

Edgar Filing: VOLT INFORMATION SCIENCES, INC. - Form 10-Q

VOLT INFORMATION SCIENCES, INC.

Form 10-Q

June 06, 2008

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

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

For the Six Months Ended April 27, 2008.

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.

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(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.)
560 Lexington Avenue, New York, New York ----- (Address of Principal Executive Offices)	10022 ----- (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 X No    

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	_____	Accelerated Filer	<u>X</u> _____
Non-Accelerated Filer	_____	Smaller Reporting Company	_____

Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes     No X

The number of shares of the registrant's common stock, \$.10 par value,

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outstanding as of June 2, 2008 was 22,001,541.

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### PART I - FINANCIAL INFORMATION ITEM 1 - FINANCIAL STATEMENTS

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

Six Months Ended  
-----  
April 27, April 29, Apr

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	2008	2007	
	-----	-----	-----
	(In thousands, except per share amounts)		
NET SALES	\$1,211,473	\$1,117,001	\$6.40
COST AND EXPENSES:			
Cost of sales	1,149,380	1,034,583	5.72
Selling and administrative	51,690	48,934	
Restructuring costs	1,504	-	
Depreciation and amortization	19,962	19,111	
	-----	-----	-----
	1,222,536	1,102,628	6.40
	-----	-----	-----
OPERATING (LOSS) INCOME	(11,063)	14,373	
OTHER INCOME (EXPENSE):			
Interest income	2,556	2,588	
Other expense, net	(3,214)	(3,167)	
Foreign exchange loss, net	(354)	(453)	
Interest expense	(3,183)	(1,489)	
	-----	-----	-----
(Loss) income before minority interest and income taxes	(15,258)	11,852	
Minority interest	77	-	
	-----	-----	-----
(Loss) income before income taxes	(15,181)	11,852	
Income tax benefit (provision)	5,343	(4,732)	
	-----	-----	-----
NET (LOSS) INCOME	(\$9,838)	\$7,120	
	-----	-----	-----

		Per Share Data
		-----
Net (loss) income per share - basic and diluted	(\$0.44)	\$0.31
	=====	=====
Weighted average number of shares - basic	22,146	23,171
	=====	=====
Weighted average number of shares - diluted	22,146	23,221
	=====	=====

See accompanying notes to condensed consolidated financial statements (unau

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## ASSETS

(In thousands, except per share amounts)

### CURRENT ASSETS

Cash and cash equivalents	\$47,417
Restricted cash	33,746
Short-term investments	5,189
Trade accounts receivable, net of allowances of \$6,269 (2008) and \$5,236 (2007)	399,615
Inventories, net of allowances of \$14,050 (2008) and \$4,445 (2007)	48,268
Recoverable income taxes	10,518
Deferred income taxes	12,130
Prepaid insurance and other assets	33,485

TOTAL CURRENT ASSETS	590,368
----------------------	---------

Property, plant and equipment, net	75,010
Insurance and other assets	3,352
Deferred income taxes	8,776
Goodwill	102,404
Other intangible assets, net	50,367

TOTAL ASSETS	\$830,277
--------------	-----------

## LIABILITIES AND STOCKHOLDERS' EQUITY

### CURRENT LIABILITIES

Notes payable to banks	\$78,117
Current portion of long-term debt	656
Accounts payable	223,741
Accrued wages and commissions	59,433
Accrued taxes other than income taxes	25,805
Accrued insurance and other accruals	31,843
Deferred income and other liabilities	43,041
Income taxes payable	-

TOTAL CURRENT LIABILITIES	462,636
---------------------------	---------

Long-term debt	12,416
Deferred income	2,505
Income taxes payable	937
Deferred income taxes	17,359

Minority interest	799
-------------------	-----

### STOCKHOLDERS' EQUITY

Preferred stock, par value \$1.00; Authorized--500,000 shares; issued--none	-
Common stock, par value \$.10; Authorized--120,000,000 shares; issued --23,498,103 shares (2008) and 23,480,103 (2007)	2,350
Paid-in capital	50,973
Retained earnings	309,017
Accumulated other comprehensive income	2,266

Less treasury stock--1,496,562 shares (2008) and 1,048,966 shares (2007), at cost	(30,981)
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TOTAL STOCKHOLDERS' EQUITY	333,625
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$830,277
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See accompanying notes to condensed consolidated financial statements (unaudited)

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

Six Months Ended  
-----  
April 27,  
2008  
-----  
(In thousands)

CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES

Net (loss) income	(\$9,838)
Adjustments to reconcile net (loss) income to cash provided by operating activities:	
Depreciation and amortization	19,962
Accounts receivable provisions	2,943
Minority interest	(77)
Loss on dispositions of property, plant and equipment	30
Loss on foreign currency translation	105
Deferred income tax benefit	(7,126)
Share-based compensation expense related to employee stock options	29
Excess tax benefits from share-based compensation	(12)
Changes in operating assets and liabilities, net of assets acquired :	
Accounts receivable	(5,093)
Increase (reduction) in securitization of accounts receivable	20,000
Inventories	11,682
Prepaid insurance and other current assets	9,410
Insurance and other long-term assets	106
Accounts payable	466
Accrued expenses	(3,012)
Deferred income and other liabilities	11,096
Income taxes	(12,622)

NET CASH PROVIDED BY OPERATING ACTIVITIES

38,049  
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VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)--Continued

Six Months Ended  
-----  
April 27,  
2008

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(In thousands)

CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES

Sales of investments	\$997
Purchases of investments	(1,100)
Increase in restricted cash	(8,264)
Increase in payables related to restricted cash	8,264
Acquisition	(873)
Proceeds from disposals of property, plant and equipment, net	60
Purchases of property, plant and equipment	(15,853)

NET CASH USED IN INVESTING ACTIVITIES

(16,769)

CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES

Payment of long-term debt	(249)
Cash in lieu of fractional shares	-
Exercises of stock options	166
Excess tax benefits from share-based compensation	12
Purchase of treasury shares	(8,081)
(Decrease) increase in notes payable to banks	(6,189)

NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES

(14,341)

Effect of exchange rate changes on cash

80

NET INCREASE IN CASH AND CASH EQUIVALENTS

7,019

Cash and cash equivalents, beginning of period

40,398

CASH AND CASH EQUIVALENTS, END OF PERIOD

\$47,417

SUPPLEMENTAL INFORMATION

Cash paid during the period:

Interest expense	\$3,336
Income taxes	\$15,541

See accompanying notes to condensed consolidated financial statements (unaudited)

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 required by generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying unaudited condensed

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consolidated financial statements contain all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the Company's consolidated financial position at April 27, 2008 and consolidated results of operations for the six and three months ended and consolidated cash flows for the six months ended April 27, 2008 and April 29, 2007.

Effective October 29, 2007, the Company adopted the provisions of Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. There was no material impact on the Company's consolidated financial position and results of operations as a result of the adoption of the provisions of FIN 48.

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 fiscal year ended October 28, 2007. The accounting policies used in preparing these financial statements are the same as those described in that Report. The Company's fiscal year ends on the Sunday nearest October 31.

### NOTE B--Securitization Program

The Company has a \$200.0 million accounts receivable securitization program ("Securitization Program"), which expires in April 2009. Under the Securitization Program, receivables related to the United States operations of the staffing solutions business of the Company and its subsidiaries are sold from time-to-time by the Company to Volt Funding Corp., a wholly-owned special purpose subsidiary of the Company ("Volt Funding"). Volt Funding, in turn, sells to Three Rivers Funding Corporation ("TRFCO"), an asset backed commercial paper conduit sponsored by Mellon Bank, N.A. and unaffiliated with the Company, an undivided percentage ownership interest in the pool of receivables Volt Funding acquires from the Company (subject to a maximum purchase by TRFCO in the aggregate of \$200.0 million). The Company retains the servicing responsibility for the accounts receivable. At April 27, 2008, TRFCO had purchased from Volt Funding a participation interest of \$140.0 million out of a pool of approximately \$263.6 million of receivables.

The Securitization Program is not an off-balance sheet arrangement as Volt Funding is a 100% owned consolidated subsidiary of the Company. Accounts receivable are only reduced to reflect the fair value of receivables actually sold. The Company entered into this arrangement as it provided a low-cost alternative to other financing.

The Securitization Program is designed to enable receivables sold by the Company to Volt Funding to constitute true sales of those receivables. As a result, the receivables are available to satisfy Volt Funding's own obligations to its own creditors before being available, through the Company's residual equity interest in Volt Funding, to satisfy the Company's creditors. TRFCO has no recourse to the Company beyond its interest in the pool of receivables owned by Volt Funding.

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

#### NOTE B--Securitization Program--Continued

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In the event of termination of the Securitization Program, new purchases of a participation interest in receivables by TRFCO would cease and collections reflecting TRFCO's interest would revert to it. The Company believes TRFCO's aggregate collection amounts should not exceed the pro rata interests sold. There are no contingent liabilities or commitments associated with the Securitization Program.

The Company accounts for the securitization of accounts receivable in accordance with Statement of Financial Accounting Standards ("SFAS") No. 156, "Accounting for Transfers and Servicing of Financial Assets, an amendment of SFAS No. 140." At the time a participation interest in the receivables is sold, the receivable representing that interest is removed from the condensed consolidated balance sheet (no debt is recorded) and the proceeds from the sale are reflected as cash provided by operating activities. Losses and expenses associated with the transactions, primarily related to discounts incurred by TRFCO on the issuance of its commercial paper, are charged to the consolidated statement of operations.

The Company incurred charges in connection with the sale of receivables under the Securitization Program, of \$2.8 million and \$1.3 million in the six and three months ended April 27, 2008, respectively, compared to \$2.2 million and \$0.9 million in the six and three months ended April 29, 2007, which are included in Other Expense in the consolidated statement of operations. The equivalent cost of funds in the Securitization Program was at the rate of 4.5% per annum and 6.0% per annum in the six-month 2008 and 2007 fiscal periods, respectively. The Company's carrying retained interest in the receivables approximated fair value due to the relatively short-term nature of the receivable collection period. In addition, the Company performed a sensitivity analysis, changing various key assumptions, which also indicated the retained interest in receivables approximated fair value.

At April 27, 2008 and October 28, 2007, the Company's carrying retained interest in a revolving pool of receivables was approximately \$122.8 million and \$143.8 million, respectively, net of a service fee liability, out of a total pool of approximately \$263.6 million and \$264.9 million, respectively. The outstanding balance of the undivided interest sold to TRFCO was \$140.0 million and \$120.0 million at April 27, 2008 and October 28, 2007, respectively. Accordingly, the trade accounts receivable included on the April 27, 2008 and October 28, 2007 balance sheets were reduced to reflect the participation interest sold of \$140.0 million and \$120.0 million, respectively.

The Securitization Program is subject to termination at TRFCO's option, under certain circumstances, including the default rate, as defined, on receivables exceeding a specified threshold, the rate of collections on receivables failing to meet a specified threshold or the Company failing to maintain a long-term debt rating of "B" or better, or the equivalent thereof, from a nationally recognized rating organization. At April 27, 2008, the Company was in compliance with all requirements of the Securitization Program.

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

#### NOTE C--Inventories

Inventories of accumulated unbilled costs, principally work in process, and materials, net of related reserves, by segment are as follows:



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	April 27, 2008	October 28, 2007
	-----	-----
	(In thousands)	
Telephone Directory	\$11,772	\$9,650
Telecommunications Services	28,311	43,162
Computer Systems	8,185	7,138
	-----	-----
Total	\$48,268	\$59,950
	=====	=====

The cumulative amounts billed under service contracts at April 27, 2008 and October 28, 2007 of \$24.6 million and \$13.9 million, respectively, are credited against the related costs in inventory. In addition, inventory reserves at April 27, 2008 and October 28, 2007 of \$14.1 million and \$4.4 million, respectively, are credited against the related costs in inventory. The increase in reserves is the result of a reserve established during the first quarter for certain costs included in inventory related to work performed and for additional costs expected to be incurred to complete that work under an installation contract in the Telecommunications Services segment.

## NOTE D--Short-Term Borrowings

At April 27, 2008, the Company had credit lines with domestic and foreign banks which provided for borrowings and letters of credit of up to an aggregate of \$153.9 million, including the Company's \$42.0 million five-year unsecured revolving credit agreement ("Credit Agreement") and the Company's wholly owned subsidiary, Volt Delta Resources, LLC's ("Volt Delta") \$100.0 million secured, syndicated revolving credit agreement ("Delta Credit Facility"). The Company had total outstanding bank borrowings of \$78.1 million as of April 27, 2008. Included in these borrowings were \$16.1 million of foreign currency borrowings which provide economic hedges against foreign denominated net assets.

### Credit Agreement

-----

On February 28, 2008, the Company entered into the Credit Agreement to replace the Company's then expiring \$40.0 million secured credit agreement with a credit facility ("Credit Facility") in favor of the Company and designated subsidiaries, of which up to \$15.0 million may be used for letters of credit and \$25.0 million for borrowing in alternative currencies. At April 27, 2008, the Company had no borrowings against this facility. The administrative agent for the Credit Facility is Bank of America, N.A. The other banks participating in the Credit Facility are JP Morgan Chase Bank, N.A. as syndicated agent, Wells Fargo Bank, N.A. and HSBC Bank USA, N.A.

Borrowings under the Credit Agreement bear interest at various rate options selected by the Company at the time of each borrowing. Certain rate options, together with a facility fee, are based on a leverage ratio, as defined. Based upon the Company's leverage ratio at April 27, 2008, if a three-month U.S. Dollar LIBO rate were the interest rate option selected by the Company, borrowings would have borne interest at the rate of 3.8% per annum, excluding a fee of 0.3% per annum paid on the entire facility.

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### NOTE D--Short-Term Borrowings--Continued

The Credit Agreement provides for the maintenance of various financial ratios and covenants, including, among other things, a requirement that the Company maintain a consolidated tangible net worth, as defined; a limitation on total funded debt to EBITDA of 3.0 to 1.0; and a requirement that the Company maintain a minimum ratio of EBITDA, as defined, to interest expense, as defined, of 4.0 to 1.0 for the twelve months ended as of the last day of each fiscal quarter. The Credit Agreement also imposes limitations on, among other things, the incurrence of additional indebtedness, the level of annual capital expenditures, and the amount of investments, including business acquisitions and mergers, and loans that may be made by the Company to its subsidiaries.

#### Delta Credit Facility

In December 2006, Volt Delta entered into the Delta Credit Facility, which expires in December 2009, with Wells Fargo, N.A. as the administrative agent and arranger, and as a lender thereunder. Wells Fargo and two of the other three lenders under the Delta Credit Facility, Bank of America, N.A. and JPMorgan Chase, also participate in the Company's \$42.0 million revolving Credit Facility. Neither the Company nor Volt Delta guarantees each other's facility but certain subsidiaries of each are guarantors of their respective parent company's facility.

