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1

MICROPAC INDUSTRIES, INC.

FORM 10-QSB  
August 25, 2007

INDEX

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

Condensed Statements of Operations for the three months and nine months ended August 25, 2007 and August 26, 2006  
Condensed Balance Sheets as of August 25, 2007 and November 30, 2006  
Condensed Statements of Cash Flows for the nine months ended August 25, 2007 and August 26, 2006  
Notes to Condensed Financial Statements

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ITEM 3- CONTROLS AND PROCEDURES

PART II - OTHER INFORMATION

- ITEM 1 - LEGAL PROCEEDINGS
- ITEM 2 - CHANGES IN SECURITIES
- ITEM 3 - DEFAULTS UPON SENIOR SECURITIES
- ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS
- ITEM 5 - OTHER INFORMATION
- ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes- Oxley Act of 2002
- 31.2 Certification of Chief Accounting Officer pursuant to Section 302 of the Sarbanes- Oxley Act of 2002
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002.
- 32.2 Certification of Chief Accounting Officer pursuant to 18 U. S. C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002.

(b) Reports on Form 8-K

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SIGNATURES

2

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

MICROPAC INDUSTRIES, INC.  
 CONDENSED STATEMENTS OF OPERATIONS  
 (Dollars in thousands except share data)  
 (Unaudited)

|  | For three months ended |          | Year-to   |
|--|------------------------|----------|-----------|
|  | 08/25/07               | 08/26/06 | 08/25/07  |
|  | -----                  | -----    | -----     |
| NET SALES .....                                | \$ 4,536               | \$ 4,552 | \$ 13,234 |
| COST AND EXPENSES:                             |                        |          |           |
| Cost of goods sold .....                       | (3,038)                | (3,056)  | (8,996)   |
| Research and development .....                 | (36)                   | (148)    | (226)     |
| Selling, general & administrative expenses ... | (775)                  | (760)    | (2,359)   |
|  | -----                  | -----    | -----     |
| Total cost and expenses                        | (3,849)                | (3,964)  | (11,581)  |
|  | -----                  | -----    | -----     |
| OPERATING INCOME BEFORE INTEREST .....         | 687                    | 588      | 1,653     |
| AND INCOME TAXES                               |                        |          |           |
| Interest income .....                          | 44                     | 38       | 138       |
|  | -----                  | -----    | -----     |
| INCOME BEFORE TAXES .....                      | \$ 731                 | \$ 626   | \$ 1,791  |
| Provision for taxes .....                      | (278)                  | (238)    | (681)     |
|  | -----                  | -----    | -----     |
| NET INCOME .....                               | \$ 453                 | \$ 388   | \$ 1,110  |
|  | =====                  | =====    | =====     |

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|  |    |           |    |           |    |           |
|--|----|-----------|----|-----------|----|-----------|
| NET INCOME PER SHARE, BASIC AND DILUTED .....      | \$ | 0.18      | \$ | 0.15      | \$ | 0.43      |
| DIVIDENDS PER SHARE .....                          | \$ | 0.00      | \$ | 0.00      | \$ | 0.10      |
| WEIGHTED AVERAGE OF SHARES, Basic and diluted .... |    | 2,578,315 |    | 2,578,315 |    | 2,578,315 |

See accompanying notes to financial statements.

These statements reflect all adjustments which, in the opinion of management, are necessary for fair statement of the results for the interim period.

3

MICROPAC INDUSTRIES, INC.  
CONDENSED BALANCE SHEETS  
(Dollars in thousands)

ASSETS

| CURRENT ASSETS   | (Unaudited) |          |
|--|-------------|----------|
|  | 8/25/07     | 11/30/06 |
|  | -----       | -----    |
| Cash and cash equivalents  | \$ 2,855    | \$ 2,558 |
| Short term investments   | 2,839       | 2,025    |
| Receivables, net of allowance for doubtful accounts of \$89 on August 25, 2007 and \$89 on November 30, 2006 | 2,141       | 2,048    |
| Inventories:   |             |          |
| Raw materials  | 1,751       | 1,924    |
| Work-in process  | 2,454       | 2,596    |
|  | -----       | -----    |
| Total inventories  | 4,205       | 4,520    |
| Prepaid expenses and other current assets  | 84          | 77       |
| Deferred income tax  | 625         | 625      |
|  | -----       | -----    |
| Total current assets   | 12,749      | 11,853   |
|  | -----       | -----    |
| PROPERTY, PLANT AND EQUIPMENT, at cost:  |             |          |
| Land   | 80          | 80       |
| Buildings  | 498         | 498      |
| Facility improvements  | 796         | 796      |
| Machinery and equipment  | 6,093       | 5,925    |
| Furniture and fixtures   | 573         | 507      |
|  | -----       | -----    |
| Total property, plant, and equipment   | 8,040       | 7,806    |
| Less accumulated depreciation  | (6,779)     | (6,591)  |

