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 29, 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 April 11, 1996, there were 9,491,153 shares of the Company's common stock, $.01 par value per share, issued and 9,309,786 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 29, 1996	February 28, 1995	February 29, 1996	February 28, 1995
[MULTIPLIER]	1,000			
Revenues	$39,951	$34,707	$131,375	$137,766
Cost of revenues	35,965	33,073	118,743	126,388
Gross profit	3,986	1,634	12,632	11,378
Selling, general and administrative expenses	2,715	2,598	8,013	8,280
Goodwill and noncompete amortization	279	294	836	1,148
Operating income	992	(1,258)	3,783	1,950
Other income (expense):				
Loss from equity in operations of foreign				

joint venture	-	(92)	_	(349)
Loss from impairment of investment in foreign joint venture	-	(1,017)	-	(1,017)
Interest income	49	32	100	47
Interest expense	(207)	(345)	(651)	(635)
Other	11	(88)	40	301
Income (loss) before income tax expense	845	(2,768)	3,272	297
Provision for federal and state income tax expense(benefit)	388	(958)	1,594	9
Net income	$457	($1,810)	$1,678	$288
Net income per common and common equivalent shares:				
Primary	$0.05	($0.19)	$0.18	$0.03
Fully diluted	$0.05	($0.19)	$0.18	$0.03
Weighted average common and common equivalent shares outstanding:				
Primary	9,441,659	9,408,484	9,432,087	9,484,401
Fully diluted	9,458,758	9,408,484	9,455,043	9,484,401

See Notes to Condensed Consolidated Financial Statements

[MULTIPLIER] 1,000

Matrix Service Company
Condensed Consolidated Balance Sheets
(in thousands)

	February 29, 1996 (unaudited)	May 31, 1995
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 3,970	$ 1,976
Accounts receivable	26,484	26,948
Costs and estimated earnings in excess of billings on uncompleted contracts	12,110	9,582
Inventories	4,536	5,025
Prepaid expenses	501	426
Deferred tax asset	871	871
Income tax receivable	2,463	3,716
Total current assets	50,935	48,544
Investment in undistributed equity of a foreign joint venture	374	454
Property, plant and equipment at cost:		
Land and buildings	13,408	13,356
Construction equipment	22,365	20,459
Transportation equipment	4,898	4,955
Furniture and fixtures	2,710	2,522
Construction in progress	158	135

	43,539	41,427
Less accumulated depreciation	16,056	12,821
Net property, plant and equipment	27,483	28,606
Goodwill, net of accumulated amortization	26,865	27,437
Other assets	418	688
Total assets	$106,075	$105,729

See Notes to Condensed Consolidated Financial Statements

[MULTIPLIER] 1,000

Matrix Service Company
Condensed Consolidated Balance Sheets
(in thousands)

	February 29, 1996 (unaudited)	May 31, 1995
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	$ 8,325	$ 10,772
Billings on uncompleted contracts in excess of costs and estimated earnings	7,687	4,313
Accrued expenses	6,013	4,148
Current portion of long-term debt	1,643	2,511
Total current liabilities	23,668	21,744
Long-term debt:		
Bank credit agreement	2,000	4,000
Acquisition payable	529	928
Term notes	2,722	3,539
Total long-term debt	5,251	8,467
Deferred income taxes	4,698	4,698
Stockholders' equity:		
Common stock	95	95
Capital in excess of par value	51,188	51,188
Retained earnings	22,985	21,464
Total capital and retained earnings	74,268	72,747
Less:		
Treasury shares, at cost	1,654	1,826
Cumulative translation adjustment	156	101
Total stockholders' equity	72,458	70,820
Total liabilities and stockholders' equity	$106,075	$105,729

