

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

/ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities  
Exchange Act of 1934

For Six Months Ended April 28, 1995

Or

/ Transition Report Pursuant to Section 13 or 15(d) of the Securities  
Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 1-9232

VOLT INFORMATION SCIENCES, INC.  
(Exact name of registrant as specified in its charter)

New York  
(State or other jurisdiction of  
incorporation or organization)

13-5658129  
(I.R.S. Employer  
Identification No.)

1221 Avenue of the Americas, New York, New York 10020  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (212) 704-2400

Not Applicable

(Former name, former address and former fiscal year, if changed since last  
report)

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, and (2) has been subject to such filing requirements  
for the past 90 days.

Yes  No

--- ---

The number of shares of Common Stock, \$.10 par value, outstanding as of June 7,  
1995 was 4,818,897.

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES  
FORM 10-Q  
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PART I - FINANCIAL INFORMATION  
ITEM 1--FINANCIAL STATEMENTS  
VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(UNAUDITED)

<TABLE>  
<CAPTION>

	Six Months Ended		Three Months Ended	
	April 28, 1995	April 29, 1994	April 28, 1995	April 29, 1994
	(Dollars in thousands)			
	<C>	<C>	<C>	<C>
<b>REVENUES:</b>				
Sales of services	\$342,539	\$276,026	\$175,021	\$145,810
Sales of products	31,353	28,213	15,575	15,875
Equity in net income (loss) of joint ventures--Note F	(1,353)	990	95	940
Gain on sale of joint venture--Note F		9,770		9,770
Interest income	953	542	473	312
Losses on sales of securities		(8)		(9)
Other income (expense) - net--Note B		(242)	(201)	26
	373,250	315,332	191,190	172,482
<b>COSTS AND EXPENSES:</b>				
Cost of sales				
Services	314,159	257,696	161,854	134,825
Products	20,397	18,382	9,992	10,356
Selling and administrative	20,134	19,657	10,383	10,792
Research, development & engineering		3,876	3,577	2,072
Depreciation and amortization		5,765	5,304	2,969
Foreign exchange (gain) loss - net		(11)	121	48
Interest expense	3,422	4,038	1,736	1,963
	367,742	308,775	189,054	162,960
Income before income tax provision and extraordinary item	5,508	6,557	2,136	9,522
Income tax provision--Note H	2,055	2,719	706	3,721
Income before extraordinary item		3,453	3,838	1,430
Extraordinary item--Note D		(189)		5,801
Net income	\$3,453	\$3,649	\$1,430	\$5,801

(Per Share Data)

Income before extraordinary item		\$ .72	\$ .80	\$ .30	\$ 1.21
Extraordinary item		(.04)			
Net income	----	-----	-----	-----	
	=====	=====	=====	=====	
Number of shares used in computation					
-- Note G		4,810,182	4,802,466	4,816,161	4,802,905
	=====	=====	=====	=====	

</TABLE>

See accompanying notes.

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VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

<TABLE>  
<CAPTION>

	April 28, 1995	October 28, 1994 (a)
	-----	-----
	(Dollars in thousands)	
ASSETS		
<S>	<C>	<C>
CURRENT ASSETS		
Cash and cash equivalents	\$ 13,506	\$ 17,049
Short-term investments	1,989	4,974
Trade accounts receivable less allowances of \$3,911 (1995) and \$4,027 (1994)--Note B	108,476	98,795
Inventories--Note C	24,718	27,239
Recoverable income taxes	135	
Deferred income taxes	1,080	2,966
Prepaid expenses and other assets	5,397	4,387
	-----	-----
TOTAL CURRENT ASSETS	155,301	155,410
INVESTMENTS IN SECURITIES	3,933	3,121
INVESTMENTS IN JOINT VENTURES--Note F	13,405	11,997
PROPERTY, PLANT AND EQUIPMENT-- at cost--Note D		
Land and buildings	33,496	33,513
Machinery and equipment	44,377	42,175
Leasehold improvements	2,935	2,819
	-----	-----
	80,808	78,507
Less allowances for depreciation and amortization	29,318	28,555
	-----	-----
	51,490	49,952
DEPOSITS, RECEIVABLES AND OTHER ASSETS	2,578	1,562
INTANGIBLE ASSETS--net of accumulated amortization of \$3,806 (1995) and \$3,495 (1994)	5,646	4,862

-----	-----
\$232,353	\$226,904
=====	=====

LIABILITIES AND STOCKHOLDERS'  
EQUITY

CURRENT LIABILITIES

Notes payable to banks	\$ 4,910	\$ 4,925
Current portion of long-term debt--Note D	12,000	2,000
Accounts payable	20,408	25,018
Accrued expenses		
Wages and commissions	20,736	19,859
Taxes other than income taxes	7,697	8,917
Insurance	19,123	15,039
Other	5,489	5,639
Customer advances and other liabilities	15,368	11,610
Income taxes	564	
	-----	-----
TOTAL CURRENT LIABILITIES	105,731	93,571

