



CSC Investor Highlights

3RD QUARTER REPORT

Investor Highlights -- Fiscal 1997 (Quarter Ended December 27, 1996)

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SUMMARY FY 1997 (NINE MONTHS)

\$1,470M in federal awards announced.
\$6,959M in commercial awards announced.

CSC's Business

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](#)

CSC had \$5.2 billion in revenue for the 12 months ended 9/27/96. 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.

LETTER TO SHAREHOLDERS -- February 10, 1997

We reported earnings per share of 73 cents for our third quarter. All prior periods have been restated to reflect our August 1 acquisition of The Continuum Company Inc., which was accounted for as a pooling of interests. For the third quarter of last year, restated earnings per share were 59 cents, prior to a special charge of 34 cents related to Continuum's December 1995 acquisition of SOCS, a Paris-based software and services company. This quarter's earnings per share of 73 cents represent a 23.7% increase over the 59 cents earned before the special charge for last year's third quarter.

Our revenue for the quarter rose to \$1.42 billion, up 15.0% from the \$1.24 billion for the third quarter of last year. Earnings for the quarter were \$57.4 million, compared with \$45.7 million for the year-ago quarter, prior to the after-tax \$26 million special charge related to the SOCS acquisition by Continuum in that quarter. As a percentage of revenue, earnings before the special charge improved to 4.0% for the quarter, up from 3.7% for the same quarter last year.

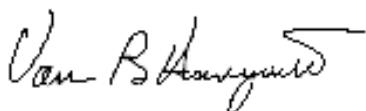
Earnings for the first nine months of this fiscal year were \$152.0 million, prior to a special non-recurring after-tax charge of \$35.3 million related to our second quarter acquisition of Continuum. This represents an increase of 25.3% compared with the \$121.2 million for the first nine months of last year, again prior to the special charge related to the SOCS acquisition discussed above. Revenue for the nine months was \$4.08 billion, up 18.3% from the \$3.45 billion for the prior year period. Earnings as a percentage of revenue for the nine months rose to 3.7% from 3.5% last year, excluding the special charges.

For the quarter just ended, U.S. commercial revenue rose to \$540 million, an increase of 17.8% from \$458 million last year. Nearly half the growth was provided by information technology outsourcing, with the remainder coming principally from consulting and systems integration activities.

International revenue for the quarter rose to \$490 million, up 34.0% from \$366 million last year. The increase came principally from our acquisition of majority interests in Datacentralen and Dan Computer Management, major providers of information technology services in Denmark; outsourcing business signed in previous periods; growth by Continuum; growth in our Australian operations; and increased revenue from international consulting and systems integration activities, especially in the German SAP consulting practice.

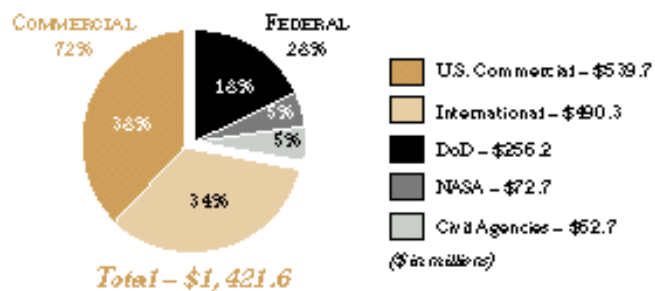
Our U.S. federal revenue for the third quarter was \$392 million versus last year's \$412 million. The 5.1% decline was due mainly to the completion of existing contracts. We have won a total of \$1.5 billion in new awards this fiscal year, are executing on several large task order awards previously won, and intend to bid on more than \$4 billion in federal contracts through the rest of this calendar year. Also, looking beyond 1997, the list of pending federal opportunities remains very strong.

We continued our strong growth during the third quarter. We announced nearly \$6 billion in new business, more than in any previous full year of operations in the company's history. Several large outsourcing awards and federal contract wins contributed strongly to this achievement. The largest announced agreements were those with DuPont, CNA Financial Corporation, ING Financial Services and the U.S. Army Space and Strategic Defense Command.



