

SAIC, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited, in millions, except per share amounts)

	Three Months Ended		Nine Months Ended	
	October 31		October 31	
	2006	2005	2006	2005
Revenues	\$ 2,142	\$ 2,024	\$ 6,147	\$ 5,815
Costs and expenses:				
Cost of revenues	1,862	1,793	5,310	5,093
Selling, general and administrative expenses	136	125	396	363
Operating income	144	106	441	359
Non-operating income (expense):				
Interest income	35	27	97	69
Interest expense	(22)	(23)	(68)	(67)
Minority interest in income of consolidated subsidiaries	(3)	(5)	(9)	(10)
Other income, net	1	6	4	3
Income from continuing operations before income taxes	155	111	465	354
Provision for income taxes	65	40	181	145
Income from continuing operations	90	71	284	209
Discontinued operations:				
Income from discontinued operations before income taxes				
(including net gain on sales of \$19 and \$18 for the three and nine months ended October 31, 2006 and net gain on sale of \$3 and \$869 for the three and nine months ended October 31, 2005, respectively)	21	4	24	877
Provision (benefit) for income taxes	13	(16)	1	313
Income from discontinued operations	8	20	23	564
Net income	<u>\$ 98</u>	<u>\$ 91</u>	<u>\$ 307</u>	<u>\$ 773</u>
Earnings per share				
Basic:				
Income from continuing operations	\$ 0.27	\$ 0.21	\$ 0.85	\$ 0.60
Income from discontinued operations	0.02	0.05	0.07	1.61
	<u>\$ 0.29</u>	<u>\$ 0.26</u>	<u>\$ 0.92</u>	<u>\$ 2.21</u>
Diluted:				
Income from continuing operations	\$ 0.26	\$ 0.20	\$ 0.82	\$ 0.58
Income from discontinued operations	0.02	0.05	0.07	1.56
	<u>\$ 0.28</u>	<u>\$ 0.25</u>	<u>\$ 0.89</u>	<u>\$ 2.14</u>
Common equivalent shares:				
Basic	336	346	334	350
Diluted	<u>347</u>	<u>358</u>	<u>345</u>	<u>362</u>

SAIC, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, in millions)

	October 31,	January 31,
	2006	2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,636	\$ 1,010
Investments in marketable securities	-	1,659
Receivables, net	1,562	1,515
Inventory, prepaid expenses and other current assets	151	191
Assets of discontinued operations	-	28
Total current assets	5,349	4,403
Property, plant and equipment (less accumulated depreciation of \$258 and \$246 at October 31, 2006 and January 31, 2006, respectively)	381	356
Intangible assets, net	69	63
Goodwill	774	655
Deferred income taxes	38	66
Other assets	112	112
	\$ 6,723	\$ 5,655
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 946	\$ 959
Accrued payroll and employee benefits	488	468
Dividend payable	2,452	-
Income taxes payable	18	14
Notes payable and current portion of long-term debt	22	47
Liabilities of discontinued operations	-	3
Total current liabilities	3,926	1,491
Long-term debt, net of current portion	1,193	1,192
Other long-term liabilities	109	111
Commitments and contingencies		
Minority interest in consolidated subsidiaries	55	54
Stockholders' equity:		
Common and preferred stock	-	-
Additional paid-in capital	1,458	2,508
Retained earnings	12	415
Other stockholders' equity	-	(84)
Accumulated other comprehensive loss	(30)	(32)
Total stockholders' equity	1,440	2,807
	\$ 6,723	\$ 5,655

SAIC, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in millions)

	Nine Months Ended	
	October 31	
	2006	2005
Cash flows from continuing operating activities:		
Net income	\$ 307	\$ 773
Income from discontinued operations	(23)	(564)
Adjustments to reconcile net income to net cash provided by continuing operating activities:		
Depreciation and amortization	53	48
Stock-based compensation	43	31
Minority interest in income of consolidated subsidiaries	9	10
Dividends received in excess of equity earnings from unconsolidated affiliates	6	(6)
Other	4	8
Increase (decrease) in cash and cash equivalents, excluding effects of acquisitions and divestitures, resulting from changes in:		
Receivables	(27)	3
Inventory, prepaid expenses and other current assets	44	25
Deferred income taxes	5	(47)
Other assets	1	(3)
Accounts payable and accrued liabilities	(33)	(15)
Accrued payroll and employee benefits	72	36
Dividend payable	9	-
Income taxes payable	36	54
Other long-term liabilities	(1)	3
Total cash flows provided by continuing operating activities	<u>505</u>	<u>356</u>
Cash flows from investing activities:		
Expenditures for property, plant and equipment	(65)	(39)
Acquisition of businesses, net of cash acquired of \$4 in fiscal 2007 and \$10 in fiscal 2006	(143)	(205)
Payments for businesses acquired in previous years	(1)	(14)
Purchases of marketable securities available-for-sale	(4,258)	(6,059)
Proceeds from sales and maturities of marketable securities available-for-sale	5,917	5,782
Other	11	6
Total cash flows provided by (used in) investing activities	<u>1,461</u>	<u>(529)</u>
Cash flows from financing activities:		
Payments on notes payable and long-term debt	(27)	(40)
Sales of stock through initial public offering	1,244	-
Sales of common stock and exercise of stock options	57	119
Repurchases of stock	(657)	(568)
Other	(2)	(3)
Total cash flows provided by (used in) financing activities	<u>615</u>	<u>(492)</u>
Increase (decrease) in cash and cash equivalents from continuing operations	<u>2,581</u>	<u>(665)</u>
Cash flows from discontinued operations:		
Cash used in operating activities from discontinued operations	-	(210)
Cash provided by investing activities from discontinued operations	45	1,072
Increase in cash and cash equivalents from discontinued operations	<u>45</u>	<u>862</u>
Cash and cash equivalents at beginning of period	<u>1,010</u>	<u>965</u>
Cash and cash equivalents at end of period	<u>\$ 3,636</u>	<u>\$ 1,162</u>
Supplemental schedule of non-cash investing and financing activities:		
Accrual of special dividend	<u>\$ 2,443</u>	<u>-</u>
Stock exchanged upon exercise of stock options	<u>\$ 103</u>	<u>\$ 133</u>
Stock issued for settlement of accrued employee benefits	<u>\$ 54</u>	<u>\$ 71</u>
Fair value of assets acquired in acquisition	<u>\$ 170</u>	<u>\$ 282</u>
Cash paid in acquisition, net of cash acquired of \$4 in fiscal 2007 and \$10 in fiscal 2006	(143)	(205)
Issuance of stock in acquisitions	-	(16)
Accrued acquisition payments	(4)	(2)
Liabilities assumed in acquisitions	<u>\$ 23</u>	<u>\$ 59</u>