

Edgar Filing: UNISYS CORP - Form 11-K

UNISYS CORP
Form 11-K
June 30, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 11-K
ANNUAL REPORT
Pursuant to Section 15(d) of the
Securities Exchange Act of 1934

(Mark One):

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2002

OR

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

For the transition period from _____ to _____.

Commission file number 1-8729

A. Full title of the plan and the address of the plan, if different from
that of the issuer named below:

UNISYS SAVINGS PLAN

B. Name of issuer of the securities held pursuant to the plan and the
address of its principal executive office:

UNISYS CORPORATION
Unisys Way
Blue Bell, Pennsylvania 19424

REQUIRED INFORMATION

Financial Statements and Supplemental Schedule

Unisys Savings Plan

Years ended December 31, 2002 and 2001
with Report of Independent Auditors

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Report of Independent Auditors

Unisys Corporation
Employee Benefits Administrative Committee

We have audited the accompanying statements of assets available for benefits of the Unisys Savings Plan (the Plan) as of December 31, 2002 and 2001, and the related statements of changes in assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the 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 assets available for benefits of the Plan at December 31, 2002 and 2001, and the changes in its assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2002, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

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Ernst & Young LLP
 Philadelphia, Pennsylvania
 May 23, 2003

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Unisys Savings Plan
 Statements of Assets Available for Benefits

| | December 31 | |
|-------------------------------|--------------|--------------|
| | 2002 | 2001 |
| ----- | | |
| (In Thousands) | | |
| Investments at fair value: | | |
| Fidelity Mutual Funds | \$ 1,423,184 | \$ 1,776,829 |
| Unisys Common Stock Funds | 177,975 | 211,510 |
| Unisys Interest Income Fund | 398,727 | 391,456 |
| Participants' Loans | 14,906 | 17,372 |
| Frozen Investment Contracts | 13 | 23 |
| ----- | | |
| Assets available for benefits | \$ 2,014,805 | \$ 2,397,190 |
| ===== | | |

See accompanying notes.

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Unisys Savings Plan
 Statements of Changes in Assets Available for Benefits

| | Year ended December 31 | |
|------------------------------|------------------------|-----------|
| | 2002 | 2001 |
| ----- | | |
| (In Thousands) | | |
| Additions: | | |
| Interest and dividend income | \$ 51,398 | \$ 69,014 |
| Contributions: | | |
| Employer | 17,895 | 18,305 |
| Employee | 84,179 | 83,766 |
| ----- | | |
| | 102,074 | 102,071 |
| ----- | | |

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| | | |
|--|--------------|--------------|
| Total additions | 153,472 | 171,085 |
| ----- | | |
| Deductions: | | |
| Benefit payments | 225,040 | 230,419 |
| Administrative and other expenses | 115 | 109 |
| ----- | | |
| Total deductions | 225,155 | 230,528 |
| ----- | | |
| Net depreciation in fair value of Investments | (310,702) | (263,400) |
| ----- | | |
| Net decrease | (382,385) | (322,843) |
| ----- | | |
| Assets available for benefits: | | |
| Beginning of year | 2,397,190 | 2,720,033 |
| ----- | | |
| End of year | \$ 2,014,805 | \$ 2,397,190 |
| ===== | | |

See accompanying notes.

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Unisys Savings Plan
Notes to Financial Statements
December 31, 2002

1. PLAN DESCRIPTION

The Unisys Savings Plan (the Plan) is a defined contribution plan that covers nonbargaining employees paid from a United States payroll of Unisys Corporation (the Company) and bargaining unit employees whose collective bargaining agreement provides for participation in the Plan. The Employee Benefits Administrative Committee is the Plan administrator. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Participants should refer to the Plan document, summary plan description and their respective bargaining unit agreement, if applicable, for complete information.

CONTRIBUTIONS

Each plan year, participants may contribute up to 20% or 18% of their pretax compensation, depending on their classification as a non-highly compensated or highly compensated employee, respectively. Participants may also make after-tax contributions up to 5% of their eligible compensation. The Company makes a non-discretionary matching contribution in Company Common Stock equal to 50% of the first 4% of compensation deferred by the participant during 2002 and 2001. The Plan also allows for rollover contributions from other qualified defined contribution plans.

