



SAIC 2004 ANNUAL REPORT



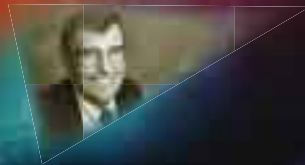
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35 Years

of Employee Ownership



SAIC
An Employee-Owned Company

SAIC AT 35



“It is really our people who have made this company a success and who will continue to make the difference in the future.”

– Dr. J. Robert Beyster
SAIC Founder

Thirty-five years of quality service to our customers. Hundreds of thousands of successful contract deliverables. And 43,000 employees who make a difference for our customers and our world.

On our 35th anniversary, it is appropriate to look back on our many proud accomplishments and look forward to our exciting future.

We won our first contract – helping analyze nuclear weapon effects – based on the expertise of our founder, Dr. J. Robert Beyster, a nationally recognized nuclear physicist. Our nuclear physicists quickly found other uses for their knowledge and expertise beyond national security work and undertook projects for the nuclear energy



industry (risk assessments and plant safeguards) and the health care community (radiation treatment for cancer).

In the years that followed, our commitment to help our customers took us in directions we never could have foreseen. We recruited specialists from a wide array of technical disciplines and brought them together in multi-disciplinary teams to solve customer problems. At the time, this was a novel approach. Our staff explored an astonishing number of new technologies. SAIC quickly gained a reputation for its willingness to try novel solutions and its ability to solve some of our customers' toughest problems.

Hearing of our reputation, customers from many other fields recruited SAIC to help solve their most difficult problems. Recovering from the nuclear accidents at Three Mile Island and Chernobyl. Remediating the Prince William Sound oil spill and the Love Canal hazardous waste site. Developing the nation's first high-level nuclear waste repository at Yucca Mountain. Working to create vaccines for AIDS, malaria, and SARS.

Our list of accomplishments is extraordinary. Integrating a worldwide medical information system for all Department of Defense medical facilities. Providing critical policy support and analysis for the Intermediate-Range

Nuclear Forces (INF) treaty. Integrating the most realistic battlefield training center in the world at the U.S. Army's National Training Center. Providing critical technical support for the Space Shuttle, the International Space Station, the Mariner 9 mission to Mars, and the Voyager mission past Jupiter and Saturn. Integrating many of the most important command and control centers for the U.S. military. Developing breakthrough technologies for signals analysis and image exploitation. Creating innovative technologies for the 1987 America's Cup winner, *Stars & Stripes*. Providing crucial engineering support for the TRIDENT submarine, cruise missile program, and so many more critical programs.

"For 35 years, the company has not wavered from its initial commitment. Our employee owners are proud of what they have been able to accomplish through their hard work, steadfast dedication, and perseverance in our commitments to our customers," says SAIC CEO Ken Dahlberg.

"Employee ownership has been a major discriminator and reason for our success. Today, the same principles are governing and guiding our company as we embark upon our next 35 years in the company's evolution."

MESSAGE TO STOCKHOLDERS



**Our senior management team from left to right:
Bill Roper, Duane Andrews, John Warner, Ken Dahlberg, Matt Desch, Tom Darcy, and Randy Walker**

This is a time of transition both for SAIC and our country. The economic, business, and political landscapes have undergone dramatic change since September 11, 2001. SAIC and its customers face new challenges that require different ways of thinking.

At SAIC, we are responding with new strategies to support our current and future customers' needs. We are using our subject matter expertise, technology, innovation, systems integration skills, and strong program management to develop next generation systems to meet our customers' requirements. As SAIC's new Chief Executive Officer, I am proud to be the one chosen to lead SAIC.

SAIC has what it takes to succeed in these difficult times thanks to the vision and hard work of SAIC's founder, Dr. J. Robert Beyster. He built a company renowned for its creativity, innovation and entrepreneurship. He endowed SAIC with an extraordinarily talented team of employees. He created an employee ownership system to

motivate and reward excellent performance that benefits our customers.

Our sights are set clearly on the future. Both our customers and employees look to SAIC to help them build a better future.

My job is to build upon the excellent resources we already have and focus us in ways that can best meet our customers' needs and drive continued SAIC growth. In other words, to direct SAIC's energy, passion, and commitment toward the future.

We have already taken important steps in these directions.

Create a more customer-focused SAIC. During my first months at SAIC, I asked our key customers how we could do better. They said: make it easier to do business with SAIC. We responded.

Three months after I joined SAIC and at the start of

Fiscal Year 2005, we reorganized the company into fewer, more capable groups and business units that are focused on and aligned with our customers and markets. This enables us to better serve our customers.

For example, the wide-ranging work we do for intelligence agencies – a top priority in fighting the global war on terrorism and a major growth area for SAIC – has been consolidated from several organizational units into one.

As an added benefit, our new business units now have the size, strength, and resources to compete better for major contracts and to collaborate appropriately with one another on larger systems integration opportunities.

Equally important, the realignment enabled our best and brightest leaders to expand their skills by running larger businesses that will accelerate career development.

Our new organization structure is customer-focused, growth-focused, and leadership-focused.

Reinvigorate SAIC's commitment to growth. On February 1, the start of our Fiscal Year 2005, we outlined a bold vision for SAIC's future: double our company's value in five years or less.

SAIC has always been a growth-oriented company. Through growth, we create better career opportunities for employees, create a dynamic and exciting work environment, and generate opportunities for stock price appreciation. Even with the challenging economic climate, we achieved more than 50% revenue growth over the last five years.

Today, it is important to reaffirm our commitment to growth as we have in place the strategies to enable stronger growth in the future.

Develop our next generation leaders. Having spent 10 years as a program manager, I acquired a deep appreciation of the importance of talking with customers to truly understand what their needs are and then building a team to deliver on-target solutions.

I believe this kind of program management experience is fundamental for those who will be our future company leaders. We will give promising employees more mobility, more rotation of assignments, and more program management experience to develop our next generation leaders.

Recommit to SAIC's traditional values. Our culture and employee ownership make SAIC unique. Employee ownership has been a primary factor in SAIC's outstanding success. It has enabled us to retain our objectivity and independence in developing innovative solutions for our customers.

Our broad, deep technical expertise is a formidable strength. It gives us an edge in winning hard-fought procurement competitions – and in performing outstanding work for our customers.

We have earned our customers' trust year after year through consistent high-quality performance and high ethical standards. Our reputation in these areas is an extraordinary legacy we must protect and strengthen.

To do so, we must retain the personal commitment of employees at every level of SAIC and their dedication to excellence and ethics.

Better serve federal government customers. By consolidating our capabilities into fewer, more capable organizational units, we strengthened our ability to offer more end-to-end, integrated solutions such as the ones we're providing for the Department of Homeland Security, the U.S. Army's Future Combat Systems program, and the DoD's Guardian Installation Protection Program. The latter contract, awarded shortly after our fiscal year end, aims to provide better protection from weapons of mass destruction for military installations worldwide.

By aligning our people and organizations with our federal customers, we become part of their world. We develop a deeper knowledge and understanding of their operational requirements, synchronize better with their operational tempo, and better anticipate new operational needs. With our strong systems engineering and large-scale integration skills, we develop new solutions, capabilities, and technologies that make a real difference for our customers.

Better serve commercial and telecommunications customers. Many of our prospective customers are experiencing crisis and change driven by the need to reduce costs, improve the return on their IT investment, and deliver value to their customers and stockholders. We responded by giving key clients – especially those in the oil and gas, utilities, and telecommunications indus-

tries – new solutions that produced major cost savings. By leveraging and applying our unique experience and capabilities in science and engineering, managing large-scale research and development efforts, complex supply chain processes, and data analytics, we can provide differentiation in the market and add business value for our customers. We believe this demonstration of our commitment to service and performance will help us maintain strong long-term relationships with these key clients as their industries improve.

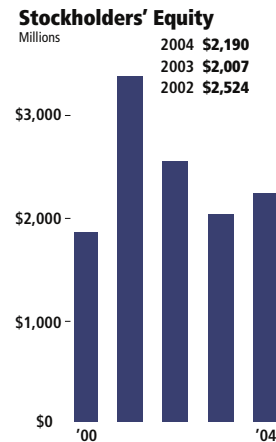
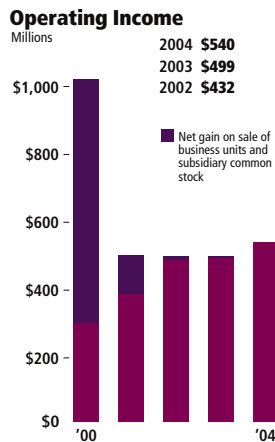
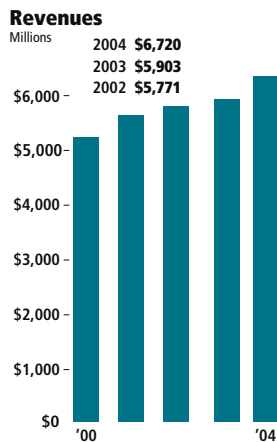
Strengthen financial performance. I am proud of our performance for Fiscal Year 2004 (FY04), particularly as we celebrate the 35th anniversary of our company. Our revenue climbed 14% to \$6.7 billion. Our net income jumped nearly 43% to \$351 million, primarily due to increases in our operating income and decreases in non-operating expenses.

With a funded backlog of \$4.2 billion, and cash and marketable securities of \$2.4 billion, SAIC is well positioned to continue its record of outstanding customer service and successful growth into Fiscal Year 2005 and beyond.

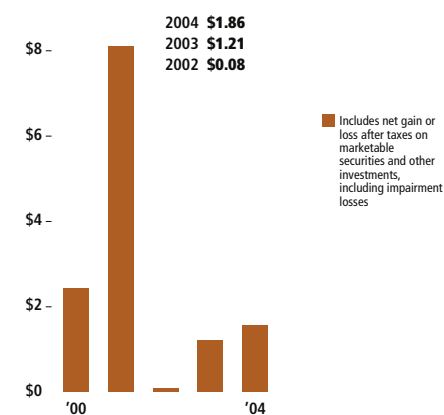
To our customers worldwide, I deeply appreciate your business. We want to continue to earn your business by exceptional performance and innovation. To our 43,000 employee owners, I am deeply grateful for your tireless efforts and dedication to our customers. I am honored to lead this remarkable company and look forward to even greater success as we build our future together.



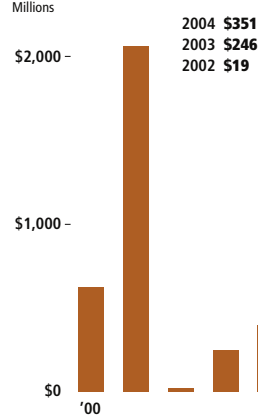
Ken Dahlberg
Chief Executive Officer and President



Diluted Earnings per Share



Net Income



Federal Government Solutions



SAIC'S FEDERAL BUSINESS TEAM

Federal Business President **Duane Andrews** (third from right) with Group Presidents (from left to right) **Larry Peck** - Enterprise & Infrastructure Solutions; **Don Foley** - Research & Intelligence; **George Singley** - Transformation, Test, Training & Logistics; **Carl Albero** - Naval Engineering & Technical Services; and **Mark Hughes** - System & Network Solutions.

RESEARCH AND INTELLIGENCE

To provide our military with advanced integrated warfare systems, SAIC helps the Naval Air Systems Command perform research, development, testing, and evaluation on Navy and Marines Corps aircraft. This includes developing simulations – such as this simulated launch (below) of the F/A-18E SuperHornet from the *USS Nimitz* – to test new aircraft flight control systems, safety systems, and aircrew training.



