

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended February 1, 2019
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number	Exact Name of Registrant as Specified in its Charter, Address of Principal Executive Offices and Telephone Number	State or other jurisdiction of incorporation or organization	I.R.S. Employer Identification No.
001-35832	Science Applications International Corporation 12010 Sunset Hills Road, Reston, VA 20190 703-676-4300	Delaware	46-1932921

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Science Applications International Corporation Common Stock, Par Value \$.0001 Per Share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of August 3, 2018 (the last business day of the registrant's most recently completed second quarter), the aggregate market value of the registrant's common stock (based upon the closing stock price) held by non-affiliates was \$3.4 billion.

The number of shares issued and outstanding of the registrant's common stock as of March 8, 2019 was 59,320,566 shares (\$.0001 par value per share).

DOCUMENTS INCORPORATED BY REFERENCE
Portions of Science Applications International Corporation's Definitive Proxy Statement for the 2019 Annual Meeting of Stockholders are incorporated by reference in Part III of this report.

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
FORM 10-K
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Part I

Item 1. Business

The Company

Science Applications International Corporation (herein referred to as "SAIC," the "Company," "we," "us," or "our") is a leading provider of technical, engineering and enterprise information technology (IT) services primarily to the U.S. government. We provide engineering, systems integration and information technology offerings for large, complex government projects and offer a broad range of services with a targeted emphasis on higher-end, differentiated technology services. Our end-to-end enterprise IT offerings span the entire spectrum of our customers' IT infrastructure. We commenced operations on September 27, 2013 (the Distribution Date) following completion of a spin-off transaction from our former parent, Leidos Holdings, Inc. (collectively with its consolidated subsidiaries, "former Parent"). On January 14, 2019, we completed the acquisition of Engility Holdings, Inc. (collectively with its consolidated subsidiaries, "Engility"), which provides increased customer and market access, as well as increased scale in strategic business areas of national interest, such as defense, federal civilian agencies, intelligence and space. On May 4, 2015 we completed the acquisition of privately held Scitor Holdings, Inc. (Scitor), a leading provider of services to the intelligence community, which enabled us to gain sufficient scale to competitively pursue opportunities within the intelligence community.

Our business has a long and successful history, tracing its roots to the earliest days of former Parent which was founded in 1969 as a scientific research and engineering firm. The U.S. federal government agencies we serve include all branches of the U.S. military (Army, Air Force, Navy, Marines and Coast Guard), U.S. Defense Logistics Agency, National Aeronautics and Space Administration (NASA), U.S. Department of State, Department of Justice and several sensitive intelligence community agencies. Our long-standing customer relationships have enabled us to achieve an in-depth understanding of our customers' missions and provide differentiated service offerings to meet our customers' most complex requirements. Our offerings include: engineering; technology and equipment platform integration; maintenance of ground and maritime systems; logistics; training and simulation; operation and program support services; and end-to-end services spanning the design, development, integration, deployment, management and operations, sustainment and security of our customers' entire IT infrastructure. We serve our customers through approximately 2,200 active contracts and task orders. We have more than 23,000 employees that are led by an experienced executive team of proven industry leaders.

Our core strengths have supported our successful performance on programs of national importance. Those strengths include:

Enduring Customer Relationships and Mission-Oriented. We have strong and long-lasting customer relationships throughout the U.S. government. Our track record of serving the missions of our government customer spans decades, including several enduring customer relationships that have lasted 20 years or more. Our employees, many of whom are deployed at customer sites, work closely with our customers in fulfilling their missions. Our strong customer relationships enable us to develop deep customer knowledge and translate our mission understanding into successful program execution that fosters continued demand for our services.

Full Life Cycle Offerings. We integrate technologies and deliver services that provide our customers with seamless end-to-end solutions. Our expertise includes initial requirements definition, development and integration services, training, logistics and sustainment. These full life cycle offerings, combined with deep customer knowledge, allow us to more effectively support our customers' missions.

Significant Scale and Diversified Contract Base. With approximately \$4.7 billion in revenue in fiscal 2019, we are one of the largest pure-play technical service providers to the U.S. government. Our significant scale advantage enables us to serve as a prime systems integrator on large, complex programs and to allocate resources toward further developing and expanding our repeatable, proven solutions and differentiated technical capabilities. Our diversified revenue base consists of programs ranging from research and development to operations and maintenance.

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION

Technical Experts Led by Experienced Management. The quality, training and knowledge of our employees are important competitive assets. Our skilled workforce ranges from entry-level technicians to expert-level professionals in network engineering, software design and development, logistics, technology integration and systems engineering. Additionally, the majority of our workforce holds an active security clearance, which is required on many of our existing programs and future program opportunities.

Our workforce is led by a talented and experienced senior leadership team with a long history of solving our customers' most difficult challenges. Collectively, our executive team averages more than 25 years of industry experience, consisting of members who have served as senior leaders in public companies and are recognized as leaders in their respective markets by customers and partners.

Repeatable Methodologies and Certified Processes. Our technical excellence is driven by our proven, repeatable, disciplined processes for management, engineering, technical support and services. We deploy our tools and processes enterprise-wide and emphasize a consistent approach to planning, designing, and delivering solutions and services to our customers. We hold certifications from the International Organization for Standardization (including ISO 9001:2015, ISO/IEC 27001:2013, ISO 20000-1:2011 and AS9100), and from the Capability Maturity Model Integration Institute as a CMMI®-DEV Maturity Level 3 organization and CMMI®-SVC Maturity Level 2 for Army Programs with Strategic Goals for Best Practice Service Delivery.

The Company is organized as a matrix comprised of three customer facing operating segments supported by a solutions and technology group. The three operating segments are responsible for customer relationships, business development and program management, and delivery and execution, while the solutions and technology group organization manages the development of our offerings, solutions and capabilities. Each of the Company's three operating segments is focused on providing the Company's comprehensive technical, engineering and enterprise IT service offerings to one or more agencies of the U.S federal government. The Company's operating segments are aggregated into one reportable segment for financial reporting purposes.

For additional discussion and analysis related to recent business developments, see "Economic Opportunities, Challenges and Risks" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II of this report.

Key Customers

In each of fiscal 2019, 2018 and 2017, over 95% of our total revenues were attributable to prime contracts with the U.S. government or to subcontracts with other contractors engaged in work for the U.S. government. Substantially all of our revenues were earned by entities located in the United States.

The U.S. Army and U.S. Navy each generated more than 10% of our revenues during each of the last three fiscal years. The percentages of total revenues for the U.S. government, its agencies and other customers, including those comprising more than 10% of total revenues for each of the periods presented were approximately:

	Year Ended		
	February 1, 2019	February 2, 2018	February 3, 2017
U.S. Army	29%	30%	28%
U.S. Navy	13%	13%	13%
Other DoD	18%	19%	17%
Other federal government	37%	36%	40%
Total U.S. government	97%	98%	98%
Other	3%	2%	2%
Total	100%	100%	100%

Regulation

Our business is heavily regulated and we must comply with and are affected by laws and regulations, including Federal Acquisition Regulations (FAR) and Cost Accounting Standards (CAS), relating to the award, administration and performance of U.S. government and other contracts. These regulations set forth policies, procedures and requirements for the acquisition of goods and services by the U.S. government and impose a broad range of requirements, many of which are unique to government contracting and include procurement, import and export, security, contract termination and adjustment, and audit requirements. In addition, these regulations govern contract pricing and reimbursable costs by, among other things, requiring certification and disclosure of cost or pricing data in connection with certain contract negotiations, defining allowable and unallowable costs, and otherwise governing the right to reimbursement under various flexibly priced contracts. These laws and regulations impose specific cost accounting practices that may increase accounting and internal control costs associated with compliance with government standards. The U.S. government may revise its procurement practices or adopt new contract rules and regulations at any time. Our compliance with these regulations is monitored by the Defense Contract Management Agency and the Defense Contract Audit Agency.

The U.S. government has the ability to cancel contracts at any time through a termination for the convenience of the U.S. government. Most of our contracts have cancellation terms that would permit us to recover all or a portion of our incurred costs and contract profit for work performed when the U.S. government issues a termination for convenience.

Some of our operations and service offerings involve our access to and use of personally identifiable information and protected health information, which activities are regulated by extensive federal and state privacy and data security laws requiring organizations to provide certain privacy protections and security safeguards for such information.

Internationally, we are subject to foreign government laws and regulations, and U.S. government laws, regulations, and procurement policies and practices (including laws and regulations relating to bribery of foreign government officials, import and export control, investments, exchange controls and repatriation of earnings). We are also susceptible to varying political and economic risks.

In order to help ensure compliance with these complex laws and regulations, we have established policies and procedures that address our approach to meeting these requirements and also administer a robust ethics and compliance training program to maintain a compliance-oriented workforce.

These regulations and risks affecting our business are described in more detail under "Risk Factors" in this report.

Contracts

We must comply with and are affected by laws and regulations relating to the formation, administration and performance of U.S. government and other contracts. The U.S. government procurement environment has evolved due to statutory and regulatory procurement reform initiatives. Budgetary pressures and reforms in the procurement process have increasingly caused many U.S. government agencies to purchase services and solutions using contracting processes that give them the ability to select multiple winners or pre-qualify certain contractors to provide various services or solutions on established general terms and conditions rather than through single award contracts. The predominant contracting methods through which U.S. government agencies procure services and solutions include the following:

Single Award Contracts. U.S. government agencies may procure services and solutions through single award contracts which specify the scope of work that will be delivered and identify the contractor that will provide the specified services. When an agency has a requirement, interested contractors are solicited, qualified and then provided with a request for proposal. The process of qualifying prospective bidders, soliciting proposals and evaluating contractor bids requires the agency to maintain a large, professional procurement staff and the bidding and selection process can take a year or more to complete. This method of contracting may provide the contractor with greater certainty of the timing and amounts to be received at the time of contract award because it generally results in the customer contracting for a specific scope of work from the single successful awardee.

Indefinite Delivery, Indefinite Quantity (IDIQ) Contracts. The U.S. government uses IDIQ contracts to obtain commitments from contractors to provide certain services or solutions on pre-established terms and conditions. The U.S. government then issues task orders under the IDIQ contracts to purchase the specific services or solutions it needs. IDIQ contracts are awarded to one or more contractors following a competitive procurement process. Under a single award IDIQ contract, all task orders under that contract are awarded to one pre-selected contractor. Under a multi-award IDIQ contract, task orders can be awarded to any of the pre-selected contractors, which can result in further limited competition for the award of task orders. Multi-award IDIQ contracts that are open for any government agency to use for the procurement of services are commonly referred to as “government-wide acquisition contracts.” IDIQ contracts often have multi-year terms and unfunded ceiling amounts that enable, but not commit, the U.S. government to purchase substantial amounts of services or solutions from one or more contractors. At the time an IDIQ contract is awarded (prior to the letting of any task orders), a contractor may have limited or no visibility as to the ultimate amount of services or solutions that the U.S. government will purchase under the contract, and, in the case of a multi-award IDIQ, the contractor from which such purchases may be made.

U.S. General Services Administration (GSA) Schedule Contracts. The GSA maintains listings of approved suppliers of services and solutions with pre-negotiated prices for use throughout the U.S. government. In order for a company to provide services under a GSA Schedule contract, a company must be pre-qualified and awarded a contract by the GSA. When an agency uses a GSA Schedule to meet its requirements, the agency (or the GSA on behalf of the agency) conducts the procurement and bidders are limited to GSA Schedule-qualified contractors. GSA Schedule contracts are designed to provide the user agency with reduced procurement time and lower procurement costs. Similar to IDIQ contracts, at the time a GSA Schedule contract is awarded, a contractor may have limited or no visibility as to the ultimate amount of services or solutions that customers will ultimately purchase under the contract.

Contract Types

Generally, the type of contract used for the acquisition of our services and solutions is determined by or negotiated with the U.S. government and may depend on certain factors, including: the type and complexity of the work to be performed; degree and timing of the responsibility to be assumed by the contractor for the costs of performance; the extent of price competition; and the amount and nature of the profit incentive offered to the contractor for achieving or exceeding specified standards or goals. We generate revenues under several types of contracts, including the following:

- Cost-reimbursement contracts provide for reimbursement of our direct contract costs and allocable indirect costs, plus a fee (contract profit). This type of contract is generally used when uncertainties involved in contract performance do not permit costs to be estimated with sufficient accuracy to use a fixed-price contract. Cost-reimbursement contracts usually subject us to lower risk and generally require us to use our best efforts to accomplish the scope of the work within a specified time and amount of costs.
- Time-and-materials (T&M) contracts typically provide for negotiated fixed hourly rates for specified categories of direct labor plus reimbursement of other direct costs. This type of contract is generally used when there is uncertainty of the extent or duration of the work to be performed by the contractor at the time of contract award or it is not possible to anticipate costs with any reasonable degree of confidence. On T&M contracts, we assume the risk of providing appropriately qualified staff to perform these contracts at the hourly rates set forth in the contracts over their period of performance.
- Firm-fixed price (FFP) contracts provide for a predetermined price for specific solutions. These contracts offer us potential increased profits if we can complete the work at lower costs than planned. While FFP contracts allow us to benefit from cost savings, these contracts also increase our exposure to reduced profits or losses from increased or unexpected costs.

Our earnings and profitability may vary materially depending on changes in the proportionate amount of revenues derived from each type of contract, the nature of services or solutions provided, as well as the achievement of performance objectives and the stage of performance at which the right to receive fees is finally determined. Given the relative amount of risk assumed by the contractor, cost-reimbursement and T&M contracts generally have lower profitability than FFP contracts. For the proportionate amount of revenues derived from each type of contract for the last three fiscal years, see “Other Key Performance Measures—Contract Types” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II of this report.

Selected Financial Data

See “Selected Financial Data” in Part II of this report.

Backlog

Backlog represents the estimated amount of future revenues to be recognized under negotiated contracts as work is performed. Our backlog consists of funded backlog and negotiated unfunded backlog. At February 1, 2019 and February 2, 2018 our total backlog was \$13.8 billion and \$10.2 billion, respectively. For a complete description of our backlog, see “Other Key Performance Measures—Net Bookings and Backlog” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II of this report.

Competition

Competition for contracts is intense and we often compete against a large number of established multinational companies which may have greater name recognition, financial resources and larger technical staffs than we do. We also compete against smaller, more specialized companies that concentrate their resources on particular areas, as well as the U.S. government’s own capabilities. As a result of the diverse requirements of the U.S. government, we frequently collaborate with other companies to compete for large contracts and bid against these same companies in other situations. Our principal competitors include the following:

- the engineering and technical services divisions of large defense contractors that provide IT services in addition to other hardware systems and products, which include companies such as General Dynamics Corporation, Northrop Grumman Corporation, and Raytheon Company;
- contractors focused principally on technical and IT services, such as Booz Allen Hamilton Inc., CACI International, Inc., Leidos Holdings, Inc., ManTech International Corporation, Serco Group plc, and Perspecta, Inc.;
- diversified commercial providers that also provide U.S. government IT services, such as Accenture plc, International Business Machines Corporation and Unisys Corporation; and
- contractors providing supply chain management and other logistics services, such as Agility Logistics Corporation

We compete on various factors, which include: our technical expertise and qualified and/or security-cleared personnel; our ability to deliver innovative cost-effective solutions in a timely manner; successful program execution on previous programs; our reputation and standing with customers; pricing; and the size and geographic presence of our Company.

Competition within the government services industry has intensified which has led to fewer sole-source awards and an increased emphasis on cost competitiveness and affordability. In addition, procurement initiatives to improve efficiency, refocus priorities and enhance best practices could result in fewer new opportunities for our industry as a whole, which would intensify competition within the industry as companies compete for a more limited set of new programs.

Patents and Proprietary Information

Our technical services and solutions are not generally dependent on patent protection, although we do selectively seek patent protection. We claim a proprietary interest in certain of our solutions, software programs, methodologies and know-how. This proprietary information is protected by copyrights, trade secrets, licenses, contracts and other means. We selectively pursue opportunities to license or transfer our technologies to third parties.

In connection with the performance of services, the U.S. government has certain rights to inventions, data, software codes and related material that we develop under U.S. government-funded contracts and subcontracts. Generally, the U.S. government may disclose or license such information to third parties, including, in some instances, our competitors. In the case of some subcontracts that we perform, the prime contractor may also have certain rights to the programs and solutions that we develop under the subcontract.

Research and Development

For information related to our research and development activities, see Note 1 of the notes to the consolidated financial statements contained within this report.

Seasonality

The U.S. government's fiscal year ends on September 30. It is not uncommon for U.S. government agencies to award extra tasks or complete other contract actions leading up to the end of its fiscal year in order to avoid the loss of unexpended fiscal year funds, which may favorably impact our third fiscal quarter. In addition, revenues may be unfavorably impacted during our fourth fiscal quarter due to a greater number of holidays and higher utilization of vacation time. For selected quarterly financial data, see Note 16 of the notes to the consolidated financial statements contained within this report.

Environmental Matters

Our operations are subject to various foreign, federal, state and local environmental protection and health and safety laws and regulations. Although we do not currently anticipate that compliance costs or the liabilities associated with environmental laws will materially and adversely affect us, we cannot ensure that we will not incur material costs or liabilities in the future. These regulations and risks are described in more detail under "Risk Factors" in this report.

Executive Officers

For information about our executive officers, see "Directors, Executive Officers and Corporate Governance" in Part III of this report.

Company Website and Available Information

Our corporate headquarters is located at 12010 Sunset Hills Road, Reston, VA 20190. Our phone number is (703) 676-4300 and our homepage is www.saic.com, which contains information about our Company and operations. Through a link on the Investor Relations section of our website, copies of each of our filings with the Securities and Exchange Commission (SEC) can be viewed and downloaded free of charge as soon as reasonably practicable after the reports and amendments are electronically filed with or furnished to the SEC. The information on our website is not incorporated by reference into and is not a part of this report.

You may also request hard copies of the materials referenced in the preceding paragraph, at no cost, by emailing investor relations at InvestorRelations@saic.com.

Item 1A. Risk Factors

In your evaluation of our Company and business, you should carefully consider the risks and uncertainties described below, together with information included elsewhere within this report and other documents we file with the SEC. These risks, as well as additional risks and uncertainties not currently known to us or that we currently believe are immaterial also may materially harm our business, financial condition or operating results and result in a decline in the price of our stock.

Risks Relating to Our Business

We depend on U.S. government agencies as our primary customer and, if our reputation or relationships with these agencies were harmed, our future revenues and cash flows would be adversely affected.

We generated either as a prime contractor or a subcontractor to other contractors engaged in work for the U.S. government over 95% of our total revenues during each of the last three fiscal years from contracts with the U.S. government. We expect to continue to derive substantially all of our revenues from work performed under U.S. government contracts. Our reputation and relationship with the U.S. government, and in particular with the agencies of the DoD, are key factors in maintaining and growing these revenues. Negative press reports or publicity, regardless of accuracy, could harm our reputation. If our reputation is negatively affected, or if we are suspended or debarred from contracting with government agencies for any reason, the amount of business with government and other customers would decrease and our future revenues, cash flows, and financial results would be adversely affected.

A decline in the U.S. government defense budget, changes in spending or budgetary priorities, the failure to approve U.S. government budgets on a timely basis or delays in contract awards and other procurement activity may significantly and adversely affect our future revenues, cash flow and financial results.

Because we generate substantially all of our revenues from contracts with U.S. government agencies, our operating results could be adversely affected by spending caps or changes in budgetary priorities, as well as by delays in the government budget process, program starts or the award of contracts or task orders under contracts. Current U.S. government spending levels for defense-related and other programs may not be sustained beyond government fiscal year (GFY) 2019. Future spending and program authorizations may not increase or may decrease or shift to programs in areas in which we do not provide services or are less likely to be awarded contracts. Such changes in spending authorizations and budgetary priorities may occur as a result of shifts in spending priorities from defense-related and other programs as a result of competing demands for federal funds and the number and intensity of military conflicts or other factors.

Without a change to current law, budget levels set for GFY 2020 will constitute a significant cut to both defense and non-defense spending from GFY 2019 levels. The only way to avoid these significant reductions set forth in the 2011 Budget Control Act is for there to be an affirmative agreement to lift defense and non-defense spending caps, as has been done for the past six GFYs.

When the U.S. Congress does not complete a budget before the end of the fiscal year, government operations typically are funded through one or more continuing resolutions that authorize agencies of the U.S. government to continue to operate, but do not authorize new spending initiatives. When the U.S. government operates under a continuing resolution, contract awards may be delayed, canceled, or funded at lower levels which could adversely impact our operations, cash flows and financial results. While the federal government is currently funded in full through the end of GFY 2019, there is a strong possibility that GFY 2020 will begin under a continuing resolution lasting several weeks or months.

There is also a possibility that an impasse on policy issues, such as immigration, could threaten continuous government funding past September 30, 2019. Immigration issues were the root cause of a five-week government shutdown from December 2018 to January 2019, and continue to be the source of partisan disputes. An impasse over immigration or other policy issues could result in another federal government shutdown, which could cause us to incur labor or other costs without reimbursement under customer contracts or the delay or cancellation of key programs, and could adversely affect our operations, cash flows and financial results.

The U.S. government also conducts periodic reviews of U.S. defense strategies and priorities which may shift DoD budgetary priorities, reduce overall spending or delay contract or task order awards for defense-related programs from which we would otherwise expect to derive a significant portion of our future revenues. A significant decline in overall U.S. government spending, a significant shift in spending priorities, the substantial reduction or elimination of particular defense-related programs or significant budget-related delays in contract or task order awards for large programs could adversely affect our future revenues and limit our growth prospects.

Our failure to comply with a variety of complex procurement rules and regulations could result in our being liable for penalties, including termination of our U.S. government contracts, disqualification from bidding on future U.S. government contracts and suspension or debarment from U.S. government contracting.

We must comply with various laws and regulations relating to the formation, administration and performance of U.S. government contracts, which affect how we do business with our customers and may impose added costs on our business.

Many of our U.S. government contracts contain organizational conflict of interest (OCI) clauses that may limit our ability to compete for or perform certain other contracts or other types of services for particular customers. OCI arises when we engage in activities that may make us unable to render impartial assistance or advice to the U.S. government, impair our objectivity in performing contract work or provide us with an unfair competitive advantage. Existing OCI, and any OCI that may develop, could preclude our competition for or performance on a significant project or contract, which could limit our opportunities.

The U.S. government may adopt new contract rules and regulations or revise its procurement practices in a manner adverse to us at any time.

Our industry continues to experience significant changes to business practices as a result of an increased focus on affordability, efficiencies and recovery of costs, among other items. U.S. government agencies may face restrictions or pressure regarding the type and amount of services that they may obtain from private contractors. Legislation, regulations and initiatives dealing with procurement reform, mitigation of potential OCI's, deterrence of fraud, and environmental responsibility or sustainability could have an adverse effect on us. Moreover, shifts in the buying practices of U.S. government agencies (such as increased usage of fixed price contracts, multiple award contracts and small business set-aside contracts) could have adverse effects on government contractors, including us. Any of these changes could impair our ability to obtain new contracts or contract renewals. Any new contracting requirements or procurement methods could be costly or administratively difficult for us to implement and could adversely affect our future revenues, profitability and prospects.

Our business is subject to reviews, audits and cost adjustments by the U.S. government, which, if resolved unfavorably to us, could adversely affect our profitability, cash flows or growth prospects.

The Defense Contract Audit Agency (DCAA), Defense Contract Management Agency (DCMA) and others routinely audit and review a contractor's performance on government contracts, indirect cost rates and pricing practices, and compliance with applicable contracting and procurement laws, regulations and standards. They also review the adequacy of the contractor's compliance with government standards for its business systems, which are defined as the contractor's accounting, earned value management, estimating, materials management, property management and purchasing systems. A finding of significant control deficiencies in a contractor's business systems or a finding of noncompliance with U.S. government Cost Accounting Standards (CAS) can result in decremented billing rates to U.S. government customers until the control deficiencies are corrected and their remediation is accepted by the DCMA. The agencies conducting these audits and reviews have come under increased scrutiny. As a result, audits and reviews have become more rigorous and the standards to which we are held are being more strictly interpreted which has increased the likelihood of an audit or review resulting in an adverse outcome.

Government audits and reviews may conclude that our practices are not consistent with applicable laws and regulations and result in adjustments to contract costs and mandatory customer refunds. Such adjustments can be applied retroactively, which could result in significant customer refunds. Receipt of adverse audit findings or the failure to obtain an "approved" determination on our various business systems could significantly and adversely affect our business by, among other things, restricting our ability to bid on new contracts and, for those proposals under evaluation, diminishing our competitive position. A determination of noncompliance could also result in the U.S. government imposing penalties and sanctions against us, including withholding of payments, suspension of payments and increased government scrutiny. Increased scrutiny could adversely impact our ability to perform on contracts, affect our ability to invoice for work performed, delay the receipt of timely payment on contracts, and weaken our ability to compete for new contracts with the U.S. government.

The indirect cost audits by the DCAA of our business remain open for fiscal 2010 and subsequent years. We have recorded contract revenues subsequent to and including fiscal 2010 based on an estimate of costs that we believe will be approved on final audit. However, we do not know the outcome of any ongoing or future audits or whether future adjustments will exceed our reserves for potential adjustments.

We have recorded reserves for estimated net amounts to be refunded to customers for potential adjustments for indirect cost audits and compliance with CAS for indemnification obligations owing to former Parent for periods prior to the spin-off date. Any additional amounts which may be determined to be owed for periods prior to the separation will be allocated to former Parent and us in proportions determined in accordance with the Distribution Agreement. Additional amounts that are allocated to us could have a material, adverse impact to our profitability and cash flows. For a more detailed discussion of the terms of the Distribution Agreement governing financial impacts of audits and reviews for periods prior to the spin-off, see Note 15 of the notes to the consolidated financial statements contained within this report.

Our business is subject to governmental review and investigation which could adversely affect our profitability, cash position and growth prospects.

We are routinely subject to governmental investigations relating to our contracts and operations. If a review or investigation identifies improper or illegal activities, we may be subject to civil or criminal penalties or administrative sanctions which could include the termination of contracts, forfeiture of profits, the triggering of price reduction clauses, suspension of payments, fines, and suspension or debarment from doing business with governmental agencies. We may suffer harm to our reputation if allegations of impropriety are made against us, which would impair our ability to win new contract awards or receive contract renewals. Penalties and sanctions are not uncommon in our industry. If we incur a material penalty or administrative sanction or otherwise suffer harm to our reputation, our profitability, cash position and future prospects could be adversely affected.

The U.S. government may terminate, cancel, modify or curtail our contracts at any time and, if we do not replace them, we may be unable to achieve or sustain revenue growth and may suffer a decline in revenues and profitability.

Many of the U.S. government programs in which we participate as a contractor or subcontractor may extend for several years and include one or more base years and one or more option years. Under our contracts, the U.S. government generally has the right not to exercise options to extend or expand our contracts and may otherwise terminate, cancel, modify or curtail our contracts at its convenience. Any decision by the U.S. government not to exercise contract options or to terminate, cancel, modify or curtail our major programs or contracts would adversely affect our revenues, revenue growth and profitability.

We have experienced and continue to experience periodic performance issues under certain of our contracts. If a government customer terminates a contract for default, we may be exposed to liability, including for excess costs incurred by the customer in procuring undelivered services and solutions from another source. Depending on the nature and value of the contract, a performance issue or termination for default could cause our actual results to differ from those anticipated and could harm our reputation.

We face aggressive competition that can impact our ability to obtain contracts and may affect our future revenues, profitability and growth prospects.

We expect that a majority of the business that we seek in the foreseeable future will be awarded through a competitive bidding process as the U.S. government increasingly relies on IDIQ, GSA Schedule and other multi-award contracts, which has resulted in greater competition and increased pricing pressure. The competitive bidding process involves substantial costs and a number of risks, including significant cost and managerial time to prepare bids and proposals for contracts that may not be awarded to us, or that may be awarded but for which we do not receive meaningful task orders. For contracts awarded to us, we also face the risk of inaccurately estimating the resources and costs that will be required to fulfill any contract we win. Following contract award, we may encounter significant expense, delay, contract modifications or even contract loss as a result of our competitors protesting the award of contracts to us in competitive bidding. Any resulting loss or delay of startup and funding of work under protested contract awards may adversely affect our revenues and/or profitability. In addition, multi-award contracts require that we make sustained post-award efforts to obtain task orders under the contract. As a result, we may not be able to obtain these task orders or recognize revenues under these multi-award contracts. Our failure to compete effectively in this procurement environment would adversely affect our revenues and profitability.

We compete with larger companies that have greater name recognition, financial resources and larger technical staffs and with smaller, more specialized companies that are able to concentrate their resources on particular areas. Additionally, we may compete with the U.S. government's own capabilities. To remain competitive, we must consistently provide superior service, technology and performance on a cost-effective basis to our customers and there is no assurance that we will do so.

A failure to attract, train, retain and utilize skilled employees and our senior management team would adversely affect our ability to execute our strategy and may disrupt our operations.

Our business relies heavily upon the expertise and services of our employees. Our continued success depends on our ability to recruit and retain highly trained and skilled engineering, technical and professional personnel. Competition for skilled personnel is intense and competitors aggressively recruit key employees. In addition, many U.S. government programs require contractors to have security clearances. Depending on the level of required clearance, security clearances can be difficult and time-consuming to obtain and personnel with security clearances are in great demand. Particularly in highly specialized areas, it has become more difficult to retain employees and meet all of our needs for employees in a timely manner, which may affect our growth in the current and future fiscal years. Although we intend to continue to devote significant resources to recruit, train and retain qualified employees, we may not be able to attract, effectively train and retain these employees. Any failure to do so could impair our ability to efficiently perform our contractual obligations, timely meet our customers' needs and ultimately win new business, all of which could adversely affect our future results. In addition, salaries and related costs are a significant portion of the cost of providing our services and, accordingly, our ability to efficiently utilize our workforce impacts our profitability. If our employees are under-utilized, our profitability could suffer.

We believe that our success also depends on the continued employment of a highly qualified and experienced senior management team and that team's ability to retain existing business and generate new business. The loss of key personnel in critical functions could lead to lack of business continuity or disruptions in our business until we are able to hire and train replacement personnel.

We may make acquisitions, investments, joint ventures and divestitures in the future that involve numerous risks, which if realized, may adversely affect our business and our future results.

We may make strategic acquisitions, engage in joint ventures or divest existing businesses, which could cause us to incur unforeseen expenses and have disruptive effects on our business and may not yield the benefits we expect. Our Credit Facility also imposes limitations on our ability to make other acquisitions. Subject to those limitations, we may selectively pursue additional strategic acquisitions, investments and joint ventures in the future. Any future acquisitions, investments and joint ventures may pose many risks that could adversely affect our reputation, operations or financial results, including:

- we may not retain key employees (including those with needed security clearances), customers and business partners of an acquired business in the future;

- we may fail to successfully integrate acquired businesses, such as failing to successfully implement IT and other control systems relating to the operations of any acquired business;
- we may not generate sufficient earnings to meet the required Leverage Ratio under the Credit Facility, which would give lenders the right to, among other things, foreclose on our assets;
- acquisitions normally require a significant investment of time and resources, which may disrupt our business and distract our management from other important responsibilities;
- we may not be able to accurately estimate the financial effect of any acquisitions and investments on our business and we may not realize anticipated revenue opportunities, cost savings, or other synergies or benefits, or acquisitions may not result in improved operating performance; and
- we may assume known as well as unknown material liabilities, legal or regulatory risks that were not identified as part of our due diligence or for which we are unable to receive a purchase price adjustment or reimbursement through indemnification;

If any acquisitions, investments or joint ventures fail, perform poorly or their value is otherwise impaired for any reason, including contractions in credit markets and global economic conditions, our business and financial results could be adversely affected.

In addition, we may periodically divest businesses, including businesses that are no longer a part of our ongoing strategic plan. These divestitures similarly require significant investment of time and resources and may disrupt our business, distract management from other responsibilities and may result in losses on disposal or continued financial involvement in the divested business, including through indemnification, guarantee or other financial arrangements, for a period of time following the transaction, which could adversely affect our financial results.

We may not be able to successfully integrate the business of Engility with our own or realize the anticipated benefits of the merger in the expected time frame, or at all.

Our ability to realize the anticipated benefits of the merger will depend, to a large extent, on our ability to integrate our and Engility's business. The merger involves the combination of two companies that operated as independent public companies. The combined company will be required to devote significant management attention and resources to integrating our business practices with those of Engility. The integration process may disrupt the business and, if implemented ineffectively or if impacted by unforeseen negative economic or market conditions or other factors, we may not realize the full anticipated benefits of the merger. Potential difficulties that the combined company may encounter as part of the integration process include the following:

- the inability to successfully combine our business with Engility in a manner that permits the combined company to achieve the full revenue and cost synergies and other benefits anticipated to result from the merger;
- the loss of customers and strategic partners who may not wish to continue their relationships with the combined company;
- required regulatory approvals from governmental entities may result in limitations, additional costs or placement of restrictions on the conduct of the combined company, imposition of additional material costs on or materially limiting the revenues of the combined company following the merger;
- complexities associated with managing the combined businesses, including difficulty addressing possible differences in corporate cultures and management philosophies and the challenge of integrating complex systems, technology, networks and other assets of each of the companies in a seamless manner that minimizes any adverse impact on customers, suppliers, employees and other business partners; and
- potential unknown liabilities and unforeseen increased expenses or delays associated with the merger.

Many of these factors will be outside of our control and any one of them could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy, which could materially impact the business, financial condition and our results of operations. These benefits may not be achieved within the anticipated time frame, or at all. Furthermore, additional unanticipated costs may be incurred in the integration of

the businesses. All of these factors could decrease or delay the anticipated benefits of the merger and negatively impact us. These and other factors could adversely affect our ability to maintain relationships with customers, suppliers, employees and other partners, and our ability to achieve the anticipated benefits of the merger.

We and Engility will incur direct and indirect costs as a result of the merger.

We and Engility will incur substantial expenses in connection with and as a result of the merger and, over a period of time following the completion of the merger, we expect to incur substantial expenses in connection with coordinating our businesses, operations, policies and procedures. While we have assumed that a certain level of transaction expenses will be incurred, factors beyond our control could affect the total amount or the timing of these expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately.

In connection with the merger, we may be required to take write-downs or write-offs, restructuring and impairment or other charges that could negatively affect our business, assets, liabilities, prospects, outlook, financial condition and results of operations.

Although we have conducted extensive due diligence on Engility in connection with the merger, we cannot assure that this diligence revealed all material issues that may be present, that it would be possible to uncover all material issues through a customary amount of due diligence, or that factors outside of our control will not later arise. Even if our due diligence successfully identifies certain risks, unexpected risks may arise and previously known risks may materialize in a manner not consistent with our preliminary risk analysis. Further, as a result of the merger, purchase accounting, and the proposed operation of the company after closing, we may be required to take write-offs or write-downs, restructuring and impairment or other charges that could negatively affect business, assets, liabilities, prospects, outlook, financial condition and results of operations after closing.

Our use of net operating loss carryforwards and other tax attributes to offset future taxable income may become limited in the event that we or the IRS determines that we have experienced an ownership change.

As of February 1, 2019, we have estimated \$472 million of net operating loss (NOL), \$19 million of disallowed interest carryforwards for U.S. Federal income tax purposes, and tax basis in our amortizable goodwill and other intangible assets of approximately \$696 million. Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the Code), if a corporation undergoes an "ownership change," the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes, such as its adjusted tax basis in its amortizable goodwill, to offset its post-change income and taxes may be limited. Such an ownership change occurred during the acquisition of Engility Holdings, Inc. and as a result of these limitations, \$3 million of tax credit carryforwards were eliminated in purchase accounting.

Pension funding and costs are dependent upon several economic assumptions which if changed may cause our future earnings and cash flow to fluctuate significantly.

As a result of the acquisition of Engility, which closed on January 14, 2019, we assumed the obligations under Engility's defined benefit pension plan (the Pension Plan). The impact of the Pension Plan on our GAAP earnings may be volatile in that the amount of expense we record for the Pension Plan may materially change from year to year because those calculations are sensitive to funding levels as well as changes in several key economic assumptions, including interest rates, rates of return on plan assets, and other actuarial assumptions including participant mortality estimates. Changes in these factors also affect our plan funding, cash flow, and stockholders' equity. In addition, the funding of the Pension Plan may be subject to changes caused by legislative or regulatory actions.

We will make contributions to fund the Pension Plan when considered necessary or advantageous to do so. The macro-economic factors discussed above, including the return on assets and the minimum funding requirements established by government funding or taxing authorities, or established by other agreement, may influence future funding requirements. A significant decline in the fair value of the assets in the Pension Plan, or other adverse changes to the Pension Plan could require us to make significant funding contributions and affect cash flows in future periods.

As a result of the acquisition of Engility, we also assumed the obligations under a Retiree Health Reimbursement Account plan (RHRA). The impact of Engility's RHRA on our U.S. generally accepted accounting principles (GAAP) earnings may be volatile in that the amount of expense we record for the plan may materially change from year to year because those calculations are sensitive to several key economic assumptions including interest rates and actuarial assumptions related to participant mortality, retirement and termination.

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION

U.S. government Cost Accounting Standards govern the extent to which postretirement costs and plan contributions are allocable to and recoverable under contracts with the U.S. government. On December 27, 2011 the U.S. government's Cost Accounting Standards Board published a final rule that harmonizes Cost Accounting Standards (CAS) pension cost reimbursement rules with the Pension Protection Act of 2006 (PPA) funding requirements. The rule is expected to eventually mitigate the mismatch between CAS costs and PPA-amended Employee Retirement Income Security Act of 1974 (ERISA) minimum funding requirements, and result in an acceleration of allowable CAS pension costs as compared to the prior rules. We anticipate that government contractors will be entitled to an equitable adjustment for any additional CAS contract costs resulting from the final rule. As a result, we have sought and expect to continue to seek reimbursement from the U.S. government for a portion of our postretirement costs and plan contributions. For additional information related to our pension funding and costs, see Note 8 of the notes to the consolidated financial statements contained within this report.

Our earnings and profitability may vary based on the mix of our contracts and may be adversely affected by our failure to accurately estimate and manage costs, time and resources.

We generate revenues under various types of contracts, which include cost-reimbursement, T&M and FFP contracts. Our earnings and profitability may vary materially depending on changes in the proportionate amount of revenues derived from each type of contract, the nature of services or solutions provided, as well as the achievement of performance objectives and the stage of performance at which the right to receive fees, particularly under incentive and award fee contracts, is finally determined. Cost-reimbursement and T&M contracts generally have lower profitability than FFP contracts. To varying degrees, each of our contract types involves some risk that we could underestimate the costs and resources necessary to fulfill the contract. Our profitability is adversely affected when we incur costs on cost-reimbursement and T&M contracts that we cannot bill to our customers. While FFP contracts allow us to benefit from cost savings, these contracts also increase our exposure to the risk of cost overruns. Revenues derived from FFP contracts represented approximately 27% of our total revenues for fiscal 2019. When making proposals on FFP contracts, we rely heavily on our estimates of costs and timing for completing the associated projects, as well as assumptions regarding technical issues. In each case, our failure to accurately estimate costs or the resources and technology needed to perform our contracts or to effectively manage and control our costs during the performance of work could result, and in some instances has resulted, in reduced profits or in losses. More generally, any increased or unexpected costs or unanticipated delays in connection with the performance of our contracts, including costs and delays caused by contractual disputes or other factors outside of our control (such as performance failures of our subcontractors, natural disasters or other force majeure events) could make our contracts less profitable than expected or unprofitable.