The Delta Credit Facility allows for the issuance of revolving loans and letters of credit in the aggregate of \$100.0 million with a sublimit of \$10.0 million on the issuance of letters of credit. At April 27, 2008, \$71.4 million was drawn on this facility. Certain interest rate options, as well as the commitment fee, are based on a leverage ratio, as defined, which resets quarterly. Based upon Volt Delta's leverage ratio at April 27, 2008, if a three-month U.S. Dollar LIBO rate were the interest rate option selected by the Company, borrowings would have borne interest at the rate of 4.3% per annum. Volt Delta also pays a commitment fee on the unused portion of the Delta Credit Facility which varies based on Volt Delta's leverage ratio. At April 27, 2008, the commitment fee was 0.3% per annum.

The Delta Credit Facility provides for the maintenance of various financial ratios and covenants, including, among other things, a total debt to EBITDA ratio, as defined, which cannot exceed 2.0 to 1.0 on the last day of any fiscal quarter, a fixed charge coverage ratio, as defined, which cannot be less than 2.5 to 1.0 for the twelve months ended as of the last day of each fiscal quarter and the maintenance of a consolidated net worth, as defined. The Delta Credit Facility also imposes limitations on, among other things, incurrence of additional indebtedness or liens, the amount of investments including business acquisitions, creation of contingent obligations, sales of assets (including sale leaseback transactions) and annual capital expenditures.

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

#### NOTE E--Long-Term Debt and Financing Arrangements

Long-term debt consists of the following:

April 27, 2008	October 28, 2007
-----	-----
(Dollars in thousands)	

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8.2% term loan (a)	\$12,577	\$12,826
Note payable for an acquisition (b)	495	-
	-----	-----
	13,072	12,826
Less amounts due within one year	656	510
	-----	-----
Total long-term debt	\$12,416	\$12,316
	=====	=====

(a) In September 2001, a subsidiary of the Company entered into a \$15.1 million loan agreement with General Electric Capital Business Asset Funding Corporation. Principal payments have reduced the loan to \$12.6 million at April 27, 2008. The 20-year loan, which bears interest at 8.2% per annum and requires principal and interest payments of \$0.4 million per quarter, is secured by a deed of trust on certain land and buildings that had a carrying amount at April 27, 2008 of \$10.0 million. The obligation is guaranteed by the Company.

(b) Represents the present value of a \$0.6 million payment due in sixty monthly installments, discounted at 5% per annum.

## NOTE F--Stockholders' Equity

Changes in the major components of stockholders' equity for the six months ended April 27, 2008 are as follows:

	Common Stock -----	Paid-In Capital -----	Retained Earnings -----
		(In thousands)	
Balance at October 28, 2007	\$2,348	\$50,740	\$319,688
Options exercised - 18,000 shares	2	204	
Amortization of restricted stock and stock units		13	
Compensation expense - stock options		16	
Change in fair value of minority interest			(833)
Purchase of treasury shares			
Net loss for the six months			(9,838)
	-----	-----	-----
Balance at April 27, 2008	\$2,350	\$50,973	\$309,017
	=====	=====	=====

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

### NOTE F--Stockholders' Equity

Another component of stockholders' equity, the accumulated other comprehensive income, consists of cumulative unrealized foreign currency translation adjustments, net of taxes, gains of \$2.3 million and \$2.6 million at April 27, 2008 and October 28, 2007, respectively, and unrealized gains, net of taxes, of \$19,000 and \$89,000 in marketable securities at April 27, 2008 and October 28, 2007, respectively. Changes in these items, net of income taxes, are included in the calculation of comprehensive (loss) income as follows:

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	Six Months Ended		
	April 27, 2008	April 29, 2007	Apr
	-----	-----	-----
	(In thousands)		
Net (loss) income	(\$9,838)	\$7,120	
Change in fair value of minority interest	(833)	-	
Foreign currency translation adjustments, net	(324)	626	
Unrealized (loss) gain on marketable securities, net	(70)	6	
	-----	-----	-----
Comprehensive (loss) income	(\$11,065)	\$7,752	
	=====	=====	=====

NOTE G--Per Share Data

In calculating basic earnings per share, the dilutive effect of stock options is excluded. Diluted earnings per share are computed on the basis of the weighted average number of shares of common stock outstanding and the assumed exercise of dilutive outstanding stock options based on the treasury stock method.

	Six Months Ended		
	April 27, 2008	April 29, 2007	Apr
	-----	-----	-----
Denominator for basic earnings per share:			
Weighted average number of shares	22,146,081	23,170,959	21,9
Effect of dilutive securities:			
Employee stock options	-	50,422	
	-----	-----	-----
Denominator for diluted earnings per share:			
Adjusted weighted average number of shares	22,146,081	23,221,381	22,0
	=====	=====	=====

Options to purchase 157,746 and 3,000 shares of the Company's common stock were outstanding at April 27, 2008 and April 29, 2007 respectively, but were not included in the computation of diluted earnings per share because the effect of inclusion would have been antidilutive.

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

NOTE H--Segment Disclosures

The Company's operating segments have been determined in accordance with the

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Company's internal management structure, which is based on operating activities. The Company evaluates performance based upon several factors, of which the primary financial measure is segment operating profit. Operating profit provides management, investors and equity analysts a measure to analyze operating performance of each business segment against historical and competitors' data, although historical results, including operating profit, may not be indicative of future results, as operating profit is highly contingent on many factors, including the state of the economy and customer preferences.

Total sales include both sales to unaffiliated customers, as reported in the Company's consolidated statements of operations, and intersegment sales. Sales between segments are generally priced at fair market value.

Segment operating profit is comprised of segment sales less its overhead, selling and administrative costs and depreciation, and excludes general corporate expenses, interest income earned by the Company on excess cash generated by its segments, interest expended on corporate debt necessary to finance the segments' operations and capital expenditures, fees related to sales of interests in accounts receivable, foreign exchange gains and losses and income taxes.

General corporate expenses consist of the Company's shared service centers, and include, among other items, enterprise resource planning, human resources, corporate accounting and finance, treasury, legal and executive functions. In order to leverage the Company's infrastructure, these functions are operated under a centralized management platform, providing support services throughout the organization. The costs of these functions are included within general corporate expenses as they are not directly allocable to a specific segment.

Financial data concerning the Company's sales and segment operating profit (loss) by reportable operating segment for the six and three months ended April 27, 2008 and April 29, 2007 are summarized in the table below.

During the six months ended April 27, 2008, consolidated assets decreased by \$9.9 million primarily due to an increase in the use of the Company's Securitization Program, as well as lower inventory, primarily in the Telecommunications Services segment, partially offset by recoverable income taxes and increases in cash and restricted cash.

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

#### NOTE H--Segment Disclosures--Continued

	Six Months Ended		
	April 27, 2008	April 29, 2007	Apr
	-----	-----	----
	(In thousands)		
Net Sales:			
-----			
Staffing Services			
Staffing	\$960,342	\$924,005	\$4
Managed Services	635,718	628,825	3

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Total Gross Sales	1,596,060	1,552,830	8
Less: Non-Recourse Managed Services	(608,542)	(602,532)	(3)
Net Staffing Services	987,518	950,298	5
Telephone Directory	32,960	34,725	
Telecommunications Services	96,443	48,550	
Computer Systems	102,923	91,718	
Elimination of intersegment sales	(8,371)	(8,290)	
Total Net Sales	\$1,211,473	\$1,117,001	\$6
Segment Operating Profit (Loss):			
Staffing Services	\$11,694	\$19,215	
Telephone Directory	3,414	4,919	
Telecommunications Services	(17,269)	(294)	
Computer Systems	8,610	10,707	
Total Segment Operating Profit	6,449	34,547	
General corporate expenses	(17,512)	(20,174)	
Total Operating (Loss) Profit	(11,063)	14,373	
Interest income and other (expense), net	(658)	(579)	
Foreign exchange loss, net	(354)	(453)	
Interest expense	(3,183)	(1,489)	
(Loss) Income Before Minority Interest and Income Taxes	(\$15,258)	\$11,852	

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

NOTE I--Derivative Financial Instruments, Hedging and Restricted Cash

The Company enters into derivative financial instruments only for hedging purposes. All derivative financial instruments, such as interest rate swap contracts, foreign currency options and exchange contracts, are recognized in the consolidated financial statements at fair value regardless of the purpose or intent for holding the instrument. Changes in the fair value of derivative financial instruments are either recognized periodically in income or in stockholders' equity as a component of comprehensive income, depending on whether the derivative financial instrument qualifies for hedge accounting, and if so, whether it qualifies as a fair value hedge or cash flow hedge.

Generally, changes in fair values of derivatives accounted for as fair value hedges are recorded in income along with the portions of the changes in the fair values of the hedged items that relate to the hedged risks. Changes in fair values of derivatives accounted for as cash flow hedges, to the extent they are effective as hedges, are recorded in other comprehensive income, net of deferred taxes. Changes in fair values of derivatives not qualifying as hedges are reported in the results of operations. As of April 27, 2008, the Company had an outstanding foreign currency option contracts in the nominal amount equivalent

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to \$9.5 million, which approximated its net investment in foreign operations and is accounted for as a hedge under SFAS No. 52, "Foreign Currency Translation".

Restricted cash at April 27, 2008 and October 28, 2007 was \$33.7 million and \$25.5 million, respectively, to cover obligations that were reflected in accounts payable at that date. These amounts primarily related to certain contracts with customers, for which the Company manages the customers' alternative staffing requirements, including the payments to associate vendors.

### NOTE J--Acquisition of Businesses

In March 2008, the Company acquired a staffing and consulting services provider in South America for \$1.6 million, which is expected to complement existing services in the Staffing Services segment.

In September 2007, Volt Delta, the principal business unit of the Computer Systems segment, acquired LSSi Corp. ("LSSi") for \$71.7 million and combined it and its DataServ division into LSSiData. The combination of Volt Delta's application development, integration and hosting expertise and LSSi's highly efficient data processing allows Volt Delta to serve a broader base of customers by aggregating the most current and accurate business and consumer information possible. Substantially all of the merger consideration was attributable to goodwill and other intangible assets.

The Company is presently valuing the transactions to determine the final allocation of the purchase price, which is subject to finalization of certain adjustments, and is expected to be completed before the end of the fourth quarter of fiscal 2008.

The above-mentioned acquisitions are accounted for under the purchase method of accounting at the date of acquisition at their fair values. The results of operations have been included in the consolidated statement of operations since the respective acquisition dates.

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

#### NOTE J--Acquisition of Businesses--Continued

The preliminary purchase price allocation of the fair value of assets acquired and liabilities assumed of LSSi is as follows:

	(In thousands)
Cash	\$679
Accounts receivable	5,836
Prepaid expenses and other assets	469
Property, plant and equipment	1,800
Goodwill	49,782
Intangible assets	25,860
	-----
Total Assets	84,426
	-----
Accounts payable	(1,119)
Other accrued expenses	(3,912)
Other liabilities	(144)
Deferred income tax	(7,595)
	-----

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Total Liabilities	(12,770)
	-----
Purchase price	\$71,656
	=====

In September 2007, the Company purchased for \$1.5 million an 80% interest in an outsourcing and services provider that complements existing services in the Staffing Services segment. The Company and the 20%-owner have call and put rights related to ownership commencing in fiscal 2010. The Company estimated the fair value of the call/put and recorded a liability of \$0.8 million as of April 27, 2008.

The following unaudited pro forma information reflects the purchase of LSSi as if the transaction had occurred in November 2006. This pro forma financial information is presented for comparative purposes only and is not necessarily indicative of the operating results that actually would have occurred had the acquisition been consummated at the beginning of fiscal 2007. In addition, these results are not intended to be a projection of future results.

	Pro Forma Results	
	Six Months Ended	Three Months Ended
	April 29,	April 29,
	2007	2007
	-----	-----
	(In thousands, except per share amounts)	
Net Sales	\$1,131,372	\$575,425
	=====	=====
Operating income	\$16,978	\$13,847
	=====	=====
Net income	\$11,245	\$7,855
	=====	=====
Earnings per share		
Basic	\$0.49	\$0.34
	=====	=====
Diluted	\$0.48	\$0.34
	=====	=====

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

### NOTE K--Goodwill and Intangibles

Goodwill and intangibles with indefinite lives are subject to annual testing using fair value methodology. An impairment charge is recognized for the amount, if any, by which the carrying value of goodwill or an indefinite-lived intangible asset exceeds its estimated fair value. The test for goodwill, which is performed in the Company's second fiscal quarter, primarily uses comparable multiples of sales and EBITDA and other valuation methods to assist the Company in the determination of the fair value of the goodwill and the reporting units measured. The fiscal 2008 second quarter testing did not result in any impairment. The Company performed a sensitivity analysis on its annual goodwill impairment test by changing the sales and EBITDA factors used in its impairment analysis by 10% and noted no indicators of impairment.



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Intangible assets, other than goodwill and indefinite-lived intangible assets, are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognized when the carrying amount exceeds the estimated fair value of the asset or asset group. The impairment loss is measured as the amount by which the carrying amount exceeds fair value.

The following table represents the balance of intangible assets:

	April 27, 2008		October 28, 2007
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount
	-----	-----	-----
	(In thousands)		
Customer relationships	\$44,398	\$7,926	\$44,398
Existing technology	13,164	3,902	13,164
Contract backlog	3,200	1,867	3,200
Trade name (a)	2,016	-	2,016
Reseller network	816	238	816
Non-compete agreements and trademarks	975	269	325
	-----	-----	-----
Total	\$64,569	\$14,202	\$63,919
	=====	=====	=====

(a) Trade names have an indefinite life and are not amortized.

## NOTE L--Primary Insurance Casualty Program

The Company is insured with a highly rated insurance company under a program that provides primary workers' compensation, employer's liability, general liability and automobile liability insurance under a loss sensitive program. In certain mandated states, the Company purchases workers' compensation insurance through participation in state funds and the experience-rated premiums in these state plans relieve the Company of additional liability. In the loss sensitive program, initial premium accruals are established based upon the underlying exposure, such as the amount and type of labor utilized, number of vehicles, etc. The Company establishes accruals utilizing actuarial methods to estimate the undiscounted future cash payments that will be made to satisfy the claims, including an allowance for incurred-but-not-reported claims. This process also includes establishing loss development factors, based on the historical claims experience of the Company and the industry, and applying those factors to current claims information to derive an estimate of the Company's ultimate premium liability. In preparing the estimates, the Company also considers the nature and severity of the claims, analyses provided by third party actuaries, as well as current legal, economic and regulatory factors. The insurance policies have various premium rating plans that establish the ultimate premium to be paid. Adjustments to premium are made based upon the level of claims incurred at a future date up to three years after the end of the respective policy period. At April 27, 2008, the Company's net prepaid for the outstanding plan years was \$16.5 million compared to \$26.0 million at October 28, 2007.

