UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended May 31, 2002.

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. 0-18716

MATRIX SERVICE COMPANY
(Exact name of registrant as specified in its charter)

Delaware	73-1352174
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
10701 East Ute Street Tulsa, Oklahoma	74116
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (918) 838-8822.
Securities Registered Pursuant to Section 12(b) of the Act: None
Securities Registered Pursuant to Section 12(g) of the Act:

Common Stock, par value $0.01 per share
(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes[X] No [__]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The approximate aggregate market value of the registrant's common stock (based upon the August 14, 2002 closing sale price of the common stock as reported by the NASDAQ National Market System) held by non-affiliates as of August 14, 2002 was approximately $54,925,896.

The number of shares of the registrant's common stock outstanding as of August 14, 2002 was 7,857,782 shares.

Documents Incorporated by Reference

Certain sections of the registrant's definitive proxy statement relating to the registrant's 2002 annual meeting of stockholders, which definitive proxy statement will be filed within 120 days of the end of the registrant's fiscal year, are incorporated by reference into Part III of this Form 10-K.

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Part I

PART I

Item 1. Business

BACKGROUND

Matrix Service Company ("Matrix" or the "Company") provides specialized on-site maintenance and construction services for the petroleum, energy, manufacturing, industrial gas, transportation, chemical, food and processing industries. Matrix has three operating segments. Aboveground Storage Tank ("AST") Services include the maintenance, repair, construction and product sales of aboveground storage tanks; Plant Services, include maintenance contracts, "turnarounds" and safety services; and Construction Services, include turnkey, design build and general construction. Matrix also provides bundled services where two or more of its business units combine to provide a complete service to their customers. Customers use these services to expand their operation, improve operating efficiencies and to comply with stringent environmental and safety regulations.

The Company's principal executive offices are located at 10701 East Ute Street, Tulsa, Oklahoma 74116. Its telephone number is (918) 838-8822 and its fax number is (918) 838-8810. The Company's website address is www.matrixservice.com. Unless the context otherwise requires, all references herein to "Matrix" or the "Company" are to Matrix Service Company and/or its subsidiaries.

ABOVEGROUND STORAGE TANK (AST) SERVICES OPERATIONS

The Company's AST Services Operations include the engineering, fabrication, construction, repair, maintenance and products sales of ASTs. The repair and construction of these tanks incorporate devices that meet current federal and state air and water quality guidelines. These devices include secondary tank bottoms for containment of leaks, primary and secondary seals for floating roof tanks that reduce evaporation loss from the tank and water intrusion into the tank and many other fittings unique to the tank industry. The floating roof seals are marketed under the Company's Flex-A-Seal(R) and Flex-A-Span(R) trade names. The Company also markets a patented roof drain swivel, the Flex-A-Swivel(R) used for floating roof drains that remove water from open-top floating roof tanks.

AST Services Market and Regulatory Background

In 1989, the American Petroleum Institute ("API") estimated that there were approximately 700,000 ASTs in the United States that stored crude oil, condensate, lube oils, distillates, gasolines and various other petroleum products. These tanks range in capacity from 26 barrels (42 gal/barrel) to in excess of 1,000,000 barrels. The Company's principal focus is maintaining, repairing, designing and constructing large ASTs, with capacities ranging from 250 barrels and larger. The Company believes, based on industry statistics, that there are over 120,000 of these large tanks currently in use, accounting for more than 70% of the domestic petroleum product storage capacity. These ASTs are used primarily by the refining, pipeline and marketing segments of the petroleum industry.

Historically, many AST owners limited capital expenditures on ASTs to new construction and periodic maintenance on an as-needed basis. Typically, these expenditures decreased during periods of depressed conditions in the petroleum and petrochemical industries, as AST owners sought to defer expenditures not immediately required for continued operations.

During recent years, many AST owners have taken a more proactive approach to tank maintenance and repair and protection of the environment. Much of this is driven by the fact that in 1989 it was estimated that over forty percent of the existing AST's were over twenty years old. The AST owners have come to rely on AST service companies to furnish the necessary modifications because they can provide technical expertise, experienced field labor trained in safe work habits, and materials and equipment that satisfy federal and state mandates. In addition, because of the recent consolidations and cut backs in the petroleum industry, the AST owners have fewer experienced personnel on staff and must rely on qualified service providers to assist them in meeting their needs.

In January 1991, the API adopted industry standards for the maintenance, inspection and repair of existing ASTs (API 653). The API standards provide the industry with uniform guidelines for the periodic inspection, maintenance and repair of ASTs. The Company believes that these standards have resulted, and will continue to result, in an increased level of AST maintenance and repair on the part of many AST owners.

AST Services and Products

The Company provides its customers with a comprehensive range of AST services and products as outlined below.

New Construction

The Company designs, fabricates and constructs new ASTs to both petroleum and industrial standards and customer specifications. These tanks range in capacity from approximately 1,000 barrels to 1,000,000 barrels and larger. Clients require new tanks in conjunction with expansion plans, replacement of old or damaged tanks, storage for additional product lines to meet environmental requirements and changes in population.

Maintenance and Modification

The Company derives a significant portion of its revenues from providing AST maintenance, repair and modification services. The principal services in this area involve the design, construction and installation of floating roof and seal assemblies, the design and construction of secondary containment systems (double bottoms), and the provision of a variety of services for underground and aboveground piping systems. The Company also installs, maintains and modifies tank appurtenances, including spiral stairways, platforms, water drain-off assemblies, roof drains, gauging systems, fire protection systems, rolling ladders and structural supports.

Floating Roof and Seal Systems

Many ASTs are equipped with a floating roof and seal systems. The floating roof is required by environmental regulations to minimize vapor emissions and reduce fire hazard. A floating roof also prevents losses of stored petroleum products. The seal spans the gap between the rim of the floating roof and the tank wall. The seal prevents vapor emissions from an AST by creating the tightest possible seal around the perimeter of the roof while still allowing movement of the roof and seal upward and downward with the level of stored product. In addition, the Company's seal systems prevent substantially all rainwater from entering the product on open top floating roof tanks. The Company's seals are manufactured from a variety of materials designed for compatibility with specific petroleum products. All of the seals installed by the Company may be installed while the tank is in service, which reduces tank owners' maintenance, cleaning and disposal costs.

Secondary Containment Systems

The Company constructs a variety of secondary containment systems under or around ASTs according to its own design or the design provided by its customers. Secondary leak detection systems allow tank owners to detect leaks in the tanks at an early stage before groundwater contamination has occurred. In addition, the systems help to contain leakage until the tank can be repaired. The most common type of secondary containment system constructed involves installing a liner of high-density polyethylene, reinforced polyurethane or a layer of impervious clay under the steel tank bottom. The space between the liner and the new bottom is then filled with a layer of concrete or sand. A cathodic protection system may be installed between the liner and the new bottom to help control corrosion. Leak detection ports are installed between the liner and steel bottom to allow for visual inspection while the tank is in service. The Company believes that during the 1990's a substantial number of AST owners have installed, and will continue to install, secondary containment systems.

Specialty Tanks

The Company designs, fabricates and field erects new refrigerated and cryogenic liquefied gas storage tanks for the storage of ammonia, butane, carbon dioxide, ethane, methane, argon, nitrogen, oxygen, propane and other products. These tanks are utilized by the chemical, petrochemical and industrial gas industries.

Manufacturing

The Company operates four fabrication facilities located in Oklahoma, California, and Pennsylvania. At the Tulsa Port of Catoosa, Oklahoma, the Company owns and operates a fabrication facility located on 13 acres of leased land. This facility has the capacity to fabricate new tanks, new tank components and all maintenance, retrofit and repair parts including fixed roofs, floating roofs, seal assemblies, shell plate and tank appurtenances. The Tulsa Port has transportation service via railroad and Mississippi River barge facilities in addition to the interstate highway system, making it economical to transport heavy loads of raw material and fabricated steel. This facility is qualified to perform services on equipment that requires American Society of Mechanical Engineer Code Stamps ("ASME codes"). In Bristol, Pennsylvania, the Company leases land and buildings and owns the equipment used in fabrication. This facility has the capacity to fabricate new tanks, new tank components, all maintenance, retrofit and repair parts including fixed roofs, floating roofs, shell plate and tank appurtenances. This facility is located close to the petrochemical industry which supplies the large population center of the Northeastern United States. At Bethlehem, Pennsylvania, the Company leases land and facilities and owns equipment used to fabricate aluminum floating roofs and seal systems. This facility has the capacity to fabricate new products or to provide repair and maintenance parts for existing aluminum floating roofs and seal systems. At Orange, California, the Company owns land, buildings and the equipment used in fabrication. This facility has the capacity to fabricate tank components, all maintenance, retrofit and repair parts including fixed roofs, floating roofs and seals. This facility is located close to the petrochemical industry which supplies the large population center of the Western United States.

Power Industry

Matrix has expanded its offering to the rapidly increasing power market by constructing tanks, stacks, ducting and turbine air inlet/outlet systems.

PLANT SERVICES OPERATIONS

The Company provides specialized maintenance and construction services to the domestic petroleum refining industry and, to a lesser extent, to the gas processing and petrochemical industries. The Company specializes in routine and supplemental plant maintenance, turnarounds and capital construction services, which involve complex, time-sensitive maintenance of the critical operating units of a refinery or plant.

Plant Services Market Overview

According to the Oil and Gas Journal, the U.S. had 189 operating refineries at the beginning of 1985 and only 143 refineries in operation by the beginning of 2002. Yet despite the fact that there are fewer refineries, nameplate crude capacity has expanded. To ensure the operability, environmental compliance, efficiency and safety of their plants, refiners must maintain, repair or replace process equipment, operating machinery and piping systems on a regular basis. Major maintenance and capital projects require the shutdown of an operating unit, or in some cases, the entire refinery. In addition to routine maintenance, numerous repair and capital improvement projects are undertaken during a turnaround. Depending on the type, utilization rate, and operating efficiency of a refinery, turnarounds of a refinery unit typically occur at scheduled intervals ranging from six months to four years.

U.S. capacity in 1985 was approximately 15.1 million barrels per day and by 2002 this figure had grown to 16.6 million barrels per day. Many factors created this increase in crude input including refinery expansion and debottle-necking. With the domestic increase in demand for refined product, domestic refineries are operating at high utilization rates. Generally higher utilization rates mean more wear and tear on the processing units. With the consolidations and subsequent reductions in staff within the petroleum industry and the need for reliable maintenance either during the turn-around process or day-to-day maintenance, more reliance for performance is placed on service providers such as Matrix.

Matrix provides day-to-day maintenance including managing the maintenance force through reliability studies and other management tools. This continual effort to improve performance is in concert with the industry's desire to reduce operating cost. The day-to-day maintenance presence assists in the effort to obtain turn-around work when the refinery periodically shuts down for major repairs.

Plant Service Customer Offerings

The Company provides its customers with a competitive range of services as outlined below.

Turnaround Services

Effective plant shutdown and refinery turnaround management is achieved by a combination of factors. Over the years Matrix has successfully developed and implemented management requirements including:

- Planning
- Subcontractor Management
- Scheduling
- Safety Management
- Cost Control
- QA/QC Management
- Experienced Supervisors
- Teamwork
- Quality Control
- Inspection

Matrix utilizes the following Planning and Scheduling Software for turnarounds:

- Primavera Finest Hour
- Primavera P3 for Windows
- Primavera Suretrak for Windows
- Teamwork (applicable modules)
- Microsoft Project
- CASP
- TASC/MASC (Kurtz and Steel)
- SP - Impower

Additional Services:

- Heater repair
- Blinding
- Towers
- Vessels
- Exchangers
- Valves
- Piping
- ASME Code Work
- Exchanger Slab Management
- Fin Fan Retube and Repair Procurement
- Cost Control
- Subcontractor Management
- QA/QC Services
- Safety Professionals

Maintenance Services

Matrix's maintenance services include on-going, routine maintenance, in addition to providing "quick response" to emergency situations. The Company recognizes that not only is a skilled daily maintenance workforce imperative to successful plant operation, but it can have a very positive impact on turnaround and other "non-routine" maintenance requirements. We believe our most successful projects come from locations where we have more than a transient presence. Maintenance services include:

- Daily Maintenance Management
- Multi Craft Workforce
- Pipe Fitting and Welding
- Machinist/Millwright
- Asbestos and Lead Abatement
- Piping and Vessel Insulation
- Marine Terminal Maintenance
- Exchanger Extraction and Tube Repairs

.. Instrumentation . Tower and Vessel Maintenance
.. Electrical . Aboveground Storage Tank Maintenance

Maintenance Achievements:

.. Maintenance personnel reductions through the implementation of Maintenance Management Systems and Reliability Based Maintenance.
.. Maintenance Productivity Incentives.
.. Highly successful Safety and Quality Programs.

CONSTRUCTION SERVICES

The Company's Construction Services Division coordinates and executes major projects for the following industries: power generation; petroleum refining; industrial gas, liquid and dry bulk storage; chemical; food and processing industries; and most manufacturing facilities. Proper execution of industrial projects requires innovative thinking and well-conceived safety and execution planning to ensure safe and on-time completion.

Turnkey Construction

From design coordination through project start-up and commissioning, Matrix provides expert, site-specific teams to support projects. The Company emphasizes lowering costs and shortening schedules by combining the vast experience of the owner, vendors and contractors to ensure a successful project.

Power Industry

Matrix has also expanded into power plant start-up services for new plants, including mechanical, instrumentation, structural and system cleaning.

Heavy Mechanical Installations

Matrix controls all aspects of the execution plan through a merit shop environment. The Company's background in equipment setting, alignment, piping, instrumentation and electrical work gives it the multi-discipline craft resources necessary to complete the installation in the most efficient way possible.

Civil, Concrete, Steel Erection and Structures

Matrix's experience includes a complete range of construction services including heavy civil, concrete foundations, shoring, structural concrete and steel. Work includes construction of the infrastructure required for industrial facilities such as clean rooms, laboratories, and research and development facilities.

High Pressure Vessel, Boiler and Heater Erection and Code Welding

Matrix erects boilers from new to repair or replacement, and can supply R, PP, S and U stamps for all work requiring code stamp certification. The Company's welding expertise includes all types of specialty, exotic and alloy welding. It can also provide vessel and pipe fabrication and modular skid construction for special projects.

Retrofits, Expansions and Modernizations

The Company's experience and reputation are built upon a list of successful retrofit and expansion projects, including extensive work in existing "live" units.

Plant Dismantle and Equipment Relocation Services

Matrix has the experience and talent to provide value engineering, execution plant development, scheduling, demolition, removal, coordination, transportation and installation of existing plants and equipment.

Full Service Distribution, Terminal and Bulk Storage Services

Matrix's extensive capabilities allow it to provide a full range of planning, design, construction, and management services for all types of terminals and bulk storage for aviation, rail, transit and marine facilities. In addition, Matrix can supply full tank construction and maintenance services.

