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 November 30, 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 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 January 13, 1997, there were 9,491,153 shares of the Company's common stock, $.01 par value per share, issued and 9,321,612 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 November 30 (unaudited)		Six Months Ended November 30 (unaudited)	
	1996	1995	1996	1995
[MULTIPLIER]	1,000			
Revenues	$48,212	$48,262	$87,842	$91,423
Cost of revenues	43,574	43,948	79,239	82,788
Gross profit	4,638	4,314	8,603	8,635
Selling, general and administrative expenses	2,719	2,695	5,178	5,286
Goodwill and noncompete amortization	216	279	432	558
Operating income	1,703	1,340	2,993	2,791
Other income (expense):				
Interest income	28	21	57	51

Interest expense	(115)	(229)	(229)	(444)
Other	116	(8)	67	29
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Income before income tax expense	1,732	1,124	2,888	2,427
Provision for federal and state income tax expense	778	454	1,302	1,206
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Net income	$954	$670	$1,586	$1,221
	========	=======	=======	=======
Net income per common and common equivalent shares:				
Primary	$0.10	$0.07	$0.17	$0.13
Fully diluted	$0.10	$0.07	$0.17	$0.13
Weighted average common and common equivalent shares outstanding:				
Primary	9,569,550	9,443,620	9,555,545	9,426,047
Fully diluted	9,569,550	9,443,620	9,562,788	9,438,015

See Notes to Condensed Consolidated Financial Statements

[MULTIPLIER] 1,000

Matrix Service Company
Condensed Consolidated Balance Sheets
(in thousands)

	November 30, 1996	May 31, 1996
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	(unaudited)	
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 398	$ 1,899
Accounts receivable	29,197	29,205
Costs and estimated earnings in excess of billings on uncompleted contracts	15,563	12,122
Inventories	5,001	4,149
Prepaid expenses	268	179
Deferred taxes	995	995
Income tax receivable	338	609
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Total current assets	51,760	49,158
Investment in undistributed equity of a foreign joint venture	374	374
Property, plant and equipment:		
Land and buildings	14,482	14,528
Construction equipment	23,171	23,414
Transportation equipment	5,423	4,990
Furniture and fixtures	2,801	2,806
Construction in progress	2,529	189
	-------	-------
	48,406	45,927

Less accumulated depreciation	19,046	17,065
Net property, plant and equipment	29,360	28,862
Goodwill, net of accumulated amortization	26,711	27,033
Other assets	301	330
Total assets	$108,506	$105,757

See Notes to Condensed Consolidated Financial Statements

[MULTIPLIER] 1,000

Matrix Service Company
Condensed Consolidated Balance Sheets
(in thousands)

	November 30, 1996 (unaudited)	May 31, 1996
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	$ 9,805	$ 9,026
Billings on uncompleted contracts in excess of costs and estimated earning	6,139	4,353
Accrued expenses	6,217	7,780
Current portion of long-term debt	1,618	1,629
Total current liabilities	23,779	22,788
Long-term debt:		
Bank credit agreement	3,000	2,000
Acquisition payable	132	397
Term notes	1,906	2,450
Total long-term debt	5,038	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	25,150	23,617
Total capital and retained earnings	76,172	74,639
Less:		
Treasury stock, at cost	1,427	1,498
Cumulative translation adjustment	97	107
Total stockholders' equity	74,648	73,034
Total liabilities and stockholders' equity	$108,506	$105,757

See Notes to Condensed Consolidated Financial Statements

[MULTIPLIER] 1,000

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

	Six Months Ended November 30 (unaudited) 1996	1995
Cash flow from operating activities:		
Net income	$1,586	$1,221
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,795	2,945
Changes in current assets and liabilities increasing (decreasing) cash:		
Accounts receivable	8	(2,296)
Costs and estimated earnings in excess of billings on uncompleted contracts	(3,441)	(3,013)
Inventories	(852)	311
Prepaid expenses	(89)	(104)
Accounts payable	779	(2,241)
Billings on uncompleted contracts in excess of costs and estimated earnings	1,786	945
Taxes receivable and other accruals	(1,340)	3,775
Other	34	42
Net cash provided by operating activities	1,266	1,585
Cash flow from investing activities:		
Capital expenditures	(3,049)	(1,321)
Acquisition of subsidiary, net of cash acquired	47	(18)
Other, net	36	-
Net cash used in investing activities	(2,966)	(1,339)