We use estimates in recognizing revenues and, if we make changes to estimates used in recognizing revenues, our profitability may be adversely affected.

A significant portion of our revenues are recognized on performance obligations satisfied over time, which requires estimates of total costs at completion, fees earned, or both. Particularly due to the technical nature of the services being performed and the length of certain performance obligations, this estimation process is complex and involves significant judgment. Adjustments to original estimates are often required as work progresses, experience is gained and additional information becomes known, even though the scope of the work required under the performance obligation may not change. Any adjustment as a result of a change in estimate is recognized immediately. Changes in the underlying assumptions, circumstances or estimates could result in adjustments that may adversely affect future financial results.

Our business and financial results could be negatively affected by cyber or other security threats.

As a U.S. government contractor and a provider of IT services operating in multiple regulated industries and geographies, we handle a variety of sensitive information including personally identifiable information, protected health information, personnel information, classified information, and financial information, concerning our business and employees and those of our customers. We are continuously exposed to cyber and other security threats, including computer viruses, attacks by hackers, malware, insider threats and physical break-ins. Any unauthorized electronic or physical intrusion or other security threat may jeopardize the protection of sensitive or other information stored or transmitted through our IT systems and networks. This could lead to disruptions in mission-critical systems, unauthorized release of sensitive information and the theft or corruption of data. Although we have implemented and regularly update and improve policies, procedures and other controls to monitor, protect against, detect and mitigate cyber and other security threats, attempts to gain unauthorized access to our IT systems and

networks are becoming more sophisticated. We, however, seek to detect and investigate all security events and prevent their occurrence.

In addition, we work with industry and the U.S. government to share threat intelligence and promote increased awareness and enhanced protections against cybersecurity threats. However, because of the evolving nature of these security threats, there can be no assurance that our policies, procedures and other controls will detect or prevent them, and we cannot predict their full impact. We may experience similar security threats to the IT systems that we develop, install or maintain under customer contracts, including customer contracts under which we may have access to or management responsibility for customer databases or networks that contain sensitive information relating to our customers, their employees or related third parties. Although we work cooperatively with our customers to seek to minimize the impacts of cyber and other security threats, we must usually rely on the safeguards used or required by those customers. In the event of unauthorized access to sensitive information for which we are responsible under customer contracts, our customers, their employees, or third parties may seek to hold us liable for any costs or other damages associated with the unauthorized access. In addition, government agencies may bring legal actions against us for violation of or noncompliance with regulatory requirements relating to any unauthorized access to sensitive information. Any remediation costs, damages or other liabilities related to unauthorized access of sensitive information of ours or our customers caused by cyber or other security threats may not be fully insured or indemnified by other means. Occurrence of any unauthorized access caused by these security threats could adversely affect our reputation, business operations and financial results.

Customer systems failures could damage our reputation and adversely affect our revenues and profitability.

Many of the systems and networks that we develop, install and maintain for our customers involve managing and protecting personal information and information relating to national security and other sensitive government functions. While we have programs designed to comply with relevant privacy and security laws and restrictions, if a system or network that we develop, install or maintain were to fail or experience a security breach or service interruption, whether caused by us, third-party service providers, cybersecurity threats or other events, we may experience loss of revenue, remediation costs or face claims for damages or contract termination. Any such event could cause serious harm to our reputation and prevent us from having access to or being eligible for further work on such systems and networks. Our errors and omissions liability insurance may be inadequate to compensate us for all of the damages that we may incur and, as a result, our future results could be adversely affected.

Legal disputes could require us to pay potentially large damage awards and could be costly to defend, which would adversely affect our cash balances and profitability, and could damage our reputation.

We are subject to a number of lawsuits and claims described under “Legal Proceedings” in Part I of this report. We are also subject to, and may become a party to, a variety of other litigation or claims and suits that arise from time to time in the ordinary course of our business. The Department of Justice and other enforcement agencies of the U.S. government may bring claims or lawsuits against us in connection with our performance of government contracts or our billing or record-keeping relating to those contracts. The Department of Justice has considerably more resources at its disposal than we do, and can bring suspension and debarment proceedings against us that would prevent us from working for some or all U.S. government customers. In addition, certain statutes under which the Department of Justice may bring claims (like the False Claims Act) provide for treble damages and penalties on a per invoice basis against government contractors. These circumstances generally give the Department of Justice significantly more leverage in any legal dispute with us than if we were defending ourselves against claims brought by a commercial enterprise. Adverse judgments or settlements in some or all of these legal disputes may result in significant monetary damages or injunctive relief against us. Any claims or litigation could be costly to defend, and even if we are successful or if fully indemnified or insured, could damage our reputation and make it more difficult to compete effectively or obtain adequate insurance in the future. Litigation and other claims, including those described under “Legal Proceedings” in Part I of this report, are subject to inherent uncertainties and management’s view of these matters may change in the future.

Our business is subject to numerous legal and regulatory requirements and any violation of these requirements or any misconduct by our employees, subcontractors, agents or business partners could harm our business and reputation.

In addition to government contract procurement laws and regulations, we are subject to numerous other federal, state and foreign legal requirements on matters as diverse as data privacy and protection, employment and labor relations, immigration, taxation, anti-corruption, import/export controls, trade restrictions, internal and disclosure control obligations, securities regulation and anti-competition. Compliance with diverse and changing legal requirements is costly, time-consuming and requires significant resources. Violations of one or more of these requirements in the conduct of our business could result in significant fines and other damages, criminal sanctions against us or our officers, prohibitions on doing business and damage to our reputation. Violations of these regulations or contractual obligations related to regulatory compliance in connection with the performance of customer contracts could also result in liability for significant monetary damages, fines and/or criminal prosecution, unfavorable publicity and other reputational damage, restrictions on our ability to compete for certain work and allegations by our customers that we have not performed our contractual obligations.

Misconduct by our employees, subcontractors, agents or business partners could subject us to fines and penalties, restitution or other damages, loss of security clearance, loss of current and future customer contracts and suspension or debarment from contracting with federal, state or local government agencies, any of which would adversely affect our business and our future results. Such misconduct could include fraud or other improper activities such as falsifying time or other records, failure to comply with our policies and procedures or violations of applicable laws and regulations.

Goodwill and intangible assets represent a significant amount of our total assets and any impairment of these assets would negatively impact our results of operations.

Goodwill and intangible assets are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Examples of events or changes in circumstances indicating that the carrying value of goodwill may not be recoverable could include a significant adverse change in legal factors or in the business climate, an adverse action or assessment by a regulator, unanticipated competition, loss of key contracts, customer relationships, or personnel that affect current and future operating cash flows of the reporting unit. Any future impairment of goodwill or other intangible assets would have a negative impact on our profitability and financial results.

We depend on our teaming arrangements and relationships with other contractors and subcontractors. If we are not able to maintain these relationships, or if these parties fail to satisfy their obligations to us or the customer, our revenues, profitability and growth prospects could be adversely affected.

We rely on teaming relationships with other prime contractors and subcontractors in order to submit bids for large procurements or other opportunities where we believe the combination of services, products and solutions provided by us and our teammates will help us to win and perform the contract. Our future revenues and growth prospects could be adversely affected if other contractors eliminate or reduce their contract relationships with us, or if the U.S. government terminates or reduces these other contractors' programs, does not award them new contracts or refuses to pay under a contract. Companies that do not have access to U.S. government contracts or experience with our customers may perform services as our subcontractor that we cannot otherwise provide ourselves, and that exposure could enhance such companies' prospect of securing a future position as a prime U.S. government contractor which could increase competition for future contracts and impair our ability to win these contracts.

Whenever our subcontractors fail to timely meet their contractual obligations, have regulatory compliance or other problems, our ability to fulfill our obligations as a prime contractor or higher tier subcontractor may be jeopardized. In addition, we have certain obligations to our former Parent to permit it to perform up to one hundred percent (100%) of task orders as a subcontractor to us under certain contracts that were novated to us in the spin-off transaction. Subcontractor performance deficiencies under subcontracts with us as the prime contractor, including performance by our former Parent, could lead to significant losses in future periods and could result in our termination for default as the prime contractor even though it was the subcontractor that failed to perform and not our personnel.

We have only a limited ability to protect our intellectual property rights, which are important to our success. Our failure to adequately protect our proprietary information and intellectual property rights could adversely affect our competitive position.

We rely principally on trade secrets to protect much of our intellectual property in cases where we do not believe that patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. Although our employees are subject to confidentiality obligations, this protection may be inadequate to deter or prevent misappropriation of our confidential information. We may be unable to detect unauthorized use of our intellectual property or otherwise take appropriate steps to enforce our rights. Failure to obtain or maintain trade secret protection could adversely affect our competitive business position. If we are unable to prevent third parties from infringing or misappropriating our copyrights, trademarks or other proprietary information, our competitive position could be adversely affected. In addition, in connection with the performance of services, the U.S. government has certain rights to inventions, data, software codes and related material that we develop under government-funded contracts and subcontracts, which may permit the U.S. government to disclose or license this information to third parties, including, in some instances, our competitors.

In the course of conducting our business, we may inadvertently infringe the intellectual property rights of others, resulting in claims against us or our customers. Our contracts generally indemnify our customers for third-party claims for intellectual property infringement by the services and solutions we provide. The expense of defending these claims may adversely affect our financial results.

We could incur significant liabilities and suffer negative publicity if our detection systems fail to operate as intended or our assessment reports prove to be inaccurate.

We have developed and sold tsunami buoys and related services that are designed to assist in the detection of tsunamis or large waves that may have catastrophic consequences to coastal communities. Our buoys have been deployed by the U.S. National Oceanic and Atmospheric Administration and non-U.S. governments in other areas around the world. There are many factors, some of which are beyond our control, which could result in the failure of these buoys. We may develop other products or provide services for the detection of natural or man-made threats that could have catastrophic consequences if the threats are realized. In addition, we prepare reports for various government customers in the evaluation or assessment of the consequences of certain threats or natural disasters. The failure of our products and services to help detect the threats for which they were designed or the failure of our reports to accurately assess the consequences of certain threats could contribute to injury, death and extensive property damage and may lead to product liability, professional liability, or other claims against us. Further, if our products, services or reports fail to, or are perceived to have failed to help detect or adequately assess a threat, the negative publicity from such incident could have a material adverse effect on our business.

Our services and operations sometimes involve using, handling or disposing of hazardous substances or dangerous materials, which could expose us to potentially significant liabilities.

Some of our services and operations involve the use, handling or disposal of hazardous substances or dangerous materials, including explosive, chemical, biological, radiological or nuclear materials. These activities generally subject us to extensive foreign, federal, state and local environmental protection and health and safety laws and regulations, which, among other things, require us to incur costs to comply with these regulations and could impose liability on us for handling or disposing of hazardous substances or dangerous materials. Furthermore, failure to comply with these environmental protection and health and safety laws and regulations could result in civil, criminal, regulatory, administrative or contractual sanctions, including fines, penalties or suspension or debarment from contracting with the U.S. government or could cause us to incur costs to change, upgrade, remediate and/or close some of our operations or properties. Although we do not have extensive real estate holdings, our ownership and operation of real property also subjects us to environmental protection laws, some of which hold current or previous owners or operators of businesses and real property liable for hazardous substance releases, even if they did not know of and were not responsible for the releases. If we have any violations of, or incur liabilities pursuant to, these laws or regulations, our financial condition and operating results could be adversely affected.

We face risks associated with our international business.

Our international business operations may be subject to additional and different risks than our U.S. business. Failure to comply with U.S. government laws and regulations applicable to international business such as the Foreign Corrupt Practices Act or U.S. export control regulations could have an adverse impact on our business with the U.S. government and could expose us to administrative, civil or criminal penalties and may expose us to potentially significant contract losses. In addition, we provide services and solutions in support of U.S. government customers in countries with governments that may be or may become unstable or are in areas of active military or intelligence operations. Operating in such environments may increase the risk of an incident resulting in injury or loss of life, or damage or destruction of property, or inability to meet our contractual obligations. Although our international operations have historically generated a small proportion of our revenues, we do not know the impact that these regulatory, geopolitical and other factors may have on our business in the future and any of these factors could adversely affect our business.

Forward-Looking Statement Risks***You may not be able to rely on forward-looking statements.***

This report contains forward-looking statements that are based on our management's belief and assumptions about the future in light of information currently available to our management. In some cases, you can identify forward-looking statements by words such as "may," "will," "should," "expects," "projects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue," "outlook," and similar words or phrases or the negative of these words or phrases. These statements relate to future events or our future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable when made, we cannot guarantee future results, levels of activity, performance or achievements. There are a number of important factors that could cause our actual results to differ materially from those results anticipated by our forward-looking statements, which include, but are not limited to the risk factors discussed above.

We do not undertake any obligation to update or revise any of the forward-looking statements to reflect events, circumstances, changes in expectations, or the occurrence of unanticipated events after the date of those statements or to conform these statements to actual results.

Item 1B. Unresolved Staff Comments

No information is required in response to this item.

Item 2. Properties

We occupy approximately 4 million square feet of floor space, substantially all of which is leased. Our corporate headquarters is located in Reston, Virginia. Our principal locations outside of Reston, Virginia include Chantilly, Virginia, Huntsville, Alabama, Oak Ridge, Tennessee, El Segundo, California and Annapolis Junction, Maryland. As of February 1, 2019, we conducted our operations in approximately 190 offices located in 32 states, the District of Columbia, and various foreign countries. We consider our facilities suitable and adequate for our present needs, which are generally limited to office, warehouse and computer laboratory spaces.

Item 3. Legal Proceedings

We have provided information about legal proceedings in which we are involved in Note 15 of the notes to the consolidated financial statements contained within this report.

We are also routinely subject to investigations and reviews relating to compliance with various laws and regulations. Additional information regarding such investigations and reviews is described under the heading "Government Investigations, Audits and Reviews" in Note 15 of the notes to the consolidated financial statements contained within this report.

Item 4. Mine Safety Disclosures

No information is required in response to this item.

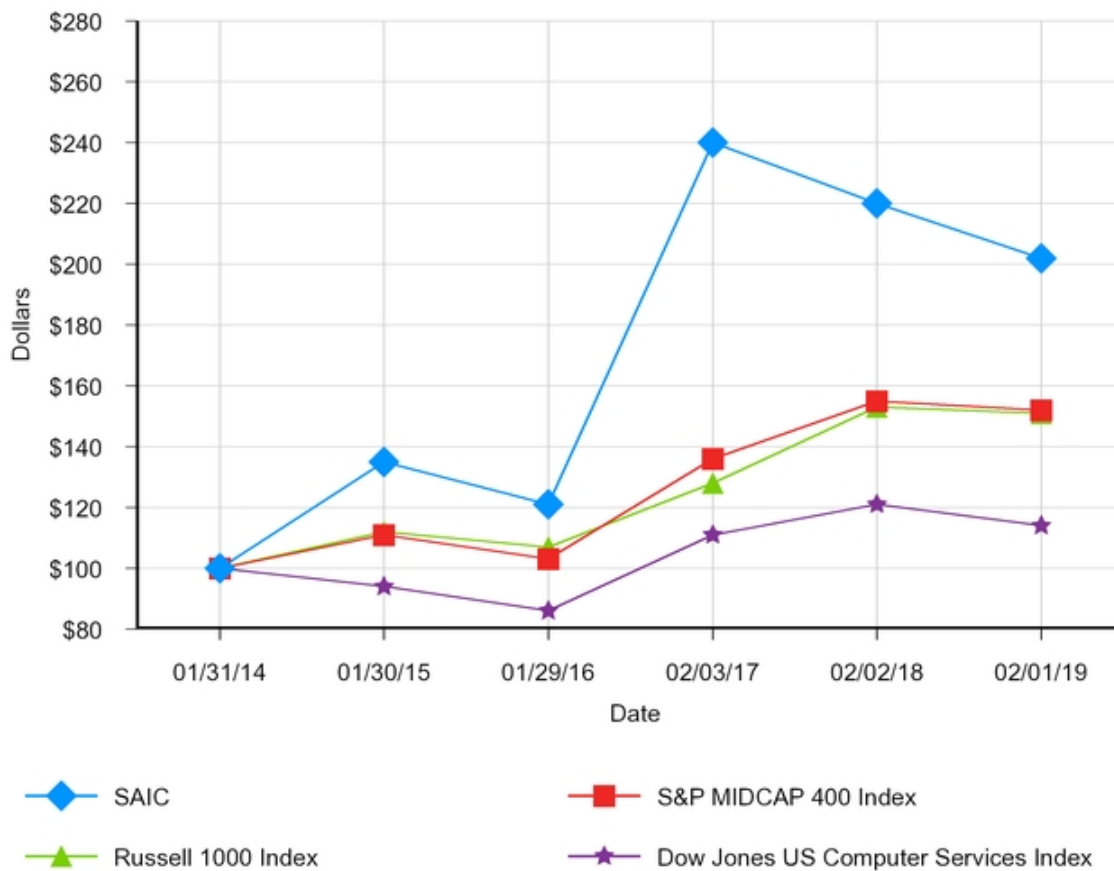
Part II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchase of Equity Securities

Our common stock is listed on the New York Stock Exchange under the ticker symbol “SAIC”. As of March 8, 2019, there were approximately 25,000 holders of record of our common stock. The number of holders of record of our common stock may not be representative of the number of beneficial owners due to shares that may be held by depositories, brokers or nominees.

Stock Performance Graph

The following graph compares the total cumulative return on our common stock, from the beginning of fiscal year 2015 through fiscal year 2019, to three indices: (i) the Standard & Poor’s (S&P) MIDCAP 400 Index, (ii) the Russell 1000 Index and (iii) the Dow Jones US Computer Services Index. The graph assumes an initial investment of \$100 on January 31, 2014 and that dividends have been reinvested. The comparisons in the graph are required by the U.S. Securities and Exchange Commission (SEC), based upon historical data and are not intended to forecast or be indicative of possible future performance of our common stock.



SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
Purchases of Equity Securities

We may repurchase shares on the open market in accordance with established repurchase plans. Whether repurchases are made and the timing and amount of repurchases depend on a variety of factors including market conditions, our capital position, internal cash generation and other factors.

The following table presents repurchases of our common stock during the three months ended February 1, 2019:

Period ⁽¹⁾	Total Number of Shares (or Units) Purchased ⁽²⁾	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs ⁽³⁾
November 3, 2018 - December 7, 2018	289	\$ 69.79	—	2,317,844
December 8, 2018 - January 4, 2019	—	—	—	2,317,844
January 5, 2019 - February 1, 2019	120,445	65.92	119,234	2,198,610
Total	120,734	\$ 65.93	119,234	

- (1) Date ranges represent our fiscal periods during the current quarter. Our fiscal quarters typically consist of one five-week period and two four-week periods.
- (2) Includes shares purchased on surrender by stockholders of previously owned shares to satisfy minimum statutory tax withholding obligations related to stock option exercises and vesting of stock awards in addition to shares purchased under our publicly announced plans or programs.
- (3) On December 15, 2016, the number of additional shares of our common stock that may be repurchased under our existing repurchase program previously announced in October 2013 was increased by approximately 3.3 million shares, bringing the total authorized shares to be repurchased under the program to approximately 11.8 million shares. As of February 1, 2019, we have repurchased approximately 9.6 million shares of common stock under the program. Subsequent to the end of fiscal 2019, the number of shares that may be repurchased increased by approximately 4.6 million shares, bringing the total authorized shares to be repurchased under the plan to approximately 16.4 million shares.

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Item 6. Selected Financial Data

On January 14, 2019 we acquired Engility Holdings, Inc. (Engility) and on May 4, 2015, we acquired privately held Scitor Holdings, Inc. (Scitor). The consolidated statement of income data includes the results of operations subsequent to each acquisition.

This information should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the notes thereto contained within this report.

	Year Ended				
	February 1, 2019 ⁽²⁾	February 2, 2018	February 3, 2017	January 29, 2016	January 30, 2015
(in millions, except per share data)					
Consolidated and Combined Statement of Income Data:					
Revenues	\$ 4,659	\$ 4,454	\$ 4,442	\$ 4,315	\$ 3,885
Operating income	220	256	263	227	240
Net income	137	179	143	117	141
Earnings per share ⁽¹⁾ :					
Basic	\$ 3.16	\$ 4.13	\$ 3.21	\$ 2.55	\$ 3.01
Diluted	\$ 3.11	\$ 4.02	\$ 3.12	\$ 2.47	\$ 2.91
Cash dividend per share	\$ 1.24	\$ 1.24	\$ 1.24	\$ 1.21	\$ 1.12

Consolidated and Combined Balance Sheet Data:

	February 1, 2019 ⁽²⁾	February 2, 2018	February 3, 2017	January 29, 2016	January 30, 2015
Total assets	\$ 4,563	\$ 2,073	\$ 2,042	\$ 2,122	\$ 1,389
Long-term debt, including current portion	2,089	1,024	1,047	1,070	486
Other long-term liabilities and deferred income taxes	102	68	48	41	38

- (1) For more information on the calculation of Basic and Diluted Earnings per share see Note 2 of the notes to the consolidated financial statements contained within this report.
- (2) The Company adopted ASC 606 on February 3, 2018, using the modified retrospective method whereby the Company recognized the cumulative effect of adoption as an adjustment to its opening balance of retained earnings on February 3, 2018, see Note 1 of the notes to the consolidated financial statements contained within this report.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations, and quantitative and qualitative disclosures about market risk should be read in conjunction with our consolidated financial statements and the related notes. It contains forward-looking statements (which may be identified by words such as those described in "Risk Factors—Forward-Looking Statement Risks" in Part I of this report), including statements regarding our intent, belief, or current expectations with respect to, among other things, trends affecting our financial condition or results of operations (including our financial targets discussed below under "Management of Operating Performance and Reporting" and "Liquidity and Capital Resources"); backlog; our industry; government budgets and spending; market opportunities; the impact of competition; and the impact of the Engility and Scitor acquisitions. Such statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statements as a result of various factors. Risks, uncertainties and assumptions that could cause or contribute to these differences include those discussed below and elsewhere in this report, particularly in "Risk Factors" in Part I of this report. Due to such risks, uncertainties and assumptions you are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof. We do not undertake any obligation to update these factors or to publicly announce the results of any changes to our forward-looking statements due to future results or developments.

We use the terms "SAIC," the "Company," "we," "us" and "our" to refer to Science Applications International Corporation and its consolidated subsidiaries. References herein to "former Parent" refer to Leidos Holdings, Inc. (formerly SAIC, Inc.) collectively with its consolidated subsidiaries.

The Company utilizes a 52/53 week fiscal year ending on the Friday closest to January 31, with fiscal quarters typically consisting of 13 weeks. Fiscal 2017 began on January 30, 2016 and ended on February 3, 2017, fiscal 2018 began on February 4, 2017 and ended on February 2, 2018, and fiscal 2019 began on February 3, 2018 and ended on February 1, 2019. The number of weeks for each quarter for fiscal 2019, 2018 and 2017 are as follows:

	Fiscal 2019	Fiscal 2018	Fiscal 2017
		(weeks)	
First Quarter	13	13	14
Second Quarter	13	13	13
Third Quarter	13	13	13
Fourth Quarter	13	13	13
Fiscal Year	52	52	53

Business Overview

We are a leading technology integrator providing full life cycle services and solutions in the technical, engineering and enterprise information technology (IT) markets. We developed our brand by addressing our customers' mission critical needs and solving their most complex problems for over 50 years. As one of the largest pure-play technical service providers to the U.S. government, we serve markets of significant scale and opportunity. Our primary customers are the departments and agencies of the U.S. government. We serve our customers through approximately 2,200 active contracts and task orders and employ more than 23,000 individuals who are led by an experienced executive team of proven industry leaders. Our long history of serving the U.S government has afforded us the ability to develop strong and longstanding relationships with some of the largest customers in the markets we serve. Substantially all of our revenues and tangible long-lived assets are generated by or owned by entities located in the United States.

Economic Opportunities, Challenges and Risks

In fiscal 2019, we generated greater than 95% of our revenues from contracts with the U.S. government, including subcontracts on which we perform. Our business performance is affected by the overall level of U.S. government spending and the alignment of our offerings and capabilities with the budget priorities of the U.S. government. Appropriations measures passed in September 2018 and February 2019, combined, provide full funding for the federal government through the end of government fiscal year (GFY) 2019. These bills are funded at increased levels for defense and non-defense spending based on a bi-partisan agreement reached in February 2018 to lift caps set by the Budget Control Act in August 2011, providing additional business opportunities for the Company. However, beyond GFY 2019, there remains uncertainty on whether, and by how much, discretionary spending will be increased above the budget caps put in place in the Budget Control Act. Without additional action in the form of another bi-partisan budget agreement to lift the Budget Control Act caps, federal expenditures would decline sharply in GFY 2020. In addition, if there were a Continuing Resolution to begin GFY 2020, the effect of the Budget Control Act caps likely would be to reduce spending levels through sequestration from the levels set for GFY 2019 to much lower levels set in the Budget Control Act for GFY 2020.

Adverse changes in fiscal and economic conditions could materially affect our business. Some changes that could have an adverse impact on our business include the implementation of future spending reductions (including sequestration), government shutdowns, and issues related to required increases to the nation's debt ceiling (under current law, the debt ceiling will be reached in March 2019).

The U.S. government has increasingly relied on contracts that are subject to a competitive bidding process (including indefinite delivery, indefinite quantity (IDIQ), U.S. General Services Administration (GSA) schedules and other multi-award contracts) which has resulted in greater competition and increased pricing pressure. We expect that a majority of the business that we seek in the foreseeable future will be awarded through a competitive bidding process.

Despite the budget and competitive pressures impacting the industry, we believe we are well positioned to protect and expand existing customer relationships and benefit from opportunities that we have not previously pursued. Our scale, size and prime contractor leadership position are expected to help differentiate us from our competitors, especially on large contracts. We believe our long-term, trusted customer relationships and deep technical expertise provide us with the sophistication to handle highly complex mission-critical contracts. SAIC's value proposition is found in the proven ability to serve as a trusted adviser to our customers. In doing so, we leverage our expertise and scale to help them execute their mission.

We succeed as a business based on the solutions we deliver, our past performance and our ability to compete on price. Our solutions, inspired through innovation, are based on best practices and technology transfer. Our past performance was achieved by employee dedication and customer focus. Our current cost structure, as well as our ongoing efforts to reduce costs by strategic sourcing and developing repeatable offerings, is expected to allow us to compete effectively on price in an evolving environment. Our ability to be competitive in the future will continue to be driven by our reputation of successful program execution, competitive cost structure and efficiencies in assigning the right people, at the right time, in support of our contracts.

On January 14, 2019, we completed the acquisition of Engility Holdings, Inc. (collectively with its consolidated subsidiaries, "Engility"). The acquisition of Engility accelerates the execution of our long term strategy to be the premier technology integrator in the government services market and deliver sustained profitable growth. The acquisition of Engility strengthens the execution of our long term strategy by: (1) combining two leading government service providers with highly complementary capabilities, customers, and cultures (2) accelerating both companies long term strategies, creating sub-segment scale in strategic business areas of national interest and (3) enhance shareholder value through improved cash flow and margin profile driven by cost synergies and increased growth from greater customer access with more competitive and differentiated solutions.

See "Risk Factors" in Part I of this report for additional discussion of our industry and regulatory environment.

Restructuring

During fiscal 2018, the Company initiated restructuring activities (the "Restructuring") intended to improve operational efficiency, reduce costs, and better position the Company to drive future growth. Management's restructuring activities included involuntary and voluntary terminations and the consolidation of existing leased facilities. The Company completed the Restructuring in fiscal 2018 with total restructuring costs of approximately \$13 million, comprised of \$6 million for employee severance and \$7 million of lease exit costs. Refer to "Results of Operations" below, and "Restructuring" in Note 1 of the notes to the consolidated financial statements for further details.

Management of Operating Performance and Reporting

We manage our business to achieve our long-term financial targets, which we expect to accomplish on average and over time. These financial targets include:

- low single digit annual revenue growth percentage, excluding impacts from acquisitions,
- adjusted EBITDA margin expansion of 10 to 20 basis points annually, and
- return of capital in excess of operating needs.

Adjusted EBITDA is a non-GAAP financial measure described in more detail in "Non-GAAP Measures" below.

Our business and program management process is directed by professional managers focused on satisfying our customers by providing high quality services in achieving contract requirements. These managers carefully monitor contract margin performance by constantly evaluating contract risks and opportunities. Through each contract's life cycle, program managers review performance and update contract performance estimates to reflect their understanding of the best information available. For performance obligations satisfied over time, updates to estimates are recognized on inception-to-date activity, during the period of adjustment, resulting in either a favorable or unfavorable impact to operating income.

We evaluate our results of operations by considering the drivers causing changes in revenues, operating income and operating cash flows. Given that revenues fluctuate on our contract portfolio over time due to contract awards and completions, changes in customer requirements, and increases or decreases in ordering volume of materials, we evaluate significant trends and fluctuations in these terms. Whether performed by our employees or by our subcontractors, we primarily provide services and, as a result, our cost of revenues are predominantly variable. We also analyze our cost mix (labor, subcontractor or materials) in order to understand operating margin because contracts performed with a higher proportion of SAIC labor are generally more profitable. Changes in costs of revenues as a percentage of revenue other than from revenue volume or cost mix are normally driven by fluctuations in shared or corporate costs, or cumulative revenue adjustments due to changes in contract estimates.

Changes in operating cash flows are described with regard to changes in cash generated through the delivery of services, significant drivers of fluctuations in assets or liabilities and the impacts of changes in timing of cash receipts or disbursements.

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Results of Operations

The primary financial performance measures we use to manage our business and monitor results of operations are revenues, operating income and cash flows from operating activities. The following table summarizes our results of operations:

	Year Ended				
	February 1, 2019	Percent change	February 2, 2018	Percent change	February 3, 2017
(dollars in millions)					
Revenues	\$ 4,659	5 %	\$ 4,454	— %	\$ 4,442
Cost of revenues	4,195	4 %	4,043	1 %	4,003
<i>As a percentage of revenues</i>	<i>90.0%</i>		<i>90.8%</i>		<i>90.1%</i>
Selling, general and administrative expenses	158	2 %	155	(7)%	166
Acquisition and integration costs	86	100 %	—	(100)%	10
Operating income	220	(14)%	256	(3)%	263
<i>As a percentage of revenues</i>	<i>4.7%</i>		<i>5.7%</i>		<i>5.9%</i>
Net income	\$ 137	(23)%	\$ 179	25 %	\$ 143
Cash flows provided by operating activities	\$ 184	(15)%	\$ 217	(21)%	\$ 273

Revenues. Revenues increased \$205 million from fiscal 2018 to fiscal 2019 primarily due to newly awarded contracts (\$164 million), which includes information technology (IT) integration contracts supporting state and local, and federal civilian agency customers, increased orders in our supply chain portfolio (\$102 million), and the acquisition of Engility (\$98 million). These increases were partially offset by reduced volume in fixed price vehicle production in the platform integration portfolio, completion of contracts and other net decreases across our portfolio (\$159 million). Excluding acquired revenues and the impact of the partial government shutdown, compared to prior year, revenues increased by 2.6%.

Revenues increased \$12 million from fiscal 2017 to fiscal 2018 primarily due to revenue on new contracts supporting NASA, the U.S. Army, and the Environmental Protection Agency (EPA) (\$156 million), increased orders within our supply chain portfolio (\$56 million) and higher revenue on platform integration programs (\$31 million). These increases were partially offset by one additional week in the prior year (\$88 million) and completion of contracts and other net decreases across our portfolio (\$143 million), including the loss of an IT integration contract supporting the DHS (\$46 million).

Cost of Revenues. Cost of revenues increased \$152 million from fiscal 2018 to fiscal 2019 primarily due to an increase in revenue volume and the acquisition of Engility. Cost of revenues as a percentage of revenues decreased from 90.8% in fiscal 2018 to 90.0% in fiscal 2019, driven by improved performance across our portfolio (\$45 million), inclusive of newly awarded contracts, higher net favorable changes in estimates related to performance obligations satisfied over time (\$20 million) and realization of cost efficiencies related to our restructuring activities in fiscal 2018. These improvements were partially offset by an increase in our provisions for inventory and deferred contract costs (\$36 million).

Cost of revenues increased \$40 million from fiscal 2017 to fiscal 2018 and as a percentage of revenues increased from 90.1% in fiscal 2017 to 90.8% in fiscal 2018, primarily due to lower net favorable changes in estimates on contracts related to performance obligations satisfied over time (\$25 million), and lower profit from a higher material cost mix and higher volume of cost reimbursable contracts (\$8 million). Lower net favorable changes in estimates were largely driven by increased costs on platform integration programs supporting the U.S. Marine Corps combined with prior year write-ups on certain programs supporting federal civilian agencies. Additionally, we incurred higher severance costs related to our restructuring in fiscal 2018 (\$5 million).

Cost of revenues also decreased in fiscal 2018 and fiscal 2019 due to an annual update to our Disclosure Statements that we prepare in accordance with U.S. government Cost Accounting Standards. We classify indirect costs as cost of revenues or selling, general and administrative expenses (SG&A) in the same manner as such costs are defined in our Disclosure Statements. The update resulted in certain types of costs that had previously

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been included in cost of revenues to be included in SG&A (\$2 million and \$9 million for fiscal 2019 and fiscal 2018, respectively); however, total operating costs were not affected by this change.

Selling, General and Administrative Expenses. SG&A increased \$3 million from fiscal 2018 to fiscal 2019 primarily due to the acquisition of Engility (\$7 million) and higher intangible asset amortization driven by Engility (\$3 million), partially offset by a gain realized from the settlement of claims against the indemnification escrow balance established when Scitor was acquired (\$6 million).

SG&A decreased \$11 million, from fiscal 2017 to fiscal 2018 primarily due to lower lease exit costs (\$8 million), lower business development costs (\$8 million), lower amortization of intangible assets (\$5 million), and lower compensation expense (\$3 million). These decreases were partially offset by restructuring costs incurred in fiscal 2018 (\$7 million) and updates to our Disclosure Statements.

Operating Income. Operating income as a percentage of revenues decreased to 4.7% for fiscal 2019, compared to 5.7% for fiscal 2018, primarily due to costs associated with the acquisition and integration of Engility (\$86 million) and an increase in our inventory and deferred contract cost provisions, partially offset by improved performance across our portfolio and the realization of cost efficiencies resulting from our restructuring activities in fiscal 2018.

Operating income as a percentage of revenues decreased to 5.7% for fiscal 2018, compared to 5.9% for fiscal 2017, primarily due to lower net favorable changes in estimates on contracts related to performance obligations satisfied over time and restructuring costs in fiscal 2018. These decreases were partially offset by lower SG&A costs as we continue to drive efficiencies across our operating structure.

Net Income. Net income decreased \$42 million from fiscal 2018 to fiscal 2019 primarily due to lower operating income, expenses associated with the debt refinancing activities in the current year, and a higher effective tax rate in the current year.

Net income increased \$36 million from fiscal 2017 to fiscal 2018 primarily due to lower income tax expense as a result of the adoption of ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting* (\$22 million), a one-time benefit from the effect of the federal corporate tax rate change (\$17 million) and lower interest expense. These increases were partially offset by lower operating income.

Cash Flows Provided by Operating Activities. Cash flows provided by operating activities were \$184 million for fiscal 2019 which represented a decrease of \$33 million from fiscal 2018 primarily due to acquisition and integration expenses and the U.S. federal government partial shutdown, which was partially offset by higher profit margin and strong collections on our supply chain contracts.

Cash flows provided by operating activities were \$217 million for fiscal 2018 which represented a decrease of \$56 million from fiscal 2017 primarily due to the timing of customer collections (\$125 million), partially offset by an extra week of payroll in the prior year (\$30 million), a net reduction in working capital investments in Marine Corps platform integration and IT services programs (\$18 million) and excess tax benefits for stock based compensation in the current year (\$22 million).

Non-GAAP Measures

Earnings before interest, taxes, depreciation and amortization (EBITDA), and adjusted EBITDA are non-GAAP financial measures. While we believe that these non-GAAP financial measures may be useful in evaluating our financial information, they should be considered as supplemental in nature and not as a substitute for financial information prepared in accordance with GAAP. Reconciliations, definitions, and how we believe these measures are useful to management and investors are provided below. Other companies may define similar measures differently.

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EBITDA and Adjusted EBITDA. The performance measure EBITDA is calculated by taking net income and excluding interest expense, interest income, provision for income taxes, and depreciation and amortization. Adjusted EBITDA is calculated by taking EBITDA and excluding restructuring costs, and acquisition and integration costs. Integration costs excluded are costs to integrate acquired companies and include the costs of strategic consulting services, facility consolidation and employee severance. The acquisition and integration costs relate to the Company's significant acquisitions of Engility and Scitor. We began excluding restructuring costs in the third quarter of fiscal 2018 as a result of the restructuring described above. Adjusted EBITDA is a performance measure that excludes costs that we do not consider to be indicative of our ongoing operating performance.

We believe that EBITDA and adjusted EBITDA provide management and investors with useful information in assessing trends in our ongoing operating performance and may provide greater visibility in understanding the long-term financial performance of the Company.

EBITDA and adjusted EBITDA is calculated as follows:

	Year Ended		
	February 1, 2019	February 2, 2018	February 3, 2017
	(in millions)		
Net income	\$ 137	\$ 179	\$ 143
Interest expense	53	44	52
Interest income	(3)	(1)	—
Provision for income taxes	33	35	69
Depreciation and amortization	47	44	50
EBITDA	267	301	314
<i>EBITDA as a percentage of revenues</i>	<i>5.7%</i>	<i>6.8%</i>	<i>7.1%</i>
Acquisition and integration costs	86	—	10
Restructuring costs	—	13	—
Depreciation included in restructuring costs and acquisition and integration costs	—	(1)	(2)
Adjusted EBITDA	\$ 353	\$ 313	\$ 322
<i>Adjusted EBITDA as a percentage of revenues</i>	<i>7.6%</i>	<i>7.0%</i>	<i>7.2%</i>

Adjusted EBITDA as a percentage of revenues increased to 7.6% for fiscal 2019, compared to 7.0% for fiscal 2018, driven by improved performance across our portfolio and higher net favorable changes in estimates related to performance obligations satisfied over time and realization of cost efficiencies, partially offset by an increase in our inventory and deferred contract cost provisions.

Adjusted EBITDA as a percentage of revenues decreased to 7.0% for fiscal 2018, compared to 7.2% for fiscal 2017, due to lower net favorable changes in estimates on contracts related to performance obligations satisfied over time. These drivers were partially offset by lower SG&A costs in the current year as we continue to drive efficiencies across our operating structure.

