SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended March 31, 1998 Commission File Number: 0-3676

VSE CORPORATION
(Exact Name of Registrant as Specified in its Charter)

DELAWARE	54-0649263
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
2550 Huntington Avenue Alexandria, Virginia	22303-1499
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: (703) 960-4600

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

Common Stock, par value $.05 per share
(Title of Class)

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 [x] No [ ]

Number of shares of Common Stock outstanding as of May 1, 1998: 2,186,905.

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<TABLE>

VSE Corporation and Subsidiaries
Consolidated Financial Statements (Unaudited)

Consolidated Balance Sheets

(in thousands, except share amounts)
<CAPTION>

<S>	March 31, 1998 <C>	December 31, 1997 <C>
Assets		
Current assets:		
Cash and cash equivalents	$ 15	$ 15
Accounts receivable, principally U.S. Government, net	26,575	24,650
Deferred tax assets	454	899
Other current assets	1,659	1,322
Total current assets	28,703	26,886

Property and equipment, net	4,798	5,034
Deferred tax assets	217	309
Intangible assets, net	3,032	3,117
Other assets	2,932	2,702
Total assets	$ 39,682	$ 38,048
Liabilities and Stockholders' Investment		
Current liabilities:		
Current portion of long-term debt	$ 889	$ 555
Accounts payable and other current liabilities	11,684	10,184
Accrued expenses	5,741	6,152
Dividends payable	78	78
Total current liabilities	18,392	16,969
Long-term debt	6,949	7,108
Deferred compensation	1,559	1,490
Total liabilities	26,900	25,567
Commitments and contingencies		
Stockholders' investment:		
Common stock, par value $.05 per share, authorized 5,000,000 shares; issued 2,186,905 shares in 1998 and 2,165,405 in 1997	109	108
Paid-in surplus	3,832	3,631
Retained earnings	9,521	9,422
ESOP obligation	(680)	(680)
Total stockholders' investment	12,782	12,481
Total liabilities and stockholders' investment	$ 39,682	$ 38,048

</TABLE>
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<TABLE>
VSE Corporation and Subsidiaries
Consolidated Financial Statements (Unaudited)

Consolidated Statements of Income For the three months ended March 31,

(in thousands, except share amounts)
<CAPTION>

<S>	1998 <C>	1997 <C>
Revenues, principally from contracts	$ 41,664	$ 47,494
Costs and expenses of contracts	41,023	47,352
Gross profit	641	142
Selling, general and administrative expenses	208	480
Interest expense	101	146
Pretax income (loss)	332	(484)
Provision (benefit) for income taxes	154	(207)
Net income (loss)	$ 178	$ (277)
Weighted average shares outstanding:	2,181,530	2,145,574
Basic earnings (loss) per share:	$ 0.08	$ (0.13)

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<TABLE>
VSE Corporation and Subsidiaries
Consolidated Financial Statements (Unaudited)

Consolidated Statements of Cash Flows   For the three months ended March 31,
- --
(in thousands)
<CAPTION>

<S>	1998 <C>	1997 <C>
Cash flows from operating activities:		
Net income (loss).	$ 178	$ (277)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	440	574
Deferred compensation plan expense	38	0
Change in assets and liabilities, net of discontinued operations		
(Increase) decrease in:		
Accounts receivable	(1,925)	3,940
Other current assets and noncurrent assets	(567)	(1,508)
Deferred taxes, net	537	404
Increase (decrease) in:		
Accounts payable and other current liabilities	1,472	(3,567)
Accrued expenses.	(411)	408
Net cash used in operating activities	(238)	(26)
Cash flows from investing activities:		
Purchase of property and equipment, (net of dispositions)	(119)	(455)
Capitalized software development costs	0	(94)
Net proceeds from (payments of)deferred compensation . . .	59	(59)
Net cash used in investing activities	(60)	(608)
Cash flows from financing activities:		
Net proceeds from revolving term loan	175	641
Stock grants	202	0
Cash dividends paid	(79)	(78)
Net cash provided by financing activities	298	563
Net decrease in cash and cash equivalents	0	(71)
Cash and cash equivalents at beginning of period	15	453
Cash and cash equivalents at end of period	$ 15	$ 382

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VSE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 1998 are not necessarily indicative of the results that may be expected for the year ending December 31, 1998. For further information refer to the consolidated financial statements and footnotes thereto included in the VSE Corporation Annual Report on Form 10-K for the year ended December 31, 1997.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Pronouncements

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS No. 130"). SFAS No. 130 requires a company to report comprehensive income and its components in financial statements. The company adopted the provisions of the standard during the first quarter of 1998. There were no differences between comprehensive income and historical net income reported by the company.