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

#### NOTE M--Incentive Stock Plans

The Non-Qualified Option Plan adopted by the Company in fiscal 1995 terminated on May 16, 2005 except for options previously granted under the plan. Unexercised options expire ten years after grant. Outstanding options at April 27, 2008 were granted at 100% of the market price on the date of grant and become fully vested within one to five years after the grant date.

As a result of adopting SFAS No. 123R, the Company recorded compensation expense of \$9,000 and \$29,000 for the six-month periods ended April 27, 2008 and April 29, 2007, respectively. Compensation expense is recognized in the selling and administrative expenses in the Company's statement of operations on a straight-line basis over the vesting periods. As of April 27, 2008, there was \$17,000 of total unrecognized compensation cost related to non-vested share-based compensation arrangements to be recognized over a weighted average period of 0.7 years.

The intrinsic value of options exercised during the six-month period ended April 27, 2008 and April 29, 2007 was \$0.1 and \$0.6 million, respectively. The total cash received from the exercise of stock options was \$0.2 million and \$0.3 million in the six-month period ended April 27, 2008 and April 29, 2007, respectively and is classified as financing cash flows in the statement of cash flows. The actual tax benefit realized from the exercise of stock options for the six-month period ended April 27, 2008 and April 29, 2007 was \$0.1 million and \$0.2 million, respectively.

In April 2007, the shareholders of the Company approved the Volt Information Sciences, Inc. 2006 Incentive Stock Plan ("2006 Plan"). The 2006 Plan permits the grant of Incentive Stock Options, Non-Qualified Stock Options, Restricted Stock and Restricted Stock Units to employees and non-employee directors of the Company through September 6, 2016. The maximum aggregate number of shares that may be issued pursuant to awards made under the 2006 Plan shall not exceed one million five hundred thousand (1,500,000) shares.

Compensation expense of \$14,000 was recognized in selling and administrative expenses in the Company's condensed consolidated statement of operations for the six-month period ended April 27, 2008 on a straight-line basis over the vesting period for grants issued in fiscal 2007. As of April 27, 2008, there was \$52,000 of total unrecognized compensation cost related to non-vested share-based compensation arrangements to be recognized over a weighted average period of two years.

On December 18, 2007, the Company granted to employees (i) 233,000 restricted stock units and (ii) non-qualified stock options to purchase 152,996 shares of the Company's common stock at \$13.32 per share under the 2006 Plan. If certain net income targets are met in fiscal years 2007 through 2011, the restricted stock units begin to vest over a five-year period through 2016. Similarly, if certain net income targets are met in fiscal years 2008 through 2012, substantially all the stock options will vest over a four-year period and expire on December 17, 2017. For the six months ended April 27, 2008, no compensation expense was recognized on these grants.

There were no options granted during the three months ended April 27, 2008.

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(UNAUDITED)--Continued

### NOTE N--Income Taxes

Effective October 29, 2007, the Company adopted the provisions of FIN 48. FIN 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The adoption of the provisions of FIN 48 did not have a material impact on the Company's consolidated financial position and results of operations.

At October 29, 2007, the Company had a liability for unrecognized tax benefits of \$0.9 million which includes an accrual of \$0.1 million of related interest.

The Company's policy is that interest and penalties are recorded as a component of income tax expense.

The Company is subject to taxation in the US, various states and various foreign jurisdictions. With few exceptions, the Company is generally no longer subject to examination by the United States federal, state, local or non-U.S. income tax authorities for years before fiscal 2002. The following describes the open tax years, by major tax jurisdiction, as of October 29, 2007:

United States-Federal	2004-present
United States-State	2003-present
Canada	2002-present
Germany	2005-present
United Kingdom	2006-present

The Company's policy is to accrue interest in the period during which it is deemed to have been incurred, based on the difference between the tax position recognized in the financial statements and the amount previously claimed (or expected to be claimed) on the tax return. In addition, if the Company is subject to penalties because of this, a liability for the penalties is recognized in the period in which the penalties are deemed to have been incurred.

### NOTE O--Restructuring

During the first quarter of fiscal 2008, the Company recorded a pre-tax restructuring charge of approximately \$1.5 million (\$0.9 million net of taxes, or \$0.04 per share) related to the elimination of employee positions in Europe and North America. The workforce reduction at Volt Delta resulted from the integration of LSSiData into the segment's database access line of business. The restructuring charge consists of severance and termination benefits for the affected employees and is presented on a separate line item in the Company's condensed consolidated statement of operations. The restructuring charge was paid during the first six months of fiscal 2008.

## ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Organization of Information

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Management's discussion and analysis of financial condition and results of operations ("MD&A") is provided as a supplement to our consolidated financial statements and notes thereto included in Part I of this Form 10-Q and to provide an understanding of our consolidated results of operations, financial condition and changes in financial condition. Our MD&A is organized as follows:

- o Forward-Looking Statements - This section describes some of the language and assumptions used in this document that may have an impact on the readers' interpretation of the financial statements.
- o Non-GAAP Financial Measures - This section describes some of the information extracted from the consolidated financial statements that are not required by generally accepted accounting principles ("GAAP") to be presented in the financial statements.
- o Executive Overview - This section provides a general description of our business segments and provides a brief overview of the results of operations during the accounting period.
- o Consolidated Results of Operations - This section provides an analysis of the line items on the Statements of Operations for the current and comparative accounting periods.
- o Results of Operations by Segment - This section provides a summary of the results of operations by segment in tabular format and an analysis of the line items by segment for the current and comparative accounting periods.
- o Liquidity and Capital Resources - This section provides an analysis of our liquidity and cash flows, as well as our discussion of our commitments, securitization program and credit lines.
- o Critical Accounting Policies - This section discusses those accounting policies that are considered to be both important to our financial condition and results of operations and require us to exercise subjective or complex judgments in their application.
- o New Accounting Pronouncements - This section includes a discussion of recently published accounting authoritative literature that may have an impact on our historical or prospective results of operations or financial condition.
- o Related Person Transactions - This section describes any business relationships, or transaction or series of similar transactions, between the Company and its directors, executive officers, shareholders (with a 5% or greater interest in the Company), or any entity in which an executive officer has more than a 10% equity ownership interest, as well as members of the immediate families of any of the foregoing persons during the first six months of fiscal year 2007 and 2008. Excluded from the transactions are employment compensation and directors' fees.

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

Forward-Looking Statements

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This report and other reports and statements issued by the Company and its officers from time to time contain certain "forward-looking statements." Words such as "may," "should," "likely," "could," "seek," "believe," "expect," "anticipate," "estimate," "project," "intend," "strategy," "design to," and similar expressions are intended to identify forward-looking statements about the Company's future plans, objectives, performance, intentions and expectations. These forward-looking statements are subject to a number of known and unknown risks and uncertainties including, but are not limited to, those set forth in the Company's Annual Report on Form 10-K, in this Form 10-Q and in the Company's press releases and other public filings. Such risks and uncertainties could cause the Company's actual results, performance and achievements to differ materially from those described in or implied by the forward-looking statements. Accordingly, readers should not place undue reliance on any forward-looking statements made by or on behalf of the Company. The Company does not assume any obligation to update any forward-looking statements after the date they are made.

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

### Non-GAAP Financial Measures

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This report includes information extracted from consolidated financial information that is not required by generally accepted accounting principles ("GAAP") to be presented in the financial statements. Certain of this information is considered "non-GAAP financial measures" as defined by SEC rules. Some of these measures are as follows:

Gross profit for a segment is comprised of its total net sales less direct costs.

Segment or division operating profit is comprised of segment or division gross profit less its overhead, selling and administrative costs and depreciation, and has limitations as an analytical tool. It should not be considered in isolation or as a substitute for analysis of the Company's results as reported under GAAP. Some of these limitations are due to the omission of: (a) general corporate expenses; (b) interest income earned by the Company on excess cash generated by its segments; (c) interest expended on corporate debt necessary to finance the segments' operations and capital expenditures; and (d) fees related to sales of interests in accounts receivable. Because of these limitations, segment or division operating profit (loss) should only be used on a supplemental basis combined with GAAP results when evaluating the Company's performance.

Overhead is comprised of indirect costs required to support each segment's operations, and is included in cost of sales in the statements of operations, along with selling and administrative and depreciation expenses, which are reflected separately in the statements of operations.

General corporate expenses are comprised of the Company's shared service centers, and include, among other items, enterprise resource planning, human resource, corporate accounting and finance, treasury, legal and executive functions. In order to leverage the Company's infrastructure, these functions are operated under a centralized management platform, providing support services throughout the organization. The costs of these functions are included within general corporate expenses as they are not directly allocable to a specific segment.

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

#### Executive Overview

Volt Information Sciences, Inc. ("Volt") is a leading national provider of staffing services and telecommunications and information solutions with a material portion of its revenue coming from Fortune 100 customers. The Company operates in four segments and the management discussion and analysis addresses each. A brief description of these segments and the predominant source of their sales follow:

Staffing Services: This segment is divided into three major functional areas and operates through a network of over 300 branch offices.

- o Staffing Solutions provides a full spectrum of managed staffing, temporary/contract personnel employment, and workforce solutions. This functional area is comprised of the Technical Placement ("Technical") division and the Administrative and Industrial ("A&I") division. The employees and contractors on assignment are usually on the payroll of the Company for the length of their assignment and are then eligible to be re-assigned to another customer. This functional area also uses employees and subcontractors from other staffing providers ("associate vendors") when necessary. This functional area also provides direct placement services and, upon requests from customers, will allow the customer to convert the temporary employees to permanent customer positions. In addition, the Company's Recruitment Process Outsourcing ("RPO") services deliver end-to-end hiring solutions to customers. The Technical division provides skilled employees, such as computer and other IT specialties, engineering, design, scientific and technical support. The A&I division provides administrative, clerical, office automation, accounting and financial, call center and light industrial personnel. Employee assignments in the Technical division usually last from weeks to months, while in the A&I division the assignments are generally shorter and in both divisions the employee is eligible to be re-assigned and the Company attempts to re-assign the employee as soon as possible.
- o E-Procurement Solutions provides global vendor neutral human capital acquisition and management solutions by combining web-based tools and business process outsourcing services. The employees and contractors on assignment are usually from associate vendor firms, although at times, Volt recruited contractors may be selected to fill some assignments, but in those cases Volt competes on an equal basis with other unaffiliated firms. The skill sets utilized in this functional area closely match those of the Technical assignments within the Staffing Solutions area. The Company receives a fee for managing the process, and the revenue for such services is recognized net of its associated costs. This functional area, which is part of the Technical division, is comprised of the ProcureStaff operation.
- o Information Technology Solutions provides a wide range of services including consulting, outsourcing and turnkey project management in the product development lifecycle, IT and customer contact markets. Offerings include electronic game testing, hardware and software testing, technical communications,

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technical call center support, data center management, enterprise technology implementation and integration and corporate help desk services. This functional area offers higher margin project-oriented services to its customers and assumes greater responsibility for the finished product in contrast to the other areas within the segment. This functional area, which is part of the Technical division, is comprised of the VMC Consulting operation.

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

#### Executive Overview--Continued

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**Telephone Directory:** This segment publishes independent telephone directories and provides telephone directory production services, database management and printing. Most of the revenues of this segment are derived from the sales of telephone directory advertising for the books it publishes. This segment is comprised of the DataNational directory publishing operation, the Uruguay directory publishing and printing operations, and other domestic directory production locations.

**Telecommunications Services:** This segment provides a full spectrum of voice, data and video turnkey solutions for government and private sectors, encompassing engineering, construction, installation and maintenance services. These services include outside plant engineering and construction, central office network solutions, integrated technologies, global solutions (structured cabling, field dispatch, installation and repair, security access control and maintenance), government solutions and wireless solutions. This segment is comprised of the Construction and Engineering division and the Network Enterprise Solutions division.

**Computer Systems:** This segment provides directory and operator systems and services primarily for the telecommunications industry and provides IT maintenance services. The segment also sells information service systems to its customers and, in addition, provides an Application Service Provider ("ASP") model which also provides information services, including infrastructure and database content, on a transactional fee basis. It also provides third-party IT and data services to others. This segment is comprised of Volt Delta Resources, Volt Delta International, LSSiData and the Maintech computer maintenance division.

The Company's operating segments have been determined in accordance with the Company's internal management structure, which is based on operating activities. The Company evaluates performance based upon several factors, of which the primary financial measure is segment operating profit. Operating profit provides management, investors and equity analysts a measure to analyze operating performance of each business segment against historical and competitors' data, although historical results, including operating profit, may not be indicative of future results, as operating profit is highly contingent on many factors, including the state of the economy and customer preferences.

Several historical seasonal factors usually affect the sales and profits of the Company. The Staffing Services segment's sales and operating profit are always lowest in the Company's first fiscal quarter due to the Thanksgiving, Christmas and New Year holidays, as well as certain customer facilities closing for one to

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two weeks. During the third and fourth quarters of the fiscal year, this segment benefits from a reduction of payroll taxes when the annual tax contributions for higher salaried employees have been met, and customers increase the use of the Company's administrative and industrial labor during the summer vacation period. In addition, the Telephone Directory segment's DataNational division publishes more directories during the second half of the fiscal year.

In the six and three-month periods of fiscal 2008, the Company's consolidated net sales totaled \$1.2 billion and \$621.0 million and it had consolidated segment operating profits totaling \$6.4 million and \$16.2 million, respectively. The explanations by segment for the six and three-month periods are detailed below.

The Staffing Services segment, in addition to the factors noted above, was positively impacted by a continued increase in the use of contingent staffing in the Technical Placement division, as net sales increased by \$37.2 million and \$22.4 million, respectively, from the comparable 2007 fiscal periods. Despite the sales increases,

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

#### Executive Overview--Continued

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operating profit of the segment for the six and three-month periods decreased by \$7.5 million and \$7.6 million from the comparable period in fiscal 2007 as gross margins decreased by 1.0 and 2.0 percentage points, respectively, with other costs remaining stable.

The Telephone Directory segment's sales decreased by \$1.7 million for the six months, but increased \$1.2 million for the current quarter, and its operating profit decreased by \$1.5 million for the six months, while remaining flat for the current fiscal quarter from the comparable period of fiscal 2007. The decrease in operating profit for the six months of fiscal 2008 was predominantly due to the sales decreases and an increase in selling and administrative expense.

The Telecommunications Services segment sales increased by \$47.8 million and \$22.1 million, respectively, from the comparable periods in fiscal 2007; however, the operating loss increased by \$17.0 million for the six months and the operating profit increased by \$1.5 million for the current quarter. In late January 2008, the Company learned that it may not be reimbursed for certain costs under an installation contract and the Company has revalued its reserves to include this uncertainty. The increase in operating loss for the six months was due to the establishment of a \$19.3 million reserve for certain costs included in inventory related to work performed and for additional costs expected to be incurred to complete that work under that contract.

