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

FORM 10-Q

(Mark One)

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

For the quarterly period ended August 31, 2000

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 number 0-l87l6

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

DELAWARE	73-1352l74
(State of incorporation)	(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 l934 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 9, 2000, there were 9,642,638 shares of the Company's common stock, $.0l par value per share, issued and 8,618,766 shares outstanding.

INDEX

PART I

FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

	Three Months Ended August 31, (unaudited)	
	2000	1999
Revenues	$ 37,862	$ 47,507
Cost of revenues	34,042	41,741
Gross profit	3,820	5,766
Selling, general and administrative expenses	3,656	3,544
Goodwill and non-compete amortization	90	88
Operating income	74	2,134
Other income (expense):		
Interest expense	(64)	(111)
Interest income	54	21
Other	(52)	(39)
Income before income tax expense	12	2,005
Provision for federal, state and foreign income tax expense	4	-
Net income	$ 8	$ 2,005
Earnings per share of common stock:		
Basic	$0.00	$0.22
Diluted	$0.00	$0.22
Weighted average number of common shares:		
Basic	8,668,941	8,945,587
Diluted	8,776,433	9,025,249

See Notes to Consolidated Financial Statements

Matrix Service Company
Consolidated Balance Sheets
(in thousands)

	August 31, 2000	May 31, 2000
	(unaudited)	
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 184	$ 1,806
Accounts receivable, less allowances (August 31 - $75, May 31 - $150)	22,376	24,188
Costs and estimated earnings in excess of billings on uncompleted contracts	13,487	11,029
Inventories	2,909	3,049
Income tax receivable	187	146
Prepaid expenses	2,494	2,559
Total current assets	41,637	42,777
Investment in Joint Venture	366	279
Property, plant and equipment at cost:		
Land and buildings	10,033	9,992
Construction equipment	18,462	17,892
Transportation equipment	7,294	7,220
Furniture and fixtures	4,533	4,399
Construction in progress	1,859	1,995
	42,181	41,498
Less accumulated depreciation	21,125	20,211
Net property, plant and equipment	21,056	21,287
Goodwill, net of accumulated amortization (August 31 - $2,186, May 31 - $2,092)	11,604	11,660
Other assets	2,295	2,303
Total assets	$ 76,958	$ 78,306

See Notes to Consolidated Financial Statements

Matrix Service Company
Consolidated Balance Sheets
(in thousands)

	August 31, 2000 (unaudited)	May 31, 2000
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	$ 4,311	$ 8,759
Billings on uncompleted contracts in excess of costs and estimated earnings	10,578	5,138
Accrued insurance	2,732	3,112
Accrued environmental reserves	318	432
Earnout payable	968	968
Income tax payable	275	412
Other accrued expenses	2,483	4,560
Current portion of long-term debt	-	22
Total current liabilities	21,665	23,403
Long-term debt	836	-
Stockholders' equity:		
Common stock	96	96
Additional paid-in capital	51,596	51,596
Retained earnings	7,786	7,785
Accumulated other comprehensive income	(635)	(693)
	58,843	58,784
Less: Treasury stock, at cost	(4,386)	(3,881)
Total stockholders' equity	54,457	54,903
Total liabilities and stockholders' equity	$ 76,958	$ 78,306

See Notes to Consolidated Financial Statements

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

	Three Months Ended August 31, (unaudited)	
	2000	1999
Cash flow from operating activities:		
Net income	$ 8	$ 2,005
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,125	1,080
(Gain) loss on sale of equipment	(28)	2
Changes in current assets and liabilities increasing (decreasing) cash:		
Accounts receivable	1,812	6,383
Costs and estimated earnings in excess of billings on uncompleted contracts	(2,458)	(750)
Inventories	140	966
Prepaid expenses	65	(1,973)
Accounts payable	(4,448)	(6,435)
Billings on uncompleted contracts in excess of costs and estimated earnings	5,440	632
Accrued expenses	(2,571)	(2,621)
Income taxes receivable/payable	(178)	(6)
Other	8	3
Net cash used by operating activities	(1,085)	(714)
Cash flow from investing activities:		
Capital expenditures	(802)	(1,576)
Investment in Joint Venture	(87)	-
Proceeds from other investing activities	34	3
Net cash used in investing activities	$ (855)	$ (1,573)

See Notes to Consolidated Financial Statements

Matrix Service Company
Consolidated Cash Flow Statements
(in thousands)