Working on the frontiers of advanced technologies, SAIC integrates leading-edge technology services and products for customers in the space, aeronautical, intelligence, and information business areas. Our research and intelligence expertise assists our national security customers by providing more capabilities to decision-makers and warfighters to help save lives and prevent and shorten conflicts.

Intelligence

We help the military and the intelligence community take advantage of the latest technologies to acquire and process intelligence data, transform it into actionable information for decision-makers and warfighters, and share and disseminate that information quickly and securely.

As the lead systems engineering and integration contractor, we will play a critical role in developing the U.S. Air Force Space-Based Radar system – a transformational system designed to provide extraordinary capability to gain real-time information on any potential adversary, locale, or theater. The system will track moving targets, produce high-resolution radar images, and generate high-resolution terrain information – even in very mountainous areas – with the goal of striking targets in record time.

Unmanned aerial vehicles (UAVs), robots, and other autonomous systems are becoming more important in surveillance, reconnaissance, and intelligence gathering – and SAIC is at the forefront of this transformation.

Over the last few years, we have amassed extensive experience in requirements development, design, integration, testing, and operational deployment of several major airborne systems, including the Global Hawk UAV, the Tomahawk cruise missile, and SAIC's own UAVs, such as our rotary-wing Vigilante. Our expertise encompasses the full gamut of disciplines necessary for autonomous vehicles, including platform design, sensor payload design and integration, signature management, and control automation.

For example, we are building five Vigilante UAVs for the U.S. Army and equipping them with payloads to assist

with current operations. To expand its capabilities, the Army continues to actively seek ways to employ UAVs in low-and-slow operations, which might subject them to hostile fire, and in environmental conditions that could put a manned platform at unacceptable risk.

In this effort, SAIC is building and testing the vehicles and ground support equipment, developing an over-the-horizon data link back to a remote location for real-time payload data exploitation and mission management. We are packaging all the equipment for delivery and deployment, training operators on how to operate and maintain the system, and providing ongoing remote technical support for deployed operations.

To send robots on missions and into areas that are not safe for humans – such as earthquake-damaged buildings, chemical-spill sites, or terrorist-occupied buildings – new technologies need to be developed. On a recent DARPA program, SAIC demonstrated for the first time a system of 100 heterogeneous robots, with communications and intelligent software collaborating to map an unknown building, detect and track an intruder, and guard an item of interest.

As prime contractor for the National Security Agency's largest modernization program, our engineering, integration, and processing capabilities help to keep NSA on the leading edge of communications technology. For example, we are integrating large-scale IT systems and developing knowledge management tools to enhance data processing.

Our operational support to decision-makers and those who plan and execute intelligence missions is making a difference in the global war on terrorism. During Operation Iraqi Freedom, the elapsed time from target identification to target actions took only a few minutes in some cases as compared to a few hours during previous conflicts like Operation Desert Storm. The latter conflict relied heavily on people and equipment deployed in or near the battle zone to process intelligence data.

In contrast, during Operation Iraqi Freedom, U.S.

Air Force intelligence staff in the U.S. processed, exploited, and disseminated intelligence collected by the U-2 aircraft and Predator and Global Hawk unmanned aerial vehicles deployed in Iraq. The U.S. intelligence staff quickly turned the raw information into actionable intelligence for the forward-based warfighters. This tactical approach – known as “reachback” – was developed by the Air Force Air Combat Command with significant support from SAIC.

Research

To help our customers solve complex technical problems, our engineers and scientists conduct leading-edge research and development in such areas as remote sensing, space exploration, precision targeting, and missile defense.

As one of the foremost research and development companies in the United States, SAIC’s scientists have explored and developed new technologies to assist NASA, as well as the military, space and intelligence communities. In addition, we operate important government-owned research support facilities.

For the U.S. Geological Survey, we operate and help manage the EROS Data Center – the world’s largest collection of remotely sensed landmass data and a pillar of our efforts to understand our own planet. Our efforts include developing, operating, and maintaining integrated systems designed to process the massive volumes of image data from earth resource satellites covering the entire surface of the globe. On a typical day, roughly 1.4 terabytes of data arrive for processing, and over 250 gigabytes of data are provided to customers, who are studying a wide variety of environmental issues such as land use and global change.

For NASA’s human spaceflight program, we provide safety, reliability, and quality assurance support for the International Space Station and the Space Shuttle. For example, in supporting NASA programs at the Johnson Space Center in Houston, we play a key role in providing for the safety of astronauts working outside the Space Station and other orbiting spacecraft. SAIC’s efforts are an important part of NASA’s work to return the Shuttle to flight status.

Our researchers and scientists also work with military customers to develop advanced technologies and greater capabilities for our warfighters. For example, we help the U.S. Army improve and demonstrate a precision strike capability that enables warfighters to locate, identify, and eliminate high-value moving targets. SAIC has supported the Joint Precision Strike Demonstration (JPSD) program since it began in 1992.

Under a new JPSD contract, SAIC assumes a lead role in paving the way to future joint command and control and precision strike systems. We develop prototypes, put them in the hands of operational troops, and refine the design and operational utility through continuous feedback from users.

To better understand which bombing strikes are effective and how, we brought a new technology to the Defense Threat Reduction Agency. We developed a counterforce “taggant” – in the form of nanocrystals – that can be added to munitions to determine the origin of the source. We also provide wide-ranging support to improve missile defense capabilities. For example, we are assisting the Air Force in developing an optical payload to demonstrate on-orbit launch detection and tracking of missiles.

“SAIC provides round-the-clock support of rapid response requests from FEMA and others in support of hazards and emergencies. They have become a highly trusted source of land remote sensing information and service.”

James A. Sturdevant, Deputy Director, EROS Data Center, U.S. Geological Survey

(Below) To assist astronauts in training for activities performed in space, SAIC provides test safety support to NASA's Neutral Buoyancy Laboratory at the Johnson Space Center in Houston, Texas. By approximating weightless conditions, the lab's huge 40-foot-deep water tank allows crews to simulate assembly and repair tasks under conditions similar to those encountered in space.



SYSTEM AND NETWORK SOLUTIONS

To give military commanders better control over the multiple communications networks used in joint military operations, SAIC is designing the Joint Network Management System (below). The software system is intended to enhance situational awareness by providing commanders with a common, automated system for joint communications planning and management.



As a prime developer and integrator of complex information-based systems, SAIC offers a wide array of experience in the areas of command and control, enterprisewide telecommunications and network systems, and law enforcement and security solutions. Ranked by *Government Executive* as the #1 Systems Integration Contractor, SAIC provides unique insight and perspective as a top-ranked developer of integrated solutions.

Next Generation Command, Control, and Communications

Since our first C3 contract win in 1971, we have been working to help warfighters achieve the seamless, global systems interoperability that will give U.S. forces information dominance on the battlefield. Today, as the U.S. Department of Defense transitions toward network-centric warfare, our command, control, and communications expertise is helping DoD build the infrastructure and systems that are critical to achieving its goals.

Supplying real-time battlefield intelligence to anyone who needs it, from a soldier on the front lines to a commander thousands of miles away, requires an expanded bandwidth network. As the Defense Information Systems Agency (DISA) support contractor for the Global Information Grid - Bandwidth Expansion (GIG-BE) program, we are helping to design and deploy a 10-gigabit-per-second optical data network supporting warfighters at more than 100 locations worldwide. The GIG-BE network will replace part of the backbone of the Defense Information System Network, a synchronous optical network with 2.4-gigabit-per-second transmission rates. Our role – which includes managing the evaluation and procurement of hardware and software, plus network operations and management solutions for the GIG-BE project – positions us as a leading independent evaluator for other large, highly complex information technology programs.

We are also continuing more than a decade of support to other DISA infrastructure initiatives, such as the development of Net Centric Enterprise Services (NCES),

the next generation of common, interoperable information capabilities to support the warfighter.

To manage the converged voice, video and data networks that will traverse tomorrow's complex battlefield, we are helping the U.S. Army Communications-Electronics Command design, develop, and field the Joint Network Management System (JNMS). The system will enable warfighters to plan and manage the diverse legacy and advanced telecommunications systems in the joint battlespace. Of critical importance, JNMS will enable Combatant Command Joint Task Force Commanders to obtain decisive information and maintain dominance in an increasing network-centric battlefield.

For another key customer, the Space and Naval Warfare Systems Command (SPAWAR), we are upgrading a Joint Ultra High Frequency Military Satellite Communications system that provides users with worldwide data and voice communications that are fully compatible with fixed, mobile, man-packable, and transportation operations. This will give the warfighter increased satellite access through enhanced channel control and distributed remote communication planning via a Web browser.

Also for SPAWAR, we support the Service Oriented Architecture initiative to provide a common set of interoperable information capabilities in the Global Information Grid. The goal: to better access, collect, process, store, disseminate, and manage information on demand for warfighters, policy makers, and support organizations.

Another system we developed for the federal government is enhancing situational awareness and collaboration for homeland defense and crisis operations. The Area Security Operations Command and Control (ASOCC) system is a secure peer-to-peer incident management system that allows for almost instantaneous knowledge of incidents to speed up response time and facilitate cooperation between local, state, and federal agencies. The ASOCC system is unique among incident management systems in that it can span the secure and non-secure environments to provide support to both civilian and military

organizations. For example, the U.S. Northern Command is operationalizing ASOCC to provide a counterterrorism collaboration capability across the breadth of DoD.

Enterprise-wide Telecommunications and Network Systems

As many of our government customers move to managed services in both telecommunications and information systems, we are supporting their efforts to shed large infrastructure costs and concentrate on core missions.

Building on our long-term relationship with NASA, we recently won a contract to provide information technology management services across the agency. This NASA-wide IT management effort includes support to the Integrated Financial Management Program, wide-area network, IT security, and NASA's digital television system. Most of the work is being performed at the Marshall Space Flight Center in Huntsville, Alabama, where SAIC has established a growing business base. We will provide support in the areas of federal telecommunications and network management, IT security, software development, and enterprise resource planning implementation.

Integrated Law Enforcement and Security Solutions

Better information sharing and collaboration are essential for fighting the war on crime and terrorism. SAIC pioneered the development of systems that enhance information sharing for law enforcement agencies at all levels of government. In the early 1980s, we developed the first national, criminal-history system built on a biometric and shared by all 50 states. In the 1990s, we built the follow-on system, the FBI Interstate Identification Index (III), which today maintains data on more than 40 million subjects and is used by more than 500,000 state, local, and federal law enforcement officials. Following the mandate of the Brady Act, we worked with the FBI to build the National Instant Criminal Background Check System, which helps U.S. firearms dealers determine if they

may legally sell or transfer a weapon, through a database search that usually takes less than 1 second. We also built the FBI Combined DNA Index System, the national DNA database installed at more than 200 worldwide forensic labs and used by investigators to quickly link the same perpetrator to crimes at various sites.

Today, we are building a highly secure, Web-based investigative case-management system specifically designed to foster information sharing as a way of solving a greater number of cases more quickly. We also built and help facilitate the FBI Law Enforcement Online system, a 43,000-user, electronic community for sharing strategies and tactics for combating crime and terrorism.