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

	Six Months Ended November 30, (unaudited)	
	1996	1995
Cash flows from financing activities:		
Repayment of acquisition payables	(265)	(1,145)
Repayment of equipment notes	(11)	(30)
Issuance under long-term credit agreement	3,000	5,500
Repayments under long-term credit agreement	(2,000)	(2,000)
Repayment of long-term debt	(544)	(544)
Issuance of stock	-	3
Change in treasury stock	19	-
Net cash provided by financing activities	199	1,784
Increase in cash and cash equivalents	(1,501)	2,030
Cash and cash equivalents at beginning of period	1,899	1,976
Cash and cash equivalents at end of period	$ 398	$4,006

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 November 30, 1996 Compared With The Three Months Ended November 30, 1995

Revenues for the quarter ended November 30, 1996 were $ 48.2 million as compared to revenues of $48.3 million for the quarter ended November 30, 1995, representing a small change as compared with the same period in 1995.

Gross profit increased to $ 4.6 million for the quarterly period ended November 30, 1996 from gross profit of $4.3 million for the quarterly period ended November 30, l995, an increase of approximately $324 thousand or 7.5%. Gross profit as a percentage of revenues increased to 9.6% for the 1996 period from 8.9% for the 1995 period. The increase in gross profit percentage for the current period as compared with the prior period is due to some improvement in pricing, and lower operating costs.

Selling, general and administrative expenses remained flat at approximately $2.7 million for the quarterly period ended November 30, 1996 as compared to the quarterly period ended November 30, 1995. Selling, general and administrative expenses as a percentage of revenues remained the same at 5.6%, for the current period as compared to the prior period.

Operating income increased to $1.7 million for the quarterly period ended November 30, 1996 from income of $1.3 million for the quarterly period ended November 30, 1995, an increase of $363 thousand or approximately 27.1%. The increase in operating profit was due to improved gross profit margins and a reduction in amortization expense.

Interest expense decreased to $115 thousand for the quarterly period ended November 30, 1996 from $229 thousand of interest expense for the quarterly period ended November 30, 1995. The decrease resulted primarily from a decreased level of borrowing under the Company's credit facility.

Net income increased to $954 thousand for the quarterly period ended November 30, 1996 from net income of $670 thousand for the quarterly period ended November 30, 1995, an increase of $284 thousand or 42.4%. The increase was due to improved gross profit margin from the Company's established markets, miscellaneous income, that is of a nonrecurring nature, and decreased interest expense for the 1996 period as compared with the 1995 period.

Six Months Ended November 30, 1996 Compared With The Six Months Ended November 30, 1995

Revenues for the six months ended November 30, 1996 were $87.8 million as compared to revenues of $91.4 million for the six months ended November 30, 1995, representing a decrease of approximately $3.6 million or 3.9%. The decrease was due to decreased revenues from the Company's tank maintenance and construction operations in the six month period ended November 30, 1996, as compared with the same period in 1995. This decrease resulted primarily from a shortage of work available in the West Coast area during the current period.

Gross profit decreased slightly to $8.60 million for the six months ended November 30, 1996 from gross profit of $8.63 million for the six months ended November 30, 1995. Gross profit as a percentage of revenues increased slightly to 9.8% for the 1996 period from 9.4% for the 1995 period. The increase in gross profit percentage for the current period as compared with prior period is due to some improvement in pricing and lower operating costs.

Selling, general and administrative expenses remained relatively flat at $5.2 million for the six months ended November 30, 1996 compared to the six months ended November 30, 1995, with a slight decrease of $108 thousand or approximately 2.0%. Selling, general and administrative expenses as a percentage of revenues increased slightly to 5.9% for the current period as compared with 5.8% for the 1995 period. The increase in the selling, general and administrative expenses as a percentage of revenues for the current period as compared to the prior period is due to the lower revenues.

Operating income increased to $3.0 million for the six months ended November 30, 1996 from income of $2.8 million for the six months ended November 30, 1995, an increase of $202 thousand or approximately 7.2%. The increase was due to lower selling, general and administrative expenses and a decrease in amortization of expenses.

Net income increased to $1.6 million in the 1996 period from net income of $1.2 million in 1995. The increase was due to improved gross margin percentage, a lower interest expense, decreased selling, general and administrative expenses and decreased amortization expenses.

