its sales and marketing programs to support its more focused model and drive profitable order and revenue growth. In the sales area, the company has recently strengthened its business development skills by recruiting first-class sales management and personnel and by implementing high-impact training to more effectively manage relationships with large accounts and drive new business. During the fourth quarter, the company continued to enhance its sales and marketing efforts by naming new global industry sales leaders, in addition to the geographic and technology leadership added in the third quarter. The company is focusing its sales efforts on increasing business with its top 500 accounts and top 10 countries worldwide; and announced new compensation programs, starting in 2006, designed to drive greater cross-business and cross-portfolio sales to selected named accounts.
- Focused alliances. The company is focused on driving profitable growth by expanding its activities with a select group of world-class information technology firms. In February of 2006, the company signed a series of alliance agreements with NEC

Corporation to collaborate in technology research and development, manufacturing, and solutions delivery. The alliances cover a number of areas of joint development and solutions delivery activities focusing on server technology, software, integrated solutions, and support services. Other focused alliance partners include Microsoft, Oracle, IBM, EMC, Dell, Intel, Cisco, and SAP.

One of the challenging business process outsourcing (BPO) operations mentioned above is the company's iPSL check processing joint venture in the United Kingdom. In January 2006, the company reached agreement with its equity partners to restructure the operation, whereby the company will continue to process checks for its partner banks in the U.K. but at new tariff arrangements that are expected to result in an increase in revenue to the company of approximately $150 million over the 2006-2010 time-frame. The new agreement is expected to significantly improve the financial results of the iPSL operation in 2006 versus 2005.

The company believes that the above actions will position it in large, fast-growing markets and will enable the company in the coming years to accelerate its revenue growth and significantly expand its margins and profitability.

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

- The company recorded a pretax, non-cash impairment charge of $125.6 million, or $.26 per share, to write off all of the contract-related assets related to one of the company's outsourcing operations. See Note 4 of the Notes to Consolidated Financial Statements.
- During the fourth quarter of 2004, the company favorably settled various income tax audit issues. As a result of the settlements, the company recorded a tax benefit of $28.8 million, or $.09 per share, to net income. See Note 4 of the Notes to Consolidated Financial Statements.
- To reduce costs, particularly in the general and administrative area, on September 30, 2004 the company consolidated facility space and committed to a work-force reduction in global headcount of about 1,400 positions, primarily in general and administrative areas. These actions resulted in an after-tax charge to earnings of $60.0 million, or $.18 per diluted share, in the third quarter of 2004. See Note 4 of the Notes to Consolidated Financial Statements.
- In the third quarter of 2004 the U.S. Congressional Joint Committee on Taxation approved an income tax refund to the company related to the settlement of tax audit issues dating from the mid-1980s. As a result of the resolution of these audit issues, the company recorded a tax benefit of $68.2 million, or $.20 per diluted share, to net income in 2004. See Note 4 of the Notes to Consolidated Financial Statements.
- In 2004 the company experienced a significant impact to its earnings due to pension accounting. In 2004 the company recorded pretax pension expense of $93.6 million compared with pretax pension income of $22.6 million in 2003 – a year-over-year increase in expense of $116.2 million.

Results of operations

Company results

Revenue for 2005 was $5.76 billion compared with $5.82 billion in 2004 and $5.91 billion in 2003. Revenue in 2005 decreased 1% from the prior year. This decrease was due to an 11% decline in Technology revenue offset in part by an increase of 1% in Services revenue. Foreign currency fluctuations had a 1% positive impact on revenue in 2005 compared with 2004. Revenue in 2004 decreased 2% from the prior year. This decrease was due to a 10% decline in Technology revenue offset in part by an increase of 1% in Services revenue. Foreign currency fluctuations had a 4% positive impact on revenue in 2004 compared with 2003. Revenue from international operations in 2005, 2004 and 2003 was $3.11 billion, $3.18 billion and $3.15 billion, respectively. On a constant currency basis, international revenue declined 4% in 2005 compared with 2004. Revenue from U.S. operations was $2.65 billion in 2005, $2.64 billion in 2004 and $2.76 billion in 2003.

Pension expense for 2005 was $181.1 million compared with pension expense of $93.6 million in 2004 and pension income of $22.6 million in 2003. The increase in pension expense in 2005 from 2004 was due to the following: (a) a decline in the discount rate used for the U.S. pension plans to 5.88% at December 31, 2004 from 6.25% at December 31, 2003, (b) an increase in amortization of net unrecognized losses for the U.S. plan, and (c) for international plans, declines in discount rates and currency translation. The change to pension expense in 2004 from pension income in 2003 was due to the following: (a) a decline in the discount rate used for the U.S. pension plans to 6.25% at December 31, 2003 from 6.75% at December 31, 2002, (b)

an increase in amortization of net unrecognized losses, (c) lower expected returns on plan assets due to four-year smoothing of the differences between the calculated value of plan assets and the fair value of plan assets, and (d) for international plans, declines in discount rates and the effects of currency translation. The company records pension income or expense, as well as other employee-related costs such as payroll taxes and medical insurance costs, in operating income in the following income statement categories: cost of sales; selling, general and administrative expenses; and research and development expenses. The amount allocated to each category is based on where the salaries of active employees are charged.

Gross profit percent was 20.2% in 2005, 23.4% in 2004 and 29.0% in 2003. The decline in gross profit percent in 2005 compared with 2004 principally reflected (a) pension expense of $125.8 million in 2005 compared with pension expense of $67.2 million in 2004, (b) lower sales in 2005 of high-margin enterprise servers, (c) underutilization of personnel in project-based services in 2005, (d) increased costs related to execution issues in 2005 in several outsourcing operations, (e) the $125.6 million impairment charge in 2004, and (f) a $28.1 million charge in 2004 relating to the cost reduction actions. The decrease in gross profit percent in 2004 compared with 2003 principally reflected (a) the $125.6 million impairment charge in 2004, (b) the $28.1 million charge in 2004 relating to the cost reduction actions, (c) pension expense of $67.2 million in 2004 compared with pension expense of $1.3 million in 2003, and (d) execution issues in 2004 in several outsourcing operations.

Selling, general and administrative expenses were $1.06 billion in 2005 (18.4% of revenue), $1.10 billion in 2004 (18.9% of revenue) and $1.01 billion in 2003 (17.0% of revenue). The change in selling, general and administrative expenses in 2005 compared with 2004 was principally due to (a) $35.8 million of pension expense in 2005 compared with pension expense of $18.3 million in 2004, (b) a $50.2 million charge in 2004 relating to the cost reduction actions, and (c) the impact of foreign currency exchange rates. The change in selling, general and administrative expenses in 2004 compared with 2003 was principally due to (a) a $50.2 million charge in 2004 relating to the cost reduction actions, (b) $18.3 million of pension expense in 2004 compared with pension income of $9.7 million in 2003, and (c) the impact of foreign currency exchange rates.

Research and development (R&D) expenses in 2005 were $263.9 million compared with $294.3 million in 2004 and $280.1 million in 2003. The company continues to invest in proprietary operating systems and in key programs within its industry practices. R&D in 2005 includes $19.5 million of pension expense compared with pension expense of $8.1 million in 2004. In addition, R&D expense in 2004 included an $8.4 million charge relating to the 2004 cost reduction actions which contributed to the R&D decline in 2005 compared with 2004. R&D in 2004 includes an $8.4 million charge relating to the cost reduction actions as well as $8.1 million of pension expense compared with pension income of $14.2 million in 2003.

In 2005, the company reported an operating loss of $162.4 million compared with an operating loss of $34.8 million in 2004 and income of $427.7 million in 2003. The principal items affecting the comparison of 2005 with 2004 were (a) pension expense of $181.1 million in 2005 compared with pension expense of $93.6 million in 2004, (b) increased costs related to execution issues in 2005 in several outsourcing operations, (c) an $86.7 million charge in 2004 relating to the cost reduction actions, and (d) the $125.6 million impairment charge in 2004. The operating loss in 2004 principally reflected (a) the $125.6 million impairment charge, (b) an $86.7 million charge relating to the cost reduction actions, (c) pension expense of $93.6 million in 2004 compared with pension income of $22.6 million in 2003, and (d) execution issues in 2004 in several outsourcing operations.

Interest expense was $64.7 million in 2005, $69.0 million in 2004 and $69.6 million in 2003.

Other income (expense), net, which can vary from year to year, was income of $56.2 million in 2005, compared with income of $27.8 million in 2004 and income of $22.4 million in 2003. The difference in 2005 from 2004 was principally due to (a) income of $36.6 million in 2005 compared with income of $11.9 million in 2004 related to minority shareholders' portion of losses of iPSL, a 51% owned subsidiary which is fully consolidated by the company, (b) a gain on the sale of property of $15.8 million in 2005, (c) foreign exchange gains of $6.5 million in 2005 compared with foreign exchange losses of $5.2 million in 2004, offset in part by (d) a charge of $10.7 million in 2005 related to the debt tender offer discussed below, (e) lower equity income in 2005, $9.2 million compared with $16.1 million in 2004, and (f) higher discounts on the sales of receivables in 2005, $9.6 million compared with $3.6 million in 2004. The difference in 2004 from 2003 was principally due to foreign exchange losses of $5.2 million in 2004 compared with foreign exchange losses of $11.3 million in 2003.

Income before income taxes in 2005 was a loss of $170.9 million compared with a loss of $76.0 million in 2004 and income of $380.5 million in 2003.

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

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

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

The realization of the remaining net deferred tax assets of approximately $98 million is primarily dependent on forecasted future taxable income within certain foreign jurisdictions. Any reduction in estimated forecasted future taxable income may require the company to record an additional valuation allowance against the remaining deferred tax assets. Any increase or decrease in the valuation allowance would result in additional or lower income tax expense in such period and could have a significant impact on that period's earnings.

The provision for income taxes in 2005 was $1,561.0 million compared with a benefit of $114.6 million in 2004 and a provision of $121.8 million in 2003. The 2005 income tax provision includes the increase of $1,573.9 million in the deferred tax valuation allowance discussed above. The 2004 benefit for taxes includes (a) a benefit of $68.2 million related to a tax refund, (b) a benefit of $28.8 million related to the other favorable income tax audit settlements, (c) a $37.7 million benefit related to the impairment charge, and (d) a $22.0 million benefit related to the cost reduction actions.

At December 31, 2005, the company owned approximately 29% of the voting common stock of Nihon Unisys, Ltd. (NUL). NUL is the exclusive supplier of the company's hardware and software products in Japan. The company accounts for this investment by the equity method. For the years ended December 31, 2005, 2004 and 2003, total direct and indirect sales to NUL were approximately $245 million, $240 million and $275 million, respectively.

On October 4, 2005, the company and NUL amended the terms of a license and support agreement pursuant to which NUL receives access to certain of the company's intellectual property and support services. Prior to the revised agreement, NUL paid annual royalties to the company based on a percentage of NUL's revenue. In 2004 and 2003, these royalties amounted to approximately $103 million and $101 million, respectively. The royalty fees are included in the direct and indirect sales disclosed above. Under the revised arrangement, the company has granted NUL a perpetual license to the intellectual property, and, in lieu of an annual royalty, NUL has agreed to pay the company a fixed fee of $225 million, one-half of which was paid on October 7, 2005 and one-half of which is payable on October 1, 2006. The company will recognize the $225 million as revenue over the three-year period ending March 31, 2008. In addition, the parties have agreed that NUL will pay the company a fee of $20 million per year for three years for the support services it provides under the license and support agreement. NUL has an option to renew the support services arrangement for an additional two years at the same price. In prior periods, the support services fee was included as part of the royalty payments.

At December 31, 2005, the market value of the company's investment in NUL was approximately $437 million and the amount of this investment recorded on the company's books was $207 million, which is net of $36 million relating to the company's share of NUL's minimum pension liability adjustment. The market value is determined by both the quoted price per share of NUL's shares on the Tokyo stock exchange and the current exchange rate of the Japanese yen to the U.S. dollar. At any point in time, the company's book value may be higher or lower than the market value. The company would reflect impairment in this investment only if a loss in value of the investment were deemed to be other than a temporary decline.

At December 31, 2005, total outsourcing assets, net were $416.0 million, approximately $205.2 million of which relate to iPSL, which generated revenue in 2005 of approximately $167 million. As a result of incurred losses in iPSL, the company began discussions during the second quarter of 2005 with its minority shareholders to revise the iPSL corporate structure and its out-sourcing services agreements. In January 2006, the company and the minority shareholders executed the agreements discussed above whereby the company retains its current 51% ownership interest in iPSL, and the fees charged under the outsourcing services agreements are increased beginning January 1, 2006. The estimated increase in iPSL revenue resulting from the amended outsourcing services agreements, together with its existing revenue, is currently estimated to provide the company with sufficient cash flow to recover all of iPSL's outsourcing assets. The company prepares its cash flow estimates based on assumptions that it believes to be reasonable but are also inherently uncertain. Actual future cash flows could differ from these estimates.

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

In 2002, the company and the Transportation Security Administration (TSA) entered into a competitively awarded contract providing for the establishment of secure information technology environments in airports. The Defense Contract Audit Agency (DCAA), at the request of TSA, reviewed contract performance and raised some government contracting issues. It is not unusual in complex government contracts for the government and the contractor to have issues arise regarding contract obligations. The company continues to work collaboratively with the DCAA and TSA to try to resolve these issues. While the company believes that it and the government will resolve the issues raised, there can be no assurance that these issues will be successfully resolved or that new issues will not be raised. It has been publicly reported that certain of these matters have been referred to the Inspector General's office of the Department of Homeland Security for investigation. The company has received no investigative requests from the Inspector General's office or any other government agency with respect to any such referral. The company does not know whether any such referral will be pursued or, if pursued, what effect it may have on the company or on the resolution of the issues with TSA.

Segments results

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

Also included in the Technology segment's sales and operating profit are sales of hardware and software sold to the Services segment for internal use in Services agreements. The amount of such profit included in operating income of the Technology segment for the years ended December 31, 2005, 2004 and 2003, was $16.1 million, $17.9 million and $24.4 million, respectively. The profit on these transactions is eliminated in Corporate.

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

Information by business segment for 2005, 2004 and 2003 is presented below:

(millions of dollars)	Total	Eliminations	Services	Technology
2005				
Customer revenue	$5,758.7		$4,788.5	$ 970.2
Intersegment		$ (259.6)	18.7	240.9
Total revenue	$5,758.7	$ (259.6)	$4,807.2	$ 1,211.1
Gross profit percent	20.2%		12.1%	48.4%
Operating income percent	(2.8)%		(4.3)%	4.2%
2004				
Customer revenue	$5,820.7		$4,724.7	$ 1,096.0
Intersegment		$ (251.8)	18.1	233.7
Total revenue	$5,820.7	$ (251.8)	$4,742.8	$ 1,329.7
Gross profit percent	23.4%		14.8	51.7%
Operating income percent	(.6)%		(1.7)%	10.2%
2003				
Customer revenue	$5,911.2		$4,691.9	$ 1,219.3
Intersegment		$ (319.8)	25.9	293.9
Total revenue	$5,911.2	$ (319.8)	$4,717.8	$ 1,513.2
Gross profit percent	29.0%		20.2%	50.4%
Operating income percent	7.2%		5.0%	12.7%

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

In the Services segment, customer revenue was $4.79 billion in 2005, $4.72 billion in 2004 and $4.69 billion in 2003. Foreign currency translation had about a 1% positive impact on Services revenue in 2005 compared with 2004. Revenue in 2005 was up 1% from 2004, principally due to a 6% increase in outsourcing ($1,829.7 million in 2005 compared with $1,725.9 million in 2004) and a 3% increase in infrastructure services ($801.1 million in 2005 compared with $775.9 million in 2004), offset, in part, by a 12% decrease in core maintenance revenue ($503.3 million in 2005 compared with $571.2 million in 2004). Consulting and systems integration revenue was flat year-to-year at $1,654.4 million in 2005. Revenue in 2004 was up 1% from 2003, principally due to a 4% increase in consulting and systems integration ($1,651.7 million in 2004 compared with $1,595.8 million in 2003) and a 3% increase in outsourcing ($1,725.9 million in 2004 compared with $1,682.7 million in 2003) offset, in part, by an 8% decrease in infrastructure services ($775.9 million in 2004 compared with $841.3 million in 2003). Core maintenance revenue was flat year-to-year at $571.2 million.

