

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 1994.

OR

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

For the transition period from _____ to _____

Commission file number 1-8729

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

Delaware

38-0387840

(State or other jurisdiction
of incorporation or organization)

(I.R.S. Employer
Identification No.)

Township Line and Union Meeting Roads
Blue Bell, Pennsylvania 19424
(Address of principal executive offices) (Zip Code)

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

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

Number of shares of Common Stock outstanding as of September 30, 1994: 170,851,960

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Part I - FINANCIAL INFORMATION
Item 1. Financial Statements.

UNISYS CORPORATION
CONSOLIDATED BALANCE SHEET
(Millions)

September 30,

1994 December 31,
(Unaudited) 1993

	1994	December 31,
	(Unaudited)	1993
	-----	-----
Assets		
Current assets		
Cash and cash equivalents	\$ 566.9	\$ 835.4
Marketable securities	27.0	115.1
Accounts and notes receivable, net	1,002.9	1,088.2
Inventories		
Finished equipment and supplies	348.3	354.1
Work in process and raw materials	489.3	399.8
Deferred income taxes	313.4	313.4
Other current assets	90.6	94.1

Total	----- 2,838.4 =====	----- 3,200.1 =====
Long-term receivables, net	70.7	104.3
Properties and rental equipment	----- 2,730.4	----- 2,776.0
Less-Accumulated depreciation	1,798.9	1,814.2
Properties and rental equipment, net	----- 931.5	----- 961.8
Cost in excess of net assets acquired	1,152.8	1,183.9
Investments at equity	311.7	303.6
Deferred income taxes	543.8	543.8
Other assets	1,126.2	1,221.7
Total	----- \$6,975.1 =====	----- \$7,519.2 =====
Liabilities and stockholders' equity		
Current liabilities		
Notes payable	\$ 15.0	\$ 6.0
Current maturities of long-term debt	71.3	25.0
Accounts payable	843.7	1,027.0
Other accrued liabilities	866.0	1,016.1
Dividends payable	26.6	39.9
Estimated income taxes	213.5	251.9
Total	----- 2,036.1 =====	----- 2,365.9 =====
Long-term debt	1,864.8	2,025.0
Other liabilities	389.2	432.8
Stockholders' equity		
Preferred stock	1,570.3	1,570.2
Common stock, issued: 1994, 171.7; 1993, 171.2	1.7	1.7
Retained earnings	127.9	159.8
Other capital	985.1	963.8
Stockholders' equity	----- 2,685.0 -----	----- 2,695.5 -----
Total	----- \$6,975.1 =====	----- \$7,519.2 =====

See notes to consolidated financial statements.

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

	Three Months		Nine Months	
	Ended September 30		Ended September 30	
	1994	1993	1994	1993
	-----	-----	-----	-----
Revenue				
Sales	\$ 992.0	\$1,068.0	\$2,942.2	\$3,449.4
Services	467.4	378.6	1,340.1	1,096.0
Equipment maintenance	328.7	360.1	993.9	1,096.0
	-----	-----	-----	-----
	1,788.1	1,806.7	5,276.2	5,641.4
	-----	-----	-----	-----
Costs and expenses				
Cost of sales	605.4	642.6	1,776.8	2,043.6
Cost of services	364.8	293.9	1,052.0	858.2
Cost of equipment maintenance	207.7	207.3	611.6	635.5
Selling, general and administrative	410.5	398.6	1,154.8	1,215.3
Research and development	114.2	129.0	353.4	383.4
	-----	-----	-----	-----
	1,702.6	1,671.4	4,948.6	5,136.0
	-----	-----	-----	-----
Operating income	85.5	135.3	327.6	505.4
Interest expense	50.2	55.2	153.1	187.0
Other income, net	25.2	15.3	51.5	12.0
	-----	-----	-----	-----
Income before income taxes	60.5	95.4	226.0	330.4
Estimated income taxes	17.6	11.3	65.5	86.5
	-----	-----	-----	-----
Income before extraordinary items and changes in accounting principles	42.9	84.1	160.5	243.9
Extraordinary items			(7.7)	(26.4)
Effect of changes in accounting principles				230.2
	-----	-----	-----	-----
Net income	42.9	84.1	152.8	447.7
Dividends on preferred shares	30.0	30.3	90.1	91.3
	-----	-----	-----	-----
Earnings on common shares	\$ 12.9	\$ 53.8	\$ 62.7	\$ 356.4
	=====	=====	=====	=====
Earnings per common share				
Primary				
Before extraordinary items and changes in accounting principles	\$.08	\$.33	\$.40	\$.93
Extraordinary items			(.04)	(.16)
Effect of changes in accounting principles				1.39
	-----	-----	-----	-----
Total	\$.08	\$.33	\$.36	\$ 2.16
	=====	=====	=====	=====
Fully diluted				
Before extraordinary items and changes in accounting principles	\$.08	\$.29	\$.40	\$ 1.00
Extraordinary items			(.04)	(.11)
Effect of changes in accounting principles				.94
	-----	-----	-----	-----
Total	\$.08	\$.29	\$.36	\$ 1.83
	=====	=====	=====	=====

See notes to consolidated financial statements.

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

	Nine Months Ended September 30	
	1994	1993
	----	----
Cash flows from operating activities		
Net income	\$ 152.8	\$ 447.7
Add (deduct) items to reconcile net income to net cash provided by operating activities		
Effect of extraordinary items and changes in accounting principles	7.7	(203.8)
Depreciation	188.0	221.1
Amortization:		
Marketable software	114.7	105.3
Cost in excess of net assets acquired	31.1	31.0
(Increase) in deferred income taxes, net		(23.3)
Decrease in receivables, net	103.2	385.9
(Increase) decrease in inventories	(83.7)	57.3
(Decrease) in accounts payable and other accrued liabilities	(315.5)	(565.4)
(Decrease) increase in estimated income taxes	(38.4)	11.6
(Decrease) in other liabilities	(43.6)	(10.0)
Decrease in other assets	78.0	47.0
Other	27.8	26.4
	-----	-----
Net cash provided by operating activities	222.1	530.8
	-----	-----
Cash flows from investing activities		
Proceeds from investments	1,330.8	1,497.3
Purchases of investments	(1,348.7)	(1,498.1)
Proceeds from marketable securities	185.3	122.3
Purchases of marketable securities	(97.2)	(72.7)
Proceeds from sales of properties	16.9	18.3
Investment in marketable software	(93.7)	(81.0)
Capital additions of properties and rental equipment	(148.0)	(149.4)
	-----	-----
Net cash used for investing activities	(154.6)	(163.3)
	-----	-----
Cash flows from financing activities		
Payment of debt	(139.8)	(379.2)
Net proceeds from (reduction in) short-term borrowings	9.0	(21.4)
Dividends paid on preferred shares	(198.0)	(138.0)
Other	3.1	5.6
	-----	-----
Net cash used for financing activities	(325.7)	(533.0)
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	(10.3)	(30.0)
	-----	-----
Decrease in cash and cash equivalents	(268.5)	(195.5)
Cash and cash equivalents, beginning of period	835.4	809.1
	-----	-----
Cash and cash equivalents, end of period	\$ 566.9	\$ 613.6
	=====	=====

See notes to consolidated financial statements.