LONG-TERM DEBT--Note D	29,795	40,788
------------------------	--------	--------

DEFERRED INCOME TAXES	3,169	2,700
-----------------------	-------	-------

-----	-----
138,695	137,059

STOCKHOLDERS' EQUITY--Notes  
D, E and F

Preferred stock, par value \$1.00 Authorized--500,000 shares; issued--none		
Common stock, par value \$.10 Authorized--15,000,000 shares; issued - 7,796,830 shares (1995) and 7,789,580 shares (1994)	780	779
Paid-in capital	44,127	43,830
Retained earnings	95,108	91,655
Unrealized foreign currency translation adjustment	(322)	(283)
Unrealized loss on marketable securities	(42)	(47)
	-----	-----
	139,651	135,934

Less common stock held in treasury at cost--2,977,933 shares (1995) and 2,986,554 (1994)	(45,993)	(46,089)
--	----------	----------

-----	-----
93,658	89,845
-----	-----

\$232,353	\$226,904
=====	=====

</TABLE>

(a) The Balance Sheet at October 28, 1994 has been derived from the audited financial statements at that date.

See accompanying notes.

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

<TABLE>  
<CAPTION>

	Six Months Ended	
	April 28, 1995	April 29, 1994
	(Dollars in thousands)	
	<C>	<C>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 3,453	\$ 3,649
Adjustments to reconcile net income to cash provided by operating activities:		
Extraordinary loss		189
Depreciation and amortization	5,765	5,304
Equity in net (income) loss of joint ventures	1,353	(990)
Gain on sale of joint venture		(9,770)
Distributions from joint ventures		1,153
Accounts receivable provisions	965	1,134
Amortization of deferred debenture costs, debt discounts and other deferred charges	427	339
(Gains) losses on foreign currency translation	174	(258)
Gains on dispositions of fixed assets	(7)	(13)
Deferred income tax provision (benefit)	2,074	(40)
(Gains) losses on sales of securities	(7)	8
Other	31	27
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(10,855)	5,398
(Increase) decrease in inventories	1,812	(1,780)
Increase in recoverable income taxes	(135)	
Increase in prepaid expenses and other current assets	(1,030)	(1,211)
(Increase) decrease in deposits, receivables and other assets	(1,125)	800
Decrease in accounts payable	(4,407)	(4,542)
Increase in accrued expenses	3,962	5,763
Increase in customer advances and other liabilities	3,702	5,106
Increase (decrease) in income tax liability	(294)	2,878
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>5,858</b>	<b>13,144</b>

</TABLE>

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VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)--Continued

<TABLE>  
<CAPTION>

	Six Months Ended	
	April 28, 1995	April 29, 1994
	(Dollars in thousands)	
	<C>	<C>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		

Sales of investments		6,851	
Maturities of investments	8,000		949
Purchases of investments	(5,811)		(4,236)
Investment in joint ventures	(2,824)		
Proceeds from disposal of property, plant and equipment	370		92
Purchases of property, plant and equipment		(7,016)	(6,656)
Proceeds from the sale of a joint venture			16,383
Other	(1,125)		
	-----	-----	
NET CASH PROVIDED BY (APPLIED TO) INVESTING ACTIVITIES		(8,406)	13,383
	-----	-----	
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of long-term debt	(1,000)		(20,000)
Exercise of stock options	143		
Increase (decrease) in notes payable to banks		88	(1,290)
	-----	-----	
NET CASH APPLIED TO FINANCING ACTIVITIES		(769)	(21,290)
	-----	-----	
Effect of exchange rate changes on cash		(226)	127
	-----	-----	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(3,543)	5,364
	-----	-----	
Cash and cash equivalents, beginning of period		17,049	41,081
	-----	-----	
CASH AND CASH EQUIVALENTS, END OF PERIOD		\$ 13,506	\$ 46,445
	-----	-----	
SUPPLEMENTAL INFORMATION			
Cash paid (received) during the period			
Interest expense	\$ 3,315		\$ 4,997
Income taxes, net of refunds	\$ 350		\$ (73)

</TABLE>

See accompanying notes.

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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

### Note A--Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with generally accepted accounting principles. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the Company's financial position at April 28, 1995 and results of operations for the six and three months ended April 28, 1995 and April 29, 1994 and cash flows for the six months ended April 28, 1995 and April 29, 1994. Operating results for the six and three months ended April 28, 1995 are not necessarily indicative of the results that may be expected for the fiscal year ending November 3, 1995.

These statements should be read in conjunction with the financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended October 28, 1994. The accounting policies used in preparing these financial statements are the same as those described in the Company's Annual Report.

The Company's fiscal year ends on the Friday nearest October 31.

#### Note B--Accounts Receivable

In October 1993, the Company entered into a three-year agreement to sell, on a limited recourse basis, up to \$25,000,000 of undivided interests in a designated pool of certain eligible accounts receivable. In March 1995, the Company increased this limit to \$45,000,000. As collections reduce previously sold undivided interests, interests in new receivables may be sold up to the \$45,000,000 level. At April 28, 1995, and October 28, 1994, \$10,000,000 and \$25,000,000, respectively, of interests in accounts receivable had been sold under this agreement. The sold accounts receivable are reflected as a reduction of receivables in the accompanying balance sheets. The Company pays fees based on the purchaser's borrowing costs incurred on short-term commercial paper which financed the purchase of receivables. Other income (expense) in the accompanying statements of income reflects \$690,000 and \$708,000 for such fees in the six months ended, and \$378,000 and \$354,000 in the three months ended, April 28, 1995 and April 29, 1994, respectively.

