

CSC Investor Highlights

1ST QUARTER REPORT

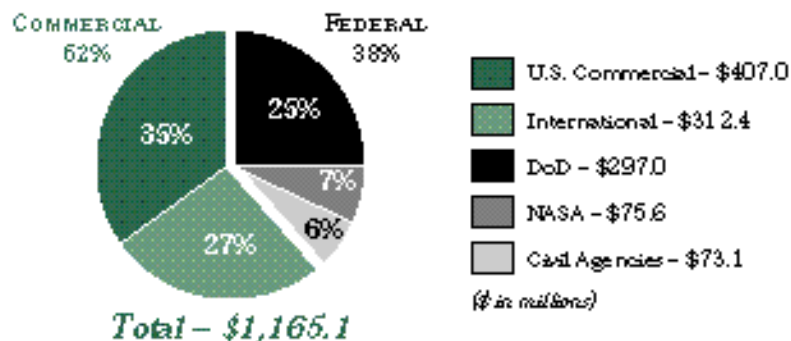
Investor Highlights -- Fiscal 1997 (Quarter Ended June 28, 1996)

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SUMMARY FY 1997 (THREE MONTHS)

- **\$100M in federal contracts announced.**
- **\$2,100M in commercial contracts announced (includes Pinnacle Alliance total).**

1ST QUARTER FY 1997 REVENUES BY MAJOR MARKET



CSC provides a full range of services to industry and government:

- [Management consulting and business reengineering.](#)
- [Systems consulting, design and integration.](#)
- [Systems operations and outsourcing](#)

FINANCIAL HIGHLIGHTS

(Unaudited. \$ in millions, except per share amounts.)

	Three Months Ended	
	6/28/96	6/30/95
Revenues	\$1,165.1	\$966.8
Net income	33.2	27.7
Earnings per share	0.58	0.49

CSC had \$5 billion in revenue for the 12 months ended 6/30/96. The company has more than 40,000 employees and over 600 offices worldwide.

CSC operates in a strong market environment. Growing demand stems from the increasing use of information technology. Corporations enlist CSC's help to attain strategic goals, and government agencies use its services to increase productivity and efficiency.

1st Quarter Ended

<i>In millions</i>	<i>June 28, 1996</i>	<i>June 30, 1995</i>	<i>% of Total FY97</i>	<i>% of Total FY96</i>
U.S. commercial	\$ 407.0	\$ 345.5	35%	36%
International	312.4	238.6	27	24
Global commercial	719.4	584.1	62	60
Department of Defense	297.0	224.6	25	24
NASA	75.6	79.0	7	8
Civil agencies	73.1	79.1	6	8
U.S. federal government	445.7	382.7	38	40
Total revenues	\$ 1,165.1	\$ 966.8	100%	100%

INVESTMENT DATA

NYSE: CSC

Recent closing price: \$67 3/4 (7/15/96)**52-Week Range: \$46 1/2 -- \$80 3/4****Shares Outstanding: 57.7 million****Shareholders: Approx. 50,600 Total****Institutional Ownership: 75%****Average Daily Trading Volume:****1st Quarter FY97 -- 310,467 Shares****LETTER TO SHAREHOLDERS -- February 7, 1996**

We reported earnings per share of 58 cents, up 18.4% from the 49 cents per share reported for the same quarter last year.

The first quarter's net income of \$33.2 million increased 20.0% over the year-ago quarter's \$27.7 million. Revenue for the quarter rose 20.5% to \$1,165.1 million, up from \$966.8 million reported for the first quarter of last year.

We had an excellent quarter, with solid growth in both revenue and income. Our international commercial revenue was particularly strong. We announced three important events during the quarter:

- April 29, a definitive agreement to acquire The Continuum Company -- a leading insurance and banking industry software and information technology services company. The shareholders of both companies approved the transaction July 31 and was effective August 1.
- May 13, a \$2 billion contract with J.P. Morgan won by a CSC-led consortium (The Pinnacle Alliance). The contract became effective July 16.
- May 29, a letter of intent to acquire American Practice Management (APM) -- the largest strategic consulting firm in North America dedicated to healthcare. The transaction was consummated on July 19.

