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 February 28, 1999

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 74ll6-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 April 8, 1999, there were 9,638,638 shares of the Company's common stock, $.01 par value per share, issued and 9,507,388 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 February 28, (unaudited)	Three Months Ended February 28, (unaudited)	Nine Months Ended February 28, (unaudited)	Nine Months Ended February 28, (unaudited)
	1999	1998 *	1999	1998 *
[MULTIPLIER]	1,000			
Revenues	$47,074	$54,431	$153,076	$158,279
Cost of revenues	43,938	49,156	140,008	143,070
Gross profit	3,136	5,275	13,068	15,209
Selling, general and				

administrative expenses	3,387	3,433	9,858	9,055
Goodwill and noncompete amortization	163	181	488	455
Mergers, acquisitions, abandonments and restructuring cost	0	6,018	0	6,018
Operating income (loss)	(414)	(4,357)	2,722	(319)
Other income (expense):				
Interest expense	(169)	(364)	(814)	(838)
Interest income	54	35	212	105
Other income	1	207	135	212
Income (loss) from continuing operations before income tax expense	(528)	(4,479)	2,255	(840)
Provision (benefit) for federal, state and foreign income tax expense	(195)	(127)	728	1,175
Income (loss) from continuing operations	(333)	(4,352)	1,527	(2,015)
Loss from discontinued operations, net of tax benefit of $6,262 and $6,262 respectively	-	(10,305)	-	(10,920)
Net income (loss)	$ (333)	$(14,657)	$ 1,527	$(12,935)
Earnings from continuing operations per share of common stock:				
Basic	$(0.03)	$(0.46)	$0.16	$(0.21)
Diluted	$(0.03)	$(0.46)	$0.15	$(0.21)
Earnings per share of common stock:				
Basic	$(0.03)	$(1.55)	$0.16	$(1.37)
Diluted	$(0.03)	$(1.55)	$0.15	$(1.37)
Weighted average number of common shares:				
Basic	9,649,388	9,437,242	9,606,676	9,412,579
Diluted	9,649,388	9,437,242	10,181,752	9,412,579

* Certain amounts have been restated as described in Notes B & C.

See Notes to Condensed Consolidated Financial Statements

[MULTIPLIER] 1,000

Matrix Service Company
Condensed Consolidated Balance Sheets
(in thousands)

	February 28, 1999 (unaudited)	May 31, 1998
ASSETS:		

Current assets:		
Cash and cash equivalents	$ 5,633	$ 2,606
Accounts receivable	32,936	37,165
Costs and estimated earnings in excess of billings on uncompleted contracts	10,198	15,340
Inventories	5,336	6,352
Income tax receivable	1,079	5,279
Deferred income taxes	3,009	3,252
Prepaid expenses	665	524
Total current assets	58,856	70,518
Property, plant and equipment at cost:		
Land and buildings	16,673	16,481
Construction equipment	24,025	24,092
Transportation equipment	6,363	6,108
Furniture and fixtures	3,555	3,315
Construction in progress	2,120	973
	52,736	50,969
Less accumulated depreciation	24,257	22,533
Net property, plant and equipment	28,479	28,436
Goodwill, net of accumulated amortization of $1,939 and $1,595 in 1999 and 1998, respectively	12,873	13,217
Other assets	314	570
Total assets	$100,522	$112,741

See Notes to Condensed Consolidated Financial Statements

[MULTIPLIER] 1,000

Matrix Service Company
Condensed Consolidated Balance Sheets
(in thousands)

	February 28, 1999 (unaudited)	May 31, 1998
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		

Accounts payable	$ 2,876	$12,250
Billings on uncompleted contracts in excess of costs and estimated earnings	12,196	7,612
Accrued insurance	2,939	2,369
Other accrued expenses	3,614	5,098
Current portion of long-term debt	2,100	2,105
Total current liabilities	23,725	29,434
Long-term debt	6,042	13,106
Deferred income taxes	4,949	4,949
Stockholders' equity:		
Common stock	96	96
Additional paid-in capital	51,582	51,458
Retained earnings	15,693	14,221
Accumulated other comprehensive income	(654)	(523)
	66,717	65,252
Less: Treasury stock, at cost	(911)	-
Total stockholders' equity	65,806	65,252
Total liabilities and stockholders' equity	$100,522	$112,741