The program extends through March 15, 1998; however, the purchaser may terminate the agreement on a minimum of six months' notice. In addition, the agreement may be terminated if the Company does not maintain a stated minimum tangible net worth, as defined, or exceeds a stated maximum ratio of debt to tangible net worth.

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#### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)--Continued

#### Note C--Inventories

Inventories consist of:

<TABLE>  
<CAPTION>

	April 28, 1995	October 28, 1994
	-----	-----
	(Dollars in thousands)	
<S>	<C>	<C>
Services:		
Accumulated unbilled costs on:		
Service contracts	\$11,710	\$ 9,521
Long-term contracts	5,136	10,277
	-----	-----
	16,846	19,798
	-----	-----
Products:		
Materials and work-in-process	3,608	3,700
Service parts	1,139	949
Finished goods	3,125	2,792
	-----	-----
	7,872	7,441
	-----	-----
Total	\$24,718	\$27,239
	=====	=====

</TABLE>

The cumulative amounts billed, principally under long-term contracts, of \$55,418,000 at April 28, 1995 and \$39,179,000 at October 28, 1994 are credited against the related costs in inventory. Substantially all of the amounts billed have been collected.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)--Continued

Note D--Long-Term Debt

Long-term debt consists of the following:

<TABLE>  
<CAPTION>

	April 28, 1995	October 28, 1994	
	-----	-----	
	(Dollars in thousands)		
<S>	<C>	<C>	
12-3/8% Senior Subordinated Debentures, due July 1, 1998--net of unamortized discount of \$60,000 - 1995 and \$67,000 - 1994 (a)	\$32,795	\$32,788	
Term loan (b)	9,000	10,000	
	-----	-----	
	41,795	42,788	
Less amounts due within one year	12,000	2,000	
	-----	-----	
Long-term debt	\$29,795	\$40,788	
	=====	=====	

</TABLE>

(a) The debentures provide for interest to be paid semi-annually on January 1 and July 1 and are redeemable at the option of the Company, in whole or in part, at 100% plus accrued interest. The accompanying statement of income for the six months ended April 29, 1994 reflects an extraordinary charge of \$189,000, net of an income tax benefit of \$101,000, related to the redemption of \$20,000,000 of debentures. In April 1995, the Company called, and on May 8, 1995 redeemed an additional \$10,000,000 of the debentures which, together with previously redeemed and repurchased debentures, reduces the remaining principal amount to \$22,855,000, which is due July 1, 1998. The debentures are subordinated to all existing and future senior indebtedness (as defined) of the Company. At April 28, 1995, the amount available for dividends, pursuant to the terms of the indenture under which the debentures are issued, was \$25,479,000 and, if no dividend payments are made, the amount available for capital stock repurchases was \$35,479,000. However, under the terms of the term loan agreement, at such date, only \$8,314,000 was available for such payments (see (b) below).

(b) In October 1994, two subsidiaries of the Company entered into a \$10,000,000 five-year loan agreement with National Westminster Bank which is secured by a deed of trust on land and buildings (book value at April 28, 1995 - \$15,700,000). The obligation is guaranteed by Volt. The term loan bears interest at 7.86% per annum and is repayable in twenty quarterly principal installments of \$500,000, together with interest. In October 1996, if certain conditions are met, the loan may be extended for two years with a subsequent reduction of principal payments to \$225,000 per quarter and a final payment of \$1,725,000, due October, 2001. The agreement contains various financial covenants, the most restrictive of which requires the Company to maintain a tangible net worth of \$79,000,000. As a result, only \$8,314,000 was available for the payment of dividends and stock repurchases at April 28, 1995.



(UNAUDITED)--Continued

Note E--Stockholders' Equity

Changes in the major components of stockholders' equity for the six months ended April 28, 1995 are as follows:

<TABLE>  
<CAPTION>

	Common Stock	Paid-In Capital	Retained Earnings	Treasury Stock	
	-----	-----	-----	-----	
	(Dollars in thousands)				
<S>	<C>	<C>	<C>	<C>	
Balance at October 28, 1994		\$ 779	\$ 43,830	\$ 91,655	\$(46,089)
Net income for the six months		3,453			
Contribution to ESOP - 8,621 shares		154	96		
Stock options exercised - 7,250 shares		1	143		
Balance at April 28, 1995	-----	\$ 780	\$ 44,127	\$ 95,108	\$(45,993)
	=====	=====	=====	=====	=====

</TABLE>

The other components of stockholders' equity are a valuation allowance for the unrealized loss on marketable securities and an unrealized foreign currency translation adjustment due to the Company's investment in its Australian joint venture, whose functional currency is the Australian dollar.