OTHER BUSINESS MATTERS

Customers and Marketing

The Company derives a significant portion of its revenues from performing construction and maintenance services for major integrated oil companies. In fiscal 2002, Chevron represented 13% of the Company's consolidated revenues and Amoco/Arco/BP accounted for 12% of consolidated revenues. The loss of any one of these major customers could have a material adverse effect on the Company. The Company also performs services for independent petroleum refining and marketing companies, architectural and engineering firms, the food industry, general contractors and several major petrochemical companies. The Company sold its products and services to approximately 340 customers during fiscal 2002.

The Company markets its services and products primarily through its marketing personnel, senior professional staff and its management. The marketing personnel concentrate on developing new customers and assist management and staff with existing customers. The Company enjoys many preferred provider relationships with clients that are awarded without competitive bid through long-term contract agreements. In addition, the Company competitively bids many projects. Maintenance projects have a duration of one week to several months depending on work scope. New tank projects have a duration of four weeks to more than a year. General construction projects range from three months to two years.

Competition

The AST, Plant Services, and Construction Services Divisions are highly fragmented and competition is intense within these industries. Major competitors in the AST Service Division include Chicago Bridge & Iron Company as well as a number of smaller regional companies. Major competitors in the West Coast plant service industry are Timec and a number of large engineering firms. Competition is based on, among other factors, work quality and timeliness of performance, safety and efficiency, availability of personnel and equipment, and price. The Company believes that its expertise and its reputation for providing safe and timely services allow it to compete effectively. Although many companies that are substantially larger than the Company have entered the market from time to time in competition with the Company, the Company believes that the level of expertise and experience necessary to perform complicated, on-site maintenance and construction operations presents an entry barrier to these companies and other competitors with less experience than the Company.

Backlog

At May 31, 2002, the Company's AST Services, Plant Maintenance and Construction Services Divisions had an estimated backlog of work under contracts believed to be firm of approximately $72.0 million, as compared with an estimated backlog of approximately $62.8 million as of May 31, 2001. Virtually all of the projects comprising this backlog are expected to be completed within fiscal year 2003. Because many of the Company's contracts are performed within short time periods after receipt of an order, the Company does not believe that the level of its backlog is a meaningful indicator of its sales activity.

Seasonality

The operating results of the Plant Services Division, and to some extent AST maintenance and repair, may be subject to significant quarterly fluctuations, affected primarily by the timing of planned maintenance projects at customers' facilities. Generally, the Company's turnaround projects are undertaken in two primary periods-February through May and September through November-when refineries typically shut down certain operating units to make changes to adjust to seasonal shifts in product demand. As a result, the Company's quarterly operating results can fluctuate materially. In addition, the AST Services Division typically has a lower level of operating activity during the winter months and early into the new calendar year as many of the Company's customers' maintenance budgets have not been finalized and demand for storage fluctuates with demand for product.

Raw Material Sources and Availability

The only significant raw material that the Company purchases is steel and steel pipe which is used primarily in the AST Services Division for new tank construction and tank repair and maintenance activities and construction services. The Company purchases its steel products from a number of suppliers located throughout the United States. In today's market environment, steel is readily available. The price and availability of steel historically has been volatile and there is no assurance that the current market conditions will remain unchanged in the future. Significantly higher steel prices or limited availability could have a negative impact on the Company's future operating performance.

Insurance

The Company maintains worker's compensation insurance, with statutory limits, general liability insurance and auto liability insurance in the primary amount of $1.0 million and pollution insurance in the primary amount of $5.0 million. The Company maintains an umbrella policy with coverage limits of $25.0 million in the aggregate. The Company also maintains policies to cover its equipment and other property with coverage limits of $32.8 million and policies for the course of construction with coverage limits of $6.0 million in the aggregate. Most of the Company's policies provide for coverage on an occurrence basis, not a "claims made" basis. The Company's liability policies are subject to certain deductibles, none of which is higher than $500,000. The Company maintains a performance and payment bonding line of $150.0 million. The Company also maintains a key-man life insurance policy covering its current CEO, and professional liability insurance.

Many of the Company's contracts require it to indemnify its customers for injury, damage or loss arising in connection with their projects, and provide for warranties of materials and workmanship. There can be no assurance that the Company's insurance coverage will protect it against the incurrence of loss as a result of such contractual obligations.

Employees

As of May 31, 2002, the Company employed 1,374 employees, of which 292 were employed in non-field positions and 1,082 in field or shop positions. Throughout fiscal year 2002, the Company employed a total of 3,170 employees in field or shop positions who worked on a project-by-project basis.

As of May 31, 2002, 172 of the 1,082 field or shop employees were covered by a collective bargaining agreement. The Company operates under two collective bargaining agreements through the Boilermakers Union - the NTL Agreement for Tank Construction Work and the Maintenance and Repair Agreement covering Tank Repair and Related Work. Both agreements provide the union employees with benefits including a Health and Welfare Plan, Pension Plan, National Annuity Trust, Apprenticeship Training, and a Wage and Subsistence Plan.

The Company has not experienced any significant strikes or work stoppages and has maintained high-quality relations with its employees.

Patents and Proprietary Technology

The Company holds two United States and one United Kingdom patents under the Flex-A-Span (R) trademark which covers a peripheral seal for floating roof tank covers. The United States patents expire in October, 2011 and August, 2008 and the United Kingdom patent expires in May, 2011. The Company holds a U.S. patent which covers its ThermoStor (R) diffuser system that receives, stores and dispenses both chilled and warm water in and from the same storage tank. The ThermoStor (R) patent expires in

March, 2010. The Company has developed the RS 1000 Tank Mixer (R) which controls sludge build-up in crude oil tanks through resuspension. The RS 1000 Tank Mixer (R) patent expires in August, 2012. The Company has designed and developed the Flex-A-Swivel (R), a swivel joint for floating roof drain systems. The United States Patent expires in March, 2016. The Company holds a United States patent under the Flex-A-Seal (R) trademark which covers a seal for floating tank covers. The patent expires in June, 2008.

The Company holds a United States patent which covers a flexible fluid containment system marketed as the Valve Shield (R). The Valve Shield (R) captures and contains fluid leaking from pipe and valve connections. The Valve Shield (R) patent expires in December, 2017. The Company holds two patents in the United States and numerous foreign countries covering a full contact floating roof and a perimeter seal for internal aluminum floating roofs. The United States patents expire in May, 2015 and May, 2013, respectively. While the Company believes that the protection of its patents is important to its business, it does not believe that these patents are essential to the success of the Company.

Regulation

Various environmental protection laws have been enacted and amended during the past 30 years in response to public concern over the environment. The operations of the Company and its customers are subject to these evolving laws and the related regulations, which are enforced by the EPA and various other federal, state and local environmental, safety and health agencies and authorities. The Company believes that its current operations are in material compliance with such laws and regulations; however, there can be no assurance that significant costs and liabilities will not be incurred due to increasingly stringent environmental restrictions and limitations. Historically, however, the cost of measures taken to comply with these laws has not had a material adverse effect on the financial condition of the Company. In fact, the proliferation of such laws has led to an increase in the demand for some of the Company's products and services. A discussion of the principal environmental laws affecting the Company and its customers is set forth below.

Air Emissions Requirements. The EPA and many state governments have adopted legislation and regulations subjecting many owners and operators of storage vessels and tanks to strict emission standards. The regulations prohibit the storage of certain volatile organic liquids ("VOLs") in open-top tanks and require tanks which store VOLs to be equipped with primary and/or secondary roof seals mounted under a fixed or floating roof. Related regulations also impose continuing seal inspection and agency notification requirements on tank owners and prescribe certain seal requirements. Under the latest EPA regulations, for example, floating roofs on certain large tanks constructed or modified after July 1984 must be equipped with one of three alternative continuous seals mounted between the inside wall of the tank and the edge of the floating roof. These seals include a foam or liquid-filled seal mounted in contact with the stored petroleum product; a combination of two seals mounted one above the other, the lower of which may be vapor mounted; and a mechanical shoe seal, composed of a metal sheet held vertically against the inside wall of the tank by springs and connected by braces to the floating roof. The EPA has imposed similar requirements which are now effective or will be after completion of various phase-in periods on certain large tanks, regardless of the date of construction, operated by companies in industries such as petroleum refining and synthetic organic chemical manufacturing which are subject to regulations controlling hazardous air pollutant emissions. The EPA is in the process of developing further regulations regarding seals and floating roofs.

Amendments to the federal Clean Air Act adopted in 1990 require, among other things, that refineries produce cleaner burning gasoline for sale in certain large cities where the incidence of volatile organic compounds in the atmosphere exceeds prescribed levels leading to ozone depletion. Refineries are undergoing extensive modifications to develop and produce acceptable reformulated fuels that satisfy the Clean Air Act Amendments. Such modifications are anticipated to cost refineries several billion dollars, and require the use of specialized construction services such as those provided by the Company. A significant number of refineries have completed changes to produce "reformulated fuels", principally refineries serving specific areas of the U.S.; however, there are a substantial number of refineries that have not made the change. The EPA is also in the process of developing further regulations to require production of cleaner gasolines and diesel fuels including the production of reduced sulfur gasoline and diesel fuel.

As part of the Clean Air Act Amendments of 1990, Congress required the EPA to promulgate regulations to prevent accidental releases of air pollutants and to minimize the consequences of any release. The EPA adopted regulations requiring Risk Management Plans ("RMPs") from companies which analyze and limit risks associated with the release of certain hazardous air pollutants. In addition, the EPA requires companies to make RMPs available to the public. Many petroleum related facilities, including refineries, will be subject to the regulations and may be expected to upgrade facilities to reduce the risks of accidental releases. Accordingly, the Company believes that the promulgation of accidental release regulations could have a positive impact on its business.

Water Protection Regulations. Protection of groundwater and other water resources from spills and leakage of hydrocarbons and hazardous substances from storage tanks and pipelines has become a subject of increasing legislative and regulatory attention, including releases from ASTs. Under Federal Water Pollution Control Act regulations, owners of most ASTs are required to prepare spill prevention, control and countermeasure ("SPCC") plans detailing steps that have been taken to prevent and respond to spills and to provide secondary containment for the AST to prevent contamination of soil and groundwater. These plans are also subject to review by the EPA, which has authority to inspect covered ASTs to determine compliance with SPCC requirements. Various states have also enacted groundwater legislation that has materially affected owners and operators of petroleum storage tanks. The adoption of such laws has prompted many companies to install double bottoms on their storage tanks to lessen the chance that their facilities will discharge or release regulated chemicals. State statutes regarding protection of water resources have also induced many petroleum companies to excavate product pipelines located in or near marketing terminals, to elevate the pipelines aboveground and to install leak detection systems under the pipelines. These laws and regulations have generally led to an increase in the demand for some of the Company's products and services.

In the event hydrocarbons are spilled or leaked into groundwater or surface water from an AST that the Company has constructed or repaired, the Company could be subject to lawsuits involving such spill or leak. To date, the Company has not suffered a material loss resulting from such litigation.

Hazardous Waste Regulations. The Resource Conservation and Recovery Act of 1976 ("RCRA") provides a comprehensive framework for the regulation of generators and transporters of hazardous waste, as well as persons engaged in the treatment, storage and disposal of hazardous waste. Under state and federal regulations, many generators of hazardous waste are required to comply with a number of requirements, including the identification of such wastes, strict labeling and storage standards, and preparation of a manifest before the waste is shipped off site. Moreover, facilities that treat, store or dispose of hazardous waste must obtain a RCRA permit from the EPA, or equivalent state agency, and must comply with certain operating, financial responsibility and site closure requirements.

In 1990, the EPA issued its Toxicity Characteristic Leaching Procedure ("TCLP") regulations. Under the TCLP regulations, which have been amended from time to time, wastes containing prescribed levels of any one of several identified substances, including organic materials found in refinery wastes and waste-waters (such as benzene), will be characterized as "hazardous" for RCRA purposes. As a result, some owners and operators of facilities that produce hazardous wastes are being required to make modifications to their facilities or operations in order to remain outside the regulatory framework or to come into compliance with the Subtitle C requirements. Many petroleum refining, production, transportation and marketing facilities are choosing to replace existing surface impoundments with storage tanks and to equip certain of the remaining impoundments with secondary containment systems and double liners. Accordingly, the Company believes that the promulgation of the TCLP regulations are having a positive impact on its tank construction and modification business.

Amendments to RCRA require the EPA to promulgate regulations banning the land disposal of hazardous wastes, unless the wastes meet certain treatment standards or the particular land disposal method meets certain waste containment criteria. Regulations governing disposal of wastes identified as hazardous under the TCLP, for example, could require water drained from the bottom of many petroleum storage tanks to be piped from the tanks to a separate facility for treatment prior to disposal. Because the TCLP regulations can, therefore, provide an incentive for owners of petroleum storage tanks to reduce the amount of water seepage in the tanks, the Company believes that the regulations have and will continue to positively influence sales of its Flex-A-Seal(R) roof seals, which materially reduce the amount of water seepage into tanks.

CERCLA. The Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), also known as "Superfund", authorizes the EPA to identify and clean up sites contaminated with hazardous substances and to recover the costs of such activities, as well as damages to natural resources, from certain classes of persons specified as liable under the statute. Such persons include the owner or operator of a site and companies that disposed or arranged for the disposal of hazardous substances at a site. Under CERCLA, private parties which incurred remedial costs may also seek recovery from statutorily responsible persons. Liabilities imposed by CERCLA can be joint and several where multiple parties are involved. Many states have adopted their own statutes and regulations to govern investigation and cleanup of, and liability for, sites contaminated with hazardous substances or petroleum products.

Although the liabilities imposed by RCRA, CERCLA and other environmental legislation are more directly related to the activities of the Company's clients, they could under certain circumstances give rise to liability on the part of the Company if the Company's efforts in completing client assignments were considered arrangements related to the transport or disposal of hazardous substances belonging to such clients. In the opinion of management, however, it is unlikely that the Company's activities will result in any liability under either CERCLA or other environmental regulations in an amount which will have a material adverse effect on the Company's operations or financial condition, and management is not aware of any current liability of the Company based on such a theory.

Oil Pollution Act. The Oil Pollution Act of 1990 ("OPA") established a new liability and compensation scheme for oil spills from onshore and offshore facilities. Section 4113 of the OPA directed the President to conduct a study to determine whether liners or other secondary means of containment should be used to prevent leaking or to aid in leak detection at onshore facilities used for storage of oil. The Company believes that its business would be positively affected by any regulations eventually promulgated by the EPA that required liners and/or secondary containment be used to minimize leakage from ASTs. While the regulation has not, to date, been enacted, the industry designs secondary containment in all new tanks being built and, in general, secondary containment is installed in existing tanks when they are taken out of service for other reasons, in anticipation of this regulation.