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

- a. During the nine months ended September 30, 1994, the Company recorded an extraordinary charge for the repurchases of debt of \$7.7 million, net of \$5.1 million of income tax benefits, or \$.04 per fully diluted common share.
- b. Effective January 1, 1993, the Company adopted the Financial Accounting Standards Board's Statement of Financial Accounting Standards ("SFAS") 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and SFAS 109, "Accounting for Income Taxes." The adoption of SFAS 106 decreased net income for the nine months ended September 30, 1993 by \$194.8 million, net of \$124.5 million of income tax benefits, or \$.79 per fully diluted common share, and the adoption of SFAS 109 increased net income for the nine months ended September 30, 1993 by \$425.0 million, or \$1.73 per fully diluted common share.
- c. In April 1993, the Company settled lawsuits with Honeywell Inc. in connection with its sale of the Sperry Aerospace Group in December 1986. As a result of the settlement, in the nine months ended September 30, 1993, the Company recorded an extraordinary charge of \$26.4 million, net of \$16.8 million of income tax benefits, or \$.11 per fully diluted common share.
- d. For the three and nine months ended September 30, 1994 and 1993, the computation of primary earnings per share is based on the weighted average number of outstanding common shares and additional shares assuming the exercise of stock options. The computation of fully diluted earnings per share for the three months ended September 30, 1994 and 1993 assumes the conversion of the 8 1/4% Convertible Subordinated Notes due August 1, 2000, but does not assume conversion of the Series A Preferred Stock since this would have been antidilutive. For the nine months ended September 30, 1994, the computation assumes that neither the Convertible Notes nor the Series A Preferred Stock is converted, since this would have been antidilutive. For the nine months ended September 30, 1993, in addition to the assumed conversion of the Convertible Notes, the fully diluted earnings per share computation also assumes the conversion of Series A Preferred Stock. The shares used in the computations are as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	1994	1993	1994	1993
Primary	171,803	164,945	172,460	164,950
Fully diluted	205,597	198,871	172,460	246,466

Results of Operations

For the three months ended September 30, 1994, the Company reported net income of \$42.9 million, or \$.08 per primary and fully diluted common share, compared to net income of \$84.1 million, or \$.33 per primary common share and \$.29 per fully diluted common share, for the three months ended September 30, 1993. Excluding a one-time favorable tax item of \$.09 per share, fully diluted earnings per share was \$.20 in the year-ago period.

Revenue for the third quarter ended September 30, 1994 was \$1.79 billion, down 1% from \$1.81 billion for the third quarter ended September 30, 1993. The largest decline occurred in the Government Systems business, which continues to be impacted by a decline in government spending and increased competition. Sales revenue declined 7% to \$1.0 billion from \$1.1 billion in last years' third quarter, principally due to a decrease in sales of custom defense systems. Partially offsetting this decline was growth in departmental servers and desktop systems. Services revenue increased 23% to \$467.4 million from \$378.6 million in last years' third quarter as the Company continued to implement its strategy to aggressively grow its services and systems integration business. Equipment maintenance revenue declined 9% to \$328.7 million from \$360.1 million last year, due principally to declining equipment sales and improved product reliability. The Company's objective continues to be overall revenue growth in the fourth quarter of 1994 as compared to the fourth quarter of 1993.

Sales gross profit margin was 39% in the current period compared to 40% last year; services gross profit margin was 22% both in the current quarter and last year; and equipment maintenance gross profit margin was 37% in the current quarter compared to 42% in the comparable period a year ago. The total gross profit margin, which was 34% in the third quarter of 1994 compared to 37% in the same period a year earlier, is expected to be pressured by competitive pricing and the continuing shift to lower margin products and services.

In the third quarter of 1994, selling, general and administrative expenses were \$410.5 million compared to \$398.6 million in the third quarter of 1993. The increase was principally due to the effects of increased selling expense, particularly in support of the services business, and foreign currency translation.

Research and development expenses were \$114.2 million in the quarter ended September 30, 1994 compared to \$129.0 million a year earlier. The decline principally reflects the Company's move to common hardware platforms and technologies. The decline is also consistent with the continuing shift of emphasis to services business which requires less research and development.

As a result of the above, operating income was \$85.5 million for the three months ended September 30, 1994 or 5% of revenue, compared to \$135.3 million, or 7% of revenue, in the year-ago period. The decline in operating income was principally due to lower revenue and lower gross profit margin.

Interest expense was \$50.2 million compared to \$55.2 million a year earlier, principally reflecting lower average debt levels.

Other income, which may vary widely from quarter to quarter, was \$25.2 million in the third quarter of 1994 compared to \$15.3 million in the year-ago period. The increase was principally due to favorable foreign currency fluctuations.

It is the Company's policy to minimize its exposure to foreign currency fluctuations. On a net basis, and after taking into account the cost of the Company's hedging program, foreign currency effects had a minimal effect on pretax results for the three months ended September 30, 1994.

Estimated income taxes were \$17.6 million in the third quarter of 1994 compared to \$11.3 million in the third quarter of 1993. Included in 1993 was a net benefit of \$19.2 million relating to a U.S. tax law change enacted in August 1993. This law increased the top corporate tax rate from 34% to 35% retroactive to January 1, 1993. Since the Company had net deferred tax assets in the U.S., the effect of the tax rate change was to increase these tax assets with a corresponding reduction in provision for taxes.

For the nine months ended September 30, 1994, net income was \$152.8 million, or \$.36 per primary and fully diluted common share, on revenue of \$5.3 billion. Net income for the nine months ended September 30, 1993 was \$447.7 million, or \$2.16 per primary and \$1.83 per fully diluted common share, on revenue of \$5.6 billion. Net income for the nine months ended September 30, 1994 included a cost of \$7.7 million, or \$.04 per fully diluted common share, as a result of an extraordinary charge for repurchases of debt. Net income for the nine months ended September 30, 1993 included an extraordinary charge of \$26.4 million, or \$.11 per fully diluted common share, and a credit of \$230.2 million, or \$.94 per fully diluted common share, as a result of the adoption of new accounting standards.

