SAIC is a FORTUNE 500® scientific, engineering, and technology applications company that uses its deep domain knowledge to solve problems of vital importance to the nation and the world, in national security, energy & environment, health and cybersecurity. The company’s approximately 41,000 employees serve customers in the U.S. Department of Defense, the intelligence community, the U.S. Department of Homeland Security, other U.S. Government civil agencies and selected commercial markets. We remain committed to the ethical performance and integrity that has marked SAIC since its founding in 1969.

**Cybersecurity**

SAIC’s proven solutions, products, and services enable our customers to establish command and control perimeters to better protect data and secure information technology services. Our in-house experts deliver breakthrough technology in areas such as information management solutions that incorporate advanced sensors; deep analytics; large, real-time data warehouses; electronic records management; tailored manufacturing for quick reaction capabilities; and intelligence operations support. CloudShield Technologies, Inc., a wholly owned subsidiary of SAIC, delivers protection against threats and exploits on its scalable open solutions platform.

**Energy & Environment**

From tackling the growing need for a clean, reliable, and secure energy supply to implementing an efficient energy delivery system that will enable economic growth into the 21st century, organizations are faced with how energy and environmental considerations impact designing, building, and operating infrastructure systems. SAIC helps customers keep pace with the world’s energy needs and environmental concerns by bringing the right people, technologies, and systems together to deliver integrated solutions that address the full project lifecycle.
Health
SAIC is helping customers improve the quality of and access to healthcare, while lowering overall costs. We apply our expertise in standards and informatics to enable the secure exchange of clinical data across local, regional, and national information infrastructures. Our health and technology experts help facilitate the use of electronic health records to improve patient care and public health, and provide customers with health data analytics solutions that turn data into meaningful information. We work with customers to help make personalized medicine a reality by conducting scientific research in areas such as vaccine development and new treatments for cancer and AIDS.

Intelligence, Surveillance and Reconnaissance (ISR)
SAIC is a leader in the integration of technology, systems and operational solutions across intelligence disciplines in all domains — air, land, sea, space, and cyberspace — to deliver full-spectrum mission performance. Our capabilities support the entire intelligence lifecycle, from the collection of vital information across all domains, to the processing of data into intelligence products, and to the use of these products in support of national and military intelligence agencies as well as other federal and civilian customers within the national security arena.

Logistics, Readiness & Sustainment
SAIC delivers a wide range of logistics and product support solutions to provide affordable readiness — operational availability at the lowest life-cycle cost — to U.S. military personnel and their weapons and support systems. Our tailored solutions in supply chain management, product support, force modernization, and logistics systems and technology are helping customers across the Department of Defense as well as federal agencies and the commercial market.
As SAIC’s new CEO, I am proud to be part of a company that enjoys a rich legacy of solid performance and achievement. During my career in the Air Force, I had the opportunity to see SAIC, its products and the exceptional work of its people firsthand as a customer in the field. My five years’ experience on the SAIC Board of Directors only increased my admiration for the company and its broader portfolio of technical solutions. Especially in the years since 9/11, the superb products and services produced by SAIC’s scientific minds were turned into quick reaction capabilities, and in many cases, have been publicly credited by the nation’s highest military leaders as critical solutions to daunting problems.

I am honored to now head this outstanding leadership team as we begin a new era focusing on our comprehensive growth strategy and targeting our key areas of expertise and expansion into adjacent markets. Additionally, I couldn’t be more pleased to be serving with Stu Shea in his new capacity as our chief operating officer. Stu, along with Defense Solutions Group (DSG) acting Group President Tom Baybrook, Health, Energy and Civil Solutions (HECS) Group President Joe Craver, and Intelligence, Surveillance and Reconnaissance (ISR) Group President Tony Moraco, have not only my confidence but also the full support of our Board of Directors.

Our company remains financially strong and well positioned for future growth. We are operating in a challenging business environment, but remain constant in our focus to build an even better company. Our performance and our reputation are built on strong program execution, an ethical culture, and delivering value and enduring results to our stockholders, our customers, our people, and the communities in which we work. As we reflect on fiscal year 2012 (FY12) and look ahead, excellence and integrity will continue to guide us in all we do.