INVESTMENT OPTIONS

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Participants may elect to have their current contributions and existing account balances invested in any one or more of the investment options offered and managed by Fidelity Management & Research Company and Fidelity Management Trust Company (Fidelity). Information regarding the investment options is provided to each participant through electronic media and prepared materials provided by the Company and in each investment fund's prospectus made available by Fidelity.

PARTICIPANT ACCOUNTS

Each participant's account is credited with the participant's contributions, matching contributions from the Company and allocations of Plan earnings, and is charged with an allocation of administrative expenses. Allocations are based on participant earnings or account balances, as determined. The benefit to which a participant is entitled is equal to the vested portion of their account.

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1. PLAN DESCRIPTION (continued)

VESTING AND FORFEITURES

Plan participants are immediately vested in their account balances at all times.

DISTRIBUTIONS/WITHDRAWALS

On termination of service, a participant may receive a lump-sum amount equal to his or her account, or upon death, disability or retirement, elect to receive payments in the form of an annuity or annual installments over the participant's actuarially determined lifetime. Plan participants also may receive in-service withdrawals in certain circumstances as defined in the Plan. Loans are also available to Plan participants in accordance with Plan rules and procedures.

PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its matching contributions and/or to terminate the Plan at any time subject to the provisions of ERISA. In the event of Plan termination, participants remain 100% vested in their accounts.

2. SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENT VALUATION AND INCOME RECOGNITION

The Plan's investments are stated at fair value, except for the Unisys Interest Income Fund which includes investments in guaranteed investment contracts issued principally by insurance companies and financial institutions which are valued at contract value as estimated by the insurance companies. Contract value represents contributions and reinvested income, less any withdrawals plus accrued interest, because these investments have fully benefit responsive features. All participant initiated transactions with the fund are permitted at contract value with no conditions, limits or restrictions. However, withdrawals influenced by Company-initiated events, such as in connection with the sale of a business, may result in a distribution at other than contract value. No reserves have been provided or are considered necessary against contract values for credit risk of contract issuers or otherwise. Contract value of these investment contracts approximates their fair value. Interest accrued on the contract balances, during 2002 and 2001, at rates ranging from 1.35% to 5.95% and from 2.12% to 6.35%, respectively. Interest rates are set at the time the contract is negotiated and, depending on the terms of the contract, are fixed through the maturity date or are re-set quarterly, semi-annually or annually. The average yield on the contracts was 5.69% and 6.24% for 2002 and 2001, respectively.

As of December 31, 2002 and 2001, the Plan had no significant concentrations of credit risk.

Shares of registered investment companies are valued at quoted market prices, which represent net asset values of shares held by the Plan at year-end. Shares of Unisys common stock are valued at the closing market price on the last day of the Plan year. Participant loans are valued at the outstanding principal balance, which approximates fair value.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is reported on the accrual basis. Dividends are recorded on the ex-dividend date. Realized gains and losses from securities sold are reported on an average cost basis.

Investments in Frozen Investment Contracts represent the cash balance from payments made to the Plan from the Conservation Estate of the Executive Life Insurance Company (ELIC) and from state guaranty associations in settlement of claims made by the Plan as a result of the insolvency of ELIC. The remaining cash balance at December 31, 2002 represents amounts that will be allocated to Plan participants or applied to pay administrative expenses of the Plan.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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RECLASSIFICATIONS

Certain prior-year amounts have been reclassified to conform with the 2002 presentation.

3. INVESTMENTS

The Plan's investments at December 31, 2002 and 2001 were held in trusts with Fidelity Management Trust Company, Wachovia Bank N.A. (formerly First Union National Bank), and Oriental Bank & Trust, each of which was established for the investment of the Plan's assets.