See Notes to Condensed Consolidated Financial Statements

[MULTIPLIER] 1,000

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

	Nine Months Ended February 28, 1999 (unaudited)	February 28, 1998 * (unaudited)
Cash flow from operating activities:		
Net income (loss)	$1,527	$(12,935)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,620	4,414
(Gain) loss on sale of equipment	(13)	16
Non-cash write-offs from restructuring	-	4,983
Loss from discontinued operations net of tax benefit	-	10,920
Changes in current assets and liabilities increasing (decreasing) cash:		
Accounts receivable	4,229	1,337
Costs and estimated earnings in excess of billings on uncompleted contracts	5,142	75
Inventories	1,016	(302)
Prepaid expenses	(140)	89
Accounts payable	(10,258)	(4,931)
Billings on uncompleted contracts in excess of costs and estimated earnings	4,584	530
Taxes and other accruals	4,412	(4,222)
Other	(41)	64
Net cash provided by continuing operating activities	14,078	38
Net cash provided by disconintued operating activities	-	1,359
Net cash provided by operating activities	14,078	1,397
Cash flow from investing activities:		
Capital expenditures	(3,300)	(1,863)
Proceeds from sale of equipment	95	62
Acquisition of subsidiary, net of cash acquired	-	(4,129)
Other, net	-	(26)

Net cash used in

investing activities	(3,205)	(5,956)

Matrix Service Company

Condensed Consolidated Cash Flow Statements
(in thousands)

	Nine Months Ended February 28, 1999 (unaudited)	Nine Months Ended February 28, 1998 * (unaudited)
Cash flow from financing activities:		
Repayment of acquisition payables	(58)	(201)
Repayment of equipment notes	(10)	(22)
Issuance of long-term debt	0	11,750
Repayment of long-term debt	(7,000)	(6,407)
Purchase of treasury stock	(911)	424
Issuance of stock	124	-
Net cash provided (used) in financing activities	(7,855)	5,544
Effect of exchange rate changes on cash	9	-
Increase (Decrease) in cash and cash equivalents	3,027	985
Cash and cash equivalents at beginning of period	2,606	1,877
Cash and cash equivalents at end of period	$5,633	$2,862

See Notes to Condensed Consolidated Financial Statements

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

NOTE A - BASIS OF PRESENTATION

The 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 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 that 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, 1998, 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.

NOTE B - DISCONTINUED OPERATIONS

During the third quarter of fiscal year 1998, the board of directors approved a plan whereby the Company would discontinue the operations of Midwest Industrial Contractors, Inc. ("Midwest") and discontinue to operate in the markets that Midwest had historically participated. All assets of Midwest have been disposed of or absorbed by other operating units. The Company abandoned this business entirely. The cost to terminate Midwest's operations resulted in a charge of $15.5 million, before income tax benefit of $6.3 million, which includes the write-off of $14.6 million of goodwill.

The operating results of Midwest for the prior period is reported as discontinued operations. Summarized operating results of the discontinued operations are as follows:

[MULTIPLIER] 1,000

	Three Months Ended	Nine Months Ended
	February 28, 1998	February 28, 1998
	(In Thousands)	(In Thousands)
Loss from discontinued operations per share of common stock		
Basic	($1.09)	($1.16)
Diluted	($1.09)	($1.16)

NOTE C - EARNINGS PER SHARE OF COMMON STOCK

In 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, Earnings per Share. Statement 128 replaced the previously reported primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants, and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. And, for the Company includes the dilutive effect of outstanding stock options. All earnings per share amounts for all periods have been presented, and where necessary, restated to conform to the Statement 128 requirements.