In the biometric area, we are developing a kiosk-based system that integrates three biometrics – facial, iris, and fingerprint scans – to support the Kingdom of Jordan's Public Safety Directorate. And we're helping the New York City Police Department protect its 55,000 officers and staff with a biometric-based, PDA-compatible identification badge that holds essential personnel data, documents time and attendance, and controls access to facilities.

Through our Automated Exercise and Assessment System, we train officials at all levels of government how to react and share information in crisis situations such as biological, chemical, and natural disasters.

To protect the security of information, the U.S. government looks to SAIC's Common Criteria Testing Laboratory (CCTL) to evaluate the security of the technology products that comprise the federal IT structure. SAIC's CCTL has become the most trusted lab – based on market share statistics – among domestic producers of hardware and software products.

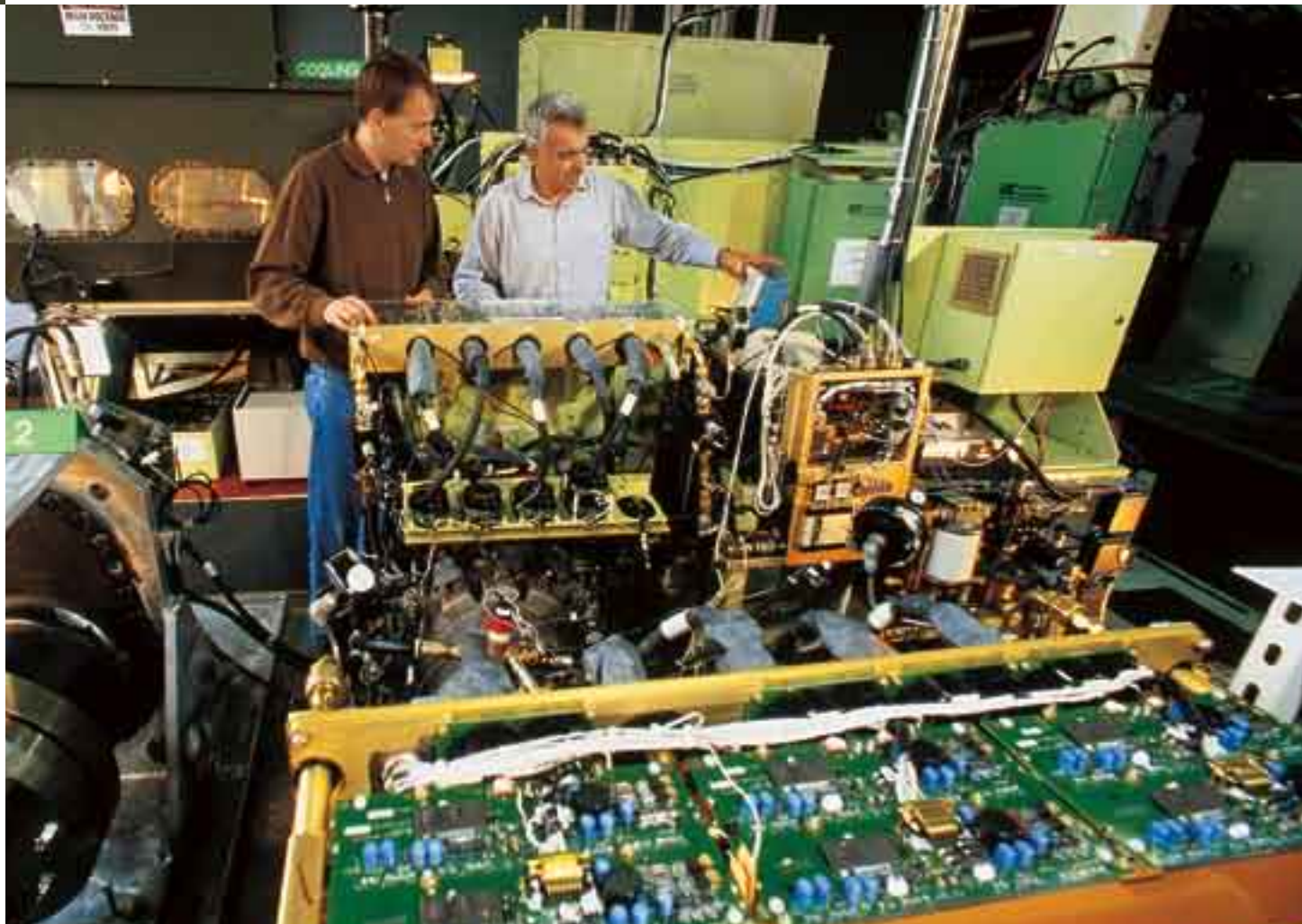
And we're even helping to protect the security of the most important of U.S. privileges – the vote. When Maryland decided to implement touch-screen electronic voting, the state looked to SAIC to assess the security of the new voting system. SAIC has also addressed security issues surrounding electronic voting for the Republican and Democratic National Committees.



(Above) SAIC provides engineering support to the highest levels of the Department of Justice, FBI, Drug Enforcement Administration, as well as state and local law enforcement to implement the federal Communications Assistance for Law Enforcement Act (CALEA) wiretap statute, which ensures that telecommunications carriers of all kinds – land-line, wireless, cable-based, Internet-based, and satellite – make their networks capable of provisioning lawful electronic surveillance.

TRANSFORMATION, TEST, TRAINING AND LOGISTICS

Innovative power systems are a key enabler of the Army's Future Combat Systems (FCS). SAIC plays a major role in developing hybrid electric propulsion systems for large (16- to 20-ton) armored combat vehicles. Our work includes full-scale, hardware-in-the-loop simulations (below) to test the effectiveness and reliability of hybrid propulsion systems in FCS simulations. This testing helps reduce risk and provides critical data to enhance the propulsion systems.



For more than 30 years, SAIC has worked with military clients to integrate technology, tactics, and training into new capabilities. To aid the U.S. in meeting emerging threats and challenges, SAIC is helping transform those capabilities.

Military Transformation

We offer Service and Joint customers support for the full spectrum of military transformation. Our support ranges from research and concept development through test, evaluation, and experimentation to training and, ultimately, support for deployed systems and troops.

For the U.S. Army's flagship transformation program – the Future Combat Systems (FCS) – SAIC and Boeing work together as the Lead Systems Integrator (LSI). Together we are developing the overall architecture for a networked system-of-systems to include manned and unmanned platforms capable of conducting missions for assault, air defense, reconnaissance, surveillance and target acquisition, and battle management command and control.

As part of the LSI team, SAIC identified and evaluated potential concepts and technologies and conducted demonstrations that helped move the FCS program from the concept and technology development phase into the system development and demonstration phase. During this current phase, SAIC will rapidly evaluate FCS concept and technical options, while enabling early concurrent concept testing to accelerate the FCS fielding schedule.

The U.S. Joint Forces Command (JFCOM) – named the “transformation laboratory” for the U.S. military – relies on SAIC and General Dynamics for critical support in planning, coordinating, supervising, and executing joint experimentation exercises. We developed an enterprise-wide architecture for joint command, control, communications, computers, intelligence, surveillance, and reconnaissance (C4ISR) along with a collaborative information environment for the JFCOM Joint Experimentation Directorate.

As the sole contractor for the Joint Interoperability and

Integration Directorate in JFCOM, SAIC supported command and control requirements development, integration, test and analysis, and advanced training for the interoperability of transformational C4ISR systems.

Acting as “devils’ advocates” and peer reviewers, our independent “red teams” help ensure that new concepts and programs to fight aggressive, adaptive enemies are robust and resilient. For example, an SAIC red team reviewed JFCOM lessons learned reports on Operation Iraqi Freedom to examine results from the perspective of potential U.S. adversaries. Our experts identified how adversaries might modify their strategies and tactics to exploit vulnerabilities of U.S. forces.

Innovative Test and Evaluation

As a recognized leader in rapid military technology assessments, we understand the critical elements required for successful test, evaluation, and experimentation in military environments. Our ability to rapidly assess the utility of emerging technologies and accelerate the acquisition process assists our Department of Defense customers with timely deployment of transformational capabilities.

For example, we provided quick-reaction testing support for global positioning system (GPS)-related systems for Operation Iraqi Freedom. The unique instrumentation we developed for remote-control testing of the GPS jammers allowed for much quicker testing in environments outside traditional test ranges.

Full-Spectrum Training and Simulation

Our full-spectrum training ranges from computer-based and live classroom training to comprehensive, integrated simulations in the live, virtual, and constructive domains.

More than 25 years ago, we pioneered state-of-the-art live action training by integrating the U.S. Army's National Training Center at Fort Irwin, California. Today, we are pioneering new kinds of simulations to enable soldiers to receive “war time” best practices training in the field, anywhere in the world, right before battle.

For example, we are developing a portal to enable training program design, development, and delivery to soldiers around the globe at any time and any place. Whether at combat systems computers or in distance learning facilities, Army personnel will be able to interface this Army Training Information Architecture-Migrated, regardless of platform.

In another example, we developed and distributed a CD- and Web-based training program for the Army to allow soldiers deploying to Iraq to learn about the country's history, culture, politics, economics, and potential operational challenges.

A leader in applying human behavior modeling to training systems, SAIC is the prime contractor for the Army's One Semi-Automated Forces Objective System Testbed Baseline (OneSAF OTB) program. Named as one of the U.S. Government's Top 5 quality software projects, this program supports the development of new weapon systems and Army modernization objectives, such as battlefield digitization.

OneSAF OTB, which stands as a bridge between a legacy Semi-Automated Forces system and the Army's future OneSAF Objective system, also provides embedded training capability for the Army's Future Combat Systems program.

For the Mission Support Training Facility at Fort Lewis, Washington, we provide digital training, modeling and simulation support integrated with C4ISR systems. This work immerses soldiers and staffs in the Stryker Brigade Combat Teams with realistic, real-time simulated training. We also help establish "reach back" communications with deployed Stryker Brigades and provide systems integration and command and control technical integration support to Task Force Olympia (responsible for operations in Northern Iraq.)

Finally, we help advance the capabilities of virtual flight simulators for Naval aviation through our support for the Navy's Manned Flight Simulator facility in Patuxent River, Maryland.

Logistics Transformation

Through services such as aircraft modifications, sustainment support, and sustainment engineering, we help our military customers respond to the accelerated operational tempo of war, and improve the front-line readiness of combat weapon systems.

For example, our SCOPTIMA® system allows Air Force and Navy staff to anticipate and more quickly obtain weapon system parts, resulting in higher stock levels and quicker response times to help ensure the readiness of front-line weapon systems. Working with the Defense Logistics Agency, we exceeded a 98% fill-rate requirement for weapon systems spare parts at the Air Force Materiel Command Air Logistics Centers. In fact, the SCOPTIMA® system oversees all elements of the Air Force bench stock supply chain by reviewing inventory, generating and tracking orders, and initiating invoices.

In addition, we provide sustaining engineering services to modernize Air Force systems and improve maintenance response times. SAIC developed and implemented remote maintenance capabilities for the Air Force's Instrument Landing System (ILS). These upgrades included connectivity to secure ILS servers and remotely operated radios to enable fault diagnosis, maintenance adjustments, and remote Federal Aviation Administration flight certification from regionalized maintenance centers. The Air Force projects \$9 million in net savings from a \$5 million investment in this new technology.

We go beyond improving logistics systems and procedures to help customers transform their logistics capabilities to meet the emerging needs of our nation's warfighters. SAIC is helping the Department of Defense design a future logistics strategic framework to enable the design of military systems from the ground up to be resource-efficient, easily deployable, and logistically intelligent. Through emerging autonomies and prognostics technologies, the systems will be able to communicate when and how they should be maintained and supported.