Note F--Summarized Financial Information of Joint Ventures

The Company owns 12-1/2% of the voting stock of Pacific Access Pty. Ltd. ("Pacific Access"), an international joint venture in Australia. This venture, which commenced operations in July 1991, assumed responsibility throughout Australia for the marketing, sales and compilation functions of all yellow pages directories of Telstra Corporation Ltd., ("Telstra"), the Australian Government-owned telephone company, under the terms of a twelve-year contract. The venture produces a major portion of its revenues and significantly all of its profits in the Company's second and third fiscal quarters. Telstra owns 50% of the voting stock of Pacific Access. In the event of a change in control of the Company, as defined, the Company may be required to sell its shares in the venture to Telstra at a formula price based on various factors, including earnings.

In July 1994, the Company entered into a long-term joint venture agreement to publish the official White Pages, Yellow Pages and Street Guides for Rio de Janeiro. The Company has invested \$5,341,000 to acquire a 50% interest in the common shares, together with 75% of the issued preferred stock, of Telelistas Editora Ltda., a Brazilian company which has a contract to publish Rio's telephone directories on behalf of TELERJ, the government-owned telephone company. The agreement requires the Company to invest up to an additional \$2,863,000 (which, together with the original investment, will represent 50% of the common shares and 75% of the agreed initial preferred stock and debt financing by the venturers) in the joint venture in fiscal year 1995 as well as to provide technology, expertise and key personnel in directory production, sales and marketing.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)--Continued

Note F--Summarized Financial Information of Joint Ventures--(Continued)

As a result of the funding requirements, during the start-up period the Company is recognizing 75% of the losses incurred by the venture. At such time as the

venture becomes profitable, the Company will recognize 75% of the venture's net income until start-up losses are recovered and 50% of any profits subsequent, thereto.

Consolidated retained earnings at April 28, 1995 included \$4,771,000, representing the undistributed earnings of Pacific Access. Income taxes have been paid or provided on such earnings.

The following summarizes the financial information of the joint ventures:

<TABLE>  
<CAPTION>

	April 28, 1995		October 28, 1994	
	(Dollars in thousands)			
	Total	Company's Equity	Total	Company's Equity
<S>	<C>	<C>	<C>	<C>
Current assets	\$ 185,592		\$ 233,907	
Noncurrent assets	16,337		16,629	
Current liabilities	(145,309)		(198,521)	
Equity of combined joint ventures		\$ 56,620		\$ 52,015
Equity of Australian joint venture (a)	\$ 52,354		\$ 10,061	\$ 48,987
Equity of Brazilian joint venture	4,266		3,344	3,028
	\$ 56,620		\$ 52,015	
Investments in joint ventures		\$ 13,405		\$ 11,997

</TABLE>

(a)-Pursuant to the Australian venture agreement, the initial capital contributions of all venturers, other than Telstra, exceeded their proportionate share of ownership interest in the corporate joint venture. The agreement provides that, upon liquidation of the venture, the venturers will be entitled to recover such excess contributions from the net assets of the venture.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)--Continued

Note F--Summarized Financial Information of Joint Ventures--(Continued)

<TABLE>  
<CAPTION>

	Six Months Ended			
	April 28, 1995		April 29, 1994	
	(Dollars in thousands)			
	Total	Company's Equity	Total	Company's Equity
<S>	<C>	<C>	<C>	<C>
Revenues	\$ 215,736		\$ 202,146	
Costs and expenses		210,318		196,606
Income tax provision		4,230		1,645

Net income	\$ 1,188	\$ 3,895		
Net income of Australian joint venture	\$ 3,707	\$ 448	\$ 2,423	\$ 329
Net loss of Brazilian joint venture (b)	(2,519)	(1,801)		
Net income of United States joint venture (c)			1,472	661
	<u>\$ 1,188</u>	<u>\$ 3,895</u>		
Company's equity in net income (loss) of joint ventures	<u>\$ (1,353)</u>	<u>\$ 990</u>		

</TABLE>

<TABLE>

<CAPTION>

	Three Months Ended			
	April 28, 1995		April 29, 1994	
	(Dollars in thousands)			
	Total	Company's Equity	Total	Company's Equity
	<C>	<C>	<C>	<C>
Revenues	\$ 144,954		\$ 140,083	
Costs and expenses	131,214		129,465	
Income tax provision	6,277		3,515	
Net income	<u>\$ 7,463</u>		<u>\$ 7,103</u>	
Net income of Australian joint venture	\$ 8,739		\$ 1,077	\$ 6,699
Net loss of Brazilian joint venture (b)	(1,276)		(982)	
Net income of United States joint venture (c)			404	127
	<u>\$ 7,463</u>		<u>\$ 7,103</u>	
Company's equity in net income of joint ventures	<u>\$ 95</u>		<u>\$ 940</u>	

</TABLE>

(b) The Company's portion of the net loss of the Brazilian joint venture included losses on foreign currency of \$394,000 and \$409,000 for the six and three months ended April 28, 1995, respectively.

(c) Effective February 28, 1994, the Company sold its 50% interest in the United States joint venture.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)--Continued

Note G--Per Share Data

Per share data are computed on the basis of the weighted average number of shares of common stock outstanding and, if applicable, the assumed exercise of dilutive outstanding stock options based on the treasury stock method.