Debt

VSE has a loan agreement with a syndicate of three banks that contains certain financial covenants. As of December 31, 1997 and March 31, 1998, the company did not meet the cash flow coverage ratio covenant, however, a waiver was issued with regard to this covenant for the period ended December 31, 1997 and the company was not in default on the loan.

Additionally, the lead bank has notified management that the related covenant will be amended for 1998.

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VSE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Litigation

The company and its subsidiaries have, in the normal course of business, certain other claims against them and against other parties. In the opinion of management, the resolution of these claims will not have a material adverse effect on the company's results of operations or financial position.

Segment Information

VSE has two reportable segments: the engineering, logistics, management, and technical services segment which provides diversified engineering, technical, and management services ("ELMTS"), principally to agencies of the United States Government and to other government prime contractors; and the software products and services segment, which provides application software and services ("SPS") related to the installation of the software to primarily commercial customers.

The accounting policies are the same as those described in the summary of significant accounting policies for each segment. VSE's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. The software products and services segment was acquired as a unit, and the management has been maintained separately since the acquisition.

<TABLE>

The following table presents revenues and other financial information by business segment for the periods ended March 31, 1998 and March 31, 1997, in thousands:
<CAPTION>

March 31, 1998	ELMTS	SPS	Eliminations	Total
<S>	<C>	<C>	<C>	<C>
Revenues from unaffiliated customers	$ 40,831	$ 833	$	$41,664
Interest expense	0	101		101
Depreciation and amortization	380	60		440
Operating income (loss)	938	(606)		332
Expenditures for capital assets	115	6		121

March 31, 1997	ELMTS	SPS	Eliminations	Total
<S>	<C>	<C>	<C>	<C>
Revenues from unaffiliated customers	$ 46,822	$ 672	$	$47,494
Interest expense	82	64		146
Depreciation and amortization	366	208		574
Operating income (loss)	993	(1,477)		(484)
Expenditures for capital assets	252	301		553

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VSE CORPORATION AND SUBSIDIARIES
Management Discussion and Analysis

VSE and its subsidiaries and divisions operate in two segments: the engineering, logistics, management and technical services segment and the software products and services segment.

Engineering, logistics, management and technical services including information technology services are provided by VSE and by each of its subsidiaries and divisions including Energetics Incorporated ("Energetics"), Human Resource Systems, Inc. ("HRSI"), and BAV Division ("BAV"), Indian Head Division ("Ordnance"), and Value Systems Services Division ("VSS"), unincorporated divisions of VSE. Two other VSE subsidiaries, VSE Corona, Inc. ("VCI") and VSE Services Corporation ("VSES") have generally been inactive since 1992.

Software products and services are the primary business of VSE's subsidiary CMstat Corporation ("CMstat").

</TABLE>
<TABLE>

The following table sets forth certain items including consolidated revenues, pretax income and net income, and the amount of changes of such items of VSE segments for the three month periods ended March 31, 1998 and 1997 (in thousands).
<CAPTION>

	1998	1997	1998 Compared to 1997
<S>	<C>	<C>	<C>
Engineering, Logistics, Management and Technical Services Segment:			
Revenues	$40,831	$46,822	$(5,991)
Pretax income	$ 938	$ 993	$ (55)
Provision for income taxes	441	424	17
Net income	$ 497	$ 569	$ (72)

Software Products and Services Segment:			
Revenues	$ 833	$ 672	$ 161
Pretax (loss)	$ (606)	$(1,477)	$ 871
Benefit for income taxes	(287)	(631)	344
Net (loss)	$ (319)	$ (846)	$ 527

</TABLE>

RESULTS OF OPERATIONS

The discussion and analysis which follows is intended to assist in understanding and evaluating the results of operations, financial condition, and certain other matters of the company. The company is engaged principally in providing engineering, software development, testing, and management services to the U.S. Government (the "government"). All significant intercompany transactions have been eliminated in consolidation. Certain prior year balances have been reclassified for comparative purposes.

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VSE CORPORATION AND SUBSIDIARIES
Management Discussion and Analysis

Engineering, Logistics, Management and Technical Services Segment

Revenues for this segment for the three month period ending March 31, 1998 decreased by approximately 13% as compared to the same period of 1997. The decrease in revenues is primarily due to a decrease in work performed by BAV in 1998. See the discussion about the BAV Contract below. Pretax income for this segment decreased by approximately 5% for the three month period ended March 31, 1998 as compared to the same period of 1997 due primarily to the decrease in work performed by BAV in 1998.

The largest customer for the engineering, logistics, management and technical services rendered by the company is the U.S. Department of Defense ("Defense"), including agencies of the U.S. Army, Navy, and Air Force. VSE's engineering services revenues have historically been subject to year to year fluctuations resulting from changes in the level of Defense spending. The Defense budget has been restrained by the federal budget deficit in recent years, and there can be no assurance that future reductions in the Defense budget will not have a material adverse impact on the company's results of operations or financial position.

