



***2003 Annual Report
and Form 10-K***

Letter to Shareholders

Fellow Shareholders:

VSE reported improved financial performance in 2003, with revenues of \$134.5 million and net income of \$2.0 million (\$.92 a share). While VSE does not predict revenues or earnings, and setbacks may occur, we expect the positive trends we experienced in 2003 to continue into 2004 and 2005. We are doing a better job of identifying, bidding, and winning new work, and we are working the jobs we have won with more focus on customer quality and profitability. As a result, I expect VSE to achieve a higher level of operations success and financial performance, and I look forward to reporting on our progress.

Outlook for Growth

As an example of progress this year, we recently announced that our BAV Division received a delivery order for \$100 million to support the reactivation and transfer of four KIDD-class destroyers, a multiyear effort extending into 2007. We are performing ahead of schedule, and our customer has indicated satisfaction with our efforts. BAV's contract with the U.S. Navy is VSE's largest contract, contributing 48% of total VSE revenues in 2003, and the KIDD delivery order received in early 2004 is the single largest delivery order ever received by VSE. We are proud of the trust and confidence placed in us by the Navy and by our Taiwan customers. Needless to say, we are also extraordinarily proud of the BAV Division employees and staff employees who, together with our BAV subcontractors, work very hard to ensure that our customer receives superior value.

We are also pleased with the continuing effort to spur revenue growth and profit in each of our other business units. Each of our divisions has set goals to exceed their revenue and profit performance in 2003, and our board of directors is encouraging their effort with an incentive bonus plan. Our workforce grew about 10% in 2003, and we hope to exceed that growth rate in 2004. With a substantial \$83 million backlog to start the year 2004, we intend to build on our success.

As you know, about a year ago we announced that the board of directors determined to discontinue VSE's previously announced pursuit of strategic business alternatives, including the potential sale of the company. Having considered certain strategic alternatives, including a review of offers by third parties, the board determined that superior value could be achieved for shareholders through continuing to operate VSE in

accordance with its ongoing business plan. The results of this decision are reflected in the positive trends and growing shareholder value we have seen over the past year. VSE will continue, however, to review promising strategic business opportunities that may arise from time to time, including potential acquisitions to accelerate our growth.

VSE People

VSE depends on the contribution and dedication of each employee and every VSE business partner, consultant, supplier and subcontractor. We have an active board of directors, a unified management team, a staff of experienced and qualified employees, and a commitment to our quality management system registered to the international ISO 9001 quality standard. Together we will continue to set high goals and strive to achieve them.

VSE welcomed James F. Lafond as a director in 2003. Jim is a talented and experienced professional from the independent audit community, and we look forward to his leadership role on VSE's audit committee and to his contribution to the board of directors.

VSE performs an important role in the defense of our nation. Our services for the Departments of Defense, Energy, and Homeland Security make a difference in readiness and field support, in policy and technology, and in government preparedness. We are proud of what we accomplish every day.

Your company passed an important milestone on January 22, 2004, celebrating 45 years of continuous service and support. While it is a pleasure to stop and recognize all that has gone before, and on which we have been given the good fortune to build, we are working very hard as a team to assure that VSE's next five years achieve a higher level of value for our customers as well as corporate growth and profitability for our shareholders and employees.

As always, your comments and suggestions for improvement are welcome at any time.



D. M. Ervine
Chairman of the Board
President and CEO/COO
March 9, 2004

Financial Highlights

Selected Financial Data

(In thousands, except per share data)