Note H--Income Taxes

Significant components of the income tax provision attributable to operations are as follows:

<TABLE>  
<CAPTION>

	Six Months Ended		Three Months Ended	
	April 28, 1995	April 29, 1994	April 28, 1995	April 29, 1994
	(Dollars in thousands)			
<S>	<C>	<C>	<C>	<C>
Current:				
Federal	\$ (763)	\$ 1,985	\$(2,421)	\$ 2,946
Foreign	519	232	307	178
State and local	225	542	(372)	581
	-----	-----	-----	-----
	(19)	2,759	(2,486)	3,705
	-----	-----	-----	-----
Deferred:				
Federal	1,658	(38)	2,560	16
Foreign	20		20	
State and local	396	(2)	612	
	-----	-----	-----	-----
	2,074	(40)	3,192	16
	-----	-----	-----	-----
	\$ 2,055	\$ 2,719	\$ 706	\$ 3,721
	=====	=====	=====	=====

</TABLE>

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

### SIX MONTHS AND THREE MONTHS ENDED APRIL 28, 1995 COMPARED TO THE SIX MONTHS AND THREE MONTHS ENDED APRIL 29, 1994

The information which appears below relates to the current and prior periods, the results of operations for which periods are not necessarily indicative of the results which may be expected for any subsequent periods.

The following summarizes the results of operations by segment:

<TABLE>  
<CAPTION>

	FOR THE SIX MONTHS ENDED		FOR THE THREE MONTHS ENDED	
	April 28, 1995	April 29, 1994	April 28, 1995	April 29, 1994
	(Dollars in thousands)			
<S>	<C>	<C>	<C>	<C>
Revenues:				
Technical Services and Temporary Personnel	\$ 253,952	\$ 205,692	\$ 135,034	\$ 109,520
Electronic Publication and Typesetting Systems	32,703	28,561	16,703	16,068
Telephone Directory	26,656	29,673	13,994	17,785
Engineering and Construction	29,137	25,429	14,534	11,282
Computer Systems	33,542	17,049	11,291	8,236
Equity in net income (loss) of joint ventures	(1,353)	990	95	940

Gain on sale of joint venture			9,770	9,770
Interest and other income - net	711	333	499	87
Elimination of intersegment revenues	(2,098)	(2,165)	(960)	(1,206)
	-----	-----	-----	-----
	\$ 373,250	\$ 315,332	\$ 191,190	\$ 172,482
	=====	=====	=====	=====
Income Before Income Tax Provision and Extraordinary Item:				
Operating Profit (Loss):				
Technical Services and Temporary Personnel	\$ 11,891	\$ 6,063	\$ 6,944	\$ 4,044
Electronic Publication and Typesetting Systems	387	364	107	316
Telephone Directory	(1,451)	361	(419)	719
Engineering and Construction	1,176	(221)	832	(569)
Computer Systems	2,256	(2,281)	(1,838)	(1,333)
Eliminations	(31)	13	(9)	(10)
	-----	-----	-----	-----
Total Operating Profit	14,228	4,299	5,617	3,167
Equity in net income (loss) of joint ventures	(1,353)	990	95	940
Gain on sale of joint venture		9,770	9,770	
Interest and other income - net	711	333	499	87
General corporate expenses	(4,666)	(4,676)	(2,290)	(2,454)
Interest expense	(3,422)	(4,038)	(1,736)	(1,963)
Foreign exchange gain (loss) - net	10	(121)	(49)	(25)
	-----	-----	-----	-----
Income Before Income Tax Provision and Extraordinary Item	\$ 5,508	\$ 6,557	\$ 2,136	\$ 9,522
	=====	=====	=====	=====

</TABLE>

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#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS--Continued

##### SIX MONTHS ENDED APRIL 28, 1995 COMPARED TO THE SIX MONTHS ENDED APRIL 29, 1994--Continued

###### Results of Operations - Summary

In the six month period of 1995, revenues increased by \$57,918,000, or 18%, from fiscal 1994 as sales increased by \$69,653,000, or 23%. The increase in sales resulted primarily from a \$48,260,000 increase in the sales of the Technical Services and Temporary Personnel segment and a \$16,493,000 increase in the sales of the Computer Systems segment.

The Company had pretax income of \$5,508,000 in 1995, compared to \$6,557,000 in 1994. The 1994 income included a \$9,770,000 pretax gain on the sale of a joint venture. The operating profit of the Company's segments increased by \$9,929,000 to \$14,228,000 in 1995. The principal increases in the segments' operating income were from the Technical Services and Temporary Personnel segment, with an increase of \$5,828,000 to \$11,891,000, and the Computer Systems segment, where the \$2,256,000 profit represented a \$4,537,000 favorable change from 1994.

The extraordinary item in fiscal 1994 was a charge, net of taxes, of \$189,000, due to the early redemption at par of \$20,000,000 face value of the Company's 12-3/8% Subordinated Debentures.

Net income in 1995 was \$3,453,000, compared to a net income of \$3,649,000 in 1994.

###### Results of Operations - By Segment

The Technical Services and Temporary Personnel segment's sales increased by \$48,260,000, or 23%, in 1995 to \$253,952,000 and operating profit increased by \$5,828,000, or 96%, to \$11,891,000. Approximately \$32,000,000 of the segment's sales increase in 1995 was the result of business with new customers. One new customer accounted for approximately \$16,000,000 of the increase in sales.