Health and Safety Regulations. The operations of the Company are subject to the requirements of the Occupational Safety and Health Act ("OSHA") and comparable state laws. Regulations promulgated under OSHA by the Department of Labor require employers of persons in the refining and petrochemical industries, including independent contractors, to implement work practices, medical surveillance systems, and personnel protection programs in order to protect employees from workplace hazards and exposure to hazardous chemicals. In recognition of the potential for catastrophic accidents within refining and petrochemical facilities, OSHA has enacted very strict and comprehensive safety regulations. Regulations such as OSHA's Process Safety Management (PSM) standard require facility owners and their contractors to ensure that their employees are adequately trained regarding safe work practices and informed of known potential hazards. The Company has established comprehensive programs for complying with health and safety regulations. While the Company believes that it operates safely and prudently, there can be no assurance that accidents will not occur or that the Company will not incur substantial liability in connection with the operation of its business.

The State of California has promulgated particularly stringent laws and regulations regarding health and safety and environmental protection. The Company's operations in California are subject to strict oversight under these laws and regulations and the failure to comply with these laws and regulations could have a negative impact on the Company.

Environmental

Matrix is a participant in certain environmental activities in various stages involving assessment studies, cleanup operations and/or remedial processes.

In connection with the Company's sale of Brown and affiliated entities in 1999, an environmental assessment was conducted at Brown's Newnan, Georgia facilities. The assessment turned up a number of deficiencies relating to storm water permitting, air permitting and waste handling and disposal. An inspection of the facilities also showed friable asbestos that needed to be removed. In addition, Phase II soil testing indicated a number of volatile organic compounds, semi-volatile organic compounds and metals above the State of Georgia notification limits. Ground water testing also indicated a number of contaminants above the State of Georgia notification limits.

Appropriate State of Georgia agencies have been notified of the findings and corrective and remedial actions have been completed, are currently underway, or plans for such actions have been submitted to the State of Georgia for approval on the remaining property. The current estimated total cost for cleanup and remediation is $2.1 million, $0.1 million of which remains accrued at May 31, 2002. Additional testing, however, could result in greater costs for cleanup and remediation than is currently accrued.

Matrix closed or sold the business operations of its San Luis Tank Piping Construction Company, Inc. and West Coast Industrial Coatings, Inc. subsidiaries, which are located in California. Although Matrix does not own the land or building, it would be liable for any environmental exposure while operating at the facility, a period from June 1, 1991 to the present. At the present time, the environmental liability that could result from the testing is unknown, however, Matrix has purchased a pollution liability insurance policy with $5.0 million of coverage for all operations.

Matrix has other fabrication operations in Tulsa, Oklahoma; Bristol, Pennsylvania; and Orange, California which could subject the Company to environmental liability. It is unknown at this time if any such liability exists but based on the types of fabrication and other manufacturing activities performed at these facilities and the environmental monitoring that the Company undertakes, Matrix does not believe it has any material environmental liabilities at these locations.

Matrix builds aboveground storage tanks and performs maintenance and repairs on existing aboveground storage tanks. A defect in the manufacturing of new tanks or faulty repair and maintenance on an existing tank could result in an environmental liability if the product stored in the tank leaked and contaminated the environment. Matrix currently has liability insurance with pollution coverage of $1 million, but the amount could be insufficient to cover a major claim.

Item 2. Properties

The executive offices of the Company, located in Tulsa, Oklahoma, are housed in a 20,400 square foot facility owned by the Company, and currently held for sale. The Company owns a 69,600 square foot facility used for fabrication of tank and tank parts located on 13 acres of land leased from the Tulsa Port of Catoosa. An additional 50 acres of land has been leased from the Tulsa Port of Catoosa designated for relocation of the executive offices, the Tank Construction Division and the Tulsa Region offices and a new fabrication site. Currently the Tank Construction Division and Tulsa Regional office have relocated to the Port of Catoosa in a new 33,000 square foot facility and construction is in progress on the new 153,000 square foot fabrication facility.

The Company owns a 73,500 square foot facility located on 14 acres in Tulsa, Oklahoma, currently up for sale due to the relocation of the Tank Construction operation to the Tulsa Port of Catoosa. The Company also owns a 13,320 square foot facility in Temperance, Michigan for the Michigan regional operations; a 20,950 square foot facility in Houston, Texas for Houston regional operations; a 30,000 square foot facility located on 5.0 acres of owned land in Bellingham, Washington for the Plant and Construction Services Divisions; a 52,475 square foot facility located on 5.0 acres of owned land in Orange, California for the Western Division; and a 7,800 square foot facility located in Sarnia, Ontario, Canada for the Sarnia Division.

The Company owns a 132,000 square foot facility, located on 6.5 acres in Newnan, Georgia, which is being leased by Caldwell Tanks Inc., the buyer of Brown. This facility will be sold upon final environmental remediation as provided under the Asset Sales Agreement with Caldwell Tanks, Inc. which expires August 31, 2002.

The Company leases offices in Tulsa, Oklahoma; Bay Point, California; Bristol and Bethlehem, Pennsylvania and Newark, Delaware. The aggregate lease payments for these leases during fiscal 2002 were approximately $1.0 million. The Company believes that its facilities are adequate for its current operations.

Item 3. Legal Proceedings

The Company and its subsidiaries are named defendants in several lawsuits arising in the ordinary course of their business. While the outcome of lawsuits cannot be predicted with certainty, management does not expect these lawsuits to have a material adverse impact on the Company.

See also "Item 1 - Business - Environmental" for a discussion of environmental proceedings involving the Company.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

Price Range of Common Stock

The Common Stock has traded on the National Market System of the National Association of Securities Dealers, Inc. Automated Quotation ("NASDAQ") System since the Company's initial public offering on September 26, 1990. The trading symbol for the Common Stock is "MTRX". The following table sets forth the high and low closing sale prices for the Common Stock on the National Market System as reported by NASDAQ for the periods indicated:

	Fiscal Year 2002		Fiscal Year 2001	
	High	Low	High	Low
First Quarter	$7.52	$6.00	$5.06	$4.63
Second Quarter	7.20	5.15	5.63	3.94
Third Quarter	8.00	6.58	6.75	5.06
Fourth Quarter	10.22	7.57	7.44	4.75

	Fiscal Year 2003	
	High	Low
First Quarter (through August 14, 2002)	$9.50	$6.42

As of August 14, 2002 there were approximately 61 holders of record of the Common Stock. The Company believes that the number of beneficial owners of its Common Stock is substantially greater than 61.

Dividend Policy

The Company has never paid cash dividends on its Common Stock. The Company currently intends to retain earnings to finance the growth and development of its business and does not anticipate paying cash dividends in the foreseeable future. Any payment of cash dividends in the future will depend upon the financial condition, capital requirements and earnings of the Company as well as other factors the Board of Directors may deem relevant. The Company's credit agreement restricts the Company's ability to pay dividends.

Item 6. Selected Financial Data

The following table sets forth selected historical financial information for Matrix covering the five years ended May 31, 2002.

Matrix Service Company
(In millions, except percentages and per share data)

	Years Ended				
	2002	2001	2000	1999	1998
Revenues	$222.5	$190.9	$193.8	$211.0	$225.4
Gross profit	25.3	22.5	20.5	14.0	18.6
Gross profit %	11.4%	11.8%	10.6%	6.6%	8.3%
Operating income (loss)*	9.0	7.5	6.8	(11.5)	(16.3)
Operating income (loss) %	4.0%	3.9%	3.5%	(5.5%)	(7.2%)
Pre-tax income / (loss)	9.5	7.1	7.2	(12.6)	(17.3)
Net income / (loss)	5.9	4.6	6.6	(12.6)	(11.6)
Net income / (loss) %	2.7%	2.4%	3.4%	(6.0%)	(5.1%)
Earnings / (loss) per share-diluted	0.73	0.54	0.74	(1.34)	(1.22)
Equity per share-outstanding	7.66	6.99	6.29	5.56	6.80
Weighted average shares outstanding	8.1	8.5	9.0	9.4	9.5
Working capital	25.8	23.8	19.4	25.7	41.1
Total assets	101.2	83.7	78.3	88.2	112.7
Long-term debt	9.3	3.5	0.0	5.5	13.1
Capital expenditures	16.4	5.3	6.3	5.4	2.6
Stockholders' equity	60.2	53.3	54.9	49.7	65.3
Total long-term debt to equity %	15.4%	6.6%	0.0%	11.1%	20.1%
Cash flow from operations	8.7	6.0	8.4	16.7	3.0

*See Note 3 of the Notes to Consolidated Financial Statements regarding restructuring, impairment and abandonment costs included in operating income (loss).

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Critical Accounting Policies

Matrix's financial statements are presented in accordance with generally accepted accounting principles. Highlighted below are the accounting policies that management considers significant to the understanding and operations of Matrix's business.

Revenue Recognition

Matrix records profits on long-term contracts on a percentage-of-completion basis on the cost-to-cost method. Contracts in process are valued at cost plus accrued profits less billings on uncompleted contracts. Contracts are generally considered substantially complete when field construction is completed. Matrix includes pass-through revenue and costs on cost-plus contracts, which are customer-reimbursable materials, equipment and subcontractor costs, when Matrix determines that it is responsible for the procurement and management of such cost components on behalf of the customer.

Matrix has numerous contracts that are in various stages of completion. Such contracts require estimates to determine the appropriate cost and revenue recognition. At May 31, 2002, a sensitivity analysis of these estimates indicated that a 5% change in total estimated contract revenues would result in a 60% change in gross profits on these jobs. Matrix has a history of making reasonably dependable estimates of the extent of progress towards completion, contract revenues and contracts costs, and accordingly, does not believe these significant fluctuations would ever materialize. However, current estimates may be revised as additional information becomes available. If estimates of costs to complete long-term contracts indicate a loss, provision is made through a contract write-down for the total loss anticipated. The elapsed time from award of a contract to completion of performance may be in excess of one year.

Claims Recognition

Claims are amounts in excess of the agreed contract price (or amounts not included in the original contract price) that a contractor seeks to collect from customers or others for delays, errors in specifications and designs, contract terminations, change orders in dispute or unapproved as to both scope and price or other causes of unanticipated additional costs. Matrix records claims in accordance with paragraph 65 of the American Institute of Certified Public Accountants Statement of Position 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts". This statement of position states that recognition of amounts as additional contract revenue related to claims is appropriate only if it is probable that the claims will result in additional contract revenue and if the amount can be reliably estimated. Those two requirements are satisfied by management's determination of the existence of all of the following conditions: the contract or other evidence provides a legal basis for the claim; additional costs are caused by circumstances that were unforeseen at the contract date and are not the result of deficiencies in the contractor's performance; costs associated with the claim are identifiable or otherwise determinable and are reasonable in view of the work performed; and the evidence supporting the claim is objective and verifiable. If such requirements are met, revenue from a claim is recorded to the extent that contract costs relating to the claim have been incurred. The amounts recorded, if material, are disclosed in the notes to the financial statements. Costs attributable to claims are treated as costs of contract performance as incurred.

Forward Looking Statements

This Annual Report and the information incorporated herein by reference contains various "forward-looking statements" within the meaning of federal and state securities laws, including those identified or predicated by the words "believes," "anticipates," "expects," "plans," "should" or "could" or similar expressions. Such statements are subject to a number of uncertainties that could cause the actual results to differ materially from those projected. Such factors include, but are not limited to, the following:

- The timing and planning of maintenance projects at customer facilities in the refinery industry which could cause adjustments for seasonal shifts in product and service demands.
- Changes in general economic conditions in the United States.
- Changes in laws and regulations to which Matrix is subject, including tax, environmental, and employment laws and regulations.
- The cost and effects of legal and administrative claims and proceedings against Matrix or its subsidiaries.
- Conditions of the capital markets Matrix utilizes to access capital to finance operations.
- The ability to raise capital in a cost-effective way.
- The effect of changes in accounting policies.
- The ability to manage growth and to assimilate personnel and operations of acquired businesses.
- The ability to control costs.
- Severe weather which could cause project delays and/or a decline in labor productivity.
- Changes in foreign economies, currencies, laws, and regulations, especially in Canada where Matrix has made direct investments.
- Political developments in foreign countries, especially in Canada where Matrix has made direct investments.
- The ability of Matrix to develop expanded markets and product or service offerings as well as its ability to maintain existing markets.
- The need to develop a learning curve in bidding and managing projects in a new industry.
- Technological developments, high levels of competition, lack of customer diversification, and general uncertainties of governmental regulation in the energy industry.
- The ability to recruit, train, and retain project supervisors with substantial experience.
- A downturn in the petroleum storage operations or hydrocarbon processing operations of the petroleum and refining industries.
- Changes in the labor market conditions that could restrict the availability of workers or increase the cost of such labor.
- The negative effects of a strike or work stoppage.
- Exposure to construction hazards related to the use of heavy equipment with attendant significant risks of liability for personal injury and property damage.
- The use of significant production estimates for determining percent complete on construction contracts could produce different results upon final determination of project scope.
- The inherent inaccuracy of estimates used to project the timing and cost of exiting operations of non-core businesses.
- Fluctuations in quarterly results.

Given these uncertainties, readers of this Annual Report are cautioned not to place undue reliance upon such statements.

Matrix Service Company
Annual Results of Operations
($ Amounts in millions, except per share data)

	AST Services	Construction Services	Plant Services	Total	Other Services*	Combined Total
Year ended May 31, 2002						
Gross revenues	$166.8	$26.8	$30.9	$224.5	$ 0.0	$224.5
Less: Intersegment revenues	(2.0)	0.0	0.0	(2.0)	0.0	(2.0)
Consolidated revenues	164.8	26.8	30.9	222.5	0.0	222.5
Gross profit	18.7	2.9	3.7	25.3	0.0	25.3
Operating income	6.7	1.2	1.1	9.0	0.0	9.0
Income before income tax expense	7.3	1.2	1.0	9.5	0.0	9.5
Net income	4.5	0.8	0.6	5.9	0.0	5.9
Earnings / per share - diluted	0.55	0.10	0.08	0.73	0.0	0.73
Weighted average shares - diluted						8,105
Year ended May 31, 2001						
Gross revenues	$140.7	$18.4	$33.2	$192.3	$ 0.0	$192.3
Less: Intersegment revenues	(1.2)	(0.2)	0.0	(1.4)	0.0	(1.4)
Consolidated revenues	139.5	18.2	33.2	190.9	0.0	190.9
Gross profit (loss)	18.9	0.2	3.4	22.5	0.0	22.5
Operating income (loss)	7.9	(1.0)	1.2	8.1	(0.6)	7.5
Income (loss) before income tax expense	8.1	(1.6)	1.2	7.7	(0.6)	7.1
Net income (loss)	5.2	(1.0)	0.8	5.0	(0.4)	4.6
Earnings / (loss) per share - diluted	0.62	(0.12)	0.09	0.59	(0.05)	0.54
Weighted average shares - diluted						8,519
Year ended May 31, 2000						
Gross revenues	$131.9	$ 9.3	$34.3	$175.5	$ 19.1	$194.6
Less: Intersegment revenues	(0.1)	0.0	0.0	(0.1)	(0.7)	(0.8)
Consolidated revenues	131.8	9.3	34.3	175.4	18.4	193.8
Gross profit (loss)	17.4	(0.5)	3.2	20.1	0.4	20.5
Operating income (loss)	8.0	(1.8)	1.3	7.5	(0.7)	6.8
Income (loss) before income tax expense	8.0	(1.5)	1.3	7.8	(0.6)	7.2
Net income (loss)	7.4	(1.5)	1.3	7.2	(0.6)	6.6
Earnings / (loss) per share - diluted	0.83	(0.17)	0.14	0.80	(0.06)	0.74
Weighted average shares - diluted						8,993
Variances 2002 to 2001						
Gross revenues	$ 26.1	$ 8.4	$(2.3)	$ 32.2	$ 0.0	$ 32.2
Consolidated revenues	25.3	8.6	(2.3)	31.6	0.0	31.6
Gross profit (loss)	(0.2)	2.7	0.3	2.8	0.0	2.8
Operating income	(1.2)	2.2	(0.1)	0.9	0.6	1.5
Income (loss) before income tax expense	(0.8)	2.8	(0.2)	1.8	0.6	2.4
Net income (loss)	(0.7)	1.8	(0.2)	0.9	0.4	1.3
Variances 2001 to 2000						
Gross revenues	$ 8.8	$ 9.1	$(1.1)	$ 16.8	$(19.1)	$ (2.3)
Consolidated revenues	7.7	8.9	(1.1)	15.5	(18.4)	(2.9)
Gross profit (loss)	1.5	0.7	0.2	2.4	(0.4)	2.0
Operating income	(0.1)	0.8	(0.1)	0.6	0.1	0.7
Income (loss) before income tax expense	0.1	(0.1)	(0.1)	(0.1)	0.0	(0.1)
Net income (loss)	(2.2)	0.5	(0.5)	(2.2)	0.2	(2.0)

* Includes Municipal Water and FCCU Services

Results of Operations

Consolidated Overview

Matrix operates in three segments - AST Services, Construction Services and Plant Services. All operations are contained within these segments, therefore, significant fluctuations in gross revenues, gross profits, selling, general and administrative costs and operating income will be discussed below.

