



CSC Investor Highlights

# 1ST QUARTER REPORT

Investor Highlights -- Fiscal 1998 (Quarter Ended June 27, 1997)

- [Letter To Shareholders](#)
- [Research Coverage](#)
- [Condensed Balance Sheets](#)
- [Condensed Statements of Cash Flows](#)
- [Condensed Statement of Income](#)
- [Revenues By Market Sector](#)

## CSC's Business

*Computer Sciences Corporation provides a full range of services to industry and government:*

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

*Corporations enlist CSC's expertise to attain strategic goals, and both industry and governments use its services to increase productivity and efficiency.*

*CSC operates in a strong, global market environment and is continuing to benefit from the growing demand for management consulting and information technology solutions worldwide.*

*CSC had \$5.8 billion in revenue for the 12 months ended 6/27/97. The company has more than 44,000 employees and more than 600 offices worldwide.*

## LETTER TO SHAREHOLDERS - July 24, 1997

We reported that earnings per share for our first quarter increased 15.5% to 67 cents per share from the 58 cents per share for the first quarter of last fiscal year. The current quarter earnings include a previously announced net special credit of 2 cents per share.

Including the net credit, the first quarter's net income of \$52.6 million increased 16.1% over the year-ago quarter's \$45.3 million. Revenue for the quarter rose 14.2% to \$1,488.8 million from \$1,303.9 million for the first quarter of last year.

The prior year amounts have been restated to reflect our August 1, 1996 acquisition of The Continuum Company, Inc., which was accounted for as a pooling of interests.

For the first quarter just ended, U.S. commercial revenue rose to \$604.8 million, an increase of 27.2% from \$475.4 million last year. About half of this growth was provided by information technology outsourcing, and another 20% came from last year's acquisitions of APM and Pinnacle Group, with the remainder being provided by our consulting and systems integration and development activities.

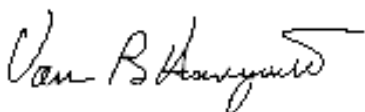
European revenue for the quarter rose to \$380.7 million, up 26.8% from \$300.3 million last year. The increase is primarily due to existing and new outsourcing contracts, our Scandinavian acquisitions, increases in consulting and systems integration activities throughout Europe, and growth in our German SAP consulting practice.

Other international revenue for the quarter was \$99.7 million, up 20.8% from \$82.5 million last year. The increase resulted mainly from expansion of our

international financial services business and our Australian operations.

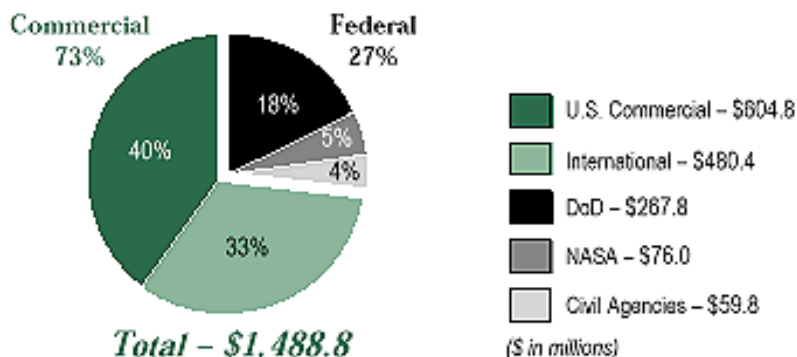
U.S. federal revenue for the first quarter was \$403.6 million versus last year's \$445.7 million. The decrease is largely due to the completion last year of several contracts. We won more than \$2 billion in new federal contracts last year and anticipate improving revenue from these contracts as this fiscal year unfolds.

During June we began work on our new DuPont information technology partnership and expect significant additional revenue from it during the rest of our fiscal year. Also, just after the end of the quarter, we announced our broadened Australian AMP information technology services contract valued at \$377 million (\$US) over the next six years. In addition, we expect our federal revenue to improve as we go through the rest of this year. Overall, the trend of business for CSC continues to be strong.



Van B. Honeycutt  
Chairman, President and Chief Executive Officer

## 1ST Quarter FY 1998 Revenues by Major Market



## INVESTMENT DATA

NYSE: CSC

Recent Closing Price: \$79 7/8 (7/24/97)

52-Week Range: \$64 1/8 - 86 1/2

Shares Outstanding: 78.5 million

Shareholders: Approx. 66,000 Total

Institutional Ownership: 63%

Average Daily Trading Volume:

1st Quarter FY98 - 445,255 Shares

## MANAGEMENT CONSULTING

MORE



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

**Merrill Lynch** -- CSC was engaged by the company's retail financial services group to assist with two major technology initiatives: the Trusted Global Advisor (TGA) system, a state-of-the-art network and information system to connect Merrill Lynch's 13,000 financial consultants; and Merrill Lynch OnLine, a personalized and secure information channel available to more than three million client users through the Internet.