Although it is anticipated that services to that customer will continue to be rendered over the near-term, the level of services now being performed may be reduced. The increase in operating profit was due to the increased sales volume and an increase in gross margin of 1.7 percentage points due to lower payroll taxes and workers' compensation insurance.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS--Continued

### SIX MONTHS ENDED APRIL 28, 1995 COMPARED TO THE SIX MONTHS ENDED APRIL 29, 1994--Continued

The Electronic Publication and Typesetting Systems segment's sales increased by \$4,142,000, or 15%, to \$32,703,000 in 1995, while operating profit increased by \$23,000, or 6%. The sales increase was primarily due to increased equipment sales in the U.S. and Pacific markets. The increase in operating profit was due to the increased sales volume and a 1.4 percentage point decrease in overhead expended per sales dollar, offset to a significant extent by a reduction in the gross margin of 1.6 percentage points. The decrease in the gross margin percentage resulted from a change in the product mix (a decrease in sales of some high margin products and an increase in sales of some low margin items which are in direct competition with other manufacturers' products). The markets in which the segment competes are marked by rapidly changing technology, with sales in fiscal year 1995 of equipment introduced within the last three years comprising approximately 93% of equipment sales.

The Telephone Directory segment's sales decreased by \$3,017,000, or 10%, to \$26,656,000 in fiscal 1995, while the segment incurred an operating loss of \$1,451,000, as compared to a profit of \$361,000 in 1994. The sales decline is due to lower telephone directory production volume, primarily related to the expiration of a contract in early 1995. The operating loss was due to the lower telephone directory production sales volume, an increase in costs to develop new directory management systems and start-up losses incurred in the automated production of newspaper display advertisements. This segment's services are rendered under various short and long-term contracts. Certain contracts expire in fiscal 1995 through 1997, and there can be no assurance that they will be renewed on similar terms or replaced.

The Engineering and Construction segment's sales increased by \$3,708,000, or 15%, to \$29,137,000 in fiscal 1995 and operating profit was \$1,176,000, compared to a loss of \$221,000 in 1994. The sales increase was due to a 25% increase in the business systems division and a 17% increase in the construction division. Operating results improved due to the increased sales volume and a 7.6 percentage point decrease in overhead expended per sales dollar, partially offset by a reduction in the gross margin of 2.7 percentage points.

The Computer Systems segment's sales increased by \$16,493,000, or 97%, to \$33,542,000 in 1995 and the operating profit was \$2,256,000, as compared to a loss of \$2,281,000 in 1994. The increase in sales and operating profit was primarily due to customer acceptance of two Delta Operating Service Systems (DOSS) in the first quarter of 1995 which did not require customization. Under the completed contract method of accounting used by this segment, revenues together with related costs are recognized in income upon acceptance by the customer. Deliveries and installations under other contracts, which require significant customization, continue and customer acceptances are anticipated later in 1995 and in 1996. Profitability rates on such contracts are not anticipated to be at the same levels as those earned on the DOSS contracts accepted in the first half of fiscal 1995. This segment's results on a quarter-to-quarter basis are highly dependent on the acceptance by customers under contract for the segment's directory assistance systems, which occurs periodically rather than evenly.

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

SIX MONTHS ENDED APRIL 28, 1995 COMPARED TO  
THE SIX MONTHS ENDED APRIL 29, 1994--Continued

Results of Operations - Other

Other items, discussed on a consolidated basis, affecting results of operations for the six month periods were:

Interest income increased by \$411,000, or 76%, in 1995. The increase was primarily due to higher prevailing interest rates and funds available for investment in interest-bearing securities.

The Company's equity in the net loss of its joint ventures was \$1,353,000 in 1995, as compared to a net income of \$990,000 in 1994. The loss was due to the start-up and foreign currency related losses incurred by the Brazilian joint venture which began operations in July 1994 and the absence of profits from the U.S. joint venture sold in February 1994. The Company's share of the income of its Australian joint venture, which produces a major portion of its revenues and significantly all of its profit in the Company's second and third fiscal quarters, increased by \$119,000, due to increased revenue.

Selling and administrative expenses increased by \$477,000, or 2%, to \$20,134,000 in 1995 to support the increase in sales. However, these expenses expressed as a percentage of sales were 5% in 1995 and 6% in 1994.

Research, development and engineering expenditures increased by \$299,000, or 8%, to \$3,876,000 in 1995. The increase was due to additional product development by the Telephone Directory and Electronic Publication and Typesetting Systems segments.

Depreciation and amortization increased by \$461,000, or 9%, to \$5,765,000 in 1995. The increase is due to increased fixed asset expenditures in 1993, 1994 and the first half of 1995.

Interest expense decreased by \$616,000, or 15%, to \$3,422,000 in 1995. The decrease was due to the redemption, in May 1994, of \$10,000,000 of the Company's 12-3/8% Subordinated Debentures.

The Company's effective tax rate was reduced to 37% in 1995, compared to 41% in 1994. The 1995 tax provision reflects the use of domestic net operating loss and foreign tax carryforwards which were not previously recognized due to tax code limitations.