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|  |           |           |
|--|-----------|-----------|
|  | -----     | -----     |
| Net property, plant, and equipment   | 1,261     | 1,215     |
|  | -----     | -----     |
| Total assets   | \$ 14,010 | \$ 13,068 |
|  | =====     | =====     |
| LIABILITIES AND SHAREHOLDERS' EQUITY   |           |           |
| CURRENT LIABILITIES:   |           |           |
| Accounts payable   | \$ 566    | \$ 582    |
| Accrued compensation   | 450       | 494       |
| Other accrued liabilities  | 215       | 188       |
| Deferred revenue   | 218       | 243       |
| Income taxes payable   | 176       | 28        |
|  | -----     | -----     |
| Total current liabilities  | 1,625     | 1,535     |
|  | -----     | -----     |
| DEFERRED INCOME TAXES  | 79        | 79        |
| SHAREHOLDERS' EQUITY   |           |           |
| Common stock, (\$.10 par value), authorized 10,000,000 shares,<br>3,078,315 issued 2,578,315 outstanding at August 25, 2007 and<br>November 30, 2006 | 308       | 308       |
| Paid-in capital  | 885       | 885       |
| Treasury stock, 500,000 shares, at cost  | (1,250)   | (1,250)   |
| Retained earnings  | 12,363    | 11,511    |
|  | -----     | -----     |
| Total shareholders' equity   | 12,306    | 11,454    |
|  | -----     | -----     |
| Total liabilities and shareholders' equity   | \$ 14,010 | \$ 13,068 |
|  | =====     | =====     |

See accompanying notes to financial statements.

These statements reflect all adjustments which, in the opinion of management, are necessary for fair statement of the results for the interim period.

MICROPAC INDUSTRIES, INC.  
CONDENSED STATEMENTS OF CASH FLOWS  
(Dollars in thousands)  
(Unaudited)

Nine months ended  
08/25/07      08/26/06  
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|   |          |          |
|---|----------|----------|
| CASH FLOWS FROM OPERATING ACTIVITIES:                     |          |          |
| Net income .....  | \$ 1,110 | \$ 1,140 |
| Adjustments to reconcile net income to                    |          |          |
| cash from operating activities:                           |          |          |
| Depreciation and amortization .....                       | 198      | 192      |
| Gain on sale of equipment .....                           | (1)      | --       |
| Changes in current assets and liabilities:                |          |          |
| Decrease (increase) in accounts receivable .....          | (93)     | 516      |
| Decrease (increase) inventories .....                     | 315      | (815)    |
| Increase in prepaid expenses and other current assets ... | (7)      | (33)     |
| Decrease in accounts payable .....                        | (16)     | (218)    |
| Decrease in accrued compensation .....                    | (44)     | (261)    |
| Increase (decrease) in income taxes, payable and deferred | 148      | (70)     |
| Increase (decrease) in other accrued liabilities and      |          |          |
| deferred revenues .....                                   | 2        | (95)     |
|   | -----    | -----    |
| Net cash provided by operating activities .....           | 1,612    | 356      |
|   | -----    | -----    |
| CASH FLOWS FROM INVESTING ACTIVITIES:                     |          |          |
| Increase in short term investments .....                  | (814)    | (409)    |
| Proceeds from disposal of equipment .....                 | 7        | --       |
| Additions to property, plant and equipment .....          | (250)    | (205)    |
|   | -----    | -----    |
| Net cash used in investing activities .....               | (1,057)  | (614)    |
|   | -----    | -----    |
| CASH FLOWS FROM FINANCING ACTIVITIES                      |          |          |
| Cash dividend   |          |          |
| Net cash used in financing activities .....               | (258)    | (387)    |
|   | -----    | -----    |
|   | (258)    | (387)    |
|   | -----    | -----    |
| Net change in cash and cash equivalents .....             | 297      | (645)    |
| Cash and cash equivalents at beginning of period .....    | 2,558    | 1,722    |
|   | -----    | -----    |
| Cash and cash equivalents at end of period .....          | \$ 2,855 | \$ 1,077 |
|   | =====    | =====    |
| Supplemental Cash Flow Disclosure:                        |          |          |
| Cash paid for income taxes .....                          | \$ 532   | \$ 815   |
|   | =====    | =====    |

See accompanying notes to financial statements.

These statements reflect all adjustments, which, in the opinion of management, are necessary for fair statement of the results for the interim period.

MICROPAC INDUSTRIES, INC.  
NOTES TO CONDENSED FINANCIAL STATEMENTS  
(Unaudited)

Note 1

In the opinion of management, the unaudited condensed financial statements include all adjustments (consisting of only normal, recurring adjustments) necessary to present fairly the financial position as of August 25, 2007, the cash flows for the nine months ended August 25, 2007 and August 26, 2006, and the results of operations for the three months and nine months ended August 25, 2007 and August 26, 2006. Unaudited financial statements are prepared on a basis substantially consistent with those audited for the year ended November 30, 2006. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States have been