**Gamog N.V.** -- A major natural gas distributor in the Netherlands, Gamog called upon CSC to help the company reduce its processing time and gas pipeline infrastructure management costs. CSC is now working closely with a project team composed of Gamog managers to develop the blueprint for a new network design.

## SYSTEMS CONSULTING, DESIGN AND INTEGRATION

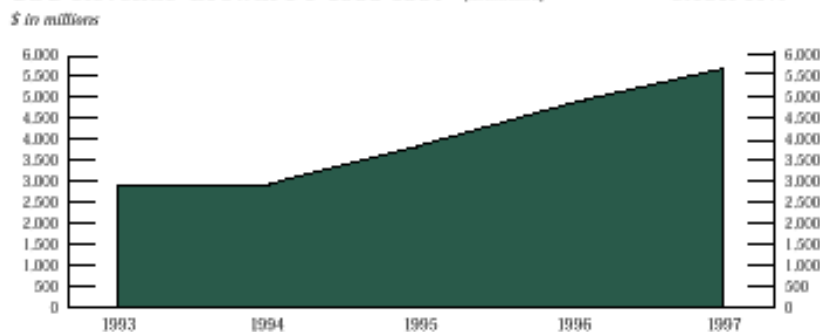
Designs, develops and builds information technology systems. Combines hardware, software and communications into more productive systems.

Examples:

**U.S. Army Communications and Electronics Command** -- As a sub-contractor to Bell Atlantic's contract team, CSC will provide data systems integration, as well as systems engineering and outsourcing services, including data network architecture design and management systems to the U.S. Army's Digital Switched Systems Modernization Program.

**Mahindra & Mahindra** -- With the ambition to be the world's leading tractor manufacturer by the year 2005, this Bombay, India-based company engaged CSC to help with a major program of modernization and process reengineering. After an initial diagnostic study, CSC redesigned and aligned the existing manufacturing system and helped Mahindra to streamline its supply chain, resulting in measurable reductions in stock and lead time, and significant improvements in quality.

CSC Revenue Growth FY 1993-1997 (unaudited) CAGR-19%



## SYSTEMS OPERATIONS AND OUTSOURCING

Directly operate clients' information systems. CSC often acquires clients' systems and employees. Examples:

**DuPont** -- CSC is supporting the growth strategies of DuPont's various businesses to help increase shareholder value. CSC will operate DuPont's global information systems and technology infrastructure and provide selected applications and software services.

**ING FSI-North America (ING)** -- CSC is consolidating several ING data center operations. For ING's U.S.-based life insurance companies, CSC is automating and streamlining help-desk functions, managing all desktop support, and overseeing local area network services.

**Mobil Oil** -- CSC is supplying information technology services to Mobil's European businesses aimed at helping the oil company to reduce its operating costs.

**Australian Mutual Provident Society (AMP)** -- CSC Australia will provide mid-range data processing and desktop services to AMP in Australia. CSC Australia will also purchase, operate and upgrade AMP's wide area network.

MORE



## RESEARCH COVERAGE

A.G. Edwards (John Puricelli)  
 Alex. Brown (Ed Caso)  
 Barrington Research  
     (Frank Sparacino)  
 Bear, Stearns (Jim Kissane)  
 Cowen & Co. (Hugh Shytle)  
 Deutsche Morgan Grenfell  
     (Mark Wolfenberger)  
 Donaldson, Lufkin & Jenrette  
     (Thomas Rooney)  
 Duff & Phelps Equity Research  
     (Abhishek Gami)  
 Goldman Sachs (Greg Gould)  
 J.P. Morgan Securities (Bill Rabin)  
 Lehman Brothers  
     (Patrick Burton/Karl Keirstead)  
 Merrill Lynch (Steve McClellan)  
 Morgan Stanley (David Togut)  
 Robertson Stephens (Stephen Birer)  
 Robinson Humphrey (David Keil)  
 Smith Barney (Greg Gieber) Sound View Financial Group  
     (Gary Helmig)  
 Standard & Poors Corporation  
     (Brian Goodstadt)  
 UBS Securities, Inc.  
     (Moshe Katri)  
 Value Line (David Rosenfield)  
 Wheat, First Securities (Jeff Newman)

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## Condensed Balance Sheets (unaudited)