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Revenues, principally from contracts	\$ 134,459	\$ 134,379	\$ 111,572	\$ 122,269	\$ 157,354
Income from continuing operations	\$ 2,011	\$ 652	\$ 855	\$ 1,385	\$ 2,364
Loss from discontinued operations	-	-	-	-	(256)
Loss on disposal of discontinued operations	-	-	-	(417)	(574)
Net income	<u>\$ 2,011</u>	<u>\$ 652</u>	<u>\$ 855</u>	<u>\$ 968</u>	<u>\$ 1,534</u>
Basic earnings per common share:					
Income from continuing operations	\$.92	\$.30	\$.40	\$.65	\$ 1.12
Loss from discontinued operations	-	-	-	(.19)	(.39)
Net income	<u>\$.92</u>	<u>\$.30</u>	<u>\$.40</u>	<u>\$.46</u>	<u>\$.73</u>
Diluted earnings per common share:					
Income from continuing operations	\$.90	\$.30	\$.40	\$.65	\$ 1.12
Loss from discontinued operations	-	-	-	(.19)	(.39)
Net income	<u>\$.90</u>	<u>\$.30</u>	<u>\$.40</u>	<u>\$.46</u>	<u>\$.73</u>
Working Capital	<u>\$ 13,390</u>	<u>\$ 10,762</u>	<u>\$ 8,807</u>	<u>\$ 8,364</u>	<u>\$ 7,078</u>
Total assets	<u>\$ 40,776</u>	<u>\$ 32,075</u>	<u>\$ 33,209</u>	<u>\$ 31,523</u>	<u>\$ 31,250</u>
Long-term debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 351</u>	<u>\$ -</u>	<u>\$ -</u>
Stockholders' investment	<u>\$ 19,058</u>	<u>\$ 17,043</u>	<u>\$ 16,475</u>	<u>\$ 15,793</u>	<u>\$ 15,145</u>
Cash dividends per common share	<u>\$.16</u>	<u>\$.16</u>	<u>\$.16</u>	<u>\$.16</u>	<u>\$.144</u>

This consolidated summary of selected financial data should be read in conjunction with the consolidated financial statements and related notes included in VSE's Securities and Exchange Commission filings, including VSE's Annual Report on Form 10-K and other current and quarterly reports. The historical results set forth above are not necessarily indicative of the results of operations to be expected in the future.

About the Cover

The photographs on the cover show two of the four KIDD-class destroyers being transferred by the United States to the Taiwan Navy. In January 2004 VSE was awarded a delivery order for \$100 million to continue its reactivation planning and availability services in connection with the sale and transfer. The delivery order requires VSE to provide advance planning services, upgrades and alterations planning, industrial services, services supporting the Taiwan Navy reactivation planning and management team, and reactivation site project planning support.

Work is being performed by VSE's BAV Division and its team of subcontractors under BAV's ten-year, \$1.1 billion Navy contract supporting the reactivation and transfer of ex-U.S. Navy ships to foreign navies.

Corporate Profile

VSE Corporation is a diversified professional services company established in 1959. The company and its subsidiaries provide services and products to the engineering, energy and environment, defense and homeland security markets around the world. VSE's principal customers are agencies of the U.S. Government and other government prime contractors. Operations are conducted by VSE's professional staff of 500 employees located at offices across the United States and around the world.

Further information about VSE is available at the company's website at www.vsecorp.com.

Stockholder Inquiries

VSE is an employee and publicly owned company, and its shares are traded on the Nasdaq National Market System under the symbol VSEC. Inquiries about stock ownership, dividends, and stockholder changes of address may be directed to our transfer agent: Registrar and Transfer Company 10 Commerce Drive Cranford, New Jersey 07016-3572, 800-866-1340 or to VSE at 2550 Huntington Avenue Alexandria, Virginia 22303-1499, Attention: Corporate Secretary, 703-329-4770

Quality Systems Management

VSE's policy is to provide products and services of the highest quality to meet the expectations and requirements of our customers on time and at a fair price. VSE's quality management system is registered to the ISO 9001:2000 standard.

Forward Looking Statements

This report contains statements which, to the extent they are not recitations of historical fact, constitute "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Act of 1934. All forward looking statements involve risks and uncertainties. The forward looking statements in this document are intended to be subject to the safe harbor protection provided by Sections 27A and 21E.

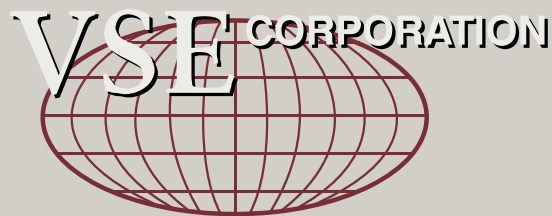
For discussions identifying some important factors that could cause actual VSE results to differ materially from those anticipated in the forward looking statements, please see VSE's Securities and Exchange Report on Form 10-K for the fiscal year ended December 31, 2003, including discussions captioned "Narrative Description of Business," "Management's Discussion and Analysis," and "Notes to Consolidated Financial Statements."