NOTE D - REPORTING COMPREHENSIVE INCOME

As of June 1, 1998, the Company adopted Statement 130, Reporting Comprehensive Income. Statement 130 establishes new rules for the reporting and display of comprehensive income and its components; however, the adoption of Statement 130 had no impact on the Company's net income or stockholders' equity. Statement 130 requires foreign currency translation adjustments, which prior to adoption were reported separately in stockholders' equity, to be included in other comprehensive income.

Prior period financial statements have been reclassified to conform to the requirements of Statement 130.

For the quarter ended February 28, 1999, total comprehensive loss was $268 thousand as compared to $344 thousand in income for the same quarterly period ended February 28, 1998. For the nine months ended February 28, 1999 total comprehensive income was $1.4 million as compared to $2.0 million for the nine months ended February 28, 1998. Other comprehensive income and accumulated other comprehensive income consisted of foreign currency translation adjustments.

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

Results of Operations

The following chart segments revenues, gross profits and gross margins for the Company's operating divisions for the three months and nine months ended February 28, 1999 compared to the three months and nine months ended February 28, 1998.

[MULTIPLIER] 1,000

	(in thousands) Three Months Ended			(in thousands) Nine Months Ended		
	02-28-99	02-28-98	Variance	02-28-99	02-28-98	Variance
Revenues						
Combined AST services	$30,432	28,336	2,096	$ 89,680	79,642	10,038
Colt Construction	12,064	17,649	(5,585)	37,396	46,929	(9,533)
San Luis Tank	2,367	3,648	(1,281)	8,805	10,443	(1,638)
Brown Steel	6,526	7,617	(1,091)	24,986	23,984	1,002
Eliminations/other operations	(4,315)	(2,819)	(1,496)	(7,791)	(2,719)	(5,072)
Total Company	$47,074	54,431	(7,357)	$153,076	158,279	(5,203)
Gross Profit						
Combined AST services	$ 2,856	3,230	(374)	$ 10,588	8,632	1,956
Colt Construction	810	1,831	(1,021)	3,603	4,441	(838)
San Luis Tank	(16)	483	(499)	(194)	1,131	(1,325)
Brown Steel	(477)	(264)	(213)	(571)	1,072	(1,643)
Eliminations/other operations	(37)	(5)	(32)	(358)	(67)	(291)
Total Company	$ 3,136	5,275	(2,139)	$ 13,068	15,209	(2,141)
Gross Margin						
Combined AST services	9.4%	11.4%	2.0%	11.8%	10.8%	1.0%
Colt Construction	6.7%	10.4%	-3.7%	9.6%	9.5%	0.1%
San Luis Tank	-0.7%	13.2%	-13.9%	-2.2%	10.8%	-13.0%
Brown Steel	-7.3%	-3.5%	-3.8%	-2.3%	4.5%	-6.8%
Eliminations/other operations	0.9%	0.2%	0.7%	4.6%	2.5%	2.1%
Total Company	6.7%	9.7%	-3.0%	8.5%	9.6%	-1.1%

Entity:	Services:
Combined AST services	Above-ground Storage Tank construction, repair and maintenance
Colt Construction	Refinery maintenance, turnarounds, and capital construction
San Luis Tank	Flat bottom water tanks
Brown Steel	Elevated water tanks

Three Months Ended February 28, 1999 Compared With
The Three Months Ended February 28, 1998

Revenues for the quarter ended February 28, 1999 were $47.1 million compared to revenues of $54.4 million for the quarter ended February 28, 1998, which represented a decrease of $7.4 million or 13.5%. Each of the Company's operating divisions experienced a decline in revenues with the exception of the Company's tank construction, repair, and maintenance sector where revenues increased $2.1 million or 7.4%. The increase was the result of overall market strength and the Company's favorable position within the market resulting from its various strategic alliances. The decline in revenues at the Colt operating division was primarily due to a $3.7 million decline in capital projects. For the quarter ended February 28, 1998, the Colt division had two major capital projects in the Northwest whereas the only capital projects in the quarter ended February 28, 1999 were relatively small. Turnaround work at the Colt division was also down due to postponement of scheduled work into the fourth quarter of 1999. Revenues at the Company's water tank divisions were also down due to weak market conditions and pricing pressure.