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

THREE MONTHS ENDED APRIL 28, 1995 COMPARED TO  
THE THREE MONTHS ENDED APRIL 29, 1994--Continued

Results of Operations - Summary

In the three month period of 1995, revenues increased by \$18,708,000, or 11%, from fiscal 1994 as sales increased by \$28,911,000, or 18%. The increase in sales resulted primarily from a \$25,514,000 increase in the sales of the Technical Services and Temporary Personnel segment.

The Company had pretax income of \$2,136,000, compared to \$9,522,000 in 1994. The 1994 income included a \$9,770,000 pretax gain on the sale of a joint venture. Operating profit increased by \$2,450,000, or 77%, to \$5,617,000. The principal increases were an increase in operating profit of \$2,900,000 by the Technical Services and Temporary Personnel segment, and Engineering and Construction, with an increase of \$1,401,000, partially offset by decreases of \$1,138,000 in the Telephone Directory segment, \$505,000 in Computer Systems and \$209,000 in

## Electronic Publication and Typesetting Systems.

Net income in fiscal 1995 was \$1,430,000, compared to a net income of \$5,801,000 in 1994.

### Results of Operations - By Segment

The Technical Services and Temporary Personnel segment's sales increased by \$25,514,000, or 23%, in 1995 to \$135,034,000 and operating profit increased by \$2,900,000, or 72%, to \$6,944,000. Approximately \$19,000,000 of the segment's sales increase in 1995 was the result of business with new customers. The operating profit increase in 1995 was due to the increased sales volume and an increased gross margin of 1.6 percentage points.

The Electronic Publication and Typesetting Systems segment's sales increased by \$635,000, or 4%, to \$16,703,000 in 1995, while operating profit decreased by \$209,000 to \$107,000. The sales increase was primarily due to increased equipment sales in the Pacific market, partially offset by decreases in the U.S and European markets. The decrease in operating profit was primarily due to a reduction in the gross margin of 1.9 percentage points, partially offset by the increase in sales and a .6 percentage point decrease in overhead expended per sales dollar. The decrease in the gross margin percentage resulted from a change in the product mix (a decrease in sales of some high margin products and an increase in sales of some low margin items which are in direct competition with other manufacturers' products).

The Telephone Directory segment's sales decreased by \$3,791,000, or 21%, to \$13,994,000 in fiscal 1995 while the segment incurred an operating loss of \$419,000, as compared to a profit of \$719,000 in 1994. The sales decline was due to lower telephone directory production volume, primarily related to the termination of a contract in early 1995 and a 25% decrease in publication sales of independent directories. The reduction in the publication sales of independent directories primarily relates to two directories published in the second quarter of fiscal 1994, which will be published in the third quarter of fiscal 1995. The operating loss was due to the lower telephone directory production and

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS--Continued

### THREE MONTHS ENDED APRIL 28, 1995 COMPARED TO THE THREE MONTHS ENDED APRIL 29, 1994--Continued

independent directory publication sales volumes, an increase in costs to develop new directory management systems and start-up losses incurred in the automated production of newspaper display advertisements.

The Engineering and Construction segment's sales increased by \$3,252,000, or 29%, to \$14,534,000 in fiscal 1995, with an operating profit of \$832,000, compared to a loss of \$569,000 in 1994. The sales increase was due to a 39% increase in the construction division and a 19% increase in the business systems division. Operating results improved due to the increased sales volume and a 10.3 percentage point decrease in overhead expended per sales dollar.

The Computer Systems segment's sales increased by \$3,055,000, or 37%, to \$11,291,000 in 1995, while the operating loss increased by \$505,000, or 38%, to \$1,838,000. The sales increase was attributable to greater DOSS maintenance revenue and an increase in sales of conservation services to utilities. The operating loss increased due to additional expenditures on new business development and high start-up costs incurred under maintenance contracts. This segment's results on a quarter-to-quarter basis are highly dependent on the acceptance by customers under contract for the segment's directory assistance systems, which occurs periodically rather than evenly.

### Results of Operations - Other

Other items, discussed on a consolidated basis, affecting results of operations



for the three month periods were:

Interest income increased by \$161,000, or 52%, in 1995. The increase was primarily due to higher prevailing interest rates and funds available for investment in interest-bearing securities.

In the three month period of 1995, the Company's equity in the net income of its joint ventures decreased by \$845,000, or 90%, to \$95,000. The decrease was due to the start-up and foreign currency related losses incurred by the Brazilian joint venture which began operations in July 1994. The Company's share of the income of its Australian joint venture increased by \$264,000 due to increased revenue.

Selling and administrative expenses decreased by \$409,000, or 4%, to \$10,383,000 in 1995, due principally to the expenses incurred in 1994 in relocating the corporate offices. These expenses expressed as a percentage of sales were 5% in 1995 and 7% in 1994.

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#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS--Continued

##### THREE MONTHS ENDED APRIL 28, 1995 COMPARED TO THE THREE MONTHS ENDED APRIL 29, 1994--Continued

Depreciation and amortization increased by \$309,000, or 12%, to \$2,969,000 in 1995. The increase is due to increased fixed asset expenditures in 1993, 1994 and the first half of 1995.

