

News Release

FOR IMMEDIATE RELEASE

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Merrimac Reports Fiscal Year 2008 Results

WEST CALDWELL, N.J. April 21, 2009: Merrimac Industries, Inc. (Amex: MRM), a leader in the design and manufacture of RF Microwave components, subsystem assemblies and micro-multifunction modules (MMFM®), today announced the results for fiscal year 2008.

Fiscal Year 2008 Highlights

- Net sales from continuing operations for fiscal year 2008 increased \$7.3 million or 33.5% to \$29.2 million from \$21.9 million in fiscal year 2007
- Gross profit increased \$2.3 million or 25.9% to \$11.0 million in fiscal year 2008 compared to \$8.7 million in fiscal year 2007
- Fiscal year 2008 operating income from continuing operations was \$676,000 compared to a loss from continuing operations of \$1.3 million in 2007
- Net income for 2008 was \$98,000 compared to a net loss of \$5.8 million for 2007
- Earnings per share, basic and diluted for 2008 was \$0.03, compared to a net loss per share, basic and diluted of \$1.96 for 2007

Chairman and CEO Mason N. Carter commented, “It is clear our strategy has taken hold. Our customers are continuing to move to the high reliability compact integrated package solutions achieved using Multi-Mix® technology. This has resulted in a substantial increase in sales and a return to profitability.”

Fiscal Year 2008 Results

Net sales.

Consolidated results of operations for 2008 reflect an increase in net sales from continuing operations of \$7,342,000 or 33.5% to \$29,229,000 compared to \$21,887,000 in 2007. The sales increase in 2008 was a result of a higher backlog at the beginning of the year and continued high levels of orders throughout the year including a higher level of sales of Multi-Mix® products. Also, included in fiscal year 2008’s sales were four large orders shipped to major customers that totaled over \$4,000,000. Sales for 2008 included \$1,900,000 of revenue recognized in connection with a large design and development contract.

Cost of sales and gross profit.

Gross profit for fiscal year 2008 was \$10,954,000, an increase of \$2,251,000 or 25.9%, over last year’s gross profit of \$8,703,000. Gross margin declined by 2.3% to 37.5% compared to 39.8% in fiscal year 2007. The small decline in gross margin was primarily due to the impact of an aggressive pricing strategy in 2007 and in early 2008 when our backlog was not as high. The pricing strategy had a significant impact on the four large jobs fulfilled in 2008.

Selling, general and administrative expenses.

Selling, general and administrative expenses were \$9,198,000 an increase of \$763,000 or 9.0% over the selling, general and administrative expenses of \$8,435,000 for 2007. When expressed as a percentage of net sales, selling, general and administrative expense decreased from 38.5% in 2007 to 31.5% in 2008. The 2008 selling, general and administrative expenses increased due to a combination of increased selling costs related to the hiring of sales personnel to meet the demand of increased sales, sales commissions and increased professional fees.

Operating income (loss) from continuing operations.

Consolidated operating income from continuing operations was \$676,000 for 2008 compared to consolidated operating loss from continuing operations of \$1,311,000 for 2007. The increase in income (loss) from continuing operations was primarily due to the increase in gross profit resulting from higher sales and the reduction of research and development expenses. These were somewhat offset by increased selling general and administrative expenses and our restructuring charge.

Net income (loss).

Net income for 2008 was \$98,000 compared to a net loss of \$5,821,000 for 2007 for the reasons described above. Net income per share basic and diluted for 2008 was \$0.03, compared to a net loss of per share basic and diluted for 2007 of \$1.96.

Restatement of Prior Periods

As previously announced, Merrimac determined on April 2, 2009 that the Company's consolidated financial statements contained in the Company's annual report on form 10-K for the year ended December 29, 2007 (affecting all four quarters of 2007) and its quarterly reports on Form 10-Q for the periods ended March 29, June 28, and September 27, 2008 should no longer be relied upon and the Company was submitting a request to the Securities and Exchange Commission ("SEC") requesting that the correction of those financial statements be included in its annual report on form 10-K for the year ended January 3, 2009. The Securities and Exchange Commission approved Merrimac's request and the restated financial statements, related footnotes and management's discussion and analysis for such annual and quarterly periods are contained in the fiscal year 2008 Form 10-K that has been filed with the SEC. The aggregate results for the combined years of 2007 and 2008 remain the same, however the 2007 annual results were negatively impacted by additional costs of approximately \$400,000 as a result of the reallocation of expenses to the proper periods. The details related to the restatements can be found in Note 2 and Note 16 of the financial statements in the fiscal year 2008 Form 10-K.

Chairman and CEO Mason N. Carter commented, "As we indicated when we reported results from the third quarter of 2008, it is not pleasant that the Company's accounting controls and procedures were not effective. We have taken or are in the process of taking significant measures to improve the level of expertise in the Finance Department, improve accounting procedures and conduct further training in the use of our ERP system."

