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

FORM 10-Q

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

For the quarterly period ended August 31, 1996

Commission File number 0-l87l6

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

DELAWARE
(State of incorporation)

73-1352l74
(I.R.S. Employer Identification No.)

l070l E. Ute St., Tulsa, Oklahoma 74l16-l5l7
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code:
(9l8) 838-8822

Indicate by check mark whether the registrant (l) has filed all reports required to be filed by Section l3 or l5(d) of the Securities Exchange Act of 1934 during the preceding l2 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 [ ]

As of October 14, 1996, there were 9,491,153 shares of the Company's common stock, $.0l par value per share, issued and 9,319,572 shares outstanding.

PART I.- FINANCIAL INFORMATION

ITEM 1. Financial Statements

Matrix Service Company
Condensed Consolidated Statements of Income
(in thousands, except share and per share data)

[CAPTION]

	Three Months Ended August 31 (unaudited) 1996	1995
Revenues	$39,630	$43,161
Cost of revenues	35,665	38,840
Gross profit	3,965	4,321
Selling, general and administrative expenses	2,459	2,591
Goodwill and noncompete amortization	216	279
Operating income	1,290	1,451
Other income (expense):		
Interest income	29	30
Interest expense	(114)	(216)
Other	(49)	38

Income before income tax expense	1,156	1,303
Provision for federal and state income tax expense	524	752
Net income	$632	$551
Net income per common and common equivalent shares:		
Primary	$0.07	$0.06
Fully diluted	$0.07	$0.06
Weighted average common and common equivalent shares outstanding:		
Primary	9,523,982	9,400,625
Fully diluted	9,523,982	9,405,226

See Notes to Condensed Consolidated Financial Statements

Matrix Service Company
Condensed Consolidated Balance Sheets
(in thousands)

	August 31, 1996 (unaudited)	May 31, 1996
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 1,376	$ 1,899
Accounts receivable	26,085	29,205
Costs and estimated earnings in excess of billings on uncompleted contracts	11,705	12,122
Inventories	4,783	4,149
Prepaid expenses	278	179
Deferred taxes	995	995
Income tax receivable	338	609
Total current assets	45,560	49,158
Investment in undistributed equity of a foreign joint venture	374	374
Property, plant and equipment at cost:		
Land and buildings	14,436	14,528
Construction equipment	22,936	23,414
Transportation equipment	5,275	4,990
Furniture and fixtures	2,749	2,806
Construction in progress	1,623	189
	47,019	45,927
Less accumulated depreciation	18,017	17,065
Net property, plant and equipment	29,002	28,862
Goodwill, net of accumulated		

amortization	26,906	27,033
Other assets	316	330
Total assets	$102,158	$105,757

See Notes to Condensed Consolidated Financial Statements

Matrix Service Company
Condensed Consolidated Balance Sheets
(in thousands)

	August 31, 1996 (unaudited)	May 31, 1996
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	$ 7,145	$ 9,026
Billings on uncompleted contracts in excess of costs and estimated earnings	5,108	4,353
Accrued expenses	6,125	7,780
Current portion of long-term debt	1,619	1,629
Total current liabilities	19,997	22,788
Long-term debt:		
Bank credit agreement	1,000	2,000
Acquisition notes payable	264	397
Term note payable	2,178	2,450
Total long-term debt	3,442	4,847
Deferred income taxes	5,041	5,088
Stockholders' equity:		
Common stock	95	95
Additional paid-in capital	50,927	50,927
Retained earnings	24,234	23,617
Cumulative translation adjustment	(108)	(107)
	75,148	74,532
Less:		
Treasury stock, at cost	1,470	1,498
Total stockholders' equity	73,678	73,034
Total liabilities and stockholders' equity	$102,158	$105,757

See Notes to Condensed Consolidated Financial Statements

Matrix Service Company
Condensed Consolidated Cash Flow Statements
(in thousands)

	Three Months Ended August 31 (unaudited)	
	1996	1995
Cash flow from operating activities:		
Net income	$ 632	$ 551
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,392	1,428
Changes in current assets and liabilities increasing (decreasing) cash:		
Accounts receivable	3,120	1,433
Costs and estimated earnings in excess of billings on uncompleted contracts	417	(2,548)
Inventories	(634)	379
Prepaid expenses	(99)	(107)
Accounts payable	(1,881)	(1,185)
Billings on uncompleted contracts in excess of costs and estimated earnings	755	403
Taxes and other accruals	(1,432)	1,716
Other	(2)	7
Net cash provided by operating activities	2,268	2,077
Cash flow from investing activities:		
Capital expenditures	(1,459)	(713)
Proceeds from sale of equipment	21	8
Acuisition of subsidiary, net of cash acquired	47	-
Net cash used in investing activities	(1,391)	(705)

Matrix Service Company
Condensed Consolidated Cash Flow Statements
(in thousands)

	Three Months Ended August 31 (unaudited)	
	1996	1995
Cash flows from financing activities:		
Repayment of acquisition payables	(133)	(964)
Repayment of equipment notes	(10)	(12)
Issuance of long-term debt	1,000	1,000
Repayments of long-term debt	(2,272)	(2,272)
Issuance of stock	14	3
Net cash used in financing activities	(1,401)	(2,245)
Cumulative translation adjustment	1	16
Decrease in cash and cash equivalents	(523)	(857)
Cash and cash equivalents at beginning of period	1,899	1,976
Cash and cash equivalents at end of period	$1,376	$1,119

See Notes to Condensed Consolidated Financial Statements

MATRIX SERVICE COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

NOTE A - BASIS OF PRESENTATION

The condensed consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All significant inter-company balances and transactions have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Rule 10-0l of Regulation S-X for interim financial statements required to be filed with the Securities and Exchange Commission and do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. However, the information furnished reflects all adjustments, consisting only of normal recurring adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods.