Services gross profit was 12.1% in 2005, 14.8% in 2004 and 20.2% in 2003. The Services gross profit margin in 2005 includes pension expense of $121.9 million compared with pension expense of $65.7 million in 2004. In addition, the Services gross profit margin in 2004 included the $125.6 million impairment charge. The decline in 2004 compared with 2003 was principally due to (a) the $125.6 million impairment charge in 2004 and (b) pension expense of $65.7 million in 2004 compared with pension expense of $4.7 million in 2003. Services operating income (loss) percent was (4.3)% in 2005 compared with (1.7)% in 2004 and 5.0% in 2003. Included in operating income (loss) in 2005 was pension expense of $151.6 million compared with $81.1 million of expense in 2004. In addition, the 2005 gross profit and operating profit margins were negatively impacted by operational issues in two outsourcing operations and underutilization of personnel in project-based businesses. The decline in 2004 operating income was principally due to the $125.6 million impairment charge in 2004 and pension expense of $81.1 million in 2004 compared with pension income of $4.6 million in 2003.

In the Technology segment, customer revenue was $970.2 million in 2005, $1,096.0 million in 2004 and $1,219.3 million in 2003. Foreign currency translation had a positive impact of approximately 1% on Technology revenue in 2005 compared with 2004. Revenue in 2005 was down 11% from 2004, due to a 10% decrease in sales of enterprise-class servers ($786.1 million in 2005 compared with $870.3 million in 2004) and an 18% decline in sales of specialized technology products ($184.1 million in 2005 compared with $225.7 million in 2004). Revenue in 2004 was down 10% from 2003, due to a 22% decrease in sales of specialized technology products ($225.7 million in 2004 compared with $290.6 million in 2003) and a 6% decline in sales of enterprise-class servers ($870.3 million in 2004 compared with $928.7 million in 2003).

Technology gross profit was 48.4% in 2005, 51.7% in 2004 and 50.4% in 2003. Gross profit included pension expense of $3.9 million in 2005 compared with pension expense of $1.5 million in 2004 and pension income of $3.4 million in 2003. Technology operating income percent was 4.2% in 2005 compared with 10.2% in 2004 and 12.7% in 2003. The decline in margins in 2005 compared with 2004 primarily reflected lower sales of ClearPath products as well as pension expense of $29.5 million in 2005 compared with $12.5 million in 2004. The margin improvements in 2004 primarily reflected a richer mix of higher-margin ClearPath servers and software offset in part by the effect of pension accounting.

New accounting pronouncements

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

Effective July 1, 2005, the company adopted SFAS No. 153, "Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions" (SFAS No. 153). SFAS No. 153 eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21 (b) of APB Opinion No. 29, "Accounting for Nonmonetary Transactions," and replaces it with an exception for exchanges that do not have commercial substance. SFAS No. 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. Adoption of SFAS No. 153 did not have a material effect on the company's consolidated financial position, consolidated results of operations, or liquidity.

In May 2004, the FASB issued Staff Position No. FAS 106-2 (FSP No. 106-2), "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" (the Act). The Act introduces a prescription drug benefit under Medicare, as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. FSP No. 106-2 is effective for the first interim period beginning after June 15, 2004, and provides that an employer shall measure the accumulated plan benefit obligation (APBO) and net periodic postretirement benefit cost, taking into account any subsidy received under the Act. Final regulations implementing the Act were issued on January 21, 2005. The final regulations clarify how a company should determine actuarial equivalency and the definition of a plan for purposes of determining actuarial equivalency. Adoption of FSP No. 106-2 did not have a material impact on the company's consolidated financial position, consolidated results of operations, or liquidity.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections." SFAS No. 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes, unless impracticable, retrospective

application as the required method for reporting a change in accounting principle in the absence of explicit transition requirements specific to the newly adopted accounting principle. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" (SFAS No. 123R), which replaces SFAS No. 123 and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. The pro forma disclosures previously permitted under SFAS No. 123 will no longer be an alternative to financial statement recognition. In accordance with a Securities and Exchange Commission rule, companies will be allowed to implement SFAS No. 123R as of the beginning of the first interim or annual period that begins after June 15, 2005. The company will adopt SFAS No. 123R on January 1, 2006. Under SFAS No. 123R, the company must determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at date of adoption. The permitted transition methods include either retrospective or prospective adoption. Under the retrospective method, prior periods may be restated either as of the beginning of the year of adoption or for all periods presented. The prospective method requires that compensation expense be recorded for all unvested stock options at the beginning of the first quarter of adoption of SFAS No. 123R, while the retrospective method would record compensation expense for all unvested stock options beginning with the first period presented. The company expects to adopt the prospective method. The company is evaluating the requirements of SFAS No. 123R and currently expects that adoption of SFAS No. 123R will not have a material impact on the company's consolidated financial position and consolidated results of operations due to the acceleration of vesting of stock options on September 23, 2005, as disclosed in Note 1 of the Notes to Consolidated Financial Statements. However, uncertainties, including the company's future stock-based compensation strategy, stock price volatility, estimated forfeitures and employee stock option exercise behavior, make it difficult to determine whether the stock-based compensation expense recognized in future periods will be similar to the SFAS No. 123 pro forma expense disclosed in Note 1 of the Notes to Consolidated Financial Statements. In addition, the amount of stock-based compensation expense to be incurred in future periods will be reduced by the acceleration of stock options on September 23, 2005, as disclosed in Note 1 of the Notes to Consolidated Financial Statements.

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

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

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

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

Financial condition

Cash and cash equivalents at December 31, 2005 were $642.5 million compared with $660.5 million at December 31, 2004. During 2005, cash provided by operations was $282.0 million compared with $469.8 million in 2004, principally reflecting lower earnings. Cash expenditures related to prior-year restructuring actions and the 2004 cost reduction actions (which are included in operating activities) in 2005, 2004 and 2003 were $57.8 million, $18.6 million and $58.4 million, respectively, principally for work force reductions and facility costs. Cash expenditures for prior-year restructuring actions and the 2004 cost reduction actions are expected to be approximately $22.6 million in 2006, principally for work force reductions and idle lease costs. As mentioned above, the company expects to reduce its headcount by 10% over the next year or so, as funding becomes available from its divestiture program. Although the net cash flow from these activities is currently not expected to be material, the company would report cash outflows from operating activities for any severance costs and cash inflows from investing activities for proceeds received from any divestitures. In 2005, the company received an income tax refund of approximately $39 million from the U.S. Internal Revenue Service (IRS) tax audit settlement in 2004.

Cash used for investing activities in 2005 was $343.0 million compared with $479.6 million in 2004. Proceeds from investments and purchases of investments reflect the cash flows from derivative financial instruments used to manage the company's currency exposure to market risks from changes in foreign currency exchange rates. The decrease in cash used for investing activities was due to net proceeds of investments of $16.6 million for 2005 compared with net purchases of $27.8 million in the prior-year period. In addition in 2005, the investment in marketable software was $125.7 million compared with $119.6 million in 2004, capital additions of properties were $112.0 million in 2005 compared with $137.0 million in 2004 and capital additions of outsourcing assets were $143.8 million in 2005 compared with $177.5 million in 2004. Cash expenditures for the purchases of businesses were $1.5 million in 2005 compared with $19.4 million in 2004. In addition, in 2005, the company received proceeds of $23.4 million principally from the sale of properties compared with proceeds of $1.7 million in 2004.

Cash provided by financing activities during 2005 was $62.4 million compared with $15.3 million in 2004. The current period includes the following: (a) $541.5 million net proceeds from the September 2005 issuances of $400 million 8% senior notes due 2012 and $150 million 8 1/2% senior notes due 2015, (b) the cash expenditure of $351.6 million (including tender premium and expenses of $9.5 million) for the repayment of $342.1 million of the company's $400 million 8 1/8% senior notes due 2006 pursuant to a September 2005 tender offer by the company, and (c) the cash expenditure of $150.0 million to retire at maturity all of the company's 7 1/4% senior notes.

At December 31, 2005, total debt was $1.1 billion, an increase of $74.8 million from December 31, 2004.

The company has a $500 million credit agreement that expires in May 2006. Borrowings under the agreement bear interest based on the then-current LIBOR or prime rates plus a margin based upon the company's credit rating. As of December 31, 2005, there were no borrowings under this facility, and the entire $500 million was available for borrowings. The credit agreement contains standard representations and warranties, including no material adverse change. It also contains financial and other covenants, including maintenance of certain financial ratios, a minimum level of net worth and limitations on certain types of transactions, which could reduce the amount the company is able to borrow and could also limit the company's ability to take cost reduction and other charges. Events of default under the credit agreement include failure to perform covenants, materially incorrect representations and warranties, change of control and default under other debt aggregating at least $25 million. If an event of default were to occur under the credit agreement, the lenders would be entitled to declare all amounts borrowed under it immediately due and payable. The occurrence of an event of default under the credit agreement could also cause the acceleration of obligations under certain other agreements and the termination of the company's U.S. trade accounts receivable facility, described below. On September 7, 2005, the company and its lenders entered into an amendment to the company's $500 million credit agreement modifying the financial covenants primarily to provide the necessary flexibility to issue the $550 million of notes and tender for or otherwise acquire the $400 million of 8 1/8% notes, discussed above. The company is in discussions with several financial institutions regarding possible structures and terms of a new financing facility. The company currently expects that a new credit facility will be in place prior to the expiration of the current $500 million credit agreement, although the size and terms may differ materially from the current facility.

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

accounts receivable facility. At December 31, 2005, the company had an agreement to sell, on an on-going basis, through Unisys Funding Corporation I, a wholly owned subsidiary, interests in eligible U.S. trade accounts receivable for up to $225 million. The agreement was renewable annually, at the purchasers' option, until November 2006. This facility required maintenance of certain ratios related to the sold receivables. The company requested and obtained a waiver and amendment of certain of these requirements in the second quarter of 2005. The facility was also terminable by the purchasers if the company's public debt securities are rated below BB- by Standard and Poor's Rating Services (S&P) or Ba3 by Moody's Investors Service, Inc. (Moody's). During the third quarter of 2005 both S&P and Moody's lowered their ratings on the company's public debt securities to BB- and Ba3, respectively. If the facility were to be terminated, collections of the sold receivables would be remitted to the purchasers. The average life of the receivables sold is less than 50 days. At both December 31, 2005 and December 31, 2004, the company had sold $225 million of eligible receivables.

As of January 6, 2006, the company executed an amendment to the facility which, among other things: increases the amount of receivables which the company may sell under the facility to $300 million; increases the discount at which the receivables are sold to reflect a margin based on, among other things, the company's then-current S&P and Moody's credit rating; changes the termination provision related to the rating of the company's public debt securities such that the facility is now terminable by the purchasers if the company's public debt securities are rated below B by S&P or B2 by Moody's; and modifies certain definitions related to the maintenance of certain ratios related to the sold receivables. At December 31, 2005, the company's public debt was rated BB- and Ba3 by S&P and Moody's, respectively. The amended facility is renewable annually at the purchasers' option until November 2008. See Note 7 of the Notes to Consolidated Financial Statements.

At December 31, 2005, the company has met all covenants and conditions under its various lending and funding agreements. The company expects to continue to meet these covenants and conditions. The company believes that it will have adequate sources and availability of short-term funding to meet its expected cash requirements.

As described more fully in Notes 4, 11 and 14 of the Notes to Consolidated Financial Statements, at December 31, 2005 the company had certain cash obligations, which are due as follows:

(millions)	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Notes payable	$ 18.1	$ 18.1			
Long-term debt	1,107.9	57.9	$200.0	$300.0	$ 550.0
Interest payments on long-term debt	489.8	87.2	154.4	120.4	127.8
Capital lease obligations	1.4	.9	.5	—	—
Operating leases	683.4	138.2	214.4	127.0	203.8
Minimum purchase obligations	13.0	4.0	8.0	1.0	—
Work force reductions	10.6	10.6	—	—	—
Total	$2,324.2	$ 316.9	$577.3	$548.4	$ 881.6

As more fully described in Note 14 of the Notes to Consolidated Financial Statements, the company could have an additional obligation under an operating lease for one of its facilities and as described in Note 18 of the Notes to Consolidated Financial Statements, the company expects to make cash contributions of approximately $70 million to its worldwide defined benefit pension plans in 2006.

At December 31, 2005, the company had outstanding standby letters of credit and surety bonds of approximately $250 million related to performance and payment guarantees. On the basis of experience with these arrangements, the company believes that any obligations that may arise will not be material.

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

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

Stockholders' equity decreased $1,539.1 million during 2005, principally reflecting the net loss of $1,731.9 million offset in part by a decrease in the minimum pension liability adjustment of $147.1 million, $32.4 million for issuance of stock under stock option and other plans, currency translation of $8.9 million, and $.8 million of tax benefits related to employee stock plans.

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

Market risk

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

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

The company has performed a sensitivity analysis assuming a hypothetical 10% adverse movement in foreign currency exchange rates applied to these derivative financial instruments described above. As of December 31, 2005 and 2004, the analysis indicated that such market movements would have reduced the estimated fair value of these derivative financial instruments by approximately $59 million and $57 million, respectively.

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

Critical accounting policies

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

Outsourcing

Typically, the terms of the company's outsourcing contracts are between 3 and 10 years. In a number of these arrangements, the company hires certain of the customers' employees and often becomes responsible for the related employee obligations, such as pension and severance commitments. In addition, system development activity on outsourcing contracts often requires significant upfront investments by the company. The company funds these investments, and any employee-related obligations, from customer prepayments and operating cash flow. Also, in the early phases of these contracts, gross margins may be lower than in later years when the work force and facilities have been rationalized for efficient operations, and an integrated systems solution has been implemented.

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

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

Recoverability of outsourcing assets is subject to various business risks, including the timely completion and ultimate cost of the outsourcing solution, and realization of expected profitability of existing outsourcing contracts. The company quarterly compares the carrying value of the outsourcing assets with the undiscounted future cash flows expected to be generated by the outsourcing assets to determine if there is an impairment. If impaired, the outsourcing assets are reduced to an estimated fair value on a discounted cash flow approach. The company prepares its cash flow estimates based on assumptions that it believes to be reasonable but are also inherently uncertain. Actual future cash flows could differ from these estimates. At December 31, 2005 and 2004, the net capitalized amount related to outsourcing contracts was $416.0 million and $431.9 million, respectively.

Revenue recognition

The majority of the company's sales agreements to sell its products and services contain standard business terms and conditions; however, some agreements contain multiple elements or non-standard terms and conditions. As discussed in Note 1 of the Notes to Consolidated Financial Statements, the company enters into multiple-element arrangements, which may include any combination of hardware, software or services. As a result, significant contract interpretation is sometimes required to determine the appropriate accounting, including whether the deliverables specified in a multiple element arrangement should be treated as separate units of accounting for revenue recognition purposes, and, if so, how the price should be allocated among the elements and when to recognize revenue for each element. The company recognizes revenue on delivered elements only if: (a) any undelivered products or services are not essential to the functionality of the delivered products or services, (b) the company has an enforceable claim to receive the amount due in the event it does not deliver the undelivered products or services, (c) there is evidence of the fair value for each undelivered product or service, and (d) the revenue recognition criteria otherwise have been met for the delivered elements. Otherwise, revenue on delivered elements is recognized when the undelivered elements are delivered. In addition, the company's revenue recognition policy requires an assessment as to whether collectibility is probable. Changes in judgments on these assumptions and estimates could materially impact the timing of revenue recognition.