Extraordinary Items and Accounting Changes

During the nine months ended September 30, 1994, the Company repurchased and redeemed \$112.5 million of debt. The associated costs resulted in an extraordinary charge of \$7.7 million, net of \$5.1 million of income tax benefits, or \$.04 per fully diluted common share.

Effective January 1, 1994, the Company adopted the Financial Accounting Standards Board's Statement of Financial Accounting Standards ("SFAS") 112, "Employers' Accounting for Postemployment Benefits," and SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities." SFAS 112 establishes financial accounting standards for employers that provide benefits to former or inactive employees after employment but before retirement. SFAS 115 establishes financial accounting standards for investments in equity securities that have readily determinable fair values and for all investments in debt securities. The effect of adoption of these statements on the Company's consolidated financial position, results of operations and liquidity was immaterial.

In April 1993, the Company settled lawsuits with Honeywell Inc. in connection with its sale of the Sperry Aerospace Group in December 1986. As a result of the settlement, in the nine months ended September 30, 1993, the Company recorded an extraordinary charge of \$26.4 million, net of \$16.8 million of income tax benefits, or \$.11 per fully diluted common share.

Effective January 1, 1993, the Company adopted SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and SFAS 109, "Accounting for Income Taxes." The adoption of SFAS 106 decreased net income for the nine months ended September 30, 1993 by \$194.8 million, net of \$124.5 million of income tax benefits, or \$.79 per fully diluted common share, and the adoption of SFAS 109 increased net income for the nine months ended September 30, 1993 by \$425.0 million, or \$1.73 per fully diluted common share.

Financial Condition

During the nine months ended September 30, 1994, net cash provided from operations was \$222.1 million compared to \$530.8 million in the same period a year earlier. Cash flow from operations decreased from a year ago due to larger working capital reductions in the prior year.

Investments in properties and rental equipment during the first nine months of 1994 were \$148.0 million compared to \$149.4 million in last years' first nine months.

At September 30, 1994, total debt was \$1.95 billion, a decline of \$104.9 million from December 31, 1993 principally due to the repurchases and redemptions discussed above. The Company intends to continue repurchases or redemptions from time to time. Cash, cash equivalents and marketable securities at September 30, 1994 were \$593.9 million compared to \$950.5 million at December 31, 1993. During the nine months ended September 30, 1994, debt net of cash and marketable securities increased \$251.7 million. As a percent of total capital, debt net of cash and marketable securities at September 30, 1994 was 34% compared to 29% at December 31, 1993.

Dividends paid on preferred stock amounted to \$198.0 million during the first nine months of 1994 compared to \$138.0 million in the year-ago period. The current year amount includes full payment for all dividend arrearages.

Stockholders' equity decreased \$10.5 million during the first nine months of 1994, principally reflecting net income of \$152.8 million and favorable foreign currency translation adjustments of \$18.7 million, offset by preferred dividends of \$184.7 million.

At September 30, 1994, the Company had deferred tax assets in excess of deferred tax liabilities of \$1,123 million. For the reasons cited below, management believes that it is more likely than not that \$773 million of such assets will be realized, therefore resulting in a valuation allowance of \$350 million. In assessing the likelihood of realization of this asset, the Company has considered various factors including its forecast of future taxable income and available tax planning strategies that could be implemented to realize deferred tax assets.

The principal basis used to assess the likelihood of realization was the Company's forecast of future taxable income which was adjusted by applying varying probability factors to the achievement of this forecast. Forecasted taxable income is expected to arise from ordinary and recurring operations and to be sufficient to realize the entire amount of net deferred tax assets. Approximately \$2.3 billion of future taxable income (predominantly U.S.) is needed to realize all of the net deferred tax assets.

The Company's net deferred tax assets include substantial amounts of net operating loss and tax credit carryforwards. The major portion of such carryforwards expire beyond the year 2003. In addition, substantial amounts of foreign net operating losses have an indefinite carryforward period. Failure to achieve forecasted taxable income might affect the ultimate realization of the net deferred tax assets. In recent years, the computer industry has undergone dramatic changes and there can be no assurance that in the future there could not be increased competition or other factors which may result in a decline in sales or margins, loss of market share, or technological obsolescence. The Company will evaluate quarterly the realizability of its net deferred tax assets by assessing its valuation allowance and by adjusting the amount of such allowance if necessary.

In 1995, the Company expects to settle certain open tax years with the Internal Revenue Service, which would result in net cash payments by the Company of approximately \$125 million. These payments will not affect earnings since provision for these taxes has been made in prior years.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

See Exhibit Index.

(b) Reports on Form 8-K

During the quarter ended September 30, 1994, the Company filed no Current Reports on Form 8-K.

SIGNATURE

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

UNISYS CORPORATION

Date: November 11, 1994

By:

Deborah C. Hopkins
Vice President and Controller
(chief accounting officer)

EXHIBIT INDEX

Exhibit Number -----	Description -----
10.1	Employment Agreement dated August 10, 1994 between Unisys Corporation and James A. Unruh
10.2	Deferred Compensation Plan for Executives of Unisys Corporation, effective November 1, 1994
11.1	Statement of Computation of Earnings Per Share for the nine months ended September 30, 1994 and 1993
11.2	Statement of Computation of Earnings Per Share for the three months ended September 30, 1994 and 1993
12	Statement of Computation of Ratio of Earnings to Fixed Charges
27	Financial Data Schedule

Mr. James A. Unruh
Chairman and Chief Executive Officer
Unisys Corporation
P.O. Box 500
Blue Bell, PA 19424

Dear Jim:

You are presently employed by Unisys Corporation (the "Corporation") as Chairman of the Board and Chief Executive Officer under the terms of a letter agreement dated December 20, 1991. This letter agreement (the "Agreement") supersedes and replaces the letter agreement dated December 20, 1991 and describes the terms and conditions of your employment with the Corporation on and after July 1, 1994 and through June 30, 1997. The provisions of this Agreement are as follows:

1. Base Salary. You shall continue to serve as Chairman of the Board and Chief Executive Officer of the Corporation at a base salary at the annual rate of not less than \$800,000 per year. Your base salary level shall be reviewed periodically by the Compensation and Organization Committee (the "Committee") or its successor.
2. Annual Bonus. You shall be eligible to receive an annual bonus award at a target bonus level of not less than 100% of your base salary. The actual annual bonus paid to you, if any, shall be determined by the Committee in its sole discretion and shall be based on such factors as it deems appropriate. Your actual annual bonus payments, if any, shall be made in cash at the time of the award, subject to your election to defer receipt of all or any portion of the bonus award in accordance with the terms of the Deferred Compensation Plan for Officers of Unisys Corporation (or any successor deferred compensation program).
3. Long-Term Incentive Awards. You shall be eligible to receive stock option awards under the terms of the 1990 Long-Term Incentive Plan (or any successor stock option plan) and shall receive stock option awards in each year in which such awards are made to other executive officers generally. You shall also be eligible to receive long-term performance awards on an annual basis under the terms of the 1990 Long-Term Incentive Plan (or any successor thereto) in each year in which such awards are made to executive

officers generally. Your annual award target (expressed in present value terms using the same methods and assumptions generally used in calculating award targets for other executive officers of the Corporation) for awards made under the 1990 Long-Term Incentive Plan (or any successor thereto) shall be 95% of the sum of your base salary and target annual bonus.