Other Key Performance Measures

In addition to the financial measures described above, we believe that bookings and backlog are useful measures for management and investors to evaluate our potential future revenues. We also consider measures such as contract types and cost of revenues mix to be useful for management and investors to evaluate our operating income and performance.

Net Bookings and Backlog. Net bookings represent the estimated amount of revenues to be earned in the future from funded and negotiated unfunded contract awards that were received during the period, net of adjustments to estimates on previously awarded contracts. We calculate net bookings as the period's ending backlog plus the period's revenues less the prior period's ending backlog and initial backlog obtained through acquisitions.

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Backlog represents the estimated amount of future revenues to be recognized under negotiated contracts as work is performed. We do not include in backlog estimates of revenues to be derived from IDIQ contracts, but rather record backlog and bookings when task orders are awarded on these contracts. Given that much of our revenue is derived from IDIQ contract task orders that renew annually, bookings on these contracts tend to refresh annually as the task orders are renewed. Additionally, we do not include in backlog contract awards that are under protest until the protest is resolved in our favor.

We segregate our backlog into two categories as follows:

- **Funded Backlog.** Funded backlog for contracts with government agencies primarily represents estimated amounts of revenue to be earned in the future from contracts for which funding is appropriated less revenues previously recognized on these contracts. It does not include the unfunded portion of contracts in which funding is incrementally appropriated or authorized on a quarterly or annual basis by the U.S. government and other customers even though the contract may call for performance over a number of years. Funded backlog for contracts with non-government customers represents the estimated value on contracts, which may cover multiple future years, under which we are obligated to perform, less revenues previously recognized on these contracts.
- **Negotiated Unfunded Backlog.** Negotiated unfunded backlog represents estimated amounts of revenue to be earned in the future from negotiated contracts for which funding has not been appropriated or otherwise authorized and from unexercised priced contract options. Negotiated unfunded backlog does not include any estimate of future potential task orders expected to be awarded under IDIQ, GSA Schedules or other master agreement contract vehicles.

We expect to recognize revenue from a substantial portion of our funded backlog within the next twelve months. However, the U.S. government can adjust the scope of services of or cancel contracts at any time. Similarly, certain contracts with commercial customers include provisions that allow the customer to cancel prior to contract completion. Most of our contracts have cancellation terms that would permit us to recover all or a portion of our incurred costs and fees (contract profit) for work performed.

The estimated value of our total backlog as of the dates presented was:

	February 1, 2019	February 2, 2018
	(in millions)	
Funded backlog	\$ 2,753	\$ 2,012
Negotiated unfunded backlog	11,048	8,215
Total backlog	\$ 13,801	\$ 10,227

We had net bookings worth an estimated \$4.6 billion and \$6.7 billion during fiscal 2019 and fiscal 2018, respectively. Fiscal 2019 total backlog has increased from the prior year primarily due to the acquisition of Engility in the fourth quarter; \$3.6 billion of acquired backlog from Engility was recorded as an increase to backlog as of the acquisition date.

Contract Types. Our earnings and profitability may vary materially depending on changes in the proportionate amount of revenues derived from each type of contract. For a discussion of the types of contracts under which we generate revenue, see “Business—Contract Types” in Part I of this report. The following table summarizes revenues by contract type as a percentage of revenues for the periods presented:

	Year Ended		
	February 1, 2019	February 2, 2018	February 3, 2017
Cost reimbursement	50%	45%	41%
Time and materials (T&M)	23%	27%	30%
Firm-fixed price (FFP)	27%	28%	29%
Total	100%	100%	100%

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Our contract mix reflects an increase in cost reimbursement type contracts due to newly awarded contracts supporting federal civilian agencies and a change in contract type on a significant contract supporting the Department of Defense that shifted from a time and materials to cost reimbursement contract.

Cost of Revenues Mix. We generate revenues by providing a customized mix of services to our customers. The profit generated from our service contracts is affected by the proportion of cost of revenues incurred from the efforts of our employees (which we refer to below as labor-related cost of revenues), the efforts of our subcontractors and the cost of materials used in the performance of our service obligations under our contracts. Contracts performed with a higher proportion of SAIC labor are generally more profitable. The following table presents changes in cost mix for the periods presented:

	Year Ended		
	February 1, 2019	February 2, 2018	February 3, 2017
	(as a % of total cost of revenues)		
Labor-related cost of revenues	48%	47%	48%
Subcontractor-related cost of revenues	30%	33%	34%
Supply chain materials-related cost of revenues	15%	13%	12%
Other materials-related cost of revenues	7%	7%	6%

Cost of revenues mix for fiscal 2019 and 2018 both reflect an increase in supply chain material content.

Liquidity and Capital Resources

As a services provider, our business generally requires minimal infrastructure investment. We expect to fund our ongoing working capital, commitments and any other discretionary investments with cash on hand, future operating cash flows and, if needed, borrowings under our \$400 million Revolving Credit Facility.

We anticipate that our future cash needs will be for working capital, capital expenditures, and contractual and other commitments. We consider various financial measures when we develop and update our cash deployment strategy, which include evaluating cash provided by operating activities, free cash flow and financial leverage. When our cash generation enables us to exceed our target average minimum cash balance, we intend to deploy excess cash through dividends, share repurchases, debt prepayments or strategic acquisitions.

Upon the acquisition of Engility, we drew \$1.1 billion on our committed five-year senior secured term loan facility, see Note 10 to the Consolidated Financial Statements. The proceeds were used to repay Engility's existing credit facility and outstanding notes. In addition, the Revolving Credit Facility increased by an additional \$200 million upon the successful completion of the acquisition.

Our ability to fund these needs will depend, in part, on our ability to generate cash in the future, which depends on our future financial results. Our future results are subject to general economic, financial, competitive, legislative and regulatory factors that may be outside of our direct control. Although we believe that the financing arrangements in place will permit us to finance our operations on acceptable terms and conditions for at least the next year, our future access to, and the availability of financing on acceptable terms and conditions will be impacted by many factors (including our credit rating, capital market liquidity and overall economic conditions). Therefore, we cannot ensure that such financing will be available to us on acceptable terms or that such financing will be available at all. Nevertheless, we believe that our existing cash on hand, generation of future operating cash flows, and access to bank financing and capital markets will provide adequate resources to fund our short-term liquidity and long-term capital needs.

Borrowings under our Term Loan Facilities and, if used in the future, our Revolving Credit Facility incur interest at a variable rate. In accordance with our risk management objectives, we hold fixed interest rate swap agreements to hedge the variability in interest payment cash flows on a substantial portion of our outstanding variable rate debt. These instruments are accounted for as cash flow hedges. Under the swap agreements, we pay the fixed rate and the counterparties to the agreement pay a floating interest rate.

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Our Credit Facility contains customary terms and conditions including financial covenants and covenants restricting the Company's ability to merge or consolidate with another entity or undertake other fundamental changes, enter into property sale and leaseback transactions, and incur liens. The Company's dividends and share repurchases may be limited under certain leverage ratios, and we may be required to make an annual debt prepayment based on our cash flows from operating activities. See Note 10 of the notes to the consolidated financial statements contained within this report for a more complete understanding of our Credit Facility.

We currently maintain credit ratings from major U.S. rating agencies. Failure to maintain acceptable ratings could have an adverse effect on the Company's future cost of capital and any significant increase in the level of our borrowings could negatively impact these ratings.

During fiscal 2019 we repurchased approximately 0.5 million shares of our common stock for \$40 million from the open market in connection with our existing share repurchase program. During fiscal 2018 we repurchased approximately 2.0 million shares for \$150 million. Since the program's inception in December of 2013 we have repurchased 9.6 million shares for \$539 million.

Historical Cash Flow Trends

The following table summarizes our cash flows:

	Year Ended		
	February 1, 2019	February 2, 2018	February 3, 2017
	(in millions)		
Net cash provided by operating activities	\$ 184	\$ 217	\$ 273
Net cash used in investing activities	(1,028)	(22)	(17)
Net cash provided by (used in) financing activities	938	(261)	(247)
Total increase (decrease) in cash, cash equivalents and restricted cash	\$ 94	\$ (66)	\$ 9

Cash Provided by Operating Activities. Refer to "Results of Operations" above for a discussion of the changes in cash provided by operating activities between fiscal 2019 and fiscal 2018 and between fiscal 2018 and fiscal 2017.

Cash Used in Investing Activities. Cash used in investing activities increased in fiscal 2019 compared to the prior year period due to cash paid for the acquisition of Engility and higher capital expenditures. Cash used in investing activities increased in fiscal 2018 compared to fiscal 2017, primarily due to higher capital expenditures.

Cash Provided by/Used in Financing Activities. Cash provided by financing activities increased in fiscal 2019 compared to the prior year period primarily due to proceeds from borrowings and lower share repurchases, partially offset by higher principal payments on borrowings.

Cash used in financing activities increased in fiscal 2018 compared to the prior year period primarily due to the change in classification of excess tax benefits from stock based compensation, from being classified as a financing activity in fiscal 2017 to an operating activity in fiscal 2018, as a result of the adoption of ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*.

Off-Balance Sheet Arrangements

For an understanding of our obligations relating to surety bonds, see Note 15 of the notes to the consolidated financial statements contained within this report. For an understanding of our operating leases, see "Contractual Obligations" within this section and Note 13 of the notes to the consolidated financial statements contained within this report.

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION

Contractual Obligations

The following table summarizes, as of February 1, 2019, our obligations to make future payments pursuant to certain contracts or arrangements and provides an estimate of the fiscal years in which these obligations are expected to be satisfied:

	Payments Due by Fiscal Year				
	Total	2020	2021-2022	2023-2024	2025 - Thereafter
(in millions)					
Contractual obligations:					
Long-term debt including current portion ⁽¹⁾	\$ 2,115	\$ 24	\$ 138	\$ 958	\$ 995
Interest payments on long-term debt ⁽²⁾	479	90	161	152	76
Operating lease obligations	211	55	78	35	43
Estimated purchase obligations ⁽³⁾	98	62	19	5	12
Other long-term liabilities ⁽⁴⁾	40	7	10	5	18
Total contractual obligations	\$ 2,943	\$ 238	\$ 406	\$ 1,155	\$ 1,144

- (1) The amounts presented are based on an anticipated loan repayment schedule. However, we may be required to make certain mandatory prepayments based on our level of cash flow generation and we also have the option to prepay loan principal amounts at any time.
- (2) Amounts include an estimate of future variable interest payments on the Term Loan Facilities based on scheduled outstanding principal amounts, current applicable margin and projected 1-month LIBOR as of February 1, 2019. The amounts presented in this table exclude the effects of interest rate swaps used to hedge against changes in 1-month LIBOR.
- (3) Includes estimated obligations to transfer funds under legally enforceable agreements for fixed or minimum amounts or quantities of goods or services at fixed or minimum prices. Excludes purchase orders for services or products to be delivered pursuant to U.S. government contracts in which we have full recourse under normal contract termination clauses.
- (4) Other long-term liabilities primarily consist of liabilities associated with deferred compensation plan obligations, and liabilities for unrecognized tax benefits. Deferred compensation plan obligations have been allocated to fiscal years based on participants' payment elections on retirement and estimated retirement ages, but is subject to acceleration on participants' termination of employment prior to retirement. Liabilities for unrecognized tax benefits are allocated to the fiscal years in which the statute of limitations is currently expected to expire.

Commitments and Contingencies

We are subject to a number of reviews, investigations, claims, lawsuits and other uncertainties related to our business. For a discussion of these items, see Note 15 of the notes to the consolidated financial statements contained within this report.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which are prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies, as well as the reported amounts of revenues, expenses, gains and losses during the reporting periods. Management evaluates these estimates and assumptions on an ongoing basis. Our estimates and assumptions have been prepared on the basis of the most current reasonably available information and, in some cases, are our basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Estimates and assumptions may change in the future as more current information is available.

Management believes that our critical accounting policies are those that are both material to the presentation of our financial condition and results of operations and require management's most difficult, subjective and complex judgments. Typically, the circumstances that make these judgments difficult, subjective and complex have to do with making estimates about the effect of matters that are inherently uncertain. These policies are described below.

Revenue Recognition. We generate our revenues primarily from long-term contracts in which we provide technical, engineering and enterprise IT services directly for the U.S. government and as a subcontractor with other contractors engaged in work for the U.S. government. We evaluate the nature of the contract and the services provided when determining the accounting method utilized for each contract. We recognize a significant portion of our revenues using a cost input measure of progress that requires us to rely on the skill and expertise of our engineers, program managers and business management professionals in the many areas of cost estimation. These estimates of costs can span several years and take into account many factors including the availability, productivity and cost of labor, potential delays in our performance and the level of future indirect cost allocations.

We provide for anticipated losses on long-term production type contracts and service contracts with the U.S. government by recording an expense for the total expected contract loss during the period when the loss is determined. Contract costs incurred for U.S. government contracts (including allocated indirect costs) are subject to audit and adjustment through negotiations with government representatives. Revenues on U.S. government contracts have been recorded in amounts that are expected to be realized on final settlement.

Many of our contracts include forms of variable consideration such as reimbursable costs, award and incentive fees, usage-based pricing, service-level penalties, performance bonuses, and other provisions that can either increase or decrease the transaction price. Variable amounts generally are determined upon our achievement of certain performance metrics, program milestones or cost targets and may be based upon customer discretion. At contract inception, we estimate the transaction price and may include variable consideration in the transaction price only to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. When developing these estimates, we consider the customer, contract terms, the complexity of the work and related risks, the extent of customer discretion, historical experience and the potential of a significant reversal of revenue.

Changes in Estimates on Contracts. Changes in estimates of revenues, cost of revenues or profits related to performance obligations satisfied over time are recognized in operating income in the period in which such changes are made for the inception-to-date effect of the changes. Changes in these estimates can routinely occur over the performance period for a variety of reasons, which include: changes in scope; changes in cost estimates due to unanticipated cost growth or reassessments of risks impacting costs; changes in the estimated transaction price, such as variable amounts for incentive or award fees; and performance being better or worse than previously estimated. In cases when total expected costs exceed total estimated revenues for a performance obligation, the Company recognizes the total estimated loss in the quarter identified. Total estimated losses are inclusive of any unexercised options that are probable of award, only if they increase the amount of the loss. Aggregate changes in contract estimates increased operating income by \$17 million for fiscal 2019, decreased operating income by \$3 million for fiscal 2018 and increased operating income by \$22 million for fiscal 2017. For additional information related to changes in estimates on contracts, including gross favorable and unfavorable adjustments as well as the impact to earnings per share, see Note 3 of the notes to the consolidated financial statements contained within this report.

Business Combinations. We record all tangible and intangible assets acquired and liabilities assumed in a business combination at fair value as of the acquisition date, which is determined using a cost, market or income approach. The excess amount of the aggregated purchase consideration paid over the fair value of the net of assets acquired and liabilities assumed is recorded as goodwill. Acquisition date fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as measured on the acquisition date.

The valuations are based on information that existed as of the acquisition date. During the measurement period that shall not exceed one year from the acquisition date, we may adjust provisional amounts recorded for assets acquired and liabilities assumed to reflect new information that we have subsequently obtained regarding facts and circumstances that existed as of the acquisition date.

Acquisition-related costs that are not part of the purchase price consideration are expensed as incurred, except for certain costs that are deferred in connection with the issuance of debt or stock. These costs typically include transaction-related costs, such as finder's fees, and legal, accounting and other professional costs.

Goodwill and Intangible Assets. Goodwill is recorded as the difference between the aggregate consideration paid for an acquisition and the fair value of the net tangible and intangible assets acquired and liabilities assumed. Goodwill is not amortized, but rather tested for potential impairment annually at the beginning of the fourth quarter, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

The goodwill impairment test is performed at the reporting unit level. The Company estimates and compares the fair value of each reporting unit to its respective carrying value including goodwill. If the fair value is less than the carrying value, the amount of impairment expense is equal to the difference between the reporting unit's fair value and the reporting unit's carrying value.

Determining the fair value of each reporting unit involves judgment and the use of estimates and assumptions. We estimate the fair value of our reporting units using either a market approach, income approach, or a combination of both. For our annual impairment analysis, we reconcile the aggregate fair value of all of our reporting units to our market capitalization as of the measurement date.

Under the income approach, we estimate the fair value of a reporting unit using a multi-year discounted cash flow model that involves assumptions about projected future revenue growth, operating margins, income tax rates, capital expenditures, discount rate and terminal value. The discount rate is an estimate of the cost of capital that a market participant would expect for the respective reporting unit. The terminal value represents the present value in the last year of the projection period of all subsequent cash flows into perpetuity.

Under the market approach, we estimate the fair value of a reporting unit based on multiples of earnings derived from observable market data of comparable public companies. We evaluate companies within our industry that have operations with observable and comparable economic characteristics and are similar in nature, scope and size to the reporting unit being compared. We analyze historical acquisitions in our industry to estimate a control premium that we incorporate into the fair value estimate of a reporting unit under the market approach.

During the fourth quarter of fiscal 2019, we completed our annual goodwill impairment testing and determined that each reporting unit's fair value significantly exceeded its carrying value. Subsequent to our goodwill impairment testing, on January 14, 2019 we completed the acquisition of Engility. Since the acquisition there have been no events or changes in circumstances to indicate that the carrying value may not be recoverable.

In addition, determining the carrying value of each reporting unit requires judgment and involves the assignment of assets and liabilities to the reporting units based on a systematic and rational allocation methodology. Certain assets and liabilities may be specifically identified and assigned to a reporting unit based on the information contained within our financial systems; whereas, other assets and liabilities may be allocated using measurable relationships or other basis for allocation.

Intangible assets with finite lives are amortized using the method that best reflects how their economic benefits are utilized or, if a pattern of economic benefits cannot be reliably determined, on a straight-line basis over their estimated useful lives. Intangible assets with finite lives are assessed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Income Taxes. Our income tax expense, deferred tax assets and liabilities, and liabilities for unrecognized tax benefits reflect our best estimate of current and future taxes to be paid and includes judgments related to matters for which ultimate resolution may not become known until the final resolution of an examination by taxing authorities or the statute of limitations lapses.

We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making this determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent operating results. If we were to determine that we would be able to realize our deferred income tax assets in the future in excess of their net recorded amount or would no longer be able to realize our deferred income tax assets in the future as currently recorded, we would make an adjustment to the valuation allowance which would either decrease or increase, respectively, the provision for income taxes.

The Tax Cuts and Jobs Act (the "Tax Act") was enacted on December 22, 2017, which amends the Internal Revenue Code to reduce tax rates and modify policies, credits, and deductions for individuals and businesses. The SEC staff issued Staff Accounting Bulletin No 118 ("SAB 118"), which allows us to record provisional amounts during a

measurement period not to extend beyond one year of the enactment date. As of February 1, 2019, we have completed our accounting for the tax effects of enactment of the Tax Act. Prior to February 1, 2019, there were two areas still under review including: (1) the expensing of qualified assets and (2) the limitation on the deductibility of certain executive compensation. No material measurement period adjustments were required as a result of this review.

We also recognize liabilities for uncertainty in income taxes when it is more likely than not that a tax position will not be sustained on examination and settlement with various taxing authorities. Liabilities for any uncertainty in income taxes are measured based on our estimate of the largest amount of benefit that is greater than 50% likely of being realized on ultimate settlement.

Stock-Based Compensation. We issue stock-based awards, including stock options, vesting stock awards and performance share awards as compensation to employees and directors. These awards are accounted for as equity awards. We recognize stock-based compensation expense net of estimated forfeitures on a straight-line basis over the underlying award's requisite service period, as measured using the award's grant date fair value. For performance share awards, we reassess the probability of achieving the performance conditions at each reporting period and adjust compensation expense based on the number of shares we expect to ultimately issue. Absent sufficient history as a stand-alone company, we estimate forfeitures using former Parent's historical experience.

We use the Black-Scholes option-pricing model to calculate the grant date fair value of stock options awarded. The model calculates the fair value based on input assumptions about, among other things, employee exercise behavior and the expected volatility of our common stock. The assumptions used in the model represent our best estimates, but these estimates involve inherent uncertainties and the application of judgment. As a result, if factors change and we use different assumptions, our stock-based compensation expense could be materially different in the future. In addition, we are required to estimate the expected forfeiture rate and recognize expense only for those awards expected to vest. If our actual forfeiture rate is materially different from our estimate, the stock-based compensation expense could be significantly different from what we have recorded over the awards' respective service periods. For further discussion on the assumptions used, see Note 7 of the notes to the consolidated financial statements contained within this report.

Pension and Defined Benefit Plans. The Company measures plan assets and benefit obligations as of the month-end that is closest to its fiscal year end. Accounting and reporting for the Company's pension and defined benefit plans requires the use of assumptions, including but not limited to, a discount rate and an expected return on assets. These assumptions are reviewed at least annually based on reviews of current plan information and consultation with the Company's independent actuary and the plans' investment advisor. If these assumptions differ materially from actual results, the Company's obligations under the pension and defined benefit plans could also differ materially, potentially requiring the Company to record an additional liability. The Company's pension and defined benefit plan liabilities are developed from actuarial valuations, which are performed each year.

Recently Issued But Not Yet Adopted Accounting Pronouncements

For information on recently issued but not yet adopted accounting pronouncements, see Note 1 of the notes to the consolidated financial statements contained within this report.

Effects of Inflation

For any of the most recent three fiscal years ended February 1, 2019, inflation has not had a significant impact on revenues or costs. Most of our contracts are paid in U.S. dollars and our cost to perform on these contracts are generally paid in U.S. dollars, so inflation risk is generally limited to that which is related to the U.S. dollar. Approximately 50% of our revenues for fiscal 2019 were derived from cost-reimbursement type contracts, which have limited inflation risk because our contracts generally entail the provision of labor on a reimbursable basis, and, when materials are acquired, they provide for billing to the customer during the period in which the materials were received. Bids for longer-term FFP and T&M contracts typically include sufficient provisions for labor and other cost escalations to cover anticipated cost increases over the period of performance. As a result, if we were to experience significant levels of inflation, our revenues and costs for cost-type contracts would generally both increase commensurate with inflation and operating income as a percentage of total revenues would not be significantly affected. Operating income as a percentage of total revenues would not be significantly affected for longer-term FFP and T&M contracts to the extent that bid contract cost escalations are sufficient to cover heightened inflation levels.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to certain market risks in the normal course of business. The following information about our market sensitive financial instruments contains forward-looking statements.

Foreign Currency Risk

Since the substantial majority of our business is conducted in U.S. dollars, a 10% change in any foreign currency exchange rates would not have a material impact to our financial condition or results of operations.

Interest Rate Risk

Debt obligations. Our financial risk management objective is to reduce variability in earnings from changes in interest rates, which we may manage through operational means or the use of financial instruments, such as interest rate swaps. We have approximately \$2.1 billion of variable rate debt. The fair value of our outstanding long-term debt obligations approximates its carrying value. In connection with the issuances of our variable rate Term Loan A and Term Loan B Facilities, we entered into fixed interest rate swap agreements, effectively converting a substantial portion of our variable rate debt to fixed rate debt in order to mitigate our exposure to fluctuations in interest rates. We regularly evaluate our outstanding debt and swap agreements to meet our risk management objective. A hypothetical 50 basis points (bps) change to interest rates would not materially change our results of operations or cash flows. For additional information related to our debt and interest rate swap agreements, see Note 10 and Note 11, respectively, of the notes to the consolidated financial statements contained in this report.

Derivatives. As of February 1, 2019, the fair value of our fixed interest rate swaps was \$24 million (liability). Under the swap agreements, we pay a fixed rate and the counterparties to the agreements pay a floating interest rate based on 1-month LIBOR. A hypothetical 50 bps change in the 1-month LIBOR curve would change the fair value of the fixed interest rate swaps up to \$33 million. Since the interest rate swaps are accounted for as cash flow hedges, the change in fair value is reported as a component of equity (accumulated other comprehensive income or loss). We do not hold or issue derivative financial instruments for trading or speculative purposes. For additional information related to calculating the fair value of our interest rate swaps, see Note 11 of the consolidated financial statements included in this report.

Cash equivalents. A 10% unfavorable interest rate movement for interest earned on our cash and cash equivalents would not materially impact the value of our cash holdings and would have a negligible impact on interest income at current market interest rates.

Inflation Risk

We have generally been able to anticipate increases in costs when pricing our contracts. Bids for longer-term FFP contracts typically include labor and other cost escalations in amounts that historically have been sufficient to cover cost increases over the period of contract performance.

Item 8. Financial Statements and Supplementary Data

See our consolidated financial statements attached hereto and listed on the index found on page [E-1](#) of this report.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

No information is required in response to this item.

Item 9A. Controls and Procedures**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our principal executive officer (our Chief Executive Officer) and principal financial officer (our Chief Financial Officer), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of February 1, 2019, and our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. These disclosure controls and

procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

During the fourth quarter of fiscal 2019, the Company completed its acquisition of Engility. As part of the ongoing integration of the acquired business, we are in the process of incorporating the controls and related procedures of Engility. Other than incorporating the Engility controls, there have been no changes in our internal control over financial reporting during the fourth quarter of fiscal 2019 that materially affected, or are likely to materially affect, our internal control over financial reporting.

Management's Report On Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, completely, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with GAAP; (iii) provide reasonable assurance that our receipts and expenditures are made only in accordance with the authorization of our management and directors; and (iv) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated financial statements. Internal control over financial reporting includes the controls themselves, monitoring and internal auditing practices and actions taken to correct deficiencies as identified.

As permitted by the SEC rules, management's assessment and conclusion on the effectiveness of the Company's internal control over financial reporting as of February 1, 2019, excludes an assessment of the internal control over financial reporting of Engility, acquired on January 14, 2019. Engility represents 22% of the Company's consolidated total assets, excluding the preliminary value of goodwill and intangible assets related to Engility, at February 1, 2019, and 2% and (12)% of the Company's consolidated revenues and operating income, respectively, for the fiscal year then ended.

Our management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our internal control over financial reporting as of February 1, 2019 based on the framework established in the 2013 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our management has assessed in its evaluation the effectiveness of our internal control over financial reporting as of February 1, 2019 and has concluded that our internal control over financial reporting was effective.

Ernst & Young LLP, an independent registered public accounting firm, audited our consolidated financial statements included in this report and our internal control over financial reporting, and the firm's report on our internal control over financial reporting are set forth below this report.

Although our management, including the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting, because of inherent limitations, our management does not expect that our internal controls over financial reporting will prevent or detect all errors and all fraud. Also, projections of any evaluation of effectiveness in such assessment to future periods are subject to the risk that controls may be inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Science Applications International Corporation

Opinion on Internal Control Over Financial Reporting

We have audited Science Applications International Corporation's internal control over financial reporting as of February 1, 2019, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Science Applications International Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of February 1, 2019, based on the COSO criteria.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Engility, which is included in the FY 2019 consolidated financial statements of the Company and constituted 22% of the Company's consolidated total assets, excluding the preliminary value of goodwill and intangible assets related to Engility at February 1, 2019 and 2% and (12)% of the Company's consolidated revenues and operating income, respectively, for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Engility.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of February 1, 2019, the related consolidated statements of income, comprehensive income, equity, and cash flows for the year ended February 1, 2019, and the related notes and our report dated March 29, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the US federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Tysons, Virginia
March 29, 2019

Item 9B. Other Information

No information is required in response to this item.

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION

Part III

Item 10. Directors, Executive Officers, and Corporate Governance

Our executive officers as of March 29, 2019, are listed below, along with their ages on that date, positions and offices held and business experience during at least the past five years. All such persons have been elected to serve until their successors are elected and qualified or until their earlier resignation or removal.

Name of officer	Age	Position(s) with the Company and prior business experience
Nazzic S. Keene	58	Chief Operating Officer (COO) since June 2017. Prior to this role Ms. Keene served as Sector President, Global Markets and Missions from September 2013 to June 2017. Ms. Keene served as former Parent's Senior Vice President for Corporate Strategy and Planning from August 2012 to September 2013. Prior to joining us, Ms. Keene was the Senior Vice President and General Manager for U.S. Enterprise Markets at CGI Group, Inc. from 2004.
Steven G. Mahon	57	General Counsel and Corporate Secretary since November 2015. Mr. Mahon previously served as General Counsel, Chief Compliance Officer and Corporate Secretary at MTS Systems Corporation (MTS) from October 2011 to November 2015. Prior to MTS, Mr. Mahon was Assistant General Counsel for Alliant Techsystems Inc. and is a retired Colonel from the U.S. Army where he served in the U.S. Judge Advocate's General's Corps, practicing law in a variety of roles on active duty and in the U.S. Army Reserve.
Charles A. Mathis	59	Chief Financial Officer since November 2016. Mr. Mathis previously served as CFO at ScanSource Inc., a global public company focused on technology services and products, since 2012. Prior to ScanSource, Mathis was CFO from 2008 to 2012 for Force Protection Inc., based in South Carolina, where he led strategic and operational improvements of the global defense company. He was also the CFO for Fort Worth-based EFW, Inc., the U.S.-based subsidiary of the Israeli defense contractor, Elbit Systems from 2006 to 2008.
Anthony J. Moraco ⁽¹⁾	59	Chief Executive Officer since September 2013. Mr. Moraco previously served as the President for the Government Solutions Group of former Parent from February 2013 to September 2013. Mr. Moraco also held positions as Group President of former Parent's Intelligence, Surveillance and Reconnaissance organization from March 2012 to February 2013, Executive Vice President for Operations and Performance Excellence from August 2010 to March 2012, and Business Unit General Manager and other positions for the Space and Geospatial Intelligence business unit from February 2006 to August 2010. Prior to joining us in 2006, Mr. Moraco worked for The Boeing Company from 2000 to 2006 where he served as the Deputy General Manager of Mission Systems in the Space and Intelligence Systems organization as well as the Director of Homeland Security Technology Integration.
Karen A. Wheeler	49	Chief Human Resources Officer since February 2017. Prior to this role, Ms. Wheeler served as Chief Procurement Officer from July 2013 to February 2017. Ms. Wheeler has more than 20 years of experience at SAIC, where she held many key contracts and procurement director positions supporting numerous business areas.

(1) Tony Moraco will retire as chief executive officer effective July 31, 2019, and the Board of Directors has elected Nazzic S. Keene, currently the Company's chief operating officer, to succeed him.

For additional information required by Item 10 with respect to executive officers and directors, including audit committee and audit committee financial experts, procedures by which stockholders may recommend nominees to the Board of Directors, and compliance with Section 16(a) of the Securities Exchange Act of 1934, see the information set forth under the captions "Proposal 1—Election of Directors," "Corporate Governance" and "Other Information" in the 2019 Definitive Proxy Statement, which information is incorporated by reference into this report.

We have adopted a code of conduct, which describes our standards for protecting SAIC and customer assets, fostering a safe and healthy work environment, dealing fairly with customers and others, conducting international business properly, reporting misconduct and protecting employees from retaliation. This code applies to all executive officers and employees and forms the foundation of our corporate policies and procedures designed to promote ethical behavior in all aspects of our business. To obtain copies of the Code of Conduct, visit our website at www.saic.com and click on the link titled "Corporate Governance" and then "Code of Conduct." We intend to post on our website any material changes to or waivers from our code of business ethics. The information on our website is not incorporated by reference into and is not a part of this report.

Item 11. Executive Compensation

For information required by Item 11 with respect to executive compensation, see the information set forth under the captions "Compensation Discussion and Analysis," "Executive Compensation" and "Corporate Governance" in the 2019 Definitive Proxy Statement, which information is incorporated by reference into this report.

For information required by Item 11 with respect to compensation committee interlocks and insider participation, see the information set forth under the caption "Corporate Governance" in the 2019 Definitive Proxy Statement, which information is incorporated by reference into this report.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

For information required by Item 12 with respect to the security ownership of certain beneficial owners and management, see the information set forth under the caption "Other Information" in the 2019 Definitive Proxy Statement, which information is incorporated by reference into this report.

We currently maintain four shareholder-approved equity compensation plans that issue stock-based awards including the 2013 Equity Incentive Plan, the Management Stock Compensation Plan, the 2013 Employee Stock Purchase Plan and the 2012 Long Term Performance Plan. For summaries of these plans, see Note 7 to the consolidated financial statements contained within this report.

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION

The following table provides the number of shares of our common stock to be issued, the weighted-average exercise price of the outstanding stock options and the number of shares remaining for future award grants as of February 1, 2019:

Equity Compensation Plan Information			
Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights ⁽¹⁾	Weighted-average exercise price of outstanding options, warrants and rights ⁽²⁾	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) ⁽³⁾
	(a)	(b)	(c)
Equity compensation plans approved by security holders	2,343,938	\$ 53.67	7,010,527
Equity compensation plans not approved by security holders	—	\$ —	—
Total	2,343,938		7,010,527

- (1) This amount includes 1,058,165 stock options outstanding, 1,105,473 shares issuable for other stock-based awards under the 2013 Equity Incentive Plan and 180,300 shares issuable for other stock-based awards under the 2012 Long Term Performance Plan (for assumed Engility awards, see Note 7 to the consolidated financial statements contained within this report). This amount does not include shares to be issued pursuant to purchase rights under the 2013 Employee Stock Purchase Plan.
- (2) Does not include shares to be issued for stock-based awards, other than stock options, which will not require any payment upon issuance of those shares.
- (3) Includes 2,988,496 shares of our common stock available for issuance under the 2013 Employee Stock Purchase Plan (ESPP). The maximum number of shares initially available for issuance under the ESPP was 1 million. The ESPP provides for an automatic increase to the share reserve on the first day of each fiscal year beginning on February 1, 2014 in an amount equal to the lesser of (i) 1 million shares, (ii) two percent of the number of shares of our common stock outstanding on the last day of the immediately preceding fiscal year or (iii) a number determined by the Compensation Committee of the Board of Directors. The amount authorized for issuance under the ESPP increased 500,000, 916,198 and 973,477 during fiscal 2017, 2016 and 2015 respectively. There was no increase to the amount authorized for issuance under the ESPP during fiscal 2018 or fiscal 2019. In addition, this includes 3,106,084 shares of our common stock available for issuance under the 2013 Equity Incentive Plan (EIP). The maximum number of shares initially available for issuance under the EIP was 5.7 million, which was increased by 2.8 million per the amended and restated 2013 Equity Incentive Plan, adopted June 4, 2014, amounting to a total authorized for issuance of 8.5 million. Lastly, this includes 915,947 shares of our common stock available for issuance under the 2012 Long Term Performance Plan (LTPP), see Note 7 to the consolidated financial statements contained within this report. The shares outstanding under the LTPP relate to assumed awards from the Engility acquisition, and as of the acquisition date, January 14, 2019, the maximum number of shares available for issuance under the LTPP was 1,198,010. We expect that the number of shares actually issued under the EIP and LTPP will be significantly less than the number of total awards outstanding under the respective plans because (a) a net option exercise results in a smaller portion of the number of award shares being issued when a participant uses award shares, rather than cash, to pay the exercise price, which historically most participants have elected to do, (b) most participants historically have elected to let the Company retain award shares to pay for taxes due on the exercise of options and all participants are required to use award shares to pay for taxes upon the vesting of restricted stock or restricted stock units, (c) some participants may terminate employment with the Company before the vesting of awards resulting in awards being forfeited and (d) some participants may not exercise stock options before the expiration date for a variety of reasons, including if the exercise price exceeds the then current market price of shares.

Item 13. Certain Relationships and Related Transactions, and Director Independence

For information required by Item 13 with respect to certain relationships and related transactions and the independence of directors and nominees, see the information set forth under the caption “Corporate Governance” in the 2019 Definitive Proxy Statement, which information is incorporated by reference into this report.

Item 14. Principal Accounting Fees and Services

For information required by Item 14 with respect to principal accounting fees and services, see the information set forth under the caption “Audit Matters” in the 2019 Definitive Proxy Statement, which information is incorporated by reference into this report.

Part IV

Item 15. Exhibits, Financial Statement Schedules

(a) Documents filed as part of the report

1. *Financial Statements*

Our consolidated financial statements are attached hereto and listed on the Index to Consolidated Financial Statements set forth on page F-1 of this report.

2. *Financial Statement Schedules*

Financial statement schedules are omitted because they are not applicable or the required information is shown in our consolidated financial statements or the notes thereto.

3. *Exhibits*

See Exhibit Index on pages F-45 through F-47 of this report.

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Science Applications International Corporation

By _____ /s/ Charles A. Mathis

Charles A. Mathis
Chief Financial Officer

Dated: March 29, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
_____ /s/ Anthony J. Moraco Anthony J. Moraco	Principal Executive Officer and Director	March 29, 2019
_____ /s/ Charles A. Mathis Charles A. Mathis	Principal Financial Officer and Principal Accounting Officer	March 29, 2019
_____ /s/ Donna S. Morea Donna S. Morea	Chair of the Board	March 29, 2019
_____ /s/ Robert A. Bedingfield Robert A. Bedingfield	Director	March 29, 2019
_____ /s/ Deborah B. Dunie Deborah B. Dunie	Director	March 29, 2019
_____ /s/ John J. Hamre John J. Hamre	Director	March 29, 2019
_____ /s/ Mark J. Johnson Mark J. Johnson	Director	March 29, 2019
_____ /s/ David M. Kerko David M. Kerko	Director	March 29, 2019
_____ /s/ Timothy J. Mayopoulos Timothy J. Mayopoulos	Director	March 29, 2019
_____ /s/ Katharina G. McFarland Katharina G. McFarland	Director	March 29, 2019
_____ /s/ Edward J. Sanderson, Jr. Edward J. Sanderson, Jr.	Director	March 29, 2019
_____ /s/ Steven R. Shane Steven R. Shane	Director	March 29, 2019

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Financial statement schedules are omitted because they are not applicable or the required information is shown in our consolidated financial statements or the notes thereto.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Science Applications International Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Science Applications International Corporation (the Company) as of February 1, 2019, the related consolidated statements of income, comprehensive income, equity, and cash flows for the year ended February 1, 2019, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of February 1, 2019, and the consolidated results of its operations and its cash flows for the year ended February 1, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of February 1, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 29, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the US federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2018.

Tysons, Virginia
March 29, 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Science Applications International Corporation
Reston, Virginia

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Science Applications International Corporation and subsidiaries (the "Company") as of February 2, 2018, the related consolidated statements of income and comprehensive income, equity, and cash flows, for each of the two years in the period ended February 2, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of February 2, 2018, and the results of its operations and its cash flows for each of the two years in the period ended February 2, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

McLean, Virginia
March 29, 2018

We began serving as the Company's auditor in fiscal 2013. In 2018 we became the predecessor auditor.