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

Income taxes

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

At December 31, 2005 and 2004, the company had deferred tax assets in excess of deferred tax liabilities of $2,080 million and $2,157 million, respectively. For the reasons cited below, at December 31, 2005 and 2004, management determined that it is more likely than not that $98 million and $1,625 million, respectively, of such assets will be realized, resulting in a valuation allowance of $1,982 million and $532 million, respectively.

The company evaluates quarterly the realizability of its deferred tax assets by assessing its valuation allowance and by adjusting the amount of such allowance, if necessary. The factors used to assess the likelihood of realization are the company's forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. The company has used tax-planning strategies to realize or renew net deferred tax assets to avoid the potential loss of future tax benefits. The company recorded a non-cash charge in the third quarter of 2005 of $1,573.9 million, or $4.62 per share, to increase the valuation allowance against deferred taxes (see Note 3 of the Notes to Consolidated Financial Statements).

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

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

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

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

Pensions

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

As permitted by SFAS No. 87, the company uses a calculated value of plan assets (which is further described below). SFAS No. 87 allows that the effects of the performance of the pension plan's assets and changes in pension liability discount rates on the company's computation of pension income (expense) be amortized over future periods. A substantial portion of the company's pension plan assets and liabilities relates to its defined benefit plan in the United States.

A significant element in determining the company's pension income (expense) in accordance with SFAS No. 87 is the expected long-term rate of return on plan assets. The company sets the expected long-term rate of return based on the expected long-term return of the various asset categories in which it invests. The company considers the current expectations for future returns and the actual historical returns of each asset class. Also, because the company's investment policy is to actively manage certain asset classes where the potential exists to outperform the broader market, the expected returns for those asset

classes are adjusted to reflect the expected additional returns. For 2006 and 2005, the company has assumed that the expected long-term rate of return on U.S. plan assets will be 8.75%. A change of 25 basis points in the expected long-term rate of return for the company's U.S. pension plan causes a change of approximately $10 million in pension expense. The assumed long-term rate of return on assets is applied to a calculated value of plan assets, which recognizes changes in the fair value of plan assets in a systematic manner over four years. This produces the expected return on plan assets that is included in pension income (expense). The difference between this expected return and the actual return on plan assets is deferred. The net deferral of past asset gains (losses) affects the calculated value of plan assets and, ultimately, future pension income (expense). At December 31, 2005, for the company's U.S. defined benefit pension plan, the calculated value of plan assets was $4.30 billion compared with the fair value of plan assets of $4.57 billion.

At the end of each year, the company determines the discount rate to be used to calculate the present value of plan liabilities. The discount rate is an estimate of the current interest rate at which the pension liabilities could be effectively settled at the end of the year. In estimating this rate, the company looks to rates of return on high-quality, fixed-income investments that (a) receive one of the two highest ratings given by a recognized ratings agency and (b) are currently available and expected to be available during the period to maturity of the pension benefits. At December 31, 2005, the company determined this rate to be 5.84% for its U.S. defined benefit pension plan, a decrease of 4 basis points from the rate used at December 31, 2004. A change of 25 basis points in the U.S. discount rate causes a change in pension expense of approximately $13 million and a change of approximately $130 million in the projected benefit obligation. The net effect of changes in the discount rate, as well as the net effect of other changes in actuarial assumptions and experience, has been deferred, as permitted by SFAS No. 87.

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

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

As a minimum, amortization of an unrecognized net gain or loss must be included as a component of net pension cost for a year if, as of the beginning of the year, that unrecognized net gain or loss exceeds 10 percent of the greater of the projected benefit obligation or the calculated value of plan assets. If amortization is required, the minimum amortization is that excess above the 10 percent divided by the average remaining service period of active employees expected to receive benefits under the plan. For the company's U.S. defined benefit pension plan, that period is approximately 8.7 years. At December 31, 2005, based on the calculated value of plan assets, the estimated unrecognized loss was $1.78 billion.

For the year ended December 31, 2005, the company recognized consolidated pretax pension expense of $181.1 million, compared with $93.6 million of consolidated pretax pension expense for the year ended December 31, 2004. Approximately $66 million of the increase in expense was in the U.S. and $22 million was in international subsidiaries, principally the United Kingdom. The increase in pension expense was due to the following: (a) a decline in the discount rate used for the U.S. pension plan to 5.88% at December 31, 2004 from 6.25% at December 31, 2003, (b) an increase in amortization of net unrecognized losses for the U.S. plan, and (c) for international plans, declines in discount rates and currency translation.

For 2006, the company cannot reliably estimate the amount of its worldwide defined benefit pension expense since the company is currently evaluating changes to such plans. The company expects that this evaluation will be completed in the first quarter of 2006. As soon as the evaluation is completed, the company will be in a position to estimate 2006 pension expense.

During 2005, the company made cash contributions to its worldwide defined benefit pension plans of approximately $72 million and expects to make cash contributions of approximately $70 million during 2006. In accordance with regulations governing contributions to U.S. defined benefit pension plans, the company is not required to fund its U.S. qualified defined benefit plan in 2006.

At December 31 of each year, accounting rules require a company to recognize a liability on its balance sheet for each defined benefit pension plan if the fair value of the assets of that pension plan is less than the present value of the pension obligation (the accumulated benefit obligation, or ABO). This liability is called a "minimum pension liability." Concurrently, any existing prepaid

pension asset for the pension plan must be removed. These adjustments are recorded as a charge in "accumulated other comprehensive income (loss)" in stockholders' equity. If at any future year-end, the fair value of the pension plan assets exceeds the ABO, the charge to stockholders' equity would be reversed for such plan. Alternatively, if the fair market values of pension plan assets experience further declines or the discount rate is reduced, additional charges to accumulated other comprehensive income (loss) may be required at a future year end.

At December 31, 2005, the difference between the ABO and the fair value of pension plan assets decreased from the amount at December 31, 2004. As a result at December 31, 2005, the company reduced its net charge in other comprehensive income (loss) by approximately $147 million.

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

Factors that may affect future results

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

Statements in this report regarding the actions the company plans to take to address its performance issues and to reposition itself are based on a number of assumptions and are subject to various risks and uncertainties that could affect actual results. The company's ability to divest non-strategic areas of the business and to use the proceeds as planned is dependent upon the market for these businesses and on the company's ability to sell them for an acceptable price. In addition, the estimated charges associated with planned cost-reduction actions are subject to change based upon the degree to which the company generates cash from the divestitures, the degree to which the company would be able to comply with its financial covenants, the location and length of service of the affected employees, the number of employees who leave the company voluntarily, and other factors. The anticipated cost savings associated with the planned headcount reductions are subject to the risk that the company may not implement the reductions as quickly or as fully as currently anticipated. Statements in this report regarding the expected effects of the company's focused investment and sales and marketing strategies are based on various assumptions, including assumptions regarding market segment growth, client demand, and the proper skill set of and training for sales and marketing management and personnel, all of which are subject to change. Statements in this report regarding the revenue increases anticipated from the new iPSL tariff arrangements are based on assumptions regarding iPSL processing volumes and costs over the 2006-2010 time-frame. Because these volumes and costs are subject to change, the amount of anticipated revenue is not guaranteed. In addition, because iPSL is paid by its customers in British pounds, the U.S. dollar amount of revenue recognized by the company is subject to currency exchange rate fluctuations.

Other factors that could affect future results include the following:

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

The information services and technology markets in which the company operates include a large number of companies vying for customers and market share both domestically and internationally. The company's competitors include consulting and other professional services firms, systems integrators, outsourcing providers, infrastructure services providers, computer hardware manufacturers

and software providers. Some of the company's competitors may develop competing products and services that offer better price-performance or that reach the market in advance of the company's offerings. Some competitors also have or may develop greater financial and other resources than the company, with enhanced ability to compete for market share, in some instances through significant economic incentives to secure contracts. Some also may be better able to compete for skilled professionals. Any of these factors could have an adverse effect on the company's business. Future results will depend on the company's ability to mitigate the effects of aggressive competition on revenues, pricing and margins and on the company's ability to attract and retain talented people.

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

The company's future results will depend in part on its ability to grow outsourcing and infrastructure services. The company's out-sourcing contracts are multiyear engagements under which the company takes over management of a client's technology operations, business processes or networks. In a number of these arrangements, the company hires certain of its clients' employees and may become responsible for the related employee obligations, such as pension and severance commitments. In addition, system development activity on outsourcing contracts may require the company to make significant upfront investments. The company will need to have available sufficient financial resources in order to take on these obligations and make these investments.

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

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

Future results will also depend in part on the company's ability to drive profitable growth in consulting and systems integration. The company's ability to grow profitably in this business will depend on the level of demand for systems integration projects. It will also depend on an improvement in the utilization of services delivery personnel. In addition, profit margins in this business are largely a function of the rates the company is able to charge for services and the chargeability of its professionals. If the company is unable to attain sufficient rates and chargeability for its professionals, profit margins will suffer. The rates the company is able to charge for services are affected by a number of factors, including clients' perception of the company's ability to add value through its services; introduction of new services or products by the company or its competitors; pricing policies of competitors; and general economic conditions. Chargeability is also affected by a number of factors, including the company's ability to transition employees from completed projects to new engagements, and its ability to forecast demand for services and thereby maintain an appropriate head count.

Future results will also depend, in part, on market demand for the company's high-end enterprise servers. In its technology business, the company continues to focus its resources on enhancing a common high-performance platform for both its proprietary operating environments and open standards-based operating environments such as Microsoft Windows and Linux. In addition, the company continues to apply its resources to develop value-added software capabilities and optimized solutions for these server platforms which provide competitive differentiation. The high-end enterprise server platforms are based on its Cellular MultiProcessing (CMP) architecture. The company's CMP servers are designed to provide mainframe-class capabilities with compelling price performance by making use of standards-based technologies such as Intel chips and supporting industry standard

software. The company has transitioned both its legacy ClearPath servers and its Intel-based ES7000s to the CMP platform. Future results will depend, in part, on customer acceptance of the CMP-based ClearPath Plus systems and the company's ability to maintain its installed base for ClearPath and to develop next-generation ClearPath products that are purchased by the installed base. In addition, future results will depend, in part, on the company's ability to generate new customers and increase sales of the Intel-based ES7000 line. The company believes there is significant growth potential in the developing market for high-end, Intel-based servers running Microsoft and Linux operating system software. However, competition in these new markets is likely to intensify in coming years, and the company's ability to succeed will depend on its ability to compete effectively against enterprise server competitors with more substantial resources and its ability to achieve market acceptance of the ES7000 technology by clients, systems integrators and independent software vendors.

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

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

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

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

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

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

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

Unisys Corporation

Consolidated Financial Statements

Consolidated Statements of Income

Year ended December 31 (millions, except per share data)	2005	2004	2003
Revenue			
Services	**$ 4,788.5**	$4,724.7	$4,691.9
Technology	**970.2**	1,096.0	1,219.3
	5,758.7	5,820.7	5,911.2
Costs and expenses			
Cost of revenue:			
Services	**4,161.8**	3,940.8	3,654.7
Technology	**435.5**	517.5	541.5
	4,597.3	4,458.3	4,196.2
Selling, general and administrative expenses	**1,059.9**	1,102.9	1,007.2
Research and development expenses	**263.9**	294.3	280.1
	5,921.1	5,855.5	5,483.5
Operating income (loss)	**(162.4)**	(34.8)	427.7
Interest expense	**64.7**	69.0	69.6
Other income (expense), net	**56.2**	27.8	22.4
Income (loss) before income taxes	**(170.9)**	(76.0)	380.5
Provision (benefit) for income taxes	**1,561.0**	(114.6)	121.8
Net income (loss)	**$(1,731.9)**	$ 38.6	$ 258.7
Earnings (loss) per share			
Basic	**$ (5.09)**	$ .12	$ .79
Diluted	**$ (5.09)**	$ .11	$ .78

See notes to consolidated financial statements.

Unisys Corporation

Consolidated Balance Sheets

December 31 (millions)	2005	2004
Assets		
Current assets		
Cash and cash equivalents	**$ 642.5**	$ 660.5
Accounts and notes receivable, net	**1,111.5**	1,136.8
Inventories:		
Parts and finished equipment	**103.4**	93.7
Work in process and materials	**90.7**	122.4
Deferred income taxes	**68.2**	291.8
Prepaid expenses and other current assets	**137.0**	112.4
Total	**2,153.3**	2,417.6
Properties	**1,320.8**	1,305.5
Less – Accumulated depreciation and amortization	**934.4**	881.4
Properties, net	**386.4**	424.1
Outsourcing assets, net	**416.0**	431.9
Marketable software, net	**327.6**	336.8
Investments at equity	**207.8**	197.1
Prepaid pension cost	**66.1**	52.5
Deferred income taxes	**138.4**	1,394.6
Goodwill	**192.0**	189.9
Other long-term assets	**141.3**	176.4
Total	**$ 4,028.9**	$ 5,620.9
Liabilities and stockholders' equity (deficit)		
Current liabilities		
Notes payable	**$ 18.1**	$ 1.0
Current maturities of long-term debt	**58.8**	151.7
Accounts payable	**444.6**	487.4
Other accrued liabilities	**1,293.3**	1,382.7
Total	**1,814.8**	2,022.8
Long-term debt	**1,049.0**	898.4
Accrued pension liability	**506.9**	537.9
Other long-term liabilities	**690.8**	655.3
Stockholders' equity (deficit)		
Common stock, par value $.01 per share (720.0 million shares authorized; 344.2 million shares and 339.4 million shares issued)	**3.4**	3.4
Accumulated deficit	**(2,108.1)**	(376.2)
Other capital	**3,917.0**	3,883.8
Accumulated other comprehensive loss	**(1,844.9)**	(2,004.5)
Stockholders' equity (deficit)	**(32.6)**	1,506.5
Total	**$ 4,028.9**	$ 5,620.9

See notes to consolidated financial statements.

Unisys Corporation

Consolidated Statements of Cash Flows

Year ended December 31 (millions)	2005	2004	2003
Cash flows from operating activities			
Net income (loss)	**$(1,731.9)**	$ 38.6	$ 258.7
Add (deduct) items to reconcile net income (loss) to net cash provided by operating activities:			
Equity income	**(9.2)**	(16.1)	(18.2)
Depreciation and amortization of properties	**120.7**	136.5	144.4
Depreciation and amortization of outsourcing assets	**128.8**	123.3	82.3
Amortization of marketable software	**124.7**	134.2	123.6
Gain on sale of facility	**(15.8)**	—	—
Loss on the tender of debt	**10.7**	—	—
Impairment charge related to outsourcing assets	**—**	125.6	—
Decrease (increase) in deferred income taxes, net	**1,491.2**	(41.2)	57.2
Decrease (increase) in receivables, net	**34.8**	(61.8)	(67.7)
Decrease in inventories	**20.9**	23.0	54.1
(Decrease) increase in accounts payable and other accrued liabilities	**(61.4)**	(122.1)	20.8
Increase (decrease) in other liabilities	**149.4**	111.3	(70.9)
Increase in other assets	**(34.3)**	(16.2)	(6.0)
Other	**53.4**	34.7	(7.5)
Net cash provided by operating activities	**282.0**	469.8	570.8
Cash flows from investing activities			
Proceeds from investments	**7,726.2**	6,026.5	5,054.0
Purchases of investments	**(7,709.6)**	(6,054.3)	(5,122.1)
Investment in marketable software	**(125.7)**	(119.6)	(144.1)
Capital additions of properties	**(112.0)**	(137.0)	(116.7)
Capital additions of outsourcing assets	**(143.8)**	(177.5)	(176.2)
Purchases of businesses	**(1.5)**	(19.4)	(5.3)
Proceeds from sales of properties and businesses	**23.4**	1.7	—
Net cash used for investing activities	**(343.0)**	(479.6)	(510.4)
Cash flows from financing activities			
Net proceeds from (reduction in) short-term borrowings	**17.2**	(20.0)	(64.5)
Proceeds from employee stock plans	**12.8**	38.8	31.5
Payments of long-term debt	**(509.1)**	(3.5)	(4.8)
Proceeds from issuance of long-term debt	**541.5**	—	293.3
Net cash provided by financing activities	**62.4**	15.3	255.5
Effect of exchange rate changes on cash and cash equivalents	**(19.4)**	19.1	18.2
Increase (decrease) in cash and cash equivalents	**(18.0)**	24.6	334.1
Cash and cash equivalents, beginning of year	**660.5**	635.9	301.8
Cash and cash equivalents, end of year	**$ 642.5**	$ 660.5	$ 635.9

See notes to consolidated financial statements.