Gross profit decreased to $3.1 million for the quarter ended February 28, 1999 from gross profit of $5.3 million for the quarter ended February 28, 1998, a decrease of $2.2 million. Gross margins declined to 6.7% for the three months ended February 28, 1999 from 9.7% for the three months ended February 28, 1998.

Gross profits and gross margins declined in all operating divisions. Approximately $1.1 million of the gross profit decrease was due to the decline in capital project work at the Colt division. Gross profits and gross margins were negative at both the Brown and San Luis Tank water divisions. Management at the Brown division conducted an in depth review of all outstanding contracts during the quarter ended February 28, 1999 and revised their estimates as to the ultimate profitability of each contract. Margins were negative at the San Luis Tank water division due to the very low volume of work and the inability to fully absorb fixed costs. Gross profits and gross margins declined at the Company's tank construction, repair and maintenance division despite an increase in revenues. The decline was due to a number of lower margin jobs and a slow down in projects late in the quarter ended February 28, 1999 which reduced the number of man-hours that could be charged directly to jobs, which in turn, increased unabsorbed fixed costs.

Operating income increased to a $414 thousand loss for the quarter ended February 28, 1999 from a loss of $4.4 million for the quarter ended February 28, 1998 or a change of $3.9 million. For the quarter ended February 28, 1998, there were $6.0 million in one-time charges for mergers, acquisitions, abandonment and restructuring costs. Eliminating these one-time charges, operating income decreased $2.1 million for the three months ended February 28, 1999 compared to the three months ended February 28, 1998, which is comparable to the decline in gross profits for the current period.

Interest expense decreased to $169 thousand for the quarter ended February 28, 1999 from $364 thousand of interest expense for the quarterly period ended February 28, 1998 due to lower borrowings under the Company's revolving credit facility.

Net loss decreased to $333 thousand for the three months ended February 28, 1999 from a $14.7 million loss for the three months ended February 28, 1998. Eliminating the one-time charges of $5.0 million, net of tax benefit, for mergers, acquisitions, abandonment and restructure costs and the $10.3 million loss from discontinued operations, net of tax benefit, that were reflected in the results for the second quarter of last year, net income decreased from $647 thousand for the quarter ended February 28, 1998 to a $333 thousand net loss for the quarter period ended February 28, 1999.

Nine Months Ended February 28, 1999 Compared With
The Nine Months Ended February 28, 1998

Revenues for the nine months ended February 28, 1999 were $153.1 million as compared to revenues of $158.3 million for the nine months ended February 28, 1998, a decrease of $5.2 million or 3.3%. Revenues increased $10.0 million at the Company's tank construction, repair and maintenance operating division ($6.1 million after inter-company eliminations) due to strong demand and the Company's strategic alliances. This increase was offset by a $9.5 million decrease at the Colt operating division. The decline at Colt was due to a $14.2 million decline in capital projects offset in part by increases in refinery maintenance and turnarounds. The decline in capital work was the result of fewer and smaller capital projects in the Northwest in the first nine months of 1999 versus the first nine months of 1998. Revenues at the Company's water divisions were down $636 thousand in total for the nine months ended February 28, 1999 versus the comparable period in 1998 due to weak market demand at the San Luis Tank flat bottom water tank division offset by volume driven bidding at the Brown elevated water tank division.