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended		
	February 1, 2019	February 2, 2018	February 3, 2017
	(in millions, except per share amounts)		
Revenues	\$ 4,659	\$ 4,454	\$ 4,442
Cost of revenues	4,195	4,043	4,003
Selling, general and administrative expenses	158	155	166
Acquisition and integration costs (Note 4)	86	—	10
Operating income	220	256	263
Interest expense	53	44	52
Other (income) expense, net	(3)	(2)	(1)
Income before income taxes	170	214	212
Provision for income taxes (Note 9)	(33)	(35)	(69)
Net income	\$ 137	\$ 179	\$ 143
Net income attributable to non-controlling interest	—	—	—
Net income attributable to common stockholders	\$ 137	\$ 179	\$ 143
Earnings per share (Note 2):			
Basic	\$ 3.16	\$ 4.13	\$ 3.21
Diluted	\$ 3.11	\$ 4.02	\$ 3.12

See accompanying notes to consolidated financial statements.

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended		
	February 1, 2019	February 2, 2018	February 3, 2017
	(in millions)		
Net income	\$ 137	\$ 179	\$ 143
Other comprehensive (loss) income, net of tax:			
Unrealized (loss) gain on derivative instruments, net of tax benefit (expense) of \$6 million, \$(2) million and \$(1) million for the year ended February 1, 2019, February 2, 2018 and February 3, 2017, respectively	(17)	3	2
Reclassification adjustment for (benefits) costs realized in net income, net of tax expense (benefit) of \$0 million, \$(1) million and \$(3) million for the year ended February 1, 2019, February 2, 2018 and February 3, 2017, respectively	(1)	2	5
Net unrealized (loss) gain on derivative instruments	(18)	5	7
Total other comprehensive (loss) income, net of tax	(18)	5	7
Comprehensive income	\$ 119	\$ 184	\$ 150
Comprehensive income attributable to non-controlling interest	—	—	—
Comprehensive income attributable to common stockholders	\$ 119	\$ 184	\$ 150

See accompanying notes to consolidated financial statements.

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
CONSOLIDATED BALANCE SHEETS

	February 1, 2019	February 2, 2018
	(in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 237	\$ 144
Receivables, net (Note 3)	1,050	674
Inventories, net	74	68
Prepaid expenses	47	35
Other current assets	25	29
Total current assets	1,433	950
Goodwill (Note 5)	2,120	863
Intangible assets, net (Note 5)	803	179
Property, plant, and equipment, net (Note 6)	103	61
Other assets	104	20
Total assets	\$ 4,563	\$ 2,073
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 455	\$ 397
Accrued payroll and other employee benefits	121	69
Accrued vacation	120	81
Other accrued liabilities	177	107
Long-term debt, current portion (Note 10)	24	41
Total current liabilities	897	695
Long-term debt, net of current portion (Note 10)	2,065	983
Deferred income taxes	—	23
Other long-term liabilities	102	45
Commitments and contingencies (Note 15)		
Equity:		
Common stock, \$.0001 par value, 1 billion shares authorized, 60 million shares and 43 million shares issued and outstanding as of February 1, 2019 and February 2, 2018, respectively	—	—
Additional paid-in capital	1,132	—
Retained earnings	367	323
Accumulated other comprehensive (loss) income	(14)	4
Total common stockholders' equity	1,485	327
Non-controlling interest	14	—
Total stockholders' equity	1,499	327
Total liabilities and stockholders' equity	\$ 4,563	\$ 2,073

See accompanying notes to consolidated financial statements.

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF EQUITY

	Shares of common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Non- Controlling Interest	Total
	(in millions)					
Balance at January 29, 2016	45	\$ 215	\$ 174	\$ (9)	\$ —	\$ 380
Net income	—	—	143	—	—	143
Issuances of stock	1	8	—	—	—	8
Other comprehensive income, net of tax	—	—	—	7	—	7
Cash dividends of \$1.24 per share	—	—	(57)	—	—	(57)
Stock-based compensation	—	6	—	—	—	6
Income tax benefits from stock-based compensation	—	18	—	—	—	18
Repurchases of stock	(2)	(156)	—	—	—	(156)
Balance at February 3, 2017	44	91	260	(2)	—	349
Net income	—	—	179	—	—	179
Issuances of stock	1	8	—	—	—	8
Reclassification of AOCI due to the Tax Act	—	—	(1)	1	—	—
Other comprehensive income, net of tax	—	—	—	5	—	5
Cash dividends of \$1.24 per share	—	—	(55)	—	—	(55)
Stock-based compensation	—	(4)	—	—	—	(4)
Repurchases of stock	(2)	(95)	(60)	—	—	(155)
Balance at February 2, 2018	43	—	323	4	—	327
Cumulative impact from adopting ASC 606 (Note 1) on February 3, 2018	—	—	3	—	—	3
Net income attributable to common stockholders	—	—	137	—	—	137
Issuances of stock	1	7	—	—	—	7
Other comprehensive loss, net of tax	—	—	—	(18)	—	(18)
Cash dividends of \$1.24 per share	—	—	(54)	—	—	(54)
Stock-based compensation	—	52	(9)	—	—	43
Repurchases of stock	(1)	(11)	(33)	—	—	(44)
Stock issued for the Engility acquisition	17	1,084	—	—	—	1,084
Acquired non-controlling interest	—	—	—	—	13	13
Contribution from non-controlling interest	—	—	—	—	1	1
Balance at February 1, 2019	60	1,132	367	(14)	14	1,499

See accompanying notes to consolidated financial statements.

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended		
	February 1, 2019	February 2, 2018	February 3, 2017
	(in millions)		
Cash flows from operating activities:			
Net income	\$ 137	\$ 179	\$ 143
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	49	46	53
Deferred income taxes	19	13	(2)
Stock-based compensation expense	45	27	31
Excess tax benefits from stock-based compensation	—	—	(18)
Loss on disposal of property, plant, and equipment	—	—	1
Loss on extinguishment of debt	4	—	2
Provisions for inventory and deferred contract costs	36	—	—
Increase (decrease) resulting from changes in operating assets and liabilities, net of the effect of the acquisition:			
Receivables	(26)	(135)	96
Inventory, prepaid expenses, and other current assets	(26)	19	(36)
Other assets	(12)	2	—
Accounts payable and accrued liabilities	(65)	68	24
Accrued payroll and employee benefits	22	(8)	(26)
Other long-term liabilities	1	6	5
Net cash provided by operating activities	184	217	273
Cash flows from investing activities:			
Expenditures for property, plant, and equipment	(28)	(22)	(15)
Other	1	—	(2)
Cash paid for acquisition, net of cash acquired	(1,001)	—	—
Net cash used in investing activities	(1,028)	(22)	(17)
Cash flows from financing activities:			
Dividend payments to stockholders	(53)	(54)	(54)
Principal payments on borrowings	(779)	(50)	(236)
Issuances of stock	7	6	5
Stock repurchased and retired or withheld for taxes on equity awards	(69)	(186)	(180)
Excess tax benefits from stock-based compensation	—	—	18
Disbursements for obligations assumed from Scitor acquisition	—	(2)	(7)
Proceeds from borrowings	1,859	25	209
Debt issuance costs	(26)	—	(2)
Equity issuance costs	(2)	—	—
Contributions from non-controlling interest	1	—	—
Net cash provided by (used in) financing activities	938	(261)	(247)
Net increase (decrease) in cash, cash equivalents and restricted cash	94	(66)	9
Cash, cash equivalents and restricted cash at beginning of period	152	218	209
Cash, cash equivalents and restricted cash at end of period (Note 1)	\$ 246	\$ 152	\$ 218

See accompanying notes to consolidated financial statements.

Supplementary cash flow disclosure:			
Cash paid for interest	\$ 44	\$ 41	\$ 48
Cash paid for income taxes	\$ 24	\$ 31	\$ 46
Non-cash investing and financing activities:			
Increase (decrease) in accrued plan share repurchases	\$ —	\$ (1)	\$ —
(Decrease) increase in accrued plant, property, and equipment	\$ (3)	\$ 2	\$ (1)

See accompanying notes to consolidated financial statements.

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Note 1—Business Overview and Summary of Significant Accounting Policies:

Overview

Description of Business. Science Applications International Corporation (collectively, with its consolidated subsidiaries, the “Company”) is a leading provider of technical, engineering and enterprise information technology (IT) services primarily to the U.S. government. The Company provides engineering and integration services for large, complex projects and offers a broad range of services with a targeted emphasis on higher-end, differentiated technology services. The Company is organized as a matrix comprised of three customer facing operating segments supported by a solutions and technology group. Each of the Company’s three customer facing operating segments is focused on providing the Company’s comprehensive technical, engineering and enterprise IT service offerings to one or more agencies of the U.S federal government. The Company’s operating segments are aggregated into one reportable segment for financial reporting purposes, see Note 14.

Acquisitions. On January 14, 2019, we completed the acquisition of Engility Holdings, Inc. (collectively with its consolidated subsidiaries, “Engility”), which provides increased customer and market access, as well as increased scale in strategic business areas of national interest, such as defense, federal civilian agencies, intelligence and space. On May 4, 2015, the Company acquired 100% of privately held Scitor Holdings, Inc. (“Scitor”), a leading global provider of technical services to the U.S. intelligence community and other U.S. government customers.

Separation from Former Parent. The Company commenced its operations on September 27, 2013 (the Distribution Date) following completion of a tax-free spin-off transaction from its former parent company, Leidos Holdings, Inc. (formerly SAIC, Inc., collectively with its consolidated subsidiaries, “former Parent”). In the spin-off transaction, former Parent’s technical, engineering and enterprise IT services business was separated (the separation) into an independent, publicly traded company named Science Applications International Corporation (formerly SAIC Gemini, Inc.).

Principles of Consolidation and Basis of Presentation

References to “financial statements” refer to the consolidated financial statements of the Company, which include the statements of income and comprehensive income, balance sheets, statements of equity and statements of cash flows. These financial statements were prepared in accordance with U.S. generally accepted accounting principles (GAAP). All intercompany transactions and account balances within the Company have been eliminated. Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

Non-controlling Interest. As a result of the acquisition of Engility, the Company holds a 50.1% majority interest in Forfeiture Support Associates J.V. (FSA). The results of operations of FSA are included in the Company’s consolidated statements of operations. The non-controlling interest reported on the consolidated balance sheets represents the portion of FSA’s equity that is attributable to the non-controlling interest.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. Significant estimates inherent in the preparation of the financial statements may include, but are not limited to estimated profitability of long-term contracts, income taxes, fair value measurements, fair value of goodwill and other intangible assets, pension and defined benefit plan obligations, and contingencies. Estimates have been prepared by management on the basis of the most current and best available information at the time of estimation and actual results could differ from those estimates.

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Restructuring

During fiscal 2018, the Company initiated restructuring activities (the "Restructuring") intended to improve operational efficiency, reduce costs, and better position the Company to drive future growth. The restructuring activities consisted of involuntary and voluntary terminations and the consolidation of existing leased facilities. The Company completed the Restructuring in fiscal 2018 with total restructuring costs of approximately \$13 million, comprised of \$6 million for employee severance and \$7 million of lease exit costs. For fiscal year 2018, \$6 million of restructuring costs are included in cost of revenues and \$7 million in selling, general and administrative expenses in the consolidated statements of income. The Company made cash payments of \$5 million and \$1 million during fiscal 2018 and fiscal 2019, respectively, for severance associated with the Restructuring. The liability associated with lease exit costs will be substantially settled by the end of fiscal 2021.

Reporting Periods

The Company utilizes a 52/53 week fiscal year ending on the Friday closest to January 31, with fiscal quarters typically consisting of 13 weeks. Fiscal 2017 began on January 30, 2016 and ended on February 3, 2017, fiscal 2018 began on February 4, 2017 and ended on February 2, 2018, and fiscal 2019 began on February 3, 2018 and ended on February 1, 2019. The number of weeks for each quarter for fiscal 2019, 2018 and 2017 are as follows:

	Fiscal 2019	Fiscal 2018	Fiscal 2017
		(weeks)	
First Quarter	13	13	14
Second Quarter	13	13	13
Third Quarter	13	13	13
Fourth Quarter	13	13	13
Fiscal Year	52	52	53

Stock-based Compensation

The Company issues stock-based awards as compensation to employees and directors. Stock-based awards include stock options, vesting stock awards and performance share awards. These awards are accounted for as equity awards. The Company recognizes stock-based compensation expense net of estimated forfeitures on a straight-line basis over the underlying award's requisite service period, as measured using the award's grant date fair value. For performance share awards, the Company reassesses the probability of achieving the performance conditions at each reporting period end and adjusts compensation expense based on the number of shares the Company expects to ultimately issue.

Income Taxes

The Company accounts for income taxes under the asset and liability method of accounting, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Under this method, changes in tax rates and laws are recognized in income in the period such changes are enacted. The provision for federal, state, local and foreign income taxes is calculated on income before income taxes based on current tax law and includes the cumulative effect of any changes in tax rates from those used previously in determining deferred tax assets and liabilities. Such provision differs from the amounts currently payable because certain items of income and expense are recognized in different reporting periods for financial reporting purposes than for income tax purposes. Recording the provision for income taxes requires management to make significant judgments and estimates for matters for which the ultimate resolution may not become known until the final resolution of an examination by taxing authorities or the statute of limitations lapses. Additionally, recording liabilities for uncertainty in income taxes involves significant judgment in evaluating the Company's tax positions and developing the best estimate of the taxes ultimately expected to be paid. Tax penalties and interest are included in income tax expense.

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Company records net deferred tax assets to the extent these assets will more likely than not be realized. In making such determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent results of operations. If it is determined that the Company would be able to realize the deferred income tax assets in the future in excess of their net recorded amount or would no longer be able to realize the deferred income tax assets in the future as currently recorded, an adjustment would be made to the valuation allowance which would decrease or increase the provision for income taxes.

The Company has also recognized liabilities for uncertainty in income taxes when it is more likely than not that a tax position will not be sustained on examination and settlement with various taxing authorities. Liabilities for uncertainty in income taxes are measured based on the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. Deferred tax assets and liabilities are netted by taxable jurisdiction and classified as noncurrent on the consolidated balance sheets.

The Tax Cuts and Jobs Act (the "Tax Act") was enacted on December 22, 2017, which amends the Internal Revenue Code to reduce tax rates and modify policies, credits, and deductions for individuals and businesses. For businesses, the Tax Act reduces the corporate federal tax rate from a maximum of 35% to a flat 21% rate, effective January 1, 2018. The rate change is administratively effective at the beginning of our fiscal year 2018, using a blended rate for the fiscal 2018 annual period. As a result, the Company's blended federal statutory tax rate for fiscal year 2018 was 33.7%. The Company has a statutory rate of 21% for fiscal year 2019 and all future periods.

The SEC staff issued Staff Accounting Bulletin No 118 ("SAB 118"), which allows us to record provisional amounts during a measurement period not to extend beyond one year of the enactment date. The final amount recorded related to the re-measurement of the Company's net deferred tax liabilities was a \$19 million discrete net tax benefit. A net benefit for the corporate rate reduction of \$17 million was recognized in income tax expense for fiscal 2018, and an additional \$2 million benefit was recognized in income tax expense for fiscal 2019. This rate reduction resulted in a corresponding net decrease of deferred tax liabilities.

As of February 1, 2019, we have completed our accounting for the tax effects of enactment of the Tax Act. Prior to February 1, 2019, there were two areas still under review including: (1) the expensing of qualified assets and (2) the limitation on the deductibility of certain executive compensation. No material measurement period adjustments were required as a result of this review.

Costs Allocated to Contracts

The Company classifies indirect costs as overhead (included in cost of revenues) or general and administrative expenses in the same manner as such costs are defined in the Company's Disclosure Statements under U.S. government Cost Accounting Standards (CAS).

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents are comprised of cash in banks and highly liquid instruments, which primarily consist of bank deposits and investments in institutional money market funds. The Company includes outstanding payments within cash and cash equivalents and accounts payable on the consolidated balance sheets and as of February 1, 2019 and February 2, 2018 these amounts were \$47 million and \$31 million, respectively. The Company does not invest in high yield or high risk securities. The cash in bank accounts at times may exceed federally insured limits.

Restricted cash consists of cash on deposit in rabbi trusts that are contractually restricted from use in operations, but are subject to future claims of creditors. Restricted cash will be used to fund future payments to settle the Company's obligations related to deferred compensation plans. The following table provides a reconciliation of cash, cash equivalents and restricted cash to amounts reported within the consolidated balance sheets for the periods presented:

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	February 1, 2019	February 2, 2018	
	(in millions)		
Cash and cash equivalents	\$ 237	\$	144
Restricted cash included in other assets	9		8
Cash, cash equivalents and restricted cash	\$ 246	\$	152

Receivables

Receivables include billed and billable receivables, and unbilled receivables. The Company's receivables are primarily due from the U.S. government, or from prime contractors on which we are subcontractors and the end customer is the U.S. government, and are generally considered collectable from the perspective of the customer's ability to pay. The Company does not have a material credit risk exposure.

Unbilled receivables, substantially all of which are expected to be billed and collected within one year, are stated at their estimated realizable value and consist of costs and fees billable on contract completion or the occurrence of a specified event, other than the passage of time. Legal title to the related accumulated costs of contracts in progress generally vests with the U.S. government on the Company's receipt of progress payments. Progress payments received of \$26 million and \$20 million offset unbilled receivables as of February 1, 2019 and February 2, 2018, respectively. Contract retentions are billed when contract conditions have been met and may relate to uncompleted indirect cost negotiations with the U.S. government. Based on historical experience, the majority of retention balances are expected to be collected beyond one year. In fiscal 2018 retention of \$11 million was presented within receivables, net on the consolidated balance sheet. With the modified retrospective method of adoption of ASC 606 in fiscal 2019, retention is now presented as a non-current asset in other assets on the consolidated balance sheet, see Note 3. Write-offs of retention balances have not been significant. The Company establishes an allowance for doubtful accounts based on the latest information available to determine whether outstanding invoices are ultimately collectable. The Company determines its allowance for doubtful accounts by analyzing individual receivables, historical bad debts, and, for non-U.S. government customers, customer creditworthiness. Receivable balances are written off in the period during which management determines they are uncollectable, and, at that time, such balances are removed from billed receivables and, if previously reserved, from the allowance for doubtful accounts.

Inventory

Inventory is substantially comprised of finished goods inventory purchased for resale to customers, such as tires and lubricants, and is valued at the lower of cost or net realizable value, generally using the average method. The Company evaluates current inventory against historical and planned usage to estimate the appropriate provision for obsolete inventory.

The Company recognized a \$26 million provision for inventory within cost of revenues during fiscal 2019 related to firm purchase commitments on a firm-fixed price program.

Business Combinations

The Company records all tangible and intangible assets acquired and liabilities assumed in a business combination at fair value as of the acquisition date, which is determined using a cost, market or income approach. The excess amount of the aggregated purchase consideration paid over the fair value of the net of assets acquired and liabilities assumed is recorded as goodwill. Acquisition date fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as measured on the acquisition date.

The valuations are based on information that existed as of the acquisition date. During the measurement period that shall not exceed one year from the acquisition date, the Company may adjust provisional amounts recorded for assets acquired and liabilities assumed to reflect new information that the Company has subsequently obtained regarding facts and circumstances that existed as of the acquisition date.

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Acquisition-related costs that are not part of the purchase price consideration are expensed as incurred. These costs typically include transaction-related costs, such as finder's fees, and legal, accounting and other professional costs.

Goodwill and Intangible Assets

Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the net tangible and intangible assets acquired and liabilities assumed. Goodwill and indefinite-lived intangible assets are not amortized, but rather are tested for potential impairment annually at the beginning of the fourth quarter, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. There were no impairments during the periods presented.

The goodwill impairment test is performed at the reporting unit level. The Company estimates and compares the fair value of each reporting unit to its respective carrying value including goodwill. The fair value of the Company's reporting units are determined using either a market approach, income approach, or a combination of both, which involves the use of estimates and assumptions, including projected future operating results and cash flows, the cost of capital, and financial measures derived from observable market data of comparable public companies. If the fair value is less than the carrying value, the amount of impairment expense is equal to the difference between the reporting unit's fair value and the reporting unit's carrying value.

Intangible assets with finite lives are amortized using the method that best reflects how their economic benefits are utilized or, if a pattern of economic benefits cannot be reliably determined, on a straight-line basis over their estimated useful lives. Intangible assets with finite lives are assessed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Impairment of Long-lived Assets

The Company evaluates its long-lived assets for potential impairment whenever there is evidence that events or changes in circumstances indicate that the carrying value may not be recoverable and the carrying amount of the asset exceeds its estimated future undiscounted cash flows. When the carrying amount of the asset exceeds its estimated future undiscounted cash flows, an impairment loss is recognized to reduce the asset's carrying amount to its estimated fair value based on the present value of its estimated future cash flows.

Commitments and Contingencies

Accruals for commitments and loss contingencies are recorded when it is both probable that they will occur and the amounts can be reasonably estimated. In addition, legal fees are accrued for cases where a loss is probable and the related fees can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount of loss. The Company reviews these accruals quarterly and adjusts the accruals to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other updated information.

Pension and Defined Benefit Plans

The Company measures plan assets and benefit obligations as of the month-end that is closest to its fiscal year-end. Accounting and reporting for the Company's pension and defined benefit plans requires the use of assumptions, including but not limited to, a discount rate and an expected return on assets. These assumptions are reviewed at least annually based on reviews of current plan information and consultation with the Company's independent actuary and the plans' investment advisor. If these assumptions differ materially from actual results, the Company's obligations under the pension and defined benefit plans could also differ materially, potentially requiring the Company to record an additional liability. The Company's pension and defined benefit plan liabilities are developed from actuarial valuations, which are performed each year.

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Fair Value Measurements

The Company utilizes fair value measurement guidance prescribed by GAAP to value its financial instruments. The accounting standard for fair value measurements establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows: observable inputs such as quoted prices in active markets (Level 1); inputs other than the quoted prices in active markets that are observable either directly or indirectly (Level 2); and unobservable inputs in which there is little or no market data, which requires the Company to develop its own assumptions (Level 3).

The carrying amounts of cash and cash equivalents, receivables, accounts payable and other amounts included in other current assets and current liabilities that meet the definition of a financial instrument approximate fair value because of the short-term nature of these amounts. The carrying value of the Company's outstanding debt obligations approximates its fair value. The fair value of long-term debt is calculated using Level 2 inputs, based on interest rates available for debt with terms and maturities similar to the Company's existing debt arrangements.

Non-financial instruments were measured at fair value in connection with the acquisition of Engility, see Note 4. The fair values of the assets acquired and liabilities assumed were preliminarily determined using income, market and cost valuation methodologies. The fair value measurements were estimated using significant inputs that are not observable in the market and thus represent a Level 3 measurement.

Derivative Instruments Designated as Cash Flow Hedges

Derivative instruments are recorded on the consolidated balance sheets at fair value. Unrealized gains and losses on derivatives designated as cash flow hedges are reported in other comprehensive income (loss) and reclassified to earnings in a manner that matches the timing of the earnings impact of the hedged transactions. The ineffective portion of all hedges, if any, is recognized immediately in earnings.

The Company's fixed interest rate swaps are considered over-the-counter derivatives, and fair value is calculated using a standard pricing model for interest rate swaps with contractual terms for maturities, amortization and interest rates. Level 2, or market observable inputs (such as yield and credit curves), are used within the standard pricing models in order to determine fair value. The fair value is an estimate of the amount that the Company would pay or receive as of a measurement date if the agreements were transferred to a third party or canceled. See Note 11 for further discussion on the Company's derivative instruments designated as cash flow hedges.

Operating Cycle

The Company's operating cycle may be greater than one year and is measured by the average time intervening between the inception and the completion of contracts.

Research and Development

The Company conducts research and development activities under customer-funded contracts and with company-funded independent research and development (IR&D) funds. IR&D efforts consist of projects involving basic research, applied research, development, and systems and other concept formulation studies. Company-funded IR&D expense is included in selling, general and administrative expenses and was \$5 million, \$4 million and \$4 million in fiscal 2019, 2018 and 2017, respectively. Customer-funded research and development activities performed under customer contracts are charged directly to cost of revenues for those particular contracts.

Accounting Standards Updates

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements and some cost guidance included in the Accounting Standards Codification (ASC). This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments, and assets recognized from costs incurred to obtain or fulfill a contract.

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The Company adopted the standard on February 3, 2018, using the modified retrospective method. Under this method, the Company recognized the cumulative effect of adoption as an adjustment to its opening balance of retained earnings on February 3, 2018. In determining the cumulative impact of the adoption the Company applied the provisions of ASC 606 only to contracts that had not yet been completed at the date of adoption.

Prior periods were not retrospectively adjusted, but the Company has maintained dual reporting for the year of initial application, disclosing the effect of adoption.

Under the new standard, the Company continues to recognize revenue over time as services are rendered to fulfill its contractual obligations; however, the Company generally accounts for customer option period exercises (renewals) and service contract modifications prospectively, instead of as a cumulative adjustment to revenue under a single unit of accounting. Also, under the new standard, award and incentive-based fees generally are recognized during the discrete periods of performance to which they relate as opposed to on a cumulative basis over the contract period. The net impact to opening retained earnings from these changes as a result of the adoption was \$3 million.

The Company no longer defers the recognition of revenues and costs associated with significant upfront material acquisitions on programs previously accounted for using the efforts-expended method of percentage of completion. Under the new standard, the Company recognizes revenue on an adjusted cost-to-cost basis, where the amount of revenue that is recognized is equal to the amount of costs incurred plus profit based on the adjusted cost input measure of progress. This change resulted in a \$15 million reduction in other current assets and other accrued liabilities on February 3, 2018, but had no impact on the adjustment to opening retained earnings.

The cumulative effect of adopting ASC 606 on the Company's opening balance sheet is as follows:

	Balance at February 2, 2018	Adjustments due to ASC 606	Opening Balance at February 3, 2018
	(in millions)		
Assets			
Receivables, net	\$ 674	\$ (1)	\$ 673
Inventories, net	68	(2)	66
Other current assets	29	(15)	14
Other assets	20	11	31
Liabilities and Equity			
Other accrued liabilities	107	(13)	94
Deferred income taxes	23	1	24
Other long-term liabilities	45	2	47
Retained earnings	\$ 323	\$ 3	\$ 326

The amounts by which the Company's financial statements were impacted by the adoption of ASC 606, as compared to the guidance in effect before the change, as of and for the twelve months ended February 1, 2019 were as follows:

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	Twelve Months Ended February 1, 2019		
	As reported	Balances without adoption of ASC 606	Effect of change
	(in millions)		
Income Statement			
Revenues	\$ 4,659	\$ 4,672	\$ (13)
Cost of revenues	4,195	4,209	(14)
Operating income	\$ 220	\$ 219	\$ 1

	February 1, 2019		
	As reported	Balances without adoption of ASC 606	Effect of change
	(in millions)		

Balance Sheet

Assets

Receivables, net	\$ 1,050	\$ 1,048	\$ 2
Inventories, net	74	78	(4)
Other assets	104	93	11

Liabilities and Equity

Other accrued liabilities	177	174	3
Other long-term liabilities	102	100	2
Retained earnings	\$ 367	\$ 363	\$ 4

These impacts were primarily attributable to the change in accounting for programs previously accounted for using the efforts-expended method of percentage of completion.

In August 2017, the FASB issued ASU No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedge Activities*, which simplifies the application of hedge accounting and eliminates the requirement to separately measure and report hedge ineffectiveness. The Company early adopted the provisions of the standard in the first quarter of fiscal 2019. Adoption did not have a material impact on the Company's financial statements.

In February 2016, the FASB issued ASU No. 2016-2, *Leases (Topic 842)*, which supersedes the existing lease accounting standards (*Topic 840*). Under the new guidance, a lessee will be required to recognize lease assets and lease liabilities for all leases with lease terms in excess of twelve months. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as either a finance lease or operating lease. The criteria for distinction between a finance lease and an operating lease are substantially similar to existing lease guidance for capital leases and operating leases. Some changes to lessor accounting have been made to conform and align that guidance with the lessee guidance and other areas within GAAP, such as *Revenue from Contracts with Customers (Topic 606)*. In July 2018, the FASB provided an optional transition method of adoption, permitting entities to recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption as opposed to the beginning of the earliest period presented in the financial statements. ASU 2016-2 becomes effective for the Company in the first quarter of fiscal 2020. The Company will adopt using the optional transition method. The Company is implementing new lease accounting software and is designing new processes and internal controls. The Company continues to evaluate the standard, but has not quantified the impact of adoption on its financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which provides amendments to simplify several aspects of the accounting for share-based payment transactions. Among other requirements in the new standard, the ASU requires that an entity- (i) recognize excess tax benefits and deficiencies related to employee share-based payment transactions in the provision for income taxes, instead

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of in equity; (ii) classify excess tax benefits as an operating activity on the statement of cash flows, instead of the previous classification as a financing activity; (iii) classify all cash payments made to taxing authorities on the employees' behalf for withheld shares as financing activities on the statement of cash flows; and (iv) make a policy election either to estimate expected forfeitures or to account for them as they occur. The Company adopted the ASU prospectively in the first quarter of fiscal 2018. As a result, for the year ended February 2, 2018, the Company recognized a \$22 million tax benefit, which is included in the provision for income taxes on the consolidated statements of income and comprehensive income and as an operating activity in the consolidated statement of cash flows. The amendments were applied prospectively and therefore, prior periods have not been adjusted and there was no impact to beginning retained earnings. The Company will continue to classify cash paid for tax withholding purposes as a financing activity in the statement of cash flows and to estimate forfeitures rather than account for them as they occur.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that restricted cash be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Company early adopted this new standard during the first quarter of fiscal 2018, which resulted in a \$6 million increase to net cash used in investing activities for the year ended February 3, 2017. A reconciliation of cash, cash equivalents and restricted cash for each period presented is provided above under the heading "Cash, Cash Equivalents and Restricted Cash."

In February 2018, the FASB issued ASU No. 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (Topic 220)*, which allows a reclassification from accumulated other comprehensive income (AOCI) to retained earnings for the deferred taxes previously recorded in AOCI that exceed the current federal tax rate of 21% resulting from the newly enacted corporate tax rate resulting from the Tax Act. The Company early adopted the provisions of the standard in the fourth quarter of fiscal 2018 and reclassified deferred taxes recorded in AOCI in excess of the newly enacted corporate tax rate to retained earnings, which affects only the period that the effects related to the Tax Act are recognized. The effect of adopting the ASU resulted in a decrease to retained earnings and corresponding increase to AOCI of \$1 million, at February 2, 2018.

In August 2018, the FASB issued ASU No. 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans*, which modifies the disclosure requirements for the defined benefit pension plans and other postretirement plans. ASU 2018-14 becomes effective for the Company in the first quarter of fiscal 2022 and is required to be adopted retrospectively. Early adoption is permitted. The Company early adopted the provisions of the standard in the fourth quarter of fiscal 2019 which did not result in a material impact to its financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, which aligns the capitalization requirements for implementation costs incurred in a hosting arrangement that is a service contract with the existing capitalization requirements for implementation costs incurred to develop or obtain internal-use software (*Subtopic 350-40*). ASU 2018-15 becomes effective for the Company in the first quarter of fiscal 2021 and may be adopted either retrospectively or prospectively. Early adoption is permitted. The Company is currently evaluating the impact of adoption of this standard on its financial statements.

Other Accounting Standards Updates effective after February 1, 2019 are not expected to have a material effect on the Company's financial statements.

Note 2—Earnings Per Share, Share Repurchases and Dividends:

Earnings per Share (EPS)

Basic EPS is computed by dividing net income by the basic weighted average number of shares outstanding. Diluted EPS is computed similarly to basic EPS, except the weighted average number of shares outstanding is increased to include the dilutive effect of outstanding stock options and other stock-based awards.

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A reconciliation of the weighted average number of shares outstanding used to compute basic and diluted EPS was:

	Year Ended		
	February 1, 2019	February 2, 2018	February 3, 2017
	(in millions)		
Basic weighted-average number of shares outstanding	43.4	43.3	44.5
Dilutive common share equivalents - stock options and other stock-based awards	0.7	1.2	1.4
Diluted weighted-average number of shares outstanding	44.1	44.5	45.9

The following stock-based awards were excluded from the weighted average number of shares outstanding used to compute diluted EPS:

	Year Ended		
	February 1, 2019	February 2, 2018	February 3, 2017
	(in millions)		
Antidilutive stock options excluded	0.2	0.2	0.2

Share Repurchases

The Company may repurchase shares in accordance with established repurchase plans. The Company retires its common stock upon repurchase with the excess over par value allocated to additional paid-in capital. The Company has not made any material purchases of common stock other than in connection with established share repurchase plans. On December 15, 2016, the number of shares of our common stock that may be repurchased under our existing repurchase plan, previously announced in October 2013, was increased by approximately 3.3 million shares, bringing the total authorized shares to be repurchased under the plan to approximately 11.8 million shares. As of February 1, 2019, the Company has repurchased approximately 9.6 million shares of common stock under the plan. Subsequent to the end of fiscal 2019, the number of shares that may be repurchased increased by approximately 4.6 million shares, bringing the total authorized shares to be repurchased under the plan to approximately 16.4 million shares.

Dividends

The Company declared and paid quarterly dividends of \$0.31 per share every quarter for the years presented. Total dividends declared and paid were \$1.24 per share during each of fiscal year 2019, 2018 and 2017.

On March 27, 2019, the Company's Board of Directors declared a cash dividend of \$0.37 per share of the Company's common stock payable on April 26, 2019 to stockholders of record on April 12, 2019.

Note 3—Revenues:

Revenue Recognition

The Company provides technical, engineering and enterprise IT services under long-term service arrangements primarily with the U.S. government including subcontracts with other contractors engaged in work for the U.S. government. The Company also serves a number of state and local governments, foreign governments and U.S. commercial customers.

The Company provides services under various contract types, including firm-fixed price (FFP), time-and-materials (T&M), cost-plus-fixed-fee, cost-plus-award-fee and cost-plus-incentive-fee contracts. Our service arrangements typically involve an annual base period of performance followed by renewal periods that are accounted for as separate contracts upon each exercise.

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The Company recognizes revenue when, or as, we satisfy our performance obligations under a contract. A performance obligation is the unit of account for revenue recognition and refers to a promise in a contract to transfer a distinct service or good to the customer. The majority of the Company's contracts contain a single performance obligation involving a significant integration of various activities that are performed together to deliver a combined service or solution. Performance obligations may be satisfied over time or at a point in time, but the majority of the Company's performance obligations are satisfied over time. The Company selects the appropriate measure of progress for revenue recognition based on the nature of the performance obligation, contract type and other pertinent contract terms.

Over time performance obligations may involve a series of recurring services, such as network operations and maintenance, operation and program support services, IT outsourcing services, and other IT arrangements where the Company is standing ready to provide support, when-and-if needed. Such performance obligations are satisfied over time because the customer simultaneously receives and consumes the benefits of our performance as services are provided. Alternatively, over time performance obligations may involve the completion of a contract deliverable. Examples include systems integration, network engineering, network design, and engineering and build services. Deliverable-based performance obligations are satisfied over time when the Company's performance creates or enhances an asset that is controlled by the customer, or when the Company's performance creates an asset that is customized to the customer's specifications and the Company has a right to payment, including profit, for work performed to date.

For recurring services performance obligations, the Company measures progress using either a cost input measure (cost-to-cost), a time-elapsed output measure, or the as-invoiced practical expedient. A cost input measure typically is applied to the Company's cost-reimbursable contracts. Revenue is recognized based on the ratio of costs incurred to total estimated costs at completion. Award or incentive fees are allocated to the distinct periods to which they relate. For fixed-price contracts, a time-elapsed output measure is applied to fixed consideration, such that revenue is recognized ratably over the period of performance. Where fixed-price contracts also provide for reimbursement of certain costs, such as travel or other direct costs, consideration may be attributed only to a distinct subset of time within the performance period. The Company's time-and-material and fixed price-level of effort contracts generally qualify for the as-invoiced practical expedient. Revenue is recognized in the amount to which the Company has a contractual right to invoice. Contract modifications typically create new enforceable rights and obligations, which are accounted for prospectively. Changes to our estimates of the transaction price are recognized as a cumulative adjustment to revenue.

For deliverable-based performance obligations satisfied over time, the Company recognizes revenue using a cost input measure of progress (cost-to-cost), regardless of contract type. Revenue is recognized based on the ratio of costs incurred to total estimated costs at completion, except for certain contracts for which the costs associated with significant materials or hardware procurements are excluded from the measure of progress and revenue is recognized on an adjusted cost-to-cost basis. Contract modifications typically change currently enforceable rights and obligations and are accounted for as a cumulative adjustment to revenue. Changes to our estimates of transaction price are recognized as a cumulative adjustment to revenue.

For performance obligations in which the Company does not transfer control over time, we recognize revenue at the point-in-time when the customer obtains control of the related asset, usually at the time of shipment or upon delivery. The Company accrues for shipping and handling costs occurring after the point-in-time control transfers to the customer.

Recognizing revenue on long-term contracts involves significant estimates and judgments. The transaction price is the estimated amount of consideration we expect to receive for performance under our contracts. Contract terms may include variable consideration, such as reimbursable costs, award and incentive fees, usage-based fees, service-level penalties, performance bonuses, or other provisions that can either increase or decrease the transaction price. Variable amounts generally are determined upon our achievement of certain performance metrics, program milestones or cost targets and may be based upon customer discretion. When making our estimates, the Company considers the customer, contract terms, the complexity of the work and related risks, the extent of customer discretion, historical experience and the potential of a significant reversal of revenue. The Company includes variable consideration in the transaction price only to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved.

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Estimating costs at completion is complex due to the nature of the services being performed and the length of certain contracts. Contract costs generally include direct costs, such as labor, subcontract costs and materials, and indirect costs identifiable with or allocable to a specific contract. Management must make assumptions regarding the complexity of the work to be performed, the schedule and associated tasks, labor productivity and availability, increases in wages and prices of materials, execution by our subcontractors, overhead cost rates, and other variables. Contract costs incurred for U.S. government contracts, including indirect costs, are subject to audit and adjustment by the Defense Contract Audit Agency ("DCAA").

Contract fulfillment costs are expensed as incurred except for certain costs incurred for transition, set-up or other fulfillment activities, which are capitalized and amortized on a straight-line basis over the expected period of benefit, which generally includes the base contract period of performance and anticipated renewal periods. The Company provides for anticipated losses on contracts with the U.S. government by recording an expense for the total expected loss during the period in which the losses are first determined.

For contracts with multiple performance obligations, the Company allocates transaction price to each performance obligation based on the relative standalone selling price of each distinct performance obligation within the contract. Because the Company typically provides customized services and solutions that are specific to a single customer's requirements, standalone selling price is most often estimated based on expected costs plus a reasonable profit margin.

Changes in Estimates on Contracts

Changes in estimates of revenues, cost of revenues or profits related to performance obligations satisfied over time are recognized in operating income in the period in which such changes are made for the inception-to-date effect of the changes. Changes in these estimates can routinely occur over the performance period for a variety of reasons, which include: changes in scope; changes in cost estimates due to unanticipated cost growth or reassessments of risks impacting costs; changes in the estimated transaction price, such as variable amounts for incentive or award fees; and performance being better or worse than previously estimated. In cases when total expected costs exceed total estimated revenues for a performance obligation, the Company recognizes the total estimated loss in the quarter identified. Total estimated losses are inclusive of any unexercised options that are probable of award, only if they increase the amount of the loss.