	Three Months Ended August 31, (unaudited)	
	2000	1999
Cash flows from financing activities:		
Repayment of acquisition payables	$ (16)	$ (16)
Repayment of equipment notes	(5)	(6)
Issuance of long-term debt	7,400	9,950
Repayments of long-term debt	(6,565)	(9,775)
Purchase of treasury stock	(522)	-
Issuance of stock	10	3
Net cash provided in financing activities	302	156
Effect of exchange rate changes on cash	16	(17)
Decrease in cash and cash equivalents	(1,622)	(2,148)
Cash and cash equivalents at beginning of period	1,806	2,972
Cash and cash equivalents at end of period	$ 184	$ 824

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE A - BASIS OF PRESENTATION

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

In March 2000, Matrix 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.

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, 2000, included in Matrix's Annual Report on Form 10-K for the year then ended. Matrix's business is seasonal; therefore, results for any interim period may not necessarily be indicative of future operating results.

NOTE B - SEGMENT INFORMATION

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

Matrix Service Company
1st Quarter Results of Operations
($ Amounts in millions)

	AST Services	Construction Services	Plant Services	Other Services	Combined Total
Three Months ended August 31, 2000					
Gross revenues	31.4	3.7	3.5	0.0	38.6
Less: Inter-segment revenues	(0.7)	0.0	0.0	0.0	(0.7)
Consolidated revenues	30.7	3.7	3.5	0.0	37.9
Gross profit	3.9	0.1	0.0	(0.2)	3.8
Operating income (loss)	1.0	(0.3)	(0.5)	(0.1)	0.1
Income (loss) before income tax expense	1.0	(0.4)	(0.5)	(0.1)	0.0
Net income (loss)	0.7	(0.3)	(0.3)	(0.1)	0.0
Identifiable assets	61.0	3.1	8.9	4.0	77.0
Capital expenditures	0.7	0.0	0.1	0.0	0.8
Depreciation expense	0.9	0.0	0.1	0.0	1.0
Three Months ended August 31, 1999					
Gross revenues	26.5	1.5	8.9	10.9	47.8
Less: Inter-segment revenues	(0.1)	0.0	(0.0)	(0.2)	(0.3)
Consolidated revenues	26.4	1.5	8.9	10.7	47.5
Gross profit	4.5	(0.1)	0.9	0.5	5.8
Operating income (loss)	2.3	(0.5)	0.4	(0.1)	2.1
Income (loss) before income tax expense	2.2	(0.5)	0.4	(0.1)	2.0
Net income (loss)	2.2	(0.5)	0.4	(0.1)	2.0
Identifiable assets	51.5	5.2	4.9	19.9	81.5
Capital expenditures	1.1	0.2	0.3	0.0	1.6
Depreciation expense	0.7	0.1	0.1	0.1	1.0

NOTE C - REPORTING ACCUMULATED OTHER COMPREHENSIVE INCOME/LOSS

For the quarter ended August 31, 2000, total comprehensive income was $58 thousand as compared to a total comprehensive loss of $44 thousand for the same three month period ended August 31, 1999. Other comprehensive income or loss and accumulated other comprehensive loss consisted of foreign currency translation adjustments.

NOTE D - INCOME TAXES

For the quarter ended August 31, 1999, a provision for income taxes was offset by the benefit of operating loss carryforwards for which a valuation allowance was provided at May 31, 1999 as required under Statement of Financial Accounting Standards No 109.

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

Forward Looking Statements

Certain matters discussed in this report include forward-looking statements. Matrix is making these forward-looking statements in reliance on the "safe harbor" protections provided under the Private Securities Litigation Reform Act of 1995.

Such statements are subject to a number of uncertainties that could cause actual results to differ materially from any results projected, forecasted, estimated, or budgeted, including 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 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.
- Changes in foreign economies, currencies, laws, and regulations, especially in Canada and Venezuela where Matrix has made direct investments.
- Political developments in foreign countries, especially in Canada and Venezuela 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.
- 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.