The Computer Systems segment's sales increased by \$11.2 million and \$6.9 million, respectively, from the comparable periods in fiscal 2007, while its operating profit decreased by \$2.1 million for the six months, but increased \$0.3 million for the current quarter. The decrease in operating profit for the current six months was due to the increased overhead cost as a result of the acquisition of LSSi, which included \$1.5 million of severance costs and increased amortization of intangible costs related to the acquisition.

The Company has focused, and will continue to focus, on aggressively increasing



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its market share while attempting to maintain margins in order to increase profits. Despite an increase in costs to solidify and expand their presence in their respective markets, the segments have emphasized cost containment measures, along with improved credit and collections procedures designed to improve the Company's cash flow.

SIX MONTHS ENDED APRIL 27, 2008 COMPARED  
TO THE SIX MONTHS ENDED APRIL 29, 2007

### Results of Operations

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The information that appears below relates to prior periods. The results of operations for those periods are not necessarily indicative of the results which may be expected for any subsequent period. The following discussion should be read in conjunction with the Consolidated Financial Statements and Notes thereto which appear in Item 1 of this Report.

### Consolidated Results of Operations

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In the first six months of fiscal 2008, consolidated net sales increased by \$94.5 million, or 9%, to approximately \$1.2 billion, from the comparable period of fiscal 2007. The increase in the current period's net sales resulted from increases in Staffing Services of \$37.2 million, Telecommunications Services of \$47.8 million and Computer Systems of \$11.2 million, partially offset by a decrease in Telephone Directory of \$1.7 million.

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

SIX MONTHS ENDED APRIL 27, 2008 COMPARED  
TO THE SIX MONTHS ENDED APRIL 29, 2007--Continued

### Consolidated Results of Operations--Continued

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Cost of sales increased by \$114.8 million, or 11%, to \$1.1 billion, and was 95% of sales, in the six months of fiscal 2008 as compared to 93% of sales in the comparable period of fiscal 2007. In the first quarter of fiscal 2008, the Company learned that it may not be reimbursed for certain costs under an installation contract in the Telecommunications Services segment and the Company revalued its reserves to include this uncertainty. The increase in cost of sales as a percentage of sales is primarily due to the \$19.3 million loss reserve established in the first quarter of fiscal 2008 for certain costs included in inventory related to work performed and for additional costs expected to be incurred to complete that work under that contract. The acquisition of LSSi within the Computer Systems segment in September 2007 increased cost of sales by \$6.2 million, but it did not increase the cost of sales percentage. Excluding the reserve established in the Telecommunications Services segment, cost of sales in the current six months would have been 93% of sales, as it was in the comparable period of fiscal 2007.

Selling and administrative costs increased by \$2.8 million, or 6%, in the current six-month period from the comparable period in fiscal 2007, but decreased as a percentage of sales to 4.3% from 4.4% in the comparable period.

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Depreciation and amortization increased by \$0.9 million, or 4%, in the current six-month period from the comparable period in fiscal 2007, and was 2% of sales, as it was in the comparable period. The increase in depreciation and amortization in the current six months from the comparable 2007 fiscal period was attributable to increases in amortization of intangibles in the Computer Systems segment due to acquisitions in fiscal 2007, partially offset by a reduction in amortization of the corporate enterprise resource planning system.

The Company reported an operating loss of \$11.1 million in the current six months, as compared to an operating profit of \$14.3 million in the comparable period of fiscal 2007 due to a decrease in segment operating profit of \$28.1 million, or 81%, partially offset by a decrease of \$2.7 million, or 13%, in general corporate expenses. The decrease in segment operating results was attributable to the decreased operating profits of the Telecommunications Services segment of \$17.0 million, the Staffing Services segment of \$7.5 million, the Computer Systems segment of \$2.1 million and the Telephone Directory segment of \$1.5 million.

Interest expense increased by \$1.7 million, or 114%, in the current six months over the comparable period in fiscal 2007. The increase was due to additional borrowings used to fund the 2007 acquisitions and for working capital requirements.

The Company's effective tax benefit rate on its financial reporting pre-tax loss was 35.2% in the six months of fiscal 2008 compared to an effective tax provision rate of 39.9% on its financial reporting pre-tax income in the comparable period in fiscal 2007.

The net loss in the six months of fiscal 2008 was \$9.8 million compared to a net income of \$7.1 million in the comparable period of fiscal 2007.

### Results of Operations by Segment

The following two tables reconcile the operating profit by segment to the consolidated statements of operations for the six months ended April 27, 2008 and April 29, 2007:

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

#### SIX MONTHS ENDED APRIL 27, 2008 COMPARED TO THE SIX MONTHS ENDED APRIL 29, 2007--Continued

Six Months Ended April 27, 2008					
(Dollars in Millions)					
	Total	Staffing Services	Telephone Directory	Telecommunications Services	Comp Sys
Net Sales	\$1,211.4	\$987.5	\$33.0	\$96.4	\$1
Direct Costs	978.0	836.8	17.2	85.6	
Overhead	171.3	109.8	3.1	26.6	

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Cost of Sales	1,149.3	946.6	20.3	112.2
Selling & Administrative	51.7	22.3	8.4	0.2
Restructuring	1.5	-	-	-
Depreciation	20.0	6.9	0.9	1.3
Operating (loss) profit	(11.1)	11.7	3.4	(17.3)
Interest income	2.6	-	-	-
Other expense, net	(3.2)	-	-	-
Foreign exchange	(0.4)	-	-	-
Interest expense	(3.2)	-	-	-
(Loss) income before minority interest and income taxes	(\$15.3)	\$11.7	\$3.4	(\$17.3)

Six Months Ended April 29, 2007

(Dollars in Millions)

	Total	Staffing Services	Telephone Directory	Telecommunications Services	Comp Sys
Net Sales	\$1,117.0	\$950.3	\$34.7	\$48.6	\$
Direct Costs	887.0	795.7	17.7	37.5	
Overhead	147.6	108.2	3.4	10.3	
Cost of Sales	1,034.6	903.9	21.1	47.8	
Selling & Administrative	49.0	20.9	7.7	0.2	
Depreciation	19.1	6.3	1.0	0.9	
Operating profit (loss)	14.3	19.2	4.9	(0.3)	
Interest income	2.6	-	-	-	
Other expense, net	(3.1)	-	-	-	
Foreign exchange	(0.5)	-	-	-	
Interest expense	(1.5)	-	-	-	
Income (loss) income before minority interest and income taxes	\$11.8	\$19.2	\$4.9	(\$0.3)	\$

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

SIX MONTHS ENDED APRIL 27, 2008 COMPARED TO THE SIX MONTHS ENDED APRIL 29, 2007--Continued

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## Staffing Services

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(Dollars in Millions)	Six Months Ended			
	April 27, 2008		April 29, 2007	
	Dollars	% of Net Sales	Dollars	% of Net Sales
	-----	-----	-----	-----
Gross Staffing Sales	\$960.3		\$924.0	
Managed Service Sales (Gross)	\$635.7		\$628.8	
Net Sales *	\$987.5		\$950.3	
Direct Costs	\$836.8	84.7%	\$795.7	83.7%
Gross Profit	\$150.7	15.3%	\$154.6	16.3%
Overhead	\$109.8	11.1%	\$108.2	11.4%
Selling & Administrative	\$22.3	2.3%	\$20.9	2.2%
Depreciation & Amortization	\$6.9	0.7%	\$6.3	0.7%
Segment Operating Profit	\$11.7	1.2%	\$19.2	2.0%

\*Net Sales only includes the gross margin on managed service sales.

The increase in net sales of the Staffing Services segment for the six months of fiscal 2008 from the comparable period in fiscal 2007 was comprised of a \$38.5 million, or 6%, increase in net Technical sales, partially offset by a decrease of \$1.3 million, or 0.4%, in net A&I sales. Foreign generated net sales for the six months increased by 38% from the comparable 2007 fiscal period, and accounted for 7% of total net Staffing Services sales for the current period. On a constant currency basis, foreign sales increased by 31% from the comparable 2007 fiscal period. In the current six months, the segment's permanent placement sales increased by 18% and RPO sales increased by 8% from the comparable period in fiscal 2007.

The decrease in the segment's operating results was comprised of a decrease of \$10.3 million in the Technical division, partially offset by an increase of \$2.8 million in the A&I division. The segment's gross margin percentage decreased by 1.0%, primarily due to a decrease of 1.5 percentage points in the Technical division. The total of overhead, selling and administrative and depreciation percentages approximated the comparable 2007 period percentages, with a decrease in the A&I division substantially offset by an increase in the Technical division.

Six Months Ended

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Technical Placement Division (Dollars in Millions)	April 27, 2008		April 29, 2007	
	Dollars	% of Net Sales	Dollars	% of Net Sales
Gross Sales	\$1,272.4		\$1,228.1	
Net Sales *	\$678.2		\$639.7	
Direct Costs	\$576.7	85.0%	\$534.3	83.5%
Gross Profit	\$101.5	15.0%	\$105.4	16.5%
Overhead	\$70.0	10.4%	\$65.9	10.3%
Selling & Administrative	\$15.7	2.3%	\$14.1	2.2%
Depreciation & Amortization	\$5.5	0.8%	\$4.8	0.8%
Division Operating Profit	\$10.3	1.5%	\$20.6	3.2%

\*Net Sales only includes the gross margin on managed service sales.

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

SIX MONTHS ENDED APRIL 27, 2008 COMPARED  
TO THE SIX MONTHS ENDED APRIL 29, 2007--Continued

### Staffing Services--Continued

The Technical division's increase in gross sales in the current six months of fiscal 2008 from the comparable prior year period included increases of approximately \$12 million of sales to new customers or customers with substantial increased business, as well as \$38 million attributable to net increases in sales to continuing customers. This was partially offset by sales decreases of approximately \$6 million from customers whose business with the Company either ceased or was substantially lower than in the comparable six months of fiscal 2007. The Technical division's increase in net sales in the six months of fiscal 2008 from the comparable period in fiscal 2007 was comprised of increases of \$40.6 million, or 7%, in traditional alternative staffing and \$0.3 million, or 1%, in net managed service associate vendor sales, partially offset by a decrease of \$2.4 million, or 4%, in VMC Consulting project management and consulting sales.

The decrease in the division's operating profit was the result of the decrease in gross margin percentage and the increase in overhead, partially offset by the increase in sales. The decrease in gross margin was primarily due to the decrease in the gross margins in VMC Consulting due to losses on four projects. The increase in overhead in the current six months was a result of VMC startup costs for new projects, and costs related to the new Momentum RPO operation, partially offset by a reduction in the current six months of \$1.7 million in

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health insurance costs due to improved claims experience. The increase in selling and administrative costs was due to increased indirect labor in the European operation related to its sales growth, and a gain on the settlement of a vendor dispute in the comparable 2007 period. Indirect labor costs, which are included in overhead and selling and administrative costs, increased by 9% from the comparable 2007 six months.

Administrative & Industrial Division (Dollars in Millions)	Six Months Ended			
	April 27, 2008		April 29, 2007	
	Dollars	% of Net Sales	Dollars	% of Net Sales
Gross Sales	\$323.6		\$324.7	
Net Sales *	\$309.3		\$310.6	
Direct Costs	\$260.1	84.1%	\$261.4	84.2%
Gross Profit	\$49.2	15.9%	\$49.2	15.8%
Overhead	\$39.8	12.9%	\$42.3	13.6%
Selling & Administrative	\$6.6	2.1%	\$6.8	2.2%
Depreciation & Amortization	\$1.4	0.4%	\$1.5	0.5%
Division Operating Profit (Loss)	\$1.4	0.5%	(\$1.4)	(0.5%)

\*Net Sales only includes the gross margin on managed service sales.

The A&I division's decrease in gross sales in the current six months of fiscal 2008 as compared to the comparable period of fiscal 2007 included a decline of approximately \$16 million of sales to customers which the Company either ceased or substantially reduced servicing in the current year, as well as \$5 million attributable to net decreases in sales to continuing customers. This was substantially offset by a growth of approximately \$20 million from new customers, or customers whose business with the Company in the comparable fiscal period was substantially below the current six-month period volume.

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

SIX MONTHS ENDED APRIL 27, 2008 COMPARED  
TO THE SIX MONTHS ENDED APRIL 29, 2007--Continued

Staffing Services--Continued

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The division's improved operating results were primarily due to the decrease in overhead in dollars and as a percentage of sales, along with a slight improvement in gross margin percentage and other indirect costs. The increase in gross margin percentage was primarily due to a 0.5 percentage point reduction in payroll taxes as a percentage of direct labor, substantially offset by a decrease in permanent placement and RPO sales and direct labor markups. This payroll tax reduction in two of A&I's more significant states is expected to continue throughout the remainder of the fiscal year. The decrease in overhead costs from the comparable period in fiscal 2007 primarily resulted from a reduction of indirect headcount of approximately 6%. The division is focused on reducing overhead costs to compensate for lower sales. In each of the past four quarters, the overhead costs have been lower than the comparable prior fiscal year quarters.

Although the markets for the segment's services include a broad range of industries throughout the United States, Europe and Asia, general economic difficulties in specific geographic areas or industrial sectors have in the past and could in the future affect the profitability of the segment. Much of the segment's business is obtained through submission of competitive proposals for staffing services and other contracts which are frequently re-bid after expiration. Many of this segment's long-term contracts contain cancellation provisions under which the customer can cancel the contract, even if the segment is not in default under the contract, and generally do not provide for a minimum amount of work to be awarded to the segment. While the Company has historically secured new contracts and believes it can secure renewals and/or extensions of most of these contracts, some of which are material to this segment, and obtain new business, there can be no assurance that contracts will be renewed or extended, or that additional or replacement contracts will be awarded to the Company on satisfactory terms.

## Telephone Directory

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(Dollars in Millions)	Six Months Ended			
	April 27, 2008		April 29, 2007	
	Dollars	% of Net Sales	Dollars	% of Net Sales
Net Sales	\$33.0		\$34.7	
Direct Costs	\$17.2	52.0%	\$17.7	51.1%
Gross Profit	\$15.8	48.0%	\$17.0	48.9%
Overhead	\$3.1	9.5%	\$3.4	9.8%
Selling & Administrative	\$8.4	25.4%	\$7.7	22.1%
Depreciation & Amortization	\$0.9	2.7%	\$1.0	2.8%
Segment Operating Profit	\$3.4	10.4%	\$4.9	14.2%

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The components of the Telephone Directory segment's sales decrease for the six months of fiscal 2008 from the comparable period of fiscal 2007 were decreases of \$1.7 million in publishing sales in Uruguay, \$1.4 million in the DataNational community telephone directory publishing sales and \$0.3 million in telephone production and other sales, partially offset by a \$1.7 million increase in printing sales in Uruguay. The sales decrease in the telephone directory publishing operation in Uruguay was due to the timing of the delivery of their directories. The increase in printing sales in Uruguay included \$0.8 million of sales to new customers. The DataNational

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

SIX MONTHS ENDED APRIL 27, 2008 COMPARED  
TO THE SIX MONTHS ENDED APRIL 29, 2007--Continued

#### Telephone Directory--Continued

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sales decrease was comprised of a \$1.5 million, or 7%, reduction in same book sales, and \$0.5 million from the discontinuance of four directories, partially offset by the addition of seven directories, with sales of \$0.4 million and a \$0.2 million increase related to the timing of the delivery of the directories. The sales decrease in production and other sales was related to volume decreases at continuing customers.

