

**SUMMARY CONSOLIDATED
BALANCE SHEETS (Unaudited)**
July 3, 2004 and June 28, 2003

	2004	2003
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,838,885	\$ 1,891,110
Income tax refunds receivable	127,718	44,273
Accounts receivable, net	5,866,283	5,358,558
Inventories	3,005,042	3,860,526
Other current assets	504,960	496,789
Deferred tax assets	783,000	945,000
Total current assets	12,125,888	12,596,256
Property, plant and equipment, net	16,185,053	18,644,050
Restricted cash	1,500,000	-
Other assets	816,844	689,524
Deferred tax assets	138,000	1,109,000
Goodwill	3,028,077	2,967,239
Total Assets	<u>\$ 33,793,862</u>	<u>\$ 36,006,069</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:		
Current portion of long-term debt	\$ 868,381	\$ 5,989,469
Other current liabilities	3,529,343	3,197,897
Total current liabilities	4,397,724	9,187,366
Long-term debt	3,225,522	406,280
Deferred compensation	71,214	106,793
Deferred liabilities	40,994	48,014
Deferred tax liabilities	630,000	1,737,000
Total liabilities	8,365,454	11,485,453
Stockholders' equity:		
Common stock	32,130	32,027
Common stock warrants	-	837,200
Additional paid-in capital	18,745,871	17,848,697
Retained earnings	7,156,422	6,465,623
Comprehensive income	579,851	478,935
	26,438,274	25,662,482
Less treasury stock, at cost	(573,866)	(573,866)
Less officer-stockholder loan	(512,000)	(568,000)
Total stockholders' equity	25,428,408	24,520,616
Total Liabilities and Stockholders' Equity	<u>\$ 33,793,862</u>	<u>\$ 36,006,069</u>

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MERRIMAC INDUSTRIES, INC.
SECOND QUARTER 2004 REPORT

>500 Watts

High Power

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Mission-Critical

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Second Quarter and Six Months 2004 Results of Operations; Third Consecutive Quarterly Profit

Sales for the second quarter of 2004 were \$7,896,000, a new Company sales record, and an increase of 19.4 % compared to second quarter of 2003 sales of \$6,613,000. Operating income in the second quarter of 2004 was \$459,000 compared to an operating loss of \$(529,000) in the second quarter of 2003. Net income for the second quarter of 2004 was \$444,000 or \$.14 per diluted share compared to a net loss of \$(475,000) or \$(.15) per share for the second quarter of 2003.

For the first six months of 2004 sales of \$15,544,000 increased 18.4 % compared to sales of \$13,124,000 for the first six months of 2003. Operating income for the first six months of 2004 was \$781,000 compared to an operating loss for the first six months of 2003 of \$(1,006,000). Net income for the first six months of 2004 was \$675,000 or \$.21 per diluted share compared to a net loss for the first six months of 2003 of \$(930,000) or \$(.30) per share.

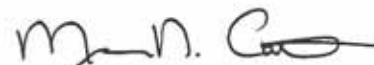
Sales for the second quarter and first six months of 2004 increased due to an improvement in orders received during the first quarter and a higher beginning backlog going into fiscal year 2004. Second quarter and six month operating results of 2003 were impacted by expenses associated with bank modification agreements entered into during the second quarter and additional professional fee expenses incurred totaling approximately \$300,000.

Orders of \$6,913,000 were received during the second quarter of 2004, a decrease of \$182,000 or 2.6% compared to \$7,095,000 in orders received during the second quarter of 2003. Orders of \$15,522,000 were received for the first six months of 2004, an increase of \$293,000 or 1.9% compared to \$15,229,000 in orders received for the first six months of 2003. Backlog decreased by \$22,000 to \$12,373,000 at the end of second quarter 2004 compared to \$12,395,000 at year-end 2003.

We are proud of this all-time record quarter for sales. The results also represent the third consecutive quarter of record sales for each respective quarter. For the third consecutive quarter we have achieved a gross margin above 40%. Strong operating performance, favorable product mix and on-going process improvement are the basis for this consistency.

In June we introduced Multi-Mix Zapper®, our next generation of microwave components specially designed as drop-in replacements for conventional surface mount components used in wireless base stations and a broad range of other applications. The Zapper series offers 45% higher power handling capability and twice the reliability of competitive products their size, but at a fraction of the cost. We provide high power handling without consuming valuable board space. Reliability is the name of the game and Multi-Mix Zapper® provides unparalleled reliability and margin of safety.

Thank you for your continued support and confidence,



Mason N. Carter
Chairman and CEO

August 17, 2004

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; general economic and industry conditions; slower than anticipated penetration into the satellite communications, defense and wireless markets; the risk that the benefits expected from the acquisition of Filtran Microcircuits Inc. are not realized; the ability to protect proprietary information and technology; competitive products and pricing pressures; 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, including but not limited to those 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 QUARTERLY CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Quarter Ended		Six Months Ended	
	July 3, 2004	June 28, 2003	July 3, 2004	June 28, 2003
Net sales	\$ 7,896,044	\$ 6,612,597	\$ 15,543,872	13,124,241
Gross profit	3,308,425	2,554,080	6,656,322	5,006,021
Selling, general and administrative	2,453,115	2,584,877	4,907,534	4,914,271
Research and development	396,038	424,254	967,623	1,023,985
Restructuring charges	-	74,180	-	74,180
Income (loss) before income taxes	388,986	(511,655)	629,917	(1,048,040)
Benefit for income taxes	(55,000)	(36,685)	(45,000)	(117,685)
Net income (loss)	443,986	(474,970)	674,917	(930,355)
Net income (loss) per common share - diluted	\$.14	\$ (.15)	\$.21	\$ (.30)
Weighted average number of shares outstanding - diluted	3,163,861	3,120,591	3,146,416	3,120,343