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 May 31, 2007

Commission File Number 1-8803

MATERIAL SCIENCES CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware	**95-2673173**
(State or other jurisdiction of incorporation or organization)	**(IRS employer identification number)**
2200 East Pratt Boulevard	
Elk Grove Village, Illinois	**60007**
(Address of principal executive offices)	**(Zip code)**

Registrant s telephone number, including area code: (847) 439-2210

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 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 ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer ¨ Accelerated filer x Non-accelerated filer ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of June 29, 2007, there were 14,599,645 outstanding shares of common stock, $.02 par value.

MATERIAL SCIENCES CORPORATION

FORM 10-Q

For the Quarter Ended May 31, 2007

(In thousands, except per share data)

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

(a) Financial statements of Material Sciences Corporation and Subsidiaries

Condensed Consolidated Statements of Operations (Unaudited)

Material Sciences Corporation and Subsidiaries

(In thousands, except per share data)	**Three Months Ended May 31, 2007**	**2006**
Net Sales	$ 60,665	$ 75,764
Cost of Sales	50,984	62,673
Gross Profit	9,681	13,091
Selling, General and Administrative Expenses	10,288	8,610
Restructuring Expenses		578
Income (Loss) from Operations	(607)	3,903
Other (Income), Net :		
Interest (Income) Expense, Net	(82)	(126)
Equity in Results of Joint Venture	(56)	(24)
Other, Net	(38)	(24)
Total Other (Income), Net	(176)	(174)
Income (Loss) from Continuing Operations Before Provision (Benefit) for Income Taxes	(431)	4,077
Provision (Benefit) for Income Taxes	(156)	1,823
Net Income (Loss)	$ (275)	$ 2,254
Basic Net Income (Loss) Per Share	$ (0.02)	$ 0.15
Diluted Net Income (Loss) Per Share	$ (0.02)	$ 0.15
Weighted Average Number of Common Shares Outstanding Used for Basic Net Income (Loss) Per Share	14,531	14,738
Dilutive Shares		9
Weighted Average Number of Common Shares Outstanding Plus Dilutive Shares	14,531	14,747
Outstanding Common Stock Options Having No Dilutive Effect	199	87

The accompanying notes are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Balance Sheets (Unaudited)

Material Sciences Corporation and Subsidiaries

(In thousands)	**May 31, 2007**	**February 28, 2007**
Assets:		
Current Assets:		
Cash and Cash Equivalents	$ 11,083	$ 11,667
Receivables, Less Reserves of $3,213 and $4,020, Respectively	31,459	48,121
Income Taxes Receivable	2,136	1,665
Prepaid Expenses	1,816	1,168
Inventories	48,704	42,174
Deferred Income Taxes	4,524	2,204
Total Current Assets	99,722	106,999
Property, Plant and Equipment	247,342	245,570
Accumulated Depreciation, Amortization and Accretion	(173,573)	(170,666)
Net Property, Plant and Equipment	73,769	74,904
Other Assets:		
Investment in Joint Venture	2,515	2,363
Goodwill	1,319	1,319
Deferred Income Taxes	1,566	1,592
Other	218	192
Total Other Assets	5,618	5,466
Total Assets	$ 179,109	$ 187,369
Liabilities:		
Current Liabilities:		
Accounts Payable	$ 29,448	$ 39,251
Accrued Payroll Related Expenses	5,248	5,414
Accrued Expenses	9,449	7,114
Current Liabilities of Discontinued Operation Pinole Point Steel	81	66
Total Current Liabilities	44,226	51,845
Long-Term Liabilities:		
Other	8,882	9,191
Total Long-Term Liabilities	8,882	9,191
Commitments and Contingencies		
Shareowners Equity:		
Preferred Stock		
Common Stock	381	381
Additional Paid-In Capital	79,205	79,171
Treasury Stock at Cost	(49,035)	(48,757)
Retained Earnings	93,888	94,255
Accumulated Other Comprehensive Income	1,562	1,283