Other income in 2002 consists primarily of $0.4 million in reimbursed interest from a settlement of contract litigation. Other loss in 2001 consists primarily of a $0.2 million charge to write-off the remaining investment in a joint venture. Other income in 2000 consists primarily of $0.4 million in bad debt recoveries reserved in previous years.

The effective tax rates for the years ended May 31, 2002, 2001 and 2000 were 38%, 35% and 8%, respectively. The lower effective rates in 2001 and 2000 were the result of the utilization of tax loss carry forwards.

AST Services 2002 vs. 2001

Gross revenues for AST Services in 2002 were $166.8 million, an increase of $26.1 million or 18.6% over 2001. This increase is a result of the overall business environment continuing to be very positive. Gross margin for 2002 of 11.2% was worse than the 13.4% produced in 2001, primarily due to two large projects that had negative gross margins. One project experienced cost overruns due to underestimated field manhours, and the second project experienced cost overruns due to lower than expected labor productivity. Management has strengthened policies and procedures to incorporate a more stringent methodology into the estimating process and has taken actions to improve labor productivity on the second job. The increased sales volumes offset by the gross margin decreases resulted in a gross profit for 2002 of $18.7 million which was similar to that of 2001.

Selling, general and administrative costs as a percent of revenues decreased to 7.0% in 2002 vs. 7.6% in 2001. The resulting decrease was primarily due to better fixed cost absorption from a larger revenue base. However, total selling, general and administrative costs increased $1.1 million in 2002 vs. 2001 as a result of higher salary and health and welfare costs.

Operating income for 2002 of $6.7 million, or 4.0% as a percent of revenues was less than the $7.9 million, or 5.6% produced in 2001, primarily as a result of the lower gross margins and higher selling, general and administrative expense discussed above.

AST Services 2001 vs. 2000

Gross revenues for AST Services in 2001 were $140.7 million, an increase of $8.8 million or 6.7% over 2000. Gross margin for 2001 of 13.4% was better than the 13.2% produced in 2000. Margin comparisons, year over year, were favorably impacted by a $0.6 million gross profit loss on a project in Venezuela for fiscal year 2000. Margins were negatively impacted by less than satisfactory execution on a number of large maintenance jobs and lower margins in the Gulf Coast and from the tank construction group. These margin gains along with the increased sales volumes resulted in gross profit for 2001 of $18.9 million exceeding that of 2000 by $1.5 million, or 8.6%.

Selling, general and administrative costs as a percent of revenues increased to 7.6% in 2001 vs. 6.8% in 2000 primarily as a result of increased salary and wages, increased professional services costs and increased information technology costs associated with the enterprise-wide management information system. Prior year selling, general and administrative costs were negatively impacted by $0.2 million in one time charges related to the shut down of the International Division.

Operating income for 2001 of $7.9 million, or 5.6% as a percent of revenues was slightly less than the $8.0 million, or 6.1% produced in 2000 primarily as the result of higher gross profits offset by an increase in selling, general and administrative expenses discussed above.

Construction Services 2002 vs. 2001

Gross revenues for Construction Services in 2002 were $26.8 million, an increase of $8.4 million or 45.7%. This increase was due to increased business development efforts towards Matrix's core customer base which began last year. Gross margin for 2002 of 10.8% was significantly better than the 1.1% produced in 2001, as a direct result of the higher margin construction projects and cost centers put in place last year. These margin increases, along with the higher sales volumes, resulted in a gross profit for 2002 of $2.9 million being $2.7 million more than the $0.2 million in 2001.

Selling, general and administrative expenses as a percent of revenues decreased to 6.5% in 2002 vs. 6.9% in 2001 primarily as a result of the fixed cost structure being spread over a larger revenue base in 2002 vs. 2001.

Operating income for 2002 of $1.2 million, or 4.5% as a percent of revenues was better than the operating loss of $1.0 million and (5.4%) produced in 2001, primarily as a result of higher gross profits discussed above.

Construction Services 2001 vs. 2000

Gross revenues for Construction Services in 2001 were $18.4 million, an increase of $9.1 million or 97.8% over 2000. This increase was due to a larger backlog at the beginning of the Company's fiscal year 2001 compared to the beginning of the prior fiscal year. Gross margin for 2001 of 1.1% was significantly better than the (5.4%) produced in 2000 as a direct result of better absorption of fixed costs associated with higher volume of business. These margin increases along with the increased sales volumes resulted in gross profit for 2001 of $0.2 million being $0.7 million greater than the ($0.5) million in 2000.

Selling, general and administrative expenses as a percent of revenues decreased to 6.9% in 2001 vs. 14.0% in 2000 primarily as a result of the fixed salary costs being spread over a larger revenue base in 2001 vs. 2000.

Operating loss for 2001 of ($1.0) million, or (5.4%) as a percent of revenues was better than the ($1.8) million, or (19.4%) produced in 2000 primarily as the result of a higher volume of work. Other income includes a one-time benefit of $0.4 million for the fiscal year ended 2000 as a result of a customer invoice previously reserved as a bad debt being fully collected. Additionally, other income included a one-time charge of $0.5 million for the fiscal year ended 2001 as a result of the write-off of the pulp and paper joint venture.

Plant Services 2002 vs. 2001

Gross revenues for Plant Services in 2002 were $30.9 million, a decrease of $2.3 million or 6.9% over 2001. The decrease was due to lower routine maintenance activity in the current year. Gross margin for 2002 of 12.0% was better than the 10.2% produced in 2001 primarily as a result of the higher volume of turnaround work. These margin improvements resulted in gross profit for 2002 of $3.7 million which was an increase from 2001 gross profit of $3.4 million, or 8.8%.

Selling, general and administrative expenses as a percent of revenues increased to 8.2% in 2002 vs. 6.5% in 2001 primarily as a result of total costs in salary and health and welfare costs excluding the prior year amounts.

Operating income for 2002 of $1.1 million, or 3.6% as a percent of revenues was slightly less than the $1.2 million or 3.6% produced in 2001, as a direct result of higher gross profits offset by increased selling, general and administrative expenses.

Plant Services 2001 vs. 2000

Gross revenues for Plant Services in 2001 were $33.2 million, a decrease of $1.1 million or 3.2% over 2000. The decrease was due to lower routine maintenance work. Gross margin for 2001 of 10.2% was better than the 9.3% produced in 2000 as a direct result of more turnaround work this fiscal year compared to last fiscal year slightly offset by a one-time $0.3 million charge in fiscal 2000 related to training expenses. This gross margin increase offset somewhat by lower revenues resulted in gross profit for 2001 of $3.4 million which was an increase from 2000 gross profit of $3.2 million, or 6.3%.

Selling, general and administrative expenses as a percent of revenues increased to 6.5% in 2001 vs. 5.4% in 2000 primarily as a result of increased professional service costs, increased information technology costs associated with the enterprise-wide information management system and fixed costs being spread over a smaller revenue base in 2001 versus 2000.

Operating income for 2001 of $1.2 million, or 3.6% as a percent of revenues was slightly less than the $1.3 million or 3.8% produced in 2000, as a direct result of higher gross profits offset by increased selling, general and administrative expenses.

Exited Operations

Fiscal Year 1999

On March 24, 1999 the Company entered into a Letter of Intent with Caldwell Tanks, Inc. for the sale of Brown, a subsidiary acquired in 1994. In April 1999, the board of directors approved the transaction and a Stock Purchase Agreement was executed on June 9, 1999. Based upon certain environmental concerns however, the structure of this transaction was renegotiated as an asset sale with the Company retaining temporary ownership of the land and buildings until environmental remediation is completed.

Also, in May 1999 senior management approved and committed the Company to an exit plan related to the San Luis operations which were acquired in 1992. The exit plan specifically identified all significant actions to be taken to complete the exit plan, listed the activities that would not be continued, and outlined the methods to be employed for the disposition, with an expected completion date of March 2000. Management obtained board approval and immediately began development of a communication plan to the impacted employees under the Workers Adjustment and Retraining Notification Act ("WARN Act").

In 1999, the Company recorded $9.8 million of restructuring, impairment and abandonment costs and reserves, related to the Brown sale and the San Luis exit plan.

Fiscal Year 2000

On August 31, 1999, the Company sold the assets and the business (municipal water services) of Brown to Caldwell Tanks, Inc. ("Caldwell") for $4.3 million cash and the assumption by the buyer of ongoing construction contracts ("Work-in-Process Contracts") and certain environmental liabilities of $0.4 million. Excluded from the assets sold were cash, accounts receivable, real estate and buildings and other miscellaneous assets. Included in the assets sold was all inventory of the subsidiaries, net of $0.7 million used as work-in-process. The cash amount paid at closing was subject to adjustment after the closing based upon the relationship of future billings and the cost to complete the Work-in-Process Contracts which was $1.9 million paid to the Company on October 7, 1999. The buyer entered into a three-year right to lease and an option to acquire the real estate and buildings at a specified price of $2.2 million, and is obligated to acquire, at the same specified price, if the Company is able to satisfy specified environmental clean-up measures within the three-year period. The estimated cost of the clean up was previously provided.

The Company agreed with the buyer not to compete in that business for 5 years. For the fiscal year ended May 31, 2000, Brown accounted for 6.3% of the Company's total revenues and 4.8% of the Company's total assets.

Based upon amounts paid and charged against the reserves for the year ended May 31, 2000, worker's compensation, general liability, and environmental amounts for the Brown operation were determined to be $1.0 million short of previously anticipated expenditures, resulting in an additional restructuring, impairment and abandonment charge.

In June 1999, notices were given as required under the WARN Act indicating that 100% of the workforce would be terminated and the Company announced that it would also pursue potential opportunities to sell the San Luis municipal water services. In January 2000, the Company sold at fair market value, resulting in no gain or loss, the assets of the coating operation, an affiliated company of San Luis, to existing management for $0.3 million. In April 2000, the remaining open contracts were completed and all operations were shutdown. This shutdown resulted in actual termination benefits paid approximating termination benefits accrued. Based upon amounts paid and charged against the reserves for the year ended May 31, 2000, the exit plan amounts were re-evaluated and reduced by $0.8 million. This reduction was a result of a favorable ruling in existing litigation, better than anticipated environmental findings, and reductions in worker's compensation and general liability reserves.

During fiscal 2000, Brown had operating losses of $0.9 million and San Luis had operating income of $0.6 million.

Fiscal Year 2001

Matrix had no operating activities in Brown or San Luis for the year ended May 31, 2001. Based on amounts paid and charged against the reserves for the year ended May 31, 2001, worker's compensation, general liability and environmental amounts for the Brown operation were determined to be $0.6 million short of previously anticipated expenditures, resulting in a restructuring, impairment and abandonment charge.

In February of 2001, one of the two pieces of property that Caldwell was obligated to acquire was sold for $0.5 million, the carrying value of the real estate and building. Most environmental remediation was completed on the remaining piece of property and Caldwell's option to acquire the remaining property was reduced to $1.7 million.

Fiscal Year 2002

Matrix had no operating activities in Brown or SLT for the year ended May 31, 2002. Activity for the twelve months ended May 31, 2002 consists mainly of $0.4 million in increased environmental costs related to the remediation at Brown, $0.5 million of increased worker's compensation claims activity of these exited operations and $0.1 million in warranty work at SLT. These costs were offset by a $1.0 million gain on the settlement of litigation over a contested contract.

Financial Condition & Liquidity

Matrix's cash and cash equivalent totaled approximately $0.8 million at May 31, 2002 and $0.8 million at May 31, 2001.

Matrix has financed its operations recently with cash from operations and from advances under a credit agreement. On September 26, 2001, the Company amended its credit agreement with a commercial bank under which a total of $20.0 million may be borrowed on a revolving basis based on the level of the Company's eligible receivables and costs in excess of billings. Matrix can elect revolving loans which bear interest on a prime or LIBOR-based option and mature on October 31, 2004. At May 31, 2002, $4.0 million was outstanding under the revolver at a LIBOR interest rate of 2.84% with $16.0 million remaining in availability with $4.8 million utilized by outstanding letters of credit which mature from 2003 to 2004. The agreement requires maintenance of certain financial ratios, limits the amount of additional borrowings and prohibits the payment of dividends. The credit facility is secured by all accounts receivable, inventory, intangibles, and proceeds related thereto.

In fiscal 2002, the Company also borrowed $5.9 million under a term loan that matures June 6, 2006. The term loan is secured by a mortgage on certain facilities under construction at the Port of Catoosa in Oklahoma. The term loan bears interest at LIBOR + 1.5%.

Effective June 1, 2001, the Company entered into an interest rate swap agreement for an initial notional amount of $6 million with a commercial bank, effectively providing a fixed interest rate of 7.23% for the five year period on the term note. The company will pay 7.23% and receive LIBOR +1.5%, calculated on the notional amount. Net receipt or payments under the agreement will be recognized as an adjustment to interest expense. The related debt was initially drawn under the credit agreement revolving loan, and was rolled into the term loan on September 26, 2001. At May 31, 2002 the balance on the term loan stands at $5.6 million at a LIBOR interest rate of 3.89%. The swap agreement expires in 2006. If LIBOR decreases, interest payments received and the market value of the swap position decrease.