On March 14, 2012, SAIC reached a settlement with the U.S. Attorney for the Southern District of New York and the City of New York concerning the CityTime automated workforce management system. SAIC agreed to a settlement of approximately $540 million and to have an independent monitor for the company for three years.

This settlement was an important step in our efforts to move forward as a stronger company. We have implemented process improvements and control enhancements and remain dedicated to the highest level of business ethics.

**Solid Financial Performance and Stockholder Dividend**

Excluding the non-recurring CityTime settlement amount recorded in FY12, SAIC delivered solid underlying financial performance in FY12. Excluding CityTime, revenues totaled approximately $11 billion for the year. We continued to generate strong cash flow from continuing operations with a record $772 million for FY12. We entered fiscal year 2013 with more than $1.5 billion of cash, a record amount of nearly $32 billion in outstanding proposals awaiting decision, and a robust new business pipeline.

On March 20, 2012, we announced the initiation of a quarterly dividend at $0.12 per share. The first dividend was paid on April 30, 2012, for stockholders of record as of April 16, 2012. This dividend reflects our confidence in SAIC’s financial strength.
and our commitment to deploying capital to maximize stockholder value for the long term. The dividend will augment our capital deployment strategy, which will continue to include strategic acquisitions and share repurchases while retaining an attractive credit rating profile.

Implementation of Our Strategy

We continue to believe there will be areas of growth in intelligence, surveillance and reconnaissance; cybersecurity; logistics; readiness and sustainment; health; and energy. We will continue to invest in these areas to differentiate ourselves and deliver the solutions our customers require. In the commercial market, we are seeing strong demand in the areas of health, cybersecurity and energy.

SAIC’s strategic advantage is our ability to rapidly develop and deploy scientific and technical solutions, and we are focused on leveraging those innovative solutions across and beyond our customer base. Our strategic growth will be driven by leveraging these differentiating capabilities into adjacent markets by ensuring we have sufficient credibility, mass, and momentum in these areas.

**New Business Highlights**

Fiscal year 2012 was a record year for our larger wins, with 40 contract awards having a total expected revenue value of $100 million or greater, a 54 percent increase over the previous year. Many of these large wins were a result of increased collaboration across the enterprise — leveraging expertise from different parts of the company to offer differentiated solutions — and this is a process that we will continue to emphasize going forward.

Highlights of our FY12 business development achievements include:

- A prime contract awarded by the Defense Logistics Agency to provide supply chain management, including forecasting, procurement, inventory management, and worldwide distribution of military aircraft and ground tires directly to U.S. Armed Services and Foreign Military Sales customers. The single-award indefinite-delivery/indefinite-quantity (ID/IQ) contract has a five-year base period of performance, one two-year option, and an estimated value of $1 billion if the option is exercised.

- The NASA Integrated Communications Services contract with a base award value of $340 million over a three-year base period of performance and a maximum potential value of $1.3 billion over 10 years, if all options are exercised. SAIC supports corporate and mission communications needs, including local area network management at all NASA centers.

- A two-year, $216 million contract to provide engineering, procurement, and construction services for the Plainfield Renewable Energy biomass project in Connecticut. The project is expected to generate clean energy to power the equivalent of 37,000 homes. SAIC and the Carlyle Energy Mezzanine Opportunities Group are providing financing for the project.

- A contract from the National Institute of Allergy and Infectious Diseases to provide preclinical services for the development of biopharmaceutical products for infectious diseases. The total funding could be up to $102 million over the 10-year period of performance, subject to the availability of annual appropriations.

**FISCAL YEAR 2012 HIGHLIGHTS**

- Received 40 contract awards each having a total expected revenue value of $100 million or greater
- Awarded $1 billion ID/IQ contract by Defense Logistics Agency
- Acquired Vitalize Consulting Solutions, Inc. to expand health solutions portfolio
- Increased investments in strategic growth areas
- Continued to grow pipeline of opportunities, submitted proposals, and backlog
- Acquired Patrick Energy Services to strengthen energy and smart grid services portfolio
- Expanded support of STEM education initiatives
- Awarded contract to provide engineering, procurement, and construction services for Plainfield Renewable Energy biomass project
• A task order to deliver mission support IT services to the U.S. Department of Agriculture’s Risk Management Agency with a one-year base period of performance, four one-year options, and a total value of $208 million if all options are exercised.