Substantially all of the company's revenues from this segment depend on the award of new contracts, on current contracts not being terminated for the convenience of the government, and on the exercise of option periods and the satisfaction of incremental funding requirements on current contracts. In 1998 and 1997, the company did not experience any termination of contracts for the convenience of the government nor any non-exercise of option periods on current contracts which were material to the company's results of operations or financial position.

BAV Contract In August 1995, VSE's BAV Division was awarded a contract with the U.S. Navy to provide engineering, technical and logistical support services associated with the sale, lease, or transfer of Navy ships to foreign governments. BAV began work on the contract in September 1995. This contract has the potential, if all options are exercised, to generate revenues in excess of one billion dollars over a ten year period from 1995 through 2005. The contract accounted for approximately 53% and 60% of consolidated revenues from operations during the three month period ended March 31, 1998 and 1997, respectively. The level of revenues generated by this contract will vary depending on a number of factors including the timing of ship transfers and associated support services ordered by foreign governments and economic conditions of potential customers worldwide. The company has experienced significant quarterly revenue fluctuations and anticipates that future quarterly revenues will be subject to significant variations primarily due to this contract.

Software Products and Services Segment

Revenues for this segment for the three month period ending March 31, 1998 increased by about 24% as compared to the same period of 1997. The increase in revenues is due to increases in both product sales and consulting services

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related to the installation and implementation of CMstat products. Pretax loss for this segment was reduced by approximately 59% for the three month period ended March 31, 1998 as compared to the same period of 1997. The reduced loss is primarily due to the increased level of revenues and to operating cost reduction efforts implemented by management. The profitability of this segment is dependent upon CMstat's sales. While management believes that CMstat will generate sufficient future revenues, failure to do so could adversely affect the company's results of operations.

The company expects that it will experience significant fluctuations in quarterly operating results due largely to the nature of CMstat's business. CMstat's future operating results will depend upon a number of factors, including the demand for its products, the size and timing of specific sales, the delay or deferral of customer implementations, the level of product and price competition that it encounters, the length of its sales cycles, the successful expansion of its direct sales force and customer support organization, the timing of new product introductions and product enhancements by CMstat and its competitors, the mix of products and services sold, the activities of and acquisitions by its competitors, the timing of new hires and its ability to develop and market new products and control costs. CMstat's operating results could also be affected by general economic conditions. In addition, the decision to license and implement an enterprise-level business software system is usually discretionary, involves a significant commitment of customer resources and is subject to delays, and to budget cycles and internal authorization procedures of CMstat's customers. The loss or delay of individual orders could have a significant impact on CMstat's operating results, particularly on a quarterly basis. Furthermore, while CMstat's revenue from license fees is difficult to predict because of the length and variability of CMstat's sales cycles, CMstat's operating expenses are based on anticipated revenue trends. Because a high percentage of these expenses are relatively fixed, a delay in the recognition of revenue from a limited number of license transactions could cause significant variations in operating results from quarter to quarter. To the extent such expenses precede, or are not subsequently followed by, anticipated revenue, the company's operating results could be materially and adversely affected.

CMstat derives substantially greater profit margins from license fees than from service revenues. The mix of revenues between these two components can fluctuate materially from quarter to quarter, and such fluctuations can have a significant effect on margins. Should lower margin service revenues increase in the future as a percentage of the company's total revenues, CMstat's margins and income from operations could be adversely affected.

As a result of these and other factors, the company's operating results for any quarter are subject to significant variation, and the company believes that period-to-period comparisons of its operating results are not necessarily meaningful and should not be relied upon as indications of future performance. The company's 1998 quarterly operating results are not a good indicator of future quarterly results.

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Liquidity and Capital Resources

Cash and cash equivalents remained unchanged during the three month period ended

March 31, 1998. Cash provided by financing activities of approximately $298 thousand was used to finance approximately $238 thousand in operating activities and approximately $60 thousand in investing activities. Significant financing activities included increased borrowing on the company's revolving loan, including commitments for checks outstanding, of approximately $175 thousand. Significant investing activities included purchases of property and equipment of approximately $119 thousand. Cash flows used in operating activities during this period increased by approximately $212 thousand as compared to the same period of 1997 due primarily to increases in accounts receivable, which were partially offset by increases in accounts payable and net income.

A net decrease in cash and cash equivalents of approximately $71 thousand during the three month period ended March 31, 1997 resulted from approximately $608 thousand used in investing activities, approximately $563 thousand provided by financing activities, and approximately $26 thousand used in operating activities. Significant investing activities included approximately $455 thousand associated with the purchase of property and equipment. Significant financing activities included increased borrowing on the company's revolving term loan, including commitments for checks outstanding, of approximately $641 thousand.