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 29, 1996	February 28, 1995
Cash flow from operating activities:		
Net income	$1,678	$ 288
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,375	4,606
Changes in current assets and liabilities increasing (decreasing) cash:		
Accounts receivable	464	(527)
Costs and estimated earnings in excess of billings on uncompleted contracts	(2,528)	1,496
Inventories	489	(1,771)
Prepaid expenses	(75)	114
Accounts payable	(2,447)	339
Billings on uncompleted contracts in excess of costs and estimated earnings	3,374	(2,522)
Taxes and other accruals	3,118	(2,369)
Foreign joint venture	-	1,017
Other	(4)	335
Net cash provided by operating activities	8,444	1,006
Investing activities:		
Capital expenditures	(2,456)	(4,531)
Marketable securities-sold	-	262
Proceeds from sale of assets	55	95
Acquisition of subsidiary, net of cash acquired	-	(789)
Foreign joint venture	80	85
Other, net	(61)	(47)
Net cash used in investing activities	(2,382)	(4,925)

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

	Nine Months Ended (unaudited) February 29, 1996	February 28, 1995
Financing activities:		
Repayment of acquisition payable	($1,277)	($2,223)
Repayment of equipment notes	-	(99)
Issuance under long-term credit agreement	5,500	6,100
Repayments under long-term credit agreement	(7,500)	(4,100)
Issuance of long-term debt	-	4,900
Repayment of long-term debt	(817)	-
Issuance of stock	-	129
Change in treasury stock	15	(294)
Other, net	11	-
Net cash provided by (used) in financing activities	(4,068)	4,413
Increase in cash and cash equivalents	1,994	494
Cash and cash equivalents at beginning of period	1,976	2,948
Cash and cash equivalents at end of period	$3,970	$3,442

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, 1995, 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 - BUSINESS ACQUISITIONS

On June 10, 1993, the Company acquired substantially all of the assets and assumed certain liabilities of Heath Engineering, Ltd. and an affiliated company, Heath Engineering (Tank Maintenance) Ltd. (collectively "Heath"), for $3.3 million. The purchase price consisted of $2.5 million in cash and $782 thousand (1,000 shares) in redeemable preferred stock, of a wholly owned subsidiary of the company. The dividend rate on the preferred is bank prime (currently 6%), and the preferred stock is redeemable at a rate of approximately $39 thousand per quarter, (or 50 shares per quarter) for a 5-year period. The transaction was accounted for as a purchase and created approximately $2.2 million of goodwill and non-compete covenants.

On July 18, 1993, the Company executed a joint venture agreement with Saud Al Shafai and Sons Constructors, a Saudi Arabian Company. The Company invested $653 thousand for a 49% interest in Al Shafai-Midwest Constructors, Ltd. The Al Shafai-Midwest joint venture was established to conduct maintenance services and capital construction projects for the petroleum industry in the Middle East. Adverse changes in economic conditions in Saudi Arabia, have caused a shortage of work available of the nature performed by the joint venture. It is management's opinion that these conditions could last for several years. The venture partners, Saudi Al Shafai and Sons Contractors and the Company, are in the process of liquidating the joint venture. The Company has reduced the carrying value of its investment in this joint venture to the estimated recovery amount upon completion of the liquidation. The Company recorded a loss of $1.4 million for the year ended May 31, 1995 and $200 thousand loss for the year ended May 31, 1994, in conjunction with the joint venture.

On April 4, 1994, the Company acquired all of the outstanding common and special stock of Georgia Steel Fabricators, Inc. and its wholly owned subsidiary Brown Steel Contractors, Inc. (collectively "Brown Steel") for up to $8.0 million, subject to certain adjustments. The purchase price consisted of $3.5 million in cash and 45,452 shares of the Company's common stock valued at $500 thousand. In addition, the stockholders of Brown Steel are entitled to receive in the future up to an additional $4.0 million in cash if Brown Steel satisfies certain earnings requirements. The transaction was accounted for as a purchase.

On August 26, 1994, the Company acquired certain assets of Mayflower Vapor Seal Corporation for $660,000. The purchase price was paid in cash.