During 2002 and 2001, the Plan's investments (including investments purchased, sold, as well as held during the year) appreciated (depreciated) in fair value as follows (in thousands):

| | 2002 | 2001 |
|---|--------------|--------------|
| Fidelity Mutual Funds | \$ (265,217) | \$ (229,354) |
| Unisys Common Stock Funds | (41,771) | (30,740) |
| Unisys U.S. Equity Index Commingled Pool Fund | (5,386) | (3,528) |
| Frozen Investment Contracts | 838 | 188 |
| | \$ (311,536) | \$ (263,434) |

Investments that represent 5% or more of fair value of the Plan's assets are as follows (in thousands):

| | 2002 | 2001 |
|---|-----------|-----------|
| * Unisys Stock Fund | \$167,700 | \$197,407 |
| Unisys Interest Income Fund | 398,727 | 391,456 |
| Fidelity Magellan Fund | 222,767 | 320,384 |
| Fidelity Asset Manager Fund | 183,673 | 222,673 |
| Fidelity Asset Manager Growth Fund | 178,337 | 228,110 |
| Fidelity Retirement Money Market Portfolio Fund | 140,230 | 153,369 |

* Predominantly nonparticipant-directed

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3. INVESTMENTS (continued)

The assets and significant components of the changes in assets relating to the predominantly non-participant-directed investments are as follows (in thousands):

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| | December 31 | |
|-----------------------------|-------------|------------|
| | 2002 | 2001 |
| Investments, at fair value: | | |
| Unisys Stock Fund | \$ 167,700 | \$ 197,407 |
| Unisys Common Stock Fund | 10,232 | 14,044 |
| Interest-Bearing Cash | 43 | 59 |
| Frozen Investment Contracts | 13 | 23 |
| Total | \$ 177,988 | \$ 211,533 |

| | Year ended December 31 | |
|-----------------------------------|------------------------|-------------|
| | 2002 | 2001 |
| Changes in assets: | | |
| Interest and dividends | \$ 137 | \$ 203 |
| Net depreciation in fair value of | | |
| Investments | (40,918) | (30,553) |
| Contributions | 20,143 | 21,583 |
| Benefit payments | (11,063) | (13,400) |
| Administrative and other expenses | (10) | (12) |
| Net transfers | (1,834) | (28,319) |
| Total | \$ (33,545) | \$ (50,498) |

At December 31, 2002, the Plan held 1,037,857 and 16,932,513 shares of Unisys Common Stock in the Unisys Common Stock Fund and Unisys Stock Fund, respectively. At December 31, 2001, the Plan held 1,124,633 and 15,736,804 shares of Unisys Common Stock in the Unisys Common Stock Fund and Unisys Stock Fund, respectively.

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4. TAX STATUS OF THE PLAN

The Plan has received a determination letter from the Internal Revenue Service dated September 25, 2002, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the "Code") and, therefore, the related trusts are exempt from taxation. Subsequent to this issuance of the determination letter, the Plan was amended and restated. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan Administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended and restated, continues to be qualified and the related trusts are tax-exempt.

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Supplemental Schedule
 Unisys Savings Plan
 EIN: 38-0387840 Plan: 004

Schedule H, Line 4i-
 Schedule of Assets (Held at End of Year)