Van B. Honeycutt
President and Chief Executive Officer

3RD QUARTER FY 1997 REVENUES BY MAJOR MARKET



INVESTMENT DATA

NYSE: CSC

Recent closing price: \$67 (2/10/97)
52-Week Range: \$64 1/2 -- \$86 1/2
Shares Outstanding: 76.5 million
Shareholders: Approx. 60,000 Total
Institutional Ownership: 78%
Average Daily Trading Volume:
3rd Quarter FY97 -- 331,986 Shares

MORE



MANAGEMENT CONSULTING AND BUSINESS REENGINEERING

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

Release International -- Release International is one of the world's leading manufacturers of specialty coated papers and films. CSC is now managing the implementation, training the project team and providing key staffing positions for a number of consulting and I/T functions.

U.S. Air Force -- A world leader in the development and fielding of C4I systems at Hanscom Air Force Base, the CSC team analyzed the current acquisition process and devised a redesign that represents a significant increase in business value.

SYSTEMS CONSULTING, DESIGN AND INTEGRATION

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



Omnipoint Communications Inc. -- With the award of this five-year, multimillion dollar contract, CSC will provide billing and customer services to Omnipoint, which holds a license for the New York Major Trading Area (MTA), the most significant telecommunications market in the United States. PCS is the latest wave of the wireless communications network, and Omnipoint is one of the major players.

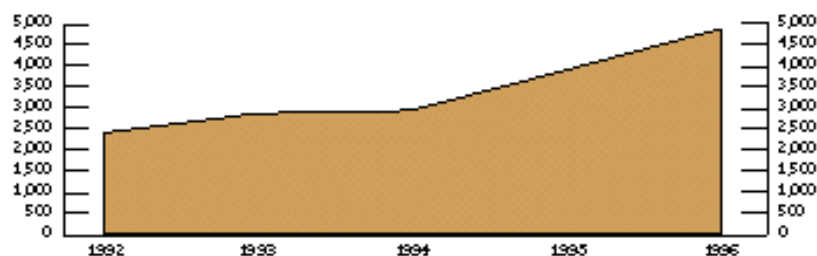


Defense Finance and Accounting Service (DFAS) -- Financial Systems Organization -- CSC will provide hardware migration and installation, systems modernization, maintenance, technology, documentation, training, quality assurance, project management, and economic and risk analysis. The services will directly support more than 200 DFAS automated information systems as well as ongoing software process improvement initiatives.

CSC REVENUE GROWTH FY 1992-1996 *(unaudited)*

CAGR -1.8%

\$ in millions



SYSTEMS OPERATIONS AND OUTSOURCING

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



DuPont -- Under the alliance, CSC and Andersen Consulting, will support the growth strategies of DuPont's businesses and increase shareholder value. CSC will operate DuPont's global information systems and technology infrastructure and will provide selected applications and software services.



ING FSI-North America (ING) -- CSC will consolidate several ING data center operations. For ING's U.S.-based life insurance companies, CSC will automate and streamline help-desk functions and manage all desktop support, and oversee local area network services. This agreement signals the new power of CSC and Continuum as a partner to the global financial services industry.



Mobil Oil -- CSC will supply I/T services to Mobil's European businesses. CSC will help the oil company reduce its operating costs.



National Oceanic and Atmospheric Administration (NOAA) -- National Oceanic and Atmospheric Administration (NOAA) -- CSC will provide project management, system design and analysis, programming, applications and system software development and maintenance, hardware maintenance, system/software engineering support, product assurance and procurement services.

MORE



RESEARCH COVERAGE

Alex Brown (Ed Caso)
 Barrington Research (Alex Paris)
 Bear Stearns (Jim Kissane)
 Cowen & Co. (Hugh Shytle)
 Dean Witter (Marie Rossi)
 Deutsche Morgan Grenfell
 (Mark Wolfenberger)
 Donaldson, Lufkin & Jenrette
 (Thomas Rooney)
 Duff & Phelps Equity Research
 (Abhishek Gami)
 Goldman Sachs (Greg Gould)
 JP Morgan Securities (Bill Rabin)
 Lehman Brothers (Patrick Burton/
 Karl Keirstead)

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

Condensed Balance Sheets (unaudited)

<i>In thousands</i>	<i>Dec. 27, 1996</i>	<i>Dec. 29, 1995</i>
<i>Assets:</i>		
Current assets	\$ 1,625,750	\$ 1,354,646
Property and equipment, net of depreciation and amortization	874,724	659,518
Excess of cost of businesses acquired over related net assets, net	530,531	462,172
Other assets	472,625	410,918
Total assets	\$ 3,503,630	\$ 2,887,254
<i>Liabilities and shareholders' equity:</i>		
Current liabilities	\$ 1,089,322	\$ 917,473
Long-term liabilities	804,425	566,335
Shareholders' equity	1,609,883	1,403,446
Total liabilities and shareholders' equity	\$ 3,503,630	\$ 2,887,254

