

SAIC 2003 Annual Report

SAIC's employees are dedicated to delivering best-value services and solutions by innovative applications of science and technology.



SAIC.COM



Technical Diversity Is Our Strength

Our clients have done a remarkable job of working through adversity over the last two years. We are proud of the myriad ways we have supported them during these difficult times.

We were able to do so because of our extraordinary technical diversity. The key SAIC differentiator in any marketplace – government or commercial – is the breadth of science and technology we understand and use.

Our strength and staying power are due to our diversity, not just in technology but also in our people. SAIC employee owners work in almost every technical discipline, on almost every continent.

SAIC staff are medical doctors, petroleum engineers, oceanographers, computer programmers, management consultants, defense analysts, and much more.

Together, we develop world-class solutions to support our clients in the United States and around the world. At SAIC, we have the program management skills and processes, the tools and technology, and the people and ownership culture to make a difference.



SAIC DISCRIMINATORS

- ▶ **One of the largest professional IT services firms in the world.**
- ▶ **World-class provider of IT and telecommunications software, engineering, and consulting.**
- ▶ **Leading provider of scientific research. Performs hundreds of millions of dollars in R&D each year.**
- ▶ **Global delivery capabilities with offices in about 20 countries on six continents.**
- ▶ **Employee ownership promotes workforce stability, financial stability, and higher performance.**

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M e s s a g e t o S t o c k h o l d e r s

SAIC held its course during this past year's political and economic turbulence. Our company remained strong professionally and financially, and delivered steady performance to customers and stockholders. Achieving those results, despite the market turmoil, was a significant accomplishment.

I want to again thank SAIC employees for their dedication and professionalism during these difficult times and for taking care of our customers around the world, many of whom are experiencing upheaval and uncertainty.

There is probably no time in the history of our company when our customers have depended so much on our services and expected so much from us.

In some cases, lives depend on the health care, communications, and military systems we develop and integrate. In other cases, companies depend on our systems and expertise for their business success and survival.

We are proud of the support we have given our

customers worldwide. In particular, we are proud and honored to support those who are on the front lines of homeland security and the war in Iraq – U.S. servicemen and women, first responders, the U.S. intelligence community, and employees of the new Department of Homeland Security.

And we are proud of our reputation for responsible, high-quality service delivery as well as for meeting our performance targets. Good reputations – like good companies – do not just happen; they are the result of sustained performance and commitment. Year in and year out, for 34 years, our clients have seen us deliver on our promises and conduct our business honestly and ethically.

Our customers appreciate our commitment and reward us by the reputation we enjoy and the high renewal rates on re-competed contracts. In the face of increased competition, our client renewal rate remained high – 87% of our customers, or more than four out of five, awarded us re-competes.



Our Performance in Fiscal Year 2003

Despite a difficult commercial business environment, our revenues from continuing operations grew 2% to \$5.9 billion. Revenue from our regulated segment, primarily from federal government customers, increased by 12%. We saw even more dramatic growth in our business for certain key customers – such as the U.S. Air Force, DARPA, NASA, the Customs Service, and the Departments of Justice, Transportation, and Education. The growth in government business helped offset revenue declines from our commercial telecommunications and energy IT outsourcing customers as those markets continued under pressure, particularly telecommunications.

Our segment operating income – which generally represents the income from our operating groups and is a good measure of how we're performing as a company – was \$507 million, an increase of 18%. These profits were generated by good contract performance, and by cost reductions and increased efficiencies. This trend was

best reflected at our telecommunications subsidiary, Telcordia Technologies, which maintained good profitability even as its revenues declined 25%.

Those revenue and segment operating income numbers exclude the performance of INTESA, our joint venture company in Venezuela. Because of the political and economic situation in Venezuela, INTESA suspended its operations in December 2002, and those operations are not expected to resume. Consequently, INTESA has been classified as a discontinued operation in our financial statements.

Net income for FY2003 was \$246 million, up from \$19 million in FY2002. This large increase was driven by improved operating performance, as well as by significantly reduced net losses on marketable securities and other investments.

As we head into FY2004, SAIC's balance sheet and liquidity position remain strong. Even after significant stock repurchases, we ended FY2003 with about \$2.2 billion in cash, cash equivalents,



FORTUNE names SAIC #2 Most Admired Company in Computer & Data Services Industry

"...despite the corporate governance scandals that have done so much to tarnish the reputation of business, there are companies to admire. And when times are not so good, it is a good time to celebrate those that get it right."

FORTUNE magazine, February 25, 2003

and short-term investments in marketable securities. Major sources of cash during FY2003 were cash generated by our operations, proceeds from liquidation of our remaining investments in VeriSign and Amdocs, and funds received from our \$800-million bond placement. Our strong balance sheet gives us great flexibility to grow our business.

Going forward, we remain cautious about near-term recovery in our commercial markets. We are optimistic about our opportunities to be of service to our government customers and about our long-term outlook overall.

Employee Ownership

In business, the choice of strategy at the beginning often lays the foundation for future success. At SAIC, our strategy of employee ownership laid the foundation for much of our success. The same reasons we chose employee ownership at the beginning hold true today. It motivates our employees to perform higher quality work for our customers and creates a more stable company.

We should never underestimate the impact that each of us, as employee owners, can have on the success and well-being of our employee teammates and SAIC as a whole.

As a private company owned by its highly skilled current and former employees, SAIC has

the luxury of being able to concentrate on long-term goals and doing what it does best – helping customers solve complex technical problems of national and international importance.

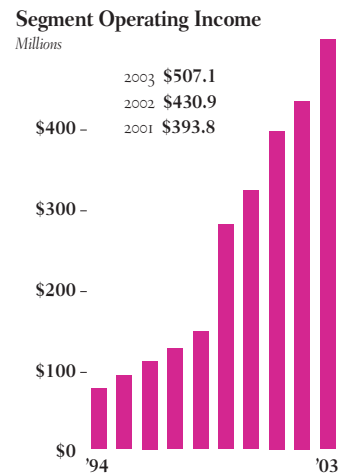
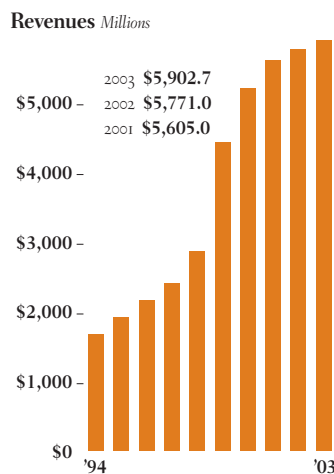
Looking to the Future

In early FY2004, I presented to our Board of Directors a plan for the smooth and orderly transition of the CEO and Chairman of the Board positions. The plan provides for both an orderly transition and continuity and stability through my ongoing role as CEO and Chairman of the Board. I will serve as CEO through the earlier of February 1, 2004 or when my successor has been elected by the SAIC Board of Directors. My current term on the Board expires in July 2004, and I will remain Chairman until a new Chairman is selected by the Board. I believe this plan is in the best interests for our long-term success.

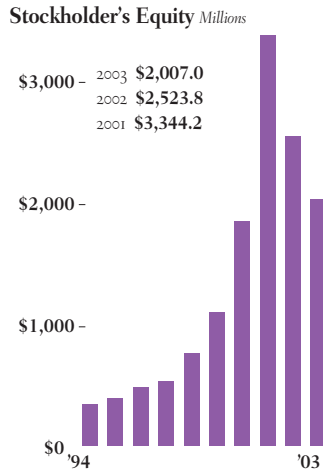
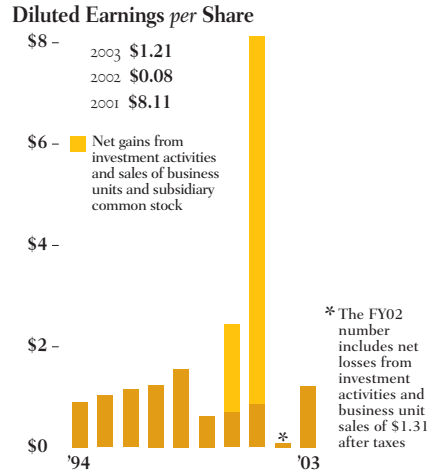
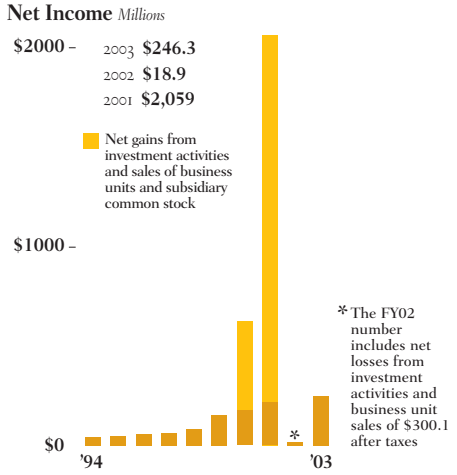
We all know SAIC has been making important contributions for 34 years. I am confident that the company's future will be as bright as its past.

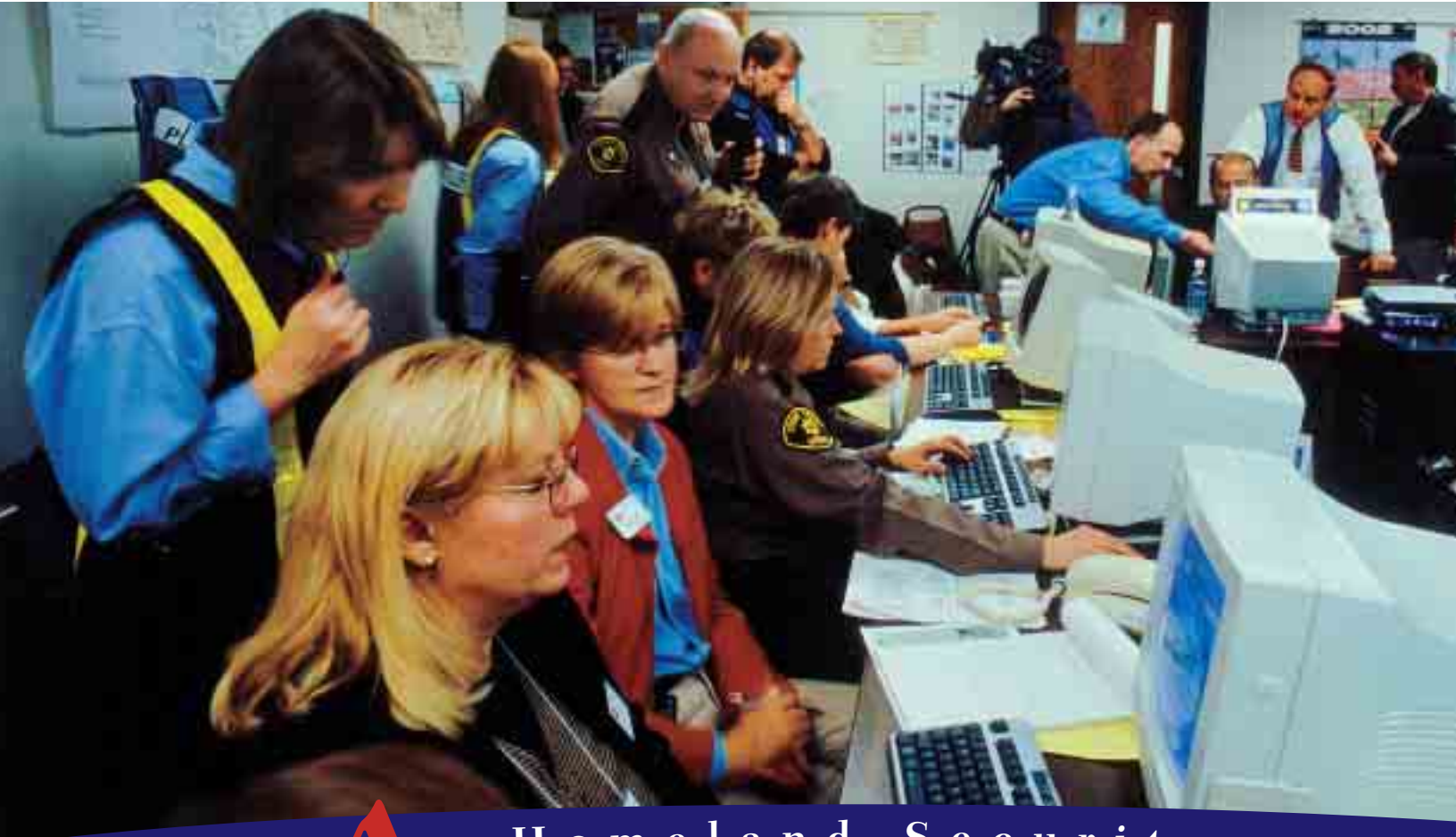
J.R. Beyster, *Chairman of the Board, President, and Chief Executive Officer*

Revenues and Segment Operating Income exclude activity from our discontinued INTESA operation.