Unisys Corporation

Consolidated Statements of Stockholders' Equity

(millions)	Common Stock Shares	Common Stock Par Value	Accumulated Deficit	Treasury Stock Shares	Treasury Stock Cost	Paid-In Capital	Accumulated Other Comprehensive Loss	Comprehensive Income (Loss)
Balance at December 31, 2002	328.1	$ 3.3	$ (673.5)	(1.9)	$(42.4)	$3,805.5	$ (2,236.9)	
Issuance of stock under stock option and other plans	5.7				(.2)	50.8		
Net income			258.7					$ 258.7
Other comprehensive income:								
Translation adjustments							65.3	
Cash flow hedges							(5.1)	
Minimum pension liability							164.8	
							225.0	225.0
Comprehensive income								$ 483.7
Tax benefit related to stock plans						4.9		
Balance at December 31, 2003	333.8	3.3	(414.8)	(1.9)	(42.6)	3,861.2	(2,011.9)	
Issuance of stock under stock option and other plans	5.6	.1		(.1)	(.6)	61.4		
Net income			38.6					$ 38.6
Other comprehensive income:								
Translation adjustments							43.5	
Cash flow hedges							3.1	
Minimum pension liability							(39.2)	
							7.4	7.4
Comprehensive income								$ 46.0
Tax benefit related to stock plans						4.4		
Balance at December 31, 2004	339.4	3.4	(376.2)	(2.0)	(43.2)	3,927.0	(2,004.5)	
Issuance of stock under stock option and other plans	4.8					32.4		
Net loss			(1,731.9)					$ (1,731.9)
Other comprehensive income:								
Translation adjustments							8.9	
Cash flow hedges							3.6	
Minimum pension liability							147.1	
							159.6	159.6
Comprehensive loss								$ (1,572.3)
Tax benefit related to stock plans						.8		
Balance at December 31, 2005	344.2	$ 3.4	$ (2,108.1)	(2.0)	$(43.2)	$3,960.2	$ (1,844.9)	

See notes to consolidated financial statements.

Unisys Corporation

Notes to Consolidated Financial Statements

1. Summary of significant accounting policies

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

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

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

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

Properties Properties are carried at cost and are depreciated over the estimated lives of such assets using the straight-line method. The principal estimated lives used are summarized below:

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

Advertising costs The company expenses all advertising costs as they are incurred. The amount charged to expense during 2005, 2004 and 2003 was $7.2 million, $10.8 million and $17.9 million, respectively.

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

Revenue recognition The company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectibility is probable.

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

Revenue from software licenses is recognized at the inception of the initial license term and upon execution of an extension to the license term. Revenue for post-contract software support arrangements, which are marketed separately, is recorded on a straight-line basis over the support period for multi-year contracts and at inception for contracts of one year or less. The company also enters into multiple-element arrangements, which may include any combination of hardware, software or services. In these transactions, the company allocates the total revenue to be earned under the arrangement among the various elements based on their relative fair value. For software, and elements for which software is essential to the functionality, the allocation is based on vendor-specific objective evidence of fair value. The company recognizes revenue on delivered elements only if: (a) any undelivered products or services are not essential to the functionality of the delivered products or services, (b) the company has an enforceable claim to receive the amount due in the event it does not deliver the undelivered products or services, (c) there is evidence of the fair value for each undelivered product or service, and (d) the revenue recognition criteria otherwise have been met for the delivered elements. Otherwise, revenue on delivered elements is recognized when the undelivered elements are delivered.

Revenue from equipment and software maintenance is recognized on a straight-line basis as earned over the lives of the respective contracts.

Revenue for operating leases is recognized on a monthly basis over the term of the lease and for sales-type leases at the inception of the lease term.

Revenue and profit under systems integration contracts are recognized either on the percentage-of-completion method of accounting using the cost-to-cost method, or when services have been performed, depending on the nature of the project. For contracts accounted for on the percentage-of-completion basis, revenue and profit recognized in any given accounting period are based on estimates of total projected contract costs; the estimates are continually re-evaluated and revised, when necessary, throughout the life of a contract. Any adjustments to revenue and profit due to changes in estimates are accounted for in the period of the change in estimate. When estimates indicate that a loss will be incurred on a contract upon completion, a provision for the expected loss is recorded in the period in which the loss becomes evident.

Revenue from time and materials service contracts and out-sourcing contracts is recognized as the services are provided.

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

Marketable software The cost of development of computer software to be sold or leased, incurred subsequent to establishment of technological feasibility, is capitalized and amortized to cost of sales over the estimated revenue-producing lives of the products, but not in excess of three years following product release. The company performs quarterly reviews to ensure that unamortized costs remain recoverable from future revenue.

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

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

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

Translation of foreign currency The local currency is the functional currency for most of the company's international subsidiaries, and as such, assets and liabilities are translated into U.S. dollars at year-end exchange rates. Income and expense items are translated at average exchange rates during the year. Translation adjustments resulting from changes in exchange rates are reported in other comprehensive income. Exchange gains and losses on intercompany balances are reported in other income (expense), net.

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

Stock-based compensation plans The company has stock-based employee compensation plans, which are described more fully in Note 18. Through December 31, 2005, the company applied the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for those plans. For stock options, at the date of grant, no compensation expense was reflected in net income, as all stock options granted had an exercise price equal to or greater than the market value of the underlying common stock on the date of grant. In addition, no compensation expense was recognized for common stock purchases under the Employee Stock Purchase Plan. Pro forma information regarding net income and earnings per share was required by Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," and has been determined as if the company had accounted for its stock plans under the fair value method of SFAS No. 123. For purposes of the pro forma disclosures, the estimated fair value of the options was amortized to expense over the options' vesting period.

The company's stock option grants include a provision that if termination of employment occurs after the participant has attained age 55 and completed five years of service with the

company, the participant shall continue to vest in each of his or her stock options in accordance with the vesting schedule set forth in the applicable stock option award agreement. For purposes of the pro forma information required to be disclosed by SFAS No. 123, the company has recognized compensation cost over the vesting period. Under SFAS No. 123R, which the company will adopt on January 1, 2006 (see Note 6), compensation cost must be recognized over the period through the date that the employee first becomes eligible to retire and is no longer required to provide service to earn the award. For awards granted prior to adoption of SFAS No. 123R, compensation expense continues to be recognized under the prior attribution method; compensation cost for awards granted after the adoption of SFAS No. 123R will be recognized over the period to the date the employee first becomes eligible for retirement.

On September 23, 2005, the Compensation Committee of the Board of Directors of the company approved the acceleration of vesting of all of the company's unvested stock options awarded to officers, directors and employees. The acceleration of vesting was effective for stock options outstanding as of the close of business on September 23, 2005. Options to purchase approximately 13 million shares of common stock were accelerated. The weighted average exercise price of the options accelerated was $10.80. The purpose of the acceleration was to enable the company to avoid recognizing compensation expense associated with these options in future periods upon the company's adoption of SFAS No. 123R. Future pretax expense that was eliminated was $33.7 million. On December 19, 2005, the Compensation Committee of the Board of Directors of the company granted options to purchase a total of 3.4 million shares of the company's common stock. These options were granted to certain of the company's key employees, including executive officers. The option awards were fully vested on the date of grant, have a term of five years and an exercise price equal to the fair market value of the company's common stock on December 19, 2005 ($6.05), and prohibit the grantee from selling the shares acquired upon exercise for a period of two years from the date of grant. This award resulted in pro forma pretax expense of $8.3 million. These amounts are reflected in the pro forma disclosure presented below.

The following table illustrates the effect on net income and earnings per share if the company had applied the fair value recognition provisions of SFAS No. 123.

Year ended December 31 **(millions, except per share data)**	**2005**	**2004**	**2003**
Net income (loss) as reported	**$(1,731.9)**	$ 38.6	$258.7
Deduct total stock-based employee compensation expense determined under fair value method for all awards, net of tax in 2004 and 2003	**(73.5)**	(32.6)	(47.7)
Pro forma net income (loss)	**$(1,805.4)**	$ 6.0	$211.0
Earnings (loss) per share			
Basic – as reported	**$ (5.09)**	$ .12	$ .79
Basic – pro forma	**$ (5.31)**	$ .02	$ .64
Diluted – as reported	**$ (5.09)**	$ .11	$ .78
Diluted – pro forma	**$ (5.31)**	$ .02	$ .63

Retirement benefits The company accounts for its defined benefit pension plans in accordance with SFAS No. 87, "Employers' Accounting for Pensions," which requires that amounts recognized in financial statements be determined on an actuarial basis. A significant element in determining the company's pension income (expense) is the expected long-term rate of return on plan assets. This expected return is an assumption as to the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the projected pension benefit obligation. The company applies this assumed long-term rate of return to a calculated value of plan assets, which recognizes changes in the fair value of plan assets in a systematic manner over four years. This produces the expected return on plan assets that is included in pension income (expense). The difference between this expected return and the actual return on plan assets is deferred. The net deferral of past asset gains (losses) affects the calculated value of plan assets and, ultimately, future pension income (expense).

At December 31 of each year, the company determines the fair value of its pension plan assets as well as the discount rate to be used to calculate the present value of plan liabilities. The discount rate is an estimate of the interest rate at which the pension benefits could be effectively settled. In estimating the discount rate, the company looks to rates of return on high-quality, fixed-income investments currently available and expected to be available during the period to maturity of the pension benefits. The company specifically uses a portfolio of fixed-income securities, which receive at least the second-highest rating given by a recognized ratings agency.

2. Earnings per share

The following table shows how earnings (loss) per share were computed for the three years ended December 31, 2005.

Year ended December 31 (millions, except per share data)	2005	2004	2003
Basic earnings (loss) per share computation			
Net income (loss)	**$(1,731.9)**	$ 38.6	$ 258.7
Weighted average shares (thousands)	**340,216**	334,896	329,349
Basic earnings (loss) per share	**$ (5.09)**	$ .12	$ .79
Diluted earnings (loss) per share computation			
Net income (loss)	**$(1,731.9)**	$ 38.6	$ 258.7
Weighted average shares (thousands)	**340,216**	334,896	329,349
Plus incremental shares from assumed conversions of employee stock plans	—	3,321	3,599
Adjusted weighted average shares	**340,216**	338,217	332,948
Diluted earnings (loss) per share	**$ (5.09)**	$ .11	$ .78

The following shares were not included in the computation of diluted earnings per share, because either a loss was reported or the option prices were above the average market price of the company's common stock, (in thousands): 2005, 47,531; 2004, 35,581; 2003, 22,005.

3. 2005 significant item

During the financial close for the quarter ended September 30, 2005, the company performed its quarterly assessment of its net deferred tax assets. Up to this point in time, as previously disclosed in the company's critical accounting policies section of its Form 10-K, the company had principally relied on its ability to generate future taxable income (predominately in the U.S.) in its assessment of the realizability of its net deferred tax assets. SFAS No. 109, "Accounting for Income Taxes" (SFAS No. 109), limits the ability to use future taxable income to support the realization of deferred tax assets when a company has experienced recent losses even if the future taxable income is supported by detailed forecasts and projections. After considering the company's pretax losses in 2004 and for the nine months ended September 30, 2005, the expectation of a pretax loss for the full year of 2005, and the impact over the short term of the company's announced plans to restructure its business model by divesting non-core assets, reducing its cost structure and shifting its focus to high growth core markets, the company concluded that it could no longer rely on future taxable income as the basis for realization of its net deferred tax asset.

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

The realization of the remaining net deferred tax assets of approximately $98.2 million is primarily dependent on forecasted future taxable income within certain foreign jurisdictions. Any reduction in estimated forecasted future taxable income may require the company to record an additional valuation allowance against the remaining deferred tax assets. Any increase or decrease in the valuation allowance would result in additional or lower income tax expense in such period and could have a significant impact on that period's earnings.

See Note 8 for more information on income taxes.

4. 2004 significant items

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

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

During the third quarter of 2004, the U.S. Congressional Joint Committee on Taxation approved an income tax refund to the company related to the settlement of tax audit issues dating from the mid-1980s. The refund, including interest, was approximately $40 million at December 31, 2004 and was recorded in current accounts receivable in the company's consolidated balance sheet. As a result of the resolution of these audit issues, the company recorded a tax benefit of $68.2 million, or $.20 per diluted share. The company also recorded a reduction of goodwill of $8.0 million, as certain amounts of the tax benefit related to the preacquisition period of an acquired entity.

As part of its ongoing efforts to reduce its cost base and enhance its administrative efficiency, on September 30, 2004, the company consolidated facility space and committed to a work force reduction of 1,415 employees, primarily in general and administrative areas. These actions resulted in a pretax charge of $82.0 million, or $.18 per diluted share. The charge related to work force reductions is $75.3 million and comprises: (a) 752 employees in the U.S. for a charge of $23.2 million and (b) 663 employees outside the U.S. for a charge of $52.1 million. The charge for work force reductions is principally related to severance costs. The facility charge of $6.7 million relates principally to a single U.S. leased property that the company ceased using as of September 30, 2004. The facility charge represents the fair value of the liability at the cease-use date and was determined based on the remaining lease rental payments, reduced by estimated sublease rentals that could be reasonably obtained for the property. Cash expenditures related to these actions during 2005 and 2004 were $51.1 million and $6.8 million, respectively, and are expected to be approximately $16.2 million in 2006.

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

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

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

($ in millions)	Headcount	Total	Work Force Reductions * U.S.	Work Force Reductions * Int'l	Idle Lease Cost
Work force reductions*	1,415	$ 75.3	$ 23.2	$ 52.1	
Other		6.7			$ 6.7
Total charge	1,415	82.0	23.2	52.1	6.7
Minority interest		4.7		4.7	
Balance at Sept. 30, 2004	1,415	86.7	23.2	56.8	6.7
Utilized	(404)	(6.8)	(1.7)	(4.1)	(1.0)
Additional provisions	106	3.4	1.2	2.2	
Changes in estimates and revisions	(266)	(6.7)	(.2)	(6.5)	
Translation adjustments		4.5		4.5	
Balance at Dec. 31, 2004	851	81.1	22.5	52.9	5.7
Utilized	(825)	(51.1)	(18.2)	(29.5)	(3.4)
Changes in estimates and revisions		(10.2)	(3.3)	(10.2)	3.3
Translation adjustments		(3.6)		(3.6)	
Balance at Dec. 31, 2005#	26	$ 16.2	$ 1.0	$ 9.6	$ 5.6

* *Includes severance, notice pay, medical and other benefits.*
\# *Expected to be utilized in 2006.*

As a result of prior-year cost reduction actions, cash expenditures in 2005, 2004 and 2003 were $6.7 million, $11.8 million and $58.4 million, respectively. At December 31, 2005, a $12.1 million accrued liability remains principally for idle lease costs. Cash expenditures in 2006 related to these actions are expected to be approximately $6.4 million.