4. Benefit Programs. During your employment hereunder, you shall participate in the retirement, welfare, incentive, fringe, and perquisite programs generally made available to executive officers of the Corporation and at such benefit levels customarily provided to the Chairman of the Board and Chief Executive Officer of the Corporation.
5. Service on Other Boards. During the term of your employment hereunder, you shall render your full-time attention to the business affairs of the Corporation. You may serve on the board of directors of other companies as expressly approved by the Board of Directors in its discretion.
6. Death or Disability. In the event of your disability or death, all future compensation under this Agreement (other than those amounts and benefits described in the following sentence) shall terminate. You or your estate shall receive (a) an annual bonus award for the year in which you terminate employment in an amount equal to a pro rata portion, based on the period of service rendered, of the bonus amount paid in the previous year, (b) benefits under the retirement, welfare, incentive, fringe and perquisite programs generally available to executive officers upon disability or death and (c) any deferred account balance under the Deferred Compensation Plan for Officers of Unisys Corporation (or any successor deferred compensation program) in accordance with the terms of such plan. For purposes of this Agreement, disability means a mental or physical injury or illness which renders you incapable of substantially performing your duties hereunder for a period of six consecutive months and shall commence for purposes of this Agreement at the end of such six-month period.
7. Termination of Employment.
 - (a) Your employment may be terminated by the Company at any time with or without cause. In the event that you are terminated for "cause" (as defined below) or you terminate your employment for other than "good reason" (as defined below), no further amounts shall be paid to you

hereunder except as otherwise provided under the normal terms of the retirement, welfare, incentive, fringe, and perquisite programs in which you participated at your date of termination.

(b) Upon termination by the Corporation without cause or your termination for good reason, you shall be entitled to the following:

(1) An amount equal to 100% of the compensation allocable to the remaining term of employment hereunder as if you had continued to work through such remaining term of employment, but in no event less than one years' compensation. For purposes of this Section 7(b), compensation consists of base salary (at its then current rate on the date of termination) and annual bonus (in an amount equal to the average percentage of the annual bonus payments made for the three years preceding your date of termination, but in no event less than 50% of your target bonus times your base salary both as in effect at your date of termination). Such termination payments shall be paid in the same manner and at the same times as the salary and annual bonus due hereunder during employment.

(2) An amount equal to 100% of the amount otherwise payable with respect to Performance Awards under the Corporation's Long-Term Incentive Plan (or any successor incentive plan thereto) previously granted as if earned by continuous employment through the remaining term of this Agreement. Such termination payments shall be paid in the same manner and times as Performance Awards are paid to other executive officers.

(3) Continued participation, at the same costs applicable to active employees, through attainment of age 55, or, if later, through the remaining term of this Agreement, in the Unisys Medical and Dental Plans (or, if such participation is prohibited by applicable law or the terms of the plans, participation in arrangements that will provide benefits substantially similar to those available under the Unisys Medical and Dental Plans) for you and your eligible dependents, subject, however, to the generally applicable terms of such plans;

(4) Upon attainment of age 55, you shall be entitled to receive the post-retirement medical and post-retirement life insurance coverage generally available to other retired executive officers;

(5) Immediate and full vesting in all stock options, restricted stock and other awards made under the Corporation's Long-Term Incentive Plans (or under any successor incentive plan thereto); for purposes of stock option, SAR and other equity-based award exercise rights under the applicable Long-Term Incentive Plans (or any successor incentive plan thereto), you shall be treated as if you had retired on your normal retirement date as of your date of termination;

(6) A noncontributory retirement benefit, payable beginning at age 55, calculated under the terms of the Unisys Elected Officer Pension Plan (or any successor pension plan thereto) as if you had satisfied the vesting requirements described in the Plan and as if you had continued employment through the remaining term of this Agreement;

(7) Extension of the repayment period on any corporate interest-free home mortgage loan until the first to occur of the following: (i) the fifth anniversary of your date of termination; (ii) the date on which your home is sold; or (iii) the date on which your home is leased, unless such action has been approved by the Committee in its sole discretion.

(c) For purposes of this Section 7, "cause" shall mean intentional dishonesty or gross neglect of your duties. "Good reason" shall mean (i) a reduction in your aggregate compensation target (base salary plus bonus target), as such amounts may be increased during the term of this Agreement, unless such reduction is due to your continued failure to adequately perform your duties (provided that the Corporation has provided you notice identifying the manner in which the Corporation believes that you have failed to adequately perform your duties, and you have failed to discontinue your inadequate performance within 90 days of receiving such notice) or is due to a reduction in compensation generally applicable to executive officers or (ii) a reduction in your duties or authority or your removal as Chairman of the Board or Chief Executive Officer of the Corporation or its successor, unless such reduction or removal is for cause, as defined above, or is on account of

your inability to substantially perform your duties for an aggregate of 120 days within any consecutive 12 month period due to a mental or physical injury or illness, and provided that your resignation occurs within 120 days after such reduction or removal.

(d) You shall not be entitled to receive payments under the Unisys Income Assistance Plan or any successor severance or income assistance plan generally applicable to employees of the Corporation.

(e) The payments specified in this paragraph 7 shall be paid notwithstanding the acceptance of other employment by you after termination of employment.

(f) In the event that you become entitled to termination payments under this Section 7 and payments under your Executive Employment Agreement dated September 27, 1985 (the "Executive Employment Agreement"), then you shall not receive duplicate payments under both agreements. Instead, if you are entitled to benefits under both agreements, the provisions of this Agreement as to any matter or the corresponding provisions of your Executive Employment Agreement, whichever is more favorable to you or provides you with the greater benefit as determined by the Accounting Firm (as defined in Section 8), shall be used in determining your status, compensation and benefits, and other rights and obligations.