Total Shareowners Equity	126,001	126,333
Total Liabilities and Shareowners Equity	$ 179,109	$ 187,369

The accompanying notes are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows (Unaudited)

Material Sciences Corporation and Subsidiaries

(In thousands)	**Three Months Ended May 31, 2007**	**2006**
Cash Flows From:		
Operating Activities:		
Net Income (Loss)	$ (275)	$ 2,254
Adjustments to Reconcile Net Income (Loss) to Net Cash		
Provided by Operating Activities:		
Depreciation, Amortization and Accretion	2,911	2,531
Provision for Deferred Income Taxes		114
Compensatory Effect of Stock Plans	34	
Other, Net	(25)	(24)
Changes in Assets and Liabilities:		
Receivables	16,718	(1,240)
Income Taxes Receivable	(474)	1,466
Prepaid Expenses	(647)	(984)
Inventories	(6,494)	(2,194)
Accounts Payable	(9,736)	899
Accrued Expenses	(249)	379
Other, Net	(332)	(165)
Net Cash Provided by Continuing Operations	1,431	3,036
Net Cash Provided by (Used in) Discontinued Operations	15	(183)
Net Cash Provided by Operating Activities	1,446	2,853
Investing Activities:		
Capital Expenditures	(1,763)	(4,138)
Net Cash Used in Investing Activities	(1,763)	(4,138)
Financing Activities:		
Purchases of Treasury Stock	(278)	
Issuance of Common Stock		238
Net Cash Provided by (Used in) Financing Activities	(278)	238
Effect of Exchange Rate Changes on Cash	11	(37)
Net Decrease in Cash	(584)	(1,084)
Cash and Cash Equivalents at Beginning of Period	11,667	13,600
Cash and Cash Equivalents at End of Period	$ 11,083	$ 12,516
Non-Cash Transactions:		
Capital Expenditures in Accounts Payble at End of Period	$ 404	$ 930
Supplemental Cash Flow Disclosures:		
Interest Paid	$ 61	$ 26
Income Taxes Paid	319	243

The accompanying notes are an integral part of these condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

MATERIAL SCIENCES CORPORATION and SUBSIDIARIES

The data as of May 31, 2007 and for the three months ended May 31, 2007 and 2006 has not been audited by our independent registered public accounting firm. In the opinion of Material Sciences Corporation (the Company or MSC), the data reflects all adjustments (consisting of only normal, recurring adjustments) necessary for a fair presentation of the information at those dates and for those periods. The financial information contained in this report should be read in conjunction with the Company s Annual Report on Form 10-K filed with the Securities and Exchange Commission on May 11, 2007 for the fiscal year ended February 28, 2007.

(1) **Joint Venture.** In November 2000, a subsidiary of MSC formed a joint venture with Tekno S.A. (Tekno) for the manufacture and sale of Quiet Steel® and disc brake noise damper material for the South American market. The Company includes its portion of Tekno s results in the Condensed Consolidated Statements of Operations under Equity in Results of Joint Venture. The Equity in Results of Joint Venture was income of $56 and $24 for the three months ended May 31, 2007 and 2006, respectively.

(2) **Preferred Stock.** Preferred Stock, $1.00 Par Value; 10,000,000 Shares Authorized; 1,000,000 Designated Series B Junior Participating Preferred; None Issued.

(3) **Common Stock.** Common Stock, $.02 Par Value; 40,000,000 Shares Authorized; 19,026,907 Shares Issued and 14,583,059 Shares Outstanding as of May 31, 2007 and 19,030,907 Shares Issued and 14,615,259 Shares Outstanding as of February 28, 2007.

