

News Release

FOR IMMEDIATE RELEASE

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Merrimac Reports Second Quarter 2008 Results Income from Continuing Operations For Second Quarter and First Six Months of 2008 New Orders and \$20 Million Backlog Continue Strong

Merrimac Industries, Inc. Summary of Condensed Consolidated Statements of Operations (Unaudited)

| | <u>Quarters Ended</u> | |
|--|-----------------------|----------------------|
| | June 28, 2008 (a) | June 30, 2007 (a) |
| Net sales | \$7,524,000 | \$5,371,000 |
| Gross profit | 3,215,000 | 2,367,000 |
| Selling, general and administrative expenses | 2,353,000 | 1,977,000 |
| Research and development | 375,000 | 335,000 |
| Operating income | 487,000 | 55,000 |
| Interest and other (expense), net | (48,000) | (5,000) |
| Income from continuing operations | 439,000 | 50,000 |
| Loss from discontinued operations, after taxes in 2007 | (55,000) | (3,519,000) |
| Net income (loss) | <u>\$384,000</u> | <u>\$(3,469,000)</u> |
| Net income (loss) per common share: | | |
| Income from continuing operations-basic | \$.15 | \$.02 |
| (Loss) from discontinued operations-basic | <u>\$(.02)</u> | <u>\$(1.21)</u> |
| Net income (loss) per common share-basic | <u>\$.13</u> | <u>\$(1.19)</u> |
| Income from continuing operations-diluted | \$.15 | \$.02 |
| (Loss) from discontinued operations-diluted | <u>\$(.02)</u> | <u>\$(1.20)</u> |
| Net income (loss) per common share-diluted | <u>\$.13</u> | <u>\$(1.18)</u> |
| Weighted average number of shares outstanding-basic | 2,940,000 | 2,911,000 |
| Weighted average number of shares outstanding-diluted | 2,945,000 | 2,947,000 |

(a) In accordance with the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the operating results of Filtran Microcircuits Inc. for the current and prior period have been reported as discontinued operations.

Merrimac Industries, Inc.
Summary of Condensed Consolidated Statements of Operations
(Unaudited)

| | <u>Six Months Ended</u> | |
|---|-------------------------|----------------------|
| | June 28, 2008 (a) | June 30, 2007 (a) |
| Net sales | \$13,282,000 | \$9,883,000 |
| Gross profit | 5,521,000 | 4,064,000 |
| Selling, general and administrative expenses | 4,598,000 | 4,194,000 |
| Research and development | 747,000 | 819,000 |
| Operating income (loss) | 176,000 | (949,000) |
| Interest and other (expense) income, net | (110,000) | 16,000 |
| | | |
| Income (loss) from continuing operations | 66,000 | (933,000) |
| Loss from discontinued operations | (55,000) | (3,800,000) |
| Net income (loss) | <u>\$11,000</u> | <u>\$(4,733,000)</u> |
| | | |
| Net income (loss) per common share-basic and diluted: | | |
| Income (loss) from continuing operations | \$.02 | \$(.31) |
| (Loss) from discontinued operations | <u>\$(.02)</u> | <u>\$(1.27)</u> |
| Net income (loss) per common share | <u>\$ -</u> | <u>\$(1.58)</u> |
| | | |
| Weighted average number of shares outstanding-basic | 2,936,000 | 3,004,000 |
| Weighted average number of shares outstanding-diluted | 2,948,000 | 3,004,000 |

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Merrimac Industries, Inc.
Condensed Consolidated Balance Sheets