"I ... look forward to continuing [with] your company's track record of superb support to the JT&E Program."

James Thompson, Joint Test and Evaluation Program Manager



The vision for Army transformation includes robotic ground vehicles that are smart and light. To accelerate technologies for this, DARPA's Grand Challenge desert race was devised. The robotic Humvee, Sandstorm (above), built by Carnegie Mellon University with key assistance from SAIC, set the distance record for the race, successfully navigating some of the course's most challenging areas. We developed Sandstorm's vision system to detect obstacles and hazards. We also provided mapping and classification software that enabled Sandstorm to navigate through the desert.

NAVAL ENGINEERING AND TECHNICAL SERVICES

More than 300 miles from the nearest ocean, Lake Pend Orielle offers a virtually ideal location to operate large-scale submarine missions. At the Acoustic Research Detachment, the Navy is using what Idaho's largest lake has to offer, a remote and spacious location to test large-scale submarine models, such as the "Cutthroat" (below), and advanced submarine stealth technology. Providing a full spectrum of maritime support, SAIC is assisting the Naval Surface Warfare Center's effort in perfecting its advanced quieting technology.



Today, worldwide events drive the Navy to ever-higher levels of readiness, sustainability, and crew self-sufficiency, while national priorities demand lower costs. In response, SAIC and its AMSEC LLC subsidiary (a joint venture with Northrop Grumman Newport News) provide end-to-end, integrated services – through comprehensive domain knowledge – to help the Navy meet these challenges. Some elements of our support have been in place for more than 20 years, while other activities are at the cutting edge of the Navy’s future vision.

Navy Command, Control, Communications, Computers and Intelligence for Surveillance and Reconnaissance (C4ISR)

Our in-depth expertise in Navy C4ISR enabled us to install 12 next generation network packages on large amphibious warfare ships in less than 90 days – work that would typically take more than a year. In the wake of the September 11 attacks, we implemented a rapid engineering process to redesign and rebuild the Navy Command Center communications and antenna systems within the Pentagon.

On the cutting edge at the highest levels, we worked with the Chairman, Joint Chiefs of Staff and the Defense Information Systems Agency (DISA) to draft the next generation C4I doctrine and to develop Navy policy for Voice-over-Internet-Protocol. We also won the Department of the Navy Chief Information Officer’s award for excellence by developing the aircraft carrier refueling overhaul management information system, which mines legacy databases that support aircraft carrier overhauls.

When the Navy needed a new approach to shipboard and land-based communications and computing to develop its future carrier fleet (CVN 21), the Navy turned to us. We will analyze operational capabilities and requirements, evaluate technology trends, and perform design and systems engineering for these future strategic assets.

To help the Navy’s Space and Naval Warfare Systems Command (SPAWAR) enable better communications, we

provide design, production, and life cycle support for the Automated Digital Network System and the SCI-Networks system. These programs provide Internet Protocol (IP) wireless-to-wireline connectivity to streamline data flow among various ships, submarines, and aircraft.

Naval Combat Systems

We significantly enhanced our combat system capabilities in FY04 by acquiring Planning Consultants, Inc. (PCI), a leading engineering and technical support company for Aegis and new surface combatant ships. The acquisition enables us to provide legacy engineering for Aegis combat systems, and alternative concept analysis and engineering for new ship classes, such as DD(X), CG(X), and CVN 21.

In addition to providing end-to-end weapons and combat systems engineering services to the Navy, AMSEC LLC supports the development of tactics, training, and procedures for such systems through the Center for Surface Combat Systems. Our work includes helping the Center develop and conduct training for all anti-air warfare, anti-surface warfare, and anti-submarine warfare missions.

Naval Undersea Warfare and Ranges

Our contributions in undersea warfare range from developing and deploying ruggedized electronics aboard Navy attack submarines to longtime support of undersea surveillance systems. By acquiring (shortly after FY04 ended) Aquidneck Management Associates, Ltd., a leading provider of technical and programmatic services to the Naval Undersea Warfare Center, we are positioned to expand the range of technical services we offer in the undersea warfare arena.

We are also the prime contractor for the Mine Warfare and Environmental Decision Aids Library (MEDAL) system, the Navy’s tactical decision aid for mine warfare. MEDAL is deployed on over 35 Navy ships and was used during the war with Iraq.

When Navy staff planned and conducted amphibious operations during Operation Iraqi Freedom, they relied on

the Expeditionary Decision Support System, a software application developed by SAIC.

Naval Aviation Support

Through our acquisition of Eagan, McAllister Associates, Inc., we now provide the full spectrum of technical and administrative support for Naval Air Systems Command at Naval Air Warfare Center, Patuxent River, Maryland.

In addition, with outstanding customer support that goes back more than 20 years, our services are tailored to meet both market demand and individual customer needs. For example, in an effort with Coherent Technology Research, we help the Naval Air Systems Command develop, integrate, and analyze support sensor systems for its unmanned aerial vehicle department. In fact, our naval aviation expertise includes all aspects of systems engineering and software development for a host of aircraft platforms and sub-systems, including the V-22 Osprey, E-2C Hawkeye, and F/A-18E/F Super Hornet.

Fleet Technical Support

In the arena of fleet technical support, we excel. For example, in FY04 we conducted more than 2,400 system assessments, repairs, and training support on both conventional and nuclear-powered ships. We also performed 500 modernization tasks on virtually every combatant ship type. Our work ranged from installing the latest pulse radar tank-level indicating system on a nuclear-powered aircraft carrier to installing "smart" improvements to compensate for reduced crew size.

The breadth and depth of our capabilities position us to benefit from the Navy's infrastructure realignments and consolidation of major contract support activity in the year ahead. As the Regional Maintenance Centers emerge as new commands, they will also contain new customers for which we are well positioned as a prime provider.

Navy Engineering/Integrated Logistics Support

In June 2003, the Navy received its newest aircraft carrier,

the *USS Ronald Reagan* (CVN 76), the largest and most complex weapons system ever. AMSEC LLC provided the life cycle logistics for *Reagan*, which the Navy said was the most comprehensively supported ship logistically of any new construction hull. Our support involved identifying and outfitting *Reagan* with repair parts, technical manuals, and drawings. We are also supporting the Navy's next aircraft carrier, *USS George H W Bush* (CVN 77).

In support of the U.S. Coast Guard's Integrated Deep-water System, we helped design the National Security Cutter, the largest of the vessel classes in this program.

In addition, we provide important technical assistance to the Naval Surface Warfare Center, Carderock Division. We are introducing new technology to the fleet in data and communication networks, machinery control and condition monitoring, and information management, as well as supporting its combatant craft department.

We are developing Web-based tools to more easily integrate complex system installation and testing projects. These efforts enable the Navy to reduce workload, improve responsiveness and efficiency, and lower costs. We also designed and developed a Web-based data knowledge management system that delivers, maintains, and tailors data for operational units and individual users.

Port and Physical Security

As a leading supplier of integrated port and harbor security system for all of our customers, including commercial (as mentioned in the Commercial IT and Professional Services section of this Annual Report), SAIC enables all-weather surface and sub-surface surveillance against a wide variety of threats, including stealth boats, mini-sub, and divers. During the war with Iraq, SAIC-designed mobile inshore underwater systems were deployed in Kuwait, Iraq, and Guantanamo Bay, Cuba, to detect perimeter intrusion and classify and track surface and sub-surface contacts. AMSEC LLC also provides system design for important security infrastructure enhancements for air, rail, bus, and vessel transportation hubs.

“Quality and affordability place AMSEC high on our list of contract maintenance providers. My thanks to all your employees for the service they provide.”

Vice Admiral Michael D. Malone, U.S. Navy, Commander, Naval Air Forces, and
Commander, Naval Air Force, U.S. Pacific Fleet



From high-tech modernization to engineering design and crew training, SAIC performs a wide array of duties to support the Navy and ships such as the *USS Nimitz* (above). Our work reduces the lifecycle costs of maintaining the fleet without jeopardizing readiness or safety.

ENTERPRISE AND INFRASTRUCTURE SOLUTIONS



(Above) Because enterprises are increasingly reaching to unconventional places, they need partners who bring deep domain expertise, IT knowledge, and field experience to help them perform better and more efficiently. For the U.S. Forest Service, the enterprise extends to Arizona's Tonto National Forest. We are using our expertise to help preserve and restore the natural beauty by providing engineering to control soil erosion and for soil covers. We are also helping design vegetative covers to reduce mobility of mine-generated metal contaminants, such as mercury and arsenic.

As enterprises extend beyond traditional boundaries in search of better efficiencies, better performance, and better results, SAIC has extended its reach as well. We offer new solutions in enterprise-level architecture and integration services, mission critical software development, and infrastructure support.

In FY04, we increased our infrastructure support capabilities by acquiring Computer Systems Technology. Now an SAIC business unit, CST provides critical infrastructure support to the IRS, U.S. Army Corps of Engineers, Navy Personnel Command, and a primary DoD initiative, the Ground-based Midcourse Defense Joint Program Office.

Environmental Restoration, Planning, and Compliance

For more than 30 years, SAIC has provided environmental technical support services to federal and commercial clients. In FY04, we continued to support technology implementation, expanded our environmental restoration work for DoD, and addressed new challenges in sustainability and joint land and airspace use at military ranges.

For example, we are providing diverse environmental services to Tinker Air Force Base in support of the base's compliance, restoration, pollution prevention, and conservation programs. We also won important new contracts, shortly after the end of FY04, for hazardous, toxic, radioactive waste services with the U.S. Army Corps of Engineers' (USACE) Louisville and Buffalo Districts.

On another important USACE project, we completed the balance-of-plant design (mechanical, electrical, and civil) and designed the instrumentation and control systems for a plant that uses an innovative soil-washing process to remove arsenic from soils. As a result, we have been contracted to extend the design-build support to the site's groundwater-treatment plant.

For Newport Chemical Depot in Indiana, we support remediation of five sites, including bioremediation at two explosives-contaminated sites, soil capping and creek bank stabilization at a metals- and hydrocarbon-contami-

nated site, soil cover construction at another metals-contaminated site, and PCB removal.

Our environmental scientists work across all DoD components to support mission sustainability and readiness through our practices in operational and range planning, waste minimization, and National Environmental Policy Act (NEPA) compliance. For the Air Force, we support development of GeoBase applications that enhance agile combat support by providing situational awareness for all mission elements of garrison installation operations. Our implementation of GeoBase, a secure geospatial information infrastructure, is providing the Air Force with an important platform that is directly portable to multiple installations.

When the U.S. Marine Corps and Navy required an alternate location to conduct pre-deployment training for Amphibious Ready Group/Marine Expeditionary Units, they called on SAIC to help meet an expedited environmental assessment schedule and commitment to Congress. In less than five months we helped certify Eglin Air Force Base as a new training location by completing the environmental assessment and NEPA documentation.

Public Energy Expertise

By leveraging our system integration and engineering expertise, we help our customers develop new energy sources, find more efficient ways to provide energy, and make long-range forecasts of energy supply, demand and prices. For example, in support of several utilities and system operators, our analysts and researchers worked with NOAA and the Scripps Institute to better use weather data in forecasting utility loads, a key to real-time electrical network operations.