Aggregate changes in these estimates recognized in operating income were:

	Year Ended		
	February 1, 2019	February 2, 2018	February 3, 2017
	(in millions, except per share amounts)		
Favorable adjustments	\$ 30	\$ 27	\$ 42
Unfavorable adjustments	(13)	(30)	(20)
Net (unfavorable) favorable adjustments	17	(3)	22
Income tax effect	(4)	1	(7)
Net (unfavorable) favorable adjustments, after tax	13	(2)	15
Basic EPS impact	\$ 0.29	\$ (0.05)	\$ 0.34
Diluted EPS impact	\$ 0.29	\$ (0.04)	\$ 0.33

In addition, revenues were \$8 million higher for the twelve months ended February 1, 2019, due to net revenue recognized from performance obligations satisfied in prior periods.

Disaggregation of Revenues

The Company's revenues are generated primarily from long-term contracts with the U.S. government including subcontracts with other contractors engaged in work for the U.S. government. The Company disaggregates revenues by customer, contract-type and prime vs. subcontractor to the federal government.

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Disaggregated revenues by customer was as follows:

	Year Ended
	February 1, 2019
	(in millions)
Department of Defense	\$ 2,805
Other federal government agencies	1,707
Commercial, state and local	147
Total	\$ 4,659

Disaggregated revenues by contract-type was as follows:

	Year Ended
	February 1, 2019
	(in millions)
Cost reimbursement	\$ 2,306
Time and materials (T&M)	1,086
Firm-fixed price (FFP)	1,267
Total	\$ 4,659

Disaggregated revenues by prime vs. subcontractor was as follows:

	Year Ended
	February 1, 2019
	(in millions)
Prime contractor to federal government	\$ 4,178
Subcontractor to federal government	334
Other	147
Total	\$ 4,659

Contract Balances

Timing of revenue recognition may differ from the timing of billing and cash receipts from customers. Amounts are invoiced as work progresses, typically biweekly or monthly in arrears, or upon achievement of contractual milestones. We record a contract asset when revenue is recognized prior to invoicing, or a contract liability when cash is received in advance of recognizing revenue. A contract asset is a right to consideration that is conditional upon factors other than the passage of time. Contract assets include unbillable receivables and contract retentions, but exclude billed and billable receivables. Billed and billable receivables are rights to consideration which are unconditional other than to the passage of time. Contract liabilities include customer advances, billings in excess of revenues and deferred revenue. Contract assets and liabilities are recorded net on a contract-by-contract basis and are generally classified as current based on our contract operating cycle. Deferred revenue attributable to long-term contract material renewal options may be classified as non-current when the option renewal period will not occur within one year of the balance sheet date.

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Contract balances for the periods presented were as follows:

Balance Sheet line item		February 1, 2019	February 3, 2018 ⁽¹⁾
(in millions)			
Billed and billable receivables, net ⁽²⁾	Receivables, net	\$ 740	\$ 515
Contract assets - unbillable receivables	Receivables, net	310	158
Contract assets - contract retentions	Other assets	13	11
Contract liabilities - current	Other accrued liabilities	34	15
Contract liabilities - non-current	Other long-term liabilities	\$ 6	\$ 1

(1) Includes the cumulative effect of the changes made to the Company's opening balance sheet at February 3, 2018 from the modified retrospective adoption of ASC 606.

(2) Net of allowance for doubtful accounts of \$2 million and \$1 million as of February 1, 2019 and February 3, 2018, respectively.

The changes in the Company's contract assets and contract liabilities during the current period primarily results from the acquisition of Engility in fiscal 2019 and timing differences between the Company's performance, invoicing and customer payments. During the twelve months ended February 1, 2019, the Company recognized revenues of \$10 million relating to amounts that were included in the opening balance of contract liabilities as of February 3, 2018.

Deferred Costs

Certain eligible costs, typically incurred during the initial phases of our service contracts, are capitalized when the costs relate directly to the contract, are expected to be recovered, and generate or enhance resources to be used in satisfying the performance obligation. These costs primarily consist of transition and set-up costs. Capitalized fulfillment costs are amortized on a straight-line basis over the expected period of benefit, which generally includes the contract base period and anticipated renewals.

The Company defers fulfillment costs incurred to transfer service to a customer prior to the establishment of a contract provided recovery is probable. These pre-contract costs are typically expensed upon contract award unless they are eligible for capitalization.

The Company performs periodic reviews to assess the recoverability of deferred contract transition and setup costs. The carrying amount of the asset is compared to the remaining amount of consideration the Company expects to receive for the services to which the asset relates, less the costs that relate directly to providing those services that have not yet been recognized. If the carrying amount is not recoverable, an impairment loss is recognized.

Deferred costs for the periods presented were as follows:

Balance Sheet line item		February 1, 2019	February 3, 2018 ⁽¹⁾
(in millions)			
Pre-contract costs	Other current assets	\$ 1	\$ 1
Fulfillment costs - current	Other current assets	—	3
Fulfillment costs - non-current	Other assets	\$ 13	\$ —

(1) Includes the cumulative effect of the changes made to the Company's opening balance sheet at February 3, 2018 from the modified retrospective adoption of ASC 606.

Pre-contract costs of \$15 million were expensed during the twelve months ended February 1, 2019, which includes \$10 million for a contract that was not awarded. Fulfillment costs of \$5 million were amortized during the twelve months ended February 1, 2019.

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Remaining Performance Obligations

As of February 1, 2019, the Company had \$3.8 billion of remaining performance obligations. Remaining performance obligations exclude any variable consideration that is allocated entirely to unsatisfied performance obligations on our supply chain contracts. The Company expects to recognize revenue on approximately 80% of the remaining performance obligations over the next 12 months and approximately 90% over the next 24 months, with the remaining recognized thereafter.

Note 4 —Engility Acquisition:

On January 14, 2019, the Company completed the acquisition of Engility Holdings, Inc., a leading provider of integrated solutions and services supporting U.S. government customers in the defense, federal civilian, and intelligence and space communities. This strategic acquisition enables greater market and customer access, particularly in the intelligence and space communities, and enhances the Company's portfolio of capabilities, particularly in the area of systems engineering and integration. The acquisition enables acceleration of revenue growth through increased market and customer access, increased investment capacity, addition of cleared personnel and strategic alignment with key customers. The acquisition also enables increased profitability and cash generation with an improved margin profile and greater financial flexibility for investment and capital deployment.

The acquisition was funded through a combination of SAIC common stock and additional borrowings. At the effective time of the acquisition, each outstanding share of Engility common stock was automatically canceled and converted into the right to receive 0.45 shares of the SAIC common stock. The Company amended its existing credit agreement to provide for a new five-year senior secured \$1.1 billion term loan facility, as discussed in Note 10. SAIC borrowed the entire amount of the term loan facility, the proceeds of which were immediately used to repay Engility's existing credit facility and outstanding notes and to pay fees and expenses associated with the acquisition, with the balance retained by SAIC to be used for general corporate purposes.

The purchase consideration for the acquisition of Engility was as follows:

		(in millions)
Common stock issued to Engility shareholders ⁽¹⁾	\$	1,086
Converted vesting stock awards assumed ⁽²⁾		22
Cash consideration paid to extinguish Engility outstanding debt		1,052
Purchase price	\$	2,160

⁽¹⁾ Represents approximately 16.8 million new shares of SAIC common stock issued to Engility shareholders prior to the market opening on January 14, 2019, using the SAIC share price of \$65.03 at the close of business on January 11, 2019.

⁽²⁾ Represents the fair value of the converted vesting stock awards assumed attributable to pre-acquisition service. See Note 7.

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The purchase price was allocated, on a preliminary basis, among assets acquired and liabilities assumed at fair value on the acquisition date, January 14, 2019, based on the best available information, with the excess purchase price recorded as goodwill. As of February 1, 2019, the Company had not finalized the determination of fair values allocated to various assets and liabilities, including, but not limited to, receivables, other current assets, deferred tax assets, property, plant, and equipment, other accrued liabilities and goodwill. The allocation of the purchase price is subject to change as the Company continues to obtain and assess relevant information that existed as of the acquisition date, including but not limited to, information pertaining to Engility's historical government compliance accounting practices, legal proceedings, reserves, income taxes, contracts with customers, and pre-acquisition contingencies. The Company expects to have sufficient information available to resolve these items by the fourth quarter of fiscal 2020, which could potentially result in changes in assets or liabilities on Engility's opening balance sheet and an adjustment to goodwill. The purchase accounting entries were recorded on a preliminary basis as follows:

		(in millions)
Cash and cash equivalents	\$	51
Receivables		351
Inventories		5
Prepaid expenses		5
Other current assets		15
Property, plant, and equipment		39
Deferred tax assets		91
Other assets		7
Intangible assets		648
Goodwill		1,257
Total assets acquired		2,469
Accounts payable		115
Accrued payroll and other employee benefits		30
Accrued vacation		39
Other accrued liabilities		58
Other long-term liabilities		54
Total liabilities assumed		296
Non-controlling interest		13
Net assets acquired	\$	2,160
Amount of tax deductible goodwill	\$	441

Goodwill represents intellectual capital and an acquired assembled work force. The Company inherited Engility's historical tax basis in deductible goodwill, certain other intangible assets, and net operating loss carryforwards.

The following table summarizes the fair value of intangible assets and the related weighted average useful lives:

	Amount	Weighted-Average Amortization Period
	(in millions)	(in years)
Backlog	\$ 30	1
Developed technology	2	10
Customer relationships	616	14
Total intangible assets	\$ 648	13

The backlog intangible asset is comprised solely of funded backlog as of the acquisition date. The customer relationships intangible asset consists of unfunded backlog as of the acquisition date and estimated future

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renewals. The backlog and customer relationships intangible assets were valued using the excess earnings method (income approach) in which the value is derived from an estimation of the after-tax cash flows specifically attributable to backlog and customer relationships. The analysis included assumptions for projections of revenues and expenses, contributory asset charges, discount rates, and a tax amortization benefit.

The developed technology asset was valued using the relief from royalty method (income approach) in which the value is derived by estimation of the after-tax royalty savings attributable to owning the assets. Assumptions in this analysis included projections of revenues, royalty rates representing costs avoided due to ownership of the assets, discount rates, a tax amortization benefit, and future obsolescence of the technology.

The Company incurred \$118 million in costs associated with the acquisition and integration of Engility. The Company incurred \$63 million in acquisition-related costs, including \$31 million of debt issue costs, see Note 10, and \$2 million in stock issue costs for fiscal 2019. During fiscal 2019, the Company recognized acquisition-related costs of \$31 million and integration-related costs of \$55 million, primarily for strategic consulting services, employee termination costs, including severance and the acceleration of assumed vesting stock awards, and other non-recurring integration-related costs, which are presented together as acquisition and integration costs of \$86 million on the consolidated statements of income.

The amount of Engility's revenue included in the consolidated statements of income for fiscal 2019 was \$98 million and the amount of net loss included in the consolidated statements of income for fiscal 2019 was \$19 million, which includes \$32 million of integration-related costs.

The following unaudited pro forma financial information presents the combined results of operations for Engility and the Company for the year ended February 1, 2019 and February 2, 2018, respectively:

	Year Ended	
	February 1, 2019	February 2, 2018
	(in millions, except per share amounts)	
Revenues	\$ 6,426	\$ 6,352
Net income attributable to common stockholders	\$ 260	\$ 140

The unaudited pro forma, combined financial information presented above has been prepared from historical financial statements that have been adjusted to give effect to the acquisition of Engility as though it had occurred on February 4, 2017. They include adjustments for intangible asset amortization; interest expense and debt issuance costs on long-term debt; acquisition, integration, and other transaction costs; and the elimination of intercompany revenue and costs.

Note 5—Goodwill and Intangible Assets:

Goodwill

Goodwill had a carrying value of \$2,120 million and \$863 million as of February 1, 2019 and February 2, 2018, respectively. Goodwill increased by \$1,257 million during fiscal 2019 due to the acquisition of Engility. There were no impairments of goodwill during the periods presented.

Intangible Assets

Intangible assets, all of which were finite-lived, consisted of the following:

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	February 1, 2019			February 2, 2018		
	Gross carrying value	Accumulated amortization	Net carrying value	Gross carrying value	Accumulated amortization	Net carrying value
	(in millions)					
Customer relationships	\$ 850	\$ (78)	\$ 772	\$ 234	\$ (55)	\$ 179
Backlog	30	(1)	29	—	—	—
Developed technology	2	—	2	—	—	—
Total intangible assets	\$ 882	\$ (79)	\$ 803	\$ 234	\$ (55)	\$ 179

Amortization expense related to intangible assets was \$24 million, \$21 million and \$26 million for fiscal 2019, 2018 and 2017, respectively. There were no intangible asset impairment losses during the periods presented.

The estimated annual amortization expense related to intangible assets as of February 1, 2019 is as follows:

Fiscal Year Ending	(in millions)
2020	\$ 94
2021	64
2022	64
2023	65
2024	63
Thereafter	453
Total	\$ 803

Actual amortization expense in future periods could differ from these estimates as a result of future acquisitions, divestitures, impairments and other factors.

Note 6—Property, Plant, and Equipment:

Property, plant, and equipment are carried at cost net of accumulated depreciation and amortization. Purchases of property, plant, and equipment, as well as costs associated with major renewals and betterments, are capitalized. Maintenance, repairs and minor renewals and betterments are expensed as incurred. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts and any resulting gain or loss is recognized.

Depreciation and amortization is recognized using the methods and estimated useful lives as follows:

	Depreciation or amortization method	Estimated useful lives (in years)	February 1, 2019	February 2, 2018
	(in millions)			
Computer equipment	Straight-line or declining balance	3-10	\$ 90	\$ 75
Capitalized software and software licenses	Straight-line or declining balance	3-10	61	58
Leasehold improvements	Straight-line	Shorter of lease term or 10	81	53
Office furniture and fixtures	Straight-line or declining balance	3-10	19	11
Buildings and improvements	Straight-line	40	7	7
Construction in process			3	—
Land			1	—
Property, plant, and equipment			262	204
Accumulated depreciation and amortization			(159)	(143)
Property, plant, and equipment, net			\$ 103	\$ 61

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Depreciation and amortization expense for property, plant, and equipment was \$23 million, \$23 million and \$24 million in fiscal 2019, 2018 and 2017, respectively.

Note 7—Stock-Based Compensation:

Engility Acquisition Assumed Awards

Upon the acquisition of Engility, all Engility outstanding and unvested equity awards were converted into SAIC vesting stock awards using the same exchange ratio as Engility's common shareholders (0.45 SAIC share per Engility share). The Company assumed approximately 642,000 converted vesting stock awards with a fair value of \$65.03 per share for a total of \$42 million, which was bifurcated between pre- and post-combination periods of service in the amount of \$22 million and \$20 million, respectively. The amount attributable to the pre-combination service period is included in the purchase consideration of Engility. The remaining \$20 million attributable to the post-combination service period will be recognized as post-combination service expense over the remaining vesting periods of the underlying awards. During fiscal 2019, subsequent to the acquisition, the Company completed certain integration activities that accelerated the recognition of \$14 million of the post-combination service period expense, which has been included in the amounts reported within acquisition and integration costs on the consolidated statements of income.

Plan Summaries

Certain of the Company's employees participate in the following four stock-based compensation plans: "2013 Equity Incentive Plan" (EIP), "Management Stock Compensation Plan," "Employee Stock Purchase Plan" (ESPP), and the "2012 Long Term Performance Plan" (LTPP) for Engility assumed awards, which are herein referred to together as the "Plans." The Company issues new shares on the vesting of stock awards or exercise of stock options under these Plans.

The EIP provides the Company's employees and directors the opportunity to receive various types of stock-based compensation and cash awards. The terms of the stock-based awards granted to employees and directors are the same, except that those for directors cliff vest within one year of the grant date. As of February 1, 2019, the Company has outstanding stock options, vested and vesting stock awards, and performance share awards under this plan. Vesting stock awards and stock options granted under the EIP prior to fiscal 2015 generally vest or become exercisable 20%, 20%, 20%, and 40% after one, two, three and four years, respectively. Stock options granted under the EIP in fiscal 2015 and thereafter generally become exercisable 33%, 33%, and 33% after one, two and three years, respectively, while vesting stock awards granted in fiscal 2015 and thereafter generally vest 25%, 25%, 25% and 25% after one, two, three and four years, respectively. The maximum contractual term for stock options granted under the EIP is ten years, but historically the Company has granted stock options with a seven-year contractual term. Vesting may be accelerated for employees meeting retirement eligibility conditions. Stock-based awards generally provide for accelerated vesting if there is a change in control (as defined in the EIP). Vesting stock awards and performance share awards have forfeitable rights to dividends. In June 2014, the EIP was amended and restated to increase the total authorized shares of common stock for issuance under the EIP from 5.7 million to 8.5 million.

The Company grants performance-based stock awards to certain officers and key employees under the EIP. Performance shares are rights to receive shares of the Company's stock on the satisfaction of service requirements and performance conditions. These awards cliff vest at the end of the third fiscal year following the grant date, subject to meeting the minimum service requirements and the achievement of certain annual and cumulative financial metrics of the Company's performance, with the number of shares ultimately issued, if any, ranging up to 150% of the specified target shares. If performance is below the minimum threshold level of performance, no shares will be issued. For all performance share awards granted, the annual financial metrics are based on operating cash flows and the cumulative financial metrics are based on operating income.

The Management Stock Compensation Plan provides for awards in share units to eligible employees. Benefits from these plans are payable in shares of the Company's stock that are held in a trust for the purpose of funding benefit payments to the participants. During fiscal 2017 all remaining outstanding awards in the Management Stock Compensation Plan vested. The Board of Directors may at any time amend or terminate the Management Stock Compensation Plan. In the event of a change in control of the Company (as defined by the Management Stock

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Compensation Plan), participant accounts will be immediately distributed, otherwise will generally be distributed upon retirement, based on the participant's payout election, or upon termination. The Management Stock Compensation Plan does not provide for a maximum number of shares available for future issuance.

The Company's ESPP allows eligible employees to purchase shares of the Company's stock at a discount of up to 15% of the fair market value on the date of purchase. During the three years ended February 1, 2019, the discount was 5% of the fair market value on the date of purchase for purchases made under the Company's ESPP, thereby resulting in the ESPP being non-compensatory. As of February 1, 2019, 3.4 million shares of the Company's stock are authorized for issuance under the ESPP.

The LTPP provides certain employees of the Company the opportunity to receive various types of stock-based compensation awards. As of February 1, 2019, the Company has vesting stock awards assumed from the Engility acquisition under this plan. These remaining outstanding vesting stock awards assumed under the LTPP will continue to vest under their original vesting schedule, when granted by Engility prior to the acquisition, and generally cliff vest at the end of the third fiscal year following the grant date. Vesting may be accelerated for employees meeting retirement eligibility conditions. Vesting stock awards under the LTPP have forfeitable rights to dividends.

Expense and Related Tax Benefits Recognized

Stock-based compensation expense and related tax benefits recognized under the Plans were:

	Year Ended		
	February 1, 2019	February 2, 2018	February 3, 2017
	(in millions)		
Stock-based compensation expense:			
Stock options	\$ 3	\$ 3	\$ 4
Vesting stock awards	37	21	24
Performance share awards	5	3	3
Total stock-based compensation expense	\$ 45	\$ 27	\$ 31
Tax benefits recognized from stock-based compensation	\$ 20	\$ 32	\$ 12

Stock Options

Stock options are granted with their exercise price equal to the closing market price of the Company's stock on the last trading day preceding the grant date, except for those stock options outstanding as of September 27, 2013, for which the exercise prices (and number of stock options) were adjusted for the conversion at separation.

Stock option activity for the year ended February 1, 2019 was:

	Shares of stocks under stock options	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
	(in millions)		(in years)	(in millions)
Outstanding at February 2, 2018	1.4	\$ 43.07	3.5	\$ 46
Options granted	0.1	85.62		
Options forfeited or expired	—	—		
Options exercised	(0.4)	32.78		
Outstanding at February 1, 2019	1.1	\$ 53.67	3.6	\$ 18
Options exercisable at February 1, 2019	0.8	\$ 45.78	2.8	\$ 17
Vested and expected to vest as of February 1, 2019	1.0	\$ 53.43	3.5	\$ 18

As of February 1, 2019 there was \$2 million of unrecognized compensation cost, net of estimated forfeitures, related to stock options, which is expected to be recognized over a weighted average period of 0.9 years.

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The following table summarizes activity related to exercises of stock options:

	Year Ended		
	February 1, 2019	February 2, 2018	February 3, 2017
	(in millions)		
Cash received from exercises of stock options	\$ —	\$ —	\$ —
Stock exchanged at fair value upon exercises of stock options	\$ 1	\$ 1	\$ 3
Tax benefits from exercises of stock options	\$ 7	\$ 8	\$ 8
Total intrinsic value of options exercised	\$ 24	\$ 22	\$ 21

The fair value of stock option awards granted under the Company's plan were valued using the Black-Scholes option-pricing model based on the following assumptions:

Expected Term--For options granted during fiscal 2019, the expected term was calculated from the Company's historical data using the midpoint method. For options granted prior to fiscal 2019, the expected term was calculated using the U.S. Security and Exchange Commission's "simplified method" as the midpoint between the vesting term and contractual term.

Expected Volatility--For options granted in fiscal 2017 and after, the expected volatility is based on the historical volatility of the Company since the separation from former Parent. For options granted during fiscal 2016 and prior, the expected volatility is based on the volatilities of selected peer group companies over a period consistent with the expected term. Peer group companies were selected from companies within the Company's industry that most closely match the Company's business, including size, capital structure and customer base.

Risk-Free Interest Rate--The risk-free interest rate is based on the yield curve of a zero-coupon U.S. Treasury bond with a maturity equal to the expected term of the stock option on the date of grant.

Dividend Yield--The dividend yield assumed over the expected term of the option is calculated based on the most recently announced dividend as of the grant date.

The weighted average grant date fair value and assumptions used to determine the fair value of stock options granted for the periods presented were:

	Year Ended		
	February 1, 2019	February 2, 2018	February 3, 2017
Weighted average grant-date fair value	\$ 19.48	\$ 16.34	\$ 10.20
Expected term (in years)	4.0	4.4	4.4
Expected volatility	29.0%	28.2%	28.9%
Risk-free interest rate	2.5%	1.7%	1.2%
Dividend yield	1.6%	1.5%	2.7%

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Vesting Stock Awards

Vesting stock award activity for the year ended February 1, 2019 was:

	Shares of stock under stock awards	Weighted average grant date fair value
	(in millions)	
Unvested February 2, 2018	0.9	\$ 59.93
Awards granted	0.4	84.28
Awards assumed	0.6	65.03
Awards forfeited	(0.1)	72.28
Awards vested	(0.8)	60.36
Unvested February 1, 2019	1.0	\$ 70.76

The grant date fair value of vesting stock awards is based on the closing market price of the Company's stock on the last trading day preceding the grant date. The weighted average grant date fair value of the vesting stock awards granted for fiscal 2019, fiscal 2018 and fiscal 2017 was \$84.28, \$72.90 and \$53.62, respectively. As of February 1, 2019 there was \$37 million of unrecognized compensation cost, net of estimated forfeitures, related to vesting stock awards, which is expected to be recognized over a weighted average period of 1.6 years. The fair value of vesting stock awards that vested in fiscal 2019, fiscal 2018 and fiscal 2017 was \$60 million, \$58 million and \$64 million, respectively.

Performance Share Awards

Performance share award activity for the year ended February 1, 2019 was:

	Shares of stock under performance shares	Weighted average grant date fair value
	(in millions)	
Unvested performance shares at February 2, 2018	0.2	\$ 62.96
Performance shares granted	0.1	85.31
Performance shares forfeited	(0.1)	64.62
Performance shares vested	(0.1)	53.34
Performance shares adjustment	—	—
Unvested performance shares at February 1, 2019	0.1	\$ 79.12

The actual number of shares to be issued upon vesting range between 0-150% of the specified target shares. The number of performance shares are presented at 100% of the specified target shares in the table above, except for performance shares that vested and performance shares adjustment. Performance shares vested reflects the number of shares to be issued based on the actual achievement of the performance goals for shares that vested during the period. Performance shares adjustment reflects the increase or decrease in the number of performance shares vested compared to the number of performance shares that would have vested at target. The fair value of performance share awards that vested in fiscal 2019 was \$3 million. For unvested performance shares as of February 1, 2019 the Company expects to issue 0.1 million shares of stock in the future based on estimated future achievement of the performance goals. The grant date fair value of the performance share awards granted for fiscal 2019, fiscal 2018, and fiscal 2017 was \$85.31, \$72.91 and \$53.34, respectively. The grant date fair value of performance share awards is based on the closing market price of the Company's common stock on the last trading day preceding the grant date. As of February 1, 2019 there was \$5.7 million of unrecognized compensation cost, net of estimated forfeitures, related to performance share awards, which is expected to be recognized over a weighted average period of 1.7 years.

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Note 8—Retirement Plans:***Defined Contribution Plans***

The Company sponsors the Science Applications International Corporation Retirement Plan (a qualified defined contribution 401(k) plan) and an employee stock ownership plan, in which most employees are eligible to participate. Engility sponsors the Engility Master Savings Plan, which is a 401(k) plan in which most employees of Engility are eligible to participate. There are a variety of investment options available under the 401(k) plans, including the Company's stock.

The Science Applications International Corporation Retirement Plan allows eligible participants to contribute a portion of their income through payroll deductions and the Company makes matching company contributions and may also make discretionary contributions. The Company contributions expensed for defined contribution plans were \$46 million, \$42 million and \$48 million in fiscal 2019, 2018 and 2017, respectively.

Deferred Compensation Plans

The Company has established the Science Applications International Corporation Deferred Compensation Plan (DCP), effective January 1, 2015, providing certain eligible employees and directors an opportunity to defer some or all of their compensation on an unfunded, nonqualified basis. Participant deferrals are fully vested and diversified at the participant's direction among the investment options offered under the DCP. Participant accounts will be credited with a rate of return based on the performance of the investment options selected. Distributions are made in cash. Deferred balances will be paid on retirement, based on the participant's payout election, or upon termination. The Company may provide discretionary contributions to participants, but no Company contributions have been made.

The Science Applications International Corporation Key Executive Stock Deferral Plan (KESDP) was closed on December 31, 2014, and no further deferrals are allowed. Benefits from the KESDP are payable in shares of the Company's stock that may be held in trust for the purpose of funding benefit payments to KESDP participants. Vested deferred balances will generally be paid on retirement, based on the participant's payout election, or upon termination.

The Science Applications International Corporation 401(k) Excess Deferral Plan (Excess Plan) was also closed on December 31, 2014, and no further deferrals are allowed. Participant deferrals are fully vested and diversified at the participant's direction among the investment options offered under the Excess Plan. Deferred balances will generally be paid following retirement or termination.

Defined Benefit Plans

In connection with the acquisition of Engility on January 14, 2019, SAIC assumed two defined benefit pension plans sponsored by Engility for certain current and former employees: a Retiree Health Reimbursement Account Plan (RHRA Benefit Plan) and a Defined Benefit Pension Plan (Pension Plan). Membership and participants' calculated pension benefit are frozen in the Pension Plan and membership in the RHRA is frozen.

Based on a valuation analysis, we recognized a \$37 million liability on January 14, 2019 for the unfunded status of the Engility pension plans, reflecting projected benefit obligations of \$86 million, in excess of the \$49 million fair value of plan assets. The Company recognized no gain or loss related to changes in the benefit obligation during fiscal 2019.

Net Periodic Pension Costs

Due to the proximity of the acquisition to our fiscal year end, there was no net periodic benefit costs recognized during the year ended February 1, 2019.

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Obligations and Funded Status

	February 1, 2019	
	Pension Plan	RHRA Benefit Plan
	(in millions)	
Change in benefit obligation:		
Benefit obligation at acquisition	\$ 71	\$ 15
Benefit obligation at end of year	\$ 71	\$ 15
Change in plan assets:		
Fair value of plan assets at acquisition	49	—
Employer contributions	3	—
Fair value of plan assets at end of year	\$ 52	\$ —
Unfunded status	\$ 19	\$ 15

Amounts recognized in the consolidated balance sheets consist of:

	February 1, 2019	
	Pension Plan	RHRA Benefit Plan
	(in millions)	
Other accrued liabilities	\$ —	\$ 1
Other long-term liabilities	19	14
Net amount recognized	\$ 19	\$ 15

Assumptions

The Company uses the spot rate approach to measure interest costs for pension and postretirement benefits. Under the spot rate approach, the Company uses individual spot rates along the yield curve that correspond with the timing of each benefit payment.

The discount rates represent the estimated rate at which we could effectively settle our pension benefit obligations. In order to estimate this rate for the Pension Plan and the RHRA Benefit Plan, the timing of each benefit payment was matched against the individual spot rates along a yield curve to produce a single discount rate.

The assumed long-term rate of return on plan assets, which is the average return expected on the funds invested or to be invested to provide future benefits to pension plan participants, is determined by an annual review of historical plan assets returns and consultation with outside investment advisers. In selecting the expected long-term rate of return on assets used for the Pension Plan, the Company considered its investment return goals stated in the Pension Plan's investment policy. The Company, with input from the Pension Plan's professional investment managers, also considered the average rate of earnings expected on the funds invested or to be invested to provide Pension Plan benefits. This process included determining expected returns for the various asset classes that comprise the Pension Plan's target asset allocation.

The following assumptions were used to determine the benefit obligations:

	February 1, 2019	
	Pension Plan	RHRA Benefit Plan
Discount rate	4.06%	3.82%

Pension Plan Assets

The Company's investment policy includes a periodic review of the Pension Plan's investment in the various asset classes. During 2019, the Company's overall investment strategy is for plan assets to achieve a long-term rate of return of 5.50%, with a wide diversification of asset types, fund strategies and fund managers. The target allocation

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for the plan assets is 44% in domestic equity securities, 20% international equity, 31% in fixed income securities, and 5% in a liquid cash equivalent option. The risk management practices include regular evaluations of fund managers to ensure the risk assumed is commensurate with the given investment style and objectives. According to the plan's investment policy, performance will be evaluated across all time periods, with a particular emphasis on longer-term returns relative to associated peers and benchmarks.

The fair value measurement of plan asset by category at February 1, 2019 is as follows:

Asset Category	February 1, 2019			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in millions)			
Mutual funds	\$ 49	\$ 49	\$ —	\$ —
Guaranteed deposit account	3	—	—	3
Total	\$ 52	\$ 49	\$ —	\$ 3

Fair Value Measurement Using Significant Unobservable Inputs (Level 3)

Due to the proximity of the acquisition to our fiscal year end, there was no change to the fair value of guaranteed deposits during the year ended February 1, 2019.

Estimated Future Benefit Payments

The following table sets forth the expected timing of benefit payments by fiscal year:

Fiscal Year	Pension Plan	RHRA Benefit Plan	Total
	(in millions)		
2020	\$ 5	\$ 1	\$ 6
2021	5	1	6
2022	5	1	6
2023	5	1	6
2024	5	2	7
Five subsequent fiscal years	\$ 24	\$ 8	\$ 32

Note 9—Income Taxes:

Substantially all of the Company's income before income taxes for the three years ended February 1, 2019 is subject to taxation in the United States. The provision for income taxes for each of the periods presented include the following:

	Year Ended		
	February 1, 2019	February 2, 2018	February 3, 2017
	(in millions)		
Current:			
Federal	\$ 4	\$ 3	\$ 59
State	10	2	12
Deferred:			
Federal	17	26	2
State	2	4	(4)
Total	\$ 33	\$ 35	\$ 69

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A reconciliation of the provision for income taxes to the amount computed by applying the statutory federal income tax rate to income before income taxes for each of the periods presented follows:

	Year Ended		
	February 1, 2019	February 2, 2018	February 3, 2017
	(in millions)		
Statutory federal income tax rate ⁽¹⁾	21.0%	33.7%	35.0%
Amount computed at the blended statutory federal income tax rate	\$ 36	\$ 72	\$ 74
State income taxes, net of federal tax benefit	9	8	6
Research and development and other federal credits	(8)	(4)	(9)
Federal income tax reduction per the Tax Act	—	(17)	—
Manufacturer's deduction	—	(1)	(2)
Non-deductible compensation	3	—	—
Non-deductible acquisition costs	3	—	—
Excess tax benefits for stock-based compensation	(9)	(22)	—
Other	(1)	(1)	—
Total	\$ 33	\$ 35	\$ 69
Effective income tax rate	19.4%	16.5%	32.7%

(1) The statutory federal income tax rate for fiscal 2018 is a blended rate due to the Tax Act. See Note 1.

The effective income tax rate for fiscal 2019 is higher than fiscal 2018 primarily due to smaller excess tax benefits from stock-based compensation, \$3 million of tax expense for non-deductible acquisition expenses that only occurred in fiscal 2019 and the higher non-deductible executive compensation in fiscal 2019 as a result from the Tax Act. The one-time Federal income tax rate reduction in fiscal 2018 was largely offset by the benefit of the lower corporate tax rate which applied in fiscal 2019. The effective income tax rate for fiscal 2018 is lower than fiscal 2017 primarily due to \$22 million in excess tax benefits recognized in fiscal 2018 as well as a \$17 million benefit in fiscal 2018 as a result of the federal rate change from the Tax Act. The excess tax benefits are related to employee share-based compensation as a result of the adoption of ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*.

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Deferred income taxes are recorded for differences in the basis of assets and liabilities for financial reporting purposes and tax reporting purposes. Deferred tax assets (liabilities) were comprised of:

	February 1, 2019	February 2, 2018
	(in millions)	
Accrued vacation and bonuses	\$ 27	\$ 18
Accrued liabilities	13	3
Deferred compensation	22	14
Stock awards	11	9
Net operating loss and other carryforwards	138	12
Fixed asset basis differences	3	—
Accumulated other comprehensive loss	5	—
Valuation allowance	(5)	(1)
Total deferred tax assets	214	55
Deferred revenue	(1)	(20)
Fixed asset basis differences	—	(6)
Purchased intangible assets	(159)	(51)
Accumulated other comprehensive income	—	(1)
Total deferred tax liabilities	(160)	(78)
Net deferred tax assets (liabilities)	\$ 54	\$ (23)

For fiscal 2019, net deferred tax assets of \$54 million is presented in other assets on the consolidated balance sheets. For fiscal 2018, net deferred tax liabilities are presented as deferred income taxes on the consolidated balance sheets. Deferred tax assets for both periods presented include state tax credit carryforwards for which the Company has set up a valuation allowance.

The changes in the unrecognized tax benefits, excluding accrued interest and penalties, were:

	Year Ended		
	February 1, 2019	February 2, 2018	February 3, 2017
	(in millions)		
Unrecognized tax benefits at beginning of the year	\$ 7	\$ 5	\$ —
Additions for acquired unrecognized tax benefits	3	—	—
Additions for tax positions related to prior years	1	1	2
Additions for tax positions related to the current year	2	1	3
Unrecognized tax benefits at end of the year	\$ 13	\$ 7	\$ 5
Unrecognized tax benefits that, if recognized, would affect the effective income tax rate	\$ 9	\$ 7	\$ 5

We believe it is reasonably possible that \$2 million to \$4 million of unrecognized tax benefits will reverse in the next 12 months due to the resolution of a tax authority examination and approximately \$4 million as a result of statute of limitations expiration, along with associated interest and penalties.

For the periods presented, there was not a material amount of current year interest and penalties recognized in the consolidated balance sheets and statements of income and comprehensive income. Tax interest and tax penalties, if any, would be included in income tax expense.

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Beginning with fiscal 2014, the Company has filed income tax returns in the U.S. and various state jurisdictions, which may be subject to routine compliance reviews by the Internal Revenue Service ("IRS") and other taxing authorities. While the Company believes it has adequate accruals for uncertain tax positions, the tax authorities may determine that the Company owes taxes in excess of recorded accruals or the recorded accruals may be in excess of the final settlement amounts agreed to by tax authorities. The Company's tax returns for fiscal years 2016 through 2018 remain subject to examination by the IRS and various other tax jurisdictions. The Company is currently under examination by the IRS for fiscal years 2016 and 2017. The Company is not responsible for any tax items on operations before the separation except for Scitor's tax returns that remain subject to examination by the IRS and various other tax jurisdictions from 2005 through the acquisition. The Company is also subject to examination for the returns of Engility from calendar year 2015 through the short pre-acquisition period ended January 13, 2019. The Company is responsible for any tax items on operations before acquisition for Engility.

In fiscal 2016, the Company acquired all of Scitor's stock in a transaction taxable to the selling shareholders. The Company inherited Scitor's historical tax basis in deductible goodwill, certain other intangible assets, and operating loss carryforwards. At the date of the acquisition, the tax deductible goodwill was \$136 million and the tax deductible identified intangible assets were \$163 million. The Company inherited a federal and state net operating loss of \$90 million subject to Internal Revenue Code Section 382 limitations. The Company expects to utilize these losses completely by fiscal 2020. The net operating losses will begin to expire in fiscal 2027.

In fiscal year 2019, the Company acquired all of Engility's stock in a tax free transaction to the selling shareholders. The Company inherited Engility's historical tax basis in deductible goodwill, certain other intangible assets, and operating loss carryforwards. At the date of the acquisition, the tax deductible goodwill was \$441 million and the tax deductible identified intangible assets were \$255 million. The Company inherited a federal net operating loss of \$483 million subject to Internal Revenue Code Section 382 limitations. The Company expects to utilize these losses completely by fiscal 2036. The net operating losses will begin to expire in fiscal 2029. Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the Code), if a corporation undergoes an "ownership change," the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes, such as its adjusted tax basis in its amortizable goodwill, to offset its post-change income and taxes may be limited. Such an ownership change occurred during the acquisition of Engility and, as a result of these limitations, \$3 million of tax credit carryforwards were eliminated in purchase accounting.

The Company has approximately \$30 million of state loss carryforwards and approximately \$9 million of state credit carryforwards that will begin to expire in fiscal 2026. The valuation allowance shown above relates to these state carryforwards.

Note 10—Debt Obligations:

The Company's long-term debt as of the periods presented was as follows:

	February 1, 2019					February 2, 2018			
	Stated interest rate	Effective interest rate	Principal	Unamortized Debt Issuance Costs	Net	Principal	Unamortized Debt Issuance Costs	Net	
(in millions)									
Term Loan A Facility due October 2023	4.00%	4.33%	\$ 1,068	\$ (14)	\$ 1,054	\$ —	\$ —	\$ —	\$ —
Term Loan A Facility due August 2021			—	—	—	635	(2)	633	
Term Loan B Facility due October 2025	4.25%	4.46%	1,047	(12)	1,035	—	—	—	—
Term Loan B Facility due May 2022			—	—	—	400	(9)	391	
Total long-term debt			\$ 2,115	\$ (26)	\$ 2,089	\$ 1,035	\$ (11)	\$ 1,024	
Less current portion			24	—	24	41	—	41	
Total long-term debt, net of current portion			\$ 2,091	\$ (26)	\$ 2,065	\$ 994	\$ (11)	\$ 983	

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As of February 1, 2019, the Company has a \$2.5 billion credit facility (the Credit Facility) consisting of a \$400 million secured Revolving Credit Facility due October 2023, a \$1,068 million secured Term Loan A Facility due October 2023, and a \$1,047 million secured Term Loan B Facility due October 2025 (together, the Term Loan Facilities). There is no balance outstanding on the Revolving Credit Facility due October 2023 as of February 1, 2019. Any obligations under the Credit Facility are secured by liens on substantially all of the assets of the Company and its subsidiaries.