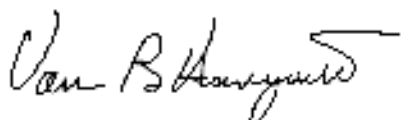
Each of these events further strengthens our ability to deliver industry-specific knowledge as well as corporate management consulting, systems integration, and outsourcing. Since the late 1980s we have offered the broadest scope of information technology skills and services in the industry, and we will continue to add to these to provide our clients superior service. Commercial revenue for the quarter, including both domestic and international activities, totaled \$719.4 million, up 23.2% compared with the \$584.1 million reported for the first quarter of fiscal 1996.

For the quarter just ended, U.S. commercial revenue rose to \$407.0 million, an increase of 17.8% from \$345.5 million last year. Approximately half the growth was provided by outsourcing, with the remainder coming from consulting and systems integration activities.

International revenue for the quarter rose to \$312.4 million, up 30.9% from \$238.6 million. The increase came principally from new outsourcing business signed over the last several quarters and also was aided by the acquisition last month of Datacentralen, a major provider of information technology services in Scandinavia.

Federal revenue for the first quarter was \$445.7 million, up 16.5% versus last year's \$382.7 million. The improvement in government revenue came principally from a significant increase in Department of Defense task order contract activity.

Our commercial and U.S. federal markets are robust, and there is significant opportunity for growth as we move through the fiscal year.



Van B. Honeycutt
President and Chief Executive Officer

MANAGEMENT CONSULTING AND BUSINESS REENGINEERING

Dramatically improves client organizations' operations. Often streamlines basic business processes. Examples:

- **EMI Records** -- Through reengineering, CSC helped one of the world's largest music companies transform how it manufactures and distributes compact discs, significantly improving EMI's performance in a highly competitive industry.
- **Wells Fargo** -- CSC helped reengineer the bank's lending operations and supporting systems, doubling the number of its California small business loans.

MORE



SYSTEMS CONSULTING, DESIGN AND INTEGRATION

Consults on, designs and builds information technology systems. Combines hardware, software and communications into more productive systems. Examples:

- **General Services Administration (GSA)** -- CSC is one of eight vendors selected to compete for \$840 million in technical support services tasks for the Federal Systems Integration and Management Center of the GSA.
- **Kay-Bee Toys** -- To meet its strategic goals of reducing inventory and gaining flexibility, the \$1 billion retailer turned to CSC to develop and implement a state-of-the-art warehousing and product distribution system linking five distribution centers.

U.S. Army -- With the award of a \$371 million contract, CSC provides command, control and communications technical engineering and integration services to the U.S. Army Communications Electronics Command.



SYSTEMS OPERATIONS AND OUTSOURCING

Directly operate clients' information systems. CSC sometimes acquires clients' systems/employees. Examples:

J.P. Morgan -- A CSC-led consortium known as The Pinnacle Alliance, including Andersen Consulting, AT&T Solutions and Bell Atlantic Network Integration, announced a seven-year, \$2 billion agreement to manage parts of J.P. Morgan's global technology infrastructure. The Pinnacle Alliance will manage data centers, distributing computing operations and certain internal corporate applications in the United States and Europe.

Johns Hopkins Health Systems -- Under a five-year outsourcing contract, CSC supports Johns Hopkins Health Care, a provider of world-class medical services, with systems and information technology services, using its managed care software to handle tasks such as eligibility verification and claims processing.


Hyatt Hotels Corp. -- The Alliance, an initiative between CSC and the SABRE Group's SABRE Decision Technologies division, will operate and enhance the state-of-the-art central reservation system used by the Hyatt Hotel chain worldwide through a five-year, \$72 million outsourcing pact.

U.S. government -- CSC is recognized as America's premier range support services contractor, performing that role at: the Air Force Flight Test Center, NASA's Wallops Flight Facility, the Pacific Missile Test Center, the U.S. Navy's Atlantic Undersea Test and Evaluation Center, NASA's Marshall Space Flight Center, and the Air Force Arnold Engineering Development & Test Center.