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

Results of Operations

Three Months Ended February 29, 1996 Compared With The Three Months Ended February 28, 1995

Revenues for the quarter ending February 29, 1996 were $40.0 million as compared to revenues of $34.7 million for the quarter ended February 28, 1995, representing an increase of approximately $5.3 million or 15%. The increase is due to increased revenues from work related to aboveground storage tanks and the Company's refinery maintenance operations as compared with the same period in 1995. The increased revenue resulted from refinery maintenance in the Northwest region of the U.S. and the increased tank revenues is principally from elevated aboveground storage tanks.

Gross profit increased to $4.0 million for the quarterly period ended February 29, 1996 from gross profit of $1.6 million for the quarterly period ended February 28, 1995, an increase of approximately $2.4 million or 150%. This increase was due in part to greater revenues over which to spread fixed costs and from certain jobs which had improved gross margins for the 1996 period as compared with the 1995 period.

Selling, general and administrative expenses increased to $2.7 million for the quarterly period ended February 29, 1996 from expenses of $2.6 million for the quarterly period ending February 28, 1995, an increase of $117 thousand or approximately 5% and representing as a percentage of revenues, a decrease to 6.8% for the 1996 period from 7.5% for the 1995 period. The increase in expenses was due principally to non-routine expenditures during the period, such as promotional expenses and relocation expenses for employees.

Operating income increased to $992 thousand for the quarterly period ended February 29, 1996 from a loss of ($1.3) million for the quarterly period ended February 28, 1995, or an improvement of $2.3 million. The increase was due to increased revenues and improved gross margins during the 1996 period as compared to the 1995 period.

Due to changes in the economic conditions in Saudi Arabia, there is a shortage of work available of the nature performed by the foreign joint venture Al Shafai-Midwest Constructors, Ltd. It is management's opinion that these conditions could last for several years. Thus, the venture partners, Saud Al Shafai and Sons Contractors and the Company elected to liquidate the joint venture. The Company reduced the carrying value of its investment in this joint venture to the estimated recovery amount upon completion of the liquidation. The liquidation should be completed by July 1996.

Interest expense decreased to $207 thousand for the quarterly period ending February 29, 1996 from $345 thousand for the quarterly period ended February 28, 1995. The decrease resulted primarily from decreased borrowing under the Company's bank credit facility and lower amounts outstanding from acquisition debt.

Net income increased to $457 thousand for the quarterly period ended February 29, 1996 from a net loss of ($1.8) million for the quarterly period ended February 28, 1995. The increase was due to increased revenues, improved gross margins and lower interest expense for the 1996 period, as compared with the 1995 period. Also, the 1995 period was substantially impacted by the discontinuance of operations in Saudi Arabia.

Nine Months Ended February 29, 1996 Compared With The Nine Months Ended February 28, 1995

Revenues for the nine months ended February 29, 1996 were $131.4 million as compared to revenues of $137.8 million for the nine months ended February 28, 1995, representing a decrease of approximately $6.4 million or 5%. The decrease was primarily due to lower revenues during the second quarter from the Company's refinery maintenance operations as compared with the same period of the prior year. This decrease resulted primarily from a shortage of work available in the Midwest Division during the current period.

Gross profit increased to $12.6 million for the nine months ended February 29, 1996 from gross profit of $11.4 million for the nine months ended February 28, 1995, an increase of approximately $1.2 million or 11%. Gross profit as a percentage of revenues increased to 9.6% in the 1996 period from 8.3% for the 1995 period. Gross margins in some markets have improved; however, the Company continues to experience pricing pressure as a result of lower demand for the

Company's products and services in its established markets. Customer inquiry levels for repairs and maintenance and new construction projects have been improving of late. Management believes margins, while improving some, will remain under pressure for the remainder of fiscal 1996.