5. Acquisitions and goodwill

In November 2003, the company purchased KPMG's Belgian consulting business for approximately $3.3 million of cash, plus assumed liabilities. The purchase price allocation was finalized in March 2004 and approximately $1.5 million of amortizable intangible assets (principally customer relationships) were identified and recorded with a weighted average life of approximately 5.5 years. The goodwill of $8.8 million from this acquisition has been assigned to the Services segment.

In April 2004, the company purchased the document services business unit of Interpay Nederlands B.V. (Interpay) for $5.2 million. This business unit processes approximately 110 million paper-related payments a year for Dutch banks. The purchase price was allocated to assets acquired and liabilities

assumed based on their estimated fair values, and resulted in goodwill of $3.4 million. The acquisition provides for the company to make contingent payments to Interpay based on the achievement of certain future revenue levels. The contingent consideration will be recorded as additional goodwill when the contingencies are resolved and consideration is issued or becomes issuable. The goodwill from this acquisition has been assigned to the Services segment.

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

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

The company accounts for goodwill and other intangible assets in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets." These assets are reviewed annually for impairment in accordance with this statement. SFAS No. 142 requires a company to perform an impairment test on an annual basis and whenever events or circumstances occur indicating that the goodwill may be impaired. During 2005, the company performed its annual impairment test, which indicated that the company's goodwill was not impaired.

The changes in the carrying amount of goodwill by segment for the years ended December 31, 2005 and 2004, were as follows:

(millions)	Total	Services	Technology
Balance at December 31, 2003	$177.5	$ 57.3	$ 120.2
Acquisitions	17.2	17.2	
Transfers[1]	(1.5)	(1.5)	
Foreign currency translation adjustments	3.8	2.4	1.4
Other[2]	(7.1)	(.3)	(6.8)
Balance at December 31, 2004	189.9	75.1	114.8
Foreign currency translation adjustments	(1.7)	(.6)	(1.1)
Other[3]	3.8	3.8	
Balance at December 31, 2005	$192.0	$ 78.3	$ 113.7

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

(2) *Principally represents the amount of the tax benefit received related to the preaquisition period of an acquired entity. See Note 4.*

(3) *Resolution of contingent consideration.*

6. Recent accounting pronouncements and accounting changes

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

Effective July 1, 2005, the company adopted SFAS No. 153, "Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions" (SFAS No. 153). SFAS No. 153 eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21 (b) of APB Opinion No. 29, "Accounting for Nonmonetary Transactions," and replaces it with an exception for exchanges that do not have commercial substance. SFAS No. 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. Adoption of SFAS No. 153 did not have a material effect on the company's consolidated financial position, consolidated results of operations, or liquidity.

In May 2004, the FASB issued Staff Position No. FAS 106-2 (FSP No. 106-2), "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" (the Act). The Act introduces a prescription drug benefit under Medicare, as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. FSP No. 106-2 is effective for the first interim period beginning after June 15, 2004, and provides that an employer shall measure the accumulated plan benefit obligation (APBO) and net periodic postretirement benefit cost, taking into account any subsidy received under the Act. Final regulations implementing the Act were issued on January 21, 2005. The final regulations clarify how a company should determine actuarial equivalency and the definition of a plan for purposes of determining actuarial equivalency. Adoption of FSP No. 106-2 did not have a material impact on the company's consolidated financial position, consolidated results of operations, or liquidity.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" (SFAS No. 154). SFAS No. 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes, unless impracticable, retrospective application as the required method for reporting a change in accounting principle in the absence of explicit transition requirements specific to the newly adopted accounting principle. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" (SFAS No. 123R), which replaces SFAS No. 123 and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. The pro forma disclosures previously permitted under SFAS No. 123 will no longer be an alternative to financial statement recognition. In accordance with a Securities and Exchange Commission rule, companies will be allowed to implement SFAS No. 123R as of the beginning of the first interim or annual period that begins after June 15, 2005. The company will adopt SFAS No. 123R on January 1, 2006. Under SFAS No. 123R, the company must determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at date of adoption. The permitted transition methods include either retrospective or prospective adoption. Under the retrospective method, prior periods may be restated either as of the beginning of the year of adoption or for all periods presented. The prospective method requires that compensation expense be recorded for all unvested stock options at the beginning of the first quarter of adoption of SFAS No. 123R, while the retrospective method would record compensation expense for all unvested stock options beginning with the first period presented. The company expects to adopt the prospective method. The company is evaluating the requirements of SFAS No. 123R and currently expects that adoption of SFAS No. 123R will not have a material impact on the company's consolidated financial position and consolidated results of operations due to the acceleration of vesting of stock options on September 23, 2005 as disclosed in Note 1. However, uncertainties, including the company's future stock-based compensation strategy, stock price volatility, estimated forfeitures and employee stock option exercise behavior, make it difficult to determine whether the stock-based compensation expense recognized in future periods will be similar to the SFAS No. 123 pro forma expense disclosed in Note 1. In addition, the amount of stock-based compensation expense to be incurred in future periods will be reduced by the acceleration of stock options on September 23, 2005 as disclosed in Note 1.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs an amendment of ARB No. 43, Chapter 4" (SFAS No. 151). SFAS No. 151 amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, handling costs and wasted material (spoilage). Among other provisions, the new rule requires that such items be recognized as current-period charges, regardless of whether they meet the criterion of "so abnormal" as stated in ARB No. 43. SFAS No. 151 is effective

for fiscal years beginning after June 15, 2005. The company does not expect that adoption of SFAS No. 151 will have a material effect on its consolidated financial position, consolidated results of operations, or liquidity.

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

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

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

7. Accounts receivable

At December 31, 2005, the company had an agreement to sell, on an ongoing basis, through Unisys Funding Corporation I, a wholly owned subsidiary, interests in eligible U.S. trade accounts receivable for up to $225 million. The agreement was renewable annually, at the purchasers' option, until November 2006. This facility required maintenance of certain ratios related to the sold receivables. The company requested and obtained a waiver and amendment of certain of these requirements in the second quarter of 2005. The facility was also terminable by the purchasers if the company's public debt securities are rated below BB- by Standard and Poor's Rating Services (S&P) or Ba3 by Moody's Investors Service, Inc. (Moody's). During the third quarter of 2005, both S&P and Moody's lowered their ratings on the company's public debt securities to BB- and Ba3, respectively. If the facility were to be terminated, collections of the sold receivables would be remitted to the purchasers.

As of January 6, 2006, the company executed an amendment to the facility which, among other things: increases the amount of receivables which the company may sell under the facility to $300 million; increases the discount at which the receivables are sold to reflect a margin based on, among other things, the company's then-current S&P and Moody's credit rating; changes the termination provision related to the rating of the company's public debt securities such that the facility is now terminable by the purchasers if the company's public debt securities are rated below B by S&P or B2 by Moody's; and modifies certain definitions related to the maintenance of certain ratios related to the sold receivables. The amended facility is renewable annually at the purchasers' option until November 2008. Unisys Funding Corporation I has been structured to isolate its assets from creditors of the company.

The company received proceeds of $2.5 billion in 2005, $1.5 billion in 2004, and $2.3 billion in 2003, from ongoing sales of accounts receivable interests under the program. At each of December 31, 2005 and 2004, the company retained subordinated interests of $325 million and $144 million, respectively, in the associated receivables; these receivables have been included in accounts and notes receivable in the accompanying consolidated balance sheets. As collections reduce previously sold interests, interests in new, eligible receivables can be sold, subject to meeting certain conditions. At each of December 31, 2005 and 2004, receivables of $225 million were sold and therefore removed from the accompanying consolidated balance sheets.

The selling price of the receivables interests reflects a discount (4.3% at December 31, 2005, and 2.3% at December 31, 2004) based on the A-1 rated commercial paper borrowing rates of the purchasers. The company remains responsible for servicing the underlying accounts receivable, for which it will receive a fee of 0.5% of the outstanding balance, which it believes represents adequate compensation. The company estimates the fair value of its retained interests by considering two key assumptions: the payment rate, which is derived from the average life of the accounts receivable, which is less than 50 days, and the rate of expected credit losses. Based on the

company's favorable collection experience and very short-term nature of the receivables, both assumptions are considered to be highly predictable. Therefore, the company's estimated fair value of its retained interests in the pool of eligible receivables is approximately equal to book value, less the associated allowance for doubtful accounts. The discount on the sales of these accounts receivable during the years ended December 31, 2005, 2004 and 2003, was $9.3 million, $3.3 million and $3.4 million, respectively. These discounts are recorded in other income (expense), net in the accompanying consolidated statements of income.

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

Revenue recognized in excess of billings on services contracts, or unbilled accounts receivable, was $247.9 million and $218.9 million at December 31, 2005 and 2004, respectively. Such amounts are included in accounts and notes receivable, net. At December 31, 2005 and 2004, the company had long-term accounts and notes receivable, net of $68.4 million and $114.4 million, respectively. Such amounts are included in other long-term assets in the accompanying consolidated balance sheets.

Unearned income, which is reported as a deduction from accounts and notes receivable, was $7.7 million and $18.2 million at December 31, 2005 and 2004, respectively. The allowance for doubtful accounts, which is reported as a deduction from accounts and notes receivable, was $50.6 million and $49.6 million at December 31, 2005 and 2004, respectively. The provision for doubtful accounts, which is reported in selling, general and administrative expenses in the Consolidated Statements of Income, was $9.0 million, $1.9 million and $.6 million, in 2005, 2004 and 2003, respectively.

8. Income taxes

Year ended December 31 (millions)	2005	2004	2003
Income (loss) before income taxes			
United States	**$ (220.3)**	$ (34.7)	$177.7
Foreign	**49.4**	(41.3)	202.8
Total income (loss) before income taxes	**$ (170.9)**	$ (76.0)	$380.5
Provision (benefit) for income taxes			
Current			
United States	**$ 4.8**	$ (8.5)	$ (34.5)
Foreign	**57.0**	10.8)	49.1
State and local	**2.3**	(97.1)	17.2
Total	**64.1**	(94.8)	31.8
Deferred			
United States	**1,466.9**	19.3	45.9
Foreign	**30.0**	(39.1)	44.1
Total	**1,496.9**	(19.8)	90.0
Total provision (benefit) for income taxes	**$1,561.0**	$(114.6)	$121.8

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

Year ended December 31 (millions)	2005	2004	2003
United States statutory income tax (benefit)	**$ (59.8)**	$ (26.6)	$133.2
Change in U.S. valuation allowance	**1,466.9**	—	—
U.S. losses	**77.1**	—	—
Foreign taxes	**76.8**	(9.2)	17.4
Tax refund claims, audit issues and other matters			
U.S. federal	**(2.3)**	(14.0)	(36.3)
U.S. state	**2.3**	(63.1)	11.1
Other	—	(1.7)	(3.6)
Provision (benefit) for income taxes	**$1,561.0**	$(114.6)	$121.8

The tax effects of temporary differences and carryforwards that give rise to significant portions of deferred tax assets and liabilities at December 31, 2005 and 2004, were as follows:

December 31 (millions)	2005	2004
Deferred tax assets		
Tax loss carryforwards	**$ 563.1**	$ 487.1
Capitalized research and development	**540.5**	522.1
Other tax credit carryforwards	**213.6**	216.1
Foreign tax credit carryforwards	**199.6**	182.6
Capitalized intellectual property rights	**170.6**	213.8
Pensions	**157.9**	169.6
Deferred revenue	**150.9**	115.1
Postretirement benefits	**58.0**	59.8
Employee benefits	**41.3**	47.0
Depreciation	**40.3**	81.0
Impairment charge related to outsourcing assets	**13.3**	37.7
Restructuring	**3.5**	27.7
Other	**130.9**	165.1
	2,283.5	2,324.7
Valuation allowance	**(1,982.3)**	(531.9)
Total deferred tax assets	**$ 301.2**	$1,792.8
Deferred tax liabilities		
Undistributed earnings of NUL	**$ 82.5**	$ —
Sales-type leases	**41.8**	59.6
Other	**78.7**	108.5
Total deferred tax liabilities	**$ 203.0**	$ 168.1
Net deferred tax assets	**$ 98.2**	$1,624.7

SFAS No. 109 requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized. In September 2005, the company recorded a non-cash charge of $1,573.9 million, or $4.62 per share, to increase the valuation allowance against deferred tax assets. See Note 3.

Cumulative undistributed earnings of foreign subsidiaries, for which no U.S. income or foreign withholding taxes have been recorded, approximated $942.0 million at December 31, 2005. As the company intends to indefinitely reinvest all such earnings, no provision has been made for income taxes that may become payable upon distribution of such earnings, and it is not practicable to determine the amount of the related unrecognized deferred income tax liability. Although there are no specific plans to distribute the undistributed earnings in the immediate future, where economically appropriate to do so, such earnings may be remitted.

Cash paid, net of refunds, during 2005, 2004 and 2003 for income taxes was $44.2 million, $55.9 million and $64.4 million, respectively.

At December 31, 2005, the company has U.S. federal and state and local tax loss carryforwards and foreign tax loss carryforwards for certain foreign subsidiaries, the tax effect of which is approximately $563.1 million. These carryforwards will expire as follows (in millions): 2006, $17.0; 2007, $15.8; 2008, $12.4; 2009, $10.2; 2010, $10.6; and $497.1 thereafter. The company also has available tax credit carryforwards of approximately $413.2 million, which will expire as follows (in millions): 2006, $ – ; 2007, $ – ; 2008, $13.1; 2009, $26.9; 2010, $14.9; and $358.3 thereafter.

See Note 4 for information concerning favorable settlements of tax audit issues in 2004.

The company has approximately $98.2 million of net deferred tax assets. Failure to achieve forecasted taxable income might affect the ultimate realization of such assets. Factors that may affect the company's ability to achieve sufficient forecasted taxable income include, but are not limited to, the following: increased competition, a decline in sales or margins, loss of market share, delays in product availability or technological obsolescence.

9. Properties

Properties comprise the following:

December 31 (millions)	2005	2004
Land	**$ 4.0**	$ 5.3
Buildings	**109.3**	140.0
Machinery and office equipment	**874.0**	879.8
Internal-use software	**228.9**	197.7
Rental equipment	**104.6**	82.7
Total properties	**$1,320.8**	$1,305.5

10. Investments at equity and minority interests

Substantially all of the company's investments at equity consist of Nihon Unisys, Ltd., a publicly traded Japanese company (NUL). NUL is the exclusive supplier of the company's hardware and software products in Japan. For the years ended December 31, 2005, 2004 and 2003, total direct and indirect sales to NUL were approximately $245 million, $240 million and $275 million, respectively. At December 31, 2005, the company owned approximately 29% of NUL's common stock that had a market value of approximately $437 million. Prior to January 1, 2004, the company's share of NUL's earnings or losses was recorded semiannually in the second quarter and fourth quarter on a quarter-lag basis because NUL's quarterly financial results were not available. Due to regulatory changes in Japan, NUL is required to publish its earnings quarterly. Accordingly, effective January 1, 2004, the company began to

record its equity earnings in NUL quarterly on a quarter-lag basis in other income (expense), net in the company's consolidated statements of income. During the years ended December 31, 2005, 2004 and 2003, the company recorded equity income related to NUL of $9.1 million, $16.2 million and $18.2 million, respectively. The year ended December 31, 2003, included $12.2 million of income related to the company's share of a subsidy recorded by NUL upon transfer of a portion of its pension plan obligation to the Japanese government. The company has approximately $207 million of retained earnings that represent undistributed earnings of NUL. The revenue and the equity earnings from NUL are included in the company's Technology segment. See Note 17.

