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, 1995   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, 1995: 863,167.

<TABLE>

VSE Corporation and Subsidiaries
Consolidated Financial Statements (Unaudited)

Consolidated Balance Sheets

(in thousands, except per share amounts)
<CAPTION>

<S>	March 31, 1995 <C>	December 31, 1994 <C>
Assets		
Current assets:		
Cash and cash equivalents	$ 4,302	$ 3,124
Accounts receivable, principally U. S. Government	9,910	10,922

Deferred tax assets	1,332	1,491
Other current assets	901	858
Total current assets	16,445	16,395
Property and equipment, net	2,949	3,078
Deferred tax assets	318	248
Other assets	1,710	1,551
Total assets	$21,422	$21,272
Liabilities and Stockholders' Investment		
Current liabilities:		
Accounts payable and other current liabilities	$ 1,701	$ 2,485
Accrued expenses	6,034	5,661
Accrued income taxes	225	70
Dividends payable	69	69
Total current liabilities	8,029	8,285
Deferred compensation	947	886
Total liabilities	8,976	9,171
Commitments and contingencies		
Stockholders' investment:		
Common stock, par value $.05 per share, authorized 5,000,000 shares; issued 1,948,044 shares	97	97
Paid-in surplus	8,247	8,247
Retained earnings	20,387	20,042
Treasury stock, at cost (1,084,877 shares)	(16,285)	(16,285)
Total stockholders' investment	12,446	12,101
Total liabilities and stockholders' investment	$21,422	$21,272

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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>	1995 <C>	1994 <C>
Revenues, principally from contracts	$16,155	$17,479
Costs and expenses of contracts	15,277	16,550
Gross profit	878	929
Selling, general and administrative expenses	213	342
Interest expense	4	5

Pretax income	661	582
Provision for income taxes	247	229
Net income	$ 414	$ 353
Earnings per common share, based on weighted average shares outstanding:	$ .48	$ .41
Weighted average shares outstanding	863,167	863,167

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VSE Corporation and Subsidiaries
Consolidated Financial Statements (Unaudited)

Consolidated Statements of Stockholders' Investment

(in thousands)
<CAPTION>

<S>	Common Stock Shares <C>	Amount <C>	Paid-In Surplus <C>	Retained Earnings <C>	Treasury Stock <C>
Balance at December 31, 1993 .	1,948	$97	$8,247	$18,757	$(16,285)
Net income for the year. . . .	--	--	--	1,553	--
Dividends declared ($.31). . .	--	--	--	(268)	--
Balance at December 31, 1994 .	1,948	97	8,247	20,042	(16,285)
Net income for the year. . . .	--	--	--	414	--
Dividends declared ($.08). . .	--	--	--	(69)	--
Balance at March 31, 1995. . .	1,948	$97	$8,247	$20,387	$(16,285)

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VSE Corporation and Subsidiaries
Consolidated Financial Statements (Unaudited)

Consolidated Statements of Cash Flows For the three months ended March 31,

(in thousands)
<CAPTION>

<S>	1995 <C>	1994 <C>
Cash flows from operating activities:		
Net income	$ 414	$ 353

Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	246	286
(Gain)Loss on sale of property and equipment	3	(1)
Deferred compensation plan expense	31	15
Change in assets and liabilities -		
(Increase) decrease in:		
Accounts receivable	1,012	4,301
Other current assets and noncurrent assets	(217)	(219)
Deferred tax assets	89	(466)
Increase (decrease) in:		
Accounts payable and other current liabilities	(784)	(1,203)
Accrued expenses	373	563
Accrued and deferred taxes	155	428
Net cash provided by operations	1,322	4,057
Cash flows from investing activities:		
Purchase of property and equipment, (net of dispositions)	(105)	(63)
Net cash used in investing activities	(105)	(63)
Cash flows from financing activities:		
Net payments of revolving term loan	(97)	(2,684)
Cash dividends paid	(69)	(65)
(Payments of) and proceeds from deferred compensation	127	(22)
Net cash used in financing activities	(39)	(2,771)
Net increase in cash and cash equivalents	1,178	1,223
Cash and cash equivalents at beginning of year	3,124	1,032
Cash and cash equivalents at end of year	$ 4,302	$ 2,255

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VSE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Financial Statements

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 with 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, 1995 are not necessarily indicative of the results that may be expected for the year ended December 31, 1995. 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, 1994.

VSE CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

<TABLE>

The following table sets forth certain items, including consolidated revenues, pretax income, and net income and the amount of changes of such items for the three month periods ended March 31, 1995 and 1994 (in thousands).

