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, 1997

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 14, 1997, there were 9,491,153 shares of the Company's common stock, $.01 par value per share, issued and 9,362,526 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 (unaudited)		Nine Months Ended (unaudited)	
	February 28, 1997	February 29, 1996	February 28, 1997	February 29, 1996
[MULTIPLIER]	1,000			
Revenues	$42,305	$39,951	$130,147	$131,375
Cost of revenues	38,224	35,965	117,463	118,743
Gross profit	4,081	3,986	12,684	12,632
Selling, general and administrative expenses	2,765	2,715	7,943	8,013
Goodwill and noncompete amortization	216	279	648	836
Operating income	1,100	992	4,093	3,783

Other income (expense):				
Interest income	67	49	124	100
Interest expense	(136)	(207)	(365)	(651)
Other	28	11	95	40
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Income before income tax expense	1,059	845	3,947	3,272
Provision for federal and state income tax expense	415	388	1,717	1,594
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Net income	$644	$457	$2,230	$1,678
Net income per common and common equivalent shares:				
Primary	$0.07	$0.05	$0.23	$0.18
Fully diluted	$0.07	$0.05	$0.23	$0.18
Weighted average common and common equivalent shares outstanding:				
Primary	9,671,196	9,441,659	9,604,982	9,432,087
Fully diluted	9,778,442	9,458,758	9,782,174	9,455,043

See Notes to Condensed Consolidated Financial Statements

[MULTIPLIER] 1,000

Matrix Service Company
Condensed Consolidated Balance Sheets
(in thousands)

	February 28, 1997	May 31, 1996
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	(unaudited)	
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 1,091	$ 1,899
Accounts receivable	25,816	29,205
Costs and estimated earnings in excess of billings on uncompleted contracts	14,322	12,122
Inventories	4,879	4,149
Prepaid expenses	274	179
Deferred tax asset	995	995
Income tax receivable	274	609
	--------	--------
Total current assets	47,651	49,158
Investment in undistributed equity of a foreign joint venture	374	374
Property, plant and equipment:		
Land and buildings	14,467	14,528
Construction equipment	23,936	23,414
Transportation equipment	5,383	4,990
Furniture and fixtures	2,945	2,806

Construction in progress	2,660	189
	49,391	45,927
Less accumulated depreciation	19,830	17,065
Net property, plant and equipment	29,561	28,862
Goodwill, net of accumulated amortization	26,516	27,033
Other assets	279	330
Total assets	$104,381	$105,757

See Notes to Condensed Consolidated Financial Statements

[MULTIPLIER] 1,000

Matrix Service Company
Condensed Consolidated Balance Sheets
(in thousands)

	February 28, 1997 (unaudited)	May 31, 1996
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	$ 7,212	$ 9,026
Billings on uncompleted contracts in excess of costs and estimated earnings	5,388	4,353
Accrued expenses	5,643	7,780
Current portion of long-term debt	1,618	1,629
Total current liabilities	19,861	22,788
Long-term debt:		
Bank credit agreement	2,500	2,000
Acquisition payable	-	397
Term note	1,633	2,450
Total long-term debt	4,133	4,847
Deferred income taxes	5,041	5,088
Stockholders' equity:		
Common stock	95	95
Capital in excess of par value	50,927	50,927
Retained earnings	25,724	23,617
Total capital and retained earnings	76,746	74,639
Less:		
Treasury shares, at cost	1,274	1,498
Cumulative translation adjustment	126	107
Total stockholders' equity	75,346	73,034

Total liabilities and stockholders' equity	$104,381	$105,757
	========	========

See Notes to Condensed Consolidated Financial Statements

[MULTIPLIER] 1,000

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

	Nine Months Ended (unaudited)	
	February 28, 1997	February 29, 1996
Operating activities:		
Net income	$2,230	$1,678
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,062	4,375
Changes in current assets and liabilities increasing (decreasing) cash:		
Accounts receivable	3,389	464
Costs and estimated earnings in excess of billings on uncompleted contracts	(2,200)	(2,528)
Inventories	(730)	489
Prepaid expenses	(95)	(75)
Accounts payable	(1,814)	(2,447)
Billings on uncompleted contracts in excess of costs and estimated earnings	1,035	3,374
Taxes and other accruals	(1,849)	3,118
Other	(25)	(4)
Net cash provided by operating activities	4,003	8,444
Investing activities:		
Capital expenditures	(4,331)	(2,456)
Proceeds from sale of assets	117	55
Acquisition of subsidiary	47	-
Foreign joint venture	-	80
Other, net	(21)	(61)
Net cash used in investing activities	(4,188)	(2,382)

