



NEWS RELEASE

FOR IMMEDIATE RELEASE

September 10, 2014

VERSAR, INC. ANNOUNCES FOURTH QUARTER AND FISCAL YEAR END 2014 RESULTS

- Revenues for the Year Increase 7% -
- \$220 Million in Backlog at August 30, 2014 is a 93% Increase From End of Fourth Quarter of 2014
- Company Reports \$1.4 Million Goodwill Impairment Charge -

Offices

Headquarters

Springfield, VA

Inside the U.S.

Boise, ID

Chandler, AZ

Charleston, SC

Columbia, MD

Denver, CO

Dulles, VA

El Paso, TX

Germantown, MD

Hampton, VA

Knoxville, TN

Louisville, KY

Plano, TX

Sacramento, CA

San Antonio, TX

Outside the U.S.

Abu Dhabi, UAE

Baghdad, Iraq

Kabul, Afghanistan

Manila, Philippines

Milton Keynes, UK

Springfield, VA – September 10, 2014 – Versar, Inc. (NYSE MKT: VSR) today announced financial results for the fiscal fourth quarter and year ended June 27, 2014.

Financial Results

Gross revenue for fiscal year 2014 increased 7% to \$110.3 million, as compared to gross revenue of \$102.6 million in fiscal 2013. The increase in revenue was primarily attributable to the acquisition of GMI. Gross margin decreased to 6% as compared to 13% in fiscal 2013 related primarily to the continued wind down of Title II work in Afghanistan, which is anticipated to conclude in fiscal year 2015 and the completion of several projects in the Company's Professional Services Group (PSG). Gross profit from PSG declined as a result of contracts shifting to small business programs. During the year, the Company subcontracted a large percentage of services in order to offer a broader range of capabilities, which also contributed to compressed gross margins. For the year ended June 27, 2014, the Company reported a goodwill impairment charge of \$1.4 million related to goodwill from acquisitions prior to fiscal year 2011. Versar also recorded a tax benefit of \$1.0 million for fiscal year 2014. The net loss for the year was \$334,000 or a loss of \$0.03 per share on a fully diluted basis (which includes \$0.02 from discontinued operations) as compared to net income of \$2.4 million or \$0.25 per share on a fully diluted basis (which includes a loss of \$0.18 from discontinued operations) for fiscal 2013.

Gross revenue for the fourth quarter of fiscal year 2014 decreased slightly to \$24.9 million, compared to revenues of \$25.1 million during the fourth quarter of the last fiscal year. The Company reported a reduction in gross margins for the quarter, primarily due to the decrease in gross profit related to the previously mentioned continued wind down of its Title II work in Afghanistan. The Company took the entire goodwill impairment charge of \$1.4 million related to goodwill from acquisitions prior to fiscal year 2011, in the fourth quarter. Versar also reported a tax benefit of \$1.1 million for the quarter. The net loss for the quarter was \$965,000 or a loss of \$0.10 per share (which included a loss of \$0.01 from discontinued operations) as compared to a net loss of \$411,000 or a loss of \$0.04 on a fully diluted basis (which included a loss of \$0.09 from discontinued operations) in the same period of 2013.

Versar closed fiscal 2014 with a cash balance of approximately \$9.7 million, \$1.1 million in debt and stockholders' equity of \$37.8 million.

Increased Funded Backlog

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As of June 27, 2014, Versar recorded funded backlog of approximately \$114 million, an increase of 5% compared to \$108 million of funded backlog at the end of fiscal year 2013. Since the close of the quarter, Versar announced a \$98.3 million contract with the U.S. Air Force for repairs to runways at Dover Air Force base and completed the acquisition of J.M. Waller Associates which has more than \$30 million in annual revenue. As a result, funded backlog at the end of August 2014 is approximately \$220 million, a 93% increase as compared to funded backlog at the completion of the fourth quarter of fiscal 2014.

Tony Otten, CEO of Versar said, "Fiscal 2014 was marked by several positive strategic developments, including the acquisitions of Geo-Marine, Inc. (GMI) and Lime Energy's Facility Repair and Renewal business unit, both of which broaden our capabilities and enhance our market presence. During the fourth quarter we continued to be impacted by delayed funding for government contracts as a result of last fall's government shut down and sequestration. Our backlog, however, has significantly strengthened since the close of the quarter primarily because of the large contract with the U.S. Air Force for repairs to the runways at Dover Air Force base as well as the addition of funded backlog from our acquisition of Waller. The Dover contract is a direct result of our acquisition of GMI and we are confident that it positions us positively to win similar business in the future. J.M. Waller Associates, Inc., is a Service Disabled Veteran Owned Small Business (SDVOSB), with more than \$30 million in annual revenues. J.M. Waller provides environmental facilities, professional staffing and logistics consulting services to a wide range of government, industry and commercial clients. They are a good fit for us geographically and culturally, and we expect their facilities expertise and customer base will expand our reach in terms of clients, technical capabilities and geography."

Mr. Otten continued, "We have built our business on our ability to provide a broad range of solutions in a wide range of environments and we have developed strong relationships and a reputation for getting the job done. We are continuously pursuing new partnership opportunities and the expansion of our existing relationships, domestically and internationally with a focus on winning significant contracts related to non-discretionary funding and our recent acquisitions enhance and strengthen our diverse set of capabilities."