8. Certain Additional Payments by the Corporation.

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Corporation to or for your benefit (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 8) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by you with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then you shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by you of all federal, state and local taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any

interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, you retain an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of Section 8(c), all determinations required to be made under this Section 8, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by Ernst & Young (the "Accounting Firm") which shall provide detailed supporting calculations both to the Corporation and you within 15 business days of the receipt of notice from you that there has been a Payment, or such earlier time as is requested by the Corporation. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the change of control which has caused Section 4999 of the Code to be applicable, you shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Corporation. Any Gross-Up Payment, net of any taxes (including income and excise taxes) required to be withheld, as determined pursuant to this Section 8, shall be paid by the Corporation to you within five days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by you, it shall furnish you with a written opinion that failure to report the Excise Tax on your applicable federal income tax return would not result in the imposition of a negligence or similar penalty. Any determination by the Accounting Firm shall be binding upon the Corporation and you. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Corporation should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Corporation exhausts its remedies pursuant to Section 8(c) and you thereafter are required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Corporation to or for your benefit.

(c) You shall notify the Corporation in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Corporation of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after you are informed in writing of such claim and shall apprise the Corporation of the nature of such claim and the date on which such claim is requested to be paid. You shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Corporation (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Corporation notifies you in writing prior to the expiration of such period that it desires to contest such claim, you shall:

(i) give the Corporation any information reasonably requested by the Corporation relating to such claim,

(ii) take such action in connection with contesting such claim as the Corporation shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Corporation,

(iii) cooperate with the Corporation in good faith in order effectively to contest such claim, and

(iv) permit the Corporation to participate in any proceedings relating to such claim;

provided, however, that the Corporation shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold you harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 8(c), the Corporation shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct you to pay the tax claimed and sue for a refund or contest the claim in

any permissible manner, and you agree to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Corporation shall determine; provided, however, that if the Corporation directs you to pay such claim and sue for a refund, the Corporation shall advance the amount of such payment to you, on an interest-free basis and shall indemnify and hold you harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for your taxable year with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Corporation's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and you shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by you of an amount advanced by the Corporation pursuant to Section 8(c), you become entitled to receive any refund with respect to such claim, you shall (subject to the Corporation's complying with the requirements of Section 8(c)) promptly pay to the Corporation the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by you of an amount advanced by the Corporation pursuant to Section 8(c), a determination is made that you shall not be entitled to any refund with respect to such claim and the Corporation does not notify you in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

9. Retirement Trust.

- (a) The Corporation shall establish a grantor trust, the assets of which shall be subject to the claims of creditors of the Corporation, to serve as a vehicle for payment of retirement benefit amounts due to you or your spouse under the terms of the Elected Officer Pension Plan and the Supplemental Executive Retirement Income Plan or any successor pension plans thereto (the "non-qualified plans"). Except as otherwise provided in Subsection (b), upon a potential change in control (as defined in Section 9(c)), the Committee shall determine in its sole discretion whether or not to contribute to the grantor trust, on a revocable basis, up to one hundred and five percent (105%) of the amounts necessary to provide in the manner described below the retirement benefit amounts due to you under the non-qualified plans, as calculated under Section 7(b)(6) of this Agreement. Any such contributions made to the grantor trust and any interest earned thereon may be returned to the Corporation, upon a written determination by the Committee that a potential change in control no longer exists, at any time prior to the occurrence of a change in control (as defined in Section 9(c)). If a change in control does not occur within one year from the date of the potential change in control (or, if one or more additional potential changes in control occur in that one-year period, then one year from the date of the most recent potential change in control), the trustee of the grantor trust shall return to the Corporation all amounts contributed upon the potential change in control to the grantor trust, and interest earned thereon. If a change in control occurs within the one-year period described in the preceding sentence, then the amounts contributed upon the potential change in control shall not be returned to the Corporation, the funding of the trust shall become irrevocable, and the trustee of the grantor trust shall purchase an annuity for the grantor trust from an insurance company having the top rating from any two of Standard & Poors Corporation, Moody's Investors Services and A.M. Best, in the amount necessary to provide payment of the retirement benefit amounts due to you under the non-qualified plans as calculated under Section 7(b)(6) hereof. In the event that contributions to the grantor trust by the Corporation, the trust's becoming irrevocable with respect to all assets, or the purchase of an annuity is

determined to be a taxable event to you, the grantor trust will permit such annuity to be surrendered to you by the trustee of the grantor trust, and the terms of the annuity will permit it to be cashed in by you. In the event that you continue to remain employed by the Corporation after the occurrence of the change in control, the Corporation, at its discretion, may contribute to the grantor trust the amounts necessary to provide from the trust any additional retirement benefits accrued by you under the non-qualified plans through your retirement.

- (b) The Corporation's ability to make contributions to the grantor trust described in Subsection (a) is conditioned upon the Corporation's receipt of (i) a favorable ruling from the Internal Revenue Service or (ii) a legal opinion from the Corporation's tax counsel, in a form acceptable to the Corporation as of the date of the change in control, that the actions contemplated by Section 9(a) will not constitute a taxable event to the beneficiary of the trust until such time as trust assets are paid from the trust to the beneficiary. If the Corporation does not receive such ruling or legal opinion, or, to the extent that the assets held in the trust at the occurrence of a change in control are not sufficient to purchase an annuity described in the fifth sentence of Section 9(a) in the full amount described therein, the Corporation shall pay to you in cash (in lieu of additional contributions to the grantor trust) an amount sufficient to purchase from the Prudential Insurance Company of America or the Metropolitan Life Insurance Company an annuity which, together with the annuity purchased by the trustee of the grantor trust pursuant to Section 9(a), will fully provide for the payment of the retirement benefit amounts due you under the non-qualified plans, calculated as if Section 7(b)(6) had been triggered. After a change in control has occurred, the calculation of your retirement benefits shall be made by the independent actuary that prepares the annual valuation for the non-qualified plans and that calculation shall be subject to review for reasonableness by the Corporation's independent auditors.
- (c) For purposes of this Section 9, a change in control shall be deemed to have taken place if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of

the Securities Exchange Act of 1934, as amended (the "Exchange Act")) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing 50% or more of the combined voting power of the Corporation's then outstanding securities, or (ii) during any one-year period, individuals who at the beginning of such period constitute the Board, including for this purpose any new director whose election (y) resulted from a vacancy caused by the mandatory retirement, death or disability of a director and (z) was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period, cease for any reason to constitute a majority thereof. A potential change in control shall be deemed to have taken place if (i) the Corporation enters into an agreement, the consummation of which would result in a change in control, (ii) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing 9.9% or more of the combined voting power of the Corporation's then outstanding securities, (iii) any person publicly announces an intent to take actions which, if consummated, would result in a change in control, or (iv) the Committee adopts a resolution that a potential change in control has taken place.