The decrease in the segment's operating profit from the comparable six months of fiscal 2007 was the result of the sales decrease, a reduction in the gross margin percentage and an increase in selling and administrative costs. The decreased gross margin is primarily related to the reduction in Uruguay of higher margin directory revenue and an increase in the less profitable printing sales, as compared to the comparable 2007 quarter, partially offset by higher margin jobs in fiscal 2008 within the telephone directory production operation, along with a reduction of production costs in DataNational. Selling and administrative costs increased primarily due to increased bad debts.

Other than the DataNational division and the telephone directory publishing operation in Uruguay, which accounted for 58% of the segment's sales in the six months of fiscal 2008, the segment's business is obtained through submission of competitive proposals for production and other contracts. These short and long-term contracts are re-bid after expiration. Many of this segment's long-term contracts contain cancellation provisions under which the customer can cancel the contract, even if the segment is not in default under the contract and generally do not provide for a minimum amount of work to be awarded to the segment. While the Company has historically secured new contracts and believes it can secure renewals and/or extensions of most of these contracts, some of which are material to this segment, and obtain new business, there can be no assurance that contracts will be renewed or extended, or that additional or replacement contracts will be awarded to the Company on satisfactory terms. In addition, this segment's sales and profitability are highly dependent on advertising revenue from DataNational's directories, which could be affected by general economic conditions.

#### Telecommunications Services



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	Six Months Ended				
	April 27, 2008		April 29, 2007		
(Dollars in Millions)	Dollars	% of Net Sales	Dollars	% of Net Sales	Fa (Unf \$
Net Sales	\$96.4		\$48.6		
Direct Costs	\$85.6	88.7%	\$37.5	77.2%	
Gross Profit	\$10.8	11.3%	\$11.1	22.8%	
Overhead	\$26.6	27.6%	\$10.3	21.2%	
Selling & Administrative	\$0.2	0.3%	\$0.2	0.4%	
Depreciation & Amortization	\$1.3	1.3%	\$0.9	1.8%	
Segment Operating Loss	(\$17.3)	(17.9%)	(\$0.3)	(0.6%)	

The Telecommunications Services segment's sales increase in the six months of fiscal 2008 from the comparable period of fiscal 2007 was due to a \$48.1 million, or 176% increase in the Construction and Engineering division, partially offset by a decrease of \$0.3 million, or 1%, in the Network Enterprise Solutions division. The sales increase in the Construction and Engineering division in the current six months was largely

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

SIX MONTHS ENDED APRIL 27, 2008 COMPARED TO THE SIX MONTHS ENDED APRIL 29, 2007--Continued

Telecommunication Services--Continued

due to a large fiber optic contract which ramped up in the latter half of fiscal 2007 and the recognition of revenue in fiscal 2008 for several large utility and government contracts accounted for using the percentage-of-completion method of accounting. The segment's sales backlog at the end of the second quarter of fiscal 2008 was \$51 million, as compared to a backlog of approximately \$66 million at the end of the comparable 2007 quarter.

The increased segment operating loss for the six months was due to the decreased gross margin percentage and the increase in overhead in dollars and as a percentage of sales. In late January 2008, the Company learned that it may not be reimbursed for certain costs under an installation contract and the Company has revalued its reserves to include this uncertainty. The increase in the segment's operating loss was primarily the result of the establishment of a loss reserve for certain costs included in inventory related to work performed and for additional costs expected to be incurred to complete that work under that contract. The reserve is reflected in direct costs and overhead for the period.

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Overhead also increased due to additional costs incurred to support the sales increase.

A substantial portion of the business in this segment is obtained through the submission of competitive proposals for contracts, which typically expire within one to three years and are re-bid. Many of this segment's long-term contracts contain cancellation provisions under which the customer can cancel the contract, even if the segment is not in default under the contract and generally do not provide for a minimum amount of work to be awarded to the segment. While the Company believes it can secure renewals and/or extensions of most of these contracts, some of which are material to this segment, and obtain new business, there can be no assurances that contracts will be renewed or extended or that additional or replacement contracts will be awarded to the Company on satisfactory terms.

### Computer Systems

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(Dollars in Millions)	Six Months Ended			
	April 27, 2008		April 29, 2007	
	Dollars	% of Net Sales	Dollars	% of Net Sales
	-----	-----	-----	-----
Net Sales	\$102.9		\$91.7	
Direct Costs	\$46.8	45.5%	\$44.4	48.5%
Gross Profit	\$56.1	54.5%	\$47.3	51.5%
Overhead	\$31.8	30.9%	\$25.7	28.0%
Selling & Administrative	\$4.6	4.5%	\$3.2	3.4%
Restructuring	\$1.5	1.5%	-	-
Depreciation & Amortization	\$9.6	9.3%	\$7.7	8.4%
Segment Operating Profit	\$8.6	8.3%	\$10.7	11.7%

The Computer Systems segment's sales increase in the six months of fiscal 2008 from the comparable period of fiscal 2007 was comprised of increases of \$7.1 million, or 26%, in database access transaction fee revenue, including ASP directory assistance and \$6.1 million, or 22%, in the Maintech division's IT maintenance, partially offset by a decrease of \$2.0 million, or 6%, in projects and other income. The increase in transaction fee revenue for the six months included \$12.6 million from the LSSi operations (enterprise data transactions)

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SIX MONTHS ENDED APRIL 27, 2008 COMPARED  
TO THE SIX MONTHS ENDED APRIL 29, 2007--Continued

## Computer Systems--Continued

acquired in September 2007. The remaining transaction fee revenue from telco and non-telco customers reflected a decrease from new and existing customers by \$5.5 million, or 20%, from the comparable period in fiscal 2007. This decrease was primarily due to a reduction of such services to a major customer as it transitions to a fixed monthly fee model from a variable transaction-based pricing model.

The segment's decreased operating profit was due to the increase in overhead, selling and administrative expenses, restructuring charge and depreciation and amortization in dollars and as a percentage of sales, partially offset by the increase in sales and the increase in gross margin percentage. The increased gross profit percentage was a result of the increased revenue from database access fees generated by LSSi, partially offset by the reduction in project margins in Europe. The increased overhead and selling and administrative expenses were primarily due to the inclusion of the LSSi operations and the restructuring charge was a result of foreign and domestic personnel downsizing as a result of the acquisition. The increased depreciation and amortization was due to the intangible amortization related to the LSSi acquisition.

This segment's results are highly dependent on the volume of calls to the segment's customers that are processed by the segment under existing contracts with telephone companies, the segment's ability to continue to secure comprehensive telephone listings from others, its ability to obtain additional customers for these services, its continued ability to sell products and services to new and existing customers and consumer demands for its customers' services.

## General Corporate Expenses and Other Income (Expense)

(Dollars in Millions)	Six Months Ended				Fa (Unf \$ --
	April 27, 2008		April 29, 2007		
	Dollars	% of Net Sales	Dollars	% of Net Sales	
Selling & Administrative	\$16.2	1.3%	\$17.0	1.5%	
Depreciation & Amortization	\$1.3	0.1%	\$3.2	0.3%	
Interest Income	\$2.6	0.2%	\$2.6	0.2%	
Other Expense	(\$3.2)	(0.3%)	(\$3.1)	(0.3%)	(
Foreign Exchange Loss	(\$0.4)	–	(\$0.5)	–	
Interest Expense	(\$3.2)	(0.3%)	(\$1.5)	(0.1%)	(

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The changes in general corporate expenses and other income (expense) for the six months of fiscal 2008 as compared to the comparable 2007 period, were:

The decrease in selling and administrative expenses in the current six months from the comparable 2007 fiscal period was primarily the result of decreased salaries and communication costs.

The decrease in depreciation and amortization in the six months of fiscal 2008 from the comparable 2007 fiscal period was due to portions of the corporate enterprise resource planning system becoming fully amortized.

Interest expense increased due to additional borrowings used to fund 2007 acquisitions and for working capital requirements.

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

THREE MONTHS ENDED APRIL 27, 2008 COMPARED  
TO THE THREE MONTHS ENDED APRIL 29, 2007--Continued

#### Consolidated Results of Operations

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In the second quarter of fiscal 2008, consolidated net sales increased by \$52.8 million, or 9%, to \$621.0 million, from the comparable quarter of fiscal 2007. The increase in the current quarter's net sales resulted from increases in Staffing Services of \$22.4 million, Telecommunications Services of \$22.1 million, Computer Systems of \$6.9 million and Telephone Directory of \$1.2 million.

Cost of sales increased by \$55.1 million, or 11%, to \$576.6 million, and was 93% of sales, in the second quarter of fiscal 2008 as compared to 92% of sales in the comparable quarter of fiscal 2007. The acquisition of LSSi within the Computer Systems segment in September 2007 increased cost of sales by \$2.9 million, but it did not increase the cost of sales percentage.

Selling and administrative costs increased by \$1.6 million, or 6%, in the second quarter of fiscal 2008 over the comparable period in fiscal 2007, but was 4.3% of sales, as compared to 4.4% in the comparable period.

Depreciation and amortization increased by \$0.6 million, or 0.6%, in the second quarter over the comparable quarter in fiscal 2007, and was 2% of sales, as it was in the comparable period. The increase in depreciation and amortization in the current quarter from the comparable 2007 fiscal period was attributable to increases in amortization of intangibles in the Computer Systems segment due to acquisitions in fiscal 2007, partially offset by a reduction in amortization of the corporate enterprise resource planning system.

The Company reported an operating profit of \$7.6 million in the current quarter, as compared to \$12.1 million in the comparable period of fiscal 2007 due to a decrease in segment operating profit of \$5.8 million, or 26%, partially offset by a decrease of \$1.3 million, or 13%, in general corporate expenses. The decrease in segment operating profit was attributable to the decreases of \$7.7 million in the Staffing Services segment, partially offset by an increase in the Telecommunications Services segment of \$1.5 million and the Computer Systems segment of \$0.3 million.

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Interest expense increased by \$0.8 million, or 81%, in the current quarter over the comparable quarter in fiscal 2007. The increase was due to additional borrowings used to fund the 2007 acquisitions.

The Company's effective tax rate on its financial reporting pre-tax income was 42.0% in the second quarter of fiscal 2008 compared to an effective tax provision rate of 40.0% on its financial reporting pre-tax income in the comparable period in fiscal 2007.

The net income in the second quarter of fiscal 2008 was \$3.4 million compared to a net income of \$6.4 million in the comparable quarter of fiscal 2007.

### Results of Operations by Segment

The following two tables reconcile the operating profit by segment to the consolidated statements of operations for the three months ended April 27, 2008 and April 29, 2007:

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

THREE MONTHS ENDED APRIL 27, 2008 COMPARED  
TO THE THREE MONTHS ENDED APRIL 29, 2007--Continued

	Three Months Ended April 27, 2008			
	(Dollars in Millions)			
	Total	Staffing Services	Telephone Directory	Telecommunication Services
Net Sales	\$621.0	\$505.7	\$18.3	\$49.3
Direct Costs	490.9	429.0	8.9	34.2
Overhead	85.8	55.6	1.5	12.4
Cost of Sales	576.7	484.6	10.4	46.6
Selling & Administrative	26.6	11.3	4.7	0.1
Depreciation	10.1	3.6	0.4	0.7
Operating profit (loss)	7.6	6.2	2.8	1.9
Interest income	1.3	-	-	-
Other expense, net	(1.5)	-	-	-
Interest expense	(1.6)	-	-	-
Income (loss) before minority interest and income taxes	\$5.8	\$6.2	\$2.8	\$1.9

Three Months Ended April 29, 2007  
(Dollars in Millions)

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	Total	Staffing Services	Telephone Directory	Telecommunication Services
	-----	-----	-----	-----
Net Sales	\$568.2	\$483.3	\$17.1	\$27.2
Direct Costs	447.4	\$400.1	8.2	20.9
Overhead	74.1	\$55.3	1.6	5.4
	-----	-----	-----	-----
Cost of Sales	521.5	455.4	9.8	26.3
Selling & Administrative	25.1	10.8	4.1	0.1
Depreciation	9.5	3.2	0.5	0.4
	-----	-----	-----	-----
Operating profit (loss)	12.1	13.9	2.7	0.4
Interest income	1.4	-	-	-
Other expense, net	(1.6)	-	-	-
Foreign exchange	(0.4)	-	-	-
Interest expense	(0.8)	-	-	-
	-----	-----	-----	-----
Income (loss) before minority interest and income taxes	\$10.7	\$13.9	\$2.7	\$0.4
	=====	=====	=====	=====

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

THREE MONTHS ENDED APRIL 27, 2008 COMPARED  
TO THE THREE MONTHS ENDED APRIL 29, 2007--Continued

Staffing Services

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(Dollars in Millions)	Three months Ended			
	April 27, 2008		April 29, 2007	
	Dollars	% of Net Sales	Dollars	% of Net Sales
	-----	-----	-----	-----
Gross Staffing Sales	\$491.8		\$468.9	
Gross Managed Service Sales	\$339.2		\$334.3	
Net Sales*	\$505.7		\$483.3	
Direct Costs	\$429.0	84.8%	\$400.1	82.8%
Gross Profit	\$76.7	15.2%	\$83.2	17.2%
Overhead	\$55.6	11.0%	\$55.3	11.4%

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Selling & Administrative	\$11.3	2.3%	\$10.8	2.2%
Depreciation & Amortization	\$3.6	0.7%	\$3.2	0.7%
Segment Operating Profit	\$6.2	1.2%	\$13.9	2.9%

\*Net Sales only includes the gross margin on managed service sales.

The increase in net sales of the Staffing Services segment in the second quarter of fiscal 2008 from the comparable quarter in fiscal 2007 was comprised of a \$22.6 million, or 7%, increase in net Technical sales, partially offset by a slight decrease in net A&I sales. Foreign generated net sales for the current quarter increased by 29% from the comparable 2007 fiscal quarter, and accounted for 7% of total net Staffing Services sales for the current quarter. On a constant currency basis, foreign sales increased by 24% from the comparable 2007 fiscal quarter. In the current three months, the segment's permanent placement sales increased by 19% and RPO sales increased by 30% from the comparable period in fiscal 2007.