As of February 2, 2018, the Company had a \$1.2 billion credit facility consisting of a \$200 million secured Revolving Credit Facility due August 2021, a \$635 million secured Term Loan A Facility due August 2021, and a \$400 million secured Term Loan B Facility due May 2022 under the First Amendment to the Second Amended and Restated Credit Agreement (First Amendment).

On February 7, 2018, the Company executed the Second Amendment to the Second Amended and Restated Credit Agreement (Second Amendment) reducing the interest rate margins by 0.25%, 0.50%, and 0.25%, across all leverage ratios for the Term Loan A Facility due August 2021, the Term Loan B Facility due May 2022, and the Revolving Credit Facility due August 2021, respectively. Effective upon execution of the Second Amendment, the applicable margin with respect to the Term Loan A Facility due August 2021 and borrowings under the Revolving Credit Facility due August 2021 ranged from 1.25% to 2.00% for Eurocurrency Rate loans, and 0.25% to 1.00% for Base Rate loans. Under the Second Amendment, interest rate margins for the Term Loan B Facility due May 2022 were 2.00%, subject to a 0.75% floor for Eurocurrency Rate loans, or 1.00% for Base Rate loans. The Company incurred and paid \$2 million in fees associated with the Second Amendment, including \$1 million of deferred financing fees.

On October 31, 2018, the Company entered into the Third Amended and Restated Credit Agreement (Third Amended Credit Agreement) in anticipation of the acquisition of Engility (see Note 4). The Third Amended Credit Agreement, among other things, provided for and permitted: 1) the acquisition of Engility; 2) the establishment of a senior secured Term Loan B Facility due October 2025 in the amount of \$1.1 billion; 3) the establishment of a senior secured Term Loan A Facility Commitment due October 2023 in the amount of \$1.1 billion; 4) an increase to the existing \$200 million Revolving Credit Facility by an additional \$200 million upon the effectiveness of the acquisition of Engility; and, 5) an extension to the term of the Revolving Credit Facility to October 2023.

The Term Loan B Facility due October 2025 was funded in full in October 2018 and the proceeds were used to repay all indebtedness outstanding under the Second Amendment and related expenses.

On January 14, 2019, in connection with the acquisition of Engility, the Company funded the Term Loan A Facility in the amount of \$1.1 billion and increased the existing Revolving Credit Facility to \$400 million. The proceeds were used to partially finance the acquisition of Engility and for general corporate purposes.

The Company incurred \$31 million of debt issue costs associated with the Third Amended Credit Agreement. The Company recognized \$5 million in expenses associated with the Third Amended Credit Agreement, which is included in interest expense and includes a \$4 million loss on extinguishment of debt. The Company deferred \$26 million in financing fees that are amortized to interest expense utilizing the effective interest method.

Borrowings under the Term Loan A Facility due October 2023 will amortize quarterly beginning on January 31, 2020 at 1.25% of the original borrowed amount thereunder, with such quarterly amortization payments increasing to 1.875% on January 31, 2021 and then to 2.50% on January 31, 2022. The Term Loan B Facility due October 2025 will amortize quarterly at 0.25% of the original borrowed amount beginning on January 31, 2019.

Beginning with SAIC's fiscal year ending on or about January 31, 2020, the scheduled principal repayments for the Term Loan A and Term Loan B facilities may be further reduced or eliminated by annual mandatory prepayments of a portion of SAIC's Excess Cash Flow (as defined in the Third Amended Credit Agreement). Mandatory principal prepayments are allocated to Term Loan A and Term Loan B facilities on a pro rata basis and reduce the remaining scheduled principal installments for each facility. Voluntary principal prepayments may be applied to either or both loans at the Company's direction. The Company made no voluntary principal prepayments during fiscal 2019. Subsequent to the end of fiscal 2019, the Company made \$150 million of voluntary principal prepayments on the Term Loan A Facility due October 2023.

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Borrowings under the Third Amended Credit Agreement bear interest at a variable rate of interest based on LIBOR or a Base Rate, plus in each case an applicable margin. Applicable margins with respect to borrowings under the Term Loan B Facility due October 2025 are 1.75% for LIBOR loans and 0.75% for Base Rate loans. Applicable margins with respect to borrowings under the Term Loan A Facility due October 2023 and the Revolving Credit Facility due October 2023 range from 1.25% to 2.00% for LIBOR loans and 0.25% to 1.00% for Base Rate loans, in each case based on the then applicable Leverage Ratio (as defined in the Third Amended Credit Agreement). The Company also pays a commitment fee with respect to undrawn amounts under the Revolving Credit Facility due October 2023 ranging from 0.20% to 0.35%.

The Third Amended Credit Agreement contains certain restrictive covenants applicable to the Company and its subsidiaries including a requirement to maintain a Senior Secured Leverage Ratio (as defined in the Third Amended Credit Agreement) of not greater than 3.75 to 1.00 until the effectiveness of the acquisition, not greater than 4.50 to 1.00 upon the effectiveness of the acquisition and for the succeeding six fiscal quarters, and not greater than 4.00 to 1.00 thereafter, unless a Permitted Acquisition (as defined in the Third Amended Credit Agreement) occurs in which case not greater than 4.25 to 1.00 for three consecutive quarters following such a transaction. As of February 1, 2019, the Company was in compliance with the covenants under the Third Amended Credit Agreement.

Maturities of long-term debt as of February 1, 2019 are:

Fiscal Year Ending	Total
	(in millions)
2020	\$ 24
2021	70
2022	68
2023	147
2024	811
Thereafter	995
Total principal payments	\$ 2,115

As of February 1, 2019 and February 2, 2018, the carrying value of the Company's outstanding debt obligations approximated its fair value. The fair value of long-term debt is calculated using Level 2 inputs, based on interest rates available for debt with terms and maturities similar to the Company's Term Loan Facilities.

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Note 11—Derivative Instruments Designated as Cash Flow Hedges:

The Company's derivative instruments designated as cash flow hedges consist of:

	Notional Amount at February 1, 2019	Pay Fixed Rate	Receive Variable Rate	Settlement and Termination	Asset (Liability) Fair Value ⁽¹⁾ at	
					February 1, 2019	February 2, 2018
	(in millions)				(in millions)	
Interest rate swaps #1	\$ —	1.41%	1-month LIBOR	Monthly through September 26, 2018	\$ —	\$ 1
Interest rate swaps #2 ⁽²⁾	—	1.88%	3-month LIBOR ⁽³⁾	Quarterly through May 7, 2020 ⁽²⁾	—	4
Interest rate swaps #3 ⁽⁴⁾	353	2.78%	1-month LIBOR	Monthly through July 30, 2021	(2)	—
Interest rate swaps #4 ⁽⁵⁾	500	3.07%	1-month LIBOR	Monthly through October 31, 2025	(21)	—
Interest rate swaps #5 ⁽⁶⁾	500	2.49%	1-month LIBOR	Monthly through October 31, 2023	(1)	—
Total	\$ 1,353				\$ (24)	\$ 5

⁽¹⁾ The fair value of the fixed interest rate swaps asset is included in other assets on the consolidated balance sheets. The fair value of the fixed interest rate swaps liability is included in other accrued liabilities on the consolidated balance sheets.

⁽²⁾ On October 31, 2018, the Company exited its Term loan interest rate swaps #2 and discontinued hedge accounting. The Company received cash proceeds of \$6 million upon the early settlement. The \$6 million of deferred gains in accumulated other comprehensive loss will be reclassified into interest expense over the original contractual term of the interest rate swaps, which has a maturity date of May 7, 2020.

⁽³⁾ Subject to a 0.75% floor.

⁽⁴⁾ On June 12, 2018, the Company executed forward-starting fixed interest rate swaps that hedge the variability in interest payments on an initial aggregate notional amount of \$365 million of floating rate debt. The tenor of these swaps began on September 26, 2018. The Company has designated, and will account for, these fixed interest rate swaps as cash flow hedges.

⁽⁵⁾ On October 31, 2018, the Company executed fixed interest rate swaps that hedge the variability in interest payments on an initial aggregate notional amount of \$500 million of floating rate debt. The Company has designated, and will account for, these fixed interest rate swaps as cash flow hedges.

⁽⁶⁾ On January 14, 2019, the Company executed forward-starting fixed interest rate swaps that hedge the variability in interest payments on an initial aggregate notional amount of \$500 million of floating rate debt. The tenor of these swaps began on January 31, 2019. The Company has designated, and will account for, these fixed interest rate swaps as cash flow hedges.

The Company is party to fixed interest rate swap instruments that are designated and accounted for as cash flow hedges to manage risks associated with interest rate fluctuations on a portion of the Company's floating rate debt. The counterparties to all swap agreements are financial institutions. See Note 12 for the unrealized change in fair values on cash flow hedges recognized in other comprehensive income (loss) and the amounts reclassified from accumulated other comprehensive income (loss) into earnings for the current and comparative periods presented. There was no ineffectiveness during the periods presented prior to the adoption of ASU 2017-12. The Company estimates that the total reclassifications of unrealized losses from accumulated other comprehensive loss into earnings in the twelve months following February 1, 2019 will not be material.

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Note 12—Changes in Accumulated Other Comprehensive Loss by Component:

The following table presents the changes in accumulated other comprehensive loss attributable to the Company's fixed interest rate swap cash flow hedges that are discussed in Note 11.

	Pre-Tax Amount Unrealized Gains (Losses) on Fixed Interest Rate Swap Cash Flow Hedges ⁽¹⁾
	(in millions)
Balance at January 29, 2016	\$ (14)
Other comprehensive income before reclassifications	3
Amounts reclassified from accumulated other comprehensive loss	8
Net other comprehensive income	11
Balance at February 3, 2017	\$ (3)
Other comprehensive income before reclassifications	5
Amounts reclassified from accumulated other comprehensive loss	3
Net other comprehensive income	8
Balance at February 2, 2018	\$ 5
Other comprehensive loss before reclassifications	(23)
Amounts reclassified from accumulated other comprehensive loss	(1)
Net other comprehensive loss	(24)
Balance at February 1, 2019	\$ (19)

(1) The amount reclassified from accumulated other comprehensive income (loss) is included in interest expense.

Note 13—Operating Leases:

The Company occupies most of its facilities under operating leases. Most of the leases require the Company to pay maintenance and operating expenses (such as taxes, insurance and utilities), and also contain renewal options to extend the lease and provisions for periodic rate escalations to reflect inflationary increases. Certain equipment is leased under short-term or cancelable operating leases. Rental expense for facilities and equipment was \$46 million, \$48 million, and \$65 million in fiscal 2019, 2018, and 2017, respectively.

Future minimum operating lease commitments at February 1, 2019 are:

Fiscal Year Ending	(in millions)
2020	\$ 55
2021	42
2022	36
2023	19
2024	16
Thereafter	43
Total	\$ 211

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Note 14—Business Segment Information:

The Company is organized as a matrix comprised of three customer facing operating segments supported by a solutions and technology group. The three operating segments are responsible for customer relationships, business development and program management, and delivery and execution, while the solutions and technology group organization manages the development of our offerings, solutions and capabilities. Each of the Company's three operating segments is focused on providing the Company's comprehensive technical, engineering and enterprise IT service offerings to one or more agencies of the U.S federal government. The Company's operating segments are aggregated into one reportable segment because they have similar economic characteristics and meet the other aggregation criteria within the accounting standard on segment reporting, including similarities in the nature of the services provided, methods of service delivery, customers served and the regulatory environment in which they operate.

Substantially all of the Company's revenues were generated by, and tangible long-lived assets owned by, entities located in the United States. As such, financial information by geographic location is not presented.

In each of fiscal 2019, 2018, and 2017 over 95% of our total revenues were attributable to prime contracts with the U.S. government or to subcontracts with other contractors engaged in work for the U.S. government.

Note 15—Legal Proceedings and Commitments and Contingencies:***Legal Proceedings***

The Company is involved in various claims and lawsuits arising in the normal conduct of its business, none of which the Company's management believes, based on current information, is expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

AAV Termination for Convenience

On August 27, 2018, the Company received a stop-work order from the United States Marine Corps on the Assault Amphibious Vehicle (AAV) contract and on October 3, 2018 the program was terminated for convenience by the customer.

Beginning in fiscal 2018, the Company entered into contracts with various vendors for long-lead time materials that would be necessary to complete the low-rate initial production (LRIP) phase of the program, including portions of the LRIP phase which had not yet been awarded. As a result of the program termination, the Company recognized an inventory provision for long-lead items, see Note 1. The Company is continuing to negotiate with the Marine Corps to recover all costs associated with the termination.

Scitor Acquisition

On May 4, 2015, the Company completed the acquisition of Scitor, a leading global provider of technical services to the U.S. intelligence community and other U.S. government customers. Purchase consideration paid to acquire Scitor was \$764 million (net of cash acquired), including \$43 million which was deposited to escrow accounts. In August 2015, \$3 million was released from escrow to the sellers after finalizing the working capital adjustment and another \$13 million was released in September 2016 that was held to secure a portion of the sellers' indemnification obligations. During the first quarter of fiscal 2019, the Company received a \$6 million distribution from escrow to settle a claim, which was recognized as a reduction to selling, general, and administrative costs. There is no remaining amount in escrow.

Agreements with Former Parent

Former Parent and the Company executed various agreements to provide mechanisms for an orderly transition and to govern certain ongoing relationships between the companies following the separation. The agreements include a Distribution Agreement, Employee Matters Agreement, Tax Matters Agreement, Master Transition Services Agreement, and Master Transitional Contracting Agreement (MTCA). These agreements generally provide that each party is responsible for its respective assets, liabilities and obligations, including employee benefits, insurance and tax-related assets and liabilities. The MTCA also governs the relationship between former Parent and the Company with regard to the treatment of contracts, proposals, and teaming arrangements where both companies are or will

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be jointly performing work after separation. Each of former Parent and the Company indemnify the other party for work performed by it under the MTCA.

Contingent losses that were unknown at the time of separation and arise from the operation of the Company's historical business or the former Parent's historical corporate losses will be shared between the parties to the extent that losses in any such category exceed \$50 million in the aggregate. If they arise and exceed the \$50 million threshold, the Company will be responsible for 30% of the former Parent's incremental contingent losses on corporate claims (and former Parent will be responsible for 70% of the Company's incremental losses on claims relating to operations that exceed \$50 million).

Government Investigations, Audits and Reviews

The Company is routinely subject to investigations and reviews relating to compliance with various laws and regulations with respect, in particular, to its role as a contractor to federal, state and local government customers and in connection with performing services in countries outside of the United States. U.S. government agencies, including the Defense Contract Audit Agency (DCAA), the Defense Contract Management Agency and others, routinely audit and review a contractor's performance on government contracts, indirect rates and pricing practices, and compliance with applicable contracting and procurement laws, regulations and standards. They also review the adequacy of the contractor's compliance with government standards for its business systems. Adverse findings in these investigations, audits, or reviews can lead to criminal, civil or administrative proceedings, and the Company could face disallowance of previously billed costs, penalties, fines, compensatory damages, and suspension or debarment from doing business with governmental agencies. Due to the Company's reliance on government contracts, adverse findings could also have a material impact on the Company's business, including its financial position, results of operations and cash flows.

The indirect cost audits by the DCAA of the Company's business remain open for fiscal 2010 and subsequent years. Although the Company has recorded contract revenues subsequent to and including fiscal 2010 based on an estimate of costs that the Company believes will be approved on final audit, the Company does not know the outcome of any ongoing or future audits. If future completed audit adjustments exceed the Company's reserves for potential adjustments, the Company's profitability could be materially adversely affected.

The Company has recorded reserves for estimated net amounts to be refunded to customers for potential adjustments for indirect cost audits and compliance with Cost Accounting Standards, which include indemnification obligations owing to former Parent for periods prior to the Distribution Date. As of February 1, 2019, the Company has recorded a total liability of \$63 million for estimated net amounts to be refunded to customers for potential adjustments from audits of contract costs, which is presented in other accrued liabilities on the consolidated balance sheets. Any additional amounts which may be determined to be owed for periods prior to the separation will be allocated to former Parent and the Company in proportions determined in accordance with the Distribution Agreement.

Letters of Credit and Surety Bonds

The Company has outstanding obligations relating to letters of credit of \$16 million as of February 1, 2019, principally related to guarantees on insurance policies. The Company also has outstanding obligations relating to surety bonds in the amount of \$18 million, principally related to performance and payment bonds on the Company's contracts. The majority of the surety bonds outstanding were initially obtained by former Parent and the Company is required to satisfy these obligations under the terms of the Distribution Agreement.

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Note 16—Selected Quarterly Financial Data (Unaudited):

Selected unaudited financial data for each quarter of the most recent two fiscal years was:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
(in millions, except per share amounts)				
<i>Fiscal 2019</i>				
Revenues	\$ 1,175	\$ 1,115	\$ 1,177	\$ 1,192
Operating income	66	74	73	7
Net income (loss)	49	49	48	(9)
Basic EPS	\$ 1.16	\$ 1.15	\$ 1.13	\$ (0.20)
Diluted EPS	\$ 1.13	\$ 1.13	\$ 1.11	\$ (0.20)
<i>Fiscal 2018</i>				
Revenues	\$ 1,103	\$ 1,078	\$ 1,145	\$ 1,128
Operating income	63	59	72	62
Net income	49	36	43	51
Basic EPS	\$ 1.12	\$ 0.83	\$ 0.99	\$ 1.19
Diluted EPS	\$ 1.08	\$ 0.80	\$ 0.98	\$ 1.16

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Exhibit Number	Description of Exhibit
<u>2.1</u>	<u>Distribution Agreement dated September 25, 2013, between the Company (formerly SAIC Gemini, Inc.) and Leidos Holdings, Inc. (formerly SAIC, Inc.). Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K as filed with the SEC on October 1, 2013.</u>
<u>2.2</u>	<u>Agreement and Plan of Merger, dated September 9, 2018, by and among Science Applications International Corporation, Inc., a Delaware corporation, Engility, a Delaware corporation, and Raptors Merger Sub, Inc., a Delaware corporation. (Pursuant to Item 601(b)(2) of Regulation S-K, the registrant hereby agrees to supplementally furnish to the Securities and Exchange Commission upon request any omitted schedule or exhibit to the Agreement and Plan of Merger.) Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K as filed with the SEC on September 10, 2018.</u>
<u>2.3</u>	<u>Voting Agreement dated as of, September 9, 2018, by and among Science Applications International Corporation, Inc., and Engility Holdings, Inc., and with General Atlantic Partners 85, L.P., GAP Coinvestments III, LLC, GAP Coinvestments IV, LLC, GAP Coinvestments CDA, L.P. and GAPCO GmbH & Co. KG and KKR 2006 Fund L.P., KKR Partners III, L.P., OPERF Co-Investment LLC and 8 North America Investor L.P. Incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K as filed with the SEC on September 10, 2018.</u>
<u>3.1</u>	<u>Amended and Restated Certificate of Incorporation. Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K as filed with the SEC on October 1, 2013.</u>
<u>3.2</u>	<u>Amended and Restated Bylaws. Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K as filed with the SEC on June 8, 2017.</u>
<u>10.1</u>	<u>Third Amended and Restated Credit Agreement by and among SAIC, Citibank, as administrative agent and collateral agent, and certain other agents and lenders party thereto, dated October 31, 2018. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the SEC on November 5, 2018.</u>
<u>10.2</u>	<u>Term Loan B Incremental Facility Commitment Letter, dated as of September 9, 2018, among Citigroup Global Markets Inc. and Science Applications International Corporation. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 10, 2018.</u>
<u>10.3</u>	<u>Second Amendment to the Second Amended and Restated Credit Agreement, dated February 7, 2018 by and among the Company, Citibank N.A. as administrative agent and collateral agent, and certain other lenders and parties thereto. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the SEC on February 9, 2018.</u>
<u>10.4</u>	<u>First Amendment to the Second Amended and Restated Credit Agreement, dated August 23, 2016 by and among the Company, Citibank N.A. as administrative agent and collateral agent, and certain other lenders and parties thereto. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the SEC on August 25, 2016.</u>
<u>10.5</u>	<u>Second Amended and Restated Credit Agreement, dated May 4, 2015 by and among the Company, Citibank N.A. as administrative agent and collateral agent, and Bank of America, N.A., as a syndication agent, and certain other lenders and parties thereto. Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the SEC on May 4, 2015.</u>
<u>10.6*</u>	<u>Science Applications International Corporation Management Stock Compensation Plan, effective September 27, 2013. Incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-8 as filed with the SEC on September 27, 2013.</u>
<u>10.7*</u>	<u>Science Applications International Corporation Key Executive Stock Deferral Plan, effective September 27, 2013. Incorporated by reference to Exhibit 4.5 to the Company's Registration Statement on Form S-8 as filed with the SEC on September 27, 2013.</u>
<u>10.8*</u>	<u>Science Applications International Corporation 2013 Employee Stock Purchase Plan, effective October 1, 2013. Incorporated by reference to Exhibit 4.7 to the Company's Registration Statement on Form S-8 as filed with the SEC on September 27, 2013.</u>

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Exhibit Number	Description of Exhibit
<u>10.9*</u>	<u>Science Applications International Corporation 401(k) Excess Deferral Plan, effective September 27, 2013. Incorporated by reference to Exhibit 4.8 to the Company's Registration Statement on Form S-8 as filed with the SEC on September 27, 2013.</u>
<u>10.10*</u>	<u>Science Applications International Corporation Retirement Plan, effective September 27, 2013. Incorporated by reference to Exhibit 4.9 to the Company's Registration Statement on Form S-8 as filed with the SEC on September 27, 2013.</u>
<u>10.11*</u>	<u>Science Applications International Corporation Amended and Restated 2013 Equity Incentive Plan, effective June 4, 2014. Incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on Schedule 14A as filed with the SEC on April 24, 2014.</u>
<u>10.12*</u>	<u>Form of Restricted Stock Unit Award Agreement (Management) of the Science Applications International Corporation 2013 Equity Incentive Plan. Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q as filed with the SEC on December 13, 2013.</u>
<u>10.13*</u>	<u>Form of Restricted Stock Unit Award Agreement of the Science Applications International Corporation 2013 Equity Incentive Plan. Incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K as filed with the SEC on April 9, 2014.</u>
<u>10.14*</u>	<u>Form of Nonstatutory Stock Option Agreement of the Science Applications International Corporation 2013 Equity Incentive Plan. Incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K as filed with the SEC on April 9, 2014.</u>
<u>10.15*</u>	<u>Form of Performance Share Award Agreement of the Science Applications International Corporation 2013 Equity Incentive Plan. Incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K as filed with the SEC on April 9, 2014.</u>
<u>10.16*</u>	<u>Deferred Compensation Plan, effective January 1, 2015. Incorporated by reference to Exhibit 10.17 of the Company's Annual Report on Form 10-K as filed with the SEC on March 31, 2015.</u>
<u>10.17*</u>	<u>SAIC Executive Severance and Change of Control Policy, effective August 1, 2015. Incorporated by reference to Exhibit 10.18 to the Company's Annual Report on Form 10-K as filed with the SEC on March 29, 2016.</u>
<u>10.18</u>	<u>Master Transition Services Agreement dated September 25, 2013, between the Company (formerly SAIC Gemini, Inc.) and Leidos Holdings, Inc. (formerly SAIC, Inc.). Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K as filed with the SEC on October 1, 2013.</u>
<u>10.19*</u>	<u>Science Applications International Corporation Third Amended and Restated 2012 Long Term Performance Plan.</u>
<u>10.20</u>	<u>Master Transitional Contracting Agreement between the Company (formerly SAIC Gemini, Inc.) and Leidos Holdings, Inc. (formerly SAIC, Inc.) dated September 25, 2013. Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q as filed with the SEC on December 13, 2013.</u>
<u>10.21*</u>	<u>Form of Performance Unit Award Agreement of the Science Applications International Corporation 2012 Long Term Performance Plan.</u>
<u>10.22*</u>	<u>Form of Restricted Stock Unit Agreement of the Science Applications International Corporation 2012 Long Term Performance Plan.</u>

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
EXHIBIT INDEX

Exhibit Number	Description of Exhibit
<u>16.1</u>	<u>Letter from Deloitte & Touche LLP. Incorporated by reference to Exhibit 16.1 to the Company's Current Report on Form 8-K/A as filed with the SEC on March 30, 2018.</u>
<u>21</u>	<u>Subsidiaries of Registrant.</u>
<u>23.1</u>	<u>Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.</u>
<u>23.2</u>	<u>Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm.</u>
<u>31.1</u>	<u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>31.2</u>	<u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.1</u>	<u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.2</u>	<u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101	Interactive Data File.

* Compensation Plans and Arrangements

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
THIRD AMENDED AND RESTATED
2012 LONG TERM PERFORMANCE PLAN**

SECTION 1. Purpose.

The purpose of this Science Applications International Corporation Third Amended and Restated 2012 Long Term Performance Plan, the successor to the Engility Holdings, Inc. Second Amended and Restated 2012 Long Term Performance Plan (the "Plan"), is to benefit the Corporation's stockholders by encouraging high levels of performance by individuals who contribute to the success of the Corporation and its Subsidiaries and to enable the Corporation and its Subsidiaries to attract, motivate, retain and reward talented and experienced individuals. This purpose is to be accomplished by providing eligible individuals with an opportunity to obtain or increase a proprietary interest in the Corporation and/or by providing eligible individuals with additional incentives to join or remain with the Corporation and its Subsidiaries.

SECTION 2. Definitions; Rules of Construction.

(a) Defined Terms. The terms defined in this Section shall have the following meanings for purposes of this Plan:

"Award" means an award granted pursuant to Section 4.

"Award Agreement" means an agreement described in Section 6 by the Corporation for the benefit of a Participant, setting forth (or incorporating by reference) the terms and conditions of an Award granted to a Participant.

"Beneficiary" means a person or persons (including a trust or trusts) validly designated by a Participant or, in the absence of a valid designation, entitled by will or the laws of descent and distribution, to receive the benefits specified in the Award Agreement and under this Plan in the event of a Participant's death.

"Board of Directors" or "Board" means the Board of Directors of the Corporation.

"Change in Control" means change in control as defined in Section 7(c).

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Committee" means the Committee described in Section 8(a), or the Board if the Board takes an action in place of such Committee.

"Corporation" means Science Applications International Corporation.

"Director" means a member of the Board of Directors of the Corporation.

"Employee" means any person, including an officer (whether or not also a director) in the regular full-time employment of the Corporation or any of its Subsidiaries who, in the opinion of the Committee is, or is expected to be, primarily responsible for the management, growth or protection of some part or all of the business of the Corporation or any of its Subsidiaries, but excludes, (i) in the case of an Incentive Stock Option, an Employee of any Subsidiary that is not a "subsidiary corporation" of the Corporation as defined in Code Section 424(f), and (ii) any Employee who was employed by the Corporation or any of Subsidiaries as of immediately prior to the consummation of the Corporation's acquisition of Engility Holdings, Inc.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

"Executive Officer" means executive officer as defined in Rule 3b-7 under the Exchange Act. If the Board has designated the executive officers of the Corporation for purposes of reporting under the Exchange Act, the designation shall be conclusive for purposes of this Plan.

“Fair Market Value” means the closing price of the relevant security as reported on the composite tape of New York Stock Exchange issues (or if, at the date of determination, the security is not so listed or if the principal market on which it is traded is not the New York Stock Exchange, such other reporting system as shall be selected by the Committee) on the relevant date, or, if no sale of the security is reported for that date, the next preceding day for which there is a reported sale. The Committee shall determine the Fair Market Value of any security that is not publicly traded, using criteria as it shall determine, in its sole direction, to be appropriate for the valuation.

“First Quarter” shall mean the period of calendar days during a given Performance Period that is equal to the lesser of (i) 25% of the full number of calendar days falling within such Performance Period or (ii) 90 days.

“Insider” means any person who is subject to Section 16(b) of the Exchange Act.

“Minimum Ownership Stock” means any Award of shares of Stock of the Corporation that are issued, in accordance with Section 4(a)(5), in lieu of cash compensation in order to satisfy applicable stock ownership guidelines from time to time in effect.

“Non-Employee Director” means a Director who is not an Employee.

“Option” means a Nonqualified Stock Option or an Incentive Stock Option as described in Section 4(a)(1) or (2).

“Participant” means a person who is granted an Award, pursuant to this Plan, that remains outstanding.

“Performance-Based Awards” is defined in Section 4(b).

“Performance Goals” means one or more of the following criteria or any combination thereof, as determined by the Committee: (i) consolidated income before or after taxes (including income before interest, taxes, depreciation and amortization); (ii) EBT, EBIT or EBITDA; (iii) operating income or operating margin; (iv) net income; (v) net income or earnings per share of Stock; (vi) book value per share of Stock; (vii) return on equity or assets; (viii) expense management (including without limitation, total general and administrative expense percentages); (ix) return on investment or on invested capital; (x) improvements in capital structure; (xi) profitability of an identifiable business unit or product; (xii) maintenance or improvement of profit margins; (xiii) stock price; (xiv) market share; (xv) revenue or sales (including, without limitation, net loans charged off, average finance receivables and days sales outstanding); (xvi) costs (including, without limitation, total general and administrative expense percentage); (xvii) cash flow or net funds provided (including cash flow yield or cash flow per share); (xviii) working capital; (xix) total debt (including, without limitation, total debt as a multiple of EBIT or EBITDA), (xx) new business, recompute business and/or related win rates or business development targets; (xxi) orders or funded backlog, or book-to-bill ratios, and (xxi) total stockholder return. The foregoing criteria may relate to the Corporation, one or more of its Subsidiaries, one or more of their respective divisions or business units, or any combination of the foregoing, and may be applied on an absolute basis and/or be relative to one or more peer group companies or indices, or any combination thereof, and may be determined in accordance with GAAP or a non-GAAP or adjusted GAAP basis, all as the Committee shall determine.

“Performance Period” means, with respect to any Performance Goal, the time period established by the Committee for the achievement of the performance targets in respect thereof.

“Rule 16b-3” means Rule 16b-3 under Section 16 of the Exchange Act, as amended from time to time.

“Share Units” means the number of units under an Award (or portion thereof) that is payable solely in cash or is actually paid in cash, determined by reference to the number of shares of Stock by which the Award (or portion thereof) is measured.

“Stock” means shares of Common Stock of the Corporation, par value \$0.01 per share, subject to adjustments made under Section 7 or by operation of law.

“Subsidiary” means, as to any person, any corporation, association, partnership, joint venture or other business entity of which 50% or more of the voting stock or other equity interests (in the case of entities other than

corporations), is owned or controlled (directly or indirectly) by that entity, or by one or more of the Subsidiaries of that entity, or by a combination thereof.

(b) Rules of Construction. For purposes of this Plan and the Award Agreements, unless otherwise expressly provided or the context otherwise requires, the terms defined in this Plan include the plural and the singular, and pronouns of either gender or neuter shall include, as appropriate, the other pronoun forms.

SECTION 3. Eligibility.

Any one or more Awards may be granted to any Employee, Director or any other non-Employee who provides services to or on behalf of the Corporation or any of its Subsidiaries, who is designated by the Committee to receive an Award, other than any Employee who was employed by the Corporation or any of Subsidiaries as of immediately prior to the consummation of the Corporation's acquisition of Engility Holdings, Inc.

SECTION 4. Awards.

(a) Type of Awards. The Committee may from time to time grant any of the following types of Awards, either singly, in tandem or in combination with other Awards:

(1) Nonqualified Stock Options. A Nonqualified Stock Option is an Award in the form of an option to purchase Stock that is not intended to comply with the requirements of Code Section 422. Except with respect to Substitute Awards described in Section 7(d), the exercise price of each Nonqualified Stock Option granted under this Plan shall not be less than the Fair Market Value of the Stock on the date that the Option is granted.

(2) Incentive Stock Options. An Incentive Stock Option is an Award in the form of an option to purchase Stock that is intended to comply with the requirements of Code Section 422 or any successor section thereof. The exercise price of each Incentive Stock Option granted under this Plan shall not be less than the Fair Market Value of the Stock on the date the Option is granted. If a Participant on the date an Incentive Stock Option is granted owns, directly or indirectly within the meaning of Code Section 424(d), stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Corporation, the exercise price per share of the Incentive Stock Option shall not be less than one hundred and ten percent (110%) of the Fair Market Value per share of the Stock at the time of grant, and such Incentive Stock Option shall not be exercisable after the expiration of five (5) years from the date such Incentive Stock Option is granted. To the extent that the aggregate Fair Market Value of Stock with respect to which one or more incentive stock options first become exercisable by a Participant in any calendar year exceeds \$100,000, taking into account both Stock subject to Incentive Stock Options under this Plan and stock subject to incentive stock options under all other plans of the Corporation or of other entities referenced in Code Section 422(d)(1), the options shall be treated as Nonqualified Stock Options. For this purpose, the Fair Market Value of the Stock subject to options shall be determined as of the date the Options were granted.

(3) Stock Appreciation Rights. A Stock Appreciation Right is an Award in the form of a right to receive, upon surrender of the right, but without other payment, an amount based on the appreciation in the value of the Stock or the Option over a base price established in the Award, payable in cash, Stock or such other form or combination of forms of payout, at times and upon conditions (which may include a Change in Control), as may be approved by the Committee. Except with respect to Substitute Awards described in Section 7(d), the minimum base price of a Stock Appreciation Right granted under this Plan shall not be less than the Fair Market Value of the underlying Stock on the date the Stock Appreciation Right is granted.

(4) Restricted Stock. Restricted Stock is an Award of issued shares of Stock of the Corporation (other than Minimum Ownership Stock) that are subject to restrictions on transfer and/or such other restrictions on incidents of ownership as the Committee may determine.

(5) Restricted Stock Units. A Restricted Stock Unit means rights granted to a Participant under Section 4(a) representing a number of hypothetical shares of Stock. Each Restricted Stock Unit shall represent the right of a Grantee to receive a payment upon vesting of the Restricted Stock Unit or on any later date specified by the Committee equal to the Fair Market Value of a share of Stock as of the date the Restricted Stock Unit was granted, the vesting date or such other date as determined by the Committee at the time the Restricted Stock Unit

was granted. The Committee may, at the time a Restricted Stock Unit is granted, provide a limitation on the amount payable in respect of each Restricted Stock Unit. The Committee may provide for the settlement of Restricted Stock Units in cash or with Stock having a Fair Market Value equal to the payment to which the Participant has become entitled.

(6) Other Share-Based Awards. The Committee may from time to time grant Awards under this Plan that provide the Participants with Stock or the right to purchase or receive Stock, or provide other incentive Awards (including, but not limited to, Minimum Ownership Stock, Share Units, phantom stock or units, performance stock or units, bonus stock, dividend equivalent units, or similar securities or rights) that have a value derived from the value of, or an exercise or conversion privilege at a price related to, or that are otherwise payable in shares of Stock. The Awards shall be in a form determined by the Committee, provided that the Awards shall not be inconsistent with the other express terms of this Plan applicable to such Awards.

(b) Special Performance-Based Awards. Without limiting the generality of the foregoing, Awards denominated in cash or any of the type of Awards listed in Section 4(a) may be granted as awards that satisfy the requirements for "performance-based compensation" within the meaning of Code Section 162(m) ("Performance-Based Awards"), the grant, vesting, exercisability or payment of which may depend on the degree of achievement of the Performance Goals relative to preestablished targeted levels for the Corporation or any of its Subsidiaries, divisions or other business units. Performance-Based Awards shall be subject to the requirements of clauses (1) through (7) below, except that notwithstanding anything contained in this Section 4(b) to the contrary, any Option or Stock Appreciation Right intended to qualify as a Performance-Based Award shall not be subject to the requirements of clauses (2), (4), (5) and (6) below (with such Awards hereinafter referred to as a "Qualifying Option" or a "Qualifying Stock Appreciation Right", respectively). An Award that is intended to satisfy the requirements of this Section 4(b) shall be designated as a Performance-Based Award at the time of grant.

(1) Eligible Class. The eligible class of persons for Awards under this Section 4(b) shall be all Employees.

(2) Performance Goals. The performance goals for any Awards under this Section 4(b) (other than Qualifying Options and Qualifying Stock Appreciation Rights) shall be, on an absolute or relative basis, one or more of the Performance Goals. The Committee shall establish the Performance Goals and the Performance Periods for which they must be satisfied in order for a Participant to receive any portion of the Award. The specific performance target(s) with respect to Performance Goal(s) must be established by the Committee no later than the last day of the First Quarter of a given Performance Period (or such other date as may be required or permitted under Section 162(m) of the Code) and while the performance relating to the Performance Goal(s) remains substantially uncertain. The Committee may establish different performance objectives for each Performance Period, and may provide for multiple, overlapping Performance Periods hereunder. The Committee may provide, at the time when performance objectives are established with respect to a Performance Period (or at such later date as may be permitted under Section 162(m) of the Code), for the adjustment of such performance objectives as it deems equitable in recognition of unusual or infrequently occurring events affecting the Corporation, gain or loss on a disposal of a business segment, changes in applicable tax laws or accounting principles, or such other factors as the Committee may determine to be appropriate.

(3) Individual Limits. The maximum number of shares of Stock subject to all Qualifying Options and Qualifying Stock Appreciation Rights granted during a calendar year to any Employee shall be 315,000, and the maximum number of shares of Stock or Share Units that are subject to other Performance-Based Awards granted during a calendar year to an Employee shall be 315,000, in each case subject to adjustment as provided in Section 7. The maximum cash value of all Performance-Based Awards whose value is not determined by reference to shares of Stock that may be granted under the Plan in any calendar year is \$5,000,000. Awards that are cancelled during the year shall be counted against these limits to the extent required by Code Section 162(m).

(4) Committee Certification. Before any Performance-Based Award under this Section 4(b) (other than Qualifying Options and Qualifying Stock Appreciation Rights) is paid, the Committee must certify in writing (by resolution or otherwise) that the applicable Performance Goal(s) and any other material terms of the Performance-Based Award were satisfied; provided, however, that a Performance-Based Award may be paid without regard to the satisfaction of the applicable Performance Goal in the event of the Participant's death or permanent disability or in the event of a Change in Control as provided in Section 7(b).

(5) Terms and Conditions of Awards; Committee Discretion to Reduce Performance Awards. The Committee shall have discretion to determine the conditions, restrictions or other limitations, in accordance with the terms of this Plan and Code Section 162(m), on the payment of individual Performance-Based Awards under this Section 4(b). The Committee may reserve the right to reduce the amount payable in accordance with any standards or on any other basis (including the Committee's discretion), as the Committee may impose.