Operations of Matrix provided $8.7 million of cash for the twelve months ended May 31, 2002 as compared with providing $6.0 million of cash for the twelve months ended May 31, 2001, representing an increase of approximately $2.7 million. The increase was due primarily to an increase in net income coupled with decreased working capital needs in the current year as compared to the prior year.

Capital expenditures during the twelve months ended May 31, 2002 totaled approximately $16.4 million. Of this amount $6.9 has been used in the construction of the offices and fabrication facility in Orange County, California and $3.8 million in the construction of the Tank, Tulsa Regional and Fabrication facilities at the Tulsa Port of Catoosa location. Other 2002 capital expenditures include $1.4 million for purchase of transportation equipment for field operations, $3.2 million for purchase of welding, construction and fabrication equipment and approximately $1.1 million for office equipment, furniture and fixtures. $15.8 million dollars has been budgeted for total capital expenditures for fiscal 2003 of which $7.3 million is included for the Tulsa Port of Catoosa construction.

Matrix believes that its existing funds, amounts available from borrowing under its existing credit agreement and cash generated by operations will be sufficient to meet the working capital needs through fiscal 2003 and for the foreseeable time thereafter unless significant expansions of operations not now planned are undertaken, in which case Matrix would need to arrange additional financing as a part of any such expansion.

The preceding discussion contains forward-looking statements including, without limitation, statements relating to Matrix's plans, strategies, objectives, expectations, intentions, and adequate resources, that are made pursuant to the "safe harbor" provision of the Private Securities Litigation Reform Act of 1995. Readers are cautioned that such forward-looking statements contained in the financial condition and liquidity section are based on certain assumptions which may vary from actual results. Specifically, the capital expenditure projections are based on management's best estimates, which were derived utilizing numerous assumptions of future events, including the successful remediation of environmental issues relating to the Brown sale and other factors. However, there can be no guarantee that these estimates will be achieved, or that there will not be a delay in, or increased costs associated with, the successful remediation of the remaining Brown property.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

Matrix's interest rate risk exposure primarily results from its debt portfolio which is influenced by short-term rates, primarily Prime Rate and LIBOR-Based borrowings under its credit agreement. To mitigate the impact of fluctuations in interest rates, Matrix utilizes interest-rate swaps to change the ratio of its fixed and variable rate debt portfolio based on Management's assessment of future interest rates, volatility of the yield curve and Matrix's ability to access the capital markets as necessary. The following table provides information about Matrix's term debt and interest rate swap that is subject to interest rate risk. For term debt, the table presents principal cash flows and weighted-average interest rates by expected maturity dates. For the interest-rate swap, the table presents notional amounts and weighted-average interest rates by contractual maturity dates. Notional amounts are used to calculate the contractual cash flows to be exchanged under the interest rate swap.

(Amounts in 000's)	2002	2003	2004	2005	2006	Fair Value May 31, 2002
Interest rate swap:						
Notional amount	$ 5,600	$ 5,200	$ 4,800	$ 4,400	$ 0	$ (280)
Pay rate	7.23%	7.23%	7.23%	7.23%	7.23%	7.23%
Receive rate *						
* 30-day LIBOR (London Interbank Offer Rate) plus 150 basis points						

Matrix also utilizes a $20 million revolving credit facility for which interest-rate swaps are not utilized. Therefore, short-term interest rate changes could have an impact on future interest expense on amounts outstanding on the credit facility. At May 31, 2002, $4.0 million was outstanding on the revolver at an interest rate of 2.84% based on LIBOR + 1.0%.

Foreign Currency Risk

Matrix has a subsidiary company whose operations are located in Canada, whose functional currency is the local currency. Historically, results have not been significantly impacted by movements in the foreign currency exchange rate. However, these investments do have the potential to impact Matrix's financial position, due to fluctuations in the local currencies arising from the process of translating the local functional currency into the U.S. dollar. Management has not entered into derivative instruments to hedge the foreign currency risk. A 10% change in the respective functional currency against the U.S. dollar would not have had a material impact on the financial results of the Company for the year ended May 31, 2002.

Item 8. Financial Statements and Supplementary Data

Financial Statements of the Company

Financial Statement Schedules

The following financial statement schedule is filed as a part of this report under "Schedule II" immediately preceding the signature page: Schedule II - Valuation and Qualifying Accounts for the three fiscal years ended May 31, 2002, 2001 and 2000. All other schedules called for by Form 10-K are omitted because they are inapplicable or the required information is shown in the financial statements, or notes thereto, included herein.

Report of Independent Auditors

The Stockholders and Board of Directors
Matrix Service Company

We have audited the accompanying consolidated balance sheets of Matrix Service Company as of May 31, 2002 and 2001, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended May 31, 2002. Our audits also included the financial statement schedule listed in the Index under Item 14. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Matrix Service Company at May 31, 2002 and 2001, and the consolidated results of its operations and its cash flows for each of the three years in the period ended May 31, 2002, in conformity with accounting principles generally accepted in the United States. Also in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

Tulsa, Oklahoma
August 14, 2002

Matrix Service Company

Consolidated Balance Sheets

	May 31 2002	May 31 2001
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	$ 826	$ 835
Accounts receivable, less allowances (2002 - $242, 2001 - $375)	35,209	29,184
Costs and estimated earnings in excess of billings on uncompleted contracts	13,096	12,951
Inventories	2,815	2,772
Income tax receivable	359	-
Deferred income taxes	348	442
Prepaid expenses	2,267	2,573
Total current assets	54,920	48,757
Property, plant and equipment, at cost:		
Land and buildings	15,452	10,108
Construction equipment	22,312	19,550
Transportation equipment	8,719	7,560
Furniture and fixtures	5,269	4,841
Construction in progress	5,912	2,306
	57,664	44,365
Accumulated depreciation	25,242	22,507
	32,422	21,858
Goodwill, net of accumulated amortization (2002 - $2,777, 2001 - $2,427)	10,929	11,258
Other assets	2,919	1,848
Total assets	$ 101,190	$ 83,721

Matrix Service Company

Consolidated Balance Sheets

	May 31 2002	2001
	(In Thousands)	
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 12,954	$ 10,229
Billings on uncompleted contracts in excess of costs and estimated earnings	9,108	7,148
Accrued insurance	2,086	2,362
Accrued environmental reserves	92	471
Income tax payable	210	400
Other accrued expenses	4,072	4,307
Current portion of long-term debt	589	-
Total current liabilities	29,111	24,917
Long-term debt	9,291	3,515
Deferred income taxes	2,588	1,983
Stockholders' equity:		
Common stock - $.01 par value; 30,000,000 shares authorized; 9,642,638 shares issued in 2002 and 2001	96	96
Additional paid-in capital	51,868	51,596
Retained earnings	18,126	12,245
Accumulated other comprehensive loss	(894)	(813)
	69,196	63,124
Less treasury stock, at cost -1,784,856 and 2,021,972 shares in 2002 and 2001 respectively	(8,996)	(9,818)
Total stockholders' equity	60,200	53,306
Total liabilities and stockholders' equity	$ 101,190	$ 83,721

See accompanying notes.

Matrix Service Company

Consolidated Statements of Income

	Year ended May 31 2002	2001	2000
	(In thousands, except share and per share amounts)		
Revenues	$ 222,506	$ 190,901	$ 193,753
Cost of revenues	197,248	168,390	173,269
Gross profit	25,258	22,511	20,484
Selling, general and administrative expenses	16,004	14,081	12,993
Goodwill and noncompete amortization	341	353	484
Restructuring, impairment and abandonment costs	(45)	608	180
Operating income	8,958	7,469	6,827
Other income (expense):			
Interest expense	(255)	(407)	(368)
Interest income	37	177	77
Other	748	(179)	660
Income before income taxes	9,488	7,060	7,196
Provision for federal, state and foreign income taxes	3,607	2,480	580
Net income	$ 5,881	$ 4,580	$ 6,616
Basic earnings per common share	$ 0.76	$ 0.55	$ 0.75
Diluted earnings per common share	$ 0.73	$ 0.54	$ 0.74
Weighted average common shares outstanding:			
Basic	7,718,688	8,334,383	8,872,847
Diluted	8,104,957	8,518,738	8,992,819

See accompanying notes.

Matrix Service Company

Consolidated Statements of Changes in Stockholders' Equity

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss Translation	Accumulated Other Comprehensive Loss Derivative	Total
Balances, May 31, 1999	$ 96	$ 51,596	$ 1,567	$(2,989)	$(555)	$ -	$ 49,715
Net income	-	-	6,616	-	-	-	6,616
Other comprehensive income							
Translation adjustment	-	-	-	-	(138)	-	(138)
Comprehensive income							6,478
Purchase of treasury stock (288,000 shares)	-	-	-	(1,354)	-	-	(1,354)
Exercise of stock options (67,078 shares)	-	-	(398)	462	-	-	64
Balances, May 31, 2000	96	51,596	7,785	(3,881)	(693)	-	54,903
Net income	-	-	4,580	-	-	-	4,580
Other comprehensive income							
Translation adjustment	-	-	-	-	(120)	-	(120)
Comprehensive income							4,460
Purchase of treasury stock (1,166,400 shares)	-	-	-	(6,376)	-	-	(6,376)
Exercise of stock options (62,800 shares)	-	-	(120)	439	-	-	319
Balances, May 31, 2001	96	51,596	12,245	(9,818)	(813)	-	53,306
Net income	-	-	5,881	-	-	-	5,881
Other comprehensive income							
Translation adjustment	-	-	-	-	93	-	93
Derivative activity (net of $106 in tax)	-	-	-	-	-	(174)	(174)
Comprehensive income							5,800
Exercise of stock options (237,116 shares)	-	272	-	822	-	-	1,094
Balances, May 31, 2002	$ 96	$ 51,868	$18,126	$(8,996)	$(720)	$(174)	$ 60,200

See accompanying notes.

Matrix Service Company

Consolidated Statements of Cash Flows

	Year ended May 31		
	2002	2001	2000
	(In Thousands)		
Operating activities			
Net income	$ 5,881	$ 4,580	$ 6,616
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,980	4,540	3,894
Deferred income tax	805	1,541	-
Gain on sale of equipment	(79)	(200)	(76)
Noncash write-off of joint venture	-	529	-
Changes in operating assets and liabilities increasing (decreasing) cash, net of effects of acquisitions:			
Accounts receivable	(6,025)	(4,996)	9,280
Costs and estimated earnings in excess of billings on uncompleted contracts	(145)	(1,922)	(3,540)
Inventories	(43)	277	929
Prepaid expenses	306	(14)	(1,508)
Accounts payable	2,725	1,470	(1,046)
Billings on uncompleted contracts in excess of costs and estimated earnings	1,960	2,010	(2,218)
Accrued expenses	(1,170)	(1,932)	(3,986)
Income taxes receivable/payable	(549)	134	63
Other	82	(25)	7
Net cash provided by operating activities	8,728	5,992	8,415
Investing activities			
Acquisition of property, plant and equipment	(16,432)	(5,277)	(6,316)
Acquisitions net of cash acquired	-	-	(851)
Proceeds from sale of exited operations	-	480	6,805
Investment in joint venture	-	(250)	(279)
Proceeds from other investing activities	160	700	36
Net cash used in investing activities	$ (16,272)	$ (4,347)	$ (605)

Matrix Service Company

Consolidated Statements of Cash Flows (continued)

	Year ended May 31		
	2002	2001	2000
	(In Thousands)		
Financing activities			
Issuance of common stock	$ 1,094	$ 319	$ 64
Purchase of treasury stock	-	(6,376)	(1,354)
Advances under bank credit agreement	111,480	65,660	49,760
Repayments of bank credit agreement	(105,115)	(62,161)	(57,260)
Repayment of other notes	-	(6)	(91)
Net cash provided by/(used in) financing activities	7,459	(2,564)	(8,881)
Effect of exchange rate changes on cash	76	(52)	(95)
Net decrease in cash and cash equivalents	(9)	(971)	(1,166)
Cash and cash equivalents, beginning of year	835	1,806	2,972
Cash and cash equivalents, end of year	$ 826	$ 835	$ 1,806

Supplemental disclosure of cash flow information:
Cash paid during the period for:

Income taxes	$ 2,992	$ 951	$ 475
Interest	567	249	370

See accompanying notes.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Organization and Basis of Presentation

The consolidated financial statements present the accounts of Matrix Service Company and its subsidiaries (collectively referred to as the "Company"). Subsidiary companies include Matrix Service, Inc., ("MSI"), Matrix Service Mid-Continent ("Mid-Continent"), Matrix Service, Inc. - Canada ("Canada"), San Luis Tank Piping Construction, Inc. and Affiliates ("San Luis"), Brown Steel Contractors, Inc. and Affiliates ("Brown"), and Midwest Industrial Contractors, Inc. ("Midwest"). In 1999 Matrix sold the assets and business of Brown and in 2000, Matrix shutdown San Luis (see Note 3). Intercompany transactions and balances have been eliminated in consolidation.

The Company operates primarily in the United States and has operations in Canada. The Company's industry segments are Aboveground Storage Tank (AST) Services, Construction Services, Plant Services, and Other Services.

Cash Equivalents

The Company includes as cash equivalents all investments with original maturities of three months or less which are readily convertible into cash. The carrying value of cash equivalents approximates fair value.

Inventories

Inventories consist primarily of raw materials and are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out or average cost method.

Revenue Recognition

Revenues from fixed-price contracts are recognized on the percentage-of-completion method measured by the percentage of costs incurred to date to estimated total costs for each contract. Revenues from cost-plus-fee contracts are recognized on the basis of costs incurred plus the estimated fee earned.

Anticipated losses on uncompleted contracts are recognized in full when they become known. In forecasting ultimate profitability on certain contracts, estimated recoveries are included for work performed under customer change orders to contracts for which firm prices have not yet been negotiated. Due to uncertainties inherent in the estimation process, it is reasonably possible that completion costs, including those arising from contract penalty provisions and final contract settlements, will be revised in the near-term. Such revisions to costs and income are recognized in the period in which the revisions are determined.

Additional contract revenue from claims is recognized when it is probable the claims will result in additional contract revenue and the amount can be reliably estimated. Costs attributable to claims are treated as costs of contract performance as incurred.

Depreciation and Amortization

Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets. Goodwill and noncompete agreements are being amortized over 40 and 3 to 5 years, respectively, using the straight-line method. Goodwill represents the excess of cost over fair value of assets of businesses acquired. See New Accounting Standards for impact of SFAS No. 142, "Goodwill and Other Intangible Assets."

1. Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

The Company evaluates the long-lived assets and intangibles, including goodwill, of identifiable business activities for impairment when events or changes in circumstances indicate, in management's judgment, that the carrying value of such assets used in operations may not be recoverable. The determination of whether an impairment has occurred is based on management's estimate of undiscounted future cash flows attributable to the assets as compared to the carrying value of the assets. If an impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value for the assets and recording a provision for loss if the carrying value is greater than fair value.