Homeland Security





Homeland Security

Anationally recognized leader in public safety and homeland security, SAIC draws on thousands of experienced staff members in disciplines ranging from vulnerability assessment to infrastructure protection to emergency response. We have extensive experience with the component agencies of the new Department of Homeland Security (DHS), and have worked hand in hand with our agency customers to meet their important training, technical, and strategic requirements. Our success in integrating many different agency systems and networks is a key reason why we were chosen (shortly after year-end) to integrate the data network connecting all 22 agencies of the new DHS.

Emergency Preparedness and Response. Following the September 11th attacks, realistic training for first responders became more essential than ever. However, time-efficient and cost-effective exercise tools to accomplish such training did not exist. SAIC



◀ **A simulated terrorist attack on a train carrying dangerous chemicals creates many challenges for emergency workers in Iowa. The scene at left shows a small part of the large, complex training exercise and our advanced simulation system that helped make it realistic.**

training experts worked closely with our software engineers to design a first-of-its-kind system funded by the National Guard Bureau. Our interactive simulation-based training system has helped local emergency responders from Utah to West Virginia to Iowa prepare for possible terrorist attacks involving weapons of mass destruction. More than 3,000 additional communities expect to benefit from the training system.

To help enhance security at the 2002 Winter Olympics in Utah, SAIC worked with state and local agencies and their federal counterparts to develop the nation's first state homeland security program, which was widely praised by the U.S. Attorney General and other top officials. We supported every facet of public safety from planning to operations, including design and implementation of the Olympic Coordination Center, a chemical and biological protection system, and a statewide system for interagency information sharing.

For the Florida Department of Law Enforcement, SAIC compiled antiterrorism security best practices and procedures for over 65 categories of state and local government facilities and for private critical infrastructure facilities and special event venues.

To enhance emergency wireless communications among authorized users in law enforcement and government, SAIC and its Telcordia subsidiary are helping modernize the national wireless communications infrastructure. Our efforts prepare agencies to

“SAIC is making an important contribution to community readiness and homeland security in the Automated Exercise & Assessment System. It is visionary and groundbreaking.”

Dan Donohue, **Special Assistant to the Chief, National Guard Bureau**

upgrade their non-interoperable land mobile radio communications to a digital, fully interoperable system. The state of California called on us to help create its new public safety network for Enhanced 9-1-1 services. And the wireless industry relies on Telcordia to help ensure calls from authorized users and government leaders receive priority calling during emergencies.

Securing Borders and Transportation. Deployed at ports and borders across North America, Europe, the Middle East, and the Far East, our Vehicle and Cargo Inspection System (VACIS™) has become an important part of the homeland defense infrastructure. An extremely low radiation, non-intrusive inspection system, VACIS produces radiographic images of cargo containers and vehicles in less than a minute. By merging VACIS with our other systems and technologies, we created an integrated security architecture that offers port security a seamless network capable of quickly and accurately inspecting several million containers coming into the U.S. every year.

We assisted the Metropolitan Washington Airport Authority in assessing security threats and improving protection for the airports serving the nation's capital – Dulles International and Ronald Reagan National. As part of this work, we are prioritizing options to improve access control systems, employee credentialing, and protection of air intake systems against biological and chemical attacks.

When terrorists attempted to shoot down a commercial airliner last year using shoulder-fired missiles, government and industry scrambled to develop protective measures. SAIC rapidly developed a countermeasure to thwart the capability of infrared missiles to find or track targets. Within three weeks, our “Dome of Light” solution progressed from a concept to a contract with the Defense Advanced Research Projects Agency (DARPA).

Responding to Nuclear, Biological, and Chemical Threats. SAIC is on the leading edge in helping industry and government defend against threats from weapons of mass destruction. To enable earlier detection of chemical and biological attacks in urban areas, we are helping the Defense Threat Reduction Agency (DARPA) develop and integrate a prototype sensor and surveillance system. On a DARPA project, we are helping develop a fast, accurate biosensor that combines advanced genomic and signal processing techniques to identify known, newly emergent, and bioengineered pathogens, including viruses, bacteria, fungi, and protozoa.

For the Centers for Disease Control and Prevention, we are developing applications to help field investigators and epidemiologists better record, analyze, and report bioterrorism events.

The lead federal agency for medical and public health preparedness and response as well as multiple states asked SAIC to improve their responses to bioterrorism. For the U.S. Department of Health and Human Services, we assessed options to enhance the links between clinicians, state and local emergency responders, and emergency



► **Our systems help protect and improve productivity at some of the world's busiest ports, including Los Angeles (right), Montreal, and Dover. One SAIC system reads identification numbers of containers and vehicles while our VACIS™ system allows operators to quickly scan and verify cargo inside containers.**



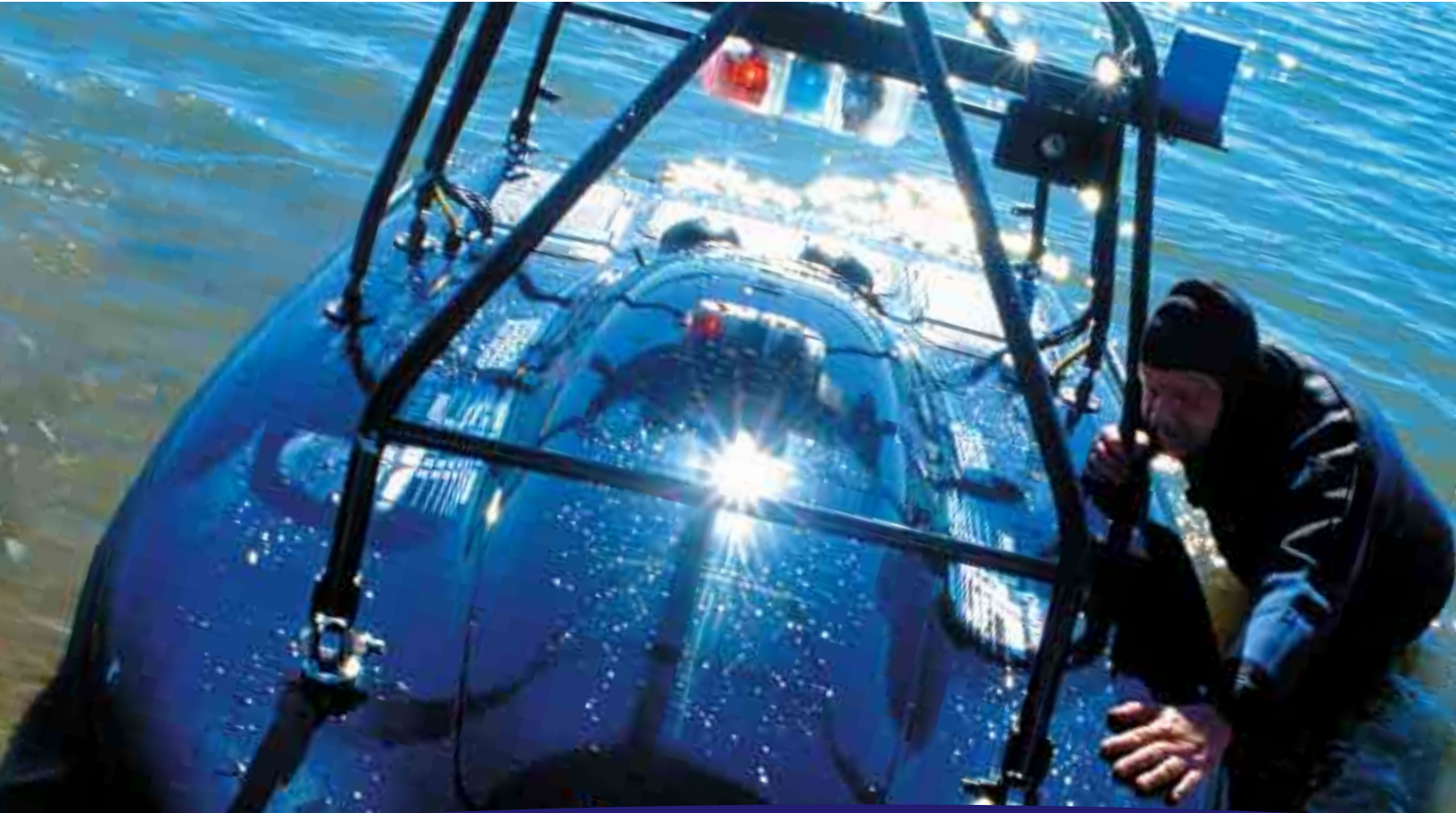
H o m e l a n d S e c u r i t y

managers. We also helped Arizona and Kansas analyze bioterrorism vulnerabilities and develop response plans, and helped Massachusetts emergency planners prepare for and respond to incidents involving hazardous materials.

In support of emergency operations in Colorado and Alabama, SAIC worked with the U.S. Army to successfully field two mobile treatment and disposal systems designed to safely destroy chemical warfare materiel. In comparison to previous disposal practices, these mobile systems are designed to provide full containment, and provide maximum protection for workers and the environment.

With teaming partners Scott Aviation and Avon Rubber and Plastics, SAIC successfully completed the first phase in the development of the next generation of Joint Service nuclear, biological, and chemical protective masks.

Used by the FBI, U.S. Postal Service, U.S. Secret Service, and other customers, our RTR-4® portable digital X-ray system enables quick searches for weapons and other dangerous contraband in areas too difficult or time-consuming to search by hand.



H o m e l a n d S e c u r i t y

Protecting Infrastructure and Securing Cyberspace. Protecting information and infrastructure has never been a higher priority than it is today. We have outstanding experience in securing information networks, protecting physical facilities, and helping ensure business continuity.

We help municipalities and federal customers identify terrorism threats, and assess risks to critical water infrastructure and drinking supplies. For the U.S. Bureau of Reclamation, we help protect 252 dam sites and major hydropower generation plants across the western U.S., including Hoover, Grand Coulee, and Glen Canyon dams.

To improve the overall security posture of an important government facility – the SPAWAR System Center in San Diego – we strengthened network and data security, and analyzed physical security threats and vulnerabilities.

Emerging biometrics technologies promise to provide better access control for facilities. For DARPA, we are pioneering and fusing next generation biometric technologies,



◀ **Our versatile, remotely operated harbor security vehicle has supported Department of Defense force protection missions, mine countermeasures, and covert operations demonstrations worldwide.**

such as extracting heartbeat and facial features to identify humans at a distance. We also improve and deploy the latest proven biometrics technologies using fingerprint scans.

SAIC helps safeguard the information assets of government agencies such as the Environmental Protection Agency, the Federal Emergency Management Agency, the U.S. Department of Agriculture (USDA), and the Veterans Administration (VA). For example, we act as information security architect for both the USDA and VA. In addition, we help ensure that computer security incidents within both agencies are quickly dealt with and have minimal impact on the availability and integrity of agency services.

Our thorough understanding of cybersecurity also helps the U.S. Department of Defense safeguard critical military infrastructure. SAIC is the leader in the number of awarded tasks on the Defense Information Systems Agency I-Assure contract. Our tasks have included integrating public key infrastructure, analyzing security policy for NATO and the coalition on the war on terrorism, and supporting the combatant commanders by engineering and installing cross-domain security solutions, assessing information assurance readiness, and providing network operations and security capability.

