

Max & Erma's

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FOR IMMEDIATE RELEASE

**Max & Erma's Restaurants, Inc.
NASDAQ: MAXE**

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MAX & ERMA'S RESTAURANTS, INC. REPORTS FIRST QUARTER RESULTS

First Quarter Highlights:

- **Two franchised restaurants opened during the first quarter 2008, with seven in the construction or permitting stages;**
- **One Company-owned restaurant opened;**
- **Margins improve from the second half of 2007.**

Financial Summary (Unaudited)

(In thousands, except per share data)

	16 Weeks Ended 2/17/08	16 Weeks Ended 2/18/07
Revenues	\$ 55,200	\$ 55,521
Operating Income	\$ 44	\$ 1,848
Income (Loss) Before Taxes	\$ (1,112)	\$ 759
Net Income (Loss)	\$ (737)	\$ 749
Net Income (Loss) Per Diluted Common Share	\$ (0.29)	\$ 0.29
Diluted Shares Outstanding	2,554	2,553

Columbus, Ohio, March 20, 2008 – Max & Erma’s Restaurants, Inc. (Nasdaq/Capital Market: MAXE) today reported first quarter 2008 financial results.

The Company reported that first quarter revenues fell less than 1% from \$55.5 million for the first quarter of 2007 to \$55.2 million for the first quarter of 2008. Net income and net income per diluted share fell from \$749,000 or \$0.29 per diluted share for the first quarter of 2007 to a net loss of \$737,000 or \$(0.29) per diluted share for the first quarter of 2008. Results for the first quarter of 2008 include a \$424,000 pre-tax asset, non-cash impairment charge primarily for two under-performing restaurants.

Rob Lindeman, President and Chief Executive Officer of Max & Erma’s, said: “The sales environment continues to be difficult. The slump in both the housing market and auto industry, along with rising energy costs have significantly impacted the mid-western economy where the Company primarily operates.” Mr. Lindeman added, “Overall revenue growth was slightly negative, but same-store sales were down 4.5%. Excluding the effect of two heavy snow storms in December, which cost the Company over a half a million dollars in sales, same-store sales were down 3.5%, matching trends of the past year. The opening of two restaurants just before the start of the quarter and one early in the first quarter of 2008 bolstered sales. All three are off to excellent starts.”

Mr. Lindeman said: “I am pleased with the Company’s efforts to cut costs and improve margins during this difficult sales period. The Company reduced corporate overhead \$585,000 from the first quarter of 2007, which should result in an annual savings of \$2.0 million.” He also said: “Restaurant level profit margins improved by over a full percentage point from the second half of 2007.”

Two franchise restaurants opened during the first quarter of 2008 in Dulles, Virginia and Myrtle Beach, North Carolina, increasing the number of franchised restaurants to 26. The Company expects the opening of six additional franchised restaurants during the remainder of 2008. Franchised restaurants were under construction in Sharonville, Ohio and Richmond, Virginia at the end of the first quarter. Five others were in the planning and permitting stages.

The Company is continuing to explore strategic alternatives which could include the sale of the Company, an equity investment in the Company, the sale of Company-owned restaurants to a franchisee or group of franchisees, or other actions. There can be no assurances that the Company will be successful in its efforts.

At February 17, 2008, Max & Erma’s owns and operates 80 casual dining full-service restaurants under the Max & Erma’s name 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 26 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 under the symbol MAXE.

This release includes “forward-looking” information statements, as defined in the Private Securities Litigation Reform Act of 1995, including the statements relating to future restaurant openings. Actual performance may differ materially from that projected in such statements. Major factors potentially affecting performance include a significant change in the performance of any existing units, the ability to obtain locations for, and complete construction of, additional restaurants at acceptable costs and the ability to obtain the services of qualified personnel at acceptable wages. The Cautionary statements regularly filed by the Company in its most recent annual report to the Securities and Exchange Commission on Form 10-K and its Quarterly Reports to the SEC on Forms 10-Q are incorporated herein by reference. Investors are specifically referred to such Cautionary statements for a discussion of factors which could affect the Company’s operations and forward-looking statements made in this communication.

- FINANCIAL HIGHLIGHTS FOLLOW -

MAX & ERMA'S RESTAURANTS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

<u>ASSETS</u>	February 17, 2008 (UNAUDITED)	<u>October 28, 2007</u>
Current Assets:		
Cash and Equivalents	\$ 2,627,767	\$ 2,465,852
Inventories	1,277,732	1,320,669
Other Current Assets	<u>5,334,827</u>	<u>4,776,568</u>
Total Current Assets	9,240,326	8,563,089
Property – At Cost	112,852,912	112,989,108
Less Accumulated Depreciation and Amortization	<u>59,996,104</u>	<u>57,971,840</u>
Property – Net	52,856,808	55,017,268
Deferred Income Taxes and Other Assets	<u>14,849,445</u>	<u>14,979,932</u>
Total	<u>\$ 76,946,579</u>	<u>\$ 78,560,289</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current Liabilities:		
Current Maturities of Long-Term Obligations	\$ 3,953,581	\$ 2,914,530
Accounts Payable	6,289,472	9,280,424
Accrued Payroll and Related Taxes	2,674,682	2,966,378
Accrued Liabilities	<u>7,831,017</u>	<u>6,548,035</u>
Total Current Liabilities	20,748,752	21,709,367
Long-Term Obligations – Less Current Maturities	47,197,287	47,164,076
Stockholders' Equity:		
Preferred Stock – \$.10 Par Value; Authorized 500,000 Shares – None Outstanding		
Common Stock – \$.10 Par Value; Authorized 5,000,000 Shares, Issued and Outstanding 2,554,474 Shares At 02/17/08 and 2,554,474 Shares at 10/28/07	255,446	255,446
Additional Paid-In Capital	1,215,845	1,165,389
Retained Earnings	<u>7,529,249</u>	<u>8,266,011</u>
Total Stockholders' Equity	<u>9,000,540</u>	<u>9,686,846</u>
Total	<u>\$ 76,946,579</u>	<u>\$ 78,560,289</u>

MAX & ERMA'S RESTAURANTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	<u>Sixteen Weeks Ended</u>	
	<u>February 17, 2008</u>	<u>February 18, 2007</u>
REVENUES	\$ 55,199,867	\$ 55,520,863
COSTS AND EXPENSES:		
Costs of Goods Sold	14,233,737	13,847,613
Payroll and Benefits	17,981,543	17,469,800
Other Operating Expenses	18,488,120	17,888,307
Pre-Opening Expenses	159,673	11,878
Administrative Expenses	3,869,250	4,454,792
Impairment of Assets	<u>423,849</u>	
Total Operating Expenses	<u>55,156,172</u>	<u>53,672,390</u>
Operating Income	43,695	1,848,473
Interest Expense	1,136,206	1,069,891
Other Non-Operating Expense	<u>19,252</u>	<u>19,251</u>
INCOME (LOSS) BEFORE INCOME TAXES	(1,111,763)	759,331
INCOME TAXES (CREDIT)	<u>(375,000)</u>	<u>10,000</u>
NET INCOME (LOSS)	<u>\$ (736,763)</u>	<u>\$ 749,331</u>
NET INCOME (LOSS) PER SHARE		
Basic and Diluted	<u>\$ (0.29)</u>	<u>\$ 0.29</u>
SHARES OUTSTANDING:		
Basic and Diluted	<u>2,554,474</u>	<u>2,552,867</u>