10. Extension of Term.

(a) On July 1, 1997 and on the first day of each July thereafter, the term of employment hereunder shall be automatically extended by one additional year (July 1 - June 30) unless prior to July 1, 1997 or the first day of July of any subsequent year, the Corporation shall deliver to you or you shall deliver to the Corporation written notice that the term of employment hereunder will not be further extended, in which case the term of employment hereunder will end at the expiration of the then existing term of employment hereunder, including any previous extension, and shall not be further extended except by agreement of the Corporation and you.

(b) Notwithstanding Section 10(a), upon the occurrence of a change in control, this Agreement shall be extended for

an additional three years from the date of such change in control. For purposes of this Section 10(b), a change in control shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing 20% or more of the combined voting power of the Corporation's then outstanding securities, and (ii) during any one-year period, individuals who at the beginning of such period constitute the Board, including for this purpose any new director whose election (y) resulted from a vacancy on the Board caused by the mandatory retirement, death or disability of a director and (z) was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period, cease for any reason to constitute a majority thereof.

11. Successors. This Agreement shall be binding upon the Corporation and its successors and assigns. The Corporation will require any such successor to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform it if no such succession had taken place.
12. Miscellaneous. No provision of this agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by you and such officer as may be specifically designated by the Corporation. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the Commonwealth of Pennsylvania without giving effect to the provisions thereof relating to conflicts of laws.
13. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.
14. Other Agreements. It is not intended that you shall receive duplicate rights and benefits under this Agreement and any other agreement, contract, plan, or other arrangement with, or sponsored by, the Corporation. This Agreement supersedes and replaces all prior understandings and agreements between you and the Corporation except for your Executive Employment Agreement.

15. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Philadelphia, Pennsylvania in accordance with the rules of the American Arbitration Association. Any arbitration award will be final and conclusive upon the parties, and a judgment enforcing such award may be entered in any court of competent jurisdiction. The expenses incurred by you in pursuing arbitration (including reasonable legal fees and expenses) will be borne by the Corporation unless the arbitrator determines that you have caused the dispute to be submitted to arbitration in bad faith.
16. Corporate Approval. This Agreement has been authorized by the Board and approved by the Committee.

If the foregoing sets forth our agreement with you, please sign and return to us the enclosed copy of this Agreement.

Very truly yours,

UNISYS CORPORATION

The foregoing is accepted:

Donald V. Seibert, Chairman
Compensation and Organization
Committee
Board of Directors

James A. Unruh

DEFERRED COMPENSATION PLAN
FOR EXECUTIVES OF UNISYS CORPORATION

Article I
Purpose & Authority

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

1.2 Effective Date. The Board originally approved the Officers' Plan on January 29, 1982. That plan was subsequently amended, most recently to be effective January 1, 1994. The Board determined to further amend that plan to, inter alia, expand the group of employees eligible to participate and the types of compensation that can be deferred. Effective November 1, 1994, the Officers' Plan is amended, restated and renamed, and continues as the Plan.

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

duties in connection with the administration of the Plan have been delegated or, except in circumstances involving the member's or employee's bad faith, for anything done or omitted to be done by himself or herself.

Article II
Definitions

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

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

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

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

2.5 "Committee" means the Compensation and Organization Committee of the Board.

2.6 "Corporation" means Unisys Corporation.

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

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

2.9 "Eligible Executive" means, for any calendar year, an individual: (1) who is employed by the Corporation at Level 25 or above (or at Level P3 or above, if the individual is employed in the Information Services Division of the Corporation); (2) for whom the sum of (A) the individual's base salary from the Corporation and (B) 75 percent of the individual's Target EVC for the calendar year equals or exceeds the maximum amount of compensation that is permitted to be taken into account under section 401(a)(17) of the Internal Revenue Code during a plan year that begins in the calendar year; and (3) who is designated by the Vice President, Human Resources as an Eligible Executive.

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

2.11 "Investment Measurement Option" means any of

the hypothetical investment alternatives available for determining the additional amounts to be credited to a Participant's Account under Section 4.2. The Investment Measurement Options currently available are (a) the Fidelity Retirement Money Market Portfolio, (b) the Fidelity Asset Manager: Growth Fund, (c) the Fidelity Magellan Fund, (d) the Fidelity Asset Manager Fund, and (e) the Insurance Contract Fund, all of which are investment options available under the USP.

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

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

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

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

2.16 "Target EVC" means, for any individual, the amount that will be payable to such individual as EVC if the criteria applicable to such individual are satisfied.

2.17 "USP" means the Unisys Savings Plan.

2.18 "Valuation Date" means the last business day of each calendar month.

Article III
Deferral of Compensation

3.1 Deferral Election.

(a) During any calendar year, each individual who is an Eligible Executive for such calendar year may, by properly completing a Deferral Election, elect to defer:

(1) all or a portion of his or her salary that, absent deferral, would be paid to him or her for services rendered during the remainder of the current calendar year and/or the next following calendar year; and/or

(2) all or a portion of his or her EVC that, absent deferral, would be paid to him/her in the next following calendar year.

(b) To be effective, a Deferral Election with respect to EVC must be made in writing by the Eligible Executive on a form

furnished by the Corporate Executive Compensation Department on or before September 30 of the calendar year immediately preceding the calendar year in which the amounts to be deferred, absent deferral, would be paid to the Eligible Executive, and a Deferral Election with respect to salary must be made in writing by the Eligible Executive on a form furnished by the Corporate Executive Compensation Department on or before the date that is at least three months and one day before the date on which the amounts to be deferred, absent deferral, would be paid to the Eligible Executive provided, however, that an individual who becomes an Eligible Executive after the effective date of the Plan (as set forth in Section 1.2) may make a Deferral Election with respect to salary that, absent deferral, would be paid to him or her during the remainder of the calendar year in which he or she becomes an Eligible Executive and with respect to all or a portion of the EVC that, absent deferral, would be paid to him or her in the next following calendar year by filing the required written election with the Corporate Executive Compensation Department on or before the date that is 30 days after the date on which he or she becomes an Eligible Executive.