Interest expense decreased by \$227,000, or 12%, to \$1,736,000 in 1995. The decrease was due to the redemption, in May 1994, of \$10,000,000 of the Company's 12-3/8% Subordinated Debentures.

The Company's effective tax rate was reduced to 33% in 1995 compared to 39% in 1994. The 1995 tax provision reflects the use of domestic net operating loss and foreign tax carryforwards which were not previously recognized due to tax code limitations.

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#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS--Continued

##### Liquidity and Capital Resources

Cash and cash equivalents decreased by \$3,543,000 in 1995 to \$13,506,000 and working capital decreased by \$12,269,000 to \$49,570,000. The decrease in working capital was primarily due to the inclusion in current liabilities of \$10,000,000 of debentures called by the Company in April 1995 for redemption on May 8, 1995.

Cash flows provided by operating activities for the six months ended April 28, 1995 were \$5,858,000 compared with \$13,144,000 in the six months ended April 29, 1994. The decrease primarily relates to an increase in the level of accounts receivable, due in part to a \$15,000,000 reduction in interests in accounts receivable sold at April 28, 1995 compared with October 28, 1994.

The Company believes that its current financial position, working capital and future cash flows will be sufficient to fund its presently contemplated operations and satisfy its debt obligations. The Company has no material capital commitments. The Company may determine, from time-to-time in the future, to buy additional shares of its common stock and/or debentures in the market or in privately negotiated transactions.

In addition to its cash and cash equivalents, at April 28, 1995, the Company's

investment portfolio, primarily U.S. Treasury Notes and certificates of deposit, had a carrying value of \$5,922,000. The Company also has a \$10,000,000 credit line with a domestic bank under a revolving credit agreement which expires in February 1996, unless renewed. The Company had outstanding bank borrowings under that line of \$4,910,000 at April 28, 1995. In addition, at April 28, 1995, the Company had the right to sell up to \$35,000,000 of additional interests in receivables under its existing sales program. In May 1995, an additional \$10,000,000 of the interests was sold to finance the redemption of the debentures.

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## PART II - OTHER INFORMATION

### ITEM 6-- EXHIBITS AND REPORTS ON FORM 8-K

#### (a) Exhibits:

15.01 Acknowledgment letter from Ernst & Young LLP

15.02 Independent Accountants' Report on Review of  
Interim Financial Information from Ernst & Young LLP

#### (b) Reports on Form 8-K:

The only report on Form 8-K filed during the quarter ended April 28, 1995 was a report dated March 31, 1995 (date of earliest event reported), reporting under Item 5. Other Events.

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## SIGNATURE

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.

VOLT INFORMATION SCIENCES, INC.  
(Registrant)

BY: s/ JACK EGAN  
-----

Date: June 9, 1995

JACK EGAN  
Vice President - Corporate Accounting  
(Principal Accounting Officer)

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## EXHIBIT INDEX

15.01 Acknowledgment letter from Ernst & Young LLP

15.02 Independent Accountants' Report on Review of  
Interim Financial Information from Ernst & Young LLP

27 Financial Data Schedule



EXHIBIT 15.01

June 12, 1995

Securities and Exchange Commission  
Washington, DC 20549

We are aware of the incorporation by reference in Post-Effective Amendment No. 2 to Registration Statement No. 2-75618 on Form S-8 dated September 12, 1988, Post-Effective Amendment No. 3 to Registration Statement No. 2-70180 on Form S-8 dated April 8, 1983, Registration Statement No. 2-88018 on Form S-3 dated December 1, 1983 and Registration Statement No. 33-18565 on Form S-8 dated December 14, 1987 of Volt Information Sciences, Inc., of our report dated May 31, 1995 relating to the unaudited condensed consolidated interim financial statements of Volt Information Sciences, Inc. which are included in its Form 10-Q for the quarter ended April 28, 1995.

Pursuant to Rule 436(c) of the Securities Act of 1933 our report is not a part of the registration statement prepared or certified by accountants within the meaning of Section 7 or 11 of the Securities Act of 1933.

Ernst & Young LLP

New York, New York

EXHIBIT 15.02

ERNST & YOUNG LLP 787 Seventh Avenue  
New York, New York 10019

Phone # 212-773-3000

INDEPENDENT ACCOUNTANTS' REPORT ON REVIEW OF INTERIM  
FINANCIAL INFORMATION

TO THE STOCKHOLDERS  
VOLT INFORMATION SCIENCES, INC.

We have reviewed the accompanying unaudited condensed consolidated balance sheet of Volt Information Sciences, Inc. and subsidiaries as of April 28, 1995, and the related condensed consolidated statements of operations for the six and three month periods ended April 28, 1995 and April 29, 1994, and the related condensed consolidated statements of cash flows for the six month periods ended April 28, 1995 and April 29, 1994. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, which will be performed for the full year with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Volt Information Sciences, Inc. as of October 28, 1994, and the related consolidated statements of operations and cash flows for the year then ended, not presented herein; and in our report dated December 19, 1994, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of October 28, 1994, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Ernst & Young LLP

May 31, 1995

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