Gross profit decreased to $13.1 million for the nine months ended February 28, 1999 from gross profit of $15.2 million for the nine months ended February 28, 1998, a decrease of $2.1 million or 14.1%. Gross margins decreased to 8.5% for the current period from 9.6% for the comparable nine-month period of the prior year. Lower gross margins in the elevated and flat bottom water tank divisions, capital projects and refinery maintenance sectors of Colt were offset somewhat by the increase in gross margins in the refinery turnaround sector of Colt and slightly higher margins in the tank construction, repair and maintenance division. Gross margins declined in the water tank divisions due to major weakness in the markets, intensified competition and less than optimum project management.

Selling, general and administrative expenses increased to $9.9 million for the nine months ended February 28, 1999 compared to $9.1 million for the nine months ended February 28, 1998, an increase of $803 thousand or 8.9%. The increase was primarily due to additional technical personnel, costs related to operational software implementation, Year 2000 compliance and the re-classification of certain components of selling, general and administrative expenses by a recently acquired division. These classifications were brought into alignment with the rest of the Company effective June 1, 1998. Selling, general and administrative expenses as a percentage of revenues increased to 6.4% for the current nine-month period as compared with 5.7% for the 1998 nine-month period. The increase in the percentage of selling, general and administrative expenses relative to revenues was due to lower revenues and the increases in selling, general and administration expenses as described above.

Operating income increased to $2.7 million for the nine-month period ended February 28, 1999 from an operating loss of $319 thousand for the nine-month period ended February 28, 1998, an increase of $3.0 million. Excluding the one time charges of $6.0 million dollars reflected in the prior year as discussed above, operating income decreased by $3.0 million for the nine months ending February 28, 1999 as compared to the nine month period ended February 28, 1998.

Net Income increased to $1.5 million for the 1999 period as compared to a net loss of $12.9 million for the nine-month period ending February 28, 1998. Without the one time charges of $5.0 million reflected in the prior year, net of tax benefits and $10.9 million net of tax benefits for losses from discontinued operations, net income decreased by $1.5 million for the nine month period ended February 28, 1999 as compared to the 1998 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, amended and restated October 22, 1998, with a commercial bank under which the Company may borrow a total of $30.0 million. The Company may borrow up to $20 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 or a LIBOR based option, and matures on October 31, 2000. At February 28, 1999 the interest rate was 6.1% and there were no outstanding advances under the revolver. The original credit facility also provided for a term loan up to $10 million. On March 1, 1998, a term loan in the original amount of $10.0 million was made to the Company and was due on February 28, 2003 and was to be repaid in 60 equal payments of $167 thousand that began on March 1, 1998. The amended agreement term loan amount is restated at $8.8 million with the repayment schedule and due date remaining the same per the original agreement. The term loan is at a fixed rate of 7.5% established in an interest rate swap agreement entered into with the bank on February 1, 1998. The outstanding balance of the term loan at February 28, 1999 was $8.0 million.

Operations of the Company provided $14.1 million of cash for the nine months ended February 28, 1999 as compared with cash provided by operations of $1.4 million for the nine months ended February 28, 1998, an increase of approximately $12.7 million. The period ending February 28, 1998 included $15.9 million in non-cash write-offs and losses from discontinued operations.

Capital expenditures during the nine-month period ended February 28, 1999 totaled approximately $3.3 million. Of this amount, $552 thousand was used to purchase trucks for field operations and $1.4 million was used to purchase welding, construction and fabrication equipment. The Company also invested $1.3 million in computer equipment for operations and automated drafting, which included $1.0 million for a new enterprise-wide management information system. The Company has budgeted approximately $2.8 million for the remainder of fiscal 1999 for capital expenditures but in all likelihood actual expenditures will fall below this level.

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 for the next twelve months and possibly thereafter unless significant expansions of operations not now planned are undertaken, in which case the Company anticipates it would arrange additional financing as a part of any such expansion.

Outlook

Management will continue to evaluate strategic alternatives in the fourth quarter for those businesses that are negatively impacting the Company's operating performance. There were substantial improvements at the Brown division in the latter part of the third quarter (February) but performance is still not providing an acceptable return. Management believes that operating results at the Brown division will approximate break-even for the fourth quarter 1999.