For the Wisconsin, New York, and Oregon Energy Offices, SAIC directed, implemented, and delivered energy efficiency programs for state and local agencies and commercial clients. For the State University of New York and the NYC Metropolitan Transit Authority, we evaluated energy trends and procurement approaches.

Health Care Systems Support

For nearly 15 years, we have supported the Military Health System community by developing and deploying key medical information systems, and helping operate and maintain the Military Health System IT infrastructure. We are positioned to increase these efforts after winning a key recompetition shortly after the end of FY04. Through this win, we will support the DoD/TRICARE management activity at 675 military hospitals and clinics worldwide, implement ongoing projects for system integration and software development, and support new technologies coming into play in the next decade.

We are also the lead systems integrator for the TRICARE Online health portal, a patient-centric health care delivery system for Internet access to health care information, services, and benefits. We developed an interface for the health portal, established and maintain help desk capabilities, and developed and support a Web-based training system for the portal.

Supporting Bioterrorism Preparedness

With increased possibilities of biological and chemical threats, public agencies need to respond rapidly to emerging events. We assist the Centers for Disease Control and Prevention (CDC) in better preparing for and responding to major health threats and bioterrorism threats.

For example, SAIC helped CDC roll out and track the nationwide smallpox immunization campaign for health care workers and first responders. We assisted in the creation of a state-of-the-art emergency operations center and the development of information management solutions vital to its effectiveness. SAIC is supporting programs as well in the area of early detection, outbreak management, and laboratory reporting of bioterrorism-related test results from laboratories across the country.

In addition, we are helping the CDC improve the nation's ability to identify and track infectious diseases and potential bioterrorism attacks. SAIC is helping the CDC develop the National Electronic Disease Surveillance

System (NEDSS), which is designed to enable quicker, more accurate epidemiological analysis. NEDSS serves as the foundation of the Public Health Information Network, a unifying framework that aims to extend NEDSS' objective of standards-based information exchange to all public health activities and organizations nationwide. SAIC is also providing strategic and architectural support for the Public Health Information Network.

Cutting-edge Medical Research

Our scientists at the National Cancer Institute (NCI)-Frederick, Maryland, part of the National Institutes of Health (NIH), help direct research into the causes, treatment, and prevention of cancer, AIDS, SARS, and related diseases.

The Frederick campus also serves as a major biotechnology resource center for NCI/NIH and the extramural research community. As part of this work, our Research Technology Program is developing new technologies in areas such as genomics, proteomics, and imaging.

Through our Proteomics Clinical Reference Laboratory, we are embarked on a clinical study to obtain FDA approval for a revolutionary diagnostic test we helped develop for ovarian cancer. The test uses pattern recognition algorithms to detect hidden sub-patterns in mass spectra of blood serum. The patterns represent "fingerprints" of the disease in an early stage, and this technique has the potential to revolutionize the diagnosis of many types of disease.

We are also working with NCI to establish a nanotechnology program and laboratory to better detect and treat cancer.

As SAIC technical experts enable the CDC to reduce the time it takes to process SARS information, we are helping to produce vaccine candidates against SARS. This aligns with our traditional role in researching antiviral drugs against biological threat agents, such as HIV and AIDS. In addition, SAIC is working with the National Institute of Allergy and Infectious Diseases to produce vaccine candidates against malaria.

"I would like to take this opportunity to commend the SAIC team supporting the Environmental Management Directorate here at the Air Armament Center... I have never seen a more professional bunch of people, [they] consistently go that extra mile to meet mission needs."

James D. Sirmans, Director, Environmental Management, Eglin AFB



(Above) Doctors in the Camp Pendleton Naval Hospital's Ophthalmology Department use the SAIC-developed Composite Health Care System (CHCS) to quickly access a dependant's patient records. Supporting virtually every aspect of health care information management for over 8 million DoD healthcare beneficiaries, CHCS is the world's largest integrated health care information system.

HOMELAND SECURITY

(Below) Called to investigate a “suspicious” package in California, members of the Orange County Sheriff’s Bomb Squad deploy with SAIC’s RTR-4® portable X-ray imaging system and PD-10i radiation dosimeter. During this exercise at a tactical training facility, the RTR-4 revealed the contents of a suspect package while the PD-10i alarmed to warn against elevated levels of radiation. To date, first responders around the world have purchased some 3,000 RTR-4 systems and tens of thousands of our personal dosimeters.



For more than 35 years, SAIC has helped government agencies and companies respond to critical national security and homeland defense problems. We have demonstrated our abilities in situations as diverse as the Tokyo subway nerve gas attacks, the crash of TWA flight 800, the 1998 attacks on the U.S. embassies in Kenya and Tanzania, and the 2000 bombing of the *USS Cole*. After the 1993 World Trade Center bombing, our blast analyses produced tangible results that helped identify those responsible.

Following the September 11, 2001, terrorist attacks, we responded rapidly to assist a number of customers near ground zero in New York City and in Washington, D.C.

Today, we offer the full range of our capabilities to support the global war on terrorism. As a leading systems integrator, we provide integrated, end-to-end homeland security solutions to help foster collaboration among civilian first-responders, local law enforcement, public health workers, and other emergency responders.

When the Department of Homeland Security (DHS) faced the enormous challenge of integrating the disparate missions, cultures, and systems of its 22 agencies and 180,000 employees, our systems integrators worked to deliver a high-level target enterprise architecture and transition strategy in less than four months. Built on our previous successes at INS, IRS, FEMA, and the National Archives, the DHS enterprise architecture provides a road-map for information sharing and IT integration in the new department. Currently, we support DHS in moving beyond the basic enterprise architecture framework to develop new and improved mission support capabilities, such as

better coordination of terrorist watch lists.

In recognition of that work and our many other efforts in support of DHS, we received the first-ever Frost & Sullivan 2003 Market Leadership Award in Homeland Security and Homeland Defense.

Emergency Preparedness and Response

After September 11, 2001, SAIC's readiness and quick response capabilities drew praise from government clients across the U.S. Today, we are using our technology expertise to help firefighters, police officers, and other emergency responders improve their readiness and responsiveness and enhance the interoperability of their communications and equipment.

We provide the integration and interoperability to develop homeland security solutions that work. At our Public Safety Integration Center in McLean, Virginia, we successfully integrate products from dozens of companies, including leading-edge biometric, sensor, incident management, situation awareness, and situation assessment technologies. At this working laboratory, hundreds of current and potential clients have experienced "hands-on" demonstrations of the new technologies and capabilities – and the integrated solutions – they require to meet their needs. For example, the center recently demonstrated ways to improve the interoperability of disparate mobile radio and wireless systems.

Managing emergency events is a complex undertaking that requires knowledge of the geography, underlying infrastructure, and demographics, as well as the availability of emergency response personnel and equipment. To transform this data into the useful

“(DHS and the SAIC team) have accomplished something unique in federal government: We designed and delivered a comprehensive – and immediately useful – target enterprise architecture in under four months.”

Steven Cooper, CIO, Department of Homeland Security

information that aids real-time decision making, the Michigan State Police called on SAIC to integrate a statewide geographic information system, commercial incident management software, training, and the State Police Concept of Operations into an effective information system for emergency response.

Ensuring that government employees and volunteers responding to emergencies are adequately trained and equipped is essential for regulatory, health and safety rules, and insurance reasons. The Coordinated Responder Information System we are developing for Alachua County, Florida, performs everyday management of personnel records and, in an emergency, assists officials in deploying only those personnel who are qualified to serve.

DHS has required all states and territories to complete a state homeland security assessment and develop a state strategy defining the goals and objectives for improving homeland security. Pennsylvania, Florida, and the Commonwealth of the Northern Mariana Islands drew on SAIC expertise to conduct their assessments. We help compare the risks and response capabilities to ascertain gaps and then develop strategies to fill those gaps.

Border and Transportation Security

As DHS continues to strengthen and fully integrate security at the nation's borders and ports while, at the same time, facilitating legitimate trade and travel, SAIC is playing a leading role. As prime integrator, we helped the U.S. Immigration and Customs Enforcement implement and deploy the first increment of United States Visitor and Immigrant Status Indicator Technology (US-VISIT). Launched at 115 airports and 14 seaports ahead of schedule, US-VISIT includes a biometric identifier that in the first few weeks of operation identified more than 100 individuals who were wanted for crimes in the U.S. or had been previously deported.

Deployed along borders and at ports around the world, our Vehicle and Cargo Inspection System (VACIS®) units use a non-intrusive gamma-ray imaging technique to pro-

duce radiographic images of cargo containers and vehicles in less than a minute. The result: more efficient and secure flow of goods into the United States. Building on this success, we developed an integrated system that employs risk and vulnerability assessments, VACIS units, radiation-detection portals, biometrics, radio frequency identification (RFID), and optical character recognition (OCR) to identify and interdict threats.

Working closely with the Port Authority of New York and New Jersey, we helped assess threats, vulnerabilities, and risks, and helped prioritize more than \$1 billion in proposed capital security projects designed to protect critical transportation assets. As a result of this successful effort, the DHS Office of Domestic Preparedness adopted our assessment methodology as a "best practice" model for use in providing \$140 million to the nation's 35 largest mass transit agencies to help them enhance their capacity and preparedness to respond to acts of terrorism.

To help counter the threat of shoulder-fired missiles being launched at commercial airliners, we developed technologies that identify potential launch sites as well as the optimum locations for law enforcement personnel to take defensive measures, such as deploying remote sensing equipment. Our Light Distancing And Ranging (LIDAR) toolkit produces high-resolution databases of terrain and buildings with vertical accuracies within 15 centimeters. Our Man Portable Air Defense System (MANPADS) Threat Analysis System then uses this data to determine the optimum launch sites and defensive locations based upon aircraft approach and departure routes, and weapon performance parameters.

For the Transportation Security Administration (TSA), we manage the disposal of voluntarily abandoned property and hazardous materials collected by TSA's security checkpoints at more than 440 commercial U.S. airports.

Information Analysis and Infrastructure Protection

Effectively sharing information across the private and

*By bringing together technology vendors and large telecom providers,
"SAIC has created a working laboratory where federal officials can see how
integrated systems work together."*

Frost & Sullivan, 2003 Market Leadership Award



(Above) Government and commercial customers can test new systems and technologies at our Public Safety Integration Center (PSIC), which includes an Emergency Operations Center simulator for "hands-on" demonstrations of integrated homeland security solutions. Located in McLean, Virginia, the PSIC features hardware and software from dozens of companies while SAIC provides the integration and interoperability.

HOMELAND SECURITY



(Above) For the Virginia Port Authority in Norfolk, SAIC's RadView system provides enhanced security at one of the busiest ports in the U.S. The system consists of a radio frequency-based automatic equipment identification (AEI) system, a linescan digital imaging system, and the AT-900 radiation screening system, developed by Exploranium G.S. Limited (a division of SAIC Canada).

“The FS/ISAC Board of Directors are thrilled with the progress SAIC has made since taking over the operations in May 2003. The FS/ISAC has become the ‘gold standard’ which other industry ISACs are seeking to emulate.”

Suzanne Gorman, Chairperson, FS/ISAC (Financial Services/Information Sharing and Analysis Center)

public sectors is essential in protecting the nation’s critical infrastructure. SAIC designed and implemented the first Information Sharing and Analysis Center (ISAC) in 1999, in response to a Presidential Decision Directive calling for industry and government cooperation to guard against both cyber and physical threats. Today, SAIC operates the ISACs for the financial services sector and the oil and gas sector of the U.S., as well as the World Wide ISAC. Our 24x7 command center collects, analyzes, and distributes, in near real time, the latest threat and mitigation information. When a major power outage struck the eastern U.S. in August 2003, the ISAC stood up an information sharing teleconference bridge for industry, DHS, and other U.S. agencies within one hour, resulting in a more effective response and a better understanding of the event’s impact.