Results of Operations

AST Services 2000 vs. 1999

Revenues for AST Services in the quarter ended August 31, 2000 were $31.4 million, increasing $4.9 million or 18.5% over the quarter ended August 31, 1999. Gross margin for the quarter ended August 31, 2000 of 12.4% was worse than the 17.0% produced for the quarter ended August 31, 1999 primarily the result of less than satisfactory execution on a number of large maintenance jobs. The mix of work was also less favorable for the quarter ended August 31, 2000 than the comparable quarter last year as more low margin new tank construction projects were started. These margin declines offset by the increased sales volumes resulted in gross profit for the quarter ended August 31, 2000 of $3.9 million, $0.6 million less than the $4.5 million in the quarter ended August 31, 1999.

Total selling, general and administrative costs for the entire Company were relatively flat at $3.7 million and $3.6 million for the three months ended August 31, 2000 and 1999, respectively. As a significant portion of these costs are allocated to the segments primarily based upon revenues, the AST Services segment absorbed the largest share of these costs ($2.9 million for the quarter ended August 31, 2000 versus $2.1 million for the quarter ended August 31, 1999), as revenues decreased in the Plant and Other Services segments.

Operating income and income before income tax expense for the quarter ended August 31, 2000 of $1.0 million and $1.0 million respectively, were worse than the $2.3 million and $2.2 million respectively produced in the quarter ended August 31, 1999, primarily the result of the declining gross profit and the increase in selling, general and administrative expenses discussed above. No tax expense was recognized in the quarter ended August 31, 1999 as discussed in Note D - Income Taxes.

Construction Services 2000 vs. 1999

Revenues for Construction Services in the quarter ended August 31, 2000 were $3.7 million, compared to $1.5 million in the comparable quarter of the prior year, an increase of $2.2 million or 146.7%. Gross margin for the quarter ended August 31, 2000 of 2.7% was also significantly better than the (6.7%) produced for the quarter ended August 31, 1999 as a direct result the increased volume of work. These margin improvements along with the increased sales volumes resulted in gross profit for the quarter ended August 31, 2000 of $0.1 million, $0.2 million more than the ($0.1) million in the quarter ended August 31, 1999.

Other expenses included a charge of $0.2 million as a direct result of cost overruns on a joint venture. Although the project is now almost complete, significant claims for change orders remain unresolved which if not successful could have an adverse impact on this segment in a future period. In addition, the parent of the joint venture partner is in bankruptcy, which may further adversely affect Matrix's interest in the joint venture if such change orders are not successfully resolved.

Operating loss and loss before income tax expense for the quarter ended August 31, 2000 of ($0.3) million and ($0.4) million respectively, were better than the ($0.5) million and ($0.5) million respectively, produced in the quarter ended August 31, 1999, primarily the result of higher gross margins discussed above offset somewhat by less than satisfactory performance at the joint venture. Project volume is still below a level to fully cover the fixed cost structure in place for Construction Services. No tax expense is recognized in the quarter ended August 31, 1999 as discussed in Note D - Income Taxes.

Plant Services 2000 vs. 1999

Revenues for Plant Services for the quarter ended August 31, 2000 were significantly lower at $3.5 million, decreasing $5.4 million or 60.7% over the $8.9 million in revenues for the quarter ended August 31, 1999. The revenue decline was the result of fewer turnarounds and maintenance work this year versus last year. Gross margin for the quarter ended August 31, 2000 of 0.0% was worse than the 10.1% produced for the quarter ended August 31, 1999 as a direct result of the low volume of work performed, as no major turnaround work was completed this year compared to approximately $4.6 million of turnaround work completed during the first quarter last year. These decreased sales volumes and lower margins resulted in gross profit for the quarter ended August 31, 2000 of $0.0 million, $0.9 million less than the $0.9 million in the quarter ended August 31, 1999.

Operating loss and loss before income tax expense for the quarter ended August 31, 2000 of ($0.5) million and ($0.5) million respectively, was worse than the $0.4 million and $0.4 million respectively, produced in the quarter ended August 31, 1999, primarily the result of the lower sales volumes discussed above. No tax expense is recognized in the quarter ended August 31, 1999 as discussed in Note D - Income Taxes.

Other Services 2000 vs. 1999

Other Services consists of Brown Steel Contractors, Inc. ("Brown") (which was sold in August 1999) and San Luis Tank Piping Construction Company, Inc. (which was shut down in April 2000). Activity for the quarter ended August 31, 2000 was not significant. The only activity for the quarter ended August 31, 1999 consisted of completing open contracts, which had been appropriately recorded in prior periods.

Financial Condition & Liquidity

Matrix's cash and cash equivalents totaled approximately $0.2 million at August 31, 2000 and $1.8 million at May 31, 2000.