The capital project business at the Colt division will continue to be weak in the fourth quarter due to the lack of a significant backlog of construction projects. Unless new projects are booked in the Company's fiscal fourth quarter, the weakness will in all likelihood continue into the first quarter of fiscal 2000.

The weakness experienced in the Company's tank repair and maintenance business in the latter part of the third quarter will continue until our customer's maintenance budgets are finalized and authorization is given to spend monies. It is also unclear whether or not these maintenance budgets will be approved at levels comparable, greater, or lower than last year. Management believes that its strategic alliances put the Company in a more favorable position than our competition if budgets are reduced.

A subsidiary of Matrix has a receivable approximating $3 million that remains unpaid due to customer cash flow problems. The customer is in the process of restructuring its lending agreements, the proceeds of which will be used to pay the outstanding receivable. Although management believes that a satisfactory agreement will be reached, it is uncertain whether or not the restructuring will be successful.

Other

On March 3, 1999, the Board announced a stock repurchase plan. The Company is authorized to repurchase up to $4 million of Matrix Service Company common stock. To date the Company has purchased 397,000 shares at a cost of $1.4 million.

On March 16, 1999, the Board of Directors elected Bradley S. Vetal as President and Chief Executive Officer of Matrix Service Company.

Year 2000 Impact

The Year 2000 issue creates a significant problem with business automation for businesses, government agencies, and all computer users. A significant number of applications in use today use two digit years and can fail between now and January 1, 2000.

State of Readiness. The Company is sensitive to the growing concern associated with the inception of the new millennium and its impact on the business marketplace. In an effort to retain its ability to provide on-going quality products and services to its customers, the Company is actively pursuing Year 2000 compliance for all of its computer systems.

Assessment. The Company has completed its inventory and assessment efforts, which included a comprehensive review of its business systems. Based on assessment results, the Company has determined that it will be required to modify, upgrade or replace only a limited number of its systems so that its business areas will function properly with respect to dates in the year 2000 and thereafter.

The Company estimates the impact of Year 2000 issues on non-IT Systems to have no material impact on the operations of the business. Non-IT Systems include systems with embedded technology containing programmed instructions running via processor chips.

The Company has minimal third party interface systems; however, communications have been initiated with significant suppliers and large customers to determine the extent to which the Company's systems are vulnerable to those third parties' failure to remediate their own Year 2000 issues.

Project Timetable. The Company believes that with the planned modifications to existing software and conversions to new software, the Year 2000 issue will not pose significant operation problems for its computer systems. Of the systems identified more than 75% have been remedied and implemented into the production environment. The Company expects that the remaining systems will be upgraded, tested and implemented by the fourth quarter of fiscal 1999, which is prior to any anticipated impact on its operating systems.

Anticipated Cost. The anticipated costs of the Year 2000 project have been estimated at $200 thousand, of which approximately 40% will be capitalized. The remaining 60% is being expensed as incurred and is not expected to have a material effect on the results of operations. Any non-compliant hardware is dated and would ordinarily be scheduled for replacement.

Contingency Plans. Despite the best planning and execution efforts, the Company is working from the premise that some issues will not be uncovered, and that some issues that are uncovered will not be successfully resolved. In an effort to manage and mitigate this risk exposure, the Company has developed a risk management and contingency plan for its critical operations.

In addition to the Company's remediation strategy, a new enterprise-wide management information system has been purchased as a replacement for the core financial and operational systems. The project began during the third quarter of fiscal 1999 and has an estimated duration of nine months. The scope of this project has been maintained separately and independent of the Year 2000 efforts. Ifthe existing remediation strategy fails, this project could be escalated to mitigate any material business disruptions.

While the Company believes its efforts are adequate to address its Year 2000 issues, there can be no guarantee that all Year 2000 issues will be anticipated and corrected and that the systems of other companies on which the Company's systems and operations rely will be converted on a timely basis; failure of all significant Year 2000 issues to be corrected could have a material adverse effect on the Company.