SAIC also operates the 24x7 Federal Computer Incident Response Center (FedCIRC) security watch, serving as the central point for federal civil agencies to report suspected cyber incidents. The FedCIRC security watch correlates incident report data and information from other sources to develop early warning and information notices that are distributed to all federal civil agencies.

To foster better communication across the Department of Homeland Security, we linked systems at the 22 legacy DHS agencies to a common data communications backbone, and provided an overall management structure to assist the DHS in governing its infrastructure.

To provide an integrated chemical, biological, radiological, and nuclear protection (CBRN) capability at 200 Department of Defense (DoD) installations and facilities worldwide, SAIC was selected (shortly after the close of FY04) as the Lead Systems Integrator for the Guardian Installation Protection Program. The Installation Protection Program is a Family of Systems that supplements other aspects of force protection against potential weapons of mass destruction.

Following our successful completion of a vulnerability assessment of military recruiting centers for approximately 2,700 locations, the U.S. Army Corps of Engineers

awarded SAIC follow-on work to provide security training and develop design specifications for security upgrades. We also provided engineering design services for the access control points at Fort Hood military reservation in Killeen, Texas – one of the largest landmass bases.

Science and Technology

Going forward, the DHS has challenged industry to develop innovative technologies and new scientific tools to protect our homeland, including chemical, biological, radiological, and nuclear countermeasures.

While anthrax and smallpox threats pose major concerns, effective bioagent surveillance must cover a much wider spectrum. More than 500 bacterial species, 200 viral species, and numerous fungi are dangerous to humans, and many could serve as agents in a biological terror attack. To counteract this threat, SAIC and Ibis Pharmaceuticals are developing a system to detect a wide spectrum of human pathogens – possibly hundreds or even thousands simultaneously – and to do so with many samples daily. The detection system will employ DNA microarray technology to analyze samples for multiple pathogens, making it superior to detection systems that can analyze for just one pathogen at a time.

In the first testing of biological agents done outside Dugway Proving Ground, Utah, SAIC led a joint operational test and evaluation of a biological point detection system, a stand-alone detector/identifier that warns of the presence of biological agents.

To reduce the false-alarm rates of chemical sensors, we developed SmallCAD, a handheld chemical agent detection system. Being tested by the U.S. and UK, SmallCAD uses several different chemical detection technologies.

For DHS, we are developing design concepts for the next generation of mail screening facilities to combat potential mail hazards, including chemical, biological, radiological, and explosive threats.

With agriterrorism an increasing concern, SAIC also developed a livestock emergency response tool – based

HOMELAND SECURITY

on a 3-dimensional geographical information system – for the state of Illinois. Detecting the occurrence of a terrorist act against the background of everyday plant and animal diseases presents a unique opportunity to combine farm surveillance, geographic information systems, and analytical modeling to monitor and alert to hazardous events.

Most important, the project not only detects terrorism, but aids the early detection of outbreaks of naturally

occurring diseases, thus also contributing to improved agricultural productivity. We also provide technical support to the U.S. Department of Agriculture (USDA) on a variety of food safety and security issues. This work includes food security vulnerability assessments for domestic and imported food products regulated by the USDA, as well as helping identify and implement countermeasures.



As prime integrator, SAIC supported the U.S. Department of Homeland Security in deploying the first increment of US-VISIT, a new program to enhance the nation's security while facilitating legitimate travel and trade through our borders. US-VISIT requires that most foreign visitors traveling to the U.S. on a visa have their two index fingers scanned and a digital photograph taken to verify their identity at the port of entry.

Commercial IT and Telecommunications Solutions



SAIC's COMMERCIAL AND TELECOMMUNICATIONS TEAMS

Commercial & International Group President **Randy Walker** (fourth from left) with key business unit leaders:

Jim McCall (third from left) - Consulting & IT Professional Services;

Cheryl Louie - Oil & Gas Vertical; and

Kris Hillstrand (far left) - Utilities Vertical.

Telcordia CEO **Matt Desch** (fourth from right) with key business unit leaders:

John Roddy (third from right) - Global Implementation & Operations;

Teresa Vega - Wireless, Cable & Emerging Markets; and

Charles Koontz (far right) - Telecom Services Business Unit - who supports both the Commercial & International and the Telcordia organizations.

COMMERCIAL IT AND PROFESSIONAL SERVICES

SAIC serves commercial customers in more than half the world's countries. Our global delivery capability allows us to serve key industries that best leverage our deep scientific and engineering heritage.

Telecommunications

Our wireline and wireless telecommunications solutions help drive technological and business advances for leaders in the automotive, energy, financial, health care, telecommunications, and transportation industries.

Through our network design, management consulting and implementation services, we work to cut costs and improve communications and operational efficiency for our customers.

For example, our wireless/wireline interface management solution improves the transmission of critical information across health care facilities as well as railroad maintenance yards. Power plants and utilities rely on our wireless infrastructure design to provide more reliable voice communications across their enterprises.

Our telecommunications solutions – encompassing voice-over-IP, VSAT, data, wireless, converged, and virtual private networks – help optimize network resources, performance, and service. For a major global company, the next generation, managed virtual private network we designed and continue to deploy provides international reach, scalability, integration of disparate traffic types, and support for new applications to provide reliable, cost-effective connectivity for staff, suppliers, and clients.

Consulting, Systems Integration, Advanced Technologies, and Outsourcing

Our management consultants work with clients to benchmark their companies' performance, develop strategies to enhance that performance, and align IT capabilities with business goals. Clients rely on our expertise to extract more value from growing stores of data, and to help them retain workforce knowledge and skills, reduce operational costs, and obtain the most value from operational assets.

We help customers improve work processes, redesign jobs, and integrate new and legacy technologies and architectures into real business solutions for challenges such as complex reservoir structures and hostile environments faced by oil companies. As one example, we are helping develop the "field of the future" for major global oil companies. This next generation oil field integrates systems and technologies with new work processes with the goal of realizing increases in production and reductions in operating and facilities costs.

We provide leading-edge technologies to enable clients to act quickly in today's "sense and respond" business environment.

For example, we developed an advanced text analytics tool called Content Analyst™ to exponentially reduce the time it takes to discern relevant information from large volumes of documents and data. Developed to support the U.S. intelligence community in the war on terror, this technology also automates the analysis of large masses of unstructured information for commercial enterprises. Western Fuels, a not-for-profit cooperative of coal producers serving consumer-owned electric utilities, quickly and cost-effectively implemented this technology to significantly reduce the time required to do research on its climate change advocacy Web site. The tool accurately identifies and categorizes conceptual similarities, allowing users to find relevant articles by using their own choice of words.

We provide operations and management support for outsourced IT functions from 22 major sites worldwide. We build lasting relationships with our customers to better understand and meet their specific needs. This knowledge, combined with our in-depth domain expertise and broad IT capabilities, enables us to offer clients the advantages of scale and increased speed to market.

For an energy industry leader, we rapidly transitioned over 1,300 applications while maintaining very high system availability and reliability. This enabled base application support and maintenance costs to decrease

“(This work) exemplifies the benefits that can be realized by taking best practices from SAIC’s Federal portfolio and applying them to the commercial market place.”

Mike Suttan, Vice President Information Technology, Royal Caribbean Cruises Ltd.



(Above) For Royal Caribbean Cruises Ltd., one of the world’s largest cruise companies, our quality software development processes and experience in program management have provided a comprehensive application development lifecycle that includes a Web-based distributed process guide. By working as teammates, we are meeting aggressive schedules and budget requirements.

dramatically, quality to increase, and state-of-the-art software tools to begin aiding documentation.

Industries We Serve

Oil and Gas. Calling on our long, successful experience serving the oil and gas industry, we provide a wide range of services to reduce operations and facilities costs and meet growing work environment challenges.

Our services range from program and change management to value assessment, and IT and network architecture development and implementation to new technology integration.

Our environmental engineering and remediation services are being used to develop safer and lower risk work sites for our oil and gas customers. As a primary supplier to ChevronTexaco, we help ChevronTexaco to achieve operational excellence and reduce costs. We also support ChevronTexaco in employing the highest standards of environmental responsibility while making safety the top priority at open and closed refineries, retail and terminal facilities, and pipeline operations.

Utilities. Our support for utility companies – from IT outsourcing and support services to business consulting – helps them efficiently handle vast quantities of data, reduce costs, and tap new sources of revenue.

For ScottishPower, we provide management of outsourced facilities. Our services and business expertise streamline processes from billing systems, payment collection and processing, accounting systems, and asset management to work scheduling and large industrial metering data collection and validation. We recently helped ScottishPower design and build a new reporting suite and database that improved visibility and data quality and provided a fully auditable process for income and debt reporting.

SAIC works with Entergy to balance stringent IT financial targets with high standards for internal customer service. A full range of IT services has provided Entergy

with increased flexibility to respond to changing business needs, while improving customer service and unit cost.

Our services, including process and economic modeling, change control of systems deployment, and benchmarking, solve challenges presented by an aging U.S. utilities infrastructure.

SAIC services assisted the Midwest Independent System Operator in making program decisions that enhance the stability and reliability of the nation's power grid. To improve the transmission of power between electric grid control areas, we helped the California Independent System Operator develop tie-line metering upgrade strategies for more reliable operations and more effective cost allocation.

In addition, we played a key role in developing PacifiCorp's new business technology framework strategy, which will guide operations for the next 10 years.

Pharma and Life Sciences. As mentioned in the Federal Government section of this Annual Report, SAIC is a top supplier of services for federal health institutes, including research support and managing infrastructure support for the National Cancer Institute at Frederick, a federally funded research and development center.

Our expertise also benefits some of the world's largest pharmaceutical companies. For Pfizer's global R&D division, we are providing integration services to support Pfizer's acquisition of Pharmacia. As part of the major data migration accompanying the acquisition, we are addressing approximately 2,500 applications and facilitating the establishment of a common meta data model. We are also supporting a corporatewide infrastructure consolidation program.

In addition to providing secure, high-performance connectivity to Pfizer's third-party partners, we are using our ANX® Network, the only multiprovider private network operating worldwide, to facilitate connectivity between Pfizer and SAIC. The network is owned and managed by our ANXeBusiness Corporation subsidiary.

“Together, Entergy and SAIC have taken ... customer satisfaction levels to best-in-class levels while simultaneously implementing significant cost improvements.”

Ray J. Johnson, CIO, Entergy



SAIC provides Entergy, a major energy company, with IT outsourcing services that include support for data center operations. The data center (above) is home to the Entergy Command Theater, a state-of-the-art facility that provides real-time information about everything from the status of the network and mainframe production jobs to the weather conditions that may be affecting Entergy's external customers.



Our Intelligent Intermodal Solutions improve efficiency, safety, and security at some of the world's busiest ports, including the Port of Los Angeles (above) and Port Elizabeth, New Jersey. Using digital video and optical character recognition, our systems automatically identify containers as they enter and leave the terminal by ship, rail or gate. The New Jersey system uses our VACIS technology to verify that empty containers are actually empty without incurring labor costs for visual inspections.