(6) Interpretation. Except as specifically provided in this Section 4(b), the provisions of this Section 4(b) shall be interpreted and administered by the Committee in a manner consistent with the requirements for exemption of Performance-Based Awards granted to Executive Officers as "performance-based compensation" under Code Section 162(m) and regulations and other interpretations issued by the Internal Revenue Service thereunder.

(c) Non-Employee Directors. The Board may provide that all or a portion of a Non-Employee Director's annual retainer, meeting fees and/or other awards or compensation as determined by the Board, be payable (either automatically or at the election of a Non-Employee Director) in the form of Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock or Other Share-Based Awards, including unrestricted Stock and Share Units. The Board shall determine the terms and conditions of any such Awards, including the terms and conditions which shall apply upon a termination of the Non-Employee Director's service as a member of the Board, and shall have full power and authority in its discretion to administer such Awards, subject to the terms of the Plan and applicable law.

SECTION 5. Shares of Stock Available Under Plan.

(a) Aggregate Limits on Shares. (i) Subject to adjustment as provided in Section 5(b), Section 5(c) or Section 7, the maximum number of shares of Stock that may be issued pursuant to all Awards under the Plan (including Awards outstanding immediately after the effective time of the merger by and among SAIC, Engility Holdings, Inc., and Raptors Merger Sub, Inc.) is 1,198,010 (the "Share Reserve"); and (ii) the maximum number of shares of Stock that may be issued pursuant to all Awards of Incentive Stock Options is 1,198,010.

(b) Share Usage for Full Value Awards. Solely for purposes of calculating the number of shares of Stock available for Award grants pursuant to Section 5(a)(i), each share of Stock subject to Awards granted pursuant to the Plan shall be counted as one and sixty eight one-hundredths (1.68) shares, other than Awards of Options and Stock Appreciation Rights which shall continue to be counted as one (1) share.

(c) Addbacks of Shares. Any unexercised, unconverted or undistributed portion of any expired, cancelled, terminated or forfeited Award shall again be available for grants of Awards under Section 5(a), whether or not the Participant has received benefits of ownership (such as dividends or dividend equivalents or voting rights) during the period in which the Participant's ownership was restricted or otherwise not vested. To the extent an Award is settled in cash in lieu of issuing shares of Stock subject thereto, the number of shares of Stock subject to such an Award (or portion thereof) may again be available for grants of Awards under the Plan. In the event that withholding tax liabilities arising from an Award other than an Option or Stock Appreciation Right are satisfied by the tendering of shares (either actually or by attestation) or by the withholding of shares by the Corporation, the shares so tendered or withheld shall again be available for grants of Awards under the Plan. The foregoing provisions of this Section 5(c) shall be added back on the basis set forth in Section 5(d) below. For the avoidance of doubt, the following shares of Stock shall not become available for Awards under the Plan: (1) shares tendered by Participants or withheld by the Corporation as full or partial payment to the Corporation upon exercise of Options or other Awards granted under the Plan; (2) shares of Stock reserved for issuance upon the grant of Stock Appreciation Rights, to the extent the number of reserved shares exceeds the number of shares actually issued upon exercise of the Stock Appreciation Rights under the Plan; (3) shares withheld by, or otherwise remitted to, the Corporation to satisfy a Participant's tax withholding obligations upon the exercise of Options or Stock Appreciation Rights under the Plan; and (4) shares of Stock reacquired by the Corporation on the open market or otherwise using cash proceeds from the exercise of Options under the Plan.

(d) Any shares of Stock that again become available for grant pursuant to Section 5(c) shall be added back as (i) one (1) share for every one (1) share subject to Options or Stock Appreciation Rights granted under the Plan, and (ii) as 1.68 shares for every one (1) share subject to Awards other than Options or Stock Appreciation Rights granted under the Plan.

(e) Treasury Shares; No Fractional Shares. The Stock which may be issued (which term includes Stock reissued or otherwise delivered) pursuant to an Award under this Plan may be treasury or authorized but unissued Stock or Stock acquired, subsequently or in anticipation of a transaction under this Plan, in the open market or in privately negotiated transactions to satisfy the requirements of this Plan. No fractional shares shall be issued but fractional interests may be accumulated and any such accumulated fractional interests shall be rounded down to the nearest whole share.

(f) Consideration. The Stock issued under this Plan may be issued (subject to Section 10(d)) for any lawful form of consideration, the value of which equals the par value of the Stock or such greater or lesser value as the Committee, consistent with Sections 10(d) and 4(a)(1), (2) and (3), may require.

(g) Purchase or Exercise Price; Withholding. The exercise or purchase price (if any) of the Stock issuable pursuant to any Award and any withholding obligation under applicable tax laws shall be paid at or prior to the time of the delivery of such Stock in cash or, subject to the Committee's express authorization and the restrictions, conditions and procedures as the Committee may impose, any one or combination of (i) cash, (ii) the delivery of shares of Stock, or (iii) a reduction in the amount of Stock or other amounts otherwise issuable or payable pursuant to such Award. In the case of a payment by the means described in clause (ii) or (iii) above, the Stock to be so delivered or offset shall be determined by reference to the Fair Market Value of the Stock on the date as of which the payment or offset is made, and any shares of Stock so tendered or withheld for taxes will be at the minimum statutory rate, or if permitted by the Corporation, such other rate as will not cause adverse accounting consequences and is permitted under applicable withholding rules.

(h) Cashless Exercise. The Committee may also permit the exercise of the Award and payment of any applicable withholding tax in respect of an Award by delivery of written notice, subject to the Corporation's receipt of a third party payment in full in cash (or in such other form as permitted under Section 5(f)) for the exercise price and the applicable withholding at or prior to the time of issuance of Stock, in the manner and subject to the procedures as may be established by the Committee.

(i) Limitations on Director Grants. Notwithstanding anything herein to the contrary, the aggregate value of all compensation paid or granted, as applicable, to any individual for service as a Non-Employee Director with respect to any calendar year, including equity Awards granted and cash fees paid by the Corporation to such Non-Employee Director, shall not exceed five hundred thousand dollars (\$500,000) in value, calculating the value of any equity Awards granted during such calendar year based on the grant date fair value of such Awards for financial reporting purposes. The Board may make exceptions to the applicable limit in this Section 10.3 for individual Non-Employee Directors in extraordinary circumstances, such as where any such individual Non-Employee Directors are serving on a special litigation, transactions or other special committee of the Board, as the Board may determine in its discretion, provided that the Non-Employee Director receiving such additional compensation may not participate in the decision to award such compensation involving such Non-Employee Director.

SECTION 6. Award Agreements.

Each Award under this Plan shall be evidenced by an Award Agreement in a form approved by the Committee setting forth the number of shares of Stock or Share Units, as applicable, subject to the Award, and the price (if any) and term of the Award and, in the case of Performance-Based Awards, the applicable Performance Goals, if any. The Award Agreement shall also set forth (or incorporate by reference) other material terms and conditions applicable to the Award as determined by the Committee consistent with the limitations of this Plan.

(a) Incorporated Provisions. Award Agreements shall be subject to the terms of this Plan and shall be deemed to include the following terms:

(1) Transferability: Unless otherwise designated by the Committee, an Award shall not be assignable or transferable, except by will or by the laws of descent and distribution, and during the lifetime of a Participant the Award shall be exercised only by such Participant or by his or her guardian or legal representative; provided, that the Committee shall not have the authority to provide for transfers for consideration. An Award exercisable after the death of a Participant may be exercised by the legatees, personal representatives or distributees of the

Participant. The designation of a Beneficiary hereunder shall not constitute a transfer prohibited by the foregoing provisions.

(2) Rights as Stockholder: A Participant shall have no rights as a holder of Stock with respect to any unissued securities covered by an Award until the date the Participant becomes the holder of record of these securities. Except as provided in Section 7, no adjustment or other provision shall be made for dividends or other stockholder rights, except to the extent that the Award Agreement provides for dividend equivalents or similar economic benefits.

(3) Withholding: The Participant shall be responsible for payment of any taxes or similar charges required by law to be withheld from an Award or an amount paid in satisfaction of an Award and these obligations shall be paid by the Participant on or prior to the payment of the Award. In the case of an Award payable in cash, the withholding obligation shall be satisfied by withholding the applicable amount and paying the net amount in cash to the Participant. In the case of an Award paid in shares of Stock, a Participant shall satisfy the withholding obligation as provided in Section 5(g). (4) Maximum Term of Awards. No Option or Stock Appreciation Right may be exercised or converted to any extent or remain outstanding and unexercised, unconverted or unvested more than ten years after the date such Option or Stock Appreciation Right was initially granted. The Committee may provide, at or after grant, that the period of time over which an Option, other than an Incentive Stock Option, or Stock Appreciation Right may be exercised shall be automatically extended if on the scheduled expiration of such Award, the Participant's exercise of such Award would violate applicable securities law or any insider trading policy of the Corporation; provided, however, that during the extended exercise period the Option or Stock Appreciation Right may only be exercised to the extent such Award was exercisable in accordance with its terms immediately prior to such scheduled expiration date; provided further, however, that such extended exercise period shall end not later than thirty (30) days after the exercise of such Option or Stock Appreciation Right first would no longer violate such laws.

(b) Other Provisions. Award Agreements may include other terms and conditions as the Committee shall approve, including but not limited to the following:

(1) Termination of Employment: A provision describing the treatment of an Award in the event of the retirement, disability, death or other termination of a Participant's employment with or services to the Corporation, including any provisions relating to the vesting, exercisability, forfeiture or cancellation of the Award in these circumstances, subject, in the case of Performance-Based Awards, to the requirements for "performance-based compensation" under Code Section 162(m).

(2) Vesting; Effect of Termination; Change in Control: Any other terms consistent with the terms of this Plan as are necessary and appropriate to effect the Award to the Participant, including but not limited to the vesting provisions, any requirements for continued employment, any other restrictions or conditions (including performance requirements) of the Award, and the method by which (consistent with Section 7) the restrictions or conditions lapse, and the effect on the Award of a Change in Control. Unless otherwise provided by the Committee in the applicable Award Agreement, (1) the minimum vesting period for Awards of Restricted Stock shall be three years from the date of grant (or one year in the case of Restricted Stock Awards that are Performance-Based Awards) and (2) the vesting period of an Award of Restricted Stock may not be accelerated to a date that is within such minimum vesting period except in the event of the Participant's death, permanent disability or retirement or in the event of a Change in Control; provided, however, that the foregoing limitations shall not apply to Awards to Non-Employee Directors (in their capacity as such).

(3) Replacement and Substitution: Any provisions permitting or requiring the surrender of outstanding Awards or securities held by the Participant in whole or in part in order to exercise or realize rights under or as a condition precedent to other Awards, or in exchange for the grant of new or amended Awards under similar or different terms; provided, that except in connection with an adjustment contemplated by Section 7, no such provisions of an Award Agreement shall permit a "Repricing" as defined in Section 8(d).

(4) Dividends and Dividend Equivalents: Any provisions providing for the payment of dividends or dividend equivalents on unissued shares of Stock or unpaid Share Units underlying an Award, on either a current or deferred or contingent basis, and either in cash or in additional shares of Stock; provided, however, that except under the circumstances set forth in Section 7 below, dividend equivalents may not be paid with respect to Awards

of Options or Stock Appreciation Rights, and any dividend or dividend equivalent rights granted with respect to Other Share-Based Awards, including Performance-Based Awards and restricted stock units, shall not be paid unless and until the underlying shares of Stock to which such dividend or dividend equivalent rights relate vest.

(c) Contract Rights, Forms and Signatures. Any obligation of the Corporation to any Participant with respect to an Award shall be based solely upon contractual obligations created by this Plan and an Award Agreement. No Award shall be enforceable until the Award Agreement has been signed on behalf of the Corporation by an Executive Officer (other than the recipient) or his or her delegate. By accepting receipt of the Award Agreement, a Participant shall be deemed to have accepted and consented to the terms of this Plan and any action taken in good faith under this Plan by and within the discretion of the Committee, the Board of Directors or their delegates, including but not limited to the incorporation of any applicable clawback policy adopted by the Board or the Committee at any time. Unless the Award Agreement otherwise expressly provides, there shall be no third party beneficiaries of the obligations of the Corporation to the Participant under the Award Agreement.

SECTION 7. Adjustments; Change in Control; Acquisitions.

(a) Adjustments. If there shall occur any recapitalization, stock split (including a stock split in the form of a stock dividend), reverse stock split, merger, combination, consolidation, or other reorganization or any extraordinary dividend or other extraordinary distribution in respect of the Stock (whether in the form of cash, Stock or other property), or any split-up, spin-off, extraordinary redemption, or exchange of outstanding Stock, or there shall occur any other similar corporate transaction or event in respect of the Stock, or a sale of substantially all the assets of the Corporation as an entirety, then the Committee shall, in the manner and to the extent, if any, as it deems appropriate and equitable to the Participants and consistent with the terms of this Plan, and taking into consideration the effect of the event on the holders of the Stock:

(1) proportionately adjust any or all of:

(A) the number and type of shares of Stock and Share Units which thereafter may be made the subject of Awards (including the specific maximum limits and numbers of shares of Stock or Share Units set forth elsewhere in this Plan),

(B) the number and type of shares of Stock, other property, Share Units or cash subject to any or all outstanding Awards,

(C) the grant, purchase or exercise price, or conversion ratio of any or all outstanding Awards, or of the Stock, other property or Share Units underlying the Awards,

(D) the securities, cash or other property deliverable upon exercise or conversion of any or all outstanding Awards,

(E) subject to Section 4(b), the performance targets or standards appropriate to any outstanding Performance-Based Awards, or

(F) any other terms as are affected by the event; and/or

(2) provide for:

(A) an appropriate and proportionate cash settlement or distribution, or

(B) the substitution or exchange of any or all outstanding Awards, or the cash, securities or property deliverable on exercise, conversion or vesting of the Awards.

The Committee shall act prior to an event described in this paragraph (a) (including at the time of an Award by means of more specific provisions in the Award Agreement) if deemed necessary or appropriate to permit the Participant to realize the benefits intended to be conveyed by an Award in respect of the Stock in the case of an event described in paragraph (a).

(b) Change in Control. The Committee may, in the Award Agreement, provide for the effect of a Change in Control on an Award. Such provisions may include, but are not limited to any one or more of the following with respect to any or all Awards: (i) the specific consequences of a Change in Control on the Awards; (ii) a reservation of the Committee's right to determine in its discretion at any time that there shall be full acceleration or no acceleration of benefits under the Awards; (iii) that only certain or limited benefits under the Awards shall be accelerated; (iv) that the Awards shall be accelerated for a limited time only; or (v) that acceleration of the Awards shall be subject to additional conditions precedent (such as a termination of employment following a Change in Control).

In addition to any action required or authorized by the terms of an Award, the Committee may take any other action it deems appropriate to ensure the equitable treatment of Participants in the event of a Change in Control, including but not limited to any one or more of the following with respect to any or all Awards: (i) the acceleration or extension of time periods for purposes of exercising, vesting in, or realizing gain from, the Awards; (ii) the waiver of conditions on the Awards that were imposed for the benefit of the Corporation, (iii) provision for the cash settlement of the Awards for their equivalent cash value (based solely on the Fair Market Value of the Award), as determined by the Committee, as of the date of the Change in Control; or (iv) such other modification or adjustment to the Awards as the Committee deems appropriate to maintain and protect the rights and interests of Participants upon or following the Change in Control, including the cancellation of any Options or Stock Appreciation Rights whose exercise price (or base price, as the case may be) is less than the Fair Market Value of a share of Stock on the date of the Change in Control. The Committee also may accord any Participant a right to refuse any acceleration of exercisability, vesting or benefits, whether pursuant to the Award Agreement or otherwise, in such circumstances as the Committee may approve.

Notwithstanding the foregoing provisions of this Section 7(b) or any provision in an Award Agreement to the contrary, if any Award to any Insider is accelerated to a date that is less than six months after the date of the Award, the Committee may prohibit a sale of the underlying Stock (other than a sale by operation or law in exchange for or through conversion into other securities), and the Corporation may impose legend and other restrictions on the Stock to enforce this prohibition.

(c) Change in Control Definition. For purposes of this Plan, with respect to any Award other than an Award issued pursuant to an Award Agreement that separately defines the term "change in control," a change in control shall include and be deemed to occur upon the following events:

(1) The acquisition by any person or group (including a group within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act), other than the Corporation or any of its Subsidiaries, of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of a majority of the combined voting power of the Corporation's then outstanding voting securities, other than by any employee benefit plan maintained by the Corporation;

(2) The sale of all or substantially all of the assets of the Corporation or any successor thereto;

(3) The consummation of a merger, combination, consolidation, recapitalization, or other reorganization of the Corporation with one or more other entities that are not Subsidiaries if, as a result of the consummation of such transaction less than 50 percent of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be beneficially owned in the aggregate by the stockholders of the Corporation immediately prior to the event; or

(4) The election, including the filling of vacancies, during any period of 24 months or less, of 50 percent or more, of the members of the Board, without the approval of Continuing Directors, as constituted at the beginning of such period. "Continuing Directors" shall mean any director of the Corporation who either (i) is a member of the Board on January 14, 2019e, or (ii) is nominated for election to the Board by a majority of the Board which is comprised of Directors who were, at the time of such nomination, Continuing Directors; *provided*, however, that no individual shall be considered a Continuing Director if such individual initially assumed office as a result of the actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (a "Proxy Contest") including by reason of any agreement intended to avoid or settle any Proxy Contest; or

Notwithstanding the foregoing, unless otherwise provided in the applicable Award Agreement, solely for the purpose of determining the timing of any payments pursuant to any Award constituting a "deferral of compensation" subject to Section 409A of the Code, a Change in Control shall mean a "change in the ownership"

of the Corporation, a “change in the effective control” of the Corporation, or a “change in the ownership of a substantial portion of the assets” of the Corporation as such terms are defined in Section 1.409A-3(i)(5) of the Treasury Regulations.

(d) Business Acquisitions. Awards may be granted under this Plan on the terms and conditions as the Committee considers appropriate, which may differ from those otherwise required by this Plan to the extent necessary to reflect a substitution for or assumption of stock incentive awards held by employees of other entities who become employees of the Corporation or a Subsidiary as the result of a merger of the employing entity with, or the acquisition of the property or stock of the employing entity by, the Corporation or a Subsidiary (an “Acquisition”), directly or indirectly (such awards, “Substitute Awards”). Substitute Awards shall not be counted against the limitations set forth in Section 5(a) nor be added back pursuant to Section 5(c), provided that Substitute Awards issued in connection with the assumption of, or in substitution for, Incentive Stock Options shall be counted against the limits set forth in Section 5(a)(ii) of the Plan. Additionally, in the event that a company acquired by the Corporation or any Subsidiary or with which the Corporation or any Subsidiary combines has shares available under a pre-existing plan approved by stockholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the Shares authorized for grant under the Plan; provided that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not Employees or Directors prior to such acquisition or combination.

SECTION 8. Administration.

(a) Committee Authority and Structure. This Plan and all Awards granted under this Plan shall be administered by the Compensation Committee of the Board or such other committee of the Board or subcommittee of the Compensation Committee as may be designated by the Board and constituted so as to permit this Plan to comply with the disinterested administration requirements of Rule 16b-3 under the Exchange Act and the “outside director” requirement of Code Section 162(m). The members of the Committee shall be designated by the Board. A majority of the members of the Committee (but not fewer than two) shall constitute a quorum. The vote of a majority of a quorum or the unanimous written consent of the Committee shall constitute action by the Committee.

(b) Selection and Grant. The Committee shall have the authority to determine the individuals (if any) to whom Awards will be granted under this Plan, the type of Award or Awards to be made, and the nature, amount, pricing, timing, and other terms of Awards to be made to any one or more of these individuals, subject to the terms of this Plan.

(c) Construction and Interpretation. The Committee shall have the power to interpret and administer this Plan and Award Agreements, and to adopt, amend and rescind related rules and procedures. All questions of interpretation and determinations with respect to this Plan, the number of shares of Stock, Options, Stock Appreciation Rights, or units or other Awards granted, and the terms of any Award Agreements, the adjustments required or permitted by Section 7, and other determinations hereunder shall be made by the Committee and its determination shall be final and conclusive upon all parties in interest. In the event of any conflict between an Award Agreement and any non-discretionary provisions of this Plan, the terms of this Plan shall govern.

(d) Express Authority to Change Terms of Awards. The Committee may, at any time, alter or amend any or all Award Agreements under this Plan in any manner that would be authorized for a new Award under this Plan, including but not limited to any manner set forth in Section 9 (subject to any applicable limitations thereunder), except that no amendment or cancellation of an Award may effect a Repricing of such Award, except in connection with an adjustment pursuant to Section 7 or with the prior approval of the Corporation’s shareholders. A “Repricing” means any of the following: (i) changing the terms of an Award to lower its exercise price or base price, (ii) cancelling an Award with an exercise price or base price in exchange for other Awards with a lower exercise price or base price, or (iii) cancelling an Award with an exercise price or base price at a time when such price is equal to or greater than the Fair Market Value of the underlying Stock in exchange for other Awards, cash or property. Without limiting the Committee’s authority under this plan (including Sections 7 and 9), but subject to

any express limitations of this Plan (including the prohibitions on Repricing set forth in this Section 8(d)), the Committee shall have the authority to accelerate the exercisability or vesting of an Award, to extend the term or waive early termination provisions of an Award (subject to the maximum ten-year term under Section 6(a)(4)), and to waive the Corporation's rights with respect to an Award or restrictive conditions of an Award (including forfeiture conditions), in any case in such circumstances as the Committee deems appropriate.

(e) Rule 16b-3 Conditions; Bifurcation of Plan. It is the intent of the Corporation that this Plan and Awards hereunder satisfy and be interpreted in a manner, that, in the case of Participants who are or may be Insiders, satisfies any applicable requirements of Rule 16b-3, so that these persons will be entitled to the benefits of Rule 16b-3 or other exemptive rules under Section 16 under the Exchange Act and will not be subjected to avoidable liability thereunder as to Awards intended to be entitled to the benefits of Rule 16b-3. If any provision of this Plan or of any Award would otherwise frustrate or conflict with the intent expressed in this Section 8(e), that provision to the extent possible shall be interpreted and deemed amended so as to avoid such conflict. To the extent of any remaining irreconcilable conflict with this intent, the provision shall be deemed disregarded as to Awards intended as Rule 16b-3 exempt Awards. Notwithstanding anything to the contrary in this Plan, the provisions of this Plan may at any time be bifurcated by the Board or the Committee in any manner so that certain provisions of this Plan or any Award Agreement intended (or required in order) to satisfy the applicable requirements of Rule 16b-3 are only applicable to Insiders and to those Awards to Insiders intended to satisfy the requirements of Rule 16b-3.

(f) Delegation and Reliance. The Committee may delegate to the officers or employees of the Corporation the authority to make grants hereunder and to otherwise execute and deliver those instruments and documents, to do all acts and things, and to take all other steps deemed necessary, advisable or convenient for the effective administration of this Plan in accordance with its terms and purpose, except that the Committee may not delegate any discretionary authority to grant or amend an award or with respect to substantive decisions or functions regarding this Plan or Awards as these relate to the material terms of Performance-Based Awards to Executive Officers or to the timing, eligibility, pricing, amount or other material terms of Awards to Insiders. In making any determination or in taking or not taking any action under this Plan, the Board and the Committee may obtain and may rely upon the advice of experts, including professional advisors to the Corporation. No director, officer, employee or agent of the Corporation shall be liable for any such action or determination taken or made or omitted in good faith.

(g) Exculpation and Indemnity. Neither the Corporation nor any member of the Board of Directors or of the Committee, nor any other person participating in any determination of any question under this Plan, or in the interpretation, administration or application of this Plan, shall have any liability to any party for any action taken or not taken in good faith under this Plan or for the failure of an Award (or action in respect of an Award) to satisfy Code requirements as to incentive stock options or to realize other intended tax consequences, to qualify for exemption or relief under Rule 16b-3 or to comply with any other law, compliance with which is not required on the part of the Corporation.

SECTION 9. Amendment and Termination of this Plan.

The Board of Directors may at any time amend, suspend or discontinue this Plan, subject to any stockholder approval that may be required under applicable law. Notwithstanding the foregoing, no such action by the Board or the Committee shall, in any manner adverse to a Participant other than as expressly permitted by the terms of an Award Agreement, affect any Award then outstanding and evidenced by an Award Agreement without the consent in writing of the Participant or, to the extent applicable, a Beneficiary, a Participant's family member or a trust (or similar estate planning entity) established for the benefit of a Participant and/or one or more of the Participant's family members entitled to an Award. Notwithstanding the above, any amendment that would (i) materially increase the aggregate number of shares of Stock or other equity interest(s) that may be issued hereunder, (ii) materially modify the requirements as to eligibility for participation in this Plan, (iii) effect a Repricing, or (iv) otherwise require shareholder approval under the listing standards of the New York Stock Exchange (or such other principal market in which the Corporation's shares are traded) or any other law or regulation, shall be subject to shareholder approval.

SECTION 10. Miscellaneous.

(a) **Unfunded Plans.** This Plan shall be unfunded. Neither the Corporation nor the Board of Directors nor the Committee shall be required to segregate any assets that may at any time be represented by Awards made pursuant to this Plan. Neither the Corporation, the Committee, nor the Board of Directors shall be deemed to be a trustee of any amounts to be paid or securities to be issued under this Plan.

(b) **Rights of Employees.**

(1) **No Right to an Award.** Status as an Employee shall not be construed as a commitment that any one or more Awards will be made under this Plan to an Employee or to Employees generally. Status as a Participant shall not entitle the Participant to any additional Award.

(2) **No Assurance of Employment or Other Service Relationship.** Nothing contained in this Plan (or in any other documents related to this Plan or to any Award) shall confer upon any Employee or Participant any right to continue in the employ or other service of the Corporation or any Subsidiary or constitute any contract (of employment or otherwise) or limit in any way the right of the Corporation or any Subsidiary to change a person's compensation or other benefits or to terminate the employment or services of a person with or without cause.

(c) **Effective Date; Duration.** This Plan has been adopted by the Board of Directors of the Corporation and will amend and restate the previous plan as set forth herein effective as of January 14, 2019. This Plan shall remain in effect until any and all Awards under this Plan have been exercised, converted or terminated under the terms of this Plan and applicable Award Agreements. Notwithstanding the foregoing, no Award may be granted under this Plan after the tenth anniversary of May 26, 2016; provided, however, that any Award granted prior to such date may be amended after such date in any manner that would have been permitted hereunder prior to such date.

(d) **Compliance with Laws.** This Plan, Award Agreements, and the grant, exercise, conversion, operation and vesting of Awards, and the issuance and delivery of shares of Stock and/or other securities or property or the payment of cash under this Plan, Awards or Award Agreements, are subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal insider trading, registration, reporting and other securities laws and federal margin requirements) and to such approvals by any listing, regulatory or governmental authority as may be necessary or, in the opinion of counsel for the Corporation, advisable in connection therewith. Any securities delivered under this Plan shall be subject to such restrictions (and the person acquiring such securities shall, if requested by the Corporation, provide such evidence, assurance and representations to the Corporation as to compliance with any of such restrictions) as the Corporation may deem necessary or desirable to assure compliance with all applicable legal requirements.

(e) **Awards to Non-U.S. Participants.** The Committee shall have the power and authority to determine which service providers outside the United States shall be eligible to participate in the Plan. Without amending the Plan, the Committee may grant Awards to eligible persons who are foreign nationals and/or reside outside the United States on such terms and conditions different from those specified in this Plan as may in the judgment of the Committee be necessary or desirable to foster and promote achievement of the purposes of this Plan. The Committee may adopt, amend or rescind rules, procedures or sub-plans relating to the operation and administration of the Plan to accommodate the specific requirements of local laws, procedures, and practices.

(f) **Section 409A.** Notwithstanding other provisions of the Plan or any Award Agreements thereunder, no Award shall be granted, deferred, accelerated, extended, paid out or modified under this Plan in a manner that would result in the imposition of an additional tax under Section 409A of the Code upon a Participant. In the event that it is reasonably determined by the Board or Committee that, as a result of Section 409A of the Code, payments in respect of any Award under the Plan may not be made at the time contemplated by the terms of the Plan or the relevant Award agreement, as the case may be, without causing the Participant holding such Award to be subject to taxation under Section 409A of the Code, the Corporation will make such payment on the first day that would not result in the Participant incurring any tax liability under Section 409A of the Code; which, if the Participant is a "specified employee" within the meaning of the Section 409A, shall be the first day following the six-month period beginning on the date of Participant's termination of Employment. Notwithstanding the foregoing, each Participant is solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on him or her, or in respect of any payment or benefit delivered in connection with the Plan (including any taxes and penalties under Section 409A of the Code), and the Corporation shall not have any obligation to indemnify or otherwise hold any Participant harmless from any or all such taxes or penalties.

(g) Applicable Law. This Plan, Award Agreements and any related documents and matters shall be governed by, and construed in accordance with, the laws of the State of Delaware and applicable Federal law.

(h) Non-Exclusivity of Plan. Nothing in this Plan shall limit or be deemed to limit the authority of the Corporation, the Board or the Committee to grant awards or authorize any other compensation, with or without reference to the Stock, under any other plan or authority.

(i) Corporation Clawback Policy. Notwithstanding any provision of the Plan or any Award Agreement to the contrary, the Corporation may require the Participant to return shares of Stock (or the value of such Stock when originally released to Participant), dividends paid thereon and any other amount required by law to be returned, in the event that such repayment is required in order to comply with any Corporation compensation recovery (or other clawback) policy as then in effect or any laws or regulations relating to restatements of the Corporation's publicly-reported financial results.

ENGILITY HOLDINGS, INC.
SECOND AMENDED AND RESTATED
2012 LONG TERM PERFORMANCE PLAN
PERFORMANCE UNIT AWARD AGREEMENT

This Performance Unit Award Agreement (this "Agreement"), effective as of the Grant Date (as defined below), is between Engility Holdings, Inc., a Delaware corporation (the "Corporation"), and the Participant (as defined below). Any term capitalized but not defined in this Agreement will have the meaning set forth in the Engility Holdings, Inc. Second Amended and Restated 2012 Long Term Performance Plan (the "Plan"). The Plan provides for the grant of Performance-Based Awards to key employees of the Corporation or its Affiliates as approved by the Committee. In exercise of its discretion under the Plan, the Committee has determined that the Participant should receive a Performance-Based Award of Share Units subject to the terms and restrictions set forth herein under the Plan and, accordingly, the Corporation and the Participant hereby agree as follows:

1. Definitions. The following terms shall have the following meanings for purposes of this Agreement:

(a) "Cause" means the Participant's: (i) intentional failure to perform reasonably assigned duties, which failure the Participant does not cure within fifteen days of the Corporation providing written notice of such failure; (ii) personal dishonesty or willful misconduct in the performance of duties; (iii) breach of fiduciary duties to the Corporation involving personal profit; (iv) willful violation of any law, rule or regulation in connection with the performance of duties (other than traffic violations or similar offenses); or (v) any act by a Participant involving fraud, any breach by Participant of applicable regulations of competent authorities in relation to trading or dealing with stocks, securities, investments and the like or any willful or grossly negligent act by the Participant resulting in an investigation by the Securities and Exchange Commission, which, in the case of this subdivision (v), the Board reasonably determines materially adversely affects the Corporation or the Participant's ability to perform his or her duties to the Corporation. For purposes of this definition, an act, or failure to act, on Participant's part shall be deemed "willful" if done, or omitted to be done, by the Participant in bad faith and without reasonable belief that the action or omission was in the best interest of the Corporation. For purposes of this definition, "Corporation" includes any applicable Subsidiary, Successor and any Subsidiary of a Successor.

(b) "Good Reason" means any of the following actions, without the Participant's express prior written approval: (i) any material reduction in base salary, annual cash incentive opportunity or long-term incentive opportunity, (ii) subject to the terms and conditions of the applicable plan(s), any failure by the Corporation to continue to provide employee benefits to the Participant that are substantially similar in the aggregate to those afforded to persons of comparable title and position of the Corporation or applicable Subsidiary (for this purpose employee benefits shall mean retirement, fringe and welfare benefits); (iii) any material adverse change in the Participant's duties or responsibilities; (iv) any relocation of the Participant's principal place of business of 50 miles or more, provided that such relocation also increases the Participant's commute by at least 25 miles; or (v) any failure to pay amounts earned by the Participant within ten (10) days after the date such compensation is due. For purposes of this definition, "Corporation" includes any applicable Subsidiary, Successor and any Subsidiary of a Successor.

(c) "Grant Date" shall mean [MM/DD/YY].

(d) "Participant" shall mean [EMPLOYEE NAME].

(e) "Performance Units" shall mean the Performance-Based Award of Share Units subject to the terms and restrictions set forth herein, as further described on Exhibit A.

(f) “Qualified Retirement” means the Participant (A) terminates employment with the Corporation and its subsidiaries other than for Cause (and is not subject to termination for Cause at the time of such termination) after [MM/DD/YY], (B) is available for consultation with the Corporation or any of its subsidiaries at the reasonable request of the Corporation or one of its subsidiaries and (C) terminates employment on or after attaining age 65 and completing at least five years of service in the aggregate with the Corporation and its subsidiaries (which service must be continuous through the date of termination except for a single break in service that does not exceed one year in length).

(g) “Shares” shall mean a number of shares of the Corporation’s Common Stock, par value \$0.01 per share, equal to the number of Performance Units, subject to adjustment as set forth in Exhibit A hereto.

(h) “Subsidiary” shall mean, as to any person, any corporation, association, partnership, joint venture or other business entity of which 50% or more of the voting stock or other equity interests (in the case of entities other than corporations), is owned or controlled (directly or indirectly) by that entity, or by one or more of the Subsidiaries of that entity, or by a combination thereof.

(i) “Successor” means the entity surviving a Change in Control (as defined in the Plan) transaction involving the Corporation or Engility Corporation, and includes any entity of which such survivor is a Subsidiary and any entity which acquires all or substantially all of the assets of the Corporation.

(j) “Target Award” shall mean the target number of Performance Units set forth on Exhibit A hereof, which represents the target number of Performance Units that may be settled and released to the Participant pursuant to this Award. The actual number of Performance Units granted hereunder that will vest pursuant to this Award shall be determined in accordance with Exhibit A hereof.

2. Grant. The Corporation hereby grants an Award of the Performance Units to the Participant as set forth on Exhibit A, each of which represents the right to receive one Share (or the Fair Market Value thereof) upon the expiration of the Restricted Period (as defined below) and otherwise subject to the terms, conditions and restrictions set forth in the Plan and this Agreement. The Corporation shall cause an account (the “Unit Account”) to be established and maintained on the books of the Corporation to record the number of Performance Units credited to the Participant under the terms of this Agreement. The Participant’s interest in the Unit Account shall be that of a general, unsecured creditor of the Corporation.

3. Restricted Period. Except as otherwise provided in Sections 6 and 7 hereof, the “Restricted Period” shall mean the period beginning on the Grant Date and expiring on the third anniversary of the Grant Date, but only if (a) and to the extent the Corporation has achieved the performance targets set forth on Exhibit A (and the other terms and conditions set forth therein have been met) as certified by the Committee in accordance with the Plan, and (b) subject to Section 7(b) hereof, the Participant has remained in service with the Corporation or any of its Affiliates continuously until that date; provided, that if later, the Restricted Period shall end on the date on which the Committee provides the certification set forth in (a) above.

4. Settlement. The Participant shall be entitled to settlement of the Performance Units covered by this Agreement at the time that the Restricted Period ends with respect to such Performance Units pursuant to Section 3 or Section 6. Such settlement shall be made as promptly as practicable thereafter (but in no event after the thirtieth day following the end of the Restricted Period) through, in the sole discretion of the Committee, either (a) the issuance to the Participant (or to the executors or administrators of Participant’s estate in the event of the Participant’s death) of a stock certificate (or evidence such Stock has been registered in book entry form in the name of the Participant with the relevant stock agent) for a number of shares of Stock equal to the number of such vested Performance Units, or (b) a payment of cash to the Participant (or to the executors or administrators of Participant’s estate in the event of the Participant’s death) equal to the Fair Market Value of the Stock that would otherwise have been issued pursuant to (a) above.

5. Restrictions on Transfer. The Performance Units may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by Participant other than by will or the laws of descent and distribution. Any sale, assignment, transfer, pledge, hypothecation, loan or other disposition other than in accordance with this Section 5 shall be null and void.

6. Change in Control During Restricted Period. Upon the occurrence of a Change in Control,

(a) In the event the Successor assumes the Award granted hereby, (i) any in process Performance Periods shall end upon the date immediately preceding the Change in Control, (ii) the number of Performance Units that shall be eligible to vest shall be (A) the Target Award, if less than one-half of the Performance Period has elapsed prior to the effective date of the Change in Control, or (B) the actual number of Performance Units that would have vested if the date of the Change in Control were the end of the Performance Period and the actual performance as of that date had been the actual performance for the entire Performance Period, if one-half or more of the Performance Period has elapsed prior to the effective date of the Change in Control, (iii) the Restricted Period will end on the third anniversary of the Grant Date, and (iv) notwithstanding Section 7 below, in the event the Participant's employment with the Successor is terminated without Cause by the Successor, or for Good Reason by the Participant, prior to the expiration of the Restricted Period, the number of Performance Units otherwise eligible to vest pursuant to this paragraph shall immediately vest (and the Restricted Period with respect thereto shall immediately terminate) and be settled in accordance with Section 4 upon the Participant's termination of employment.

(b) In the event the Successor does not assume the Award granted hereby, the Restricted Period shall end with respect to a number of Performance Units equal to (A) the Target Award, if less than one-half of the Performance Period has elapsed prior to the effective date of the Change in Control, or (B) the actual number of Performance Units that would have vested if the date of the Change in Control were the end of the Performance Period and the actual performance as of that date had been the actual performance for the entire Performance Period, if one-half or more of the Performance Period has elapsed prior to the effective date of the Change in Control, and the appropriate number of Performance Units shall become vested and settled in accordance with Section 4.

For purposes of evaluating performance for any shortened Performance Period, appropriate adjustments to the performance targets, performance periods and the determination of actual performance shall be made by the Committee to carry out the intent of this paragraph 6.