The company's principal requirements for cash are to finance the costs of operations pending the collection of accounts receivable, to acquire capital assets for office and computer support, and to pay cash dividends. Performance of work under the BAV contract has increased the company's requirements for cash, however, management believes that the cash flows from operations and the bank loan commitment are adequate to meet current operating cash requirements.

VSE's requirements for working capital are affected significantly by its revenues and accounts receivable, which are primarily from billings made by the company to the government or other government prime contractors for services rendered. Such accounts receivable generally do not present liquidity or collection problems. Working capital is also affected by (a) contract retainages, (b) start-up and termination costs associated with new or complete contracts, (c) capital equipment requirements, and (d) differences between the provisional billing rates authorized by the government compared to the costs actually incurred by the company.

Government contracts generally require VSE to pay for material and subcontract costs included in VSE's contract billings prior to receiving payment for such costs from the government. However, such contracts generally provide for progress payments on a monthly or semimonthly basis, thereby reducing requirements for working capital.

Quarterly cash dividends at the rate of $.036 per share were declared during the three month period ended March 31, 1998. Pursuant to its bank loan agreement, the payment of cash dividends by VSE is subject to a maximum annual rate. VSE has paid cash dividends each year since 1973.

ESOP Advances

During 1997 and 1996, the company advanced the ESOP trust $330 thousand and $350 thousand, respectively, in connection with distributions made to terminated participants. In April, 1998, the company advanced the ESOP trust an additional $200 thousand. The advances are payable to the company when the funds become available. As of March 31, 1998, the ESOP trust held approximately 52,000 unallocated shares of the company's common stock related to these transactions.

Inflation and Pricing Policy

Most of the contracts performed by VSE provide for estimates of future labor costs to be escalated for any option periods provided by the contracts, while the non-labor costs included in such contracts are normally considered reimbursable at cost. VSE property and equipment consists principally of computer systems equipment and furniture and fixtures. The overall impact of inflation on replacement costs of such property and equipment is expected to be insignificant.

Global Economic Conditions

VSE's business is subject to the risks associated with global economic conditions associated with potential foreign customers served through VSE s contracts with the U.S. Government. For example, the reported economic slowdown of certain countries located in Southeast Asia could potentially affect BAV sales. Management is unable to predict what, if any, impact such conditions may have on the company's financial position or results of operations.

Year 2000

The company has assessed the impact of the Year 2000 issues on its systems and operations and does not believe Iit will have a material impact on the financial position or the results of operations of the company.

Market Risk

The company does not use derivative instruments to alter the interest characteristics of its debt instruments. The aggregate fair value of the company's financial instruments approximates the carrying value at March 31, 1998.

Forward Looking Statements

This filing contains statements which, to the extent they are not recitations of historical fact, constitute "forward looking statements" under federal

securities laws. All such statements are intended to be subject to the safe harbor protection provided by applicable securities laws. For discussions identifying some important factors that could cause actual VSE results to differ materially from those anticipated in the forward looking statements contained in this statement, see VSE's Securities and Exchange Commission filings including, but not limited to, VSE's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (Form 10-K), including the discussions captioned "Change and Challenges"; "Backlog" and "Competition and Risks"; and "Income from Continuing Operations Before Income Taxes" contained respectively in VSE's "Letter to Stockholders"; "Description of Business"; and "Management Discussion and Analysis" in the VSE Corporation 1997 Annual Report incorporated by reference and attached to VSE's Form 10-K filing.

PART II. Other Information

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

None.

(b) Reports on Form 8-K.

On April 7, 1998, the Registrant filed a Current Report on Form 8-K reporting the Consent of Independent Public Accountants for the incorporation of their reports included and incorporated by reference in the Registrant's Form 10-K for the year ended December 31, 1997, in the Registrant's previously filed Registration Statement File Numbers 333-15307, 333-15309, and 333-15311.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has omitted all other items contained in "Part II. Other Information" because such other items are not applicable or are not required if the answer is negative or because the information required to be reported therein has been previously reported.

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VSE CORPORATION AND SUBSIDIARIES

SIGNATURES

Pursuant to the requirements 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.

VSE CORPORATION

/s/ C. S. WEBER

Date: May 14, 1998 ----------------------------------

C. S. Weber, Senior Vice President,
Secretary and Treasurer
(Principal Financial Officer)

/s/ T. J. CORRIDON

Date: May 14, 1998 ------------------------------------

T. J. Corridon, Senior Vice President
and Comptroller
(Principal Accounting Officer)

The financial information included in this report reflects all known adjustments normally determined or settled at year-end which are, in the opinion of management, necessary to a fair statement of the results for the interim periods. The accompanying notes to consolidated financial statements are an integral part of this report.

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