Our Common Criteria Testing Laboratory enables the U.S. government to trust the security of commercial products used by the government's IT infrastructure. The Microsoft® Windows 2000 Server operating system successfully completed the lab's rigorous testing, and other operating systems, servers, and network products are being tested.

“For nearly six years, SAIC has provided highly skilled network security support to the Space and Naval Warfare Systems Command System Center San Diego and its 20,000+ device wide-area networks. Well done to this great team of security professionals!”

Ron Broersma, **SPAWAR Network Security Manager**

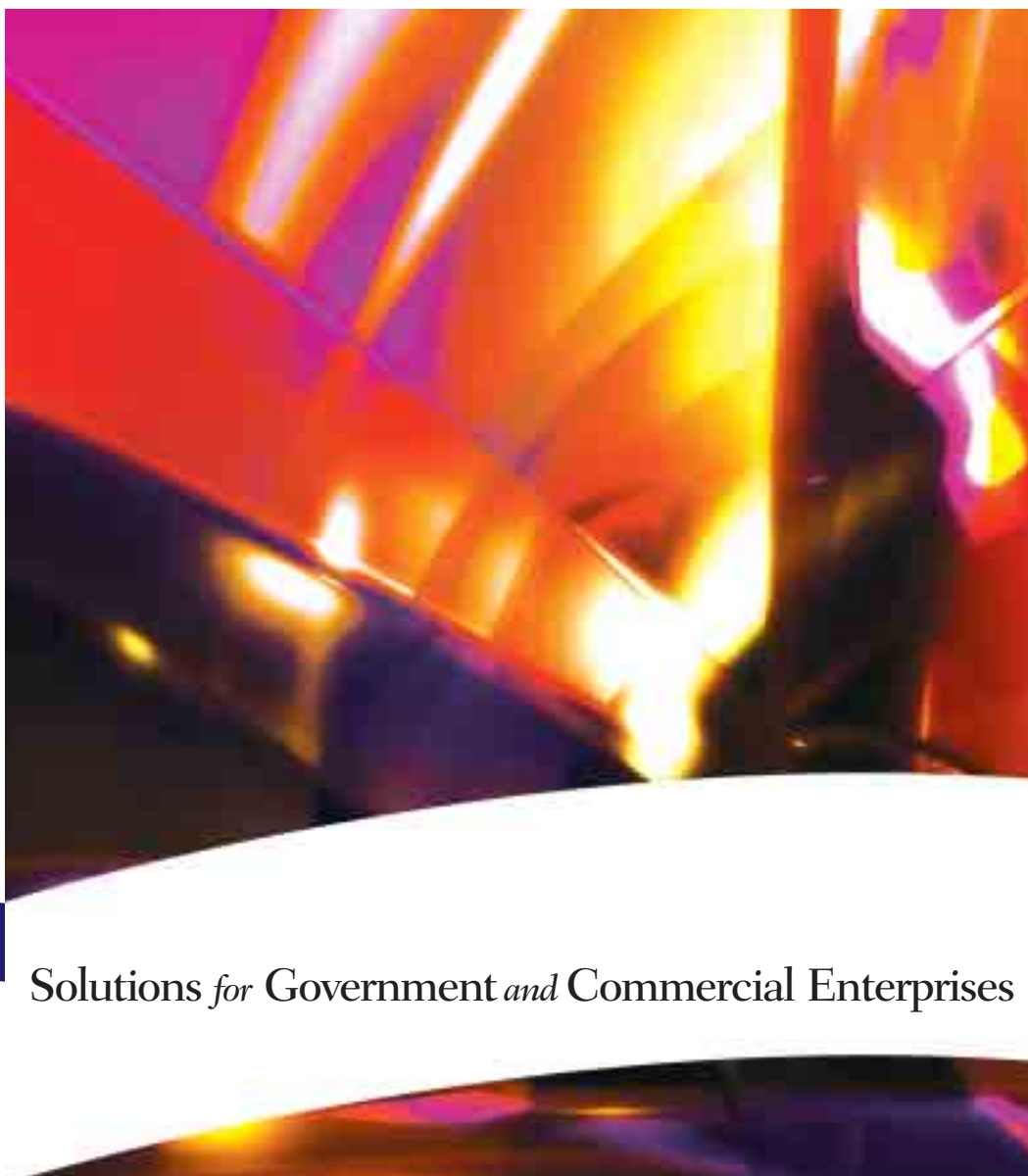


H o m e l a n d S e c u r i t y

► In the event of a terrorist attack at Super Bowl XXXVII in San Diego, emergency responders were prepared to react quickly with the help of a powerful disaster analysis system called the Consequences Assessment Tool Set (CATS), a technology developed by SAIC for the Defense Threat Reduction Agency.

Commercial enterprises rely on our managed services to raise their security levels. For a major insurance provider, our center monitors client networks to identify unauthorized activity and help respond to intrusions. Our disaster recovery and business continuity consulting services are used by clients such as Connexion by Boeing, which provides high-speed Internet access to aircraft in flight.

Rounding out our worldwide delivery of information security services, SAIC works with Infosec Corp., a majority-owned subsidiary of Mitsubishi Corporation, to provide security services for customers in Japan.



Solutions *for* Government *and* Commercial Enterprises



Enterprise Integration

Top Systems Integrator for Federal Government

Ranked #1 Systems Integrator by Government Executive

One of America's Most Admired Companies

Ranked #2 Most Admired in the Computer and Data Services Industry by FORTUNE

Whether our clients are trying to improve everyday productivity or manage a crisis, they need better access to the right information and expertise. Our systems and networks allow decision makers and enterprises to communicate, collaborate, and respond more quickly and efficiently.

We have a reputation for delivering innovative system and network solutions, for succeeding with the tough integration challenges, and for doing more with less.

Those were some of the reasons we were chosen to tackle one of the most complex and important integration projects in the nation: creating the data network linking all the components of the new Department of Homeland Security (DHS).

Shortly after the fiscal year ended, our staff began integrating the network backbone linking all 22 agencies of the new department and their diverse information systems. At the same time, we are building in features and technologies to provide strong network security.



◀ **SAIC is currently integrating the network backbone linking all 22 agencies of the new Department of Homeland Security. The network must be secure and robust enough to support the wide-ranging needs of the many organizations folded into the new department.**

On this contract, we are once again proving our ability to stand up a secure, complex network quickly and to solve difficult hardware, software, and data integration challenges. Our business-driven enterprise architecture will help provide that the deployed IT applications and network resources deliver the right information to the right person at the right time – an essential requirement for the new department to meet its mission of securing the homeland.

Our ability to deliver end-to-end enterprise architectures comes from our world-class experience in both IT and telecommunications. We have unparalleled expertise in all aspects of IT and network strategy, design, integration, and operations.

We offer clients the full spectrum of IT, telecom, and interconnection solutions including Internet telephony, Web collaboration, multichannel customer care, high-speed data to better serve mobile workers and remote locations, and emerging interfaces such as speech recognition and text-to-speech conversion.

Even more important, we offer clients our strong commitment to vendor independence and to delivering the best-value solutions to meet their individual needs. We work with a large number of suppliers, ranging from technology startups to the leading hardware, software, telecom service provider, and IT service firms.

Best practices and experienced staff are also key to our success in integrating systems, developing and reengineering software, and managing complex IT projects. In the past few years, SAIC has made significant investments to ensure that staff across the

► We enabled the U.S. Marine Corps to better predict manpower and skill needs by integrating 34 disparate legacy systems into a single 2-terabyte data warehouse. Direct access to integrated data shortens decision-cycles from weeks to minutes. This enables more precise planning and has saved the Marine Corps \$150 million.



E n t e r p r i s e I n t e g r a t i o n

corporation have the knowledge and expertise to manage, develop, and deliver proven, repeatable, best practice solutions to clients.

For example, our clients can choose the right level of software development maturity – as measured by the Software Engineering Institute’s Capability Maturity Model® – to meet their performance needs and budgets. SAIC and its Telcordia subsidiary have about 3,000 software engineers in organizations rated at SEI CMM Level 5, and nearly 6,000 more in organizations rated at either Level 4, 3, or 2.

The benefits our clients receive from high-quality, well-structured software are clear: lower maintenance and upgrade costs now and in the future. Our commitment to proven processes and high-quality, low-cost software has made us the top software contractor for the U.S. Environmental Protection Agency, the Army Aviation and Missile Command, and the regional Bell operating companies.

Because of its demonstrated experience and success, SAIC has been officially certified by the Software Engineering Institute to help other organizations transition to the Institute’s new CMMI standard.

Data Mining and Warehousing. The ability to manage and analyze data across disparate standards, databases, and infrastructures has become a top priority for businesses and government agencies. While we understand which existing Web services



to use for simpler projects, we also have the ability to create new solutions for more complex projects, such as cleansing and integrating extremely large amounts of legacy multimedia, video, or graphic data.

For the National Cancer Institute, we integrated several disparate genomic and biomedical databases into a multi-terabyte data warehouse, and developed data mining tools that allow researchers to do easy Web-based searches across multiple scientific disciplines. Our work enables researchers to create and manage knowledge faster and to better analyze the differences between normal and cancerous tissue. Our work may also help speed drug discovery.

We developed latent semantic indexing (LSI) software that enables conceptual searches. It can understand what you are searching for – and retrieve it – even if you do not use precise search words. In addition, LSI can retrieve information simultaneously in eight different languages, including Arabic, Korean, and Russian. It may be the only cross-lingual system that does not require documents or queries to be translated.

We also provide a highly scalable text database and search system – TeraText™ Database System – that can search billions of XML documents in seconds and allows our customers to more easily manage multi-terabyte text collections. While many other systems require time-consuming off-line indexing, TeraText's real-time indexing and storage features enable thousands of users to retrieve and share information in real time.



Strategic Management Consulting

Technology can be a key driver of competitive advantage, but to realize its potential, technology investment and resources must be managed strategically. For decades, SAIC has quietly helped clients make smart technology decisions. At the same time, we helped them make the operational, organizational, and business process changes needed to fully benefit from those technology decisions.

We helped some of the world's largest oil and pharmaceutical companies achieve higher business value and better economies of scale from their information technology assets. BP used our expertise to rationalize and integrate diverse IT resources for its acquisitions of Amoco, ARCO, and Castrol in 1999 and 2000.

Two major biopharmaceutical companies have relied on our expertise to help rationalize and integrate the IT assets and intellectual property gained from important acquisitions. For example, in the Bristol-Myers Squibb acquisition of DuPont Pharmaceuticals in 2001, we helped align IT resources to better support strategic business goals.

On the government side, our consultants helped integrate the U.S. Information Agency into the State Department and set up the new J8 organization as part of the new Northern Command. For both, we developed organizational models, business processes, and priorities to promote high levels of alignment and mission performance. SAIC also



◀ **Our Telcordia Technologies subsidiary helps service providers successfully implement major change initiatives in multiple ways. Telcordia consultants help providers better understand and respond to regulatory changes, create more competitive pricing and product strategies, and design network and operations solutions that support their business strategies.**

assists the Air Force in transforming and streamlining its human resources processes.

Increased productivity is essential to the utility, chemical, and oil industry clients of our SAIC Consulting practice. SAIC Consulting currently is helping Shell, Chevron-Texaco, and BP implement new processes, technologies, and cultural changes designed to measurably increase oil field production and life cycles. Last fiscal year, SAIC Consulting strengthened its management consulting capabilities with the acquisition of the former Arthur Andersen's North American Oil and Gas Consulting Practice. The former Andersen practice continues to perform its well-known annual benchmarking to evaluate the performance and effectiveness of capital expenditures for North American oil companies. Using their expertise in organizational transformation, business process optimization, supply chain management, and technology utilization, consultants have made recommendations resulting in significant savings in labor and non-labor costs.

SAIC also brought together government and commercial consultants in a global knowledge management consultancy to dramatically improve clients' operational performance. The benefits from our previous knowledge management projects continue to add up. Two major oil companies have now documented cost savings of hundreds of millions of dollars thanks to our world-class knowledge management practices.



O u t s o u r c i n g

“If you have complex technology challenges, consider SAIC.”