Certain Factors Influencing Results and Accuracy
of Forward-Looking Statements

This Quarterly Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933. Discussions containing such forward-looking statements may be found in the material set forth under "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as within the Quarterly Report generally. In addition, when used in this Quarterly Report, the words "believes", "anticipates", "expects", likelihood and similar expressions are intended to identify forward-looking statements.

In the normal course of its business, the Company, in an effort to help keep it stockholders and the public informed about the Company's operations, may from time to time issue certain statements, either in writing or orally, that contain or may contain forward-looking information. Generally, these statements relate to business plans or strategies, projected or anticipated benefits or other consequences of such plans or strategies, or projections involving anticipated revenues, earnings or other aspects of operating results. Such forward-looking statements are subject to a number of risks and uncertainties. These uncertainties include but may not be limited to competitive response to the Company's plans, environmental regulations, potential liability due to the risks associated with using heavy equipment and exposure to construction hazards, low energy prices, recession, consolidation and mergers in the customer base, postponement, reduction, or cancellation of maintenance and capital budgets by customers, availability of skilled craftsmen and field foremen, and a reduction in the number of contractors serving our customer base. As noted elsewhere in this Quarterly Report and the Annual Report (10K) for the year ended May 31, 1998, all phases of the Company's operations are subject to a number of uncertainties, risks and other influences, many of which are beyond the control of the Company, and any one of which, or a combination of which, could materially affect the results of the Company's operations and whether forward-looking statements made by the Company ultimately prove to be accurate.

Fluctuations in Quarterly Results. The operating results of hydrocarbon process services 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. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company."

PART II

OTHER INFORMATION

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

A. Exhibit 11 - Computation of Earnings Per Share.

B. Exhibit 27 - Financial Data Schedule.

C. 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: April 8, 1999 By: /s/Michael J. Hall

Michael J. Hall
Vice President-Finance
Chief Financial Officer
signing on behalf of the
registrant and as the
registrant's chief financial officer.

[ARTICLE]	5
[MULTIPLIER]	1,000
[PERIOD-TYPE]	3-MOS
[FISCAL-YEAR-END]	May-31-1999
[PERIOD-START]	Dec-01-1998
[PERIOD-END]	Feb-28-1999
[COMMON]	9,649
[NET-INCOME]	(333)
[EPS-PRIMARY]	(0.03)
[COMMON]	9,649
[NET-INCOME]	(333)
[EPS-DILUTED]	(0.03)
[FISCAL-YEAR-END]	May-31-1998
[PERIOD-START]	Dec-01-1997
[PERIOD-END]	Feb-28-1998
[COMMON]	9,437
[NET-INCOME]	(14,657)
[EPS-PRIMARY]	(1.55)
[COMMON]	9,437
[NET-INCOME]	(14,657)
[EPS-DILUTED]	(1.55)
[PERIOD-TYPE]	9-MOS
[FISCAL-YEAR-END]	May-31-1999
[PERIOD-START]	Jun-01-1998
[PERIOD-END]	Feb-28-1999
[COMMON]	9,607
[NET-INCOME]	1,527
[EPS-PRIMARY]	0.16
[COMMON]	10,182
[NET-INCOME]	1,527
[EPS-DILUTED]	0.15
[FISCAL-YEAR-END]	May-31-1998
[PERIOD-START]	Jun-01-1997
[PERIOD-END]	Feb-28-1998
[COMMON]	9,413
[NET-INCOME]	(12,935)
[EPS-PRIMARY]	(1.37)
[COMMON]	9,413
[NET-INCOME]	(12,935)
[EPS-DILUTED]	(1.37)

5
1,000

9-MOS
May-31-1999
Feb-28-1999
5,633
0
32,936
0
5,336
58,856
52,736
24,257
100,522
23,725
0
96
0
0
65,710
100,522
153,076
153,076
140,008
140,008
10,346
0
(814)
2,255
728
1,527
0
0
0
1,527
0.16
0.15