For assets identified to be disposed of in the future, the carrying value of these assets is compared to the estimated fair value less the cost to sell to determine if an impairment is required. Until the assets are disposed of, an estimate of the fair value is redetermined when related events or circumstances change.

Environmental Costs

Environmental liabilities are recognized when it is probable that a loss has been incurred and the amount of that loss is reasonably estimable. Environmental liabilities are based upon estimates of expected future costs without discounting.

Income Taxes

Deferred income taxes are computed using the liability method whereby deferred tax assets and liabilities are recognized based on temporary differences between financial statement and tax basis of assets and liabilities using presently enacted tax rates.

Earnings per Common Share

Basic earnings per common share is calculated based on the weighted average shares outstanding during the period. Diluted earnings per share includes in average shares outstanding employee stock options which are dilutive (386,269 shares, 184,355 shares and 119,972 shares in 2002, 2001 and 2000, respectively).

Stock Option Plans

Employee stock options are accounted for under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related interpretations. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Derivative Instruments and Hedging Activities

On June 1, 2001, Matrix adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." All derivatives are reflected at their fair value in the Consolidated Balance Sheet as of May 31, 2002. Derivative instruments held by Matrix consist of an interest rate swap agreement.

The accounting for changes in the fair value of a derivative depends upon whether it has been designated in a hedging relationship and, further, on the type of hedging relationship. To qualify for designation in a hedging relationship, specific criteria must be met and the appropriate documentation maintained. Hedging relationships are established pursuant to Matrix risk management policies and are initially and regularly evaluated to determine whether they are expected to be, and have been, highly effective hedges. If a derivative ceases to be a highly effective hedge, hedge accounting is discontinued prospectively, and future changes in the fair value of the derivative are recognized in earnings each period. Changes in the fair value of derivatives not designated in a hedging relationship are recognized in earnings each period.

For derivatives designated as a hedge of a forecasted transaction or of the variability of cash flows related to a recognized asset or liability (cash flow hedges), the effective portion of the change in fair value of the derivative is reported in other comprehensive income and reclassified into earnings in the period in which the hedged item affects earnings. Amounts excluded from the effectiveness calculation and any ineffective portion of the change in fair value of the derivative are recognized currently in earnings. Gains or losses deferred in accumulated other comprehensive income associated with terminated derivatives and derivatives that cease to be highly effective hedges remain in accumulated other comprehensive income until the hedged item affects earnings. Forecasted transactions designated as the hedged item in a cash flow hedge are regularly evaluated to assess whether they continue to be probable of occurring. If the forecasted transaction is no longer probable of occurring, any gain or loss deferred in accumulated other comprehensive income is recognized in earnings currently.

Matrix entered into interest-rate swap agreements to modify the interest characteristics of its long-term debt. These agreements were designated with all or a portion of the principal balance and term of specific debt obligations. These agreements involved the exchange of amounts based on a fixed interest rate for amounts based on variable interest rates without an exchange of the notional amount upon which the payments are based. The difference to be paid or received is accrued and recognized as an adjustment of interest accrued. Gains and losses from terminations of interest-rate swap agreements are deferred and amortized as an adjustment of the interest expense on the outstanding debt over the remaining original term of the terminated swap agreement. In the event the designated debt is extinguished, gains and losses from terminations of interest-rate swap agreements are recognized into income.

New Accounting Standards

The Financial Accounting Standards Board (FASB) issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets" in June 2001. SFAS No. 141 establishes accounting and reporting standards for business combinations and requires all business combinations to be accounted for by the purchase method. The Statement is effective for all business combinations initiated after June 30, 2001, and any business combinations accounted for using the purchase method for which the date of acquisition is July 1, 2001, or later. SFAS No. 142 addresses accounting and reporting standards for goodwill and other intangible assets. Under the provisions of this Statement, goodwill and intangible assets with indefinite useful lives are no longer amortized, but will be tested annually for impairment. Matrix applied the new rules on accounting for goodwill and other intangible assets beginning June 1, 2002. Application of the nonamortization provisions of the Statement will not materially impact the comparability of the Consolidated Statement of Operations. During the first quarter of fiscal 2003, Matrix began the initial impairment tests of goodwill as of June 1, 2002. Preliminary results of these tests have indicated that there will not be a significant unfavorable impact of adopting this standard; however, all tests have not been completed.

The FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" in October, 2001. This Statement supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," and amends Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." The Statement retains the basic framework of SFAS No. 121, resolves certain implementation issues of SFAS No. 121, extends applicability to discontinued operations, and broadens the presentation of discontinued operations to include a component of an entity. The Statement is being applied prospectively, beginning June 1, 2002. Initial adoption of the Statement did not have any impact on Matrix results of operations or financial position.

2. Joint Venture

In March 2000, the Company entered into a joint venture partnership agreement for the construction of a pulp and paper project. The joint venture is accounted for under the equity method. In May 2001, the joint venture became impaired and Matrix fully reserved the net investment amount. Trade receivables includes a $1.3 million balance from this affiliated joint venture which is believed to be fully recoverable. The joint venture is currently in litigation with the owner of the pulp and paper project, and has indicated recoveries sought are in excess of the payable to Matrix.

3. Restructuring, Impairment and Abandonment Costs

Fiscal Year 1999

On March 24, 1999 the Company entered into a Letter of Intent with Caldwell Tanks, Inc. for the sale of Brown, a subsidiary acquired in 1994. In April 1999, the board of directors approved the transaction and a Stock Purchase Agreement was executed on June 9, 1999. Based upon certain environmental concerns however, the structure of this transaction was renegotiated as an asset sale with the Company retaining temporary ownership of the land and buildings until environmental remediation is completed.

Also, in May 1999 senior management approved and committed the Company to an exit plan related to the San Luis operations which were acquired in 1992. The exit plan specifically identified all significant actions to be taken to complete the exit plan, listed the activities that would not be continued, and outlined the methods to be employed for the disposition, with an expected completion date of March 2000. Management obtained board approval and immediately began development of a communication plan to the impacted employees under the Workers Adjustment and Retraining Notification Act ("WARN Act").

In 1999, the Company recorded $9.8 million of restructuring, impairment and abandonment costs and reserves, related to the Brown sale and the San Luis exit plan.

Fiscal Year 2000

On August 31, 1999, the Company sold the assets and the business (municipal water services) of Brown to Caldwell Tanks, Inc. ("Caldwell") for $4.3 million cash and the assumption by the buyer of ongoing construction contracts ("Work-in-Process Contracts") and certain environmental liabilities of $0.4 million. Excluded from the assets sold were cash, accounts receivable, real estate and buildings and other miscellaneous assets. Included in the assets sold was all inventory of the subsidiaries, net of $0.7 million used as work-in-process. The cash amount paid at closing was subject to adjustment after the closing based upon the relationship of future billings and the cost to complete the Work-in-Process Contracts which was $1.9 million paid to the Company on October 7, 1999. The buyer entered into a three-year right to lease and an option to acquire the real estate and buildings at a specified price of $2.2 million, and is obligated to acquire, at the same specified price, if the Company is able to satisfy specified environmental clean-up measures within the three-year period. The estimated cost of the clean up was previously provided.

The Company agreed with the buyer not to compete in that business for 5 years. For the fiscal year ended May 31, 2000, Brown accounted for 6.3% of the Company's total revenues and 4.8% of the Company's total assets.

Based upon amounts paid and charged against the reserves for the year ended May 31, 2000, worker's compensation, general liability, and environmental amounts for the Brown operation were determined to

3. Restructuring, Impairment and Abandonment Costs (continued)

be $1.0 million short of previously anticipated expenditures, resulting in an additional restructuring, impairment and abandonment charge.

In June 1999, notices were given as required under the WARN Act indicating that 100% of the workforce would be terminated and the Company announced that it would also pursue potential opportunities to sell the San Luis municipal water services. In January 2000, the Company sold at fair market value, resulting in no gain or loss, the assets of the coating operation, an affiliated company of San Luis, to existing management for $0.3 million. In April 2000, the remaining open contracts were completed and all operations were shutdown. This shutdown resulted in actual termination benefits paid approximating termination benefits accrued. Based upon amounts paid and charged against the reserves for the year ended May 31, 2000, the exit plan amounts were re-evaluated and reduced by $0.8 million. This reduction was a result of a favorable ruling in existing litigation, better than anticipated environmental findings, and reductions in worker's compensation and general liability reserves.

During fiscal 2000, Brown had operating losses of $0.9 million and San Luis had operating income of $0.6 million.

Fiscal Year 2001

Matrix had no operating activities in Brown or San Luis for the year ended May 31, 2001. Based on amounts paid and charged against the reserves for the year ended May 31, 2001, worker's compensation, general liability and environmental amounts for the Brown operation were determined to be $0.6 million short of previously anticipated expenditures, resulting in a restructuring, impairment and abandonment charge.

In February of 2001, one of the two pieces of property that Caldwell was obligated to acquire was sold for $0.5 million, the carrying value of the real estate and building. Most environmental remediation was completed on the remaining piece of property and Caldwell's option to acquire the remaining property was reduced to $1.7 million.

Fiscal Year 2002

Matrix had no operating activities in Brown or SLT for the year ended May 31, 2002. Activity for the twelve months ended May 31, 2002 consists mainly of $0.4 million in increased environmental costs related to the remediation at Brown, $0.5 million of increased worker's compensation claims activity of these exited operations and $0.1 million in warranty work at SLT. These costs were offset by a $1.0 million gain on the settlement of litigation over a contested contract.

As a result of these restructuring and closing operations, the Company recorded the following charges:

	May 31		
	2002	2001	2000
	(In Thousands)		
Legal Settlement	(996)	-	-
Environmental Reserves	377	216	(32)
Other Reorganization Costs	574	392	212
Restructuring, impairment and abandonment costs	(45)	$ 608	$ 180

4. Uncompleted Contracts

Contract terms of the Company's construction contracts generally provide for progress billings based on completion of certain phases of the work. The excess of costs incurred and estimated earnings recognized for construction contracts over amounts billed on uncompleted contracts is reported as a current asset and the excess of amounts billed over costs incurred and estimated earnings recognized for construction contracts on uncompleted contracts is reported as a current liability as follows:

	May 31 2002	May 31 2001
	(In Thousands)	
Costs incurred and estimated earnings recognized on uncompleted contracts	$259,516	$149,844
Billings on uncompleted contracts	255,528	144,041
	$ 3,988	$ 5,803
Shown on balance sheet as:		
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 13,096	$ 12,951
Billings on uncompleted contracts in excess of costs and estimated earnings	9,108	7,148
	$ 3,988	$ 5,803

Approximately $4.9 million and $2.4 million of accounts receivable at May 31, 2002 and 2001, respectively, relate to billed retainages under contracts.

5. Long-Term Debt

Long-term debt consists of the following:

	May 31 2002	May 31 2001
	(In Thousands)	
Borrowings under bank credit facility:		
Revolving credit facility	$ 4,000	$ 3,515
Term note	5,600	-
Interest rate swap liability	280	-
	$ 9,880	$ 3,515
Less current portion		
Term note	400	-
Interest rate swap liability	189	-
	$ 9,291	$ 3,515

On September 26, 2001, the Company amended its credit agreement with a commercial bank under which a total of $20.0 million may be borrowed on a revolving basis based on the level of the Company's eligible receivables and costs in excess of billings. Matrix can elect revolving loans which bear interest on a prime or LIBOR-based option and mature on October 31, 2004. At May 31, 2002, $4.0 million was outstanding under the revolver at a LIBOR interest rate of 2.84% with $16.0 million remaining in availability with $4.8 million utilized by outstanding letters of credit which mature from 2003 to 2004. The agreement requires maintenance of certain financial ratios, limits the amount of additional borrowings and prohibits the payment of dividends. The credit facility is secured by all accounts receivable, inventory, intangibles, and proceeds related thereto.

5. Long-Term Debt (continued)

In fiscal 2002, the Company also borrowed $5.9 million under a term loan that matures June 6, 2006. The term loan is secured by a mortgage on certain facilities under construction at the Port of Catoosa in Oklahoma. The term loan bears interest at LIBOR + 1.5%.

Effective June 1, 2001, the Company entered into an interest rate swap agreement for an initial notional amount of $6 million with a commercial bank, effectively providing a fixed interest rate of 7.23% for the five year period on the term note. The company will pay 7.23% and receive LIBOR +1.5%, calculated on the notional amount. Net receipt or payments under the agreement will be recognized as an adjustment to interest expense. The related debt was initially drawn under the credit agreement revolving loan, and was rolled into the term loan on September 26, 2001. At May 31, 2002 the balance on the term loan stands at $5.6 million at a LIBOR interest rate of 3.89%. The swap agreement expires in 2006. If LIBOR decreases, interest payments received and the market value of the swap position decrease.

Aggregate maturities of long-term debt for the years ending May 31, are as follows (in thousands): 2003 - $400, 2004 - $400, 2005 - $4,400 and 2006 - $4,400.

The carrying value of debt approximates fair value.

6. Income Taxes

The components of the provision for income taxes are as follows:

	2002	2001	2000
	(In Thousands)		
Current:			
Federal	$ 2,408	$ 442	$ 50
State	451	409	360
Foreign	49	88	170
	$ 2,908	939	580
Deferred:			
Federal	593	1,298	-
State	111	234	-
Foreign	(5)	9	-
	699	1,541	-
	$ 3,607	$ 2,480	$ 580

The difference between the expected income tax provision applying the domestic federal statutory tax rate and the reported income tax provision is explained as follows:

	2002	2001	2000
	(In Thousands)		
Expected provision for Federal income taxes at the statutory rate	$ 3,227	$ 2,400	$ 2,446
State income taxes, net of Federal benefit	380	282	305
Charges without tax benefit, primarily goodwill amortization	23	96	118
Valuation allowance	-	(332)	(3,041)
Other	(23)	34	752
Provision for income taxes	$ 3,607	$ 2,480	$ 580

6. Income Taxes (continued)

Significant components of the Company's deferred tax liabilities and assets as of May 31, 2002 and 2001 are as follows:

	2002	2001
	(In Thousands)	
Deferred tax liabilities:		
Tax over book depreciation	$ 2,858	$ 2,326
Other - net	215	189
Total deferred tax liabilities	3,073	2,515
Deferred tax assets:		
Bad debt reserve	92	142
Foreign insurance dividend	129	124
Vacation accrual	-	113
Restructuring reserves	50	153
Noncompete amortization	357	408
Interest rate swap derivative	106	-
Other - net	99	34
Total deferred tax assets	$ 833	$ 974
	$ 2,240	$ 1,541

7. Stockholders' Equity

Preferred Stock

The Company has 5.0 million shares of preferred stock authorized, none of which was issued or outstanding at May 31, 2002, or 2001.

Preferred Share Purchase Rights

The Company's Board of Directors authorized and directed a dividend of one preferred share purchase right for each common share outstanding on November 12, 1999, and authorized and directed the issuance of one right per common share for any shares issued after that date. These rights, which expire November 12, 2009, will be exercisable only if a person or group acquires 15 percent or more of the Company's common stock or announces a tender offer that would result in ownership of 15 percent or more of the common stock. Each right will entitle stockholders to buy one one-hundredth of a share of preferred stock at an exercisable price of $40. In addition, the rights enable holders to either acquire additional shares of the Company's common stock or purchase the stock of an acquiring company at a discount, depending on specific circumstances. The rights may be redeemed by the Company in whole, but not in part, for one cent per right.