Yankee Group

SAIC goes the extra mile to deliver solutions with real business value to its outsourcing clients. We use a unique service aggregator model that combines SAIC’s vendor neutrality and flexible business models with expertise in IT and business processes. Our model not only enables us to deliver solutions that reduce costs and optimize IT and communications assets, it also allows us to forge strong working relationships with our clients.

For example, after three years of outsourcing service, Entergy’s high level of customer satisfaction with SAIC has been verified by independent, third-party surveys. IT staff retention has improved significantly, reducing the attrition rate to below 10%. Service has also benefited. The dedicated Integrated Service Management CenterSM (ISMC) that serves Entergy improved customer service response time by 33%.

Our service aggregator model calls for going the distance to find the best solution for each customer. To create a highly cost-effective solution to support BP North America’s applications portfolio, we blend onshore and offshore support. SAIC provides business and industry expertise and a rapid on-site response capability in North America, while teams in India provide world-class technology and applications support.

For many of our clients, the best outsourcing solution couples improved service deliv-



◀ **Always seeking to deliver more timely services, SAIC's North American Integrated Service Management Center improves productivity and IT systems availability for its customers. Global remote monitoring of Department of Defense health care information systems greatly improved system availability. The center also improved data collection accuracy and problem resolution processes for Regal Entertainment Group, the largest U.S. theater chain, and Bristol-Myers Squibb, one of the world's leaders in pharmaceuticals and health care products.**

ery with the economies of scale offered by our ISMCs in North America and Europe. For example, our European ISMC is migrating applications to add functionality and reduce support costs for ScottishPower, one of the largest utilities in the United Kingdom. Our North American ISMC improved cost efficiencies and IT asset tracking for the U.S. Department of Energy, and at the same time, improved computer performance by performing critical desktop scans, reducing IT cycle times up to 25%.

With our unique dual expertise in IT and telecommunications, we understand how to support our clients' business goals by optimizing and adding efficiencies to their communications systems. The full-service IT outsourcing we provide for Calpine Corporation, a leading North American power company, includes desktop service and support for 2,600 desktops as well as monitoring network routers and switches, and providing voice, video, and teleconferencing services for 126 locations throughout the United States.

SAIC builds business value on a strong technical foundation. We are integrating all IT service lines and providing software management to help reduce cost and enhance business performance for Alyeska Pipeline Service Company. We help clients such as pharmaceutical giant Bristol-Myers Squibb achieve strategic alignment with an array of IT services, including unique, industry- and company-specific help desk support.

Acknowledged as a leader in distributed computing and help desk services, SAIC manages 100,000 desktops and thousands of applications and servers worldwide, and provides an additional 35,000 users with help desk services.

► **Lauded as one of the top e-government initiatives in the U.S., *DisasterHelp.gov* consolidates federal and other disaster programs under a single Web portal. Spearheaded by the Federal Emergency Management Agency and created by SAIC, the one-stop portal connects citizens and first responders to services and resources from 26 agencies.**



e - S o l u t i o n s

In today's complex IT environment, it takes an experienced integrator to enable clients to realize the promise of the Internet. SAIC has the real-world experience to help clients leverage the Internet and successfully integrate and streamline operations across enterprises and supply chains.

Our experience encompasses all areas essential to e-business and e-government success: from transactional systems and collaborative portals to large-scale private networks, from availability management and bandwidth optimization to cybersecurity. We draw on this wealth of experience to help clients better understand and evaluate competing applications, platforms, standards, and service providers, and to develop solutions that are attuned to clients' business needs.

We helped Rolls-Royce enhance its business model by creating a portal that allows airlines to monitor the health and condition of their Rolls-Royce aircraft engines on the ground and in the air, in real time. The portal also provides predictions of future engine service needs to help airlines better plan fleet maintenance to save costs and prevent service disruption. Our Data Systems & Solutions joint venture integrated and operates the portal, linking remote sensors and sophisticated monitoring and predictive systems.

In the U.S. Army, up-to-date personnel records are essential for deployment as well as promotions. SAIC currently supports the program management office for the Army Personnel Electronic Records Management System (PERMS). The Web-based system



we developed for the Army National Guard has been identified as the template architecture for a new PERMS. The National Guard system will be deployed throughout all 50 states and the four U.S. trust territories.

Improved collaboration and customer focus resulted when SAIC undertook important e-government initiatives highlighted by the Bush administration. For the Federal Emergency Management Agency (FEMA), we created and launched the *DisasterHelp.gov* portal for the public and the first responder community. The portal gives more than 4 million first responders – firefighters, police officers, and emergency medical workers – a one-stop site to collaborate, share best practices, and access information and services across FEMA and 26 other agencies.

This work is part of a larger FEMA initiative to convert to an Internet infrastructure. SAIC is helping plan and implement the enterprise architecture to create “e-FEMA.”

In another groundbreaking initiative for the Bush administration, SAIC provides integration support to the GeoSpatial One-Stop portal. Because geospatial data has been created by all levels of government in different formats, it has been difficult to access among, and sometimes within, agencies. SAIC also hosts the initial version of the portal, which is built on OpenGIS standards-based technology. When complete, the portal will allow federal, state, and local agencies to access geospatial datasets for emergency response and other uses, regardless of the format in which those datasets were created.



e - s o l u t i o n s

We created an impressive Internet infrastructure when we integrated the ANX[®] Network, the only multi-provider private network operating worldwide. Now owned and managed by our ANXeBusiness Corporation subsidiary, the network serves more than 1,400 companies, including nearly 90% of the Tier 1 suppliers to the North American automotive industry. The ANX Network recently linked with the JNX private network to better serve the automotive industry in the Asia-Pacific region.

We worked on a wide range of other Internet initiatives, including e-commerce consulting to Alabama Power, Alyeska Pipeline, and the City of San Antonio, Texas.

To help ease the burden on America's farmers, SAIC worked with the U.S. Department of Agriculture and Synergetics, Inc. to build a prototype portal that allows conservation contracts to be created, approved, and certified online. The team used a rapid application development approach and Web-based collaboration tools to quickly create the Program Contracts System (Protracts) portal.

► **(Above) A prototype portal gives U.S. Department of Agriculture employees the ability to create conservation contracts online and in the field. Created with key technical support from SAIC, the portal can customize geospatial, program, and cost information from farm to farm.**



Solutions for Key Vertical Markets

In the complex and dynamic telecommunications environment, SAIC and its Telcordia Technologies subsidiary have unique credentials to help customers meet their business objectives. The breadth and depth of our expertise spans the technology spectrum, from traditional voice and fixed services, to data, optical, satellite, Internet Protocol (IP), and wireless. We know how to optimize complex combinations of technologies and services, such as multimedia wireless IP networks.

We have unmatched experience in integrating different kinds of provider networks with each other and with enterprise networks. We excel at helping new networks live up to their potential and existing networks deliver new levels of performance, service, security, and profitability.

Together, SAIC and Telcordia offer world-class capabilities in telecommunications systems, software, and integration; the commitment to understand our customers' business, operational, and network challenges; and the promise to deliver creative solutions designed to meet our customers' needs.

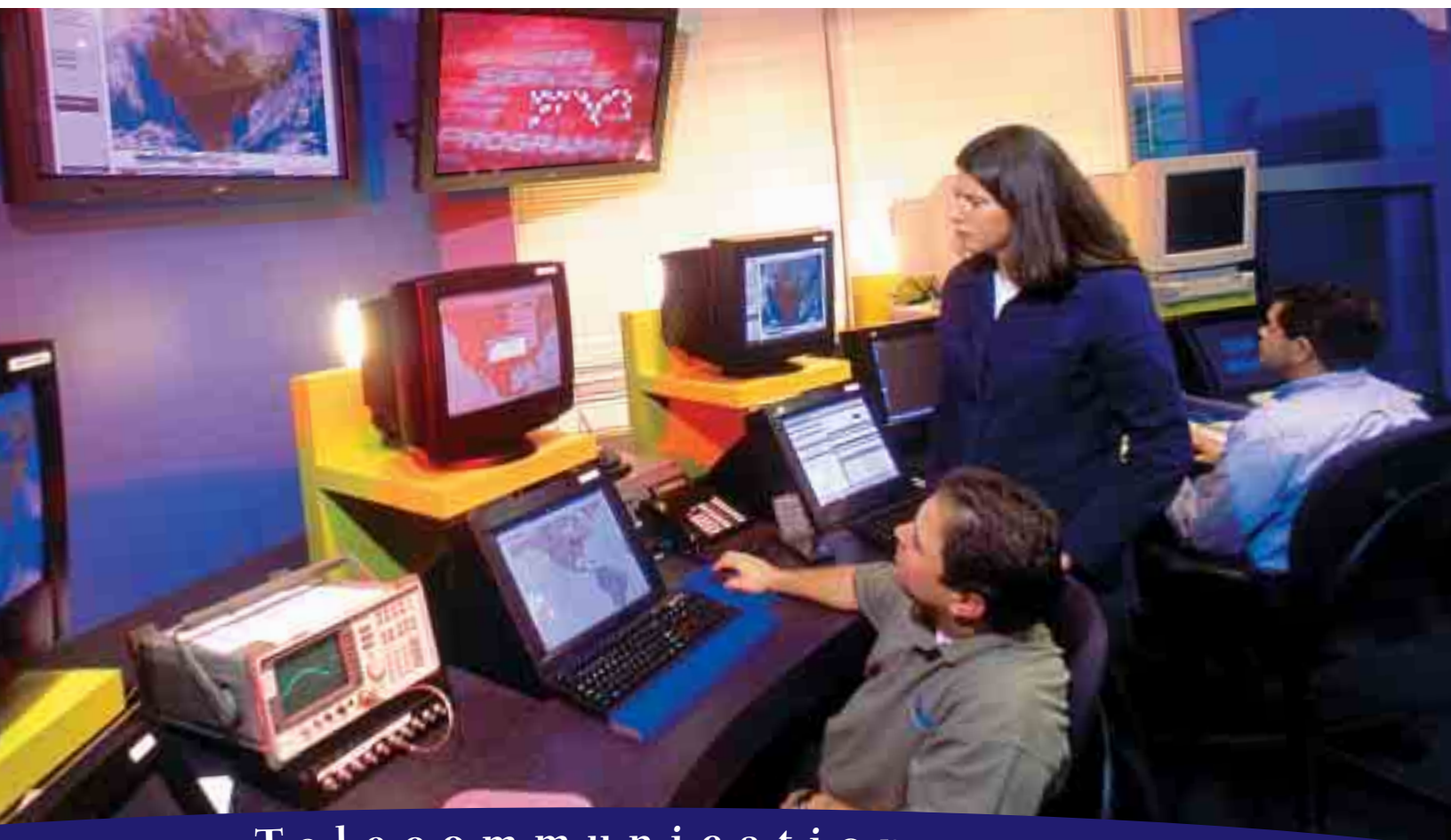
Wireless. From Wi-Fi "hotspots" for high-speed wireless Internet to the latest developments in third-generation (3G) and GPRS networks, our experts are on the cutting edge of new wireless technologies, standards, and service management models.

Both Nokia and Toshiba Corp. turned to Telcordia to help develop software for new 3G offerings. Collaborative research by Telcordia and Toshiba is helping maximize quality of service and security for always-on 3G wireless Internet services. Telcordia intelligent network platforms – incorporated into Nokia's mCreate® architecture – help telecom providers offer their customers higher-profit services, such as prepaid data roaming, to 3G mobile networks.

The same Telcordia intelligent network platform helped the United Kingdom's leading mobile operator and a dynamic U.S. newcomer create and launch new growth- and profit-oriented services. With the Telcordia platform as the foundation, Orange UK became the first network to offer advanced data services – such as mobile e-mail, Internet access, alerts, and photo messaging – over GPRS to "pay as you go" customers.