About Merrimac

Merrimac Industries, Inc. is a leader in the design and manufacture of RF Microwave signal processing components, subsystem assemblies, and Multi-Mix® micro-multifunction modules (MMFM®), for the worldwide Defense, Satellite Communications (Satcom), Commercial Wireless and Homeland Security market segments. Merrimac is focused on providing Total Integrated Packaging Solutions® with Multi-Mix® Microtechnology, a leading edge competency providing value to our customers through miniaturization and integration. Multi-Mix® MMFM® provides a patented and novel packaging technology that employs a platform modular architecture strategy that incorporates embedded semiconductor devices, MMICs, resistors, passive circuit elements and plated-through via holes to form a three-dimensional integrated module used in High Power, High Frequency and High Performance mission-critical applications. Merrimac Industries facilities are registered under ISO 9001:2000, an internationally developed set of quality criteria for manufacturing operations.

Merrimac Industries, Inc. has facilities located in West Caldwell, NJ and San Jose, Costa Rica and has approximately 210 co-workers dedicated to the design and manufacture of signal processing components, gold plating of high-frequency microstrip and bonded stripline Teflon (PTFE) circuits and subsystems providing Total Integrated Packaging Solutions® for wireless applications. Merrimac (MRM) is listed on the American Stock Exchange. Multi-Mix®, Multi-Mix PICO®, MMFM®, System In A Package®, SIP® and Total Integrated Packaging Solutions® are registered trademarks of Merrimac Industries, Inc. For more information about Merrimac Industries, Inc. please visit our website <http://www.merrimacind.com>.

This press release contains statements relating to future results of the Company (including certain projections and business trends) that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those projected as a result of certain risks and uncertainties. These risks and uncertainties include, but are not limited to: risks associated with demand for and market acceptance of existing and newly developed products as to which the Company has made significant investments, particularly its Multi-Mix® products; risks associated with adequate capacity to obtain raw materials and reduced control over delivery schedules and costs due to reliance on sole source or limited suppliers; slower than anticipated penetration into the satellite communications, defense and wireless markets; failure of our Original Equipment Manufacturer or OEM customers to successfully incorporate our products into their systems; changes in product mix resulting in unexpected engineering and research and development costs; delays and increased costs in product development, engineering and production; reliance on a small number of significant customers; the emergence of new or stronger competitors as a result of consolidation movements in the market; the timing and market acceptance of our or our OEM customers’ new or enhanced products; general economic and industry conditions; the ability to protect proprietary information and technology; competitive products and pricing pressures; our ability and the ability of our OEM customers to keep pace with the rapid technological changes and short product life cycles in our industry and gain market acceptance for new products and technologies; risks relating to governmental regulatory actions in communications and defense programs; and inventory risks due to technological innovation and product obsolescence, as well as other risks and uncertainties as are detailed from time to time in the Company’s Securities and Exchange Commission filings. These forward-looking statements are made only as of the date hereof, and the Company undertakes no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

Years Ended January 3, 2009 and December 29, 2007

	<u>2008</u>	<u>2007</u> <u>(Restated)</u>
CONTINUING OPERATIONS		
Net sales	\$ 29,228,717	\$ 21,886,946
Costs and expenses:		
Cost of sales	18,274,622	13,183,595
Selling, general and administrative	9,197,766	8,435,173
Research and development	1,019,088	1,579,250
Restructuring charge	<u>61,427</u>	<u>-</u>
	<u>28,552,903</u>	<u>23,198,018</u>
Operating income (loss)	675,814	(1,311,072)
Interest expense	(458,570)	(277,403)
Other income, net	<u>42,382</u>	<u>153,911</u>
Income (loss) from continuing operations before income taxes	259,626	(1,434,564)
Provision for income taxes	<u>19,528</u>	<u>-</u>
Income (loss) from continuing operations	240,098	(1,434,564)
DISCONTINUED OPERATIONS		
Loss from discontinued operations, net of income taxes	<u>(142,112)</u>	<u>(4,386,829)</u>
Net income (loss)	<u>\$ 97,986</u>	<u>\$ (5,821,393)</u>
Income (loss) per common share from continuing operations – basic	\$.08	\$ (.48)
Loss per common share from discontinued operations – basic	<u>(.05)</u>	<u>(1.48)</u>
Net income (loss) per common share – basic	<u>\$.03</u>	<u>\$ (1.96)</u>
Income (loss) per common share from continuing operations – diluted	\$.08	\$ (.48)
Loss per common share from discontinued operations – diluted	<u>(.05)</u>	<u>(1.48)</u>
Net income (loss) per common share – diluted	<u>\$.03</u>	<u>\$ (1.96)</u>
Weighted average number of shares outstanding – basic	<u>2,943,067</u>	<u>2,962,575</u>
Weighted average number of shares outstanding – diluted	<u>2,966,383</u>	<u>2,962,575</u>
COMPREHENSIVE INCOME (LOSS)		
Net income (loss)	\$ 97,986	\$ (5,821,393)
Comprehensive income (loss):		
Foreign currency translation adjustment	<u>-</u>	<u>(1,389,038)</u>
Comprehensive income (loss)	<u>\$ 97,986</u>	<u>\$ (7,210,431)</u>

