



Fiscal Year 2012 **Annual Report on Form 10-K**

Company Overview



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.

CUSTOMERS*

- Intelligence community
- Commercial customers
- Department of Defense
- Department of Homeland Security
- Department of the Treasury

SOLUTIONS

- Accreditation and testing services
- Contingency planning
- Digital and computer forensics
- Information security assessment
- Security education and training

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.

CUSTOMERS*

- Utilities, investor-owned and municipals
- Federal, state, and local government
- Oil and gas
- Commercial and industrial
- Financial institutions
- Energy producers and suppliers

SOLUTIONS

- Energy management and asset consulting
- Sustainability and clean energy
- Utility solutions, including smart grid and transmission & distribution engineering
- DesignBuild™ project delivery
- Environment and water

SAIC named to
FORTUNE's 2011 list of the
“World’s
Most Admired
Companies”

SAIC receives
Dwight D.
Eisenhower
Award
 for Excellence from the
 Small Business Administration

G.I. Jobs Magazine ranks
 SAIC as one of the
“Top 100
Military
Employers”



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.

CUSTOMERS*

- Commercial customers
- Department of Defense
 - Military Health System
 - Navy Bureau of Medicine and Surgery
- Department of Health and Human Services
 - Centers for Disease Control and Prevention
 - Health Resources and Services Administration
 - National Institutes of Health
- Department of Veterans Affairs

SOLUTIONS

- Electronic health record implementation and optimization
- Biomedical product lifecycle development support
- Enterprise data management
- Data analytics
- Health information interoperability

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.

CUSTOMERS*

- Intelligence community
- Department of Defense
- Department of Homeland Security
- Department of Justice
- Department of State

SOLUTIONS

- Airborne, maritime, and national security space mission capability integrator
- Processing, exploitation and dissemination
- Integrated tactical systems
- Linguistics and cultural intelligence
- Mission support and mission-critical information technology deployment

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.

CUSTOMERS*

- Department of Defense
 - Defense Logistics Agency
 - Army
 - Navy
 - Marines
 - Air Force
 - Special Operations Command
- Department of Homeland Security
- Department of State
- Department of Transportation
- Commercial customers

SOLUTIONS

- Product support integration
- Supply chain integration
- Total asset visibility
- Analytics and decision optimization
- Just-in-time inventory
- Sustaining engineering

*Representative customer sample

“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.”



DEAR FELLOW STOCKHOLDERS,

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

*FY12 revenues excluding the effects of the CityTime settlement amount is a non-GAAP financial measure which is calculated by adding \$410 million (the amount by which revenues were reduced as a result of the CityTime settlement amount) to the \$10.59 billion of revenues reported in our FY12 financial statements, resulting in adjusted revenues of approximately \$11 billion.

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



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.

Implementing 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.

“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.”



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

	Year Ended January 31			
	2012*	2011	2010	2009
Revenues	\$10,587	\$10,921	\$10,580	\$ 9,768
Cost of revenues	9,606	9,476	9,151	8,464
Selling, general and administrative expenses:				
General and administrative	428	296	401	395
Bid and proposal	149	147	143	116
Internal research and development	93	55	49	46
Operating income	311	947	836	747
As a percentage of revenue	2.9%	8.7%	7.9%	7.6%
Non-operating expense, net	(104)	(75)	(68)	(73)
Income from continuing operations before income taxes	207	872	768	674
Provision for income taxes	(215)	(314)	(289)	(246)
Income (loss) from continuing operations	(8)	558	479	428
Income from discontinued operations	67	61	17	18
Net Income	\$ 59	\$ 619	\$ 496	\$ 446
Cash flow from continuing operations	\$ 772	\$ 725	\$ 588	\$ 558
Total backlog	\$18,003	\$ 17,120	\$15,366	\$16,528
Stockholder equity	\$ 2,181	\$ 2,491	\$ 2,291	\$ 2,083
Outstanding shares or common stock (millions)	341	362	388	406
Number of employees	41,100	42,000	44,700	44,100

(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 2010, 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.

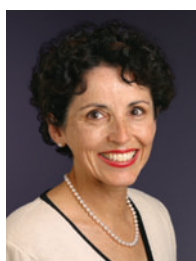
Directors



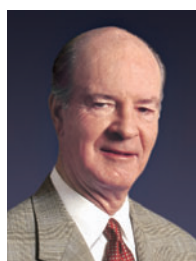
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Former Executive Vice
President,
Lockheed Martin Corp.



John P. Jumper
President and
Chief Executive Officer



France A. Córdoba
President,
Purdue University



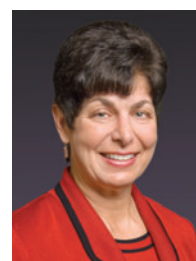
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