Selling, general and administrative expenses decreased to $8.0 million for the nine months ended February 29, 1996 from expenses of $8.3 million for the nine months ended February 28, 1995,a decrease of $267 thousand or approximately 3% and representing an increase to 6.1% of revenues for nine months ending February 29, 1996 as compared to 6.0% of revenues for the nine months ending February 28, 1995. The decrease in expenses was due mainly to lower revenues for the 1996 period as compared to the 1995 period.

Operating income increased to $3.8 million for the nine months ended February 29, 1996 from income of $2.0 million for the nine months ended February 28, 1995 an increase of $1.8 million or approximately 90%. The increase was due to improved gross margins and lower selling, general and administrative expenses during the 1996 period as compared to the 1995 period.

Due to changes in the economic conditions in Saudi Arabia, there is a shortage of work available of the nature performed by the foreign joint venture Al Shafai - -Midwest Constructors, Ltd. It is management's opinion that these conditions could last for several years. Thus, the venture partners, Saud Al Shafai and Sons Contractors and the Company elected to liquidate the joint venture. The Company reduced the carrying value of its investment in this joint venture to the estimated recovery amount upon completion of the liquidation. The liquidation should be completed by July 1996.

Interest expense increased to $651 thousand for the quarterly period ending February 29, 1996 from $635 thousand of interest expense for the quarterly period ended February 28, 1995. The increase resulted primarily from increased borrowing under the Company's credit facility during the first quarter of the 1996 period as compared with the 1995 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, 1995 is $3.8 million.

Net income increased to $1.7 million for the 1996 period from net income of $288 thousand for the 1995 period. The increase was due to improved gross profit margins for the 1996 period as compared with the 1995 period and a loss from investment in foreign joint venture in the 1995 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, 1996, the interest rate was 7.75% and the outstanding advances under the revolver totaled $2.0 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 $3.8 million.

Operations of the Company provided $8.4 million of cash for the nine months ended February 29, 1996 as compared with providing cash from operations of $1.0 million for the nine months ended February 29, 1996, representing an increase of approximately $7.4 million. The increase was primarily the result of increased net income of $1.4 million, a decrease in inventory of $2.3 million, a net decrease of $5.9 million in billings on uncompleted contracts in excess of costs and estimated earnings and $5.5 million of taxes receivable and other accruals, offset by net decreases of $4.0 million in costs and estimated earnings in excess of billings on uncompleted contracts and $2.8 million decrease from accounts payable and a decrease from loss on joint venture of $1.0 million.

Capital expenditures during the nine month period ended February 29, 1996 totaled approximately $2.5 million. Of this amount approximately $2.0 million was used to purchase welding and construction equipment for field operations. In addition, the Company has invested approximately $227 thousand in transportation equipment to be used to support field operations. The Company has currently budgeted approximately $1.0 million for additional capital expenditures primarily to be used to purchase construction equipment during the remainder of fiscal year 1996. 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 1996 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 12, 1996 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.

[ARTICLE]	5
[MULTIPLIER]	1,000
[PERIOD-TYPE]	3-MOS
[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
[FISCAL-YEAR-END]	May-31-1995
[PERIOD-START]	Dec-01-1994
[PERIOD-END]	Feb-28-1995
[COMMON]	9,408
[NET-INCOME]	(1,810)
[EPS-PRIMARY]	(0.19)
[COMMON]	9,408
[NET-INCOME]	(1,810)
[EPS-DILUTED]	(0.19)
[PERIOD-TYPE]	9-MOS
[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
[FISCAL-YEAR-END]	May-31-1995
[PERIOD-START]	Jun-01-1994
[PERIOD-END]	Feb-28-1995
[COMMON]	9,484
[NET-INCOME]	288
[EPS-PRIMARY]	0.03
[COMMON]	9,484
[NET-INCOME]	288
[EPS-DILUTED]	0.03

5
1,000

9-MOS
May-31-1996
Feb-29-1996
3,970
0
26,484
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4,536
50,935
43,539
16,056
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23,668
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