Incentive Stock Options

The Company has a 1990 Incentive Stock Option Plan (the "1990 Plan") and a 1991 Incentive Stock Option Plan (the "1991 Plan") to provide additional incentives for officers and other key employees of the Company. The Company also has a 1995 Nonemployee Directors' Stock Option Plan (the "1995 Plan"). Under the 1990 and 1991 Plans, incentive and nonqualified stock options may be granted to the Company's key employees and nonqualified stock options may be granted to nonemployees who are elected for the first time as directors of the Company after January 1, 1991. Employee options generally

7. Stockholders' Equity (continued)

become exercisable over a five-year period from the date of the grant. Under the 1995 Plan, qualified stock options are granted annually to nonemployee directors and generally become exercisable over a two-year period from the date of the grant. Under each plan, options may be granted with durations of no more than ten years. The option price per share may not be less than the fair market value of the common stock at the time the option is granted. Shareholders have authorized an aggregate of 900,000 options, 1,320,000 options and 250,000 options to be granted under the 1990, 1991, and 1995 Plans, respectively. Options exercisable total 498,983 options, 570,426 options and 540,069 options at May 31, 2002, 2001, and 2000, respectively. The weighted average exercise prices of exercisable options were $4.485, $4.605 and $4.825 at May 31, 2002, 2001, and 2000, respectively.

Pro forma information regarding net income and earnings per share is required by Statement of Financial Accounting Standards No. 123, and has been determined as if the Company had accounted for its employee stock options under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions: risk-free interest rates of 2.81% to 6.74%; dividend yield of -0-%; volatility factors of the expected market price of the Company's stock of .420 to .860; and an expected life of the options of 2 to 5 years. The average grant date fair values of options awarded during 2002, 2001 and 2001 were $3.204, $2.488, and $2.840, respectively.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

The Statement's pro forma information from the options is as follows:

	2002	2001	2000
		(In Thousands)	
Net income as reported	$ 5,881	$ 4,580	$ 6,616
Compensation expense from stock options	320	310	455
Pro forma net income	$ 5,561	$ 4,270	$ 6,161
Pro forma earnings per common share:			
Basic	$ .72	$ .51	$ .69
Diluted	$ .69	$ .50	$ .69

The effect of compensation expense from stock options on pro forma net income reflects the vesting of awards granted after June 1, 1995, the year in which the pro forma reporting requirements under SFAS 123 were adopted.

7. Stockholders' Equity (continued)

The following summary reflects option transactions for the past three years:

	Shares	Option Price		Per Share	Weighted Average Price
Shares under option:					
Outstanding at May 31, 1999	1,625,300	$ 0.67	-	$7.75	4.624
Granted	40,000	4.125	-	5.188	4.789
Exercised	(67,078)	0.67	-	5.75	0.957
Canceled	(522,128)	3.88	-	7.75	5.286
Outstanding at May 31, 2000	1,076,094	$ 3.625	-	7.75	4.538
Granted	215,000	4.25	-	5.00	4.500
Exercised	(62,800)	3.625	-	6.25	5.079
Canceled	(107,315)	3.625	-	6.25	4.930
Outstanding at May 31, 2001	1,120,979	$ 3.625	-	$7.75	4.463
Granted	140,000	6.05	-	6.05	6.050
Exercised	(237,116)	3.625	-	6.25	4.617
Canceled	(22,000)	4.375	-	5.75	4.563
Outstanding at May 31, 2002	1,001,863	$ 3.625	-	$7.75	4.647

At May 31, 2002 the weighted average exercise price of outstanding options is $4.647 and the weighted average remaining contractual life of outstanding options is 6.56 years.

8. Commitments

The Company is the lessee under operating leases covering real estate in Tulsa and Catoosa, Oklahoma; Bristol and Bethlehem, Pennsylvania; Bay Point, California; and Newark, Delaware. The Company is also the lessee under operating leases covering office equipment. Future minimum lease payments are as follows (in thousands): 2003 - $361; 2004 - $271; 2005 - $224; 2006 - $194; 2007 - $168 and thereafter - $1,067. Rental expense was $1.0 million, $1.0 million and $1.0 million for the years ended May 31, 2002, 2001 and 2000, respectively.

9. Other Financial Information

The Company provides specialized on-site maintenance and construction services for petrochemical processing and petroleum refining and storage facilities. The Company grants credit without requiring collateral to customers consisting of the major integrated oil companies, independent refiners and marketers, and petrochemical companies. Although this potentially exposes the Company to the risks of depressed cycles in oil and petrochemical industries, the Company's receivables at May 31, 2002 have not been adversely affected by such conditions.

Sales to two customers accounted for approximately 13% and 12%, respectively of the Company's revenues for the year ended May 31, 2002. The customer that represented 13% of consolidated revenues, represented 8% of AST Services, 21% of Plant Services and 36% of Construction Services revenues. The customer that represented 12% of consolidated revenues represented 6% of AST Services revenues, 44% of Plant Services revenues and 36% of Construction Services revenues. Sales to two customers accounted for approximately 17% and 15%, respectively of the Company's revenues for the year ended May 31, 2001. The customer that represented 17% of consolidated revenues, represented 7% of AST Services revenues, 57% of Plant Services and 21% of Construction Services revenues. The customer that represented 15% of consolidated revenues represented 16% of AST Services revenues, 14% of Plant Services and 9% of Construction Services revenues. Sales to two customers accounted for approximately 17% and 12% respectively of the Company's revenues for the year ended May 31, 2000.

Interest cost incurred in 2002 was $0.6 million, of which $0.3 million was capitalized.

10. Employee Benefit Plan

The Company sponsors a defined contribution 401(k) savings plan (the "Plan") for all employees meeting length of service requirements. Participants may contribute an amount up to 100% of pretax annual compensation as defined in the Plan, subject to certain limitations in accordance with Section 401(k) of the Internal Revenue Code. The Company matches employee contributions according to the following table:

1 - 7 years service	25% of the first 6%
8 - 15 years of service	50% of the first 6%
16 or more years of service	75% of the first 6%

The Company recognized cost relating to the plan of $0.4 million, $0.4 million and $0.3 million for the years ended May 31, 2002, 2001 and 2000, respectively.

11. Contingencies

The Company is insured for worker's compensation, auto, general liability, pollution and property claims with deductibles for self-insured retention of $500,000, $500, $50,000, $25,000 and $10,000 per incident, respectively. Management estimates the reserve for such claims based on knowledge of the circumstances surrounding the claims, the nature of any injuries involved, historical experience, and estimates of future costs provided by certain third parties. Accrued insurance at May 31, 2002 represents management's estimate of the Company's liability at that date. Changes in the assumptions underlying the accrual could cause actual results to differ from the amounts reported in the financial statements.

The Company had been in litigation over a contested contract. In January 2000, the Company won its case and was awarded $1.1 million. In July 2001, the appellate court upheld the original verdict plus accrued interest and attorney's fees. The Company recognized a $1.0 million gain on the settlement of this litigation plus interest income of $0.4 million in 2002.

The Company is a defendant in various other legal actions and is vigorously defending against each of them. It is the opinion of management that none of such legal actions will have a material effect on the Company's financial position.

As of May 31, 2002 and 2001, accounts receivable and costs and estimated earnings in excess of billings on uncompleted contracts included revenues for unapproved change orders of approximately $0.4 million and $1.0 million, respectively, and claims of approximately $0.7 million and $1.5 million, respectively. Generally, amounts related to unapproved change orders and claims will not be paid by the customer to Matrix until final resolution of related claims, and accordingly, collection of these amounts may extend beyond one year.

12. Segment Information

The Company has three reportable segments from operations which are continuing - Aboveground Storage Tank (AST) Services, Construction Services, and Plant Maintenance Services - as well as one discontinued segment from exited operations. The AST Services Division consists of five operating units that perform specialized on-site maintenance and construction services with related products for large petroleum storage facilities. The Construction Services Division provides services to industrial process plants. The Plant Maintenance Services Division specializes in performing "turnarounds," which involve complex, time-sensitive maintenance of the critical operating units of a refinery. The discontinued segment, included as Other Services, consists of three operating units ("Brown," "Midwest" and "San Luis") which have all been exited (see footnote 3).

12. Segment Information (continued)

The Company evaluates performance and allocates resources based on profit or loss from operations before income taxes. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. Intersegment sales and transfers are recorded at cost and there is no inter-company profit or loss on intersegment sales or transfers.

The Company's reportable segments are business units that offer different services. The reportable segments are each managed separately because they require different expertise and resources for the services provided.

Matrix Service Company
Annual Results of Operations
($ Amounts in millions)

	AST Services	Construction Services	Plant Services	Other Services	Combined Total
Year ended May 31, 2002					
Gross revenues	$ 166.8	$ 26.8	$ 30.9	0.0	$ 224.5
Less: inter-segment revenues	(2.0)	0.0	0.0	0.0	(2.0)
Consolidated revenues	164.8	26.8	30.9	0.0	222.5
Gross profit	18.7	2.9	3.7	0.0	25.3
Operating income	6.7	1.2	1.1	0.0	9.0
Income before income tax expense	7.3	1.2	1.0	0.0	9.5
Net income	4.5	0.8	0.6	0.0	5.9
Identifiable assets	81.6	6.8	11.0	1.8	101.2
Capital expenditures	15.6	0.5	0.3	0.0	16.4
Depreciation expense	4.0	0.1	0.5	0.0	4.6
Year ended May 31, 2001					
Gross revenues	$ 140.7	$ 18.4	$ 33.2	0.0	$ 192.3
Less: inter-segment revenues	(1.2)	(0.2)	0.0	0.0	(1.4)
Consolidated revenues	139.5	18.2	33.2	0.0	190.9
Gross profit	18.9	0.2	3.4	0.0	22.5
Operating income (loss)	7.9	(1.0)	1.2	(0.6)	7.5
Income (loss) before income tax expense	8.1	(1.6)	1.2	(0.6)	7.1
Net income (loss)	5.2	(1.0)	0.8	(0.4)	4.6
Identifiable assets	63.9	6.0	11.1	2.7	83.7
Capital expenditures	4.8	0.1	0.4	0.0	5.3
Depreciation expense	3.7	0.1	0.4	0.0	4.2
Year ended May 31, 2000					
Gross revenues	$ 131.9	$ 9.3	$ 34.3	$ 19.1	$ 194.6
Less: inter-segment revenues	(0.1)	0.0	0.0	(0.7)	(0.8)
Consolidated revenues	131.8	9.3	34.3	18.4	193.8
Gross profit (loss)	17.4	(0.5)	3.2	0.4	20.5
Operating income (loss)	8.0	(1.8)	1.3	(0.7)	6.8
Income (loss) before income tax expense	8.0	(1.5)	1.3	(0.6)	7.2
Net income (loss)	7.4	(1.5)	1.3	(0.6)	6.6
Identifiable assets	62.6	3.1	8.3	4.3	78.3
Capital expenditures	5.4	0.1	0.8	0.0	6.3

Depreciation expense	2.7	0.1	0.4	0.2	3.4

12. Segment Information (continued)

Geographical information is as follows:

	Revenues		Long Lived Assets	
	2002	2001	2002	2001
Domestic	$ 219.9	$ 188.0	$ 43.9	$ 32.6
International	2.6	2.9	2.4	2.4
	$ 222.5	$ 190.9	$ 46.3	$ 35.0

Matrix Service Company

Quarterly Financial Data (Unaudited)

Summarized quarterly financial data are as follows:

2002	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In Thousands except per share amounts)			
Revenues	$47,739	$54,404	$54,588	$65,775
Gross profit	5,879	6,959	4,592	7,828
Net income	1,193	1,597	1,239	1,852
Net income per common share:				
Basic	0.16	0.21	0.16	0.24
Diluted	0.15	0.20	0.15	0.22
2001				
Revenues	$37,862	$45,052	$49,135	$58,852
Gross profit	3,820	4,768	5,762	8,161
Net income (loss)	8	989	1,450	2,133
Net income (loss) per common share:				
Basic	.00	.12	.17	.27
Diluted	.00	.11	.17	.27

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS

Matrix Service Company

May 31, 2002, 2001 and 2000

COL. A	COL. B	COL. C		COL. D	COL. E
		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts-Describe	* Deductions-Describe	Balance At End Of Period
		(Amounts in Thousands)			
Year ended May 31, 2002:					
Deducted from assets accounts:					
Allowance for doubtful accounts	$ 375	$ 250	$ -	$ (383)	$ 242
Total	$ 375	$ 250	$ -	$ (383)	$ 242
Year ended May 31, 2001:					
Deducted from assets accounts:					
Allowance for doubtful accounts	$ 150	$ 345	$ -	$ (120)	$ 375
Reserve for deferred tax assets	332	(332)	-	-	-
Total	$ 482	$ 13	$ -	$ (120)	$ 375
Year ended May 31, 2000:					
Deducted from assets accounts:					
Allowance for doubtful accounts	$ 2,464	$ -	$ -	$ (2,314)	$ 150
Reserve for deferred tax assets	3,373	(3,041)	-	-	332
Total	$ 5,837	$(3,041)	$ -	$ (2,314)	$ 482

*Allowance reserves written off against receivable balances.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not Applicable

PART III

The information called for by Part III of Form 10-K (consisting of Item 10 -- Directors and Executive Officers of the Registrant. Item 11 -- Executive Compensation, Item 12 -- Security Ownership of Certain Beneficial Owners and Management and Item 13 -- Certain Relationships and Transactions), is incorporated by reference from the Company's definitive proxy statement, which will be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this Report relates.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

Financial Statements of the Company

The following financial statements are filed as a part of this report under "Item 8 - Financial Statements and Supplementary Data":

Financial Statement Schedules

The following financial statement schedule is filed as a part of this report under "Schedule II" immediately preceding the signature page: Schedule II - Valuation and Qualifying Accounts for the three fiscal years ended May 31, 2002. All other schedules called for by Form 10-K are omitted because they are inapplicable or the required information is shown in the financial statements, or notes thereto, included herein.

