

Max & Erma's Restaurants, Inc. Reports First Quarter Results

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Revenues rise to a quarterly record \$57.6 million

First Quarter Highlights:

- Revenues rise to a quarterly record \$57.6 million
- Same-store sales trends improve; positive for the second half of first quarter
- \$500,000 charge recorded for closing of under-performing location
- One to two Company-owned and five franchised locations planned for remainder of year

Financial Summary (Unaudited)

(In thousands, except per share data)

	16 Weeks Ended 2/19/06	16 Weeks Ended 2/20/05
Revenues	\$57,617	\$57,271
Operating Income	\$331	\$1,545
Income (Loss) Before Taxes	\$(493)	\$819
Net Income (Loss)	\$(32)	\$654
Net Income (Loss) Per Diluted Common Share	\$(0.01)	\$0.25
Diluted Shares Outstanding	2,549	2,577

Max & Erma's Restaurants, Inc. (Nasdaq:MAXE) today reported first quarter 2006 financial results.

The Company reported that first quarter 2006 revenues rose less than 1% to a quarterly record \$57.6 million from \$57.3 million for the first quarter of 2005. Net income and net income per diluted share declined from \$654,000 or \$0.25 per diluted share for the first quarter of 2005 to a net loss of \$32,000 or \$0.01 per diluted share for the first quarter of 2006.

Todd Barnum, Chairman and Chief Executive Officer of Max & Erma's, said that, while he's not pleased with the quarters results, it is a step in the right direction and a marked improvement to the last three quarters. Mr. Barnum said that while same-store sales were negative 1.7% for the quarter, they turned positive during the second half of the quarter, up 0.7% for the last nine weeks of the quarter. He said that despite negative same-store sales, average unit sales were up 1% from fiscal 2005 due to the closing of three under-performing restaurants over the last twelve months, including one during the first quarter of 2006, and the addition of three above-average locations during the same time period.

Mr. Barnum said he is pleased with the improving trends of same-store sales, which were negative 4% and 6.7% for the prior two quarters. He credited the improvement to the "Pick Three" menu promotion that ran during most of the quarter, and a return to a more community-oriented relationship based marketing. He added that the Company continues to move away from couponing and discounting, but noted that heavy discounting in the first quarter of last year made sales comparisons difficult.

Mr. Barnum said that margins stabilized during the quarter, but the problem area is fixed expenses. He noted, for example, that utilities were up \$400,000 over the first quarter of last year. He said it will take same-store sales gains to show any significant margin improvement and that is the Company's focus.

Mr. Barnum reported that the Company did close an under-performing restaurant during the first quarter, resulting in a \$505,000 asset impairment charge. The charge consisted primarily of the payment of a \$440,000 lease termination fee. He noted that the restaurant had an operating loss of \$146,000, including costs associated with the closing, during the quarter.

Mr. Barnum said the Company plans to open one to two restaurants this year. Construction should begin during the second quarter on a restaurant in Springboro, Ohio, a suburb of Dayton. Franchisees are expected to open five restaurants. A franchised restaurant was under construction in the Detroit Airport at the end of the quarter.

Max & Erma's currently owns and operates 78 casual dining full-service restaurants in Akron, Canton, Cincinnati, Cleveland, Columbus, Dayton, Niles, and Toledo, Ohio; Indianapolis, Indiana; Ann Arbor, Detroit, Grand Rapids, and Lansing, Michigan; Pittsburgh and Erie, Pennsylvania; Lexington and Louisville, Kentucky; Chicago, Illinois; Charlotte, North Carolina; Atlanta, Georgia; Virginia Beach and Norfolk, Virginia. The Company also currently franchises 22 restaurants in Chillicothe, Cincinnati, Cleveland, Columbus, Dayton, Sandusky, and Wilmington, Ohio; the Ohio Turnpike; St. Louis, Missouri; Green Bay, Wisconsin; Philadelphia, Pennsylvania; Edinburg, Evansville, and South Bend, Indiana; and Richmond, Virginia. The Company's common shares are traded on the NASDAQ National Market System under the symbol MAXE.

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