December 31, 2002

| Identity of Issue, Borrower, Lessor or Similar Party | Description of Investment Including Maturity Date, Rate of Interest, Par or Maturity Value | Cost | Current Value |
|---|---|---------------|------------------|
| *Fidelity Mutual Funds: | | | |
| Fidelity Fund | 567,122 shares | \$ 18,441,228 | \$ 12,624, |
| Puritan Fund | 922,974 shares | 16,271,186 | 14,573, |
| Trend Fund | 63,604 shares | 3,652,260 | 2,457, |
| Ginnie Mae Portfolio Fund | 1,229,774 shares | 13,452,369 | 13,822, |
| Magellan Fund | 2,821,270 shares | 258,039,487 | 222,767, |
| Contra Fund | 1,720,975 shares | 78,645,012 | 66,429, |
| Equity Income Fund | 287,780 shares | 13,286,255 | 11,416, |
| Growth Company Fund | 686,124 shares | 43,823,783 | 24,302, |
| Investment Grade Bond Fund | 1,299,809 shares | 9,517,265 | 9,839, |
| Growth & Income Portfolio Fund | 1,152,750 shares | 41,582,012 | 34,939, |
| Intermediate Bond Fund | 777,795 shares | 8,017,359 | 8,345, |
| Capital & Income Portfolio Fund | 684,255 shares | 5,777,999 | 4,297, |
| Value Fund | 543,857 shares | 26,965,389 | 25,229, |
| Mortgage Securities Portfolio Fund | 458,524 shares | 5,040,221 | 5,162, |
| Government Securities Fund | 1,594,405 shares | 16,155,394 | 16,709, |
| Independence Fund | 688,953 shares | 15,209,822 | 9,004, |
| Over-The-Counter Portfolio Fund | 509,040 shares | 23,399,492 | 12,171, |
| Overseas Fund | 231,123 shares | 7,589,979 | 5,084, |
| Europe Fund | 282,994 shares | 7,907,129 | 5,184, |
| Pacific Fund | 264,975 shares | 4,593,934 | 3,381, |
| Real Estate Investment Portfolio Fund | 539,669 shares | 9,828,568 | 9,924, |
| Balanced Fund | 874,796 shares | 12,717,226 | 11,626, |
| International Growth & Income Fund | 273,042 shares | 5,715,344 | 4,592, |
| Capital Appreciation Fund | 324,177 shares | 6,862,212 | 5,245, |
| Conv. Securities Fund | 489,377 shares | 10,072,234 | 7,996, |
| Canada Fund | 63,956 shares | 1,268,488 | 1,158, |
| Utilities Fund | 790,921 shares | 14,292,724 | 7,671, |
| Blue Chip Fund | 1,581,990 shares | 62,998,967 | 50,528, |
| Asset Manager Fund | 13,309,632 shares | 215,513,967 | 183,672, |
| Disciplined Equity Fund | 201,785 shares | 5,041,210 | 3,626, |
| Low-Priced Fund | 1,316,085 shares | 33,733,839 | 33,125, |
| Worldwide Fund | 347,386 shares | 5,311,378 | 4,126, |
| Equity Income II Fund | 1,555,703 shares | 36,083,589 | 27,053, |
| Stock Selector Fund | 354,817 shares | 8,712,224 | 5,882, |
| Asset Manager Growth Fund | 14,898,690 shares | 234,815,185 | 178,337, |
| Emerging Markets Fund | 203,128 shares | 2,052,484 | 1,464, |
| Aggressive Growth Fund | 1,715,256 shares | 64,858,020 | 19,193, |
| Diversified International Fund | 665,487 shares | 12,428,046 | 11,419, |
| Asset Manager Income Fund | 2,807,771 shares | 32,078,998 | 30,492, |
| Diversified Growth Fund | 1,463,905 shares | 38,713,798 | 32,674, |
| New Markets Income Fund | 555,332 shares | 6,243,458 | 6,291, |
| Export & Multinational Fund | 236,288 shares | 4,191,184 | 3,248, |
| Global Balanced Fund | 53,724 shares | 815,883 | 794, |