The segment's decrease in operating profit was comprised of a decrease of \$7.8 million in the Technical division, partially offset by a slight increase in the A&I division. The segment's gross margin percentage decreased due to a decrease of 2.7 percentage points in the Technical division and 0.5 percentage points in the A&I division. The overhead percentage decreased due to an overhead decline in the A&I division. Selling and administrative and depreciation percentages approximated the comparable 2007 period percentages.

Technical Placement Division (Dollars in Millions)	Three months Ended			
	April 27, 2008		April 29, 2007	
	Dollars	% of Net Sales	Dollars	% of Net Sales
Gross Sales	\$667.9		\$640.2	
Net Sales *	\$350.2		\$327.6	
Direct Costs	\$298.4	85.2%	\$270.1	82.5%
Gross Profit	\$51.8	14.8%	\$57.5	17.5%
Overhead	\$35.5	10.1%	\$34.2	10.4%
Selling & Administrative	\$7.9	2.3%	\$7.5	2.3%
Depreciation & Amortization	\$2.9	0.8%	\$2.5	0.7%
Division Operating Profit	\$5.5	1.6%	\$13.3	4.1%

\*Net Sales only includes the gross margin on managed service sales.

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

THREE MONTHS ENDED APRIL 27, 2008 COMPARED  
TO THE THREE MONTHS ENDED APRIL 29, 2007--Continued

### Staffing Services--Continued

The Technical division's increase in gross sales in the current quarter of fiscal 2008 from the comparable prior year quarter included increases of approximately \$4 million of sales to new customers, or customers with substantial increased business, as well as \$25 million attributable to net increases in sales to continuing customers. This was partially offset by sales decreases of approximately \$1 million from customers whose business with the Company either ceased or was substantially lower than in the comparable quarter of fiscal 2007. The Technical division's increase in net sales in the second quarter of fiscal 2008 from the comparable quarter in fiscal 2007 was comprised of increases of \$29.2 million, or 10%, in traditional alternative staffing partially offset by decreases of \$5.1 million, or 16%, in VMC Consulting project management and consulting sales, and \$1.5 million, or 12%, in net managed service associate vendor sales.

The division's decrease in the operating profit was the result of the decrease in gross margin percentage, partially offset by the increase in sales. The decrease in gross margin was primarily due to the decrease in the gross margins in VMC Consulting due to losses on six projects along with decreases in markups at some of the larger customers within the region due to wage pressure. The increase in overhead in the current fiscal quarter was a result of increased indirect labor at VMC and the European operation, startup costs in the current quarter at VMC for a few new projects and costs related to the new Momentum RPO operation, partially offset by a reduction in the current quarter of \$0.9 million in health insurance costs due to improved claims experience. The increase in selling and administrative costs are due to increased indirect labor in the European operation related to its sales growth. Indirect labor costs which are included in overhead and selling and administrative costs increased by 7% from the comparable 2007 three months.

	Three months Ended			
	April 27, 2008		April 29, 2007	
Administrative & Industrial Division (Dollars in Millions)	Dollars	% of Net Sales	Dollars	% of Net Sales
Gross Sales	\$163.0		\$163.0	
Net Sales *	\$155.5		\$155.7	
Direct Costs	\$130.6	84.0%	\$130.0	83.5%
Gross Profit	\$24.9	16.0%	\$25.7	16.5%
Overhead	\$20.1	13.0%	\$21.1	13.5%
Selling & Administrative	\$3.4	2.2%	\$3.3	2.1%



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Depreciation & Amortization	\$0.7	0.4%	\$0.7	0.5%
Division Operating Profit	\$0.7	0.4%	\$0.6	0.4%

\*Net Sales only includes the gross margin on managed service sales.

The A&I division's gross sales remained the same in the current quarter as compared to the comparable quarter of fiscal 2007. The current quarter's sales included growth of approximately \$10 million from new customers, or customers whose business with the Company in the comparable fiscal period was substantially below the current quarter's volume. This was offset by approximately \$11 million of sales to customers which the Company either ceased or substantially reduced servicing in the current year, as well as \$1 million attributable to net increases in sales to continuing customers.

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

THREE MONTHS ENDED APRIL 27, 2008 COMPARED  
TO THE THREE MONTHS ENDED APRIL 29, 2007--Continued

### Staffing Services--Continued

The division's improved operating results in the current quarter were the result of the decrease in overhead in dollars and as a percentage of sales, partially offset by the decreased gross margin percentage and the decrease in net sales. The decrease in overhead costs from the comparable quarter in fiscal 2007 primarily resulted from a reduction of indirect headcount of approximately 3%. The division is focused on reducing overhead costs to compensate for lower sales. In each of the past four quarters, the overhead costs have been lower than the comparable prior fiscal year quarters. The decrease in gross margin percentage was primarily due to a decrease in permanent placement sales and reduced markups on direct labor due to competitive pressure, partially offset by a 0.6 percentage point reduction in payroll taxes. This reduction in two of A&I's more significant states is expected to continue throughout the remainder of the fiscal year.

### Telephone Directory

	Three months Ended			
	April 27, 2008		April 29, 2007	
(Dollars in Millions)	Dollars	% of Net Sales	Dollars	% of Net Sales
Net Sales	\$18.3		\$17.1	
Direct Costs	\$8.9	48.7%	\$8.2	47.7%

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Gross Profit	\$9.4	51.3%	\$8.9	52.3%
Overhead	\$1.5	8.1%	\$1.6	9.4%
Selling & Administrative	\$4.7	25.8%	\$4.1	23.9%
Depreciation & Amortization	\$0.4	2.4%	\$0.5	2.8%
Segment Operating Profit	\$2.8	15.0%	\$2.7	16.2%

The components of the Telephone Directory segment's sales increase for the second quarter of fiscal 2008 from the comparable quarter of fiscal 2007 were increases of \$1.2 million in the printing operation in Uruguay and \$0.1 million in telephone production and other sales, partially offset by a decrease of \$0.1 million in DataNational community telephone directory publishing sales. The increase in printing sales in Uruguay included \$0.9 million of sales to new customers. DataNational added four directories in the quarter with sales totaling \$0.3 million and discontinued 1 directory with prior year sales of \$0.1 million.

The segment's operating profit remained the same as the comparable 2007 fiscal quarter, with a decrease in the gross margin percentage, and an increase in selling and administrative costs, offset by the sales increase. The decreased gross margin percentage is primarily related to the increase in lower margin printing sales in Uruguay, as compared to the comparable 2007 fiscal quarter.

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

THREE MONTHS ENDED APRIL 27, 2008 COMPARED  
TO THE THREE MONTHS ENDED APRIL 29, 2007--Continued

### Telecommunications Services

(Dollars in Millions)	Three months Ended			
	April 27, 2008		April 29, 2007	
	Dollars	% of Net Sales	Dollars	% of Net Sales
Net Sales	\$49.3		\$27.2	
Direct Costs	\$34.2	69.4%	\$20.9	76.8%
Gross Profit	\$15.1	30.6%	\$6.3	23.2%
Overhead	\$12.4	25.1%	\$5.4	19.8%
Selling & Administrative	\$0.1	0.3%	\$0.1	0.3%

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Depreciation & Amortization	\$0.7	1.4%	\$0.4	1.7%
Segment Operating Profit	\$1.9	3.8%	\$0.4	1.4%

The Telecommunications Services segment's sales increase in the second quarter of fiscal 2008 from the comparable quarter of fiscal 2007 was comprised of increases of \$21.5 million, or 133%, in the Construction and Engineering division and \$0.6 million, or 6%, in the Network Enterprise Solutions division. The sales increase in the Construction and Engineering division in the current quarter was largely due to a large fiber optic contract which ramped up in the latter half of fiscal 2007 and the recognition of several large utility projects and government contracts accounted for using the percentage-of-completion method of accounting.

The segment's increased operating results for the current quarter were due to increased sales and gross margin percentage, partially offset by increased overhead and depreciation. An increase in gross margin is attributable to higher margins on the utility projects and government contracts. The increase in overhead was due to the costs incurred to support the increased sales.

## Computer Systems

(Dollars in Millions)	Three months Ended			
	April 27, 2008		April 29, 2007	
	Dollars	% of Net Sales	Dollars	% of Net Sales
Net Sales	\$52.1		\$45.2	
Direct Costs	\$23.2	44.6%	\$22.8	50.4%
Gross Profit	\$28.9	55.4%	\$22.4	49.6%
Overhead	\$16.3	31.2%	\$11.8	26.1%
Selling & Administrative	\$2.5	4.8%	\$1.8	4.0%
Depreciation & Amortization	\$4.8	9.1%	\$3.8	8.4%
Segment Operating Profit	\$5.3	10.3%	\$5.0	11.1%

The Computer Systems segment's sales increase in the second quarter of fiscal 2008 from the comparable quarter of fiscal 2007 was comprised of increases of \$1.8 million, or 13%, in database access transaction fee revenue, including ASP directory assistance, \$3.5 million, or 25%, in the Maintech division's IT maintenance and \$1.6 million, or 9%, in projects and other income. The increase in transaction fee revenue for the current

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

THREE MONTHS ENDED APRIL 27, 2008 COMPARED  
TO THE THREE MONTHS ENDED APRIL 29, 2007--Continued

### Computer Systems

quarter included \$6.3 million from the LSSi operations (enterprise data transactions) acquired in September 2007. The remaining transaction fee revenue decreased primarily due to a reduction of such services to a major customer as it transitions to a fixed monthly fee model from a variable transaction-based pricing model.

The segment's increased operating profit was due to the increase in sales and gross margin percentage, partially offset by the increase in overhead, selling and administrative expenses and depreciation and amortization in dollars and as a percentage of sales. The increased gross profit percentage was a result of the increased database access fees from LSSi. The increased overhead and general administrative expenses were primarily due to the inclusion of the LSSi operations. The increased depreciation and amortization was due to the intangible amortization related to the LSSi acquisition.

### General Corporate Expenses and Other Income (Expense)

(Dollars in Millions)	Three months Ended			
	April 27, 2008		April 29, 2007	
	Dollars	% of Net Sales	Dollars	% of Net Sales
Selling & Administrative	\$8.0	1.3%	\$8.3	1.5%
Depreciation & Amortization	\$0.6	0.1%	\$1.6	0.3%
Interest Income	\$1.3	0.2%	\$1.4	0.2%
Other Expense	(\$1.5)	(0.2%)	(\$1.6)	(0.3%)
Foreign Exchange Loss	-	-	(\$0.4)	(0.1%)
Interest Expense	(\$1.6)	(0.3%)	(\$0.8)	(0.2%)

The changes in general corporate expenses and other income (expense) for the second quarter of fiscal 2008 as compared to the comparable 2007 quarter, were:

The decrease in selling and administrative expenses in the current quarter of fiscal 2008 from the comparable 2007 fiscal quarter was primarily the result of decreased salaries and communication costs.

The decrease in depreciation and amortization in the current quarter of fiscal

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2008 from the comparable 2007 fiscal quarter was due to portions of the corporate enterprise resource planning system becoming fully amortized.

Interest income decreased due to lower interest rates and a reduction in premium deposits held by insurance companies.

Interest expense increased due to additional borrowings used to fund 2007 acquisitions and working capital requirements.

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

#### Liquidity and Capital Resources

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Cash and cash equivalents, increased by \$7.0 million to \$47.4 million in the six months ended April 27, 2008.

Operating activities provided \$38.0 million of cash in the first six months of fiscal 2008. Operating activities provided \$1.0 million of cash in the first six months of fiscal 2007.

Operating activities in the first six months of fiscal 2008, exclusive of changes in operating assets and liabilities, produced \$6.0 million of cash, as the Company's net loss of \$9.8 million included non-cash charges primarily for depreciation and amortization of \$20.0 million, accounts receivable provisions of \$2.9 million and a deferred tax benefit of \$7.1 million. Operating activities in the first six months of fiscal 2007, exclusive of changes in operating assets and liabilities, produced \$25.5 million of cash, as the Company's net income of \$7.1 million included non-cash charges primarily for depreciation and amortization of \$19.1 million and accounts receivable provisions of \$1.3 million, partially offset by a deferred tax benefit of \$2.1 million.

Changes in operating assets and liabilities produced \$32.0 million of cash, net, in the first six months of fiscal 2008 principally due to an increase in securitization of receivables of \$20.0 million, an increase in deferred income and other liabilities of \$11.1 million, a decrease in the level of inventory, primarily in the Telecommunications Services segment, of \$11.7 million and a decrease in prepaid insurance and other current assets of \$9.4 million offset by a decrease in income tax liability of \$12.6 million. Changes in operating assets and liabilities used \$24.5 million of cash, net, in the first six months of fiscal 2007 principally due to a reduction in the Securitization Program of \$50.0 million, a decrease in income taxes of \$7.5 million and an increase in the level of inventory of \$6.0 million partially offset by an increase in deferred income and other liabilities of \$16.4 million, an increase in the level of accounts payable of \$15.8 million, a decrease in the level of trade accounts receivable of \$3.4 million and an increase in accrued expenses of \$3.3 million.

The \$16.8 million of cash applied to investing activities for the first six months of fiscal 2008 resulted primarily from expenditures of \$15.8 million for net additions to property, plant and equipment and \$0.9 million for an acquisition of a staffing and consulting services provider in South America. The \$12.8 million of cash applied to investing activities for the first six months of fiscal 2007 resulted from the \$12.5 million for net additions to property, plant and equipment and expenditures of \$0.2 million for acquisitions.

The principal factors in the \$14.3 million of cash used by financing activities in the first six months of fiscal 2008 were a payment of \$8.1 million for the

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purchase of treasury shares and a reduction in notes payable of \$6.2 million. The principal factors in the \$20.4 million of cash provided by financing activities in the first six months of fiscal 2007 were an increase in the level of bank loans of \$28.1 million partially offset by a payment of \$8.0 million for the purchase of treasury shares.

### Commitments

There has been no material change through April 27, 2008 in the Company's contractual obligations and other commercial commitments from that reported in the Company's Annual Report on Form 10-K for the fiscal year ended October 28, 2007.

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

### Off-Balance Sheet Financing

The Company has no off-balance sheet financing arrangements, as that term has meaning in Item 303(a) (4) of Regulation S-K.

### Securitization Program

The Company has a \$200.0 million accounts receivable securitization program ("Securitization Program"), which expires in April 2009. Under the Securitization Program, receivables related to the United States operations of the staffing solutions business of the Company and its subsidiaries are sold from time-to-time by the Company to Volt Funding Corp., a wholly-owned special purpose subsidiary of the Company ("Volt Funding"). Volt Funding, in turn, sells to Three Rivers Funding Corporation ("TRFCO"), an asset backed commercial paper conduit sponsored by Mellon Bank, N.A., an undivided percentage ownership interest in the pool of receivables Volt Funding acquires from the Company (subject to a maximum purchase by TRFCO in the aggregate of \$200.0 million). The Company retains the servicing responsibility for the accounts receivable. At April 27, 2008, TRFCO had purchased from Volt Funding a participation interest of \$140.0 million out of a pool of approximately \$263.6 million of receivables.