RESEARCH COVERAGE

Alex Brown (Ed Caso)
Barrington Research (Alex Paris)
Bear Stearns (Charlotte Walker)
Cowen & Co. (Hugh Shytle)
Dean Witter (Marie Rossi)
Deutsche Morgan Grenfeel
(Mark Wolfenberger)
Donaldson, Lufkin & Jenrette
(Thomas Rooney)
Duff & Phelps Equity Research
(Abhishek Gami)
Goldman Sachs (Greg Gould)
JP Morgan Securities (Bill Rabin)

Merrill Lynch (Steve McClellan)
 Morgan Stanley (David Togut)
 Oppenheimer & Co. (Moshe Katri)
 Robertson Stephens (Cathy Baker)
 Salomon Brothers (Jim Kissane)
 Smith Barney (Greg Gieber)
 Sound View Financial Group
 (Gary Helmig)
 Standard & Poors Corporation
 (Ronald Gross)
 Value Line (David Rosenfield)
 Wheat, First Securities (Jeff Newman)



CONDENSED BALANCE SHEETS (unaudited)

<i>In thousands</i>	<i>June 28, 1996</i>	<i>June 30, 1995</i>
<i>Assets:</i>		
Current assets	\$ 1,170,359	\$ 1,072,408
Property and equipment, net of depreciation and amortization	702,401	537,296
Excess of cost of businesses acquired over related net assets, net	435,789	436,735
Other assets	395,057	310,924
Total assets	<u>\$ 2,703,606</u>	<u>\$ 2,357,363</u>
<i>Liabilities and shareholders' equity:</i>		
Current liabilities	\$ 778,538	\$ 768,322
Long-term liabilities	574,118	410,112
Shareholders' equity	1,350,950	1,178,929
Total liabilities and shareholders' equity	<u>\$ 2,703,606</u>	<u>\$ 2,357,363</u>

CONDENSED STATEMENTS OF CASH FLOWS (unaudited)

<i>In thousands</i>	<i>Fiscal Year Ended</i>	
	<i>June 28, 1996</i>	<i>June 30, 1995</i>
<i>Cash flows from operating activities:</i>		
Net income	\$ 33,248	\$ 27,717
Adjustments to reconcile net income to net cash provided:		
Depreciation and amortization	66,165	54,588
Provision for losses on accounts receivable	2,658	6,412
Changes in assets and liabilities, net of effects of acquisitions:		
Increase in assets	(78,353)	(99,960)
Decrease in liabilities	(17,193)	(47,519)
Net cash provided by (used in) operating activities	6,525	(58,762)
Net cash used in investing activities	(126,028)	(95,350)
Net cash provided by financing activities	33,512	26,041
Net decrease in cash and equivalents	(85,991)	(128,071)
Cash and equivalents at beginning of period	104,867	155,310
Cash and equivalents at end of period	\$ 18,876	\$ 27,239

CONDENSED STATEMENTS OF INCOME (unaudited)

<i>In thousands except per share amounts</i>	<i>1st Quarter Ended</i>	
	<i>June 28, 1996</i>	<i>June 30, 1995</i>
Revenues	\$ 1,165,072	\$ 966,783
Costs of services	943,500	774,381
Selling, general and administrative	94,728	85,893
Depreciation and amortization	66,165	54,588
Interest expense	7,491	8,662
Interest income	(1,360)	(1,558)
Total costs and expenses	1,110,524	921,966
Income before taxes	54,548	44,817
Taxes on income	21,300	17,100
Net income	\$ 33,248	\$ 27,717
Earnings per common share	\$ 0.58	\$ 0.49
Average shares and equivalents	57,695	56,829

REVENUES BY MARKET SECTOR (unaudited)

1st Quarter Ended

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● SHAREHOLDER SERVICES

Registered shareholders with questions concerning the transfer or registration of their shares may call our Shareholder Relations office at (800) 542-3070.

For prompt assistance on address changes, consolidation of duplicate accounts or related matters, shareholders should write or call CSC's transfer agent:

Chemical Mellon
Shareholder Services LLC
P.O.Box 590
Ridgefield Park, New Jersey 07660
(800) 526-0801

● FINANCIAL COMMUNITY INFORMATION

Inquiries from institutional investors, financial analysts, and portfolio managers should be directed to:

Spencer Davis (310) 615-1700
Director, Investor Relations

Inquiries from individual shareholders and registered representatives should be directed to:

Annaliza Apostol (310) 615-1680
Investor Relations Representative

● LITERATURE REQUESTS

Receive reports via--

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CSC's home page address on the Internet:

<http://www.csc.com>

E-Mail inquiries are welcomed, CSC's Internet address is:

InvestorRelations@csc.com

ABOUT THIS ISSUE

This issue of *Investor Highlights* marks CSC's inaugural effort to provide a more "user-friendly" quarterly report.

INQUIRIES

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