Matrix has financed its operations recently with cash generated by operations and advances under a credit agreement. Matrix has a 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 Matrix's eligible receivables, which would have provided $12.3 million of availability on August 31, 2000. Revolving loans bear interest at a Prime Rate or a LIBOR based option, and mature on October 31, 2002. At August 31, 2000, $0.8 million was outstanding under the revolver at an interest rate of 8.4%. 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.

Operations of Matrix used $1.1 million of cash for the quarter ended August 31, 2000 as compared with $0.7 million of cash for the quarter ended August 31, 1999, representing a increase of approximately $0.4 million. The increase was due primarily to lower net income.

Capital expenditures during the quarter ended August 31, 2000 totaled approximately $0.8 million. Of this amount, approximately $0.2 million was used to purchase transportation equipment for field operations, and approximately $0.3 million was used to purchase welding, construction, and fabrication equipment. Matrix has invested approximately $0.3 million in buildings, office equipment, computer hardware and software, furniture and fixtures during the quarter. Matrix has budgeted approximately $6.5 million for capital expenditures for fiscal 2001. Of this amount, approximately $2.2 million would be used to purchase transportation equipment for field operations, and approximately $3.3 million would be used to purchase welding, construction, and fabrication equipment. A 20,000 square foot, 45-acre facility is planned in Tulsa, Oklahoma in order to consolidate Matrix's four facilities in the Tulsa market now containing fabrication, operations and administration. This consolidation should take 18 to 24 months at an estimated cost of approximately $11.0 million. The cost would be offset by the sale of the existing four facilities for approximately $6.0 million.

Matrix purchased $0.5 million in treasury shares in the quarter ended August 31, 2000, which fully exhausted the authorized amounts available under the Share Buyback Plan approved in March 1999.

Matrix believes that its existing funds, amounts available from borrowings under its existing credit agreement and cash generated by operations will be sufficient to meet the working capital needs through fiscal 2001 and for the foreseeable time thereafter.

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" provisions 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.

Outlook

For the balance of the year, management will continue to evaluate those businesses that are negatively impacting Matrix's operating performance. The current backlog in the Construction Services and Plant Services Divisions suggest that the second quarter will show stronger sales volumes. The strengthening experienced in Matrix's AST Services Division in the latter part of the first quarter should continue as our customers' maintenance budgets are spent during the last four months of the calendar year. It is unclear, however, whether or not these maintenance budgets will be approved at levels comparable, greater, or lower in the upcoming calendar year of 2001. Management believes, however, that its strategic alliances put Matrix in a more favorable position than our competition if budgets are either reduced or increased.

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 VOC's, SVOC's 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. The current estimated total cost for cleanup and remediation is $1.7 million, $0.3 million of which remains accrued at August 31, 2000. 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.

Matrix has other fabrication operations in Tulsa, Oklahoma; Bristol, Pennsylvania; and Anaheim, 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. Matrix is currently involved in one claim which occurred before pollution coverage was obtained. The Company does not believe that its repair work was defective and is not liable for any subsequent environmental damage.

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

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 12, 2000

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 accounting officer.

EXHIBIT 11

Statements Re Computation of Earnings Per Share

[ARTICLE]	5
[MULTIPLIER]	1,000
[PERIOD-TYPE]	3-MOS
[FISCAL-YEAR-END]	MAY-31-2001
[PERIOD-START]	JUN-01-2000
[PERIOD-END]	AUG-31-2000
[COMMON]	8,669
[NET-INCOME]	8
[EPS-BASIC]	0.00
[COMMON]	8,776
[NET-INCOME]	8
[EPS-DILUTED]	0.00
[FISCAL-YEAR-END]	MAY-31-2000
[PERIOD-START]	JUN-01-1999
[PERIOD-END]	AUG-31-1999
[COMMON]	8,946
[NET-INCOME]	2,005
[EPS-BASIC]	0.22
[COMMON]	9,025
[NET-INCOME]	2,005
[EPS-DILUTED]	0.22

5
1,000

3-MOS
MAY-31-2001
AUG-31-2000
184
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22,451
(75)
2,909
41,637
42,181
21,125
76,958
21,665
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0
0
96
54,361
76,958
37,862
37,862
34,042
34,042
3,746
0
(64)
12
4
8
0
0
0
8
0.00
0.00