► **Robust satellite communications are essential for global enterprises such as Halliburton. We integrated and dramatically increased the performance of Halliburton's worldwide, high-speed data, voice, and video network, and currently manage network operations.**

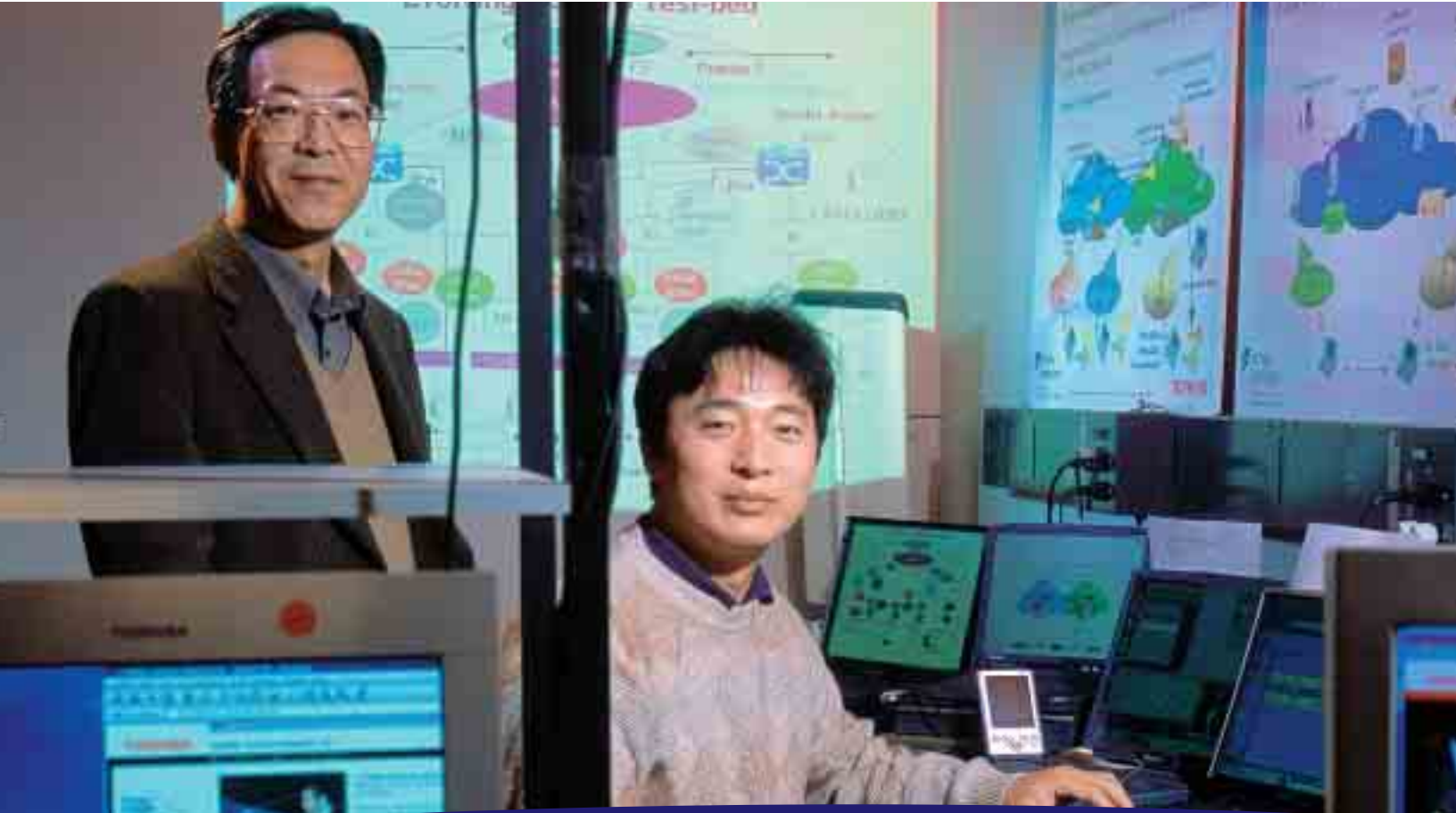




T e l e c o m m u n i c a t i o n s

Virgin Mobile USA – a joint venture between Virgin Group and Sprint – took advantage of the same Telcordia technology to support voice and data capabilities as well as help customers quickly set up their cellular accounts and manage their balances.

Telcordia and SAIC staff explore ways to help providers leverage Wi-Fi hotspots for future 3G deployments. Special Wi-Fi testbeds at our facilities in San Diego and near Washington, D.C., evaluate emerging 802.11 standards and new ways to secure 802.11 communications for providers and enterprises. High-speed data transfers from our 802.11 deployments have enabled better field monitoring of a major BP natural gas field, a Ford® experimental vehicle, and simulated combat on the U.S. Army's top training range.



T e l e c o m m u n i c a t i o n s

Emerging Bluetooth™ and 802.11 wireless technologies and voice-recognition technologies form the basis for a new automotive navigation platform integrated by SAIC. The platform delivers turn-by-turn driving directions and real-time traffic information via the driver's Personal Digital Assistant (PDA) or Bluetooth-enabled cell phone.

Telcordia and SAIC help telecom providers maximize return on investment in many ways. When we integrated a large fleet management system with advanced wireless and positioning technologies, we significantly exceeded BellSouth's goals for productivity and payback. Even more important for BellSouth, the system saved lives. It brought fast help when field technicians faced medical emergencies and criminal acts.



New Generation Systems and Services. Telcordia, the leading provider of operations support systems (OSSs) for the telecom industry, introduced a new solution to manage the complexities of Internet Protocol (IP) networks with converged voice and data services. Telcordia® Managed IP Solutions allow providers to accurately and easily reconfigure the network core and edges, to optimize bandwidth and resource utilization, and to resolve traffic flow problems and network faults before they impact service. These solutions also enable enterprise customers to self-provision virtual private networks and monitor Service Level Agreements (SLAs). Telcordia Managed IP Solutions were quickly adopted for trials by a major incumbent carrier.

When PT. Telekomunikasi Indonesia and network integrator Syspol Co., LTD launched their new hybrid fiber coaxial cable network supplying television, Internet telephone, and high-speed Internet data service in 2002, the network relied on the Telcordia® Call Agent as the central component of its Internet telephone solution. PT. Telekom and Syspol chose the Call Agent software to provide carrier-grade Class 5 switching for the voice-over-IP service without the need for a traditional hardware switch.

Telecom providers are realizing a new revenue opportunity by hosting call center services for enterprises. A new solution created by Telcordia, Microsoft, and CosmoCom allows service providers to quickly deploy a hosted contact center platform over existing network infrastructures. The new platform allows service providers to offer enhanced services – such as interactive voice response, Web collaboration, real-time reporting, and live multichannel IP sessions – over many different types of networks.

Telcordia is also working on multiple initiatives that utilize third-party products to help service providers capitalize on new, more profitable services. Telcordia staff ported key OSSs to operate on IBM eServer™ pSeries™ hardware. This combination provides robust hardware with renowned Telcordia reliability and OSS scalability.

In addition, the Telcordia® Open Services Gateway – which enables cutting-edge services such as click-to-dial and replenishment of prepaid balances via automated teller machines – now supports the Java™ programming language, CORBA® architecture, and XML language.

New providers and enterprises seeking to avoid infrastructure costs have turned to SAIC to host operations and business support systems. Our RapidApps™ center hosts services for subscriber billing, service activation, service assurance, and automated workflow. SAIC also provides customer care and billing outsourcing for one of the largest counties in the United States.

◀ **A joint research project between Telcordia and Toshiba America Research, Inc. integrates Internet and wireless technology to develop third-generation (3G) wireless systems that will give users access to voice, data, and multimedia services anywhere, anytime.**



D E n e r g y

Despite unprecedented volatility and change in the energy industry, energy continues to drive world economic growth and development. To help foster this progress, we integrate solutions that enable our customers to reduce costs, streamline operations, and operate more effectively.

Oil and Gas. Our deep industry experience, gained from helping oil and gas customers innovate for nearly 30 years, enables our customers to maximize efficiencies and profits, and better manage change. Whether they seek innovative outsourcing solutions or more efficient ways to pull oil from the ground or communicate with remote employees, our customers know that we can meet their needs.

For example, SAIC developed a new, more flexible IT outsourcing model to help Alyska Pipeline Service Company reduce costs and focus on its core business of moving



◀ **Supervisory control and data acquisition (SCADA) systems monitor and control hydrocarbon production. SAIC maintains, analyzes, and troubleshoots these systems for clients such as BP. We are exploring ways to better protect SCADA systems from cyber attack through our R&D efforts.**

millions of barrels of oil safely across 800 miles of Alaska. We manage network and back-office services, and serve as the single point of contact for help desk and desktop services companywide. Our professionals also help manage and upgrade applications critical to Alyeska's operations.

In addition, we formed an alliance with Edinburgh Petroleum Services to implement an intelligent system that helps oil and gas customers increase production revenues and reduce the "lifting costs" to take oil and gas out of the ground. The system monitors large producing fields, and automates daily production engineering tasks such as data management, optimization, and surveillance – including adjustment of reservoir flow.

To help BP lower lifting costs and improve efficiency in its U.S. upstream operations, BP turned to SAIC for IT outsourcing. We now stand as the single-point provider for IT services to BP's upstream business units in the continental U.S. Our Houston staff provides data management, applications support, and Web development.

We previously integrated a high-speed broadband satellite network that helps Halliburton's clients receive test drilling data more efficiently, and are integrating a similar network for a major oil company. The network will deliver accounting data from remote locations faster so that invoices are issued more quickly, improving cash flow.

"SAIC has demonstrated flexibility in responding to the changes in Entergy's business in the dynamic energy and utilities sector. Their willingness to work closely with Entergy to help us achieve our business objectives during turbulent times has been both a difficult challenge and a distinguishing characteristic."

Ray Johnson, **Vice President and CIO, Entergy**

SAIC Consultancy. By drawing on our deep scientific experience and innovative business solutions, SAIC Consulting helps clients such as BP, Shell, and ChevronTexaco manage digital oil field initiatives and business challenges such as integrating mergers, optimizing business processes, and organizational transformation. Our expertise in creating oil recovery technologies, such as virtual control rooms and advanced reservoir simulations, can help generate increases in oil field production and lifetime.

Last fiscal year, SAIC Consulting acquired Arthur Andersen's North American Oil and Gas practice. Our new consultants continue to perform their well-known benchmarking of major and mid-tier oil companies to measure the efficiency of general and administrative cost structures, and they recently initiated a benchmarking study to address operating costs and capital expenditures.

Knowledge Management. Our knowledge management solutions help clients worldwide save millions of dollars by improving business processes and enhancing productivity. For example, our knowledge experts worked with Unocal to improve electrical submersible pump operations in Alaska, artificial lift processes in Thailand, and the design and delivery of well completions in the Gulf of Mexico and Indonesia. We also helped Amerada Hess complete two successful knowledge management projects for production wells in Algeria and high-pressure/high-temperature wells in Norway. To date, the projects have increased performance and saved several million dollars.

Utilities. For more than three decades, we have helped some of the world's largest energy companies improve service, efficiency, and business continuity.

When two hurricanes ripped through Entergy's service territory in 10 days, we helped manage IT operations as Entergy restored power to the affected homes and businesses. To sustain Entergy's business operations during the storms, our "ride-out" teams monitored IT infrastructure on site while backup teams stood ready to restore critical systems from a remote site. Our failure planning scenarios and up-to-date contingency plans paid off as we kept IT systems functioning during both hurricanes.

In addition, we helped Entergy rapidly integrate the information systems and infrastructure of the Vermont Yankee nuclear power plant. This was the fourth nuclear plant acquired by Entergy and successfully integrated by our IT team in the past three years. According to an independent analyst, SAIC's IT service delivery to Entergy scored in the top 2% of companies surveyed for end-user satisfaction, and Entergy spent \$37 million less than its peers for comparable IT services.

To gain higher-quality services and control costs, an important new client chose us for IT outsourcing and infrastructure support services: Calpine Corporation, the leading independent power producer in the U.S. We provide Calpine with infrastructure support services, including help desk, desktop, and network services. We continued to provide business consulting and wide-ranging IT services to support ScottishPower in its delivery of service to seven million homes and businesses across the U.K. and western U.S.



► **For Entergy's River Bend Nuclear Station, we provide strategic infrastructure planning, support more than 850 desktops, and provide IT support during refueling outages.**



E n e r g y

By acquiring the nuclear part of Schneider Electric's business, our Data Systems & Solutions joint venture has 200 experts in Grenoble, France, who can provide our nuclear clients with the latest digital reactor instrumentation and controls technology.