The Securitization Program is not an off-balance sheet arrangement as Volt Funding is a 100%-owned consolidated subsidiary of the Company, with accounts receivable only reduced to reflect the fair value of receivables actually sold. The Company entered into this arrangement as it provided a low-cost alternative to other forms of financing.

The Securitization Program is designed to enable receivables sold by the Company to Volt Funding to constitute true sales of those receivables. As a result, the receivables are available to satisfy Volt Funding's own obligations to its own creditors before being available, through the Company's residual equity interest in Volt Funding, to satisfy the Company's creditors. TRFCO has no recourse to the Company beyond its interest in the pool of receivables owned by Volt Funding.

In the event of termination of the Securitization Program, new purchases of a participation interest in receivables by TRFCO would cease and collections reflecting TRFCO's interest would revert to it. The Company believes TRFCO's aggregate collection amounts should not exceed the pro rata interests sold. There are no contingent liabilities or commitments associated with the

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### Securitization Program.

The Company accounts for the securitization of accounts receivable in accordance with SFAS No. 156, "Accounting for Transfers and Servicing of Financial Assets and an amendment of SFAS No. 140." At the time a participation interest in the receivables is sold, the receivable representing that interest is removed from the consolidated balance sheet (no debt is recorded) and the proceeds from the sale are reflected as cash provided by operating activities. Losses and expenses associated with the transactions, primarily related to discounts incurred by TRFCO on the issuance of its commercial paper, are charged to the consolidated statement of operations.

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

#### Securitization Program--Continued

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The Securitization Program is subject to termination at TRFCO's option, under certain circumstances, including, among other things, the default rate, as defined, on receivables exceeding a specified threshold, the rate of collections on receivables failing to meet a specified threshold, the Company failing to maintain a long-term debt rating of "B" or better or the equivalent thereof from a nationally recognized rating organization. At April 27, 2008, the Company was in compliance with all requirements of its Securitization Program.

On June 3, 2008, the Securitization Program, which was due to expire within the next year, was transferred to a multi-buyer program administered by PNC Bank. The amended \$200 Million program has a five-year term (subject to 364 day liquidity) and uses the existing special purpose entity (Volt Funding) to continue to sell pro-rata shares of trade accounts receivable to two commercial paper conduits (Market Street Funding, a PNC Bank affiliate, and Relationship Funding, a Fifth Third Bank affiliate).

#### Credit Lines

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At April 27, 2008, the Company had credit lines with domestic and foreign banks which provided for borrowings and letters of credit of up to an aggregate of \$153.9 million, including the Company's \$42.0 million five-year unsecured revolving credit agreement ("Credit Agreement") and the Company's wholly owned subsidiary, Volt Delta Resources, LLC's ("Volt Delta") \$100.0 million secured, syndicated revolving credit agreement ("Delta Credit Facility"). The Company had total outstanding bank borrowings of \$78.1 million as of April 27, 2008. Included in these borrowings were \$16.1 million of foreign currency borrowings which provide economic hedges against foreign denominated net assets.

#### Credit Agreement

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On February 28, 2008, the Company entered into the Credit Agreement to replace the Company's then expiring \$40.0 million secured credit agreement with a credit facility ("Credit Facility") in favor of the Company and designated subsidiaries, of which up to \$15.0 million may be used for letters of credit and \$25.0 million for borrowing in alternative currencies. At April 27, 2008, the Company had no borrowings against this facility. The administrative agent for the Credit Facility is Bank of America, N.A. The other banks participating in the Credit Facility are JP Morgan Chase Bank, N.A. as syndicated agent, Wells

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Fargo Bank, N.A. and HSBC Bank USA, N.A.

Borrowings under the Credit Agreement bear interest at various rate options selected by the Company at the time of each borrowing. Certain rate options, together with a facility fee, are based on a leverage ratio, as defined. Based upon the Company's leverage ratio at April 27, 2008, if a three-month U.S. Dollar LIBO rate were the interest rate option selected by the Company, borrowings would have borne interest at the rate of 3.8% per annum, excluding a fee of 0.3% per annum paid on the entire facility.

The Credit Agreement provides for the maintenance of various financial ratios and covenants, including, among other things, a requirement that the Company maintain a consolidated tangible net worth, as defined; a limitation on total funded debt to EBITDA of 3.0 to 1.0; and a requirement that the Company maintain a minimum ratio of EBITDA, as defined, to interest expense, as defined, of 4.0 to 1.0 for the twelve months ended as of the last day of each fiscal quarter. The Credit Agreement also imposes limitations on, among other things, the incurrence of additional indebtedness, the level of annual capital expenditures, and the amount of investments, including business acquisitions and mergers, and loans that may be made by the Company to its subsidiaries. The Company was in compliance with all covenants at April 27, 2008.

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

#### Credit Lines--Continued

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#### Delta Credit Facility

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In December 2006, Volt Delta entered into the Delta Credit Facility, which expires in December 2009, with Wells Fargo, N.A. as the administrative agent and arranger, and as a lender thereunder. Wells Fargo and two of the other three lenders under the Delta Credit Facility, Bank of America, N.A. and JPMorgan Chase, also participate in the Company's \$42.0 million revolving Credit Facility. Neither the Company nor Volt Delta guarantees each other's facility but certain subsidiaries of each are guarantors of their respective parent company's facility.

The Delta Credit Facility allows for the issuance of revolving loans and letters of credit in the aggregate of \$100.0 million with a sublimit of \$10.0 million on the issuance of letters of credit. At April 27, 2008, \$71.4 million was drawn on this facility. Certain interest rate options, as well as the commitment fee, are based on a leverage ratio, as defined, which resets quarterly. Based upon Volt Delta's leverage ratio at April 27, 2008, if a three-month U.S. Dollar LIBO rate were the interest rate option selected by the Company, borrowings would have borne interest at the rate of 4.3% per annum. Volt Delta also pays a commitment fee on the unused portion of the Delta Credit Facility which varies based on Volt Delta's leverage ratio. At April 27, 2008, the commitment fee was 0.3% per annum.

The Delta Credit Facility provides for the maintenance of various financial ratios and covenants, including, among other things, a total debt to EBITDA ratio, as defined, which cannot exceed 2.0 to 1.0 on the last day of any fiscal quarter, a fixed charge coverage ratio, as defined, which cannot be less than 2.5 to 1.0 for the twelve months ended as of the last day of each fiscal quarter and the maintenance of a consolidated net worth, as defined. The Delta Credit Facility also imposes limitations on, among other things, incurrence of



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additional indebtedness or liens, the amount of investments including business acquisitions, creation of contingent obligations, sales of assets (including sale leaseback transactions) and annual capital expenditures. At April 27, 2008, Volt Delta was in compliance with all covenants in the Delta Credit Facility.

### Summary

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The Company believes that its current financial position, working capital, future cash flows from operations, credit lines and accounts receivable Securitization Program will be sufficient to fund its presently contemplated operations and satisfy its obligations through at least the next twelve months.

On June 2, 2008, the Company's Board of Directors authorized the repurchase of up to one million five hundred thousand (1,500,000) shares of the Company's common stock from time to time in open market or private transactions at the Company's discretion, subject to market conditions and other factors. The timing and exact number of shares purchased will be at the Company's discretion and will depend on market conditions and is subject to institutional approval for purchases in excess of \$11.6 million in fiscal year 2008 under the terms of the Company's credit agreements. This stock buyback program does not obligate the Company to acquire any specific number of shares and may be suspended or discontinued at any time.

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

#### Critical Accounting Policies

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Management's discussion and analysis of its financial position and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates, judgments, assumptions and valuations that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures. Future reported results of operations could be impacted if the Company's estimates, judgments, assumptions or valuations made in earlier periods prove to be wrong. Management believes the critical accounting policies and areas that require the most significant estimates, judgments, assumptions or valuations used in the preparation of the Company's financial statements are as follows:

Revenue Recognition - The Company derives its revenues from several sources. The revenue recognition methods, which are consistent with those prescribed in Staff Accounting Bulletin 104 ("SAB 104"), "Revenue Recognition in Financial Statements," are described below in more detail for the significant types of revenue within each of its segments. Revenue is generally recognized when persuasive evidence of an arrangement exists, we have delivered the product or performed the service, the fee is fixed and determinable and collectibility is probable. The determination of whether and when some of the criteria below have been satisfied sometimes involves assumptions and judgments that can have a significant impact on the timing and amount of revenue we report.

#### Staffing Services:

Staffing: Sales are derived from the Company's Staffing Solutions Group supplying its own temporary personnel to its customers, for which the Company assumes the risk of acceptability of its employees to its customers,

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and has credit risk for collecting its billings after it has paid its employees. The Company reflects revenues for these services on a gross basis in the period the services are rendered. In the first six months of fiscal 2008, this revenue comprised approximately 74% of the Company's net consolidated sales.

**Managed Services:** Sales are generated by the Company's E-Procurement Solutions subsidiary, ProcureStaff, for which the Company receives an administrative fee for arranging for, billing for and collecting the billings related to staffing companies ("associate vendors") who have supplied personnel to the Company's customers. The administrative fee is either charged to the customer or subtracted from the Company payment to the associate vendor. The customer is typically responsible for assessing the work of the associate vendor, and has responsibility for the acceptability of its personnel, and in most instances the customer and associate vendor have agreed that the Company does not pay the associate vendor until the customer pays the Company. Based upon the revenue recognition principles prescribed in Emerging Issues Task Force ("EITF") 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent," revenue for these services, where the customer and the associate vendor have agreed that the Company is not at risk for payment, is recognized net of associated costs in the period the services are rendered. In addition, sales for certain contracts generated by the Company's Staffing Solutions Group's managed services operations have similar attributes. In the first six months of fiscal 2008, this revenue comprised approximately 2% of the Company's net consolidated sales.

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

#### Critical Accounting Policies--Continued

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**Outsourced Projects:** Sales are derived from the Company's Information Technology Solutions operation providing outsource services for a customer in the form of project work, for which the Company is responsible for deliverables, in accordance with the American Institute of Certified Public Accountants ("AICPA") Statement of Position ("SOP") 81-1, "Accounting for Performance of Construction-Type Contracts" The Company's employees perform the services and the Company has credit risk for collecting its billings. Revenue for these services is recognized on a gross basis in the period the services are rendered when on a time and material basis, and when the Company is responsible for project completion, revenue is recognized when the project is complete and the customer has approved the work. In the first six months of fiscal 2008, this revenue comprised approximately 5% of the Company's net consolidated sales.

#### Telephone Directory:

**Directory Publishing:** Sales are derived from the Company's sales of telephone directory advertising for books it publishes as an independent publisher in the United States and Uruguay. The Company's employees perform the services and the Company has credit risk for collecting its billings. Revenue for these services is recognized on a gross basis in the period the books are printed and delivered. In the first six months of fiscal 2008, this revenue comprised approximately 2% of the Company's net consolidated sales.

**Ad Production and Other:** Sales are generated when the Company performs design, production and printing services, and database management for other

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publishers' telephone directories. The Company's employees perform the services and the Company has credit risk for collecting its billings. Revenue for these services is recognized on a gross basis in the period the Company has completed its production work and upon customer acceptance. In the first six months of fiscal 2008, this revenue comprised approximately 1% of the Company's net consolidated sales.

### Telecommunications Services:

**Construction:** Sales are derived from the Company supplying aerial and underground construction services. The Company's employees perform the services, and the Company takes title to all inventory, and has credit risk for collecting its billings. The Company relies upon the principles in SOP 81-1, using the completed-contract method, to recognize revenue on a gross basis upon customer acceptance of the project or by the percentage-of-completion method, when applicable. In the first six months of fiscal 2008, this revenue comprised approximately 6% of the Company's net consolidated sales.

**Non-Construction:** Sales are derived from the Company performing design, engineering and business systems integrations work. The Company's employees perform the services and the Company has credit risk for collecting its billings. Revenue for these services is recognized on a gross basis in the period in which services are performed, and, if applicable, any completed units are delivered and accepted by the customer. In the first six months of fiscal 2008, this revenue comprised approximately 2% of the Company's net consolidated sales.

### Computer Systems:

**Database Access:** Sales are derived from the Company granting access to its proprietary telephone listing databases to telephone companies, inter-exchange carriers and non-telco enterprise customers. The Company uses its own databases and has credit risk for collecting its billings. The Company recognizes revenue on a gross basis in the period in which the customers access the Company's databases. In the first six months of fiscal 2008, this revenue comprised approximately 3% of the Company's net consolidated sales.

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

### Critical Accounting Policies--Continued

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**IT Maintenance:** Sales are derived from the Company providing hardware maintenance services to the general business community, including customers who have our systems, on a time and material basis or a contract basis. The Company uses its own employees and inventory in the performance of the services, and has credit risk for collecting its billings. Revenue for these services is recognized on a gross basis in the period in which the services are performed, contingent upon customer acceptance when on a time and material basis, or over the life of the contract, as applicable. In the first six months of fiscal 2008, this revenue comprised approximately 3% of the Company's net consolidated sales.

**Telephone Systems:** Sales are derived from the Company providing telephone operator services-related systems and enhancements to existing systems, equipment and software to customers. The Company uses its own employees and has credit risk for collecting its billings. The Company relies upon the principles in SOP 97-2 "Software Revenue Recognition" and EITF 00-21,

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"Revenue Arrangements with Multiple Deliverables" to recognize revenue on a gross basis upon customer acceptance of each part of the system based upon its fair value or by the use of the percentage-of-completion method, when applicable. In the first six months of fiscal 2008, this revenue comprised approximately 2% of the Company's net consolidated sales.

For those contracts accounted for under SOP 81-1, the Company records provisions for estimated losses on contracts when losses become evident.

Accumulated unbilled costs on contracts are carried in inventory at the lower of actual cost or estimated realizable value.

Allowance for Uncollectible Accounts - The establishment of an allowance requires the use of judgment and assumptions regarding potential losses on receivable balances. Allowances for accounts receivable are maintained based upon historical payment patterns, aging of accounts receivable and actual write-off history. The Company also makes judgments about the creditworthiness of significant customers based upon ongoing credit evaluation, and might assess current economic trends that might impact the level of credit losses in the future. However, since a reliable prediction of future changes in the financial stability of customers is not possible, the Company cannot guarantee that allowances will continue to be adequate. If actual credit losses are significantly higher or lower than the allowance established, it would require a related charge or credit to earnings.

Goodwill - Under Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," goodwill and indefinite-lived intangible assets are subject to annual impairment testing using fair value methodologies. The Company performs its annual impairment testing during its second fiscal quarter, or more frequently if indicators of impairment arise. The timing of the impairment test may result in charges to earnings in the second fiscal quarter that could not have been reasonably foreseen in prior periods. The testing process includes the comparison of the Company's business units' multiples of sales and EBITDA to those multiples of its business units' competitors. The Company performs a sensitivity analysis on its annual goodwill impairment test by changing the sales and EBITDA factors used in its impairment analysis by 10%. If these estimates or their related assumptions change in the future as a result of changes in strategy and/or market conditions, the Company may be required to record an impairment charge in the future.