<CAPTION>

<S>	1995 <C>	1994 <C>	1995 Compared to 1994 <C>
Revenues, principally from contracts	$16,155	$17,479	$(1,324)
Pretax income	$ 661	$ 582	$ 79
Provision for income taxes	247	229	18
Net income	$ 414	$ 353	$ 61

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RESULTS OF OPERATIONS

The results of operations includes the operations of VSE Corporation ("VSE" or the "company"), Value Systems Services ("VSS"), Human Resource Systems, Inc. ("HRSI"), Schmoldt Engineering Services Company ("Schmoldt Engineering"), VSE Corona, Inc. ("VCI"), and VSE Services Corporation ("VSES"), all of which operate principally in the engineering, development, testing, and management services industry. Intercompany sales are principally at cost.

Revenues for the three month period ended March 31, 1995 decreased by approximately 7.6% compared to the same period of 1994. The decrease in revenues is attributable primarily to decreases in the level of services performed by VSE, VSS and Schmoldt Engineering.

Pretax income for the three month period ended March 31, 1995 increased by about 13.6%. The increase in pretax income is attributable primarily to a difference in the timing of award fees received by VSS in 1995 compared to 1994. Pretax income of the remaining operating entities were substantially unchanged from 1994.

The largest customer for the engineering services rendered by the company is the U. S. Department of Defense ("Defense"), including agencies of the U. S. Army, Navy, and Air Force. The Defense budget has been restrained by the federal budget deficit in recent years, and as a result of this and increased competition, VSE's engineering services revenues have decreased from the levels attained in prior years. There can be no assurance that future reductions in the Defense budget will not have a materially adverse impact on the company's revenues, results of operations, and financial position.

Substantially all of the company's revenues from continuing operations depend on the excercise of option periods and the satisfaction of incremental funding requirements on current contracts, on current contracts not being terminated for the convenience of the Government, and on the incremental funding requirements on current contracts. In 1995 and 1994 the company did not experience any

termination of contracts for the convenience of the Government or any non-exercise of option periods on current contracts which were material to the company's business.

VSE Contract. VSE has a contract with the U. S. Navy which accounted for approximately 19% of consolidated revenues for the three month period ended March 31, 1995. This contract was scheduled to expire in September 1992, but has been extended through June 1995. The Navy has announced that it intends to combine the work performed under this contract with other related work, and VSE has submitted a bid for the proposed new contract. The inability to predict whether VSE will obtain further extensions of its current Navy contract or will be awarded other contracts to replace this work, including the proposed contract, is a known uncertainty which could have a material adverse effect on future revenues, profits, and financial position.

VSS Subcontract. In October 1991 VSS was awarded a subcontract to provide certain services in connection with a U. S. Marine Corps contract. Services under the subcontract commenced in January 1992. The subcontract generated revenues to VSS equal to about 15% of VSE's consolidated revenues for the three month period ended March 31, 1994. A protest against the award of the prime contract was sustained by the General Accounting Office (GAO) in February 1992, and in October 1993, a new prime contract was awarded to a different contractor. A protest of the new award was denied and substantially all work on the VSS subcontract terminated effective April 23, 1994. There was no revenue associated with this subcontract during 1995.

VSS Contract. In February 1994 VSS was awarded a new contract with a U. S. Navy customer. The award of this contract was protested and performance was suspended during the protest period. The protest was denied in September 1994 and VSS began work on the contract immediately thereafter. The realization of these revenues is dependent upon the level of work ordered by the customer through individual work orders. The contract generated revenues to VSS equal to approximately 13% of consolidated revenues during the three month period ended March 31, 1995.

Liquidity and Capital Resources

Net cash flows from operations of approximately $1.3 million through March 31, 1995 were used primarily to pay for approximately $100 thousand of property and equipment, to eliminate short term borrowings of approximately $100 thousand under VSE's $8 million bank loan and to pay dividends of approximately $69 thousand. Additionally, cash and cash equivalents increased by approximately $1.2 million during the period.

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. As of March 31, 1995, VSE had no borrowings outstanding under its $8 million bank loan. Management believes that the cash flows from operations are adequate to meet current operating cash requirements.

VSE's requirements for working capital are affected significantly by its revenues and accounts receivable, which arise primarily from billings made by the company to the U. S. Government or other 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.

Cash dividends were declared at the rate of $.08 per share during the three month period ended March 31, 1995. Pursuant to its bank loan agreement, the payment of cash dividends by VSE may not exceed an annual rate of $.60 per share. VSE has paid cash dividends each year since 1973.

Inflation and Pricing Policy

Most of the contracts performed by VSE provide for estimates of future labor costs to be escalated for any future option periods provided by the contracts, while the non-labor costs included in such contracts are normally considered reimbursable at the then current 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.

VSE CORPORATION AND SUBSIDIARIES

PART II. Other Information

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

(a) Exhibits.

None

(b) Reports on Form 8-K.

No current reports on Form 8-K were filed by the Registrant during the three month period ended March 31, 1995.

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.

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

Date: May 15, 1995 C. S. Weber
C. S. Weber, Senior Vice President,
Secretary and Treasurer
(Principal Financial Officer)

Date: May 15, 1995 T. J. Corridon
T. J. Corridon, Vice President
and Director of Accounting
(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 note to consolidated financial statements are an integral part of this report.