Public Energy. Whether customers seek to conserve fossil energy, purchase energy more efficiently, or protect critical infrastructure, we can help. We assess physical and cyber risks to power plants, energy pipelines, water utilities, and Department of Energy nuclear facilities. DOE also uses our research to assess hydrogen programs that could establish a hydrogen infrastructure and help industry commercialize fuel cell vehicles.

An SAIC-led study for Tennessee Valley Authority resulted in the launch of the Power System Optimization Project. PSOP will provide the real-time generation, transmission, and customer data required to operate TVA's power system more reliably and efficiently. PSOP includes the development of enhanced applications, data displays, and analysis tools to support these improvements. We also work with the Wisconsin and New York state energy offices to implement energy efficiency programs for state and local agencies and commercial and industrial clients. And for the State University of New York, we evaluate Internet-based metering technologies and cost management data on energy usage.



National Security

After playing an important role in national security for more than 34 years, SAIC today is helping the United States and its allies fight the first war of the 21st century. From military bases worldwide to the headquarters of the Unified Commands and throughout the intelligence community, our information technology expertise, systems integration skills, digital communications systems, and intelligence solutions support military forces in the global war on terrorism. In Iraq, we provided around-the-clock operational support for Tomahawk cruise missile launches. We also trained Navy dolphins to detect and mark mine locations, supported training missions for Predator unmanned aerial vehicles, and are helping create a free Iraqi media.

Looking to the future, we are helping the U.S. Department of Defense and military services achieve their transformation goals, such as developing future combat systems, enhancing joint warfare capabilities, and implementing network-centric strategies.



◀ **Unmanned ground vehicles require advanced perception systems to identify and navigate around a variety of off-road obstacles. Our RAPTOR testbed vehicle, which uses active and passive sensors and intelligent navigation software, is helping to develop an autonomous mobility architecture for the Future Combat Systems program.**

Research and Development. Responding to rapidly evolving security threats requires innovative research to better protect our forces in the field. To support the near-term requirements of combatant commanders, we are providing systems engineering, integration, software engineering, and training for a Chemical Combat Assessment System (CCAS) for the Defense Threat Reduction Agency. CCAS is a kit that can be field-installed onto the U.S. Air Force Predator MQ-1 unmanned aerial vehicle to provide post-strike chemical bomb damage assessment. It provides both standoff and remote detection, identification, tracking, and characterization of post-strike chemical plumes.

To help speed development of a ballistic missile defense system, we are providing wide-ranging support to the Missile Defense Agency (MDA). For example, we are supporting the Near-Field Infrared Experiment, which will collect data to help verify performance of the kill vehicle and tracking sensors for boost and ascent phase engagements, and provide the foundation for developing the Ballistic Missile Defense System Interceptors Program.

To help the Army transform to a lighter, smarter, more lethal force, SAIC and Boeing work together as the lead integrators on the Future Combat Systems (FCS) program. We are evaluating network-centric concepts and technologies – and conducting

“(SAIC staff) and the DDE (Direct Dissemination Element) System helped to bring the Global Hawk System’s impressive capabilities to bear in Operation Enduring Freedom in a timely, effective, and efficient manner with great success.”

Brigadier General John F. Kimmons, **Director of Intelligence, U.S. Central Command**

demonstrations – to develop an architecture that will link sensor, command and control, and shooter networks to allow simultaneous sharing of information across the battlespace. FCS will feature lighter-but-more-lethal combat vehicles, unmanned aerial vehicles, and robots designed to reduce risks to our soldiers.

Intelligence Solutions. Effective national security begins with reliable intelligence, followed by sound decision making and efficient implementation. Working from remote overseas locations, SAIC staff and our Direct Dissemination Element (DDE) system assisted on 50 combat missions flown by the Global Hawk unmanned aerial vehicle. Lasting more than 1,000 flight hours, these missions provided 15,000 “actionable intelligence” images that proved invaluable for identifying and tracking potential enemy targets in Afghanistan. Integrated into the U.S. Central Command’s intelligence, surveillance and reconnaissance architecture, the DDE system provides imagery, textual, and graphical data to designated recipients in the forward area and in the United States.

Intelligence analysts worldwide and deployed U.S. troops in areas like Afghanistan and Iraq can better identify approximately 2,700 items of military equipment in real time using a Web-based tool we developed with 20,000 reference images. On this and many other projects, we help the National Imagery and Mapping Agency provide intelligence support to the Unified Commands responding to international security threats.

Advances in latent semantic indexing (LSI) text processing technology developed by Telcordia and SAIC are enabling the intelligence community to better prioritize foreign-language material for analysis and translation. Recent work also has led to breakthroughs in sharing of information and in automatic detection of possible uses of aliases. As part of these efforts, SAIC recently extended the cross-lingual capabilities of LSI to include Farsi, Korean, and Japanese.

To help the U.S. better process signals intelligence, SAIC is helping the National Security Agency (NSA) modernize its signals intelligence systems. SAIC will provide and integrate scalable, robust technologies to implement a state-of-the-art mission infrastructure to help keep NSA on the leading edge of communications and data processing.

Information Systems/Networks. The Army continues to improve readiness by using SAIC systems for decision support and mobilization. We conceived and developed the premier analytical tool used by Army leaders and staff to assess unit readiness levels, personnel shortfalls, and equipment availability and cost. As part of this tool, we created one of the largest data warehousing sites on the Internet as well as advanced algorithms to run “what if” scenarios on force structures.

To improve readiness for Army National Guard and Reserve units, SAIC developed, integrated, and is fielding one of the largest DoD information systems ever built – an automated mobilization system. As part of this effort, we helped the Pennsylvania Army National Guard reduce mobilization time for a mechanized infantry division and provided videoconferencing to deployed soldiers to connect their home stations and families.



► **We are helping DoD develop low-cost, unmanned aerial vehicles like the Loitering Electronic Warfare Killer, which can be deployed from tactical aircraft for a variety of warfighting missions.**



N a t i o n a l S e c u r i t y

For the Space and Naval Warfare Systems Command, we are developing and implementing emerging technologies for navigation sensors and air and shipboard command and control. For example, we are developing enhancements to evolve Global Positioning System (GPS) signal architectures and identify and evaluate critical GPS navigation warfare technologies, such as GPS jammer detection/location systems.

To help support warfighters in the Pacific theater, SAIC is integrating and operating Pacific Command information technology systems and networks in Hawaii, Korea, and Japan. As part of this effort, we are providing architecture engineering and software development support for a single integrated theater infrastructure.

To improve combat readiness of ships, our AMSEC LLC joint venture is helping the U.S. Navy deploy enabling technologies and install advanced electronic systems that reduce workload requirements and allow crews to focus on warfighting and training.

For the U.S. Northern Command, SAIC is providing enterprise network management support for the standup of the new homeland defense command.



N a t i o n a l S e c u r i t y

Policy Support and Analysis. SAIC's advanced research and analysis capabilities help the United States and its allies respond to complex and changing national security issues. For the U.S. Joint Forces Command, our analysts played a key part in designing, executing, and examining the results of Millennium Challenge 2002, the nation's largest-ever joint experiment. As part of the efforts to transform the U.S. military and improve interoperability, the experiment combined live field forces and computer simulations at several locations across the U.S. to evaluate future warfighting concepts.

Under the Warfighter Analysis & Integration contract, we help the Army and DoD better analyze and integrate battlefield systems as well as leverage modeling, simulation, wargaming, and sensor technologies to evaluate worldwide threats. This includes theater ballistic missile proliferation in the Third World. As part of this work we also assist in developing a better ability to strike deeply at mobile and dispersed targets.



◀ **In support of the missile defense program, SAIC analysts and engineers help military personnel conduct wargames and battle training exercises at the Joint National Integration Center in Colorado Springs, Colorado.**

Under the Nunn-Lugar Cooperative Threat Reduction Program, SAIC arms control experts, engineers, and management specialists directly contributed to the denuclearization of Ukraine and Kazakhstan, and helped reduce the number of nuclear warheads and delivery systems to a small fraction of Cold War levels.

Modeling, Simulation, and Training. We define and develop emerging technologies and systems for the next generation of mission planning, combat simulation, and training capabilities. For the Army's Future Combat Systems program, we will deliver the converged live, virtual, and constructive simulation environment needed by Army and joint service elements to realize the goal of "train as you fight, fight as you train, anywhere, anytime." SAIC is also developing and integrating a new constructive simulation system that will support advanced concepts experimentation, research, and training for Army, Marine Corps, and international customers, enabling commanders to respond faster and more effectively to changing tactical conditions and evolving doctrine.

We are leading next generation communications and tactical engagement systems for live training at the Army National Training Center (NTC), under an FY 2004 contract. Currently, we are implementing a digital wireless system to enhance NTC voice communications, as well as provide GPS and weapons events data to the NTC operations center.

"The (SAIC Army Flow Model) team's ability to develop analytical tools, identify emerging requirements, and work in high-risk and constrained timelines has proven a true asset to the Army."

Daniel Egbert, **Deputy Director, Force Integration and Management, Department of the Army**



S p a c e

In support of the U.S. Geological Survey's Earth Resources Observation Systems Data Center, SAIC provides scientific, engineering, and operational technical services to operate the world's leading center for land data archiving, distribution, and research. Ingesting approximately 2 terabytes of data per day, the center now contains over 13 million satellite images and aerial photographs. We are developing new technologies to stay ahead of the explosive growth in requirements for this kind of data.

As part of a project that might one day influence such issues as global warming and ecosystem change, we model earth systems and the effects of civilization on those systems in support of NASA's Goddard Space Flight Center. We work with NASA's Langley Research Center to develop the latest active remote-sensing technology. We provide engineering and phenomenology extraction skills for a Langley project that will put a LIDAR in earth orbit to detect and identify aerosols in the atmosphere.



◀ **To study a wide array of environmental issues such as land use and global change, researchers worldwide rely on millions of satellite images and aerial photographs from a data center that SAIC operates for the U.S. Geological Survey.**

For NASA's Marshall Space Flight Center, SAIC engineers are performing technology assessments and trade studies for the Next Generation Launch Technology Program. This involves modeling and simulation to analyze advanced launch vehicle and in-space propulsion system concepts for prioritizing next-generation aerospace investments.

For NASA's Johnson Space Center, we provide safety, reliability, and quality assurance support as NASA assembles the International Space Station. We also provide engineering support for Space Shuttle upgrades and for defining the new Orbital Space Plane program.

At Cape Canaveral, we support U.S. Air Force space launch programs with systems engineering, logistics, safety analysis, and communications for the 45th Space Wing.

We play a central role in the critically important Global Positioning System (GPS) program as part of our work for the Air Force Joint Program Office. We make important contributions to sustainment activities for the current generation of GPS and to advancements for GPS III, such as enhanced anti-jam capability, signal design (M-Code), and furthering civil community user equipment simulation, development, and testing.

For the Space and Missile Systems Center, we provide systems engineering and program management support for the Space Based Radar. We also participate in concept studies for the Transformational Communications System, a next-generation wideband system that could dramatically increase bandwidth by using lasers instead of radio frequencies to communicate.

“SAIC puts a high value on their employee-owners and this caring was evident in improved morale and performance throughout the DSP Team, a direct result of the people-first emphasis of SAIC.”

Dudley B. Killam, **Colonel, USAF, Defense Support Program Director**

During conflict situations, SAIC engineers and technicians rapidly deploy into the field with military personnel.

Deployed with Navy aircraft carrier battle groups and amphibious readiness groups, our technicians assist Navy personnel in properly packaging damaged repairables for return to depots, resulting in reduced repair pipeline times, increased spares availability, and enhanced fleet readiness.

Technical professionals from our AMSEC LLC joint venture use their in-depth knowledge to help maintenance technicians find the data and support they need to keep shipboard systems operating at maximum readiness and efficiency. AMSEC engineers and technicians are also present in many major home ports for the U.S. Navy, continuing their 20-year tradition of first-class in-service engineering for the Navy fleet.