<i>In thousands</i>	<i>June 27, 1997</i>	<i>June 28, 1996</i>
<i>Assets:</i>		
Current assets	<b>\$ 1,630,567</b>	\$ 1,387,773
Property and equipment, net of depreciation and amortization	<b>929,022</b>	742,489
Excess of cost of businesses acquired over related net assets, net	<b>516,602</b>	472,396
Other assets	<b>620,292</b>	454,726
Total assets	<b>\$ 3,696,483</b>	\$ 3,057,384
<i>Liabilities and shareholders' equity:</i>		
Current liabilities	<b>\$ 1,031,101</b>	\$ 947,447
Long-term liabilities	<b>919,660</b>	632,948
Shareholders' equity	<b>1,745,722</b>	1,476,989
Total liabilities and shareholders' equity	<b>\$ 3,696,483</b>	\$ 3,057,384

**Condensed Statements of Cash Flows (unaudited)**

<i>In thousands</i>	<i>First Quarter Ended</i>	
	<i>June 27, 1997</i>	<i>June 28, 1996</i>
<i>Cash flows from operating activities:</i>		
Net income	<b>\$ 52,588</b>	\$ 45,277
Adjustments to reconcile net income to net cash provided:		
Special charge, net	<b>(1,707)</b>	--
Depreciation and amortization	<b>88,755</b>	71,607
Provision for losses on accounts receivable	<b>(1,537)</b>	2,677
Changes in assets and liabilities, net of effects of acquisitions		
Increase in assets	<b>(85,323)</b>	(88,766)
Increase in liabilities	<b>(42,440)</b>	(42,046)
Net cash provided by operating activities	<b>10,336</b>	(11,251)
Net cash used in investing activities	<b>(185,467)</b>	(130,262)
Net cash provided by financing activities	<b>140,195</b>	60,933
Net decrease in cash and equivalents	<b>(34,936)</b>	(80,580)
Cash and equivalents at beginning of period	<b>110,726</b>	113,873
Cash and equivalents at end of period	<b>\$ 75,790</b>	\$ 33,293

**Condensed Statements of Income (unaudited)**

<i>In thousands except per share amounts</i>	<i>First Quarter Ended</i>	
	<i>June 27, 1997</i>	<i>June 28, 1996</i>
Revenues	<b>\$ 1,488,750</b>	\$ 1,303,892
Costs of services	<b>1,171,266</b>	1,037,208
Selling, general and administrative	<b>138,613</b>	116,453
Depreciation and amortization	<b>88,755</b>	71,607
Interest, expense	<b>10,736</b>	8,314
Interest income	<b>(1,401)</b>	(1,463)
Special charge*	<b>208,393</b>	--
Total costs and expenses	<b>1,616,362</b>	1,232,119
Income before taxes	<b>(127,612)</b>	71,773
Taxes on income	<b>(180,200)</b>	26,496
Net income	<b>\$ 52,558</b>	\$ 45,227
Earnings per common share	<b>\$ 0.67</b>	\$ 0.58
Average shares and equivalents	<b>78,520</b>	77,677

\* As previously disclosed, the results for the quarter ended June 27, 1997 include a net special credit of \$1.7 million or 2 cents per share. The net credit results from a \$208.4 million special charge (\$133.3 million after tax) and a \$135.0 million tax benefit, both of which relate to developments at an affiliated joint venture during the quarter.

**Revenues By Market Sector (unaudited)**

<i>In millions</i>	<i>First Quarter Ended</i>			
	<i>June 27, 1997</i>	<i>June 28, 1996</i>	<i>% of Total FY98</i>	<i>% of Total FY97</i>
U.S. commercial	<b>\$ 604.8</b>	\$ 475.4	<b>40%</b>	36%
Europe	<b>380.7</b>	300.3	<b>26</b>	23
Other International	<b>99.7</b>	82.5	<b>7</b>	6
Global commercial	<b>1,085.2</b>	858.2	<b>73</b>	65
Department of Defense	<b>267.8</b>	296.9	<b>18</b>	23
NASA	<b>76.0</b>	75.7	<b>5</b>	6
Civil agencies	<b>59.8</b>	73.1	<b>4</b>	6
U.S. federal government	<b>403.6</b>	445.7	<b>27</b>	35
Total revenue	<b>\$ 1,488.8</b>	\$ 1,303.9	<b>100%</b>	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:

ChaseMellon  
Shareholder Services LLC  
P.O.Box 590  
Ridgefield Park, New Jersey 07660  
USA  
(212) 613-7427  
(800) 526-0801

**INTERNET**

CSC's home page address on the Internet:

<http://www.csc.com>

E-Mail inquiries are also welcomed at:

[InvestorRelations@csc.com](mailto:InvestorRelations@csc.com)

**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:

Lisa M. Prukop (310) 615-1680  
Supervisor, Investor Relations

**LITERATURE REQUESTS**

To receive reports recent financial reports, press releases and other corporate information please call:

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

**INQUIRIES**

*Investor Highlights* is designed for individual investors and professionals who advise them, and does not constitute an offer to buy or sell securities. To obtain additional information, e-mail or write:

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