7. Termination of Employment During Restricted Period. In the event that the Participant's employment with the Corporation and its Subsidiaries is terminated prior to the expiration of the Restricted Period,

(a) except as otherwise provided in subsection (b) below, the Participant shall forfeit the Performance Units and all of the Participant's rights hereunder shall cease; and

(b) in the event that the Participant's employment with the Corporation and its subsidiaries is terminated on account of a Qualified Retirement, the Participant shall not forfeit the Performance Units, and the Performance Units shall be continue to be governed by Section 3 to Section 6 (inclusive) of this Agreement as if the Participant's employment had not terminated, except that the number of Performance Units that would otherwise be settled pursuant to Section 4 or Section 6 shall be multiplied by a fraction, the numerator of which is the number of days during the Performance Period during which the Participant was employed by the Corporation (or any subsidiary) and the denominator of which is the total number of days in the Performance Period, and such reduced number of Performance Units shall be settled in accordance with this Agreement; *provided, however*, that the Participant shall forfeit all rights to the Performance Units if following a Qualified Retirement and prior to the settlement of the Performance Units, the Participant (A) directly or indirectly, either as principal, manager, agent, consultant, officer, stockholder, partner, investor, lender or employee or in any other capacity, carries on, is engaged in or has any financial interest in, any (i) entity which is in Competition with the business of the Corporation or its Affiliates or (ii) Competitive Activity or (B) on his or her own behalf or on behalf of any person, firm or company, directly

or indirectly, solicits or offers employment to any person who is or has been employed by the Corporation or its Affiliates at any time during the twelve (12) months immediately preceding such solicitation; *provided further*, that in the event of a Change in Control following a Qualified Retirement, the number of Performance Units that shall be eligible to vest shall be determined in accordance with Section 6 above, and the number of Performance Units so determined shall immediately vest (and the Restricted Period with respect thereto shall immediately terminate) and be settled in accordance with Section 4 upon the Change in Control. For purposes of this Section 7(b):

(i) an entity shall be deemed to be in "Competition" with the Corporation or its Affiliates if it is principally involved in the purchase, sale or other dealing in any property or the rendering of any service purchased, sold, dealt in or rendered by the Corporation or its Affiliates as a part of the business of the Corporation or its Affiliates within the same geographic area in which the Corporation effects such sales or dealings or renders such services at the Relevant Date;

(ii) "Competitive Activity" shall mean any business into which the Corporation or any of its Affiliates has taken substantial steps to engage, as of the Relevant Date, which would be deemed to be in Competition with the business of the Corporation or its Affiliates if such steps had been completed prior to the Relevant Date; and

(iii) "Relevant Date" shall mean the effective date of the termination of the Participant's employment with the Corporation and its subsidiaries.

Notwithstanding the foregoing, the Committee shall have the discretion to provide for the vesting of all or a portion of the Performance Units and the settlement thereof upon or following the Participant's termination of employment in circumstances such as Participant's death, disability or retirement (other than a Qualified Retirement) as the Committee shall determine in its sole discretion. The Participant's rights to the Performance Units shall not be affected by any change in the nature of the Participant's employment so long as the Participant continues to be an employee or other applicable service provider, within the discretion of the Committee, of the Corporation or any of its Subsidiaries.

8. Dividends. If the Corporation pays a cash dividend on its common stock, the Participant shall accrue in his or her Dividend Account (as defined below) a cash dividend equivalent with respect to the maximum number of Performance Units issuable pursuant to this Agreement as of the record date for the dividend. The Corporation shall cause an account (the "Dividend Account") to be established and maintained as part of the records of the Corporation to evidence the aggregate cash dividend equivalents accrued by the Participant from time to time under this Section. No interest shall accrue on any amounts reflected in the Dividend Account. The Participant's interest in the amounts reflected in the Dividend Account shall be that of a general, unsecured creditor of the Corporation. Subject to, and as promptly as practicable following, the settlement of the Share Units pursuant to Section 4 hereunder, the Corporation shall pay an amount in cash (without interest and subject to applicable withholding taxes) to the Participant (or his or her permitted transferee(s) who are issued Stock or cash pursuant to Section 4 hereunder) equal to the aggregate cash dividend equivalents accrued in the Participant's Dividend Account with respect to the vested Performance Units settled with the Participant and the Participant's Dividend Account shall be eliminated at that time. In the event that the Participant forfeits his or her rights to all or any portion of the Performance Units (or such Performance Units are otherwise cancelled on account of the Company's actual performance), the Participant also shall forfeit his or her rights to any cash dividend equivalents accrued in the Participant's Dividend Account with respect to such forfeited Share Units and the Participant's Dividend Account shall be eliminated at that time. For the avoidance of doubt, no dividend equivalent rights shall accrue under this Section 8 with respect to a dividend on the Corporation's Stock in the event that any applicable adjustments pursuant to Section 11 hereof provide similar benefits.

9. No Right to Continued Employment. Nothing in this Agreement or the Plan shall be interpreted or construed to confer upon the Participant any right to continue employment by the Corporation or any of its subsidiaries, nor shall this Agreement or the Plan interfere in any way with the right of the

Corporation or any of its subsidiaries to terminate the Participant's employment at any time for any reason whatsoever, whether or not with cause.

10. No Rights as a Stockholder. The Participant's interest in the Performance Units shall not entitle the Participant to any rights as a stockholder of the Corporation. The Participant shall not be deemed to be the holder of, or have any of the rights and privileges of a stockholder of the Corporation in respect of, the shares of Stock unless and until such shares have been issued to the Participant in accordance with Section 4.

11. Adjustments Upon Change in Capitalization. In the event of any reorganization, merger, consolidation, recapitalization, reclassification, stock split, spin-offs, stock dividend or similar capital adjustment, as a result of which shares of any class shall be issued in respect of outstanding shares of the Corporation's Stock or shares of Corporation's Stock shall be changed into a different number of shares or into another class or classes or into other property or cash, the number of Performance Units shall be adjusted to reflect such event so as to preserve (without enlarging) the value of the award hereunder, with the manner of such adjustment to be determined by the Committee in its sole discretion. This paragraph shall also apply with respect to any extraordinary dividend or other extraordinary distribution in respect of the Corporation's Common Stock (whether in the form of cash or other property).

12. Company Clawback Policy. Notwithstanding any provision of the Plan or this Agreement to the contrary, the Corporation may require the Participant to return shares of Stock (or the value of such Stock when originally released to Participant), cash paid to the Participant upon settlement of the Performance Units, cash paid from the Dividend Account and any other amount required by law to be returned, in the event that such repayment is required in order to comply with the Corporation's clawback policy as then in effect or any laws or regulations relating to restatements of the Corporation's publicly-reported financial results.

13. General Restrictions. Notwithstanding anything in this Agreement to the contrary, the Corporation shall have no obligation to issue the Stock as contemplated by this agreement unless and until such transfer shall comply with all relevant provisions of law and the requirements of any stock exchange on which the Corporation's shares are listed for trading.

14. Tax Withholding. Upon the expiration or termination of the Restricted Period, the Participant shall remit to the Corporation the minimum amount necessary to satisfy Federal, state, local or foreign withholding tax requirements, if any ("Withholding Taxes") as a condition to the Corporation's issuance of any Stock (and any related dividend equivalent amounts) or cash as provided in Section 4. The payment shall be in cash, unless otherwise provided by the Corporation to allow (i) the delivery of shares of Stock, (ii) a reduction in the number of shares of Stock otherwise deliverable or other amounts otherwise payable to the Participant pursuant to this Agreement, or (iii) a combination of (i) and/or (ii). The value of any Stock delivered or withheld as payment in respect of withholding tax requirements shall be determined by reference to the Fair Market Value of such Stock as of the date of such withholding or delivery. In the event that Withholding Taxes are satisfied by withholding a portion of the Stock otherwise deliverable to the Participant pursuant to this Agreement, the Corporation shall not withhold any Stock in excess of the minimum number of shares of Stock necessary to satisfy the applicable Withholding Taxes.

15. Plan Governs. The Participant hereby acknowledges receipt of a copy of the Plan and agrees to be bound by its terms, all of which are incorporated herein by reference. The Plan shall govern in the event of any conflict between this Agreement and the Plan.

16. Modification of Agreement. This Agreement may be modified, amended, suspended or terminated, and any terms or conditions may be waived, but, subject to the terms and conditions of the Plan and this Agreement, only by a written instrument executed by the parties hereto.

17. Section 409A. Notwithstanding anything herein to the contrary, to the maximum extent permitted by applicable law, the settlement of the Performance Units (including any dividend equivalent rights related thereto) to be made to the Participant pursuant to this Agreement is intended to qualify as a "short-term deferral" pursuant to Section 1.409A-1(b)(4) of the Regulations and this Agreement shall be interpreted consistently therewith. However, under certain circumstances, settlement of the Performance Units or any dividend equivalent rights may not so qualify, and in that case, the Committee shall administer the grant and settlement of such Performance Units and any dividend equivalent rights in strict compliance with Section 409A of the Code. Further, notwithstanding anything herein to the contrary, if at the time of a Participant's termination of employment with the Corporation and its Subsidiaries, the Participant is a "specified employee" as defined in Section 409A of the Code, and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of such termination of service is necessary in order to prevent the imposition of any accelerated or additional tax under Section 409A of the Code, then the Corporation will defer the commencement of the payment of any such payments or benefits hereunder (without any reduction in such payments or benefits ultimately paid or provided to the Participant) to the minimum extent necessary to satisfy Section 409A of the Code until the date that is six months and one day following the Participant's termination of employment with the Corporation (or the earliest date as is permitted under Section 409A of the Code), if such payment or benefit is payable upon a termination of employment. For purposes of this Agreement, a "termination of employment" shall have the same meaning as "separation from service" under Section 409A of the Code and Grantee shall be deemed to have remained employed so long as Grantee has not "separated from service" with the Corporation or Successor. Each payment of Performance Units (and related dividend equivalent units) constitutes a "separate payment" for purposes of Section 409A of the Code.

18. Severability. Should any provision of this Agreement be held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such holding and shall continue in full force in accordance with their terms.

19. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Delaware without giving effect to the conflicts of laws principles thereof. If the Participant has received a copy of this Agreement (or the Plan or any other document related hereto or thereto) translated into a language other than English, such translated copy is qualified in its entirety by reference to the English version thereof, and in the event of any conflict the English version will govern.

20. Successors in Interest. This Agreement shall inure to the benefit of and be binding upon any successor to the Corporation. This Agreement shall inure to the benefit of the Participant or the Participant's legal representatives. All obligations imposed upon the Participant and all rights granted to the Corporation under this Agreement shall be final, binding and conclusive upon the Participant's heirs, executors, administrators and successors.

21. Administration. The Committee shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Participant, the Corporation and all other interested persons. No member of the Committee shall be personally liable for any action determination or interpretation made in good faith with respect to the Plan or the Performance Units. In its absolute discretion, the Board of Directors may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan and this Agreement.

22. Resolution of Disputes. Any dispute or disagreement which may arise under, or as a result of, or in any way related to, the interpretation, construction or application of this Agreement shall be determined by the Committee. Any determination made hereunder shall be final, binding and conclusive on the Participant and Corporation for all purposes.

23. Data Privacy Consent. As a condition of the grant of the Performance Units, the Participant hereby consents to the collection, use and transfer of personal data as described in this paragraph. The Participant understands that the Corporation and its subsidiaries hold certain personal information about the Participant, including name, home address and telephone number, date of birth, social security number, salary, nationality, job title, ownership interests or directorships held in the Corporation or its subsidiaries, and details of all restricted units or other equity awards or other entitlements to shares of common stock awarded, cancelled, exercised, vested or unvested ("Data"). The Participant further understands that the Corporation and its subsidiaries will transfer Data among themselves as necessary for the purposes of implementation, administration and management of the Participant's participation in the Plan, and that the Corporation and any of its subsidiaries may each further transfer Data to any third parties assisting the Corporation in the implementation, administration and management of the Plan. The Participant understands that these recipients may be located in the European Economic Area or elsewhere, such as the United States. The Participant hereby authorizes them to receive, possess, use, retain and transfer such Data as may be required for the administration of the Plan or the subsequent holding of shares of common stock on the Participant's behalf, in electronic or other form, for the purposes of implementing, administering and managing the Participant's participation in the Plan, including any requisite transfer to a broker or other third party with whom the Participant may elect to deposit any shares of common stock acquired under the Plan. The Participant may, at any time, view such Data or require any necessary amendments to it.

24. Limitation on Rights; No Right to Future Grants; Extraordinary Item of Compensation. By accepting this Agreement and the grant of the Performance Units contemplated hereunder, the Participant expressly acknowledges that (a) the Plan is discretionary in nature and may be suspended or terminated by the Corporation at any time; (b) the grant of Performance Units is a one-time benefit that does not create any contractual or other right to receive future grants of Performance Units, or benefits in lieu of Performance Units; (c) all determinations with respect to future grants of Performance Units, if any, including the grant date, the number of shares of Stock granted and the restricted period, will be at the sole discretion of the Corporation; (d) the Participant's participation in the Plan is voluntary; (e) the value of the Performance Units is an extraordinary item of compensation that is outside the scope of the Participant's employment contract, if any, and nothing can or must automatically be inferred from such employment contract or its consequences; (f) grants of Performance Units are not part of normal or expected compensation for any purpose and are not to be used for calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments, and the Participant waives any claim on such basis; and (g) the future value of the Stock is unknown and cannot be predicted with certainty. In addition, except for the rights and benefits expressly provided herein, the Participant understands, acknowledges and agrees that the Participant will have no rights to compensation or damages related to the Performance Units in consequence of the termination of the Participant's employment for any reason whatsoever and whether or not in breach of contract.

25. Award Administrator. The Corporation may from time to time designate a third party (an "Award Administrator") to assist the Corporation in the implementation, administration and management of the Plan and any Performance Units granted thereunder, including by sending Award Letters on behalf of the Corporation to Participants, and by facilitating through electronic means acceptance of Performance Share Agreements by Participants.

26. Acceptance. This Agreement shall not be enforceable until it has been executed by the Participant. In the event the Corporation has designated an Award Administrator, the acceptance (including through electronic means) of the Performance Units Award contemplated by this Agreement in accordance with the procedures established from time to time by the Award Administrator shall be deemed to constitute the Participant's acknowledgment and agreement to the terms and conditions of this Agreement and shall have the same legal effect in all respects of the Participant having executed this Agreement by hand.

[signature page to follow]

By: ENGILITY HOLDINGS, INC.

Wayne M. Rehberger
Senior Vice President and Chief Financial Officer

Thomas O. Müller
Senior Vice President, General Counsel and
Corporate Secretary

Acknowledged and Agreed
as of the date first written above:

Participant Signature

***[Signature page to Engility Holdings, Inc. 2012 Second Amended and Restated Long Term Performance Plan
Performance Unit Award Agreement]***

ENGILITY HOLDINGS, INC.
 SECOND AMENDED AND RESTATED
 2012 LONG TERM PERFORMANCE PLAN
 RESTRICTED STOCK UNIT AGREEMENT
 (3 year staged vesting)

This Restricted Stock Unit Agreement (this "Agreement"), effective as of the Grant Date (as defined below), is between Engility Holdings, Inc., a Delaware corporation (the "Corporation"), and the Participant (as defined below).

1. Definitions. The following terms shall have the following meanings for purposes of this Agreement:

(a) "Cause" means the Participant's: (i) intentional failure to perform reasonably assigned duties, which failure the Participant does not cure within fifteen days of the Corporation providing written notice of such failure; (ii) personal dishonesty or willful misconduct in the performance of duties; (iii) breach of fiduciary duties to the Corporation involving personal profit; (iv) willful violation of any law, rule or regulation in connection with the performance of duties (other than traffic violations or similar offenses); or (v) any act by a Participant involving fraud, any breach by Participant of applicable regulations of competent authorities in relation to trading or dealing with stocks, securities, investments and the like or any willful or grossly negligent act by the Participant resulting in an investigation by the Securities and Exchange Commission, which, in the case of this subdivision (v), the Board reasonably determines materially adversely affects the Corporation or the Participant's ability to perform his or her duties to the Corporation. For purposes of this definition, an act, or failure to act, on Participant's part shall be deemed "willful" if done, or omitted to be done, by the Participant in bad faith and without reasonable belief that the action or omission was in the best interest of the Corporation. For purposes of this definition, "Corporation" includes any applicable Subsidiary, Successor and any Subsidiary of a Successor.

(b) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(c) "Good Reason" means any of the following actions, without the Participant's express prior written approval: (i) any material reduction in base salary, annual cash incentive opportunity or long-term incentive opportunity, (ii) subject to the terms and conditions of the applicable plan(s), any failure by the Corporation to continue to provide employee benefits to the Participant that are substantially similar in the aggregate to those afforded to persons of comparable title and position of the Corporation or applicable Subsidiary (for this purpose employee benefits shall mean retirement, fringe and welfare benefits); (iii) any material adverse change in the Participant's duties or responsibilities; (iv) any relocation of the Participant's principal place of business of 50 miles or more, provided that such relocation also increases the Participant's commute by at least 25 miles; or (v) any failure to pay amounts earned by the Participant within ten (10) days after the date such compensation is due. For purposes of this definition, "Corporation" includes any applicable Subsidiary, Successor and any Subsidiary of a Successor.

(d) "Grant Date" shall mean [MM/DD/YY].

(e) "Participant" shall mean [EMPLOYEE NAME].

(f) "Restricted Units" shall mean [# OF RSUs] restricted stock units.

(g) "Section 409A Change in Control Event" shall mean a change in ownership or effective control of the Corporation, or in the ownership of a substantial portion of the assets of the Corporation, within the meaning of Section 409A(a)(2)(A)(v) of the Code.

(h) "Shares" shall mean a number of shares of the Corporation's Common Stock, par value \$0.01 per share, equal to the number of Restricted Units.

(i) "Successor" means the entity surviving a Change in Control (as defined in the Plan) transaction involving the Corporation or Engility Corporation, and includes any entity of which such survivor is a Subsidiary and any entity that acquires all or substantially all of the assets of the Corporation.

2. Grant of Units. The Corporation hereby grants the Restricted Units to the Participant, each of which represents the right to receive one Share (or cash in lieu of Share as provided in Section 13 below) upon the expiration or termination of the Restricted Period (as defined below), subject to the terms, conditions and restrictions set forth in the Engility Holdings, Inc. Second Amended and Restated 2012 Long Term Performance Plan (the "Plan") and this Agreement.

3. Restricted Unit Account. The Corporation shall cause an account (the "Unit Account") to be established and maintained on the books of the Corporation to record the number of Restricted Units credited to the Participant under the terms of this Agreement. The Participant's interest in the Unit Account shall be that of a general, unsecured creditor of the Corporation.

4. Restricted Period. Except as otherwise provided in paragraphs 6 and 7 hereof, the "Restricted Period" (i) with respect to one-third (1/3) of the Restricted Units shall mean the period beginning on the Grant Date and expiring on the first anniversary of the Grant Date, (ii) with respect to an additional one-third (1/3) of the Restricted Units shall mean the period beginning on the Grant Date and expiring on the second anniversary of the Grant Date, and (iii) with respect to the remaining one-third (1/3) of the Restricted Units shall mean the period beginning on the Grant Date and expiring on the third anniversary of the Grant Date. Upon the expiration or termination of the Restricted Period, the Restricted Units shall be settled in accordance with Section 13.

5. Restrictions on Transfer During Restricted Period. Until the Restricted Period has expired or terminated, the Restricted Units shall not be sold, assigned, transferred, pledged, hypothecated, loaned, or otherwise disposed of, and during the Participant's lifetime the Participant's rights with respect to the Restricted Units shall be exercised only by such Participant or by his or her guardian or legal representative, except that the Restricted Units may be transferred by will or by the laws of descent and distribution. Any sale, assignment, transfer, pledge, hypothecation, loan or other disposition other than in accordance with this Section 5 shall be null and void.

6. Change in Control During Restricted Period. Unless otherwise determined by the Committee, upon the occurrence of a Change in Control in which the Successor assumes the Award granted hereby, the Restricted Period shall not terminate and the Restricted Period and the Restricted Units shall continue to be governed hereby and settled in accordance with Section 13; provided, however, in the event the Participant's employment with the Successor is terminated without Cause by the Successor, or for Good Reason by the Participant, following the Change in Control and prior to the expiration of the Restricted Period, the unvested Restricted Units shall immediately vest (and the Restricted Period with respect thereto shall immediately terminate) and be settled in accordance with Section 13 (subject to Section 26) upon the Participant's termination of employment. In the event of a Section 409A Change in Control in which the Successor does not assume this Award, the Restricted Period shall automatically terminate and the Restricted Units shall thereafter be settled in accordance with Section 13. In the event of any other Change in Control in which the Successor does not assume this Award, the Restricted Period shall not be immediately affected, but shall subsequently terminate (and the Restricted Units shall thereafter be settled in accordance with Section 13) upon the earliest to occur of: (a) a Section 409A Change in Control Event, (b) the Participant's death, (c) the six-month anniversary of the termination of the Participant's employment with the Corporation and its subsidiaries due to "disability" (as defined in Section 7(c) hereof) or (d) its regularly scheduled termination date.

7. Termination of Employment During Restricted Period.

(a) In the event that the Participant's employment with the Corporation and its subsidiaries is terminated (other than by reason of death, "retirement" or "disability," as defined below) prior to the expiration or termination of the Restricted Period and prior to the occurrence of a Change in Control, the Participant shall forfeit the Restricted Units and all of the Participant's rights hereunder shall cease (unless otherwise provided for by the Committee in accordance with the Plan). The Participant's

rights to the Restricted Units shall not be affected by any change in the nature of the Participant's employment so long as the Participant continues to be an employee of the Corporation or any of its subsidiaries.

(b) In the event the Participant terminates employment with the Corporation and its subsidiaries because of "retirement" prior to the expiration or termination of the Restricted Period, the provisions of Section 7(a) shall not apply, the Restricted Period shall not be affected and shall expire with the passage of time in accordance with paragraph 4, except that (i) in the event that the Participant dies following retirement but prior to the expiration of the Restricted Period, the Restricted Period shall immediately terminate and the Restricted Units shall thereafter be settled with the Participant's transferee(s) in accordance with Sections 5 and 13, (ii) in the event of a Section 409A Change in Control Event following a "retirement", the Restricted Period shall immediately terminate and the Restricted Units shall be settled in accordance with Section 13 upon the Section 409A Change in Control Event, and (iii) in the event of any other Change in Control, the Restricted Period shall not be immediately affected, but shall subsequently terminate (and the Restricted Units shall thereafter be settled in accordance with Section 13) upon the earliest to occur of: (A) a Section 409A Change in Control Event, (B) the Participant's death, or (C) its regularly scheduled termination date.

(i) For purposes of this Agreement, "retirement" means the Participant (A) terminates employment with the Corporation and its subsidiaries other than for Cause (and is not subject to termination for Cause at the time of such termination) after February 23, 2018, (B) is available for consultation with the Corporation or any of its subsidiaries at the reasonable request of the Corporation or one of its subsidiaries and (C) terminates employment on or after attaining age 65 and completing at least five years of service in the aggregate with the Corporation and its subsidiaries (which service must be continuous through the date of termination except for a single break in service that does not exceed one year in length).

(ii) Notwithstanding the foregoing, the Participant shall forfeit all rights to the unsettled Restricted Units if following retirement and during the Restricted Period applicable to such unsettled Restricted Units the Participant (A) directly or indirectly, either as principal, manager, agent, consultant, officer, stockholder, partner, investor, lender or employee or in any other capacity, carries on, is engaged in or has any financial interest in, any (i) entity which is in Competition with the business of the Corporation or its Affiliates or (ii) Competitive Activity or (B) on his or her own behalf or on behalf of any person, firm or company, directly or indirectly, solicits or offers employment to any person who is or has been employed by the Corporation or its Affiliates at any time during the twelve (12) months immediately preceding such solicitation.

(A) an entity shall be deemed to be in "Competition" with the Corporation or its Affiliates if it is principally involved in the purchase, sale or other dealing in any property or the rendering of any service purchased, sold, dealt in or rendered by the Corporation or its Affiliates as a part of the business of the Corporation or its Affiliates within the same geographic area in which the Corporation effects such sales or dealings or renders such services at the Relevant Date;

(B) "Competitive Activity" shall mean any business into which the Corporation or any of its Affiliates has taken substantial steps to engage, as of the Relevant Date, which would be deemed to be in Competition with the business of the Corporation or its Affiliates if such steps had been completed prior to the Relevant Date; and

(C) "Relevant Date" shall mean the effective date of the termination of the Participant's employment with the Corporation and its subsidiaries.

(c) If the Participant's employment with the Corporation and its subsidiaries is terminated because of death, the Restricted Period shall automatically terminate and the Restricted Units shall thereafter be settled with the Participant (or to the Participant's transferee(s) under Section 5 as the

case may be) in accordance with Section 13. If the Participant's employment with the Corporation and its subsidiaries is terminated because of "disability," the provisions of Section 7(a) shall not apply, the Restricted Period shall not be immediately affected, but shall subsequently terminate (and the Shares shall thereafter be settled in accordance with Section 13) upon the earliest to occur of: (i) the six-month anniversary of the date of termination, (ii) the Participant's death, (iii) a Section 409A Change in Control Event or (iv) its regularly scheduled termination date. For purposes of this Agreement, disability means the Participant, as a result of incapacity due to physical or mental illness, becomes eligible for benefits under the long-term disability plan or policy of the Corporation or a subsidiary in which the Participant is eligible to participate.

(d) Whether (and the circumstances under which) employment has been terminated and the determination of the termination date for the purposes of this Agreement shall be determined by the Committee or (with respect to any employee other than an "Executive Officer" as defined under the Plan) its designee (who, at the date of this Agreement, shall be the Corporation's Senior Vice President and Chief Human Resources Officer), whose good faith determination shall be final, binding and conclusive; provided, that such designee may not make any such determination with respect to his or her own employment.

8. Dividends. If the Corporation pays a cash dividend on its common stock, the Participant shall accrue in his or her Dividend Account (as defined below) a cash dividend equivalent with respect to the Restricted Units credited to the Participant's Unit Account as of the record date for the dividend, with each Restricted Unit being equivalent to one share of common stock. The Corporation shall cause an account (the "Dividend Account") to be established and maintained as part of the records of the Corporation to evidence the aggregate cash dividend equivalents accrued by the Participant from time to time under this Section. No interest shall accrue on any amounts reflected in the Dividend Account. The Participant's interest in the amounts reflected in the Dividend Account shall be that of a general, unsecured creditor of the Corporation. Subject to, and as promptly as practicable following, the settlement of the Restricted Units pursuant to Section 13 hereunder, the Corporation shall pay an amount in cash (without interest and subject to applicable withholding taxes) to the Participant (or his or her transferee(s) who receive Shares or cash pursuant to Section 13 hereunder) equal to the aggregate cash dividend equivalents accrued in the Participant's Dividend Account and the Participant's Dividend Account shall be eliminated at that time. In the event that the Participant forfeits his or her rights to the Restricted Units, the Participant also shall forfeit his or her rights to any cash dividend equivalents accrued in the Participant's Dividend Account and the Participant's Dividend Account shall be eliminated at that time.

9. No Right to Continued Employment. Nothing in this Agreement or the Plan shall be interpreted or construed to confer upon the Participant any right to continue employment by the Corporation or any of its subsidiaries, nor shall this Agreement or the Plan interfere in any way with the right of the Corporation or any of its subsidiaries to terminate the Participant's employment at any time for any reason whatsoever, whether or not with cause.

10. No Rights as a Stockholder. The Participant's interest in the Restricted Units shall not entitle the Participant to any rights as a stockholder of the Corporation. The Participant shall not be deemed to be the holder of, or have any of the rights and privileges of a stockholder of the Corporation in respect of, the Shares unless and until Shares have been issued to the Participant in accordance Section 13.

11. Adjustments Upon Change in Capitalization. In the event of any reorganization, merger, consolidation, recapitalization, reclassification, stock split, stock dividend or similar capital adjustment, as a result of which shares of any class shall be issued in respect of outstanding shares of the Corporation's Common Stock or shares of Corporation's Common Stock shall be changed into a different number of shares or into another class or classes or into other property or cash, the Restricted Units, the Participant's Unit Account and/or the Shares shall be adjusted to reflect such event so as to preserve (without enlarging) the value of the award hereunder, with the manner of such adjustment to be

determined by the Committee in its sole discretion. This paragraph shall also apply with respect to any extraordinary dividend or other extraordinary distribution in respect of the Corporation's Common Stock (whether in the form of cash or other property).

12. General Restrictions. Notwithstanding anything in this Agreement to the contrary, the Corporation shall have no obligation to issue or transfer the Shares as contemplated by this agreement unless and until such issuance or transfer shall comply with all relevant provisions of law and the requirements of any stock exchange on which the Corporation's shares are listed for trading.

13. Settlement of Restricted Units. The Participant shall be entitled to settlement of the Restricted Units covered by this Agreement at the time that the Restricted Period ends with respect to such Restricted Units pursuant to this Agreement. Subject to Section 14, such settlement shall be made as promptly as practicable thereafter (and in any event within 75 days of the termination or expiration of the Restricted Period) through, in the sole discretion of the Committee, either (a) the issuance to the Participant (or to the executors or administrators of Participant's estate in the event of the Participant's death) of a stock certificate (or evidence such Shares have been registered in book entry form in the name of the Participant with the relevant stock agent) for a number of Shares equal to the number of such vested Restricted Units, or (b) a payment of cash to the Participant (or to the executors or administrators of Participant's estate in the event of the Participant's death) equal to the Fair Market Value of the Shares that would otherwise have been issued pursuant to (a) above; provided, that if the termination of the Restricted Period results from a Section 409A Change in Control Event, then notwithstanding the foregoing, the Shares (or cash) shall be paid within 30 days of the Section 409A Change in Control Event. Upon the settlement of the Restricted Units, the Participant's Unit Account shall be eliminated. Notwithstanding the provisions of this Section, if the Restricted Units have been transferred in accordance with the provisions of Section 5 prior to the settlement of the Restricted Units in accordance with this Section, then the issuance of the Shares or the payment of cash in lieu thereof shall be made to the transferee(s).

14. Tax Withholding. Upon the expiration or termination of the Restricted Period, the Participant shall remit to the Corporation the minimum amount necessary to satisfy Federal, state, local or foreign withholding tax requirements, if any ("Withholding Taxes") as a condition to the Corporation's issuance of any Shares (or payment of cash) as provided in Section 13. The payment shall be in (i) cash, (ii) the delivery of Shares, (iii) in the sole discretion of the Committee, a reduction in the number of Shares otherwise issuable or deliverable or other amounts otherwise payable to the Participant pursuant to this Agreement, or (iv) a combination of (i), (ii) and/or (iii). The value of any Shares delivered or withheld as payment in respect of withholding tax requirements shall be determined by reference to the Fair Market Value of such Shares as of the date of such withholding or delivery. In the event that Withholding Taxes are satisfied by withholding a portion of the Shares otherwise issuable or deliverable to the Participant pursuant to this Agreement, the Corporation shall not withhold any Shares in excess of the minimum number of Shares necessary to satisfy the applicable Withholding Taxes.

15. Subsidiary. As used herein, the term "subsidiary" shall mean, as to any person, any corporation, association, partnership, joint venture or other business entity of which 50% or more of the voting stock or other equity interests (in the case of entities other than corporations), is owned or controlled (directly or indirectly) by that entity, or by one or more of the Subsidiaries of that entity, or by a combination thereof.

16. Plan Governs. The Participant hereby acknowledges receipt of a copy of the Plan and agrees to be bound by its terms, all of which are incorporated herein by reference. The Plan shall govern in the event of any conflict between this Agreement and the Plan.

17. Modification of Agreement. This Agreement may be modified, amended, suspended or terminated, and any terms or conditions may be waived, but, subject to the terms and conditions of the Plan and this Agreement, only by a written instrument executed by the parties hereto.

18. Severability. Should any provision of this Agreement be held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such holding and shall continue in full force in accordance with their terms.

19. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Delaware without giving effect to the conflicts of laws principles thereof. If the Participant has received a copy of this Agreement (or the Plan or any other document related hereto or thereto) translated into a language other than English, such translated copy is qualified in its entirety by reference to the English version thereof, and in the event of any conflict the English version will govern.

20. Successors in Interest. This Agreement shall inure to the benefit of and be binding upon any successor to the Corporation. This Agreement shall inure to the benefit of the Participant or the Participant's legal representatives. All obligations imposed upon the Participant and all rights granted to the Corporation under this Agreement shall be final, binding and conclusive upon the Participant's heirs, executors, administrators and successors.

21. Administration. The Committee shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Participant, the Corporation and all other interested persons. No member of the Committee shall be personally liable for any action determination or interpretation made in good faith with respect to the Plan or the Restricted Units. In its absolute discretion, the Board of Directors may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan and this Agreement.

22. Resolution of Disputes. Any dispute or disagreement which may arise under, or as a result of, or in any way related to, the interpretation, construction or application of this Agreement shall be determined by the Committee. Any determination made hereunder shall be final, binding and conclusive on the Participant and Corporation for all purposes.

23. Data Privacy Consent. As a condition of the grant of the Restricted Units, the Participant hereby consents to the collection, use and transfer of personal data as described in this paragraph. The Participant understands that the Corporation and its subsidiaries hold certain personal information about the Participant, including name, home address and telephone number, date of birth, social security number, salary, nationality, job title, ownership interests or directorships held in the Corporation or its subsidiaries, and details of all restricted units or other equity awards or other entitlements to shares of common stock awarded, cancelled, exercised, vested or unvested ("Data"). The Participant further understands that the Corporation and its subsidiaries will transfer Data among themselves as necessary for the purposes of implementation, administration and management of the Participant's participation in the Plan, and that the Corporation and any of its subsidiaries may each further transfer Data to any third parties assisting the Corporation in the implementation, administration and management of the Plan. The Participant understands that these recipients may be located in the European Economic Area or elsewhere, such as the United States. The Participant hereby authorizes them to receive, possess, use, retain and transfer such Data as may be required for the administration of the Plan or the subsequent holding of shares of common stock on the Participant's behalf, in electronic or other form, for the purposes of implementing, administering and managing the Participant's participation in the Plan, including any requisite transfer to a broker or other third party with whom the Participant may elect to deposit any shares of common stock acquired under the Plan. The Participant may, at any time, view such Data or require any necessary amendments to it.

24. Limitation on Rights; No Right to Future Grants; Extraordinary Item of Compensation. By accepting this Agreement and the grant of the Restricted Units contemplated hereunder, the Participant

expressly acknowledges that (a) the Plan is discretionary in nature and may be suspended or terminated by the Corporation at any time; (b) the grant of Restricted Units is a one-time benefit that does not create any contractual or other right to receive future grants of restricted units, or benefits in lieu of restricted units; (c) all determinations with respect to future grants of restricted units, if any, including the grant date, the number of Shares granted and the restricted period, will be at the sole discretion of the Corporation; (d) the Participant's participation in the Plan is voluntary; (e) the value of the Restricted Units is an extraordinary item of compensation that is outside the scope of the Participant's employment contract, if any, and nothing can or must automatically be inferred from such employment contract or its consequences; (f) grants of restricted units are not part of normal or expected compensation for any purpose and are not to be used for calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments, and the Participant waives any claim on such basis; and (g) the future value of the underlying Shares is unknown and cannot be predicted with certainty. In addition, the Participant understands, acknowledges and agrees that the Participant will have no rights to compensation or damages related to restricted unit proceeds in consequence of the termination of the Participant's employment for any reason whatsoever and whether or not in breach of contract.

25. Award Administrator. The Corporation may from time to time to designate a third party (an "Award Administrator") to assist the Corporation in the implementation, administration and management of the Plan and any Restricted Units granted thereunder, including by sending Award Letters on behalf of the Corporation to Participants, and by facilitating through electronic means acceptance of Restricted Unit Agreements by Participants.

26. Section 409A. This Agreement is intended to comply with the provisions of Section 409A of the Code and the regulations promulgated thereunder. Without limiting the foregoing, the Committee shall have the right to amend the terms and conditions of this Agreement in any respect as may be necessary or appropriate to comply with Section 409A of the Code or any regulations promulgated thereunder. In the event that it is reasonably determined by the Board or Committee that, as a result of Section 409A of the Code, settlement of this Award may not occur at the time contemplated by the terms of this Agreement without causing the Participant to be subject to taxation under Section 409A of the Code, the Corporation will make such payment on the first day that would not result in the Participant incurring any tax liability under Section 409A of the Code; which, if the Participant is a "specified employee" within the meaning of the Section 409A, shall be the first day following the six-month period beginning on the date of Participant's termination of employment.

27. Book Entry Delivery of Shares. Whenever reference in this Agreement is made to the issuance or delivery of certificates representing one or more Shares, the Corporation may elect to issue or deliver such Shares in book entry form in lieu of certificates.

28. Acceptance. This Agreement shall not be enforceable until it has been executed by the Participant. In the event the Corporation has designated an Award Administrator, the acceptance (including through electronic means) of the Restricted Unit award contemplated by this Agreement in accordance with the procedures established from time to time by the Award Administrator shall be deemed to constitute the Participant's acknowledgment and agreement to the terms and conditions of this Agreement and shall have the same legal effect in all respects of the Participant having executed this Agreement by hand.

By: ENGLITY HOLDINGS, INC.

Wayne M. Rehberger
Senior Vice President and Chief Financial Officer

Thomas O. Miller
Senior Vice President, General Counsel and
Corporate Secretary

Acknowledged and Agreed
as of the date first written above:

Participant Signature

Subsidiaries of Registrant

Jurisdiction of Incorporation or Organization

SAIC International Holdings, Inc.	Delaware
SAIC Gemini Huntsville, LLC	Delaware
Odyssey Drive I, Ltd.	California
Engility Holdings, Inc.	Delaware
Engility Corporation	Massachusetts
Engility LLC	Delaware
Forfeiture Support Associates, LLC	Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements of Science Applications International Corporation:

- (1) Registration Statement (Form S-8 No. 333-191436)
- (2) Registration Statement (Form S-8 No. 333-203222)
- (3) Registration Statement (Form S-8 No. 333-229254)

of our reports dated March 29, 2019, with respect to the consolidated financial statements of Science Applications International Corporation and the effectiveness of internal control over financial reporting of Science Applications International Corporation included in this Annual Report (Form 10-K) of Science Applications International Corporation for the year ended February 1, 2019.

/s/ ERNST & YOUNG LLP

Tysons, Virginia
March 29, 2019

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-229254, 333-203222 and 333-191436 on Form S-8 of our report dated March 29, 2018, relating to the fiscal 2018 financial statements of Science Applications International Corporation and subsidiaries appearing in this Annual Report on Form 10-K of Science Applications International Corporation for the year ended February 1, 2019.

/s/ DELOITTE & TOUCHE LLP

McLean, Virginia

March 29, 2019

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Anthony J. Moraco, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended February 1, 2019 of Science Applications International Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 29, 2019

/s/ Anthony J. Moraco

Anthony J. Moraco
Chief Executive Officer

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Charles A. Mathis, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended February 1, 2019 of Science Applications International Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 29, 2019

/s/ Charles A. Mathis

Charles A. Mathis
Chief Financial Officer

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Science Applications International Corporation (the "Company") on Form 10-K for the period ended February 1, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Anthony J. Moraco, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 29, 2019

/s/ Anthony J. Moraco

Anthony J. Moraco
Chief Executive Officer

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Science Applications International Corporation (the "Company") on Form 10-K for the period ended February 1, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charles A. Mathis, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 29, 2019

/s/ Charles A. Mathis

Charles A. Mathis
Chief Financial Officer