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| | | | |
|---|-----------------------|---------------|------------|
| Aggressive International Fund | 114,012 shares | 1,680,006 | 1,223, |
| Small Capital Stock Fund | 759,886 shares | 11,294,178 | 10,106, |
| Mid-Capital Stock Fund | 1,072,980 shares | 24,722,530 | 17,446, |
| Large-Capital Stock Fund | 230,723 shares | 4,004,245 | 2,572, |
| Europe Capital Appreciation Stock Fund | 150,715 shares | 2,751,775 | 2,084, |
| Latin America Fund | 69,913 shares | 963,805 | 652, |
| Japan Fund | 416,025 shares | 6,436,265 | 3,507, |
| Southeast Asia Fund | 128,639 shares | 1,567,186 | 1,242, |
| Freedom Income Fund | 26,797 shares | 290,708 | 284, |
| Freedom 2000 Fund | 36,648 shares | 438,100 | 403, |
| Freedom 2010 Fund | 292,113 shares | 3,824,668 | 3,341, |
| Freedom 2020 Fund | 230,615 shares | 3,086,844 | 2,453, |
| Freedom 2030 Fund | 153,400 shares | 2,174,279 | 1,570, |
| Target Timeline 2003 Fund | 56,792 shares | 538,552 | 542, |
| Spartan Total Market Index Fund | 133,441 shares | 4,082,722 | 3,075, |
| Spartan Extended Market Index Fund | 49,313 shares | 1,326,680 | 948, |
| Spartan International Market Index Fund | 24,417 shares | 735,354 | 491, |
| Short-Term Bond Fund | 488,600 shares | 4,296,441 | 4,392, |
| Fifty Fund | 312,838 shares | 5,800,965 | 5,017, |
| U.S. Bond Index Portfolio Fund | 1,852,744 shares | 19,896,831 | 20,824, |
| Institutional Short-Intermed. Gov't. Portfolio | 323,064 shares | 3,058,798 | 3,172, |
| Contra II | 29,668 shares | 281,932 | 257, |
| Asset Manager Aggressive | 31,700 shares | 299,881 | 219, |
| Strat Inc. | 281,841 shares | 2,586,517 | 2,649, |
| FID Freedom 2040 | 26,181 shares | 173,414 | 153, |
| | | ----- | |
| | | 1,548,029,277 | 1,236,528, |
| *Fidelity Money Market Funds: | | | |
| Retirement Money Market Portfolio Fund | 140,229,741 shares | 140,229,741 | 140,229, |
| Retirement Gov't. Money Market Portfolio Fund | 28,057,661 shares | 28,057,661 | 28,057, |
| | | ----- | |
| | | 168,287,402 | 168,287, |
| *Fidelity U.S. Equity Index Commingled Pool Fund | 699,224 units | 18,408,505 | 18,368, |
| | | ----- | |
| Total Fidelity Mutual Funds | | 1,734,725,184 | 1,423,184, |
| *Unisys Common Stock Funds: | | | |
| Unisys Common Stock Fund | 1,033,544 units | 9,830,359 | 10,232, |
| Unisys Stock Fund | 10,946,454 units | 249,716,509 | 167,699, |
| Interest-Bearing Cash | 42,638 shares | 42,638 | 42, |
| | | ----- | |
| Total Unisys Common Stock Funds | | 259,589,506 | 177,974, |
| *Unisys Interest Income Fund: | | | |
| CDC | #BR-137-02; 5.62% | 6,018,904 | 6,018, |
| Fidelity Stif | Cash Portfolio; 1.35% | 4,556,731 | 4,556, |
| Chase Manhattan Bank | #430126; 5.95% | 96,747,743 | 96,747, |
| Monumental Life Insurance Company | #MDA134TR; 5.94% | 97,134,046 | 97,134, |
| Rabobank Nederland | #UNI-129901; 5.94% | 97,134,866 | 97,134, |

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| | | | |
|-----------------------------------|--------------|-----------------|--------------|
| UBS Warburg | #3041; 5.94% | 97,134,737 | 97,134, |
| Total Unisys Interest Income Fund | | 398,727,027 | 398,727, |
| *Participants' Loans | | - | 14,906, |
| Frozen Investment Contracts | | 12,780 | 12, |
| Total | | \$2,393,054,497 | \$2,014,805, |
| * Party-In-Interest. | | | |

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SIGNATURES

THE PLAN. Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan administrator has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

UNISYS SAVINGS PLAN

UNISYS CORPORATION

Date: June 30, 2003

By: /s/ Janet Brutschea Haugen

 Janet Brutschea Haugen
 Senior Vice President and
 Chief Financial Officer

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EXHIBIT INDEX

| Exhibit Number | Description |
|-------------------|---|
| ----- | ----- |
| 23 | Consent of Ernst & Young LLP, Independent Auditors |
| 99.1 | Certification of Lawrence A. Weinbach pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350 |
| 99.2 | Certification of Janet B. Haugen pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350 |