We help Air Force Logistics Center staff respond to the accelerated operational tempo, and improve the front-line readiness of combat weapon systems through services such as aircraft modifications, sustainment support, and sustaining engineering. Our IT systems help Air Force staff anticipate and more quickly obtain both weapon system parts and sustainment services. Over the last year, we provided bench stock spare parts for the Air Force at an unprecedented 99.85% fill-rate, helping the Air Force get weapon systems to the warfighter more quickly and at a lower cost. We also improve the reliability and maintainability of weapon systems, such as a targeting system that enables aircraft to fly at low altitudes, at night, and in challenging weather conditions, to attack ground targets.

Upon activation of Operation Enduring Freedom, our engineers reacted quickly to help a customer at the Oklahoma City Air Logistics Center successfully conduct an accelerated test program for a new penetrator variant of the Conventional Air Launched Cruise Missile.

We explore new technologies and concepts for the next generation of command and control systems for joint operational logistics. Our work supports the Defense Advanced Research Projects Agency, the Joint Forces Command, and the U.S. Transportation Command. For the latter, we are helping implement a collaborative logistics control system to optimize the rapid deployment and use of air and sealift assets.



► **Onboard the aircraft carrier USS John F. Kennedy, our AMSEC technicians instruct crewmembers on maintaining the critical components of an aircraft deck edge elevator. With AMSEC's assistance, the Navy has dramatically increased the reliability of aircraft carrier deck edge and weapons elevators.**



L o g i s t i c s

Last year saw two important wins from Naval Surface Warfare Centers. For Crane NSWC in Indiana, we reengineer and improve the performance of Army and Navy weapons and ammunitions. For NSWC Philadelphia, AMSEC develops technologies to reduce the effort to operate and maintain ship systems and free up sailors for warfighting.

A key player in military transformation, SAIC is helping the Department of Defense design a future logistics strategic framework and integrate those transformational strategies into operational activities. The goal is to design 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.

At SAIC, we make important contributions to the development of vaccines and therapeutic drugs for some of the most serious worldwide diseases, such as AIDS, malaria, anthrax, and different cancers. Our outstanding experience in both biomedical research and information technology gives us the insights to clearly understand and support complex biomedical research and development.

Our technical experts support exciting research into proteomics – analyzing and recognizing protein patterns – and the clinical trials of new diagnostics based on this research, for example, a new test to detect early stage ovarian cancer.

These are some of the many vital research areas we support at the National Cancer Institute at Frederick, a federally funded research and development center. Our staff also manages all infrastructure support for this world-renowned facility and operates its high-performance computing center.

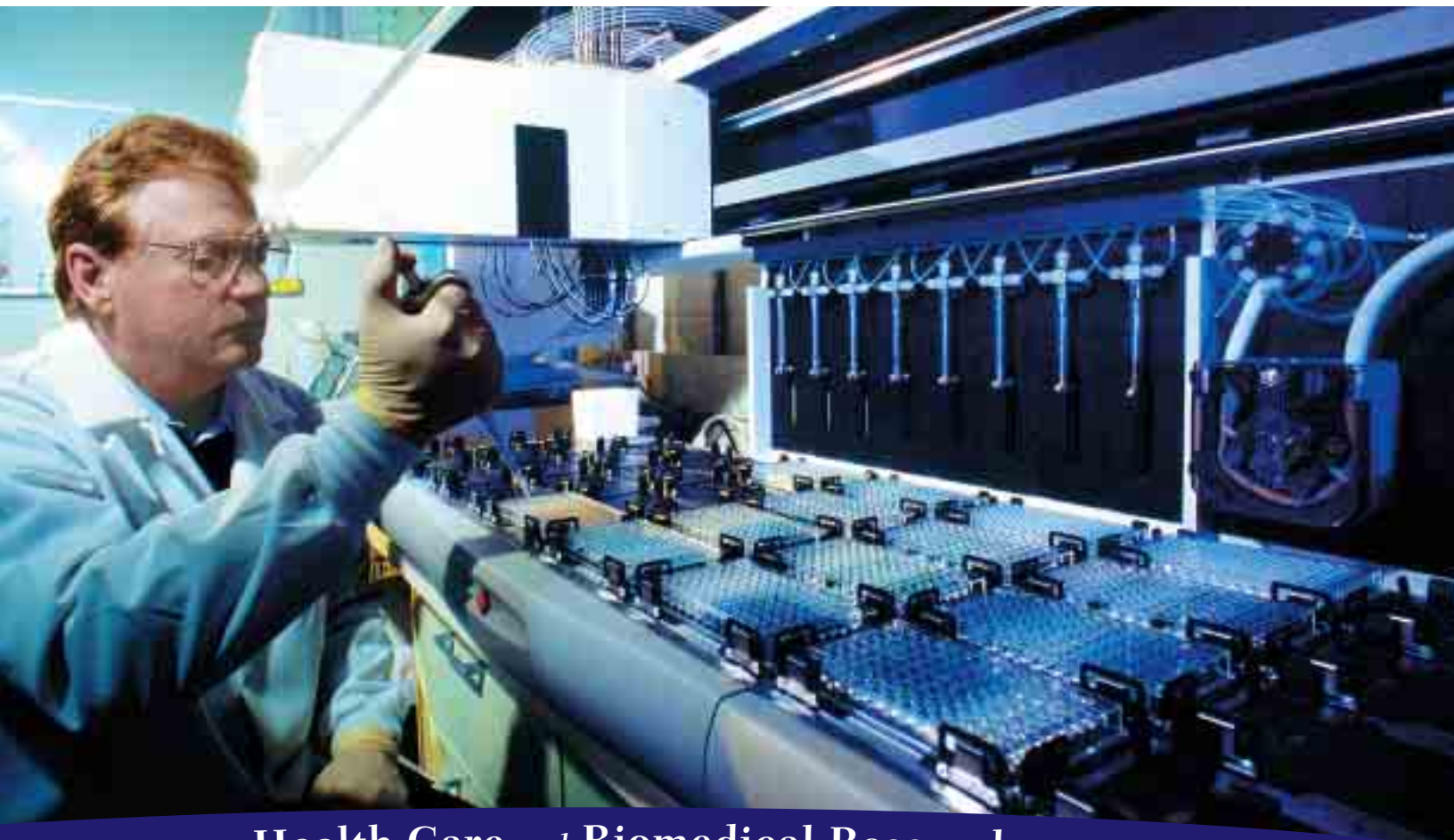
We provide critical support to some of the world's largest pharmaceutical companies on projects that lie at the heart of their R&D value chains. Our IT services and software applications enhance research productivity throughout the drug development life cycle. For example, we develop innovative solutions to better manage, access, and analyze the enormous amounts of data required for drug discovery and development.

Cited for their dedication, courage, and responsiveness, SAIC professionals work alongside U.S. military medical staff during conflicts and terrorist incidents. Our IT professionals at the Pentagon's on-site health clinic assisted medical staff in every way they could during the September 11, 2001, terrorist attacks. SAIC IT staff served onboard the USNS *Comfort* hospital ship, which docked off New York City to provide support to first responders following the World Trade Center attack. For the Afghanistan conflict, our staff set up and operated the IT and communications infrastructure for the field hospital that provides medical care to detainees at the U.S. base in Guantanamo Bay, Cuba. During the Iraqi conflict, SAIC staff onboard the USNS *Comfort* managed the hospital information technology system and provided a wide variety of other support as the ship's medical staff treated wounded American and Allied soldiers and Iraqi combatants.

We also help the Department of Defense Military Health System protect the health and well-being of military personnel and their families in many other ways. To address



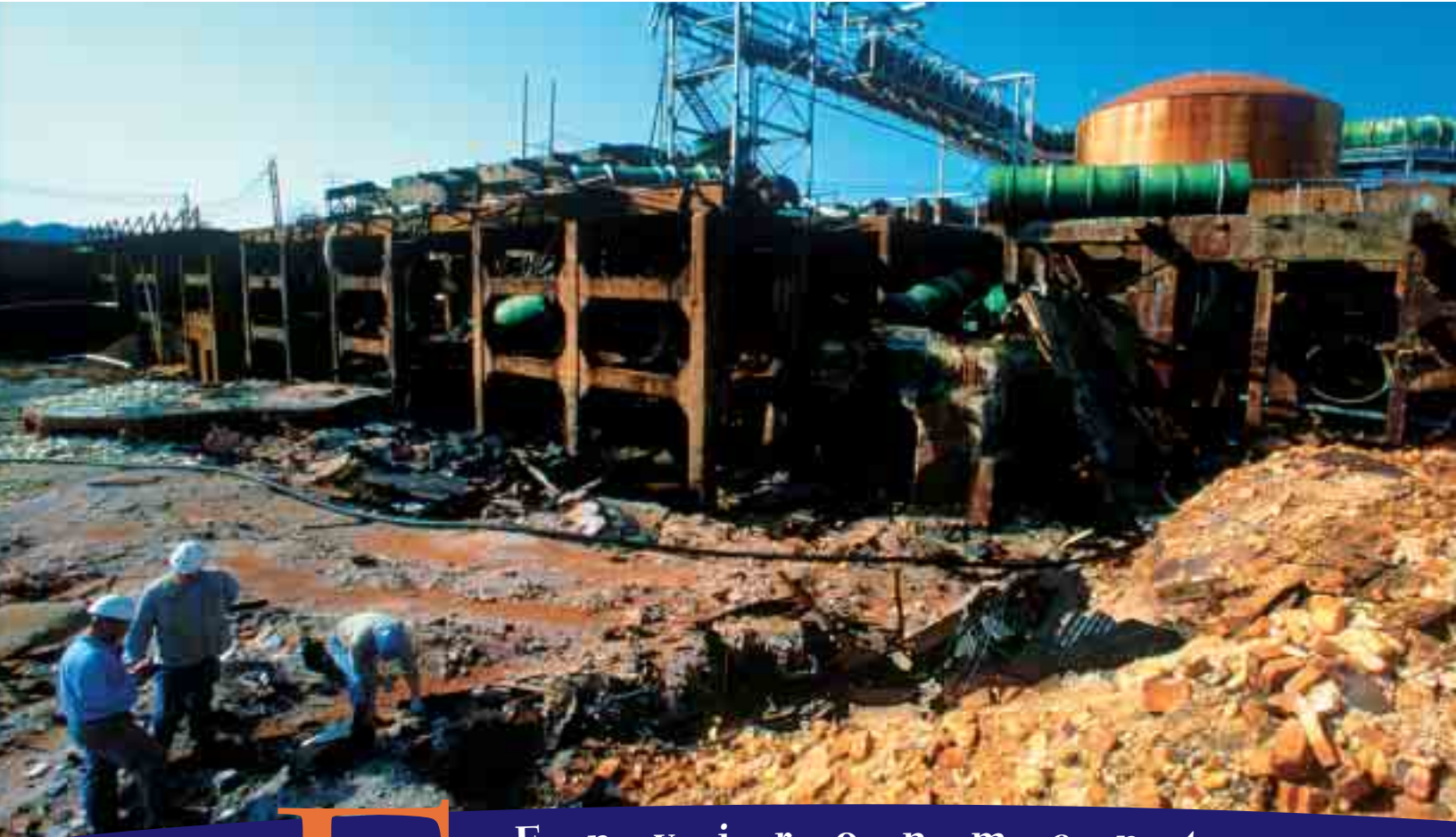
► **Our medical doctors and scientists assist in important discoveries in the AIDS Vaccine Program (right) and the HIV Drug Resistance Program at the world's premier AIDS research facility – the National Cancer Institute at Frederick.**



Health Care *and* Biomedical Research

the challenges of substance abuse, our medical professionals provide intervention, treatment, and education services to U.S. military dependents in seven countries. The TRICARE Online Web portal, developed by SAIC, makes health care information accessible to more than 8.2 million military beneficiaries worldwide. Patients and providers use the portal to schedule appointments and order prescriptions. Providers also use it to rapidly exchange information and improve coordination and responsiveness.

Since 1997, we have helped government providers and more than 30 major commercial providers meet Health Insurance Portability and Accountability Act (HIPAA) standards. For example, 70 hospitals in the Ascension Health system can use the Web tool kit we helped develop to conduct vulnerability assessments and meet HIPAA guidelines.



