

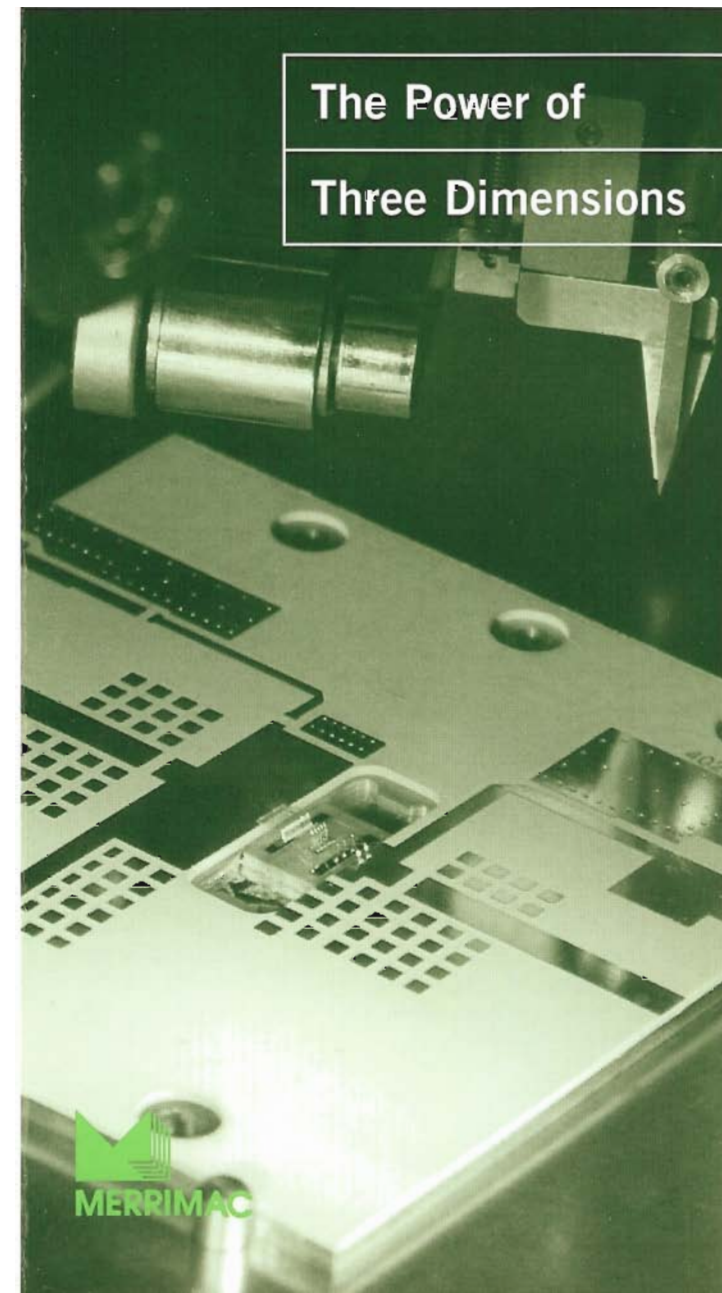
**SUMMARY CONSOLIDATED
BALANCE SHEETS (Unaudited)**

April 1, 2006 and April 2, 2005

	2006	2005
A S S E T S		
Current assets:		
Cash and cash equivalents	\$ 3,302,525	\$ 2,294,300
Restricted cash	1,500,000	-
Income tax refunds receivable	418,700	93,027
Accounts receivable	5,405,000	6,209,844
Inventories	4,223,659	3,293,093
Other current assets	653,539	963,816
Deferred tax assets	<u>140,000</u>	<u>675,000</u>
Total current assets	15,643,423	13,529,080
Property, plant and equipment, net	13,934,371	14,720,690
Restricted cash	-	1,500,000
Other assets	634,537	704,675
Deferred tax assets	481,000	435,000
Goodwill	<u>3,497,146</u>	<u>3,343,074</u>
Total Assets	<u>\$ 34,190,477</u>	<u>\$34,232,519</u>
LI ABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Current portion of long-term debt	\$ 2,608,110	\$ 918,677
Other current liabilities	3,771,487	3,168,950
Total current liabilities	6,379,597	4,087,627
Long-term debt	298,343	2,271,951
Deferred liabilities	16,657	70,433
Deferred tax liabilities	<u>140,000</u>	<u>648,000</u>
Total liabilities	<u>6,834,597</u>	<u>7,578,011</u>
Stockholders' equity:		
Common stock	32,389	32,222
Additional paid-in capital	18,937,981	18,788,388
Retained earnings	8,000,669	7,763,576
Comprehensive income	<u>1,358,707</u>	<u>1,100,188</u>
	28,329,746	27,684,374
Less treasury stock, at cost	(573,866)	(573,866)
Less officer-stockholder loan	<u>(400,000)</u>	<u>(456,000)</u>
Total stockholders' equity	<u>27,355,880</u>	<u>26,654,508</u>
Total Liabilities and Stockholders' Equity	<u>\$ 34,190,477</u>	<u>\$34,232,519</u>



**MERRIMAC INDUSTRIES, INC.
FIRST QUARTER 2006 REPORT**



The Power of
Three Dimensions



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First Quarter of 2006 Results of Operations