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

	Nine Months Ended (unaudited) February 28, 1997	February 29, 1996
Financing activities:		
Repayment of acquisition payable	($ 397)	($1,277)
Repayment of equipment notes	(10)	-
Issuance under long-term credit agreement	4,500	5,500
Repayments under long-term credit agreement	(4,000)	(7,500)
Repayment of long-term debt	(817)	(817)
Change in treasury stock	101	15
Other, net	-	11
Net cash in financing activities	(623)	(4,068)
Increase (decrease) in cash and cash equivalents	(808)	1,994
Cash and cash equivalents at beginning of period	1,899	1,976
Cash and cash equivalents at end of period	$1,091	$3,970

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 February 28, 1997 Compared to Three Months Ended February 29, 1996

Revenues for the quarter ended February 28, 1997 were $42.3 million as compared to revenues of $40.0 million for the quarter ended February 29, 1996, representing an increase of approximately $2.4 million or 5.9%. The increase is due to increased revenues from work related to refinery maintenance in the Northwest region of the U.S.

Gross profit remained level at $4.1 million for the quarterly period ended February 28, 1997 as compared to the quarterly period ended February 29, l996.

Selling, general and administrative expenses increased to $2.8 million for the quarterly period ended February 28, 1997 from expenses of $2.7 million for the quarterly period ending February 29, 1996, an increase of $50 thousand or approximately 1.8% and representing as a percentage of revenues, a decrease to 6.5% for the 1997 period from 6.8% for the 1996 period. The increase in expenses was due principally to annual escalation of certain expenses, such as salaries, offset by reduction in office expenses due to cost saving programs.

Operating income increased to $1.1 million for the quarterly period ended February 28, 1997 from $992 thousand for the quarterly period ended February 29, 1996, or an improvement of $108 thousand. The increase was due to an increase in gross profit and a reduction in amortization expense during the 1997 period as compared to the 1996 period.

Interest expense decreased to $136 thousand for the quarterly period ending February 28, 1997 from $207 thousand for the quarterly period ended February 29, 1996. The decrease resulted primarily from decreased borrowing under the Company's bank credit facility and lower amounts of acquisition debt outstanding.

Net income increased to $644 thousand for the quarterly period ended February 28, 1997 from $457 thousand for the quarterly period ended February 29, 1996. The increase was due to increased gross profit, lower amortization expense and lower interest expense for the 1997 period, as compared with the 1996 period.

Nine Months Ended February 28, 1997 Compared With The Nine Months Ended February 29, 1996

Revenues for the nine months ended February 28, 1997 were $130.1 million as compared to revenues of $131.4 million for the nine months ended February 29, 1996, representing a decrease of approximately $1.3 million or 1.0%. The decrease was primarily due to lower revenues during the second quarter from the Company's tank maintenance operations as compared with the same period of the prior year. This decrease resulted primarily from a shortage of work available on the West Coast.

Gross profit remained level at $12.7 million for the nine months ended February 28, 1997 as compared with the nine months ended February 29, 1996. Gross margins in some markets have improved; however, the Company continues to experience some pricing pressure from refinery maintenance.

Selling, general and administrative expenses decreased to $7.9 million for the nine months ended February 28, 1997 from expenses of $8.0 million for the nine months ended February 29, 1996, a decrease of $70 thousand or approximately 0.9% and remaining at 6.1% of revenues for nine months ending February 28, 1997 as compared to the nine months ending February 29, 1996. The decrease in expenses was a result of improved cost controls.