Conference Call:

The Company will hold a conference call at 2:00 PM Eastern Time today, Wednesday, September 10, to discuss the Company's operational performance and financial results for the quarter and year ended June 27, 2014.

The dial in number for the US and Canada is toll free, 877-407-8033. The international dial in number is 201-689-8033. Participants should call in a few minutes before 2:00 PM Eastern Time. For those unable to attend the conference call, a replay will be available on Versar's website, www.versar.com

VERSAR, INC., headquartered in Springfield, Virginia, is a publicly traded global project management company providing sustainable value oriented solutions to government and commercial clients in the construction management, environmental services, munitions response, and professional services market areas.

VERSAR operates a number of web sites, including the corporate web sites, www.versar.com, www.geomet.com, www.viap.com, www.dtaps.com, www.adventenv.com, www.charronconsulting.com, and www.ppsgb.com.

This news release contains forward-looking information. The forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of

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1995. Forward-looking statements may be significantly impacted by certain risks and uncertainties described herein and in Versar's Annual Report on Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended June 28, 2013, as updated from time to time in the Company's periodic filings. The forward-looking statements are made as of the date hereof and Versar does not undertake to update its forward-looking statements.

Contact:	David Gray Director of Financial Reporting Versar, Inc. (703) 642-6888 dgray@versar.com	John Nesbett or Jennifer Belodeau Institutional Marketing Services (IMS) (203) 972-9200 jnesbett@institutionalms.com
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VERSAR, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In thousands, except share amounts)

	As of	
	June 27, 2014	June 28, 2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 9,674	\$ 8,728
Accounts receivable, net	25,983	29,342
Inventory, net	1,294	1,225
Prepaid expenses and other current assets	1,303	1,074
Deferred income taxes	2,254	2,314
Income tax receivable	2,325	1,764
Total current assets	42,833	44,447
Property and equipment, net	2,389	2,108
Deferred income taxes, non-current	533	622
Goodwill	8,073	7,515
Intangible assets, net	2,930	1,798
Other assets	1,003	887
Total assets	\$ 57,761	\$ 57,377
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 11,272	\$ 10,788
Accrued salaries and vacations	2,912	3,042
Other current liabilities	3,568	3,304
Notes payable, current	958	333
Total current liabilities	18,710	17,467
Notes payable, non-current	156	333
Deferred income taxes	-	849
Other long-term liabilities	1,110	1,104
Total liabilities	19,976	19,753
Commitments and contingencies	-	-
Stockholders' equity		
Common stock \$.01 par value; 30,000,000 shares authorized; 9,849,773 shares issued and 9,708,107 shares outstanding as of June 27, 2014		
9,849,773 shares issued and 9,579,753 shares outstanding as of June 28, 2013		
Capital in excess of par value	100	99
Retained earnings	30,393	29,758
Treasury stock, at cost	9,032	9,366
Accumulated other comprehensive loss; foreign currency translation	(1,396)	(1,224)
Total stockholders' equity	(344)	(375)
Total stockholders' equity	37,785	37,624
Total liabilities and stockholders' equity	\$ 57,761	\$ 57,377

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VERSAR, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited-in thousands, except per share amounts)

	For the Three Months Ended		For the Year Ended	
	June 27, 2014	June 28, 2013	June 27, 2014	June 28, 2013
GROSS REVENUE	\$ 24,898	\$ 25,124	\$ 110,280	\$ 102,622
Purchased services and materials, at cost	12,017	11,530	55,108	44,070
Direct costs of services and overhead	12,563	11,496	48,438	44,865
GROSS PROFIT	317	2,098	6,734	13,687
Selling, general and administrative expenses	2,161	1,552	8,390	7,603
Other income	(1,269)	(182)	(1,596)	(182)
Goodwill Impairment	1,381	-	1,381	-
OPERATING (LOSS) INCOME	(1,956)	728	(1,441)	6,266
OTHER (INCOME) EXPENSE				
Interest income	(1)	(24)	(15)	(28)
Interest expense	30	20	133	86
(LOSS) INCOME BEFORE INCOME TAXES, from continuing operations	(1,985)	732	(1,559)	6,208
Income tax (benefit) expense	(1,106)	282	(1,043)	2,079
NET (LOSS) INCOME FROM CONTINUING OPERATIONS	(879)	450	(516)	4,129
Income (Loss) from discontinued operations, net of tax	(86)	(861)	182	(1,726)
NET (LOSS) INCOME	\$ (965)	\$ (411)	\$ (334)	\$ 2,403
NET (LOSS) INCOME PER SHARE-BASIC and DILUTED				
Continuing operations	\$ (0.09)	0.05	\$ (0.05)	0.43
Discontinued operations	(0.01)	(0.09)	0.02	(0.18)
NET INCOME (LOSS) PER SHARE-BASIC and DILUTED	\$ (0.10)	\$ (0.04)	\$ (0.03)	\$ 0.25
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING-BASIC	9,663	9,758	9,663	9,482

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