List of Exhibits

2.1	Stock Purchase Agreement, dated February 22, 1994, by and among Matrix Service Company and the shareholders of Georgia Steel Fabricators, Inc. (Exhibit 2.1 to the Company's Current Report on Form 8-K (File No. 0-18716) filed March 7, 1994, is hereby incorporated by reference).
3.1	Restated Certificate of Incorporation (Exhibit 3.1 to the Company's Registration Statement on Form S-1 (No. 33-36081), as amended, filed July 26, 1990 is hereby incorporated by reference).
3.2	Bylaws, as amended (Exhibit 3.2 to the Company's Registration Statement on Form S-1 (No. 33-36081) as amended, filed July 26, 1990 is hereby incorporated by reference).
4.1	Specimen Common Stock Certificate (Exhibit 4.1 to the Company's Registration Statement on Form S-1 (File No. 33-36081), as amended, filed July 26, 1990 is hereby incorporated by reference).
+ 10.1	Matrix Service Company 1990 Incentive Stock Option Plan (Exhibit 10.14 to the Company's Registration Statement on Form S-1 (File No. 33-36081), as amended, filed July 26, 1990 is hereby incorporated by reference).
+ 10.2	Matrix Service Company 1991 Stock Option Plan, as amended. Form S-8 (File No. 333-56945) filed June 12, 1998 is hereby incorporated by reference. Exhibit 10.1 to the Company's Registration Statement.
10.3	Standard Industrial Lease, dated June 30, 1989, between Matrix Service, Inc. and the Kinney Family Trust (Exhibit 10.16 to the Company's Registration Statement on Form S-1 (No. 33-36081), as amended, filed July 26, 1990 is hereby incorporated by reference).
10.4	Lease Agreement, dated May 30, 1991, between Tim S. Selby and Stephanie W. Selby as Co-Trustees of the Selby Living Trust dated October 20, 1983, Tim S. Selby and Stephanie W. Selby, and Richard Chafin, Trustee of the Selby Children's Trust 1 dated December 12, 1983 and San Luis Tank Piping Construction Co., Inc. (Exhibit 10.9 to the Company's Registration Statement on Form S-1 (File No. 33-48373) filed June 4, 1992 is hereby incorporated by reference).
+ 10.5	Employment and Noncompetition Agreement, dated June 1, 1991, between West Coast Industrial Coatings, Inc. and San Luis Tank Piping Construction Co., Inc., and Tim S. Selby (Exhibit 10.10 to the Company's Registration Statement on

Form S-1 (File No. 33-48373) filed June 4, 1992 is hereby incorporated by reference).

	10.6	Promissory Note, dated December 30, 1992, by and between the Company, Colt Acquisition Company and Colt Construction Company and Duncan Electric Company. (Exhibit 10.17 to the Company's Annual Report on Form 10-K (File No. 0-18716), filed August 27, 1993, is hereby incorporated by reference).
+	10.7	Employment and Noncompetition Agreement dated February 22, 1994, between Brown Steel Contractors, Inc. and Mark A. Brown (Exhibit 99.2 to the Company's Current Report on Form 8-K, (File No. 0-18716), filed March 7, 1994, is hereby incorporated by reference).
+	10.8	Employment and Noncompetition Agreement dated February 22, 1994, between Brown Steel Contractors, Inc. and Sample D. Brown (Exhibit 99.3 to the Company's Current Report on Form 8-K, (File No. 0-18716), filed March 7, 1994, is hereby incorporated by reference).
+	10.9	Matrix Service Company 1995 Nonemployee Directors' Stock Option Plan (Exhibit 4.3 to the Company's Registration Statement on Form S-8 (File No. 333-2771), filed April 24, 1996 is hereby incorporated by reference).
	10.10	Stock Purchase Agreement, dated June 17, 1997, by and among Matrix Service Company and the shareholders of General Service Corporation.
	10.11	Promissory Note (Term Note, due August 31, 1999), by and between the Company and its subsidiaries, and Liberty Bank & Trust Company of Tulsa, N.A.
	10.12	Promissory Note (Term Note, due June 19, 2002), dated June 19, 1997 by and between the Company and its subsidiaries, and Liberty Bank & Trust Company, N.A.
	10.13	Interest Rate Swap Agreement, dated February 26, 1998 between Matrix Service Company and Bank One, Oklahoma, N.A.
	10.14	Stock Purchase Agreement by and among Caldwell Tanks Alliance, LLC, Caldwell Tanks, Inc., Brown Steel Contractors, Inc., Georgia Steel Acquisition Corp. and Matrix Service Company, dated June 9, 1999.
	10.15	Amended and Restated Stock Purchase Agreement and Conversion to Asset Purchase Agreement, dated August 31, 1999, by and among Matrix Service Company and Caldwell Tanks, Inc. (Exhibit 99.1 to the Company's current report on Form 8-K

(File No. 0-18716) filed September 13, 1999, is hereby incorporated by reference).

10.16 Matrix Service Company 1990 Incentive Stock Option Plan, as Amended (Exhibit A to the Company's Annual Report on Schedule 14A filed September 17, 1999, is hereby incorporated by reference).

10.17 Matrix Service Company 1991 Incentive Stock Option Plan, as Amended (Exhibit B to the Company's Annual Report on Schedule 14A filed September 17, 1999, is hereby incorporated by reference).

10.18 Rights Agreement (including a form of Certificate of Designation of Series B Junior participating Preferred Stock as Exhibit A thereto, a form of Right Certificate as Exhibit B thereto and a summary of Rights to Purchase Preferred Stock as Exhibit C thereto), dated November 2, 1999, (Exhibit I to the Company's current report on Form 8-K (File No. 0-18716) filed November 9, 1999, is hereby incorporated by reference).

10.19 Second Amended and Restated Agreement, dated November 30, 1999 by and among the Company and its subsidiaries and Bank One, Oklahoma, N.A. (Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 0-18716) filed January 13, 2000, is hereby incorporated by reference).

10.20 Lease Agreement Between The City of Tulsa-Rogers County Port Authority and Matrix Service Company dated March 1, 2001.

10.21 International SWAP Dealers Association, Inc. Master Agreement dated February 1, 1998.

10.22 Third Amended and Restated Credit Agreement, dated September 26, 2001 by and among the Company and its subsidiaries and Bank One, Oklahoma, N.A. (Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 0-18716) filed October 9, 2001, is hereby incorporated by reference).

* 10.23 First Amendment of Lease Agreement between the City of Tulsa-Rogers County Port Authority and Matrix Service Company dated June 1, 2002.

* 21.1 Subsidiaries of Matrix Service Company.

* 23.1 Consent of Ernst & Young LLP.

* 99.1 Certification Pursuant to 18 U.S.C. ss. 1350 (Section 906 of Sarbanes-Oxley Act of 2002) - Matrix Service Company

* Filed herewith.

+ Management Contract or Compensatory Plan.

Reports on Form 8-K

April 11, 2002 - Form of presentation to investors and security analysts.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Matrix Service Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Matrix Service Company

Date: August 15, 2002

/s/ Bradley S. Vetal

Bradley S. Vetal, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signatures	Title	Date
/s/ Bradley S. Vetal Bradley S. Vetal	Bradley S. Vetal President and Director (Principal Executive Officer)	August 15, 2002
/s/ Michael J. Hall Michael J. Hall	Michael J. Hall Chief Financial Officer and Director (Principal Financial and Accounting Officer)	August 15, 2002
/s/ Hugh E. Bradley Hugh E. Bradley	Director	August 15, 2002
/s/ I. Edgar Hendrix I. Edgar Hendrix	Director	August 15, 2002
/s/ Paul K. Lackey Paul K. Lackey	Director	August 15, 2002
/s/ John S. Zink John S. Zink	Director	August 15, 2002

Exhibit 10.23

FIRST AMENDMENT OF LEASE AGREEMENT

This First Amendment of Lease Agreement (herein, the "First Amendment" is entered into as of the 1st day of June, 2002, by and between The City of Tusla-Rogers Country Port Authority, an agency of the State of Oklahoma ("Lessor") and Matrix Service Company, a Delaware corporation ("Lessee").

RECITALS:

A. Lessor and Lessee have previously entered into that certain Lease Agreement dated effective as of March 1, 2001 (herein, the "Original Lease"), with regard to the real property located in Rogers County, Oklahoma, more particularly described on Exhibit "A" attached hereto and incorporated herein by this reference. Unless otherwise defined herein, capitalized terms shall be given the meanings ascribed to them in the Original Lease.

B. Coincident with the July, 2001 arsine gas release at the Solkatronic Chemicals facility located within the Tulsa Port of Catoosa, Lessee delayed their construction activities on the Leased Premises pending their review of such incident and its potential effect on their leasehold (herein, the "Construction Delays").

C. Pursuant to the terms of the Original Lease, Lessee's rentals are scheduled to begin upon Lessee's commencement of business operations on the Leased Premises (but in no event later than September 1, 2002). Lessee has indicated to Lessor that Lessee will commence business operations on the Leased Premises in May, 2002.

D. In recognition of Lessee's Construction Delays, Lessor and Lessee desire to amend the Original Lease to provide additional abatement of the commencement of Lessee's rentals on the terms and provisions set forth below.

NOW, THEREFORE, in consideration of the above Recitals, the mutual covenants set forth herein, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. AMENDMENT AND RESTATEMENT OF EXHIBIT "D", RIDER 2. Exhibit "D" Rider 2 attached to the Original Lease is hereby amended and restated in its entirety to read as follows:

"RIDER 2, RENT ABATMENT

In consideration of Lessee's time and expense to develop the Leased Premises and the Construction Delays, Lessor and Lessee hereby agree that the monthly rentals as referenced in Section 3.1.a of the Lease shall be abated in their entirety until November 1, 2002. In addition, the Parties agree that Lessee's present intent is to not use the northern most 3.82 acres of the Leased Premises for any purpose. Accordingly, there will be no rentals payable on said acreage unless and until Lessee commences use of any portion thereof, at which time rentals shall be charged on the entire 3.82 acres for the remainder of the Primary Term and any renewal terms at the then effective rate."

2. TERMS OF LEASE IN EFFECT. Except as expressly modified by this First Amendment, the terms and provisions of the Original Lease shall be and remain in full force and effect.

In Witness Whereof, the parties hereto have executed this First Amendment as of the day and year first above written.

MATRIX SERVICES COMPANY

ATTEST:

/s/ MICHAEL J. HALL
(Asst.) Secretary

By: /s/ GLEN ROGRES
(Vice President)

"Lessee"

THE CITY OF TULSA-ROGERS COUNTRY PORT AUTHORITY

ATTEST:

/s/ CYNTHIA J. GREEN
(Asst.) Secretary

By: /s/ [ILLEGIBLE]
(Vice) Chairman

"Lessor"

APPROVED:

/s/ [ILLEGIBLE]
Port Attorney

[acknowledgments on following page]

STATE OF OKLAHOMA)
)
COUNTY OF TULSA)

The foregoing instrument was acknowledged before me on May 21 2002, by Glen Rogers, VICE PRESIDENT of Matrix Service Company, a Delaware corporation

/s/ PATSY R. PRIDDY

[SEAL] Notary Public

My commission expires Commission No.

August 15, 2002 9811029

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[SEAL]

STATE OF OKLAHOMA)
)
COUNTY OF ROGERS)

The foregoing instrument was acknowledged before me on June 6 2002, by STEPHEN J. KISSEE, Vice Chairman of the City of Tulsa-Rogers County Port Authority, a public agency of the State of Oklahoma

/s/ [ILLEGIBLE]

Notary Public

My commission expires Commission No.
[SEAL] 99007619

Exhibit A
Port of Catoosa Industrial Park
City of Tulsa, Rogers County, Oklahoma

[GRAPHIC APPEARS HERE]

LEGAL DESCRIPTION

A TRACT OF LAND THAT IS PART OF THE SOUTHEAST QUARTER (SE/4) OF SECTION SIX (6), PART OF THE NORTHEAST QUARTER (NE/4) OF SECTION SEVEN (7) AND PART OF THE NORTHWEST QUARTER (NW/4) OF SECTION EIGHT (8), ALL IN THE TOWNSHIP TWENTY (20) NORTH, RANGE FIFTEEN (15) EAST OF THE INDIAN BASE AND MERIDIAN, ROGERS COUNTY, OKLAHOMA, SAID TRACT OF LAND BEING DESCRIBED AS FOLLOWS, TO-WIT:

STARTING AT THE SOUTEAST CORNER OF SAID SECTION 6: THENCE DUE WEST FOR 1,269.58 FEET; THENCE DUE SOUTH FOR 877.98 FEET TO THE POINT OF BEGINNING OF SAID TRACT OF LAND; THENCE NORTH 08 (DEGREES) 23'24" EAST FOR 2,075.19 FEET; THENCE SOUTH 36 (DEGREES) 59'43" EAST FOR 2,675.12 FEET TO A POINT OF CURVE; THENCE SOUTHEASTERLY ALONG A CURVE TO THE RIGHT WITH A CENTRAL ANGLE OF 22 (DEGREES) 22'51" AND A RADIUS OF 611.62 FEET, FOR 238.91 FEET: THENCE NORTH 81 (DEGREES) 36'36" WEST FOR 2,037.69 FEET TO THE POINT OF BEGINNING OF SAID TRACT OF LAND, CONTAINING 49.995 ACRES.

EXHIBIT 21.1

MATRIX SERVICE COMPANY

Subsidiaries

Matrix Service, Inc., an Oklahoma corporation

Matrix Service Mid-Continent, Inc., an Oklahoma corporation

San Luis Tank Piping Construction Co., Inc., a Delaware corporation

Matrix Coatings, Inc., a California corporation

Matrix Service, Inc. Canada, an Ontario, Canada corporation

Midwest Industrial Contractors, Inc., a Delaware corporation

Brown Steel Contractors, Inc., a Georgia corporation

Georgia Steel Acquisition Corp., an Oklahoma corporation

Brown Steel Services, Inc., a Georgia corporation

Brown Tanks, Inc., a Georgia corporation

Aqua Tanks, Inc., a Georgia corporation

San Luis Tank S.A. de C.V., a Mexican corporation

Matrix Service, Inc., Panama, a Panama Corporation

EXHIBIT 23.1

Consent of Ernst & Young LLP

We consent to the incorporation by reference of our report dated August 14, 2002, with respect to the consolidated financial statements and schedule of Matrix Service Company included in this Form 10-K for the year ended May 31, 2002, in the following registration statements.

Matrix Service Company 1990 Incentive Stock Option Plan	Form S-8	File No. 33-36081
Matrix Service Company 1991 Stock Option Plan, as amended	Form S-8	File No. 333-56945
Matrix Service Company 1995 Nonemployee Directors' Stock Option Plan	Form S-8	File No. 333-2771

ERNST & YOUNG LLP

/S/ Ernst & Young LLP

Tulsa, Oklahoma
August 14, 2002

EXHIBIT 99.1

Certification Pursuant to 18 U.S.C. ss. 1350
(Section 906 of Sarbanes-Oxley Act of 2002)
Matrix Service Company

In connection with the Annual Report of Matrix Service Company (The "Company") on Form 10-K for the period ending May 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Bradley S. Vetal, President and Chief Executive Officer of the Company, and Michael J. Hall, Vice President and Chief Financial Officer of the Company, each hereby certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that based on our knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15 (d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This certification is deemed to accompany this Annual Report on Form 10-K, but is not deemed "filed" for purpose of Section 18 of the Securities Exchange Act of 1934, an amended, or otherwise.

Dated: August 15, 2002

/s/ Bradley S. Vetal	/s/ Michael J. Hall
Bradley S. Vetal	Michael J. Hall
President, and Chief	Vice President and Chief
Executive Officer	Financial Officer