Readers are cautioned not to place undue reliance on the forward looking statements, which reflect management's analysis only as of the date hereof. VSE undertakes no obligation to publicly revise the forward looking statements to reflect events or circumstances that arise after the date hereof. Readers should carefully review the risk factors described in other documents VSE files from time to time with the Securities and Exchange Commission, including the Quarterly Reports on Form 10-Q to be filed by VSE and any Current Reports on Form 8-K.

Design and layout by Julie Chappell,
Energetics, Incorporated.

VSE Corporation

helps organizations succeed through the effective use of people, systems, and technology. In helping others succeed, we increase shareholder value by capturing new work, delighting our customers, increasing our technical competence, and building great industry teammates. Our reputation for success and our quality management system are based on honesty and integrity in everything we do; on communications, on teamwork and leadership; and on an enduring commitment to help our customers, employees, and teaming partners succeed with cost effective solutions, continuous learning, and process improvement.



*Celebrating
45 years
of Excellence*



Corporate Officers

Chairman, President and CEO/COO
Donald M. Ervine

Executive Vice Presidents

James M. Knowlton
Craig S. Weber, CAO, Secretary

Senior Vice Presidents

Thomas G. Dacus
Michael E. Hamerly
Thomas R. Loftus, CFO
Jayne M. Tuohig

Vice Presidents

Bryan E. Adams, Comptroller
Stephen W. Austin
James S. Fallon
Peter J. Desrosiers
Richard J. Hannah, Treasurer
H. Eugene Hosier

Assistant Vice Presidents

David W. Chivers
Louis G. Lawrence
Elizabeth M. Price

Director Emeritus

Harold P. Weinberg
formerly Senior Vice President
and Director (1961-1996)
VSE Corporation

Board of Directors

Donald M. Ervine
Chairman of the Board,
President and CEO/COO
VSE Corporation

Robert J. Kelly
Admiral, USN (Ret.);
Chairman of the Board and President
Energetics, Incorporated

Clifford M. Kendall
Private Investor; formerly
Chairman and CEO,
Computer Data Systems, Inc.

Calvin S. Koonce, Ph.D.
Chairman, Koonce Securities, Inc.
Securities Broker/Dealer

James F. Lafond, CPA
Retired Executive; formerly
Washington Area Managing Partner
PricewaterhouseCoopers LLP

David M. Osnos, Esq.
Of Counsel
Arent Fox PLLC
Attorneys-at-Law

Jimmy D. Ross
General, USA (Ret.);
Senior Logistics Consultant
Cypress International, Inc.

Bonnie K. Wachtel
Vice President and General Counsel
Wachtel & Co., Inc.

Facilities Information

VSE Executive Offices

2550 Huntington Avenue
Alexandria, Virginia 22303
(703) 960-4600 or (703) 329-4602

VSE Divisions and Subsidiaries:

BAV Division

2550 Huntington Avenue
Alexandria, Virginia 22303
(703) 317-5200

Charleston, South Carolina

Alexandria, Egypt
Tokyo, Japan
Manzanillo, Mexico
Suva and Tsoying, Taiwan
Sattahip, Thailand
Golchuk, Turkey

Communications and Engineering Division

170 Avenue at the Common
Shrewsbury, New Jersey 07702
(732) 389-3324

Coast Guard Division

2550 Huntington Avenue
Alexandria, Virginia 22303
(703) 317-5200

Energetics, Incorporated

7164 Gateway Drive
Columbia, Maryland 21046
(410) 290-0370

Washington, D.C.
Morgantown, West Virginia

VSS Division

2550 Huntington Avenue
Alexandria, Virginia 22303
(703) 329-4234

Fleet Maintenance Division

500 Woodlake Drive, Suite 1
Chesapeake, Virginia 23320
(757) 523-7200

San Diego, California
Jacksonville, Florida
Indian Head, Maryland
Lexington Park, Maryland
Bridgeport, New Jersey
Haddon Heights, New Jersey
Langley, Virginia

HRSI and Postal Programs

2550 Huntington Avenue
Alexandria, Virginia 22303
(703) 329-4234

Management Sciences Division

11545 West Bernardo Court
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San Diego, California 92127
(858) 385-1902

Systems Engineering Division

2550 Huntington Avenue
Alexandria, Virginia 22303
(703) 329-4205

Warner Robins, Georgia
Sterling Heights, Michigan
Ladysmith, Virginia

VSE Services International, Inc.

2550 Huntington Avenue
Alexandria, Virginia 22303
(703) 329-4601



“Our 45th Year”



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Alexandria, Virginia
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