



Matrix Service Reports Record Net Income and Fully Diluted Per Share in the Second Quarter Ended November 30, 2008

Company Provides Update of Fiscal 2009 Earnings Guidance

Second Quarter Fiscal 2009 Highlights:

- **Gross margins were 14.9%;**
- **Operating income was \$14.6 million;**
- **Backlog at November 30, 2008 was \$454.0 million.**

Six Month Fiscal 2009 Highlights:

- **Revenues were \$363.6 million;**
- **Gross margins improved to 14.6%; and**
- **Fully diluted EPS was \$0.74 per share.**

TULSA, OK – January 8, 2009 – Matrix Service Co. (Nasdaq: MTRX), a leading industrial services company, today reported its financial results for the second quarter ended November 30, 2008.

Second Quarter of Fiscal 2009 Results

Total revenues for the second quarter were \$176.9 million compared to the \$194.7 million recorded in the second quarter of fiscal 2008. Net income for the second quarter of fiscal 2009 was \$10.1 million, or \$0.38 per fully diluted share, a \$9.9 million increase over prior year second quarter net income of \$0.2 million, or \$0.01 per fully diluted share. The prior year second quarter results included a pre-tax charge of \$16.0 million for cost overruns on a liquefied natural gas (LNG) construction project in the Gulf Coast Region.

Michael J. Bradley, chief executive officer stated, "I am pleased to report that Matrix Service continued its solid operating performance in the second quarter of fiscal 2009. This performance on a sequential basis demonstrates the successful execution of our project backlog and our long-term business strategy. In connection with our long-term business strategy, we recently completed the acquisition of engineering and construction assets and technology from CB&I. We welcome the new employees from this acquisition to Matrix Service and expect this transaction to strengthen our service offerings in key markets."

Construction Services revenues were \$100.1 million, down 13.9% from \$116.2 million in the same period a year earlier. The \$16.1 million decrease was a result of lower Aboveground Storage Tank (AST) revenues, which decreased 22.8% to \$45.0 million in fiscal 2009 from \$58.3 million a year earlier and lower Specialty revenues, which decreased \$8.9 million to \$4.3 million in fiscal 2009 from \$13.2 million a year earlier, partially offset by higher revenues in Downstream Petroleum, which increased 6.6% to \$42.1 million in fiscal 2009 from \$39.5 million a year earlier and higher Electrical and Instrumentation (E&I) revenues, which improved \$3.5 million. Construction Services' gross margins improved to 12.7% from (1.6)% due primarily to the \$16.0 million charge taken on the LNG project in the second quarter of fiscal 2008.

Revenues for the Repair and Maintenance Services segment were \$76.8 million compared to \$78.5 million a year earlier. The change was due to lower Downstream Petroleum revenues, which decreased \$8.6 million to \$21.2 million in fiscal 2009 from \$29.8 million a year earlier. Largely offsetting this decline was higher AST revenues, which increased 15.3% to \$51.3 million in fiscal 2009 from \$44.5 million in the prior fiscal year. Gross margins in the second quarter of fiscal 2009 for this segment were 17.7% as compared to 16.7% earned in the second quarter of fiscal 2008.

Consolidated SG&A expenses were \$11.8 million in both the second quarter of fiscal 2009 and the second quarter of fiscal 2008. SG&A expense as a percentage of revenue increased to 6.7% in the second quarter of fiscal 2009 compared to 6.1% in the second quarter of fiscal 2008 due to the 9.1% decline in revenues.

EBITDA(1) increased to \$17.2 million, from \$1.5 million in the same period last year. Gross margins on a consolidated basis for the current quarter increased to 14.9% from 5.8% in the same quarter a year ago as gross margins in both segments improved.

Consolidated backlog at November 30, 2008 was \$454.0 million as compared to \$458.8 million at the end of the first fiscal quarter. The November 30, 2008 backlog does not include the \$38 million contract award that was announced separately today as the award occurred in the third quarter.

Six Month Fiscal 2009 Results

Net income for the six month period was \$19.6 million, or \$0.74 per fully diluted share, compared to \$6.5 million, or \$0.24 per fully diluted share, in the comparable period last year. The prior year results for the six month period ended November 30, 2007 included pre-tax charges of \$17.5 million for cost overruns on an LNG construction project in the Gulf Coast Region.

For the six months ended November 30, 2008, consolidated revenues increased 2.1% to \$363.6 million from \$356.1 million in the year-earlier period.

Construction Services revenues were \$214.9 million for the six month period ended November 30, 2008 compared with \$215.1 million in the year earlier period. Included in the \$0.2 million decline were lower Specialty revenues, which decreased \$23.7 million as the construction of the tanks on a Gulf Coast LNG project was completed in the fourth quarter of fiscal 2008. Largely offsetting this decline were higher revenues in Downstream Petroleum, which increased \$13.5 million to \$86.5 million in fiscal 2009 from \$73.0 million a year earlier, higher E&I revenues, which improved \$6.9 million to \$14.3 million in fiscal 2009 from \$7.4 million a year earlier, and higher AST revenues, which increased \$3.1 million to \$100.9 million in fiscal 2009 from \$97.8 million a year earlier. Construction Services' gross margins improved to 12.9% from 3.2% due primarily to \$17.5 million in pre-tax charges on the LNG project in the six month period ended November 30, 2007.