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, 1998. At November 30, 1996, the interest rate was 7.75% and the outstanding advances under the revolver totaled $3.0 million. The credit facility also provides for a term loan of 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 November 30, 1996, the interest rate on the term loan was 8.25%, and the outstanding balance was $3.0 million.

Operations of the Company provided $1.3 million of cash for the six months ended November 30, 1996 as compared with providing cash from operations of $1.6 million for the six months ended November 30, 1995, representing a decrease of approximately $319 thousand. The decrease was primarily the result of increased collection of accounts receivable of $2.3 million, an increase of $413 thousand in billings in excess of cost and estimated earnings on uncompleted contracts and an increase of $3.0 million in accounts payable all of which were offset by a $1.2 million increase in inventories and a decrease of $5.1 million from taxes and other accruals.

Capital expenditures during the six month period ended November 30, 1996 totaled approximately $3.0 million. The Company has invested approximately $682 thousand in transportation equipment to be used to support field operations and $882 thousand for land and a building for a new facility in the Pacific Northwest. In addition, approximately $1.3 million was used to purchase welding and construction equipment for field operations. The Company has currently budgeted approximately $2.8 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 4. Submission of Matters to a Vote of Security Holders:

The Company's annual meeting of stockholders was held in Tulsa, Oklahoma at 10:00 a.m. local time, on Tuesday, October 22, 1996. Proxies for the meeting were solicited pursuant to Regulation 14 under the Securities Exchange Act of 1934, as amended. There was no solicitation in opposition to the nominees for election as directors as listed in the proxy statement, and all nominees were elected.

Out of a total of 9,315,972 shares of the Company's common stock outstanding and entitled to vote, 7,870,840 shares were present at the meeting in person or by proxy, representing approximately 84.5 percent. Matters voted upon at the meeting were as follows:

a) Election of six directors to serve on the Company's board of directors. Messrs. Bradley, Curry, Lee, West, Wood and Zink were elected to serve until the 1997 Annual Meeting. The vote tabulation with respect to each nominee was as follows:

Nominee	For	Authority Withheld
Doyl D. West	7,862,551	8,289
C. William Lee	7,862,081	8,759
Hugh E. Bradley	7,848,662	22,178
Robert L. Curry	7,851,962	18,878
William P. Wood	7,854,162	16,678
John S. Zink	7,850,662	20,178

b) There were 7,863,706 shares voted for the ratification of the appointment of Ernst & Young LLP as the Company's independent public accountants, with 3,664 shares voted against, 3,470 abstentions, and zero broker non-votes.

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: January 13, 1997

By: /s/C. William Lee

C. William Lee
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-31-1997
[PERIOD-START]	Sep-01-1996
[PERIOD-END]	Nov-30-1996
[COMMON]	9,570
[NET-INCOME]	954
[EPS-PRIMARY]	0.10
[COMMON]	9,570
[NET-INCOME]	954
[EPS-DILUTED]	0.10
[FISCAL-YEAR-END]	May-31-1996
[PERIOD-START]	Sep-01-1995
[PERIOD-END]	Nov-30-1995
[COMMON]	9,444
[NET-INCOME]	670
[EPS-PRIMARY]	0.07
[COMMON]	9,444
[NET-INCOME]	670
[EPS-DILUTED]	0.07
[PERIOD-TYPE]	6-MOS
[FISCAL-YEAR-END]	May-31-1997
[PERIOD-START]	Jun-01-1996
[PERIOD-END]	Nov-30-1996
[COMMON]	9,556
[NET-INCOME]	1,586
[EPS-PRIMARY]	0.17
[COMMON]	9,563
[NET-INCOME]	1,586
[EPS-DILUTED]	0.17
[FISCAL-YEAR-END]	May-31-1996
[PERIOD-START]	Jun-01-1995
[PERIOD-END]	Nov-30-1995
[COMMON]	9,426
[NET-INCOME]	1,221
[EPS-PRIMARY]	0.13
[COMMON]	9,438
[NET-INCOME]	1,221
[EPS-DILUTED]	0.13

5
1,000
6-MOS
MAY-31-1997
NOV-30-1996
398
0
29,197
0
5,001
51,760
48,406
19,046
108,506
23,779
0
95
0
0
76,077
108,506
87,842
87,842
79,239
79,239
5,610
0
229
2,888
1,302
0
0
0
0
1,586
0.17
0.17