• Airborne Intelligence, Surveillance and Reconnaissance contract wins totaling $606 million to provide near-real-time multi-intelligence capabilities that observe and report activities associated with insurgents, protect our troops from improvised explosive devices, and provide high-resolution geospatial data in support of the warfighter.

• A multiple-award ID/IQ contract by the U.S. Space and Naval Warfare Systems Center Pacific to provide science, system architecture and engineering services in support of cyberspace operations. The contract has a two-year base period of performance, three one-year options, and a ceiling value of $219 million for all awardees if all options are exercised.

• A multiple-award ID/IQ contract from the U.S. Department of Veterans Affairs (VA) to provide IT services in support of the Transformation Twenty-One Total Technology program. This program enables the VA to transform its IT infrastructure, resulting in improved quality of healthcare and benefits services to veterans, their families and survivors. The contract has a five-year base period of performance and a ceiling value of $12 billion for all awardees.

We continued to grow our pipeline of opportunities, submitted proposals, and backlog during this FY. We also achieved a 63 percent total dollar win rate on business opportunities pursued and awarded. Our high win rate is the result of a solid track record of program execution as well as targeted investments in business development.

Strategic Acquisitions and Divestitures

In FY12 SAIC made two key acquisitions to enhance our competitive advantages in growth markets. Vitalize Consulting Solutions, Inc., a leading provider of clinical business and IT services for healthcare enterprises, expands SAIC’s health solutions portfolio — in both federal and commercial markets — to help customers better address electronic health record implementation. The combination of Vitalize’s expertise and integrating commercial off-the-shelf software for electronic health records and systems with SAIC’s information integration, data analytics and cybersecurity capabilities creates a powerful combination in the marketplace.

We also acquired Patrick Energy Services, a provider of performance-based transmission and distribution power system solutions. The acquisition strengthens SAIC’s energy and smart grid services portfolio and helps the company to better serve key customers including investor-owned utilities, public power providers, and transmission operators.

On the divestiture side, we sold operations that primarily focused on providing specialized IT services to international oil and gas companies. The sale of these operations better positions us to focus on our strategic growth areas, including market segments in the energy sector, such as smart grid, renewable energy implementation, and energy efficiency, where we have successfully built our business through both organic growth and acquisitions.

Commitment to Corporate Responsibility

We take pride in our business achievements, but we also know success is not measured in dollars alone. It is evidenced by our ability to tackle our customers’ problems in innovative ways and to give back to our communities.

The community investments we make in organizations that serve the military and
veterans’ community is one way to show our appreciation and salute the millions of men and women in uniform as well as those who have served. We are a strong supporter of the Paralyzed Veterans of America, and our employees serve on the boards of many organizations that make a difference to the lives of our servicemen and servicewomen, including the Special Operations Warrior Foundation, Tragedy Assistance Program for Survivors, and several USO chapters. And this year we continued to enhance our focus on helping veterans build meaningful careers after serving our country. Today, nearly 25 percent of SAIC’s workforce comprises military veterans — approximately 10,000 people.

Our future success — and our nation’s technological advantage — depend on a constant supply of highly trained technical talent. We continue to support a number of exciting initiatives that inspire students to get involved in science, technology, engineering and mathematics (STEM) careers. In FY12 we provided financial support to leading STEM organizations, and more SAIC volunteers than ever before worked with student teams in robotics competitions and other events around the country.

This year we reinforced our commitment to sustainable business practices by announcing a goal to reduce operational greenhouse gas emissions 25 percent (from 2010 levels) by 2020. SAIC will utilize in-house engineers who specialize in tackling energy challenges to help meet the new goal, and to identify and implement additional cost-effective energy efficiency projects across the enterprise.

