

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

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Three new company owned restaurants continue to perform well, Franchise fees and royalties up 10% for the second quarter, Merger with G&R Acquisition, Inc. expected to be completed in mid July.

Max & Erma's Restaurants, Inc. (NASDAQ/Capital Market: MAXE) today reported second quarter 2008 financial results.

The Company reported that revenues for the second quarter of 2008 declined 2.7% from \$41.1 million for the second quarter of 2007 to \$40.0 million for the second quarter of 2008. The Company reported a net loss of \$1,631,000 or \$(0.64) per diluted share for the second quarter of 2008 versus a net loss of \$102,000 or \$(0.04) per diluted share for the second quarter of 2007. Year-to-date Max & Erma's reported revenues fell 1.5% to \$95.2 million for 2008 from \$96.7 million in 2007. Year-to-date the Company reported a net loss of \$2,367,000 or \$(0.93) per diluted share versus a net income of \$648,000 or \$0.25 per diluted share for 2007. The net loss for 2008 includes a \$424,000 pre-tax asset impairment charge recorded in the first quarter of 2008.

Rob Lindeman, President and Chief Executive Officer of Max & Erma's, said: 'Sales for both the quarter and year-to-date periods were impacted by both the economy and weather.' A March 2008 blizzard cost the Company almost \$600,000 in sales during the quarter. Mr. Lindeman added, 'The weather related sales loss and consumer concerns regarding the overall slowdown of the economy combined to drive same store sales down 6.7%' for the second quarter of 2008.

Mr. Lindeman said, 'Our efforts to control costs resulted in lower payroll and benefits and a significant reduction in corporate overhead, but could not offset the effect of the sales decline.' The Company also reported that three restaurants that opened around the start of the fiscal year continue to perform well, with sales per restaurant annualizing almost a half a million dollars above chain average. Mr. Lindeman went on to say 'Franchise fees and royalties grew 10% during the second quarter as a result of two franchise openings during the first quarter of 2008 and one during the second quarter.' The Company expects that three additional franchise restaurants will open during the remainder of 2008.

Mr. Lindeman reported that the Company expects to complete the previously announced merger with G&R Acquisition, Inc. in mid July, assuming shareholders approve the transaction at a special meeting of shareholders to be held July 8, 2008.

Max & Erma's currently owns and operates 79 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, Erie and Washington, Pennsylvania, Crestview Hills, Lexington and Louisville, Kentucky, Chicago, Illinois, Charlotte, North Carolina, Atlanta, Georgia, Virginia Beach and Norfolk, Virginia. The Company also currently franchises 27 restaurants in Chillicothe, Cincinnati, Cleveland, Columbus, Dayton, Findlay, Sandusky and Wilmington, Ohio, St. Louis, Missouri, Philadelphia, Pennsylvania, Detroit, Michigan, Dulles, Richmond, Norfolk and Virginia Beach, Virginia, Myrtle Beach, South Carolina, Huntington, West Virginia, and the State of Indiana. The Company's common shares are traded on the NASDAQ Capital Market System under the symbol MAXE.

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