CONSOLIDATED BALANCE SHEETS
Years Ended January 3, 2009 and December 29, 2007

ASSETS	2008	2007 (Restated)
Current assets:		
Cash and cash equivalents	\$1,191,768	\$ 2,004,471
Accounts receivable, net of allowance of \$30,000 in 2008 and 2007	5,765,575	5,299,753
Inventories, net	4,899,706	4,644,270
Other current assets	542,320	774,007
Due from sale of assets	-	664,282
Costs and estimated earnings in excess of billings on uncompleted contracts	<u>1,880,338</u>	<u>-</u>
Total current assets	<u>14,279,707</u>	<u>13,386,783</u>
Property, plant and equipment	37,765,928	37,556,672
Less accumulated depreciation and amortization	<u>28,556,441</u>	<u>26,600,240</u>
Property, plant and equipment, net	9,209,487	10,956,432
Restricted cash	-	250,000
Other assets	<u>543,217</u>	<u>531,633</u>
Total assets	<u>\$24,032,411</u>	<u>\$25,124,848</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$291,667	\$ 550,000
Accounts payable	794,351	943,481
Accrued liabilities	1,432,124	1,965,403
Customer deposits	654,133	363,296
Income taxes payable	<u>17,448</u>	<u>-</u>
Total current liabilities	3,189,723	3,822,180
Long-term debt, net of current portion	2,611,111	3,762,500
Deferred liabilities	<u>64,254</u>	<u>61,300</u>
Total liabilities	<u>5,865,088</u>	<u>7,645,980</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, par value \$.01 per share:		
Authorized: 1,000,000 shares		
No shares issued		
Common stock, par value \$.01 per share:		
20,000,000 shares authorized; 3,315,229 and 3,289,103 shares issued; and 2,952,324 and 2,926,198 shares outstanding, respectively	33,153	32,891
Additional paid-in capital	20,379,924	19,789,717
Retained earnings	<u>876,410</u>	<u>778,424</u>
	21,289,487	20,601,032
Less treasury stock, at cost – 362,905 shares at January 3, 2009 and December 29, 2007	<u>(3,122,164)</u>	<u>(3,122,164)</u>
Total stockholders' equity	<u>18,167,323</u>	<u>17,478,868</u>
Total liabilities and stockholders' equity	<u>\$ 24,032,411</u>	<u>\$ 25,124,848</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended January 3, 2009 and December 29, 2007

	2008	2007 (Restated)
Cash flows from operating activities:		
Net income (loss)	\$ 97,986	\$ (5,821,393)
Loss from discontinued operations	<u>(142,112)</u>	<u>(4,386,829)</u>
Income (loss) from continuing operations	240,098	(1,434,564)
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	2,564,302	2,365,221
Amortization of deferred financing costs	248,521	30,795
Share-based compensation	489,984	394,455
Changes in operating assets and liabilities:		
Accounts receivable	(465,822)	(167,434)
Inventories	(255,436)	(903,953)
Costs and estimated earnings in excess of billings on uncompleted contracts	(1,880,338)	-
Other current assets	231,687	184,247
Other assets	72,120	(70,832)
Accounts payable	(149,130)	185,137
Accrued liabilities	(533,279)	115,438
Customer deposits	290,837	159,513
Income taxes payable	17,448	-
Deferred liabilities	<u>2,954</u>	<u>23,461</u>
Net cash provided by operating activities of continuing operations	873,946	881,484
Net cash used in operating activities of discontinued operations	<u>(142,112)</u>	<u>(776,030)</u>
Net cash provided by operating activities	<u>731,834</u>	<u>105,454</u>
Cash flows from investing activities:		
Purchases of capital assets	(817,357)	(1,545,912)
Cash proceeds from sale of discontinued operations	<u>664,282</u>	<u>817,578</u>
Net cash used in investing activities of continuing operations	(153,075)	(728,334)
Net cash used in investing activities of discontinued operations	<u>-</u>	<u>(180,136)</u>
Net cash used in investing activities	<u>(153,075)</u>	<u>(908,470)</u>
Cash flows from financing activities:		
Borrowings under long-term debt	3,000,000	-
Payments of deferred financing costs	(332,225)	-
Repurchase of common stock for the treasury	-	(2,148,300)
Repayment of borrowings	(4,409,722)	(550,000)
Restricted cash (deposited) returned	250,000	(250,000)
Proceeds from the exercise of stock options	28,331	75,263
Proceeds from Stock Purchase Plan sales	<u>72,154</u>	<u>83,104</u>
Net cash used in financing activities of continuing operations	(1,391,462)	(2,789,933)
Net cash used in financing activities of discontinued operations	<u>-</u>	<u>(350,064)</u>
Net cash used in financing activities	<u>(1,391,462)</u>	<u>(3,139,997)</u>
Effect of exchange rate changes	<u>-</u>	<u>(14,053)</u>
Net decrease in cash and cash equivalents	(812,703)	(3,957,066)
Cash and cash equivalents at the beginning of year	<u>2,004,471</u>	<u>5,961,537</u>
Cash and cash equivalents at the end of year	<u>\$ 1,191,768</u>	<u>\$ 2,004,471</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	<u>\$ 217,319</u>	<u>\$ 360,005</u>