A Strong Heritage — A Bright Future

I am proud of our accomplishments and our efforts to build an even stronger company. We have not let the challenges of the past year take us off course, and we remain steadfast in our pursuit of our strategic goals and vision. We will continue to be proactive in meeting our customers’ rapidly changing needs, make the tough decisions required by the marketplace, and invest prudently in our future.

As we stand on the threshold of another year of strategic opportunities, one thing is certain — our 41,000 employees will rise to the challenges ahead with the same level of commitment to ethics and integrity that have been at the forefront of SAIC’s culture since its founding in 1969.

Finally, I’d like to thank Walt Havenstein, who retired in February 2012 as CEO and a member of our Board of Directors. His work and dedication helped the company navigate a rapidly changing business environment and provided us with a solid footing on which to build in the years to come.

John P. Jumper
President and Chief Executive Officer
Fiscal Year 2012 Financial Highlights

<table>
<thead>
<tr>
<th></th>
<th>Year Ended January 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012*</td>
</tr>
<tr>
<td>Revenues</td>
<td>$10,587</td>
</tr>
<tr>
<td>Cost of revenues</td>
<td>9,606</td>
</tr>
<tr>
<td>Selling, general and administrative expenses:</td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td>428</td>
</tr>
<tr>
<td>Bid and proposal</td>
<td>149</td>
</tr>
<tr>
<td>Internal research and development</td>
<td>93</td>
</tr>
<tr>
<td>Operating income</td>
<td>311</td>
</tr>
<tr>
<td>As a percentage of revenue</td>
<td>2.9%</td>
</tr>
<tr>
<td>Non-operating expense, net</td>
<td>(104)</td>
</tr>
<tr>
<td>Income from continuing operations before income taxes</td>
<td>207</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>(215)</td>
</tr>
<tr>
<td>Income (loss) from continuing operations</td>
<td>(8)</td>
</tr>
<tr>
<td>Income from discontinued operations</td>
<td>67</td>
</tr>
<tr>
<td>Net Income</td>
<td>$ 59</td>
</tr>
<tr>
<td>Cash flow from continuing operations</td>
<td>$ 772</td>
</tr>
<tr>
<td>Total backlog</td>
<td>$18,003</td>
</tr>
<tr>
<td>Stockholder equity</td>
<td>$ 2,181</td>
</tr>
<tr>
<td>Outstanding shares or common stock (millions)</td>
<td>$ 341</td>
</tr>
<tr>
<td>Number of employees</td>
<td>41,100</td>
</tr>
</tbody>
</table>

(In millions, except employees)

We classify indirect costs incurred within or allocated to our government segment as overhead (included in cost of revenues) and G&A expenses in the same manner as such costs are defined in our disclosure statements under U.S. Government Cost Accounting Standards. Effective in fiscal year 2011, we updated our disclosure statement with the Defense Contract Management Agency, resulting in certain costs being classified differently as either overhead or G&A expenses on a prospective basis. This change has caused a net increase in reported cost of revenues and a net decrease in reported G&A expenses in fiscal year 2011 as compared to fiscal year 2011, 2010 and 2009; however, total operating costs were not affected by this change.

* Fiscal year 2012 results include a $540 million pre-tax loss provision recorded in connection with resolution of the CityTime matter.
Directors

A. Thomas Young
Chair of the Board
Former Executive Vice President,
Lockheed Martin Corp.

John P. Jumper
President and
Chief Executive Officer

France A. Córdova
President,
Purdue University

Jere A. Drummond
Former Vice Chairman,
BellSouth Corp.

Thomas F. Frist, III
Principal,
Frist Capital L.L.C.

John J. Hamre
CEO and President,
Center for Strategic &
International Studies

Miriam E. John
Former Vice President,
Sandia National Laboratories

Anita K. Jones
University Professor Emerita,
Computer Sciences,
University of Virginia

Harry M. J. Kraemer, Jr.
Former Chairman,
President and
Chief Executive Officer,
Baxter International, Inc.

Lawrence C. Nussdorf
President and Chief
Operating Officer,
Clark Enterprises, Inc.

Edward J. Sanderson, Jr.
Former Oracle
Corporation Executive

Louis A. Simpson
Former President and
CEO of
Capital Operations,
GEICO Corp.