| | June 28, 2008 | December 29, 2007 |
|---|---------------|-------------------|
| | (Unaudited) | (Unaudited) |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 409,000 | \$ 2,004,000 |
| Accounts receivable, net | 7,609,000 | 5,300,000 |
| Inventories | 6,462,000 | 5,040,000 |
| Other current assets | 543,000 | 774,000 |
| Due from assets sale contract | - | 664,000 |
| Total current assets | 15,024,000 | 13,782,000 |
| Property, plant and equipment, net | 10,299,000 | 10,956,000 |
| Restricted cash | - | 250,000 |
| Other assets | 470,000 | 532,000 |
| Deferred tax assets | 52,000 | 52,000 |
| Total Assets | \$ 25,845,000 | \$ 25,572,000 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Liabilities: | | |
| Current liabilities: | | |
| Current portion of long-term debt | \$ 1,050,000 | \$ 550,000 |
| Accounts payable | 1,085,000 | 944,000 |
| Other current liabilities | 2,129,000 | 2,328,000 |
| Deferred tax liabilities | 52,000 | 52,000 |
| Total current liabilities | 4,316,000 | 3,874,000 |
| Long-term debt, net of current portion | 3,238,000 | 3,763,000 |
| Deferred liabilities | 62,000 | 61,000 |
| Total liabilities | 7,616,000 | 7,698,000 |
| Stockholders' equity: | | |
| Common stock | 33,000 | 33,000 |
| Additional paid-in capital | 20,133,000 | 19,790,000 |
| Retained earnings | 1,185,000 | 1,173,000 |
| Treasury stock | (3,122,000) | (3,122,000) |
| Stockholders' equity | 18,229,000 | 17,874,000 |
| Total Liabilities and Stockholders' Equity | \$ 25,845,000 | \$ 25,572,000 |

Merrimac Industries, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

| | <u>Six Months Ended</u> | |
|--|------------------------------|------------------------------|
| | June 28, 2008 (a) | June 30, 2007 (a) |
| Cash flows from operating activities: | | |
| Net income (loss) | \$11,000 | \$ (4,733,000) |
| Less, loss from discontinued operations | <u>(55,000)</u> | <u>(3,800,000)</u> |
| Income (loss) from continuing operations | 66,000 | (933,000) |
| Adjustments to reconcile loss from continuing operations to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 1,270,000 | 1,158,000 |
| Amortization of deferred financing costs | 16,000 | 15,000 |
| Share-based compensation | 258,000 | 132,000 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (2,309,000) | 645,000 |
| Inventories | (1,422,000) | (826,000) |
| Other current assets | 126,000 | 187,000 |
| Other assets | 126,000 | (199,000) |
| Other current liabilities | (34,000) | 282,000 |
| Deferred liabilities | <u>1,000</u> | <u>12,000</u> |
| Net cash provided by (used by) operating activities-continuing | (1,902,000) | 473,000 |
| Net cash used by operating activities-discontinued operations | <u>(55,000)</u> | <u>(296,000)</u> |
| Net cash provided by (used by) operating activities | <u>(1,957,000)</u> | <u>177,000</u> |
| Cash flows from investing activities: | | |
| Purchases of capital assets | (613,000) | (756,000) |
| Proceeds from sale of discontinued operations | <u>664,000</u> | - |
| Net cash provided by (used in) investing activities-continuing | 51,000 | (756,000) |
| Net cash used in investing activities-discontinued operations | <u>-</u> | <u>(171,000)</u> |
| Net cash provided by (used in) investing activities | <u>51,000</u> | <u>(927,000)</u> |
| Cash flows from financing activities: | | |
| Repurchase of common stock for the treasury | - | (2,148,000) |
| Borrowings under revolving credit facility | 500,000 | - |
| Repayment of long-term debt | (525,000) | (275,000) |
| Restricted cash returned | 250,000 | - |
| Proceeds from stock sales | <u>86,000</u> | <u>81,000</u> |

| | | |
|---|-------------------|---------------------|
| Net cash provided by (used in) financing activities-continuing | 311,000 | (2,342,000) |
| Net cash used in financing activities-discontinued operations | <u>-</u> | <u>(68,000)</u> |
| Net cash provided by (used in) financing activities | <u>311,000</u> | <u>(2,410,000)</u> |
| Effect of exchange rate changes | <u>-</u> | <u>16,000</u> |
| Net (decrease) in cash and cash equivalents | (1,595,000) | (3,144,000) |
| Cash and cash equivalents at beginning of period, including \$562,000 reported under assets held for sale in 2007 | <u>2,004,000</u> | <u>5,961,000</u> |
| Cash and cash equivalents at end of period, including \$43,000 reported under assets held for sale in 2007 | <u>\$ 409,000</u> | <u>\$ 2,817,000</u> |

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