Operating income increased to $4.1 million for the nine months ended February 28, 1997 from income of $3.8 million for the nine months ended February 29, 1996 an increase of $310 thousand or approximately 8.2%. The increase was due to lower selling, general and administrative expenses and lower amortization expense during the 1997 period as compared to the 1996 period.

Interest expense decreased to $365 thousand for the nine month period ending February 28, 1997 from $651 thousand of interest expense for the nine month period ended February 29, 1996. The decrease resulted primarily from decreased borrowing and lower average outstanding balances under the Company's credit facility during the nine month period of 1997 as compared with the 1996 period. Under this facility a $4.9 million term loan was made to the Company on October 5, 1994, and the balance outstanding at February 28, 1997 is $2.7 million.

Net income increased to $2.2 million for the 1997 period from net income of $1.7 million for the 1996 period. The increase in net income for the current period is due to lower interest, selling, general and administrative, and amortization expense as compared to the 1996 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 February 29, 1997, the interest rate was 7.75% and the outstanding advances under the revolver totaled $2.5 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 February 29, 1996, the interest rate on the term loan was 8.25%, and the outstanding balance was $2.7 million.

Operations of the Company provided $4.0 million of cash for the nine months ended February 28, 1997 as compared with providing cash from operations of $8.4 million for the nine months ended February 29, 1996, representing a decrease of approximately $4.4 million. The decrease was primarily the result of an increase in inventory of $1.2 million, and a decrease of $5.0 million in taxes and other accruals offset by a net increase of $2.6 million in billings on uncompleted contracts in excess of costs and estimated earnings and an increase of $1.2 million in inventory.

Capital expenditures during the nine month period ended February 28, 1997 totaled approximately $4.3 million. Of this amount approximately $1.4 million was used to purchase welding and construction equipment for field operations. The Company has invested approximately $950 thousand in transportation equipment to be used to support field operations. The Company has expended $1.4 million for a new facility in the northwest. This facility is expected to be completed in June of 1997. In addition, the Company has currently budgeted approximately $1.5 million for additional capital expenditures primarily to be used to purchase construction equipment during the remainder of fiscal year 1997. The Company expects to be able to finance any 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 1998 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
Exhibit 27 - Financial Data Schedule

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: April 14, 1997

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.

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[ARTICLE]                    5
[MULTIPLIER]                 1,000


[PERIOD-TYPE]                3-MOS
[FISCAL-YEAR-END]            May-31-1997
[PERIOD-START]               Dec-01-1996
[PERIOD-END]                 Feb-28-1997
[COMMON]                           9,671
[NET-INCOME]                         644
[EPS-PRIMARY]                       0.07
[COMMON]                           9,778
[NET-INCOME]                         644
[EPS-DILUTED]                       0.07
[FISCAL-YEAR-END]            May-31-1996
[PERIOD-START]               Dec-01-1995
[PERIOD-END]                 Feb-29-1996
[COMMON]                           9,442
[NET-INCOME]                         457
[EPS-PRIMARY]                       0.05
[COMMON]                           9,459
[NET-INCOME]                         457
[EPS-DILUTED]                       0.05
[PERIOD-TYPE]                9-MOS
[FISCAL-YEAR-END]            May-31-1997
[PERIOD-START]               Jun-01-1996
[PERIOD-END]                 Feb-28-1997
[COMMON]                           9,605
[NET-INCOME]                       2,230
[EPS-PRIMARY]                       0.23
[COMMON]                           9,782
[NET-INCOME]                       2,230
[EPS-DILUTED]                       0.23
[FISCAL-YEAR-END]            May-31-1996
[PERIOD-START]               Jun-01-1995
[PERIOD-END]                 Feb-29-1996
[COMMON]                           9,432
[NET-INCOME]                       1,678
[EPS-PRIMARY]                       0.18
[COMMON]                           9,455
[NET-INCOME]                       1,678
[EPS-DILUTED]                       0.18
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1,000

9-MOS
May-31-1997
Feb-28-1997
1,091
0
25,816
0
4,879
47,651
49,391
19,830
104,381
19,861
0
95
0
0
75,251
104,381
130,147
130,147
117,463
117,463
8,591
0
365
3,947
1,717
0
0
0
0
2,230
0.23
0.23