Revenues for the Repair and Maintenance Services segment increased \$7.7 million, or 5.5%, to \$148.7 million, for the six month period ended November 30, 2008 from \$141.0 million for the same period of fiscal 2008. The improvement was due to higher AST revenues, which increased 15.3% to \$99.2 million in fiscal 2009 from \$86.0 million in the prior fiscal year. This increase was partially offset by lower Downstream Petroleum revenues, which decreased 10.4% to \$42.4 million in fiscal 2009 from \$47.3 million a year earlier and lower E&I revenues, which decreased \$0.6 million to \$7.0 million in fiscal 2009 from \$7.6 million a year earlier. Gross margins in fiscal 2009 for the segment were 17.0% as compared to 16.5% earned in the year earlier period.

Consolidated SG&A expenses increased \$3.9 million in fiscal 2009 to \$23.8 million from \$19.9 million for fiscal 2008. The increase was primarily due to costs relating to our expansion into Western Canada and the Gulf Coast Region and higher employee related and facility costs incurred to build the infrastructure and sales force necessary to support our long-term growth plan. SG&A expense as a percentage of revenue increased to 6.6% in fiscal 2009 compared to 5.6% in fiscal 2008.

EBITDA(1) increased to \$35.0 million, from \$14.1 million in the same period last year. Gross margins on a consolidated basis increased to 14.6% from 8.5% reported a year earlier ago as gross margins in both segments improved.

Mr. Bradley added, "In these challenging economic times, we are focused now, more than ever, on continuing with our long-term strategies to grow and diversify our business while producing quality earnings. We have invested in our infrastructure to ensure we are positioned to execute on this strategy and develop additional business opportunities. As a result, we have been able to maintain backlog and continue to see opportunity for long-term future growth. Our bid flow remains very strong and we are currently tracking more than \$2 billion of projects."

Mr. Bradley continued, "As evident in the economy, we experienced a slow down toward the end of the year with anticipated capital awards and maintenance pushed into calendar 2009. Furthermore, there has been a lack of guidance from some of our customers on their capital and maintenance plans as they assess the impact of the economic turmoil on their businesses. Despite these issues and the limited visibility, we expect to achieve earnings around the lower end of our previously stated EPS guidance. Given the expected slowdown in capital spending and lower material costs, we are forecasting fiscal 2009 revenues 10% to 15% below our previous guidance. Our SG&A costs incurred during the first six months of fiscal 2009 included some costs which will not recur. While we remain committed to growing and diversifying our business, we have taken steps to reduce other costs and expect SG&A in the range of 6.0% to 6.5% of revenues. While we are also decreasing our expected capital spending for fiscal 2009 from \$25 million to \$13 million, the reduction will not impact our business strategy going forward. We are actively managing our liquidity to maintain our strong financial position and to be opportunistic in this economic environment."

Conference Call Details

In conjunction with the press release, Matrix Service will host a conference call with Michael J. Bradley, president and CEO, and Thomas E. Long, vice president and CFO. The call will take place at 11:00 a.m. (Eastern) / 10:00 a.m. (Central) today and will be simultaneously broadcast live over the Internet at www.matrixservice.com or www.vcall.com. Please allow extra time prior to the call to visit the site and download the streaming media software required to listen to the Internet broadcast. The online archive of the broadcast will be available within one hour of completion of the live call.

(1) The Company believes that EBITDA (earnings before net interest, income taxes, depreciation and amortization) is used by the financial community as a method of measuring the Company's performance and of evaluating the market value of companies considered to be in similar businesses. EBITDA should not be considered as an alternative to net income or cash provided by operating activities, as defined by accounting principles generally accepted in the United States ("GAAP"). A reconciliation of EBITDA to net income is included at the end of this release.

About Matrix Service Company

Matrix Service Company provides general industrial construction and repair and maintenance services principally to the

petroleum, petrochemical, power, bulk storage terminal, pipeline and industrial gas industries.

The Company is headquartered in Tulsa, Oklahoma, with regional operating facilities located in Oklahoma, Texas, California, Michigan, Pennsylvania, Illinois, Washington, and Delaware in the U.S. and in Canada.

This release contains forward-looking statements that are made in reliance upon the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are generally accompanied by words such as "anticipate," "continues," "expect," "forecast," "outlook," "believe," "estimate," "should" and "will" and words of similar effect that convey future meaning, concerning the Company's operations, economic performance and management's best judgment as to what may occur in the future. Future events involve risks and uncertainties that may cause actual results to differ materially from those we currently anticipate. The actual results for the current and future periods and other corporate developments will depend upon a number of economic, competitive and other influences, including those factors discussed in the "Risk Factors" and "Forward Looking Statements" sections and elsewhere in the Company's reports and filings made from time to time with the Securities and Exchange Commission. Many of these risks and uncertainties are beyond the control of the Company, and any one of which, or a combination of which, could materially and adversely affect the results of the Company's operations and its

For more information, please contact:

Matrix Service Company
Tom Long, Vice President Finance and CFO
T: +1-918-838-8822
E: telong@matrixservice.com

Investors and Financial Media:
Trúc Nguyen, Managing Director
Grayling Global
T: +1-646-284-9418
E: tnguyen@hfgcg.com