(c) Notwithstanding any provision of the Plan to the contrary, an Eligible Executive may make a Deferral Election with respect to salary that, absent deferral, would be paid to him or her in 1995 but less than three months and one day after the date on which he files a Deferral Election by filing the required

written election with the Corporate Executive Compensation Department on or before November 30, 1994.

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

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

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

(A) his or her termination of active employment (including as a result of retirement or disability) with the Corporation; or

(B) a specific date (which may be determined by reference to the Eligible Executive's retirement or other termination of employment) that is at least five years after the date on which the amounts to be deferred, absent deferral, would be paid to the Eligible Executive.

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

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

(f) Deferrals of an Eligible Executive's salary shall be credited to the Plan ratably throughout the year (or, where applicable, the portion of the year) to which the Deferral Election applies. Deferrals of an Eligible Executive's EVC shall be credited at the time at which the EVC, absent deferral, would be payable to the Participant.

(g) Unless the Deferral Election form specifically

provides otherwise, a Deferral Election with respect to salary shall expire as of the last day of the calendar year that includes the first day on which any amount, absent deferral, would be paid to the Eligible Executive and a Deferral Election with respect to EVC shall expire as of the date on which the EVC that is the subject of the Deferral Election is credited under the Plan.

(h) Notwithstanding any provision of the Plan to the contrary, any election made under the Officer's Plan prior to the effective date of the Plan (as set forth in Section 1.2) to defer amounts that, absent deferral, would be payable in 1995 shall be treated as a Deferral Election. A Participant who has made such an election may, however, elect a different form or time of payment of the amounts to be deferred under such an election (other than a form or time of payment that could have been elected by the Participant under the Officers' Plan at the time the original election was made) by making a new Deferral Election that satisfies the requirements of this Section 3.1 on or before November 30, 1994.

3.2 Payment of FICA and Other Taxes. To the extent that, as a result of a Deferral Election, the compensation currently payable to an Eligible Executive during any period is insufficient to permit an amount equal to the FICA and other taxes that are payable by the Eligible Executive, and required to be withheld by the Corporation, during that period to be withheld from

such current compensation, the Eligible Executive shall be notified by the Corporation and shall provide the Corporation with a check in an amount equal to the difference between the amount of FICA and other taxes payable by the Eligible Executive during the period and the amount of compensation otherwise currently payable to the Eligible Executive during the period. If the Eligible Executive does not provide such check within the time period specified by the Corporation, the Eligible Executive's Account Balance shall be reduced by an amount equal to the sum of (a) the difference between the amount of FICA and other taxes payable by the Eligible Executive, and required to be withheld by the Corporation, during the period and the amount of compensation otherwise currently payable to the Eligible Executive during the period and (b) any additional Federal, state and local income taxes payable by the Eligible Executive with respect to the reduction in his or her Account Balance made pursuant to this Section 3.2.

Article IV
Treatment of Deferred Amounts

4.1 Memorandum Account. The Corporation shall establish on its books an Account for each Participant. Amounts deferred by a Participant pursuant to a Deferral Election shall be credited to the Participant's Account on the date on which the deferred amounts, absent deferral, would have been paid to the Participant. In addition, as of each Valuation Date, incremental amounts determined in accordance with Section 4.2 will be credited or debited to each Participant's Account. Any payments made to or on

behalf of the Participant and for his or her Beneficiary shall be debited from the Account. No assets shall be segregated or earmarked in respect to any Account and no Participant or Beneficiary shall have any right to assign, transfer, pledge or hypothecate his or her interest or any portion thereof in his or her Account. The Plan and the crediting of Accounts hereunder shall not constitute a trust or a funded arrangement of any sort and shall be merely for the purpose of recording an unsecured contractual obligation of the Corporation.

4.2 Investment Measurement Options.

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

(b) Each Eligible Executive may elect, at the same time as a Deferral Election is made, to have one or more of the Investment Measurement Options applied to current deferrals. Such election with respect to current deferrals may be changed as of the first day of any quarter, provided that written notice of such election is filed prior to the first day of that quarter with the Corporate Executive Compensation Department.

(c) Subject to the restrictions described in Subsection (d), a Participant may elect to change the manner in which Investment Measurement Options apply to existing Account Balances. Such an election will be effective as of the first day of the calendar quarter following the date on which a written election is filed with the Corporate Executive Compensation Department.

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

(1) The percentage of a Participant's current deferrals and/or Account Balance to which a specified Investment Measurement Option is to be applied must be a multiple of five percent.

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

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

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

Article V
Payment of Deferred Amounts

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

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

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

commence as of the Valuation Date next following the Participant's termination of employment.

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

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

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

(f) Notwithstanding any election made by a Participant, any portion of a Participant's Account Balance that has not been paid to the Participant as of the date of his or her death shall be

paid to the Participant's Beneficiary in a single sum as soon as administratively practicable, but within 90 days, after the Valuation Date following the date on which the Corporation receives notification of the Participant's death.

5.2 Revised Election.

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

(1) a date for the commencement of the payment of the Participant's Account Balance that is after the date specified in the Participant's Deferral Election; and/or

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

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

(b) If a Participant has made a Revised Election with respect to amounts the payment of which has been deferred to a certain date, the Participant may not thereafter make another Revised Election with respect to amounts the payment of which, as of the date on which such Revised Election is made and before giving effect to the Revised Election, has been deferred to the same date.

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

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

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

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

5.3 Special Payments.

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

(b) (1) As a condition of receiving any payment made pursuant to Subsection 5.3(a), a Participant will be subject to, and must elect the application of, one of the following penalties:

(A) payment to the Company of an amount equal to eight percent of the amount of the payment made pursuant to Subsection 5.3(a) and suspension of the Participant's further participation in the Plan or any equivalent plan or plans maintained by the Corporation or a subsidiary of the Corporation for the entire calendar year described in "(B)" below; or

(B) payment to the Company of an amount equal to six percent of the amount of the payment made pursuant to Subsection 5.3(a), and suspension of the Participant's tax-deferred contributions to the Plan and the USP or any equivalent plan or plans maintained by the Corporation or a subsidiary of the Corporation for the entire calendar year that follows the date on which the Participant submits to the Corporate Executive

Compensation Department his or her request for payment pursuant to Subsection 5.3(a).

(2) The payment to the Company specified in Paragraph 5.3(b)(1) shall generally be deducted from the amount otherwise payable to the Participant under Subsection 5.3(a).

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

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

5.4 Acceleration of Payment. Notwithstanding any

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

Article VI
Miscellaneous

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

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

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

Article VII
Transfer of Account Balance

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

rights hereunder with respect to the amounts transferred shall cease.

