

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF INCOME**

	(Unaudited)			
	Three Months Ended		Year Ended	
	1/31/2006	1/31/2005	1/31/2006	1/31/2005
	(In millions, except per share amounts)			
Revenues	\$ 1,966	\$ 1,876	\$ 7,792	\$ 7,187
Costs and expenses:				
Cost of revenues	1,660	1,602	6,801	6,283
Selling, general and administrative expenses	173	152	494	418
Goodwill impairment	-	-	-	-
Gain on sale of business units, net	-	(2)	-	(2)
Operating income	<u>133</u>	<u>124</u>	<u>497</u>	<u>488</u>
Non-operating income (expense):				
Net (loss) gain on marketable securities and other investments, including impairment losses	(9)	(10)	(15)	(16)
Interest income	27	12	97	45
Interest expense	(22)	(22)	(89)	(88)
Other income (expense), net	(1)	-	7	(12)
Minority interest in income of consolidated subsidiaries	(2)	(4)	(13)	(14)
Income from continuing operations before income taxes	<u>126</u>	<u>100</u>	<u>484</u>	<u>403</u>
(Benefit) provision for income taxes	(7)	15	139	131
Income from continuing operations	<u>133</u>	<u>85</u>	<u>345</u>	<u>272</u>
Discontinued operations:				
Income from discontinued operations of Telcordia before income taxes (including gain on sale of \$871 million in 2006)	2	40	875	149
Gain from discontinued operations of INTESA joint venture before income taxes	-	-	-	6
(Benefit) provision for income taxes	(19)	(19)	293	18
Income from discontinued operations	<u>21</u>	<u>59</u>	<u>582</u>	<u>137</u>
Net income	<u>\$ 154</u>	<u>\$ 144</u>	<u>\$ 927</u>	<u>\$ 409</u>
Earnings per share:				
Basic:				
Income from continuing operations	\$ 0.78	\$ 0.47	\$ 1.98	\$ 1.49
Income from discontinued operations	0.12	0.33	3.35	0.74
	<u>\$ 0.90</u>	<u>\$ 0.80</u>	<u>\$ 5.33</u>	<u>\$ 2.23</u>
Diluted:				
Income from continuing operations	\$ 0.75	\$ 0.46	\$ 1.92	\$ 1.45
Income from discontinued operations	0.12	0.32	3.23	0.73
	<u>\$ 0.87</u>	<u>\$ 0.78</u>	<u>\$ 5.15</u>	<u>\$ 2.18</u>
Common equivalent shares:				
Basic	<u>171</u>	<u>180</u>	<u>174</u>	<u>183</u>
Diluted	<u>177</u>	<u>185</u>	<u>180</u>	<u>188</u>

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION  
CONSOLIDATED BALANCE SHEETS**

As of  
**1/31/2006    1/31/2005**  
(In millions)

**ASSETS**

Current assets:		
Cash and cash equivalents	\$ 1,035	\$ 983
Investments in marketable securities	1,659	1,367
Receivables, net	1,517	1,520
Prepaid expenses and other current assets	192	216
Assets of discontinued operations	-	900
Total current assets	4,403	4,986
Property, plant and equipment, net	356	339
Intangible assets, net	63	50
Goodwill	655	468
Deferred income taxes	66	69
Other assets	112	98
	\$ 5,655	\$ 6,010

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Current liabilities:		
Accounts payable and accrued liabilities	\$ 953	\$ 864
Accrued payroll and employee benefits	468	433
Income taxes payable	14	200
Notes payable and current portion of long-term debt	47	70
Deferred income taxes	9	52
Liabilities of discontinued operations	-	680
Total current liabilities	1,491	2,299
Long-term debt, net of current portion	1,192	1,215
Other long-term liabilities	111	99
Commitments and contingencies		
Minority interest in consolidated subsidiaries	54	46
Stockholders' equity:		
Common stock	2	2
Additional paid-in capital	2,506	2,278
Retained earnings	415	212
Other stockholders' equity	(84)	(105)
Accumulated other comprehensive loss	(32)	(36)
Total stockholders' equity	2,807	2,351
	\$ 5,655	\$ 6,010

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Year Ended</b>	
	<b>1/31/2006</b>	<b>1/31/2005</b>
	<b>(In millions)</b>	
Cash flows from operating activities:		
Net income	\$ 927	\$ 409
Income from discontinued operations	(582)	(137)
Adjustments to reconcile net income to net cash provided by continuing operating activities:		
Depreciation and amortization	70	56
Non-cash compensation	110	123
Impairment losses on marketable securities and other investments	6	20
Loss (gain) on sale of marketable securities and other investments	9	(4)
Loss (gain) on disposal of property, plant and equipment	2	(16)
Minority interest in income of consolidated subsidiaries	13	14
Other non-cash items	(4)	11
Increase (decrease) in cash, excluding effects of acquisitions and divestitures, from changes in:		
Receivables	51	(221)
Prepaid expenses and other current assets	39	(1)
Deferred income taxes	(42)	59
Other assets	(19)	3
Accounts payable and accrued liabilities	54	158
Accrued payroll and employee benefits	23	30
Income taxes payable	(76)	77
Other long-term liabilities	14	7
Total cash flows provided by operating activities	595	588
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(54)	(42)
Acquisitions of business units, net of cash acquired of \$4 million in 2006 and \$4 million in 2005	(212)	(212)
Payments for businesses acquired in previous years	(14)	(20)
Purchases of marketable securities available-for-sale	(7,852)	(6,387)
Proceeds from sales and maturities of marketable securities and other investments	7,561	6,290
Proceeds from disposal of property, plant and equipment	1	33
Investments in affiliates	(2)	(9)
Other	(11)	2
Total cash flows used in investing activities	(583)	(345)
Cash flows from financing activities:		
Proceeds from notes payable and issuance of long-term debt	-	27
Payments on settlement of treasury lock contracts	-	-
Payments of notes payable, long-term debt and capital lease obligations	(46)	(24)
Dividends paid to minority interest stockholders	(4)	(4)
Sales of common stock	155	130
Repurchases of common stock	(818)	(607)
Total cash flows used in financing activities	(713)	(478)
Decrease in cash and cash equivalents from continuing operations	(701)	(235)
Cash flows of discontinued operations:		
Cash (used in) provided by operating activities of discontinued operations	(319)	179
Cash provided by (used in) investing activities of discontinued operations	1,072	(60)
Increase in cash and cash equivalents of discontinued operations	753	119
Cash and cash equivalents at beginning of year	983	1,099
Cash and cash equivalents at end of year	\$ 1,035	\$ 983
Supplemental schedule of non-cash investing and financing activities:		
Common stock exchanged upon exercise of stock options	\$ 189	\$ 168
Fair value of assets acquired in acquisitions	\$ 288	\$ 284
Cash paid in acquisitions, net of cash acquired	(212)	(212)
Future acquisition payment accrued	(2)	-
Issuance of common stock in acquisitions	(17)	(4)
Liabilities assumed in acquisitions	\$ 57	\$ 68