The accompanying financial statements should be read in conjunction with the audited financial statements for the year ended May 3l, 1996, included in the Company's Annual Report on Form 10-K for the year then ended. The Company's business is seasonal; therefore, results for any interim period may not necessarily be indicative of future operating results.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations

Three Months Ended August 31, 1996 Compared to Three Months Ended August 31, 1995

Revenues for the quarter ending August 31, 1996 were $39.6 million as compared to revenues of $43.2 million for the quarter ended August 31, 1995, representing a decrease of approximately $3.5 million or 8.2%. The decrease is due principally to decreased revenues from the Company's new construction of aboveground storage tanks as compared with the same period in 1995 as a result of less new tank work in the West Coast area for the current period.

Gross profit increased to $4.0 million for the quarterly period ending August 31, 1996. Gross profit as a percentage of revenues remained flat at 10% for the 1996 period compared to the 1995 period. The Company is experiencing some improvement in the demand for its products and services in its established markets.

Selling, general and administrative expenses decreased to $2.5 million for the quarterly period ending August 31, 1996 from expenses of $2.6 million for the quarterly period ended August 31, 1995, a decrease of $132 thousand or approximately 5% and representing as a percentage of revenues, an increase to 6.2% for the 1996 period from 6.0% for the 1995 period. The decrease in expenses for the 1996 period was due to decreases in administrative costs as compared with the 1995 period. The amortization of noncompetition expense decreased for the 1996 period as compared to the 1995 period due to the expiration of certain noncompetition agreements at May 31, 1996, which were fully amortized at May 31, 1996.

Operating income decreased to $1.3 million for the quarterly period ending August 31, 1996 from income of $1.5 million for the quarterly period ended August 31, 1995, or a decrease of $161 thousand. The decrease was due to a lower gross profit, partially offset by lower administrative costs and lower expenses from the amortization of noncompetition agreements.

Interest expense decreased to $114 thousand for the quarterly period ending August 31, 1996 from $216 thousand of interest expense for the quarterly period ended August 31, 1995. The decrease resulted primarily from decreased borrowing under the Company's revolving credit facility and a term loan established on August 24, 1994. During the period there was an average of $1.5 million outstanding under the term loan.

Net income increased to $632 thousand for the quarterly period ending August 31, 1996 from net income of $551 thousand for the quarterly period ended August 31, 1995. The increase was due principally to decreased provision for income tax for the 1996 period as compared to the 1995 period. The greater income tax provision for the 1995 period resulted from the tax requirement on certain transactions related to foreign operations which were discontinued during the 1995 period.

Liquidity and Capital Resources

The Company has financed its operations recently with cash generated by operations and advances under the Company's credit facility. The Company has a credit facility with a commercial bank under which the Company may borrow a total of $20.0 million. The Company may borrow up to $15.0 million under a revolving credit agreement based on the level of the Company's eligible receivables. The agreement provides for interest at the Prime Rate minus one-half of one percent (1/2 of 1%), or a LIBOR based option, and matures on October 31, 1997. At August 31, 1996, the interest rate was 7.75% and the outstanding advances under the revolver totaled $1.0 million. The credit facility also provides for a term loan up to $5.0 million. On October 5, 1994, a term loan of $4.9 million was made to the Company. The term loan is due on August 31, 1999 and is to be repaid in 54 equal payments beginning in March 1995 at an interest rate based upon the Prime Rate. At August 31, 1996, the interest rate on the term loan was 8.25%, and the outstanding balance was $3.3 million.

Operations of the Company provided $2.3 million of cash for the three months ended August 31, 1996 as compared with providing cash from operations of $2.1 million for the three months ended August 31, 1995, representing an increase of approximately $193 thousand. The increase was primarily the result of increased collection of accounts receivable of $1.7 million and a net increase of $3.3 million in costs and estimated earnings in excess ofbillings on uncompleted contracts and offset by net decreases of $1.0 million from inventory purchases and a decrease from taxes and other accruals of $3.1 million.

Capital expenditures during the three month period ended August 31, 1996 totaled approximately $1.5 million. The Company has invested approximately $421 thousand in transportation equipment to be used to support field operations and $700 thousand for land and a building for a new facility in the Pacific Northwest. In addition, approximately $203 thousand was used to purchase welding and construction equipment for field operations. The Company has currently budgeted approximately $4.3 million for additional capital expenditures during the remainder of fiscal year 1997 primarily to be used to purchase construction equipment. The Company expects to be able to finance such expenditures with available working capital.

The Company believes that its existing funds, amounts available for borrowing under its credit facility, and cash generated by operations will be sufficient to meet the Company's working capital needs at least through fiscal 1997 and possibly thereafter unless significant expansions of operations not now planned are undertaken, in which case the Company would arrange additional financing as a part of any such expansion.

PART II
OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K:

A. Exhibit 11 - Computation of earnings per share.

B. Reports on Form 8-K: None

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MATRIX SERVICE COMPANY

Date: October 15, 1996 By: /s/C. William Lee

C. William Lee
Vice President-Finance
Chief Financial Officer
Signing on behalf of the
registrants the registrant's
chief financial officer.

[ARTICLE]	5
[MULTIPLIER]	1,000
[PERIOD-TYPE]	3-MOS
[FISCAL-YEAR-END]	May-31-1997
[PERIOD-START]	Jun-01-1996
[PERIOD-END]	Aug-31-1996
[COMMON]	9,524
[NET-INCOME]	632

5
1,000

3-MOS
MAY-31-1997
AUG-31-1996
1,376
0
26,085
0
4,783
45,560
47,019
18,017
102,158
19,997
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73,583
102,158
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39,630
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35,665
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114
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524
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0
0
632
0.07
0.07