On October 4, 2005, the company and NUL amended the terms of a license and support agreement pursuant to which NUL receives access to certain of the company's intellectual property and support services. Prior to the revised agreement, NUL paid annual royalties to the company based on a percentage of NUL's revenue. In 2004 and 2003, these royalties amounted to approximately $103 million and $101 million, respectively. The royalty fees are included in the direct and indirect sales disclosed above. Under the revised arrangement, the company has granted NUL a perpetual license to the intellectual property, and, in lieu of an annual royalty, NUL has agreed to pay the company a fixed fee of $225 million, one-half of which was paid on October 7, 2005 and one-half of which is payable on October 1, 2006. The company will recognize the $225 million as revenue over the three-year period ending March 31, 2008. In addition, the parties have agreed that NUL will pay the company a fee of $20 million per year for three years for the support services it provides under the license and support agreement. NUL has an option to renew the support services arrangement for an additional two years at the same price. In prior periods, the support services fee was included as part of the royalty payments.

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

(millions)	2005	2004	2003
Year ended March 31			
Revenue	**$2,891.0**	$2,740.8	$2,535.6
Gross profit	**710.7**	659.8	645.9
Pretax income	**82.5**	78.8	128.4
Net income	**44.2**	34.7	68.5
At March 31			
Current assets	**1,310.8**	1,322.1	1,178.8
Noncurrent assets	**848.0**	970.6	903.1
Current liabilities	**834.2**	861.6	772.0
Noncurrent liabilities	**541.5**	686.4	782.7
Minority interests	**5.1**	5.4	14.2

The company owns 51% of Intelligent Processing Solutions Limited (iPSL), a U.K.-based company, which provides high-volume payment processing. iPSL is consolidated in the company's financial statements. The minority owners' interests in the losses of iPSL are reported in other income (expense), net ($36.6 million, $11.9 million and $10.7 million in 2005, 2004 and 2003, respectively) in the company's consolidated statements of income.

At December 31, 2005, the company's total outsourcing assets, net were $416.0 million, approximately $205.2 million of which relate to iPSL. As a result of incurred losses in iPSL, the company began discussions during the second quarter of 2005 with its minority shareholders to revise the iPSL corporate structure and its outsourcing services agreements. In January 2006, the company and the minority shareholders executed agreements whereby the company retains its current 51% ownership interest in iPSL and the fees charged under the outsourcing services agreements are increased beginning January 1, 2006. The estimated increase in iPSL revenue resulting from the amended outsourcing services agreements, together with its existing revenue, is currently estimated to provide the company with sufficient cash flow to recover all of iPSL's outsourcing assets. The company prepares its cash flow estimates based on assumptions that it believes to be reasonable but are also inherently uncertain. Actual future cash flows could differ from these estimates.

11. Debt

Long-term debt is comprised of the following:

December 31 (millions)	2005	2004
8% senior notes due 2012	**$ 400.0**	$ —
$6^{7}/_{8}$% senior notes due 2010	**300.0**	300.0
$7^{7}/_{8}$% senior notes due 2008	**200.0**	200.0
$8^{1}/_{2}$% senior notes due 2015	**150.0**	—
$8^{1}/_{8}$% senior notes due 2006	**57.9**	400.0
$7^{1}/_{4}$% senior notes	—	150.0
Other, net of unamortized discounts	**(.1)**	.1
Total	**1,107.8**	1,050.1
Less – current maturities	**58.8**	151.7
Total long-term debt	**$1,049.0**	$ 898.4

Total long-term debt maturities in 2006, 2007, 2008, 2009 and 2010 are $58.8 million, $.5 million, $200.0 million, $- million and $300.0 million, respectively.

At December 31, 2005, the company had short-term borrowings of $18.1 million at a weighted average interest rate at December 31 of 5.1%.

Cash paid during 2005, 2004 and 2003 for interest was $73.1 million, $83.2 million and $76.6 million, respectively. Capitalized interest expense during 2005, 2004 and 2003 was $15.0 million, $16.3 million and $14.5 million, respectively.

In September 2005, the company issued $400.0 million of 8% senior notes due 2012 and $150.0 million of 81/2% senior notes due 2015. In September and October 2005, the company repaid $342.1 million of its $400 million 81/8% senior notes due 2006 pursuant to a cash tender offer. The company recorded expense of $10.7 million in other income (expense), net in its consolidated statement of income related to the tender offer. On January 18, 2005, the company paid $150 million from cash on hand to retire at maturity all of its 71/4% senior notes.

The company has a $500 million credit agreement that expires in May 2006. Borrowings under the agreement bear interest based on the then-current LIBOR or prime rates plus a margin based upon the company's credit rating. As of December 31, 2005, there were no borrowings under this facility, and the entire $500 million was available for borrowings. The credit agreement contains standard representations and warranties, including no material adverse change. It also contains financial and other covenants, including maintenance of certain financial ratios, a minimum level of net worth and limitations on certain types of transactions, which could reduce the amount the company is able to borrow and could also limit the company's ability to take cost reduction and other charges. Events of default under the credit agreement include failure to perform covenants, materially incorrect representations and warranties, change of control and default under other debt aggregating at least $25 million. If an event of default were to occur under the credit agreement, the lenders would be entitled to declare all amounts borrowed under it immediately due and payable. The occurrence of an event of default under the credit agreement could also cause the acceleration of obligations under certain other agreements and the termination of the company's U.S. trade accounts receivable facility (see Note 7). On September 7, 2005, the company and its lenders entered into an amendment to the company's $500 million credit agreement modifying the financial covenants primarily to provide the necessary flexibility to issue the $550 million of notes and tender for or otherwise acquire the $400 million of 81/8% notes, discussed above. The company is in discussions with several financial institutions regarding possible structures and terms of a new financing facility. The company currently expects that a new credit facility will be in place prior to the expiration of the current $500 million credit agreement, although the size and terms may differ materially from the current facility. In addition, the company and certain international subsidiaries have access to uncommitted lines of credit from various banks.

12. Other liabilities

Other accrued liabilities (current) is comprised of the following:

December 31 (millions)	2005	2004
Deferred revenue	**$ 685.1**	$ 637.5
Accrued vacations	**132.3**	133.4
Payrolls and commissions	**120.3**	163.9
Taxes other than income taxes	**95.6**	98.9
Income taxes	**47.2**	66.6
Restructuring	**22.6**	72.2
Other	**190.2**	210.2
Total other accrued liabilities	**$1,293.3**	$1,382.7

In addition, other long-term liabilities include deferred revenue of $413.9 million and $354.5 million at December 31, 2005 and 2004, respectively.

13. Product warranty

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

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

Year ended December 31 (millions)	2005	2004
Balance at January 1	**$ 11.6**	$ 20.8
Accruals for warranties issued during the period	**8.8**	11.8
Settlements made during the period	**(10.3)**	(16.1)
Changes in liability for pre-existing warranties during the period, including expirations	**(2.1)**	(4.9)
Balance at December 31	**$ 8.0)**	$ 11.6

14. Rental expense and commitments

Rental expense, less income from subleases, for 2005, 2004 and 2003 was $182.6 million, $184.7 million and $165.6 million, respectively.

Minimum net rental commitments under noncancelable operating leases outstanding at December 31, 2005, substantially all of which relate to real properties, were as follows: 2006, $138.2 million; 2007, $118.0 million; 2008, $96.4 million; 2009, $71.2 million; 2010, $55.8 million; and $203.8 million thereafter. Such rental commitments have been reduced by minimum sublease rentals of $111.6 million, due in the future under noncancelable subleases.

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

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

At December 31, 2005, the company had outstanding standby letters of credit and surety bonds of approximately $250 million related to performance and payment guarantees. On the basis of experience with these arrangements, the company believes that any obligations that may arise will not be material.

15. Financial instruments

Due to its foreign operations, the company is exposed to the effects of foreign currency exchange rate fluctuations on the U.S. dollar. The company uses derivative financial instruments to manage its exposure to market risks from changes in foreign currency exchange rates. The derivative instruments used are foreign exchange forward contracts and foreign exchange options.

Certain of the company's qualifying derivative financial instruments have been designated as cash flow hedging instruments. Such instruments are used to manage the company's currency exchange rate risks for forecasted transactions involving intercompany sales and royalties. For the forecasted inter-company transactions, the company generally enters into derivative financial instruments for a six-month period by initially purchasing a three-month foreign exchange option, which, at expiration, is replaced with a three-month foreign exchange forward contract.

The company recognizes the fair value of its cash flow hedge derivatives as either assets or liabilities in its consolidated balance sheets. Changes in the fair value related to the effective portion of such derivatives are recognized in other comprehensive income until the hedged item is recognized in earnings, at which point the accumulated gain or loss is reclassified out of other comprehensive income and into earnings. The ineffective portion of such derivative's change in fair value is immediately recognized in earnings. The ineffective amount related to cash flow hedge derivatives for intercompany transactions was immaterial during the years ended December 31, 2005, 2004 and 2003. Both the amounts reclassified out of other comprehensive income and into earnings and the ineffectiveness recognized in earnings related to cash flow hedge derivatives for forecasted intercompany transactions are recognized in cost of revenue. All of the accumulated income and loss in other comprehensive income related to cash flow hedges at December 31, 2005, is expected to be reclassified into earnings within the next 12 months.

When a cash flow hedge is discontinued because it is probable that the original forecasted transaction will not occur by the end of the original specified time period, the company is required to reclassify any gains or losses out of other comprehensive income and into earnings. The amount of such reclassifications during the years ended December 31, 2005, 2004 and 2003 was immaterial.

In addition to the cash flow hedge derivatives mentioned above, the company enters into foreign exchange forward contracts that have not been designated as hedging instruments.

Such contracts generally have maturities of one month and are used by the company to manage its exposure to changes in foreign currency exchange rates principally on intercompany accounts. The fair value of such instruments is recognized as either assets or liabilities in the company's consolidated balance sheets, and changes in the fair value are recognized immediately in earnings in other income (expense), net in the company's consolidated statements of income.

During the years ended December 31, 2005, 2004 and 2003, the company recognized foreign exchange transaction gains or (losses) in other income (expense), net in its consolidated statements of income of $6.5 million, $(5.2) million and $(11.3) million, respectively.

Financial instruments also include temporary cash investments and customer accounts receivable. Temporary investments are placed with creditworthy financial institutions, primarily in over-securitized treasury repurchase agreements, Eurotime deposits, or commercial paper of major corporations. At December 31, 2005, the company's cash equivalents principally have maturities of less than one month. Due to the short maturities of these instruments, they are carried on the consolidated balance sheets at cost plus accrued interest, which approximates market value. Realized gains or losses during 2005 and 2004, as well as unrealized gains or losses at December 31, 2005, were immaterial. Receivables are due from a large number of customers that are dispersed worldwide across many industries. At December 31, 2005 and 2004, the company had no significant concentrations of credit risk. At December 31, 2005, the company had approximately $300 million of receivables due from various U.S. federal governmental agencies. At December 31, 2005, the carrying amount of cash and cash equivalents, and notes payable approximated fair value; and the carrying amount of long-term debt exceeded the fair value of such debt by approximately $66 million.

16. Contingencies

There are various lawsuits, claims and proceedings that have been brought or asserted against the company. In accordance with SFAS No. 5, "Accounting for Contingencies," the company records a provision for these matters when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Any provisions are reviewed at least quarterly and are adjusted to reflect the impact and status of settlements, rulings, advice of counsel and other information pertinent to a particular matter. Although the ultimate results of these lawsuits, claims and proceedings are not currently determinable, the company believes that at December 31, 2005, it has adequate provisions for any such matters.

In 2002, the company and the Transportation Security Administration (TSA) entered into a competitively awarded contract providing for the establishment of secure information technology environments in airports. The Defense Contract Audit Agency (DCAA), at the request of TSA, reviewed contract performance and raised some government contracting issues. It is not unusual in complex government contracts for the government and the contractor to have issues arise regarding contract obligations. The company continues to work collaboratively with the DCAA and TSA to try to resolve these issues. While the company believes that it and the government will resolve the issues raised, there can be no assurance that these issues will be successfully resolved or that new issues will not be raised. It has been publicly reported that certain of these matters have been referred to the Inspector General's office of the Department of Homeland Security for investigation. The company has received no investigative requests from the Inspector General's office or any other government agency with respect to any such referral. The company does not know whether any such referral will be pursued or, if pursued, what effect it may have on the company or on the resolution of the issues with TSA.

17. Segment information

The company has two business segments: Services and Technology. The products and services of each segment are marketed throughout the world to commercial businesses and governments. Revenue classifications by segment are as follows: Services – consulting and systems integration, outsourcing, infrastructure services and core maintenance; Technology – enterprise-class servers and specialized technologies.

The accounting policies of each business segment are the same as those described in the summary of significant accounting policies. Intersegment sales and transfers are priced as if the sales or transfers were to third parties. Accordingly, the Technology segment recognizes intersegment revenue and manufacturing profit on hardware and software shipments to customers under Services contracts. The Services segment, in turn, recognizes customer revenue and marketing profit on such shipments of company hardware and software to customers. The Services segment also includes the sale of hardware and software products sourced from third parties that are sold to customers through the company's Services channels. In the company's consolidated statements of income, the manufacturing costs of products sourced from the Technology segment and sold to Services customers are reported in cost of revenue for Services.

Also included in the Technology segment's sales and operating profit are sales of hardware and software sold to the Services segment for internal use in Services engagements. The amount of such profit included in operating income of the Technology segment for the years ended December 31, 2005, 2004 and 2003, was $16.1 million, $17.9 million and $24.4 million, respectively. The profit on these transactions is eliminated in Corporate.

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

In 2004, the Services segment operating loss included an impairment charge of $125.6 million (see Note 4). The company also recognized an impairment charge of approximately $11 million in 2004 in the Services segment operating loss for the write down to net realizable value of certain contract-related assets.

Corporate assets are principally cash and cash equivalents, prepaid pension assets and deferred income taxes. The expense or income related to corporate assets is allocated to the business segments. In addition, corporate assets include an offset for interests in accounts receivable that have been recorded as sales in accordance with SFAS No. 140, because such receivables are included in the assets of the business segments.

No single customer accounts for more than 10% of revenue. Revenue from various agencies of the U.S. Government, which is reported in both business segments, approximated $980 million, $900 million and $895 million in 2005, 2004 and 2003, respectively. Included in these amounts are $42 million, $53 million and $165 million, respectively, of revenue associated with products leased to various agencies of the U.S. Government and sold to a third-party finance company.