Sales for the first quarter of 2006 were \$6,231,000, a 14.2 % decrease compared to first quarter of 2005 sales of \$7,258,000. The reduction in 2006 sales was due to lower orders placed in 2005 due to delays in expected satellite and defense programs. Sales for the first quarter of 2006 would have been favorably impacted by an additional \$750,000 order, invoiced in March 2006 (and due for payment in May 2006), which the Company is holding in its own facility at the customer's specific instructions for shipment in June 2006. This order was completed and ready for shipment in March 2006 but cannot be recognized as a sale under applicable revenue recognition requirements until the order is actually shipped. The Company anticipates recognizing this order as revenue in the second quarter of 2006. Gross profit for the first quarter of 2006 was \$2,401,000 or 38.5 % of sales as compared to first quarter 2005 gross profit of \$3,034,000 or 41.8 % of sales. The decrease in gross margin percent in the first quarter of 2006 from the first quarter of 2005 was due to an increased percentage of lower margin product in the overall product mix.

Operating loss for the first quarter of 2006 was \$(457,000) compared to operating income of \$182,000 for the first quarter of 2005. Operating loss for the first quarter of 2006 resulted from lower gross profit from the decrease in sales and included a non-cash charge of \$44,000 for share-based compensation expense resulting from the adoption of SFAS No. 123R in the first quarter of 2006.

Note: This report 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; the possibilities of impairment charges to the carrying value of our Multi-Mix® assets, thereby resulting in charges to our earnings; 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 risk that the benefits expected from the Company's acquisition of Filtran Microcircuits Inc. are not realized; 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; foreign currency fluctuations between the U.S. and Canadian dollars; 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.

SUMMARY CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	Quarter Ended	
	April 1, 2006	April 2, 2005
Net sales	\$ 6,230,703	\$ 7,258,335
Gross profit	2,400,937	3,034,378
Selling, general and administrative	2,485,894	2,311,398
Research and development	371,948	540,596
Operating income (loss)	(456,905)	182,384
Income (loss) before income taxes	(475,609)	93,582
Provision (benefit) for income taxes	(35,000)	10,000
Net income (loss)	(440,609)	83,582
Net income (loss) per share-basic and diluted	\$(.14)	\$.03
Weighted average number of shares outstanding-diluted	3,149,164	3,174,520

Net loss per share was \$(.14) for the first quarter of 2006, compared to net income per share of \$.03 reported for the first quarter of 2005. Net loss for the first quarter of 2006 included a non-cash charge of \$44,000 or \$.01 per share for share-based compensation expense as described above. Net loss for the first quarter of 2006 also included a tax benefit of \$35,000 or \$.01 per share representing refundable Canadian provincial technology tax credits for which the Company has qualified and lower net interest expense. Net income for the first quarter of 2005 included a loss on the disposition of capital assets of \$36,000 or \$.01 per share.

The backlog at the end of the first quarter of 2006 was \$10.8 million, a decrease of \$2.3 million or approximately 17.4 % compared to the backlog of \$13.1 million at December 31, 2005 and a decrease of \$3.0 million or 21.8% when compared to the backlog of \$13.8 million at the end of the first quarter of 2005. Orders received during the first quarter of 2006 totaled \$3.9 million and were approximately 36.7% below first quarter 2006 sales. The book-to-bill ratio for the first quarter of 2006 was 0.6 to 1 and for the first quarter 2005 was 1.1 to 1.

We are excited about receiving a patent on our Multi-Mix® Resource Module that will be the foundation for redefining our business for high-power RF circuitry solutions to meet the growing demand for high-power integrated amplifiers and radio transceivers, phased-array radar

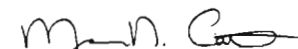
transmitter elements, phase shifters, attenuators, mixers, modulators and high-power PIN diode switches. The Resource Module offers a very attractive value proposition that may provide enabling solutions to a variety of different commercial and military market applications.

During the first quarter of 2006:

- We completed our contractual commitment to ship Multi-Mix® phase detector subsystem assemblies for a military defense application. This opportunity extended Multi-Mix® to a new level of competency and clearly demonstrated to our customer the unique value that Multi-Mix® can contribute to an engineering design.
- Multi-Mix® WiMAX component orders increased.
- Multi-Mix® infrastructure component orders to China also increased.
- Received an additional order to custom design two additional Multi-Mix® parts for a Joint Tactical Radio System (JTRS) military customer.
- Provided custom conventional technology quadrature hybrids on a critical military Satcom application.

The Company will continue to focus its Multi-Mix® Microtechnology business strategy on development, manufacturing and marketing of the high power amplifier Multi-Mix® Resource Module and ancillary products. To support the Multi-Mix® initiative, the Company expects to make significant investments in additional technical designing and engineering personnel resources and additional assets and equipment. As a result of this increased investment in our technology, the lower level of certain traditional sales currently being experienced and anticipated and the adoption of the SFAS No. 123R accounting standard, the Company anticipates that operating income, net income and net income per share could be adversely affected during the remainder of 2006 and until our Multi-Mix® product line sales increase as anticipated.

Thank you for your continued support and confidence.



Mason N. Carter
Chairman and CEO

May 16, 2006