F

E n v i r o n m e n t

For decades, SAIC has been a leader in providing innovative environmental and engineering services to a wide range of government and commercial clients.

Our technical skill, innovation, and outstanding safety record led ChevronTexaco to select SAIC as its primary national contractor for environmental engineering consulting services. We support activities at refineries, retail outlets, terminals, and other sites.

To better manage the quality of one of our nation's environmental treasures, Lake Tahoe, the Tahoe Regional Planning Agency asked SAIC's watershed management experts to design and develop a comprehensive integrated information management system. This system will integrate environmental information and data in one centralized location, to allow public agencies and private organizations interested in Lake Tahoe watershed management to access, interpret, and search for environmental information.

For an innovative U.S. Department of Energy project, we are providing technical and



◀ **Helping to restore over 6,000 acres and 20 river miles in southeast Tennessee damaged by 150 years of copper mining and sulfuric acid manufacturing, we are working with the U.S. Environmental Protection Agency and Army Corps of Engineers in the Copper Basin and the downstream Ocoee River.**

project management support to reduce the footprint of soils with high levels of radiological contaminants at Savannah River, allowing future industrial land use.

A leader in offering environmental services that dovetail with U.S. defense programs, SAIC developed the nation's first range sustainment plan for the U.S. Air Force at Eglin Air Force Base. Our innovative approaches have become a model for integrating mission planning and environment stewardship across the Air Force. For the Air Force Center for Environmental Excellence, SAIC's environmental expertise currently supports more than 50 locations, and will expand to fuel facilities and force protection.

SAIC is helping the U.S. Navy proactively manage its training ranges in order to sustain high levels of combat readiness. We are developing the implementation manual and are prototype-testing the tools to be used in the Range Sustainability Environmental Program Assessments. SAIC is monitoring compliance and developing 3-D operational range site models to assist range managers in assessing potential risks of release of training residue through the analysis of land use, ecological and cultural resources, and operational information. For another key Navy project, SAIC is preparing a complex Environmental Impact Statement for the West Coast basing of the MV-22 (the Osprey).

Using systems integration and site management tools such as SAIC SmartSite[®], we help reduce remediation costs and optimize performance for clients such as the Army Corps of Engineers, Harley Davidson, and the U.S. Environmental Protection Agency.

“Throughout the development of the Range Sustainability Environmental Program Assessment manual, SAIC has been very responsive to the Navy's needs. They have shown us they can develop sound engineering solutions for unique situations.”

Kelli A. Ackiewicz, **Naval Facilities Engineering Command Headquarters**



Criminal Justice

In the face of heightened threats to local as well as national security, SAIC supports the role of criminal justice as it reaches beyond traditional technologies and jurisdictions. On the forefront of security technology, SAIC developed a biometrics identification card that stores specific patterns tied to the wearer's unique physical information. We are producing 56,000 of these "smart ID badges" for sworn and non-sworn members of the New York City Police Department.

Our services for law enforcement include security systems and training for agencies such as the Drug Enforcement Administration. We also assist the Department of Treasury's Bureau of Alcohol, Tobacco and Firearms in conducting crisis readiness instruction for its 23 field divisions. Working with the National Guard Bureau, we developed an advanced simulation system to help local law enforcement and other emergency responders nationwide prepare to respond to terrorist attacks.



◀ **For the New York City Police Department, an enhanced access control system uses SAIC “smart cards” – cutting-edge biometrics identification badges at police headquarters.**

Nationally and internationally, SAIC provides tools to aid in identifying criminals and thwarting criminal activities. The Combined DNA Index System (CODIS), now installed in 17 nations and being used by Interpol, supports the use of information obtained from DNA samples in criminal investigations. Laboratories using this FBI system rely on SAIC-developed CODIS software and our software upgrades and high-level support. CODIS recently hit a major milestone: more than one million searchable DNA profiles on record in the National DNA Index System Database.

The United States Customs Service has used our Vehicle and Cargo Inspection System (VACIS™) equipment to interdict large quantities of illegal material. VACIS will now be used by the United States Capitol Police Department, the Taiwan National Police, and agencies in other nations to deter illegal activities at national borders. SAIC maintains and supports VACIS units throughout the world.

Throughout the United States, SAIC helps criminal justice agencies gain faster, more secure access to essential information. On the national level, we are developing a new investigative system to help the FBI track data on potential terrorism suspects more quickly, efficiently, and securely. In Alaska, we are helping to redesign and implement a new statewide criminal justice information system. SAIC also provides engineering and analysis support for the FBI’s mission to implement the Communications Assistance for Law Enforcement Act, working closely with U.S. law enforcement agencies and the telecommunications industry in the fight against crime and terrorism.

“Numerous victims of crime across the nation are able to bring closure to a terrible experience with the help of CODIS. The success of the CODIS program would not be possible without the commitment of the SAIC staff... Your efforts are very much appreciated by the forensic laboratories across the nation.”

Sindey Schueler, **Kansas Bureau of Investigation**



SAIC's Family of Companies

Companies in the SAIC family work together to deliver superior results, meet or exceed client expectations, and build long-term business relationships. Employee ownership is the key engine that disseminates this shared commitment to our customers throughout the SAIC family of companies.

Our integrated network of companies includes subsidiaries, joint ventures, and alliance companies. Our SAIC Venture Capital Corporation (VCC) subsidiary makes minority investments in alliance companies with important emerging technologies such as networking infrastructure, nanotechnology, bioinformatics, wireless systems and software, enterprise software, and security solutions.

SAIC SUBSIDIARIES

Telcordia Technologies. Serving many of the world's leading service providers, our Telcordia subsidiary is one of the world's largest telecommunications software and consulting companies, and the leading provider of operational software for the telecommunications industry.

SAIC Frederick. Our SAIC Frederick subsidiary operates the National Cancer Institute's leading center for cancer and AIDS research. In addition, our SAIC Frederick subsidiary operates and manages the Advanced Biomedical Computing Center (ABCC), the world's only supercomputer devoted exclusively to biomedical research.

ANXeBusiness Corp. ANXeBusiness, our 80% owned subsidiary, offers complete extranet services and a global, secure network for business-to-business communications worldwide. Mitsubishi Corporation owns a minority interest in ANXeBusiness, and it teams with SAIC and ANXeBusiness to offer intranet and extranet services in the Asia-Pacific marketplace.

SAIC JOINT VENTURES

Bechtel SAIC Company, LLC. Bechtel and SAIC combined their expertise to meet the unique challenges involved in research and possible development of the nation's first high-level radioactive waste repository.

AMSEC LLC. AMSEC LLC is a joint venture between SAIC and Newport News Shipbuilding, now part of Northrop Grumman. Serving the U.S. Navy, Coast Guard, and other maritime customers, AMSEC LLC crews provide technical support for virtually every shipboard system.

Data Systems & Solutions. A joint venture between SAIC and Rolls-Royce, Data Systems & Solutions provides enterprise asset management, predictive maintenance, and process optimization to clients in many industries.



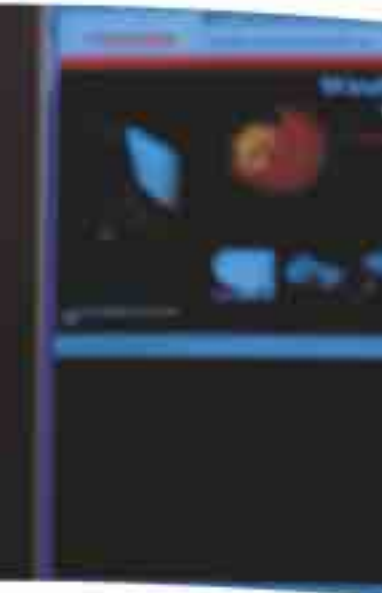
E m p l o y e e O w n e r s h i p

At SAIC, employee ownership gives us the freedom and flexibility not offered by most other companies. This means the flexibility to work on virtually any technical problem for our customers, and the freedom to create and innovate. “I firmly believe that the secret of SAIC’s success has been our employee-owners and their commitment to solving complex, technical problems for our customers,” says CEO Dr. Beyster.

Besides empowering our workers, employee ownership facilitates a decentralized management structure that offers our customers the best attributes of both small and large businesses. This includes extreme attention to the customer, combined with financial strength and staying power.

We work hard to satisfy our customers’ desires because our performance-based awards encourage us to achieve outstanding results. These awards include stock options for achieving specific performance goals, employee stock purchases matched with stock options, and annual bonuses of stock and stock options.

Since 1969, these incentives have motivated us to help our customers succeed. As our business grows and we achieve financial success, it is our employee shareholders who



“Employee ownership has given us the flexibility to react to our customers’ needs in ways other companies cannot.”

Dr. J. Robert Beyster, **Chief Executive Officer of SAIC**

benefit. That’s how we’ve continued to grow in a very competitive environment to become the largest employee-owned research and engineering company in the U.S.

In addition, SAIC’s strong operational performance helped stabilize SAIC’s stock price during the slumping stock market of the last few years. In fact, over the past five annualized fiscal years, SAIC’s stock price has averaged 23.9% annual growth.

To encourage all employees to become owners, the company provides employees with many ways to acquire stock. Besides performance-based stock incentives and direct purchases, employees gain ownership through the company’s 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, buyers and sellers can trade stock in a quarterly internal market operated by our subsidiary Bull, Inc.

To strengthen our internal stock system, we expedited the trade process to minimize the chance of a future repricing, incentivized employees to use more efficient online trading, and upgraded the stock system software. Because employee ownership is so important to the company, we continually seek out new ways to make it better.



T e a m S A I C

At SAIC, our training, education, and professional development programs play a vital role in helping employees develop, maintain and extend technical, leadership, and professional skills needed to perform better for our customers.

In addition to onsite advanced degree and certificate university programs held at key locations, all employees can participate in our e-learning program, which provides certifications and 800 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.

Because of these diverse, exciting opportunities, we attract people from many fields and allow them to excel. This training and professional development is one reason our retention rate is so high. Another reason is that our employees get opportunities that few employers offer – the chance to contribute to important efforts to defeat terrorism, find better energy solutions, protect the environment, and improve health care.

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.



Occupational Category

Professional Technical	73%
Managerial	14%
Professional Administrative	13%

Academic Degree Level

Ph.D.	7%
Master's Degree	37%
Bachelor's Degree	56%

Degree holders represent 74% of the professional staff. (These figures do not include off-line subsidiaries or foreign entities.)

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%

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

In fiscal year 2003, SAIC contributed more than \$522 million to these benefit plans.

Retirement Plans. SAIC retirement plans help employees finance their retirement. Eligible employees can take advantage of our Profit Sharing Retirement Plan, our Employee Stock Retirement Plan, and our 401(k) Plan (called CODA) that has a company-matching contribution.

During the year, the company contributed about \$94 million to these plans. At the end of calendar year 2002, overall plan assets were approximately \$3.6 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.

As of December 31, 2002, 58.7% 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. Including Telcordia and AMSEC 401(k) plans, the retirement plans held 43.2% of the total outstanding shares of SAIC common stock.)

Board of Directors



- J.R. Beyster**
Chairman of the Board, President, and Chief Executive Officer, SAIC
- D.P. Andrews**
Corporate Executive Vice President, SAIC
- W.H. Demisch**
Financial Consultant
- M.J. Desch**
Chief Executive Officer, Telcordia Technologies
- W.A. Downing**
General, U.S. Army (Ret.)
- D.H. Foley**
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- J.E. Glancy**
Executive Vice President, SAIC
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- J.H. Warner, Jr.**
Corporate Executive Vice President, SAIC
- J.A. Welch**
General, U.S. Air Force (Ret.)
- A.T. Young**
Executive Vice President, Lockheed Martin Corp. (Ret.)



Strategic Locations

UNITED STATES

SAIC has employees in 49 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 20 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

Independent Auditors

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Printer: **Neyenesch Printers**

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Statements in this Annual Report other than historical data and information may constitute forward-looking statements that involve risks and uncertainties. A number of factors could cause actual results, performance, or achievements to be very different from the results, performance or achievements expressed or implied by such forward-looking statements. Some of these factors include, but are not limited to, the risk factors set forth in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2003, and in such other filings that the Company makes with the SEC from time to time. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof.



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