UNISYS CORPORATION
 STATEMENT OF COMPUTATION OF EARNINGS PER SHARE
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1994 and 1993 (UNAUDITED)
 (Millions, except share data)

	1994	1993
	----	----
Primary Earnings Per Common Share		
Average Number of Outstanding Common Shares	170,689,839	162,483,624
Additional Shares Assuming Exercise of Stock Options	1,769,947	2,466,514
	-----	-----
Average Number of Outstanding Common Shares and Common Share Equivalents	172,459,786	164,950,138
	=====	=====
Income Before Extraordinary Items and Changes in Accounting Principles	\$160.5	\$243.9
Dividends on Series A, B and C Preferred Stock	(90.1)	(91.3)
	-----	-----
Primary Earnings on Common Shares Before Extraordinary Items and Changes in Accounting Principles	70.4	152.6
Extraordinary Items	(7.7)	(26.4)
Effect of Changes in Accounting Principles		230.2
	-----	-----
Primary Earnings on Common Shares	\$ 62.7	\$356.4
	=====	=====
Primary Earnings Per Common Share Before Extraordinary Items and Changes in Accounting Principles	\$.40	\$.93
Extraordinary Items	(.04)	(.16)
Effect of Changes in Accounting Principles		1.39
	-----	-----
Total	\$.36	\$2.16
	=====	=====
Fully Diluted Earnings Per Common Share		
Average Number of Outstanding Common Shares and Common Share Equivalents	172,459,786	164,950,138
Additional Shares:		
Assuming Conversion of:		
Series A Preferred Stock		47,629,265
8 1/4% Convertible Notes	33,698,698	33,699,634
Attributable to Stock Options	148,368	187,205
	-----	-----
Common Shares Outstanding Assuming Full Dilution	206,306,852	246,466,242
	=====	=====
Primary Earnings on Common Shares Before Extraordinary Items and Changes in Accounting Principles	\$ 70.4	\$152.6
Exclude Dividends on Series A Preferred Stock		80.2
Interest Expense on 8 1/4% Convertible Notes, Net of Applicable Tax	13.3	13.3
	-----	-----
Fully Diluted Earnings on Common Shares Before Extraordinary Items and Changes in Accounting Principles	83.7	246.1
Extraordinary Items	(7.7)	(26.4)
Effect of Changes in Accounting Principles		230.2
	-----	-----
Fully Diluted Earnings on Common Shares	\$ 76.0	\$449.9
	=====	=====
Fully Diluted Earnings Per Common Share Before Extraordinary Items and Changes in Accounting Principles	\$.41	\$1.00
Extraordinary Items	(.04)	(.11)
Effect of Changes in Accounting Principles		.94
	-----	-----
Total	\$.37	\$1.83
	=====	=====

(Millions, except share data)

	1994	1993
	----	----
Fully Diluted Earnings Per Common Share as Reported		
Before Extraordinary Items and Changes in		
Accounting Principles	\$.40	\$1.00
Extraordinary Items	(.04)	(.11)
Effect of Changes in Accounting Principles		.94
	-----	-----
Total	\$.36	\$1.83
	=====	=====

UNISYS CORPORATION
 STATEMENT OF COMPUTATION OF EARNINGS PER SHARE
 FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1994 and 1993 (UNAUDITED)
 (Millions, except share data)

	1994	1993
	----	----
Primary Earnings Per Common Share		
Average Number of Outstanding Common Shares	170,831,860	162,992,383
Additional Shares Assuming Exercise of Stock Options	970,853	1,953,007
	-----	-----
Average Number of Outstanding Common Shares and Common Share Equivalents	171,802,713	164,945,390
	=====	=====
Net Income	\$ 42.9	\$ 84.1
Dividends on Series A, B and C Preferred Stock	(30.0)	(30.3)
	-----	-----
Primary Earnings on Common Shares	\$ 12.9	\$ 53.8
	=====	=====
Primary Earnings Per Common Share	\$.08	\$.33
	=====	=====
Fully Diluted Earnings Per Common Share		
Average Number of Outstanding Common Shares and Common Share Equivalents	171,802,713	164,945,390
Additional Shares:		
Assuming Conversion of 8 1/4% Convertible Notes	33,697,762	33,699,634
Attributable to Stock Options	96,648	226,420
	-----	-----
Common Shares Outstanding Assuming Full Dilution	205,597,123	198,871,444
	=====	=====
Primary Earnings on Common Shares	\$ 12.9	\$ 53.8
Interest Expense on 8 1/4% Convertible Notes, Net of Applicable Tax	4.4	4.3
	-----	-----
Fully Diluted Earnings on Common Shares	\$ 17.3	\$ 58.1
	=====	=====
Fully Diluted Earnings Per Common Share	\$.08	\$.29
	=====	=====

EXHIBIT 12

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

	Nine Months Ended September 30	Years Ended December 31				
		1994	1993	1992	1991	1990
Income (loss) before income taxes	\$226.0	\$503.4	\$435.6	\$(1,288.3)	\$(337.3)	\$(554.3)
Add (deduct) share of loss (income) of associated companies	(7.1)	14.5	3.2	(6.5)	(51.8)	(50.0)
Subtotal	218.9	517.9	438.8	(1,294.8)	(389.1)	(604.3)
Interest expense (net of interest capitalized)	153.1	241.7	340.6	407.6	446.7	425.7
Amortization of debt issuance expenses	4.6	6.6	4.8	1.8	1.5	1.6
Portion of rental expense representative of interest	57.0	76.0	84.3	86.4	82.5	78.8
Total Fixed Charges	214.7	324.3	429.7	495.8	530.7	506.1
Earnings (loss) before estimated income taxes and fixed charges	\$433.6	\$842.2	\$868.5	\$(799.0)	\$ 141.6	\$(98.2)
Ratio of earnings to fixed charges	2.02	2.60	2.02	(a)	(a)	(a)

(a) Earnings in 1991, 1990 and 1989 were inadequate to cover fixed charges by \$1,294.8 million, \$389.1 million and \$604.3 million, respectively.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION
 EXTRACTED FROM THE COMPANY'S FINANCIAL STATEMENTS
 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1994 AND IS
 QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL
 STATEMENTS.

1,000,000

	9-MOS	
	DEC-31-1994	
	SEP-30-1994	567
		27
		1,115
		(97)
		838
		2,838
		2,730
		(1,799)
		6,975
2,036		
		1,865
		2
0		
		1,570
		1,113
6,975		
		2,942
		5,276
		1,777
		3,440
		0
		13
		153
		226
		65
161		
		0
		(8)
		0
		153
		.36
		.36