International. Our SAIC Limited subsidiary works with commercial clients and public sector government agencies in the United Kingdom and Europe.

We provide expertise on UK security policies and procedures as well as security systems such as our non-intrusive Vehicle and Cargo Inspection System (VACIS) used by the UK Immigration Service. SAIC Limited also supplies VACIS units for ports in Sweden and Belgium and maintains units in the Middle East, Ukraine, and Malta.

SAIC Limited consultants have also worked on modernization programs for the Cabinet Office, Department for Trade and Industry, National Health Service, Department for Work and Pensions, and Inland Revenue. Projects include developing portals for data sharing and strategies for new forms of public sector service delivery.

State and Local. Our solutions for state and local governments facilitate information sharing and operational efficiency while improving safety and quality of life for millions of people. Our solutions are as far ranging as our clients' needs.

As a team member providing San Diego County with IT and telecommunications services, our support enables citizens to gain better access to government services. During the devastating wildfires in California in 2003, the county commended SAIC for providing critical support. During the disaster, county officials relied on our capabilities to help coordinate resources and track the fire. We also performed real-time development of a comprehensive, user-friendly Web site that kept citizens informed.

In Fontana, California, we are planning an advanced communications network to link businesses, schools, hospitals, and homes with a city-owned fiber-optic infrastructure. The network received the Corporation for Education Network Initiatives in California Innovations Award.

The criminal history system we developed for the state of Kentucky increased the accuracy and quality of criminal justice data while making it easier for participants in the global justice network to exchange data. It did so by being

one of the first such systems in the U.S. to incorporate Global Justice XML Data Dictionary technology.

Together with the International Association of Chiefs of Police, SAIC sponsors the Volunteers in Police Service (VIPS) Award. In keeping with the VIPS program, established under the 2002 USA Freedom Corps initiative, the award encourages state and local law enforcement agencies to use volunteers to help communities prevent, prepare for, and respond to crime, natural disasters, and other emergencies.

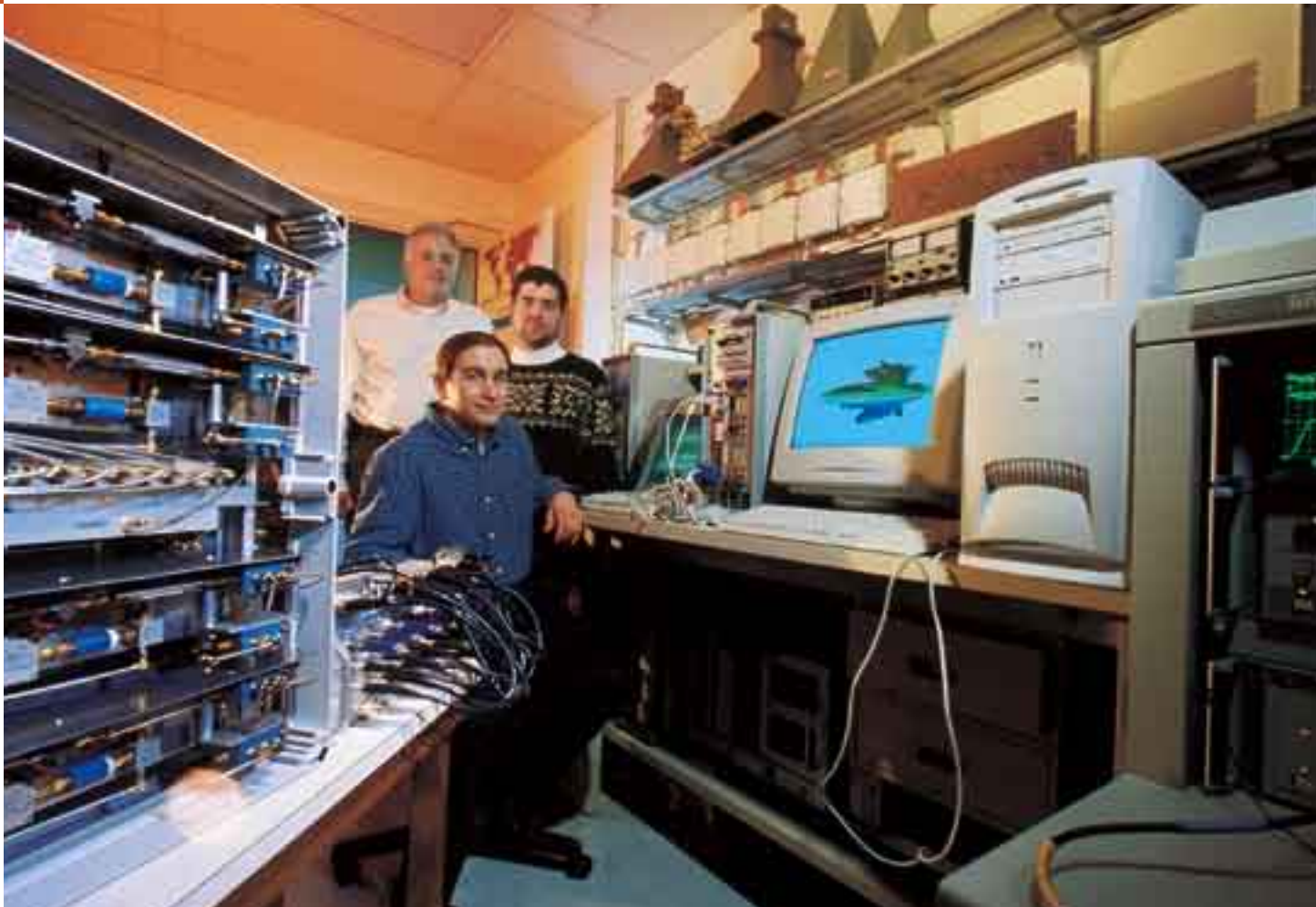
Our environmental scientists and engineers support resource management, restoration, and planning projects for numerous state and local customers. For the past 15 years, we have supported assessments and evaluations of the best means of remediation for wetland, terrestrial, and marine environments for the state of Washington.

In California, we work for numerous public agencies, including the Ports of Los Angeles, Long Beach, and Oakland, providing environmental planning for new facilities development. In Florida, we assist in the management of the state Department of Environmental Protection's stormwater permitting program.

Port Security. For commercial customers, as well as government customers (as mentioned in other sections of this Annual Report), we provide integrated systems that enhance security and safety, without slowing the flow of commerce. Our intelligent intermodal solutions apply flexible combinations of advanced scanning and image-processing technologies to increase terminal productivity, efficiency, accuracy, security, and safety at cargo terminals.

For example, Maher Terminals, the largest marine terminal operator on the East Coast of the United States, selected SAIC to install a revolutionary gate processing system. The system will support Maher's growth as it more than doubles its current gate throughput to more than 10,000 containers per day. Located at Port Elizabeth, New Jersey, the system will combine automation with non-intrusive inspection.

TELECOMMUNICATIONS



(Above) To enable future wireless services such as high-quality streaming video for mobile users, dramatic increases in wireless link performance are needed. Telcordia's Advanced Wireless Signal Processing Lab is at the forefront of high-capacity Multi-Input Multi-Output (MIMO), array-to-array communications, which meet this need. Designs from the lab have been demonstrated to outperform other technologies in the field. The wireless group works closely with commercial and government customers to develop solutions that push the boundaries of wireless performance.

Last fiscal year, our Telcordia Technologies subsidiary unveiled a new business philosophy, accompanied by a new set of products, all of which can be summed up in one word – Elementive™.

The Elementive approach revolves around openness and flexibility in customer relationships, in product partnering, and in software architecture. Elementive helps customers extend their infrastructure investments, streamline their operations, introduce new services more easily and quickly, and reduce their total cost of ownership. The Elementive approach stretches across Telcordia offerings from professional services and new generation wireline and mobility products, to the core software systems that have been at the heart of the North American telecommunications backbone for over two decades.

The Elementive philosophy and product portfolio launch garnered considerable attention from customers, partners, analysts, and even competitors, in both the Americas and Europe. As Owen Wiberg, vice president at Canadian carrier Telus, put it, “I’ve experienced the new Telcordia, and I like what I’ve seen.” But more importantly, the energy of the Elementive launch gained momentum throughout the year, with new product introductions, new partnering, new customer wins, and new technological breakthroughs.

Elementive Portfolio

The Elementive product portfolio provides carriers with the choice of highly reliable, highly scalable, off-the-shelf products that allow for the flexibility to invest in individual or multiple components without the cost or time associated with product customization and integration.

The list of modular and configurable products, based on open industry standards such as J2EE and TMF 513, in the Elementive portfolio is impressive: software products that cover the entire telecommunications value chain, allowing carriers to create, activate, deliver, and manage voice and high-bandwidth data services. The Elementive Portfolio covers the technology gamut including optical,

wireless, cable, DSL, and Internet Protocol (IP) networks.

In addition, Telcordia began to open up its core wireline systems with more configurable interfaces and industry-standard Application Programming Interfaces (APIs), helping longtime customers integrate more freely and cost-effectively with emerging technologies. These widely deployed products are part of what’s known as the Elementive CE Portfolio, as they are integral to the continuing evolution of Telcordia.

Telcordia also added Fiber-to-the-Premise (FTTP) support to Telcordia® Network Engineer, increasing the product’s already impressive list of credentials. Network Engineer geospatially documents and designs an end-to-end model of all a customer’s network elements, and facilitates seamless data integration and better flowthrough among systems on multitechnology networks.

Mobility

One of the most impressive examples of a specific product success last year was the industry-wide deployment of Telcordia® Service Management Gateway for Wireless Number Portability (WNP). The Federal Communications Commission mandated that by November 23, 2003, all mobile phone users would be able to keep their phone numbers if they so desired when switching providers. In a nutshell, Service Management Gateway for WNP provided carriers with a seamless and automated way to port numbers, and to track, report, and support the transactions.

In the first three months after the deadline, Telcordia software successfully ported more than 2 million numbers with no technology failures reported. Today, as much as 90% of all porting traffic goes through Service Management Gateway for WNP software, with seven out of the eight largest U.S. mobility carriers using the Service Management Gateway for WNP process to port numbers.

This open, flexible platform has enabled Telcordia to become the market leader in offering comprehensive fixed and mobile number portability worldwide. Telcordia was awarded a five-year exclusive contract from Greece’s

National Telecommunications and Post Commission (EETT) to help provide number portability to Greece's 6 million fixed and 10 million mobile phone lines. Under the contract, Telcordia will provide the number portability clearinghouse software as well as serve as the prime contractor.

Service level management and service assurance represent other major challenges for wireless carriers. O2 in Germany and Orange PCS UK have already called upon Telcordia to provide solutions. O2 Germany selected Telcordia® Service Director software because it operates independently of network technology, provides an end-to-end view of the network to maximize quality of service, and includes an extensive service library that enables O2 to quickly offer new content, services, and applications, all of which result in increased network performance and better customer service.

In addition, Orange PCS – the UK's most popular mobile phone service with over 13 million customers – selected the award-winning Telcordia® Service Assurance Solution and will now evaluate the product in a trial of performance and service quality management on its General Packet Radio Service (GPRS) core network.

Leading mobile operators in North America and Europe depend on Telcordia to improve their competitiveness as well. Twelve customers in 11 countries currently use the Telcordia® ISCP® System to create new service offerings that attract wireless customers. For example, Virgin Mobile added its one millionth customer, little more than a year after the inception of its U.S. network, with the aid of the ISCP System, Telcordia® SPACE® Service Creation & Provisioning System, Telcordia® Open Services Platform, and Telcordia engineering support. Virgin Mobile's U.S. network has operated since the beginning with no service interruptions.