Condensed Statements of Cash Flows (unaudited)

<i>In thousands</i>	<i>Nine Months</i>	
	<i>Dec. 27, 1996</i>	<i>Dec. 29, 1995</i>
<i>Cash flows from operating activities:</i>		
Net income	\$ 116,673	\$ 95,231
Adjustments to reconcile net income to net cash provided:		
Depreciation and amortization	241,738	194,159
Provision for losses on accounts receivable	13,281	15,059
Non-recurring charges, net of tax	13,574	26,000
Changes in assets and liabilities, net of effects of acquisitions:		
Increase in assets	(232,419)	(219,598)
Increase in liabilities	94,810	15,288
Net cash provided by operating activities	247,657	126,139
Net cash used in investing activities	(485,805)	(375,182)
Net cash provided by financing activities	216,148	107,543
Net decrease in cash and equivalents	(22,000)	(141,500)
Cash and equivalents at beginning of period	113,873	207,599
Cash and equivalents at end of period	\$ 91,873	\$ 66,099

Condensed Statements of Income (unaudited)

<i>In thousands except per share amounts</i>	<i>Third Quarter</i>		<i>Nine Months Ended</i>	
	<i>Dec. 27, 1996</i>	<i>Dec. 29, 1995</i>	<i>Dec. 27, 1996</i>	<i>Dec. 29, 1995</i>
Revenues	\$ 1,421,638	\$ 1,236,674	\$ 4,080,785	\$ 3,448,285
Costs of services	1,112,815	956,840	3,223,525	2,688,257
Selling, general and administrative	122,593	129,817	355,352	351,007
Depreciation and amortization	89,229	69,296	241,738	193,031
Interest expense	11,937	9,957	30,959	28,592
Interest income	(2,626)	(1,341)	(6,191)	(4,229)
Nonrecurring charges*		26,000	48,929	26,000
Total costs and expenses	1,333,948	1,190,569	3,894,312	3,282,658
Income before taxes	87,690	46,105	186,473	165,627
Taxes on income	30,300	26,384	69,800	70,396
Net income	\$ 57,390	\$ 19,721	\$ 116,673	\$ 95,231
Earnings per common share	\$ 0.73	\$ 0.25	\$ 1.49	\$ 1.24
Average shares and equivalents	78,494	77,708	78,114	76,819

*Non-recurring charges of \$48.9 million for the nine months ended December 27, 1996, relate to the August 1, 1996, acquisition of The Continuum Company Inc. The charge, net of income taxes, is \$35.3 million or 45 cents per share. During the quarter and nine months ended December 29, 1995, \$26 million of purchased research and development was expensed in connection with the acquisition by Continuum of SOCS Holding. The charge, which carried no tax deduction, is 34 cents per share.

Revenues By Market Sector (unaudited)

<i>In millions</i>	<i>Third Quarter</i>			
	<i>Dec. 27, 1996</i>	<i>Dec. 29, 1995</i>	<i>% of Total FY97</i>	<i>% of Total FY96</i>
U.S. commercial	\$ 539.7	\$ 458.3	38%	37%
International	490.3	365.9	34	30
Global commercial	1,030.0	824.2	72	67
Department of Defense	256.2	252.4	18	20
NASA	72.7	77.6	5	6
Civil agencies	62.7	82.5	5	7
U.S. federal government	391.6	412.5	28	33
Total revenues	\$ 1,421.6	\$ 1,236.7	100%	100%

<i>In millions</i>	<i>Nine Months Ended</i>			
	<i>Dec. 27, 1996</i>	<i>Dec. 29, 1995</i>	<i>% of Total FY97</i>	<i>% of Total FY96</i>
U.S. commercial	\$ 1,539.2	\$ 1,301.3	38%	38%
International	1,312.1	978.9	32	28
Global commercial	2,851.3	2,280.2	70	66
Department of Defense	806.6	700.9	20	20
NASA	223.4	234.1	5	7
Civil agencies	199.5	233.1	5	7
U.S. federal government	1,229.5	1,168.1	30	34
Total revenues	\$ 4,080.8	\$ 3,448.3	100%	100%

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
USA
(212) 613-7427
(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--

CSC's automated request line:
(310) 615-4455 or
CSC's facsimile service:
(800) 549-0676

INTERNET

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<http://www.csc.com>

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

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INQUIRIES

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