A summary of the company's operations by business segment for 2005, 2004 and 2003 is presented below:

(millions)	Total	Corporate	Services	Technology
2005				
Customer revenue	$5,758.7		$4,788.5	$ 970.2
Intersegment		$ (259.6)	18.7	240.9
Total revenue	$5,758.7	$ (259.6)	$4,807.2	$ 1,211.1
Operating income (loss)	$ (162.4)	$ (6.4)	$ (207.0)	$ 51.0
Depreciation and amortization	374.2		244.6	129.6
Total assets	4,028.9	819.0	2,310.2	899.7
Investments at equity	207.8	1.2		206.6
Capital expenditures	381.5	11.5	247.0	123.0
2004				
Customer revenue	$5,820.7		$4,724.7	$ 1,096.0
Intersegment		$ (251.8)	18.1	233.7
Total revenue	$5,820.7	$ (251.8)	$4,742.8	$ 1,329.7
Operating income (loss)	$ (34.8)	$ (88.0)	$ (82.8)	$ 136.0
Depreciation and amortization	394.0		244.5	149.5
Total assets	5,620.9	2,334.7	2,364.9	921.3
Investments at equity	197.1	1.1		196.0
Capital expenditures	434.1	14.4	291.9	127.8
2003				
Customer revenue	$5,911.2		$4,691.9	$ 1,219.3
Intersegment		$ (319.8)	25.9	293.9
Total revenue	$5,911.2	$ (319.8)	$4,717.8	$ 1,513.2
Operating income (loss)	$ 427.7	$ (.6)	$ 236.2	$ 192.1
Depreciation and amortization	350.3		201.3	149.0
Total assets	5,469.6	2,239.1	2,256.3	974.2
Investments at equity	153.3	1.1		152.2
Capital expenditures	437.0	11.8	295.4	129.8

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

Year ended December 31 (millions)	2005	2004	2003
Total segment operating income (loss)	**$(156.0)**	$ 53.2	$428.3
Interest expense	**(64.7)**	(69.0)	(69.6)
Other income (expense), net	**56.2**	27.8	22.4
Cost reduction charge	—	(82.0)	—
Corporate and eliminations	**(6.4)**	(6.0)	(.6)
Total income (loss) before income taxes	**$(170.9)**	$(76.0)	$380.5

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

December 31 (millions)	2005	2004	2003
Total segment assets	**$3,209.9**	$3,286.2	$3,230.5
Cash and cash equivalents	**642.5**	660.5	635.9
Prepaid pension assets	**66.1**	52.5	55.5
Deferred income taxes	**206.6**	1,686.4	1,654.6
Elimination for sale of receivables	**(239.1)**	(249.8)	(264.4)
Other corporate assets	**142.9**	185.1	157.5
Total assets	**$4,028.9**	$5,620.9	$5,469.6

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

Year ended December 31 (millions)	2005	2004	2003
Services			
Consulting and systems integration	**$1,654.4**	$1,651.7	$1,595.8
Outsourcing	**1,829.7**	1,725.9	1,682.7
Infrastructure services	**801.1**	775.9	841.3
Core maintenance	**503.3**	571.2	572.1
	4,788.5	4,724.7	4,691.9
Technology			
Enterprise-class servers	**786.1**	870.3	928.7
Specialized technologies	**184.1**	225.7	290.6
	970.2	1,096.0	1,219.3
Total	**$5,758.7**	$5,820.7	$5,911.2

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

(millions)	2005	2004	2003
Revenue			
United States	**$2,651.6**	$2,636.0	$2,757.1
United Kingdom	**826.4**	898.9	837.4
Other foreign	**2,280.7**	2,285.8	2,316.7
Total	**$5,758.7**	$5,820.7	$5,911.2
Properties, net			
United States	**$ 258.7**	$ 275.5	$ 278.6
United Kingdom	**44.3**	54.3	49.7
Other foreign	**83.4**	94.3	95.9
Total	**$ 386.4**	$ 424.1	$ 424.2
Outsourcing assets, net			
United States	**$ 141.7**	$ 104.1	$ 88.0
United Kingdom*	**224.5**	285.7	321.7
Other foreign	**49.8**	42.1	67.8
Total	$ 416.0	$ 431.9	$ 477.5

* *Amounts in 2005 and 2004 relate principally to iPSL, a 51%–owned U.K.-based company. See Note 10.*

18. Employee plans

Stock plans Under the company's plans, stock options, stock appreciation rights, restricted stock and restricted stock units may be granted to officers, directors and other key employees.

Options have been granted to purchase the company's common stock at an exercise price equal to or greater than the fair market value at the date of grant. Options granted before January 1, 2005 generally have a maximum duration of 10 years and were exercisable in annual installments over a four-year period following date of grant. Stock options granted after January 1, 2005 generally have a maximum duration of five years and become exercisable in annual installments over a three-year period following date of grant. On September 23, 2005, the company accelerated the vesting of all of its then-issued unvested stock options. On December 19, 2005, the company granted fully vested stock options to purchase a total of 3.4 million shares of the company's common stock at an exercise price equal to the fair market value of the company's common stock on December 19, 2005 ($6.05). See Note 1.

Restricted stock units have been granted and are subject to forfeiture until the expiration of a specified period of service commencing on the date of grant. Compensation expense resulting from the awards is charged to income ratably from the date of grant until the date the restrictions lapse and is based on fair market value at the date of grant. During the years ended December 31, 2005, 2004 and 2003, $.6 million, $1.4 million and $.9 million, respectively, was charged to income related to restricted stock units.

Prior to April 1, 2005, the company had a worldwide Employee Stock Purchase Plan (ESPP), which enabled substantially all regular employees to purchase shares of the company's common stock through payroll deductions of up to 10% of eligible pay with a limit of $25,000 per employee. The price the employee paid was 85% of the market price at the beginning or end of a calendar quarter, whichever was lower. Effective April 1, 2005, the company discontinued such plan. During the years ended December 31, 2005, 2004 and 2003, employees purchased newly issued shares from the company for $12.5 million, $27.4 million and $25.4 million, respectively.

U.S. employees are eligible to participate in an employee savings plan. Under this plan, employees may contribute a percentage of their pay for investment in various investment alternatives. Company matching contributions of up to 2% of pay are made in the form of newly issued shares of company common stock. The charge to income related to the company match for the years ended December 31, 2005, 2004 and 2003, was $19.3 million, $19.7 million and $18.8 million, respectively.

Through December 31, 2005, the company applied APB Opinion 25 for its stock plans and the disclosure-only option under SFAS No. 123. Accordingly, at the date of grant, no compensation expense was recognized for stock options granted and for common stock purchases under the ESPP.

The fair value of stock options is estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions for 2005, 2004 and 2003, respectively: risk-free interest rates of 3.82%, 3.13% and 2.89%, volatility factors of the expected market price of the company's common stock of 55%, a weighted average expected life of the options of 3.5 years in 2005 and 5 years in 2004 and 2003, and no dividends.

Effective January 1, 2006, the company will adopt SFAS No. 123R which requires all share-based payments to employees to be recognized in the financial statements based on their fair values (see Notes 1 and 6).

A summary of the status of stock option activity follows:

	2005		2004		2003	
Year ended December 31 (shares in thousands)	**Shares**	**Weighted Avg. Exercise Price**	**Shares**	**Weighted Avg. Exercise Price**	**Shares**	**Weighted Avg. Exercise Price**
Outstanding at beginning of year	**43,186**	**$ 18.53**	41,498	$ 18.70	38,890	$ 19.73
Granted	**8,600**	**6.92**	4,560	13.80	5,327	8.93
Exercised	**(44)**	**6.57**	(1,256)	9.09	(736)	8.39
Forfeited and expired	**(4,206)**	**17.30**	(1,616)	16.89	(1,983)	16.84
Outstanding at end of year	**47,536**	**16.54**	43,186	18.53	41,498	18.70
Exercisable at end of year	**47,276**	**16.60**	27,159	21.58	21,704	22.18
Shares available for granting options at end of year	**6,863**		15,014		19,560	
Weighted average fair value of options granted during the year		**$ 2.93**		$ 7.17		$ 4.20

December 31, 2005 (shares in thousands)	Outstanding			Exercisable	
Exercise Price Range	**Shares**	**Average Life ***	**Average Exercise Price**	**Shares**	**Average Exercise Price**
$5.11-7.62	9,667	4.12	$ 6.83	9,407	$ 6.85
$7.63-12.11	14,104	6.19	10.80	14,104	10.80
$12.12-18.57	10,293	6.26	16.74	10,293	16.74
$18.58-34.13	13,361	3.92	29.29	13,361	29.29
$34.14-51.73	111	3.28	37.93	111	37.93
Total	47,536	5.14	16.54	47,276	16.60

* *Average contractual remaining life in years.*

Retirement benefits December 31 is the measurement date for both U.S. and international defined benefit pension plans. Retirement plans' funded status and amounts recognized in the company's consolidated balance sheets at December 31, 2005 and 2004, follow:

December 31 (millions)	U.S. Plans		International Plans	
	2005	2004	2005	2004
Change in benefit obligation				
Benefit obligation at beginning of year	**$4,592.5**	$4,351.6	**$2,239.4**	$1,797.2
Service cost	**69.3**	67.2	**47.3**	49.2
Interest cost	**262.9**	264.3	**106.7**	96.0
Plan participants' contributions			**10.2**	9.3
Plan amendments	**.1**		**(5.7)**	
Actuarial loss	**222.3**	204.8	**176.8**	145.9
Benefits paid	**(300.2)**	(295.4)	**(61.8)**	(55.6)
Termination payments				16.8
Foreign currency translation adjustments			**(279.3)**	180.6
Other*			**9.2**	
Benefit obligation at end of year	**$4,846.9**	$4,592.5	**$2,242.8**	$2,239.4
Accumulated benefit obligation	**$4,813.9**	$4,570.3	**$1,894.8**	$1,922.4
Change in plan assets				
Fair value of plan assets at beginning of year	**$4,363.9**	$4,129.5	**$1,623.9**	$1,356.2
Actual return on plan assets	**497.8**	524.2	**252.6**	121.0
Employer contribution	**5.9**	5.6	**65.7**	57.2
Plan participants' contributions			**10.2**	9.3
Benefits paid	**(300.2)**	(295.4)	**(61.8)**	(55.6)
Foreign currency translation adjustments			**(209.3)**	135.8
Other*			**12.0**	
Fair value of plan assets at end of year	**$4,567.4**	$4,363.9	**$1,693.3**	$1,623.9
Funded status	**$ (279.5)**	$ (228.6)	**$ (549.5)**	$ (615.5)
Unrecognized net actuarial loss	**1,512.6**	1,567.5	**730.8**	822.1
Unrecognized prior service (benefit) cost	**(47.0)**	(54.7)	**2.3**	10.3
Net amount recognized	**$1,186.1**	$1,284.2	**$ 183.6**	$ 216.9
Amounts recognized in the consolidated balance sheets consist of:				
Prepaid pension cost			**$ 66.1**	$ 52.5
Intangible asset			**3.5**	8.0
Accrued pension liability	**$ (246.5)**	$ (206.5)	**(260.4)**	(331.4)
Accumulated other comprehensive loss**	**1,432.6**	1,490.7	**374.4**	487.8
	$1,186.1	$1,284.2	**$ 183.6**	$ 216.9

* *Principally represents amounts of pension assets and liabilities assumed by the company at the inception of certain outsourcing contracts related to the customers' employees hired by the company.*

** *In addition to amounts recognized in other comprehensive loss relating to company pension plans, the company recorded $36.4 million and $47.3 million at December 31, 2005 and 2004, respectively, in other comprehensive loss related to its share of NUL's minimum pension liability adjustment. (See Note 10.)*

Information for plans with an accumulated benefit obligation in excess of plan assets at December 31, 2005 and 2004, follows:

December 31 (millions)	2005	2004
Accumulated benefit obligation	**$6,155.8**	$6,078.5
Fair value of plan assets	**5,656.0**	5,551.4

Information for plans with a projected benefit obligation in excess of plan assets at December 31, 2005 and 2004, follows:

December 31 (millions)	2005	2004
Projected benefit obligation	**$7,089.7**	$6,831.9
Fair value of plan assets	**6,260.7**	5,987.8

Net periodic pension cost for 2005, 2004 and 2003 includes the following components:

Year ended December 31 (millions)	U.S. Plans 2005	U.S. Plans 2004	U.S. Plans 2003	International Plans 2005	International Plans 2004	International Plans 2003
Service cost	**$ 69.3**	$ 67.2	$ 58.8	**$ 47.3**	$ 49.2	$ 41.3
Interest cost	**262.9**	264.3	267.4	**106.7**	96.0	80.0
Expected return on plan assets	**(361.0)**	(378.9)	(403.6)	**(117.6)**	(115.8)	(97.2)
Amortization of prior service (benefit) cost	**(7.6)**	(7.7)	(12.0)	**1.5**	1.5	1.0
Recognized net actuarial loss (gain)	**140.4**	93.2	20.6	**39.2**	24.6	14.0
Settlement/curtailment (gain) loss						7.1
Net periodic pension cost (income)	**$ 104.0**	$ 38.1	$ (68.8)	**$ 77.1**	$ 55.5	$ 46.2

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

	U.S. 2005	U.S. 2004	U.S. 2003	Int'l 2005	Int'l 2004	Int'l 2003
Discount rate	**5.88%**	6.25%	6.75%	**5.12%**	5.30%	5.86%
Rate of compensation increase	**4.62%**	4.60%	5.40%	**3.14%**	3.00%	3.64%
Expected long-term rate of return on assets*	**8.75%**	8.75%	8.75%	**7.43%**	7.51%	7.64%

** For 2006, the company has assumed that the expected long-term rate of return on plan assets for its U.S. defined benefit pension plan will be 8.75%.*

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

	U.S. 2005	U.S. 2004	U.S. 2003	Int'l 2005	Int'l 2004	Int'l 2003
Discount rate	**5.84%**	5.88%	6.25%	**4.77%**	5.12%	5.30%
Rate of compensation increase	**4.58%**	4.62%	4.60%	**3.12%**	3.14%	3.00%

The asset allocation for the defined benefit pension plans at December 31, 2005 and 2004, follows:

December 31	U.S. 2005	U.S. 2004	Int'l 2005	Int'l 2004
Asset Category				
Equity securities	70%	69%	53%	49%
Debt securities	24	24	46	49
Real estate	5	6	0	0
Cash	1	1	1	2
Total	100%	100%	100%	100%

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

Asset Category	U.S. Target	U.S. Range	Int'l Target	Int'l Range
Equity securities	68%	65-71%	50%	45-55%
Debt securities	26%	23-29%	49%	44-55%
Real estate	6%	3-9%	0%	0-1%
Cash	0%	0-5%	1%	0-4%

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

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

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

The company expects to make cash contributions of approximately $70 million to its worldwide defined benefit pension plans in 2006. In accordance with regulations governing contributions to U.S. defined benefit pension plans, the company is not required to fund its U.S. qualified defined benefit pension plan in 2006.

As of December 31, 2005, the following benefit payments, which reflect expected future service, are expected to be paid from the defined benefit pension plans:

Year ending December 31 (millions)	Expected payments	
	U.S.	Int'l
2006	$ 311.9	$ 56.7
2007	318.8	60.0
2008	327.1	65.7
2009	335.8	68.7
2010	343.5	72.1
2011-2015	1,850.0	538.0

Other postretirement benefits December 31 is the measurement date for the company's postretirement benefit plan. A reconciliation of the benefit obligation, fair value of the plan assets and the funded status of the postretirement benefit plan at December 31, 2005 and 2004, follow:

December 31 (millions)	2005	2004
Change in benefit obligation		
Benefit obligation at beginning of year	**$ 235.4**	$ 233.6
Interest cost	**13.4**	14.0
Plan participants' contributions	**28.0**	30.8
Actuarial loss	**5.0**	16.7
Federal drug subsidy	**(11.3)**	—
Benefits paid	**(55.6)**	(59.7)
Benefit obligation at end of year	**$ 214.9**	$ 235.4
Change in plan assets		
Fair value of plan assets at beginning of year	**$ 14.3**	$ 15.1
Actual return on plan assets	**.1**	.7
Employer contributions	**26.4**	27.4
Plan participants' contributions	**28.0**	30.8
Benefits paid	**(55.6)**	(59.7)
Fair value of plan assets at end of year	**$ 13.2**	$ 14.3
Funded status	**$(201.7)**	$(221.1)
Unrecognized net actuarial loss	**58.2**	69.3
Unrecognized prior service benefit	**(1.9)**	(3.9)
Accrued benefit cost	**$(145.4)**	$(155.7)

Net periodic postretirement benefit cost for 2005, 2004 and 2003, follows:

Year ended December 31 (millions)	2005	2004	2003
Interest cost	**$13.4**	$14.0	$15.0
Expected return on assets	**(.4)**	(.4)	(.4)
Amortization of prior service benefit	**(2.0)**	(2.0)	(2.0)
Recognized net actuarial loss	**5.1**	4.1	3.7
Net periodic benefit cost	**$16.1**	$15.7	$16.3
Weighted-average assumptions used to determine net periodic postretirement benefit cost for the years ended December 31 were as follows:			
Discount rate	**6.51%**	6.74%	7.00%
Expected return on plan assets	**6.75%**	6.75%	6.75%
Weighted-average assumptions used to determine benefit obligation at December 31 were as follows:			
Discount rate	**6.46%**	6.51%	6.74%

The plan assets are invested as follows: 49% debt securities, 46% insurance contracts and 5% cash. The company reviews its asset allocation periodically, taking into consideration plan liabilities, plan payment streams and then-current capital market assumptions. The company sets the long-term expected return on asset assumption, based principally on the long-term expected return on debt securities. These return assumptions are based on a combination of current market conditions, capital market expectations of third-party investment advisors and actual historical returns of the asset classes.