Partnering

In keeping with its Elementive philosophy and commitment to customers as well as the Telecommunications

industry, Telcordia continually strives to find new and creative ways to work with like-minded companies from around the world. That's why Telcordia launched its "Teaming with Telcordia" program in 2003. Through this program Telcordia has teamed up with "carrier-grade" providers, each of which brings to the relationship a complementary set of products and services as well as their own customer base and geographic presence.

The critical advantage for customers is that they're able to expand their technical options, while maintaining long-standing relationships with firms they've come to trust.

Telcordia currently offers its customers implementation services and expertise through leading partners including Atreus Systems, Cap Gemini Ernst & Young, CoManage, ConceptWave, Dimension Data, Granite Systems, IBM, Micromuse, Openet, and Sheer Networks, thereby extending Telcordia's market coverage and services offerings. Each partner has been carefully selected to support Telcordia's strategic priority to provide customers' with choice and value.

Research and Development

Telcordia Applied Research and Software Systems used a new model and tool-based systems engineering approach for service management software for a major U.S. service provider, exploiting the new tool-suite for Structure Requirements and Interface Design (STRIDE).

This new approach exploited Unified Modeling Language (UML) and eXtensible Markup Language (XML) technologies, enabled formal specification of both interface message definitions and their business rules, provided rapid response to changes in customer requirements, and automatically generated documentation. The new approach achieved cost savings and visible improvement in software quality for the service provider.

“When I look back on what we accomplished, I don’t think we would have made our timeline without Telcordia, and I sometimes think we wouldn’t have launched at all. Telcordia has been integral to our success.”

Mike Parks, Chief Information Officer, Virgin Mobile USA



To automate “flowthrough,” that is, the processing of changes made in telephone carrier’s passive optical networks, Telcordia is creating open standards software (being demonstrated at the Telcordia customer briefing center above). The software will unite core systems used for many years in Regional Bell Operating Companies (RBOC) operations centers and new next generation Operations Support Systems, overlaying them with a single, integrated graphical user interface.

EMPLOYEE OWNERSHIP



“Employee ownership creates the excitement to attract and retain the best and the brightest – it is part of our enduring brand.”

Ken Dahlberg, SAIC Chief Executive Officer

Employee ownership is a key differentiator for SAIC, especially in today's challenging environment, where creativity and initiative are crucial in solving customers' complex problems. Our employee-ownership system helps us attract and retain the best and brightest scientific, technical, engineering, and managerial professionals with the highest ethical standards. It motivates them to better understand our customers' businesses and needs. By thinking and acting like owners, our employees develop innovative solutions and deliver outstanding performance for our customers.

“For 35 years, employee ownership has been one of the fundamental cornerstones and hallmarks of SAIC. We will keep our employee ownership model alive, growing and vital by focusing on growth, entrepreneurship, serving our customers, and increasing our employees' shareholder value,” says Ken Dahlberg, SAIC Chief Executive Officer.

“Our vision today is to grow the value of the company and to generate the excitement to attract and retain the right people – the best

and the brightest – to help SAIC continue to be one of the largest and most successful employee-owned companies in the world.”

At SAIC, employee ownership is a responsibility as well as a privilege. By actively participating in employee committees, company-wide “town hall” meetings, and other forums, our employees gain a greater understanding of SAIC's business, its customers, and markets. By owning stock in our company, employees reap the rewards of their work when SAIC succeeds, contributing to both the company's financial success and their own.

With SAIC continuing to grow and new employees joining our talented team, we developed a C.E.O. (Certified Employee Owner) program in FY04 to expand our employee-owners' knowledge and understanding of our business and the markets that we serve, and the opportunities for increasing their ownership stake in SAIC. The C.E.O. training program has been delivered to over 9,500 employees worldwide. C.E.O.s are champions for our clients and our company.

To encourage all employees to

become owners, the company provides several ways to acquire stock – including the Employee Stock Purchase Plan through payroll deductions, performance-based stock incentives, and direct purchases in SAIC's quarterly market. Employees also gain ownership through the company's 401(k) and retirement plans. SAIC retirement plans, current employees, directors, and their families own approximately 83% of our stock.

SAIC stock is not traded on a national securities exchange; however, our wholly owned broker-dealer subsidiary, Bull, Inc., operates a quarterly internal market. The stock trades in the limited market at the fair market value stock price determined by the Company's Board of Directors with the assistance of an internationally recognized independent appraisal firm.

Stockholders who understand that our company is managed for the long term saw a 10-year annualized stock price growth of 26.3% on their stock. Owning and holding SAIC stock is the foundation of our ownership culture and success.

TEAM SAIC



Occupational Category

Professional Technical	72%
Managerial	14%
Professional Administrative	14%

Academic Degree Level

Ph.D.	7%
Master's Degree	38%
Bachelor's Degree	55%

Degree holders represent 74% of the professional staff.
(These figures do not include subsidiaries not on our Human Resources system, foreign entities, or DS&S.)



Years of Industry Experience

More than 10 years	77%
5-10 years	15%
Less than 5 years	8%

Academic Degree Discipline

Sciences	48%
Engineering	19%
Business/Economics/Law	20%
Humanities	13%



“Hiring and retaining the right people is critical to our success. Our important assets go home every day.”

Ken Dahlberg, SAIC Chief Executive Officer

At SAIC, our diverse and exciting opportunities attract top talent from many fields. Few employers can match our wide array of opportunities, including the chance to contribute to important efforts to defeat terrorism, to find better energy solutions, to protect the environment, and to improve health care.

This kind of opportunity is one reason our retention rate is so high. Another reason is our internationally recognized training, education, and professional development programs offered through SAIC University. They play a vital role in helping employees develop, maintain and extend technical, leadership, and professional skills, which help our employees perform better for our customers.

In addition to classroom training, distance learning, and onsite certificate and advanced degree university programs held at key locations, all employees can participate in our e-learning program, which provides certifications and 2,000 of the most

in-demand business, leadership, and IT courses. We also keep employees on the cutting-edge by offering courses in geographic information systems, imagery science and exploitation, and Web development.

Employee Benefits

SAIC provides its employees with benefit choices designed to suit their needs and the needs of their families and eligible domestic partners.

Employees may choose between SAIC self-insured medical plans and health maintenance organizations at most locations. The company also offers eligible employees programs for dental insurance, life insurance, and disability coverage.

Other benefits include comprehensive leave, holidays, tuition reimbursement, and accident and business travel insurance.

In Fiscal Year 2004, SAIC contributed more than \$592 million to these benefit plans.

Retirement Plans

SAIC retirement plans help

employees finance their retirement. Eligible employees can take advantage of our Employee Stock Retirement Plan and our 401(k) Profit Sharing Plan, which has a Company matching contribution.

During the year, the Company contributed about \$103.5 million to these plans. At the end of calendar year 2003, overall plan assets were approximately \$4.2 billion. (These numbers include only SAIC Retirement Plans.)

Employees invest their retirement assets in SAIC stock and mutual funds. The funds offer a spectrum of investment vehicles and provide individual control over investment alternatives with the exception of the non-exchangeable SAIC company stock funds.

As of December 31, 2003, 55.6% of the SAIC Retirement Plans were invested in SAIC common stock. This represented approximately 39.3% of the total outstanding shares of SAIC common stock. The retirement plans – including Telcordia and AMSEC 401(k) plans – held 43.1% of the total outstanding shares of SAIC common stock.

FOUNDER'S MESSAGE



It is hard to believe that it was 35 years ago – on February 3, 1969 – when SAIC got its start. Our history has played an important role in defining what we are today. So let me mention first why I founded SAIC.

Thirty-five years ago I was the manager of a self-supporting government contract research organization at another company. What I observed was that the government was not always getting the best technical support from private contractors on its national security projects. I found this to be unacceptable because our country needed the best help it could get in the national security area. So, providing quality work on national security problems at a fair price was the major motivation behind the founding of SAIC in 1969. I believe we have succeeded in this.





“I’ve had the privilege to work side-by-side with very talented, high-caliber individuals that are the envy of our competitors.”

Dr. J. Robert Beyster, SAIC Founder



We were able to recruit some leading technologists and they were happy to join our little start-up company because of the opportunity for ownership. However, as with many small companies, one of the biggest challenges we faced was establishing credibility with our customers – we were small and unknown. As the number of contracts grew, our performance spoke for itself.

I can’t tell you where we would be without employee ownership, but I am convinced that we would not be where we are today. Shared ownership, wide participation, and shared responsibility have created an effective entrepreneurial environment throughout SAIC with not just a few owners at the top, but many owners.

Soon we began to experience rapid growth. The company culture attracted many known experts – their work was important to government and commercial customers.

As scientists, they wanted to work on important programs. As owners, they wanted to bring in more significant contracts. Company growth meant more opportunities for the ambitious to rise through the management ranks.

I believe that our employee ownership culture is one of our best discriminators, ensuring interest in satisfying customers’ needs. Employee ownership has given us the

flexibility to react to our customers’ needs in ways other companies cannot.

Throughout our history, we also have done some impressive work for our customers outside of national defense, especially in the areas of commercial IT and telecommunications.

In the 35 years that I’ve helped this company grow, I’ve had the privilege to work side-by-side with very talented, high-caliber individuals that are the envy of our competitors. SAIC’s customers recognize our willingness to take on the nation’s most complicated technical challenges and, importantly, our dedication and commitment to getting the job done. I believe that my dedication to helping our government on issues of national importance is reflected in all of our employees, and for that I am truly proud.

Together, we have built a premier company that is highly respected in government and commercial circles. Not only have we built a company that is filled with talent, but SAIC also is known for its professionalism, for its sense of value and ethics, and for its entrepreneurial spirit.

A tremendous number of people have contributed to our growth and success over the years. I thank all of them for their exceptional efforts and their future contributions.





BOARD of DIRECTORS

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Founder and Chairman of
the Board

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General, U.S. Army (Ret.)

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Former Chairman, President
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Baxter International, Inc.

M.E. Trout, M.D.
Chairman of the Board,
Cytoc Corporation (Ret.)

K.C. Dahlberg
Chief Executive Officer and
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J.A. Drummond
Vice Chairman, BellSouth
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C.B. Malone
President, Financial &
Management Consulting Inc.

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D.P. Andrews
Corporate Executive Vice
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SAIC

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Technologies

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Sciences, University of Virginia

R. Snyderman
Executive Dean of the School of
Medicine, President and CEO,
Duke University Health System

A.T. Young
Executive Vice President,
Lockheed Martin Corp. (Ret.)



SAIC has more than 14,000 employees in the greater Washington, D.C. area. Our largest facility in the area is the 620,000-square-foot Towers complex in McLean, Virginia (above).

STRATEGIC LOCATIONS

United States

SAIC has employees in 48 states and the District of Columbia. The largest concentrations of employees are in San Diego, the greater Washington, D.C. area, the greater Hampton Roads area of Virginia, and northern New Jersey.

International

SAIC has employees in 50 countries, including:
Europe: Belgium, Bosnia, Czech Republic, England, France, Germany, Ireland, Scotland, Italy, Spain
North America: Canada, Cuba
Middle East: Egypt, Saudi Arabia, Turkey
South America: Colombia
Pacific Rim: Guam, Japan, South Korea

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