(4) **Treasury Stock.** Treasury Stock at Cost; 4,443,848 Shares as of May 31, 2007 and 4,415,648 Shares as of February 28, 2007. In February 2006, the Company s Board of Directors authorized the repurchase of up to one million shares of common stock. The shares may be repurchased from time-to-time on the open market at the Company s discretion, subject to market conditions, existing financial covenants associated with the Company s credit facility and other factors, generally funded with internally generated cash. The Company repurchased 28,200 shares during the fiscal quarter ended May 31, 2007 at a total cost of $0.3 million. During the fiscal year ended February 28, 2007, the Company repurchased 227,000 shares of common stock on the open market at a total cost of $2.2 million.

(5) **Comprehensive Income (in thousands).**

	Three Months Ended May 31, 2007	2006
Net Income (Loss)	$ (275)	$ 2,254
Other Comprehensive Income (Loss):		
Pension/Postretirement SFAS 158 Adjustments, Net of Benefit for Income Taxes of $25 and $0, Respectively	41	
Foreign Currency Translation Adjustments	238	405
Comprehensive Income	$ 4	$ 2,659

(6) **Indebtedness.** The Company has a $30.0 million committed line of credit (Line) that expires on October 11, 2007. There were no borrowings outstanding under the Line as of May 31, 2007 or February 28, 2007. Borrowing capacity reserved for the Company s outstanding letters of credit was $1.9 million, and the amount remaining available to be borrowed was $28.1 million as of May 31, 2007. At the Company s option, interest is at the bank s prime rate (8.25% as of May 31, 2007 and February 28, 2007) or at LIBOR plus a margin based on the ratio of funded debt to EBITDA (as defined in the agreement). The financial covenants include a fixed charge coverage ratio of not less than 1.25 to 1.0 commencing May 31, 2004; a maximum leverage ratio (3.0 to 1.0); and minimum net worth of $80,000 plus 50% of positive consolidated net income ending on or after May 31, 2004, or $87.6 million, on May 31, 2007. As of May 31, 2007, the Company was in compliance with all debt covenants. Under the Line, there are restrictions on the Company s use of its cash and cash equivalents related to repurchase of stock, dividends and acquisitions. The Line is secured by specific personal property (including receivables, inventory and property, plant and equipment) of the Company.

(7) **Inventory.** Inventories consist of the following (in thousands):

	May 31, 2007	February 28, 2007
Raw Materials	$ 23,930	$ 17,896
Finished Goods	24,774	24,278
Total Inventories	$ 48,704	$ 42,174

(8) **Significant Customers**. Due to the concentration in the automotive industry, the Company believes that sales to individual automotive customers are significant. The following table shows sales to the Company s significant customers as a percentage of consolidated net sales for the three months ended May 31, 2007 and 2006.

	% of Consolidated Net Sales for the Three Months Ended May 31,	
Customer	**2007**	**2006**
Ford	26%	19%
General Motors	14%	12%
DaimlerChrysler	12%	15%
Mitsui Steel	11%	8%

The following table shows gross accounts receivable from the Company s significant customers as a percentage of total consolidated gross accounts receivable as of May 31, 2007 and February 28, 2007.

	% of Consolidated Gross Accounts Receivable	
Customer	**May 31,2007**	**February 28,2007**
Ford	22%	45%
General Motors	5%	11%
DaimlerChrysler	14%	10%
Mitsui Steel	9%	1%

As noted in the Company s annual report on Form 10-K for the fiscal year ended February 28, 2007, the Company settled offsetting accounts receivable and accounts payable balances for Ford of $20.4 million during the first quarter of fiscal 2008.

MSC s domestic and foreign net sales are presented in the table below (in thousands). Of the foreign sales, no one country comprised greater than 10% of consolidated net sales.

	Three Months Ended May 31,	
Net Sales	**2007**	**2006**
Domestic	$ 58,412	$ 72,535
Foreign	2,253	3,229
Total	$ 60,665	$ 75,764

(9) **Goodwill.** Goodwill is subject to at least an annual assessment of impairment by applying a fair-value based test. The C