The company expects to contribute approximately $28 million to its postretirement benefit plan in 2006.

Assumed health care cost trend rates at December 31	2005	2004
Health care cost trend rate assumed for next year	**11.4%**	11.3%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	**5.0%**	5.0%

Year that the rate reaches the ultimate trend rate	**2014**	2014

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

	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on interest cost	$ .7	$ (.7)
Effect on postretirement benefit obligation	10.3	(8.9)

As of December 31, 2005, the following benefits are expected to be paid to or from the company's postretirement plan:

Year ending December 31 (millions)	Gross Medicare Part D Receipts	Gross Expected Payments
2006	$ 3.8	$ 27.5
2007	4.0	29.1
2008	4.3	30.5
2009	4.4	31.6
2010	4.3	30.6
2011-2015	14.1	107.3

In May 2004, the FASB issued Staff Position No. FAS 106-2 (FSP No. 106-2), "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" (the Act). The Act introduces a prescription drug benefit under Medicare, as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. FSP No. 106-2 is effective for the first interim period beginning after June 15, 2004, and provides that an employer shall measure the accumulated plan benefit obligation (APBO) and net periodic postretirement benefit cost, taking into account any subsidy received under the Act. Final regulations implementing the Act were issued on January 21, 2005. The final regulations clarify how a company should determine actuarial equivalency and the definition of a plan for purposes of determining actuarial equivalency. Adoption of FSP No. 106-2 did not have a material impact on the company's consolidated financial position, consolidated results of operations, or liquidity.

19. Stockholders' equity

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

Each outstanding share of common stock has attached to it one preferred share purchase right. The rights become exercisable only if a person or group acquires 20% or more of the company's common stock, or announces a tender or exchange offer for 30% or more of the common stock. Until the rights become exercisable, they have no dilutive effect on net income per common share. In February of 2006, the company announced that it will not renew its stockholder rights plan when it expires on March 17, 2006.

At December 31, 2005, 72.4 million shares of unissued common stock of the company were reserved principally for stock options and savings plans.

Comprehensive income (loss) for the three years ended December 31, 2005, includes the following components:

Year ended December 31 (millions)	2005	2004	2003
Net income (loss)	**$(1,731.9)**	$ 38.6	$258.7
Other comprehensive income (loss)			
Cash flow hedges			
Income (loss), net of tax of $1.9, $(4.1) and $ (8.6)	**3.7**	(7.6)	(15.9)
Reclassification adjustments, net of tax of $ -, $ 5.7 and $ 5.9	**(.1)**	10.7	10.8
Foreign currency translation adjustments	**8.9**	43.5	65.3
Minimum pension liability, net of tax of $(35.3), $ 15.7 and $ (85.9)	**147.1**	(39.2)	164.8
Total other comprehensive income (loss)	**159.6**	7.4	225.0
Comprehensive income (loss)	**$(1,572.3)**	$ 46.0	$483.7

Accumulated other comprehensive income (loss) as of December 31, 2005, 2004 and 2003, is as follows (in millions of dollars):

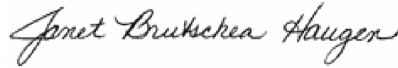
	Total	Translation Adjustments	Cash Flow Hedges	Minimum Pension Liability
Balance at December 31, 2002	$(2,236.9)	$ (745.0)	$ (1.5)	$(1,490.4)
Change during period	225.0	65.3	(5.1)	164.8
Balance at December 31, 2003	(2,011.9)	(679.7)	(6.6)	(1,325.6)
Change during period	7.4	43.5	3.1	(39.2)
Balance at December 31, 2004	(2,004.5)	(636.2)	(3.5)	(1,364.8)
Change during period	159.6	8.9	3.6	147.1
Balance at December 31, 2005	$(1,844.9)	$ (627.3)	$ .1	$(1,217.7)

Report of Management on the Financial Statements

The management of the company is responsible for the integrity of its financial statements. These statements have been prepared in conformity with U.S. generally accepted accounting principles and include amounts based on the best estimates and judgments of management. Financial information included elsewhere in this report is consistent with that in the financial statements.

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

The Board of Directors, through its Audit Committee, which is composed entirely of independent directors, oversees management's responsibilities in the preparation of the financial statements and selects the independent registered public accounting firm, subject to stockholder ratification. The Audit Committee meets regularly with the independent registered public accounting firm, representatives of management, and the internal auditors to review the activities of each and to assure that each is properly discharging its responsibilities. To ensure complete independence, the internal auditors and representatives of Ernst & Young LLP have full access to meet with the Audit Committee, with or without management representatives present, to discuss the results of their audits and their observations on the adequacy of internal controls and the quality of financial reporting.



Joseph W. McGrath
President and
Chief Executive Officer

Janet Brutschea Haugen
Senior Vice President and
Chief Financial Officer

Report of Independent Registered Public Accounting Firm on the Financial Statements

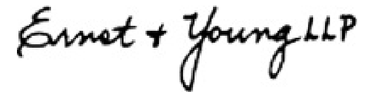
To the Board of Directors and Shareholders of Unisys Corporation

We have audited the accompanying consolidated balance sheets of Unisys Corporation as of December 31, 2005 and 2004, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of Unisys Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Unisys Corporation at December 31, 2005 and 2004, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Unisys Corporation's internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 17, 2006 expressed an unqualified opinion thereon.



Philadelphia, Pennsylvania
February 17, 2006

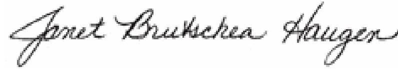
Report of Management on Internal Control Over Financial Reporting

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

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

Management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2005, based on criteria for effective internal control over financial reporting described in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, we assert that the company maintained effective internal control over financial reporting as of December 31, 2005, based on the specified criteria.

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



Joseph W. McGrath	Janet Brutschea Haugen
President and	Senior Vice President and
Chief Executive Officer	Chief Financial Officer

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

To the Board of Directors and Shareholders of Unisys Corporation

We have audited management's assessment, included in the Report of Management on Internal Control Over Financial Reporting appearing on page 55 that Unisys Corporation maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Unisys Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

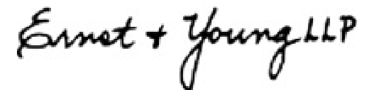
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material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

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

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

In our opinion, management's assessment that Unisys Corporation maintained effective internal control over financial reporting as of December 31, 2005 is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Unisys Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Unisys Corporation as of December 31, 2005 and 2004, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2005 and our report dated February 17, 2006 expressed an unqualified opinion thereon.



Philadelphia, Pennsylvania
February 17, 2006

Unisys Corporation

Supplemental Financial Data (Unaudited)

Quarterly financial information

(millions, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2005					
Revenue	$1,366.6	$1,435.5	$ 1,387.1	$1,569.5	$ 5,758.7
Gross profit	260.3	277.4	246.0	377.7	1,161.4
Income (loss) before income taxes	(78.3)	(39.8)	(80.0)	27.2	(170.9)
Net loss	(45.5)	(27.1)	(1,628.2)	(31.1)	(1,731.9)
Loss per share – basic	(.13)	(.08)	(4.78)	(.09)	(5.09)
– diluted	(.13)	(.08)	(4.78)	(.09)	(5.09)
Market price per share – high	10.24	7.54	7.15	6.84	10.24
– low	6.64	6.09	6.13	4.38	4.38
2004					
Revenue	$1,462.9	$1,388.1	$ 1,445.7	$1,524.0	$ 5,820.7
Gross profit	391.5	367.1	341.0	262.8	1,362.4
Income (loss) before income taxes	42.4	28.7	(57.2)	(89.9)	(76.0)
Net income (loss)	28.9	19.4	25.2	(34.9)	38.6
Earnings (loss) per share – basic	.09	.06	.08	(.10)	.12
– diluted	.09	.06	.07	(.10)	.11
Market price per share – high	15.88	15.00	13.84	11.83	15.88
– low	12.48	12.05	9.57	9.50	9.50

In the third quarter of 2005, the company recorded an increase in its valuation allowance for deferred tax assets resulting in a non-cash charge of $1,573.9 million, or $4.62 per share. See Note 3 of the Notes to Consolidated Financial Statements.

In the fourth quarter of 2004, the company recorded a pretax impairment charge of $125.6 million, or $.26 per share, and an after-tax benefit of $28.8 million, or $.09 per share, related to the favorable settlement of income tax audit issues. See Note 4 of the Notes to Consolidated Financial Statements.

In the third quarter of 2004, the company recorded a pretax cost reduction charge of $82.0 million, or $.18 per share, and a tax benefit related to the settlement of tax audit issues of $68.2 million, or $.20 per share. See Note 4 of the Notes to Consolidated Financial Statements.

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

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

Five-year summary of selected financial data

(dollars in millions, except per share data)	2005[(1)]	2004[(2) (3)]	2003	2002	2001[(2)]
Results of operations					
Revenue	**$ 5,758.7**	$5,820.7	$5,911.2	$5,607.4	$6,018.1
Operating income (loss)	**(162.4)**	(34.8)	427.7	423.2	(4.5)
Income (loss) before income taxes	**(170.9)**	(76.0)	380.5	332.8	(73.0)
Net income (loss)	**(1,731.9)**	38.6	258.7	223.0	(67.1)
Earnings (loss) per share					
Basic	**(5.09)**	.12	.79	.69	(.21)
Diluted	**(5.09)**	.11	.78	.69	(.21)
Financial position					
Total assets	**$ 4,028.9**	$5,620.9	$5,469.6	$4,981.4	$5,769.1
Long-term debt	**1,049.0**	898.4	1,048.3	748.0	745.0
Stockholders’ equity (deficit)	**(32.6)**	1,506.5	1,395.2	856.0	2,112.7
Stockholders’ equity (deficit) per share	**(.10)**	4.46	4.20	2.62	6.59
Other data					
Research and development	**$ 263.9**	$ 294.3	$ 280.1	$ 273.3	$ 331.5
Capital additions of properties	**112.0**	137.0	116.7	100.9	156.5
Capital additions of outsourcing assets	**143.8**	177.5	176.2	160.9	114.0
Investment in marketable software	**125.7**	119.6	144.1	139.9	141.8
Depreciation and amortization					
Properties	**120.7**	136.5	144.4	125.2	121.4
Outsourcing assets	**128.8**	123.3	82.3	64.9	42.4
Amortization of marketable software	**124.7**	134.2	123.6	121.0	145.5
Common shares outstanding (millions)	**342.2**	337.4	331.9	326.2	320.6
Stockholders of record (thousands)	**24.1**	25.2	26.3	27.3	28.4
Employees (thousands)	**36.1**	36.4	37.3	36.4	38.9

(1) *Includes an increase in the valuation allowance for deferred tax assets resulting in a non-cash charge of $1,573.9 million.*
(2) *Includes cost reduction pretax charges of $82.0 million and $276.3 million for the years ended December 31, 2004 and 2001, respectively.*
(3) *Includes a pretax impairment charge of $125.6 million and favorable income tax audit settlements of $97.0 million in 2004.*

Exhibit 21

SUBSIDIARIES OF THE REGISTRANT

Unisys Corporation, the registrant, a Delaware company, has no parent. The registrant has the following subsidiaries:

Name of Company	State or Other Jurisdiction Under the Laws of Which Organized
Unisys (Schweiz) A.G.	Switzerland
Unisys Deutschland G.m.b.H.	Germany
Unisys Brasil Ltda.	Brazil
Unisys France	France
Unisys Limited	United Kingdom
Unisys Nederland N.V.	Netherlands
Unisys Korea Limited	Korea
Unisys Funding Corporation I	Delaware
Intelligent Processing Solutions Limited	United Kingdom
Unisys Philippines Limited	Michigan
Unisys Insurance Services Ltd.	United Kingdom
Unisys Belgium	Belgium
Unisys Italia S.r.l.	Italy

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

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Unisys Corporation of our reports dated February 17, 2006, with respect to the consolidated financial statements of Unisys Corporation, management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting, included in the 2005 Annual Report to Stockholders of Unisys Corporation.

Our audits also included the financial statement schedule of Unisys Corporation listed in Item 15(a). This schedule is the responsibility of Unisys Corporation's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

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

(1) Registration Statement (Form S-3 No. 33-51747) of Unisys Corporation,

(2) Registration Statement (Form S-8 No. 333-51887) pertaining to the 1990 Unisys Long-Term Incentive Plan,

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

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

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

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

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

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

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

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

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

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

of our report dated February 17, 2006, with respect to the consolidated financial statements incorporated herein by reference, our report dated February 17, 2006, with respect to management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting incorporated herein by reference, and our report included in the preceding paragraph with respect to the financial statement schedule included in this Annual Report (Form 10-K) of Unisys Corporation.

Ernst + Young LLP

Philadelphia, Pennsylvania
February 17, 2006

Exhibit 24

POWER OF ATTORNEY
Unisys Corporation
Annual Report on Form 10-K
for the year ended December 31, 2005

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below does hereby make, constitute and appoint JOSEPH W. MCGRATH, JANET BRUTSCHEA HAUGEN AND NANCY STRAUS SUNDHEIM, and each one of them severally, his true and lawful attorneys-in-fact and agents, for such person and in such person's name, place and stead, to sign the Unisys Corporation Annual Report on Form 10-K for the year ended December 31, 2005, and any and all amendments thereto and to file such Annual Report on Form 10-K and any and all amendments thereto with the Securities and Exchange Commission, and does hereby grant unto such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as said person might or could do in person, hereby ratifying and confirming all that such attorney-in-fact and agents and each of them may lawfully do or cause to be done by virtue hereof.

Dated: February 9, 2006

/s/ J. P. Bolduc

J. P. Bolduc
Director

/s/ James J. Duderstadt

James J. Duderstadt
Director

/s/ Henry C. Duques

Henry C. Duques
Chairman of the Board and Director

/s/ Matthew J. Espe

Matthew J. Espe
Director

/s/ Denise K. Fletcher

Denise K. Fletcher
Director

/s/ Randall J. Hogan

Randall J. Hogan
Director

/s/ Edwin A. Huston

Edwin A. Huston
Director

/s/ Clayton M. Jones

Clayton M. Jones
Director

Leslie F. Kenne
Director

/s/ Theodore E. Martin

Theodore E. Martin
Director

/s/ Joseph W. McGrath

Joseph W. McGrath
President and Chief Executive Officer;
Director

Exhibit 31.1

CERTIFICATION

I, Joseph W. McGrath, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

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

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: February 17, 2006

/s/ Joseph W. McGrath

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

Exhibit 31.2

CERTIFICATION

I, Janet Brutschea Haugen, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

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

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: February 17, 2006

/s/ Janet Brutschea Haugen

Name: Janet Brutschea Haugen

Title: Senior Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF PERIODIC REPORT

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

(1) the Annual Report on Form 10-K of the Company for the year ended December 31, 2005 (the “Report”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

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

Dated: February 17, 2006

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

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

Exhibit 32.2

CERTIFICATION OF PERIODIC REPORT

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

(1) the Annual Report on Form 10-K of the Company for the year ended December 31, 2005 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

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

Dated: February 17, 2006

/s/ Janet Brutschea Haugen

Janet Brutschea Haugen
Senior Vice President and
Chief Financial Officer

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