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

Critical Accounting Policies--Continued

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Long-Lived Assets - Property, plant and equipment are recorded at cost, and depreciation and amortization are provided on the straight-line or accelerated methods at rates calculated to allocate the cost of the assets over their period of use. Intangible assets, other than goodwill and indefinite-lived intangible assets, and property, plant and equipment are reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Under SFAS No. 144, these assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Circumstances which could trigger a review include, but are not limited to: significant decreases in the market price of the asset; significant adverse changes in the business climate or legal factors; the accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of the asset; current

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period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset; and a current expectation that the asset will more likely than not be sold or disposed of significantly before the end of its estimated useful life. Recoverability is assessed based on the carrying amount of the asset and the sum of the undiscounted cash flows expected to result from the use and the eventual disposal of the asset or asset group. An impairment loss is recognized when the carrying amount exceeds the estimated fair value of the asset or asset group. The impairment loss is measured as the amount by which the carrying amount exceeds fair value.

**Capitalized Software** - The Company's software technology personnel are involved in the development and acquisition of internal-use software to be used in its Enterprise Resource Planning system and software used in its operating segments, some of which are customer accessible. The Company accounts for the capitalization of software in accordance with SOP No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Subsequent to the preliminary project planning and approval stage, all appropriate costs are capitalized until the point at which the software is ready for its intended use. Subsequent to the software being used in operations, the capitalized costs are transferred from costs-in-process to completed property, plant and equipment, and are accounted for as such. All post-implementation costs, such as maintenance, training and minor upgrades that do not result in additional functionality, are expensed as incurred. The capitalization process involves judgment as to what types of projects and tasks are capitalizable. Although the Company believes the decisions made in the past concerning the accounting treatment of these software costs have been reasonable and appropriate, different decisions could materially impact financial results.

**Income Taxes - Estimates of Effective Tax Rates, Deferred Taxes and Valuation Allowance** - When the financial statements are prepared, the Company estimates its income taxes based on the various jurisdictions in which business is conducted. Significant judgment is required in determining the Company's worldwide income tax provision. Liabilities for anticipated tax audit issues in the United States and other tax jurisdictions are based on estimates of whether, and the extent to which, additional taxes will be due. The recognition of these provisions for income taxes is recorded in the period in which it is determined that such taxes are due. If in a later period it is determined that payment of this additional amount is unnecessary, a reversal of the liability is recognized. As a result, the ongoing assessments of the probable outcomes of the audit issues and related tax positions require judgment and can materially increase or decrease the effective tax rate and materially affect the Company's operating results. This also requires the Company to estimate its current tax exposure and to assess temporary differences that result from differing treatments of certain items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are reflected on the balance sheet. The Company must then assess the likelihood that its deferred tax assets will be realized. To the extent it is believed that realization is not likely, a valuation allowance is established. When a valuation allowance is increased or decreased, a corresponding tax expense or benefit is recorded in the statement of operations.

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

Critical Accounting Policies--Continued

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**Securitization Program** - The Company accounts for the securitization of accounts

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receivable in accordance with SFAS No. 156, "Accounting for Transfers and Servicing of Financial Assets, an amendment of SFAS No. 140." At the time a participation interest in the receivables is sold, that interest is removed from the consolidated balance sheet. The outstanding balance of the undivided interest sold to Three Rivers Funding Corporation ("TRFCO"), an asset backed commercial paper conduit sponsored by Mellon Bank, N.A, was \$140.0 million and \$120.0 million at April 27, 2008 and October 28, 2007, respectively. Accordingly, the trade receivables included on the April 27, 2008 and October 28, 2007 balance sheets have been reduced to reflect the participation interest sold. TRFCO has no recourse to the Company (beyond its interest in the pool of receivables owned by Volt Funding Corp., a wholly-owned special purpose subsidiary of the Company) for any of the sold receivables.

**Primary Casualty Insurance Program** - The Company is insured with a highly rated insurance company under a program that provides primary workers' compensation, employer's liability, general liability and automobile liability insurance under a loss sensitive program. In certain mandated states, the Company purchases workers' compensation insurance through participation in state funds, and the experience-rated premiums in these state plans relieve the Company of any additional liability. In the loss sensitive program, initial premium accruals are established based upon the underlying exposure, such as the amount and type of labor utilized, number of vehicles, etc. The Company establishes accruals utilizing actuarial methods to estimate the future cash payments that will be made to satisfy the claims, including an allowance for incurred-but-not-reported claims. This process also includes establishing loss development factors, based on the historical claims experience of the Company and the industry, and applying those factors to current claims information to derive an estimate of the Company's ultimate premium liability. In preparing the estimates, the Company considers the nature and severity of the claims, analyses provided by third party actuaries, as well as current legal, economic and regulatory factors. The insurance policies have various premium rating plans that establish the ultimate premium to be paid. Adjustments to premiums are made based upon the level of claims incurred at a future date up to three years after the end of the respective policy period. For each policy year, management evaluates the accrual, and the underlying assumptions, regularly throughout the year and makes adjustments as needed. The ultimate premium cost may be greater or less than the established accrual. While management believes that the recorded amounts are adequate, there can be no assurances that changes to management's estimates will not occur due to limitations inherent in the estimation process. In the event it is determined that a smaller or larger accrual is appropriate, the Company would record a credit or a charge to cost of services in the period in which such determination is made.

**Medical Insurance Program** -The Company is self-insured for the majority of its medical benefit programs. The Company remains insured for a portion of its medical program (primarily HMOs) as well as the entire dental program. The Company provides the self-insured medical benefits through an arrangement with a third party administrator. However, the liability for the self-insured benefits is limited by the purchase of stop loss insurance. The contributed and withheld funds and related liabilities for the self-insured program together with unpaid premiums for the insured programs are held in a 501(c)9 employee welfare benefit trust. These amounts, other than the current provisions, do not appear on the balance sheet of the Company. In order to establish the self-insurance reserves, the Company utilized actuarial estimates of expected losses based on statistical analyses of historical data. The provision for future payments is initially adjusted by the enrollment levels in the various plans. Periodically, the resulting liabilities are monitored and will be adjusted as warranted by changing circumstances. Should the amount of claims occurring exceed what was estimated or medical costs increase beyond what was expected, liabilities might not be sufficient, and additional expense may be recorded by the Company.

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

#### New Accounting Pronouncements to be Effective in Fiscal 2008

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In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." This statement defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within that fiscal year. The Company is currently evaluating the impact of adopting this statement.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - including an amendment of FAS 115". This statement permits entities to choose to measure many financial instruments and certain other items at fair value. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, including interim periods within that fiscal year. The Company is currently evaluating the impact of adopting this statement.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB NO. 51" This statement establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. This statement is effective for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2008. The Company is currently evaluating the impact of adopting this statement.

#### Related Party Transactions

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During the first six months of fiscal 2008, the Company paid or accrued \$0.6 million to the law firm of which Lloyd Frank, a director, is of counsel, for services rendered to the Company and expenses reimbursed. In addition, the Company paid \$7,000 to Michael Shaw, Ph. D., a brother to Steven Shaw, an executive officer and director, for services rendered to the Company.

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

#### ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the potential economic loss that may result from adverse changes in the fair value of financial instruments. The Company's earnings, cash flows and financial position are exposed to market risks relating to fluctuations in interest rates and foreign currency exchange rates. The Company has cash and cash equivalents on which interest income is earned at variable rates. The Company also has credit lines with various domestic and foreign banks, which provide for borrowings and letters of credit, as well as a \$200 million accounts receivable securitization program to provide the Company with additional liquidity to meet its short-term financing needs.

The interest rates on these borrowings and financing are variable and, therefore, interest and other expense and interest income are affected by the general level of U.S. and foreign interest rates. Based upon the current levels

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of cash invested, notes payable to banks and utilization of the securitization program, on a short-term basis, as noted below in the tables, a hypothetical 100-basis-point (1%) increase or decrease in interest rates would increase or decrease the Company's annual net interest expense and securitization costs by \$1.4 million, respectively.

The Company has a term loan, as noted in the table below, which consists of borrowings at fixed interest rates, and the Company's interest expense related to these borrowings is not affected by changes in interest rates in the near term. The fair value of the fixed rate term loan was approximately \$13.6 million at April 27, 2008. This fair value was calculated by applying the appropriate fiscal year-end interest rate to the Company's present stream of loan payments.

The Company holds short-term investments in mutual funds for the Company's deferred compensation plan. At April 27, 2008, the total market value of these investments was \$5.2 million, all of which are being held for the benefit of participants in a non-qualified deferred compensation plan with no risk to the Company.

The Company has a number of overseas subsidiaries and is, therefore, subject to exposure from the risk of currency fluctuations as the value of foreign currencies fluctuates against the dollar, which may impact reported earnings. As of April 27, 2008, the total of the Company's net investment in foreign operations was \$17.4 million. The Company attempts to reduce these risks by utilizing foreign currency option and exchange contracts, as well as borrowing in foreign currencies, to hedge the adverse impact on foreign currency net assets when the dollar strengthens against the related foreign currency. As of April 27, 2008, the Company had an outstanding foreign currency option contract in the nominal amount equivalent to \$9.5 million, which is accounted for as a hedge under SFAS No. 52, "Foreign Currency Translation". The amount of risk and the use of foreign exchange instruments described above are not material to the Company's financial position or results of operations and the Company does not use these instruments for trading or other speculative purposes. Based upon the current levels of net foreign assets, a hypothetical weakening of the U.S. dollar against these currencies at April 27, 2008 by 10% would result in a pretax gain of \$1.7 million related to these positions. Similarly, a hypothetical strengthening of the U.S. dollar against these currencies at April 27, 2008 by 10% would result in a pretax loss of \$1.2 million related to these positions.

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### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK--Continued

The tables below provide information about the Company's financial instruments that are sensitive to either interest rates or exchange rates at April 27, 2008. For cash and debt obligations, the table presents principal cash flows and related weighted average interest rates by expected maturity dates. The information is presented in U.S. dollar equivalents, which is the Company's reporting currency.

#### Interest Rate Market Risk

Payments Due By Period as of April 27, 2008

Total	Less than 1 Year	1-3 Years	Ye
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(Dollars in thousands of US\$)			



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## Cash and Cash Equivalents and Restricted Cash

Money Market and Cash Accounts	\$81,163	\$81,163
Weighted Average Interest Rate	2.35%	2.35%
	-----	-----
Total Cash, Cash Equivalents and Restricted Cash	\$81,163	\$81,163
	=====	=====

## Securitization Program

Accounts Receivable Securitization	\$140,000	\$140,000
Finance Rate	2.72%	2.72%
	-----	-----
Securitization Program	\$140,000	\$140,000
	=====	=====

## Debt

Term Loan	\$12,577	\$532	\$1,203	\$1,203
Interest Rate	8.2%	8.2%	8.2%	8.2%
	-----	-----	-----	-----
Note Payable	\$495	\$124	\$189	\$189
Interest Rate	5.0%	5.0%	5.0%	5.0%
	-----	-----	-----	-----
Total Long Term Debt	\$13,072	\$656	\$1,392	\$1,392
	=====	=====	=====	=====
Notes Payable to Banks	\$78,117	\$78,117	-	-
Weighted Average Interest Rate	4.76%	4.76%	-	-
	-----	-----	-----	-----
Total Debt	\$91,189	\$78,773	\$1,392	\$1,392
	=====	=====	=====	=====

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## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK--Continued

## Foreign Exchange Market Risk

		Contract Values		
	Contract Exchange Rate	Total	Less than 1 Year	Fair Value Option Premium (1)
	-----	-----	-----	-----
(Dollars in thousands of U.S.\$)				
Option Contracts				
Canadian \$ to U.S.\$	1.05	\$9,524	\$9,524	\$188

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	-----	-----	-----
Total Option Contracts	\$9,524	\$9,524	\$188
	=====	=====	=====

(1) Represents the fair value of the foreign contracts at April 27, 2008.

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## ITEM 4 - CONTROLS AND PROCEDURES

### Evaluation of disclosure controls and procedures

The Company's management is responsible for maintaining adequate internal controls over financial reporting and for its assessment of the effectiveness of internal controls over financial reporting.

The Company carried out an evaluation of the effectiveness of the design and operation of its "disclosure controls and procedures," as defined in, and pursuant to, Rule 13a-15 of the Securities Exchange Act of 1934, as of April 27, 2008 under the supervision and with the participation of the Company's management, including the Company's President and Principal Executive Officer and its Senior Vice President and Principal Financial Officer. Based on that evaluation, management concluded that the Company's disclosure controls and procedures are effective in ensuring that material information relating to the Company and its subsidiaries is made known to them on a timely basis.

### Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II - OTHER INFORMATION

### ITEM 1A - RISK FACTORS

Legal Contingencies - The Company is subject to certain legal proceedings, as well as demands, claims and threatened litigation that arise in the normal course of our business. A quarterly review is performed of each significant matter to assess any potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, a liability and an expense are recorded for the estimated loss. Significant judgment is required in both the determination of probability and the determination of whether an exposure is reasonably estimable. Any accruals are based on the best information available at the time. As additional information becomes available, a reassessment is performed of the potential liability related to any pending claims and litigation and may revise the Company's estimates. Potential legal liabilities and the revision of estimates of potential legal liabilities could have a material impact on the results of operations and financial position.

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## ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Company's 2008 Annual Meeting of Shareholders held on April 10, 2008,

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shareholders:

- (a) elected the following to serve as Class II directors of the Company until the 2010 Annual Meeting of the shareholders by the following votes:

	For ---	Vote Withheld -----
Lloyd Frank	17,145,211	1,269,554
Bruce G. Goodman	18,223,497	191,268
Mark N. Kaplan	18,200,155	214,610
Steven A. Shaw	18,343,704	71,061

- (b) ratified the action of the Board of Directors in appointing Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending October 28, 2007 by the following vote:

For ---	Against -----	Abstain -----
18,305,406	107,710	1,649

The following continue to serve as Class I directors of the Company until the 2009 Annual Meeting:

Theresa A. Havell  
Deborah Shaw  
William H. Turner

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

### (a) Exhibits:

Exhibit	Description
15.01	Letter from Ernst & Young LLP regarding Report of Independent Registered Public Accounting Firm
15.02	Letter from Ernst & Young LLP regarding Acknowledgement of Independent Registered Public Accounting Firm
31.01	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.02	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.01	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.02	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURE

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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)

Date: June 6, 2008

By: /s/Jack Egan

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Jack Egan  
Senior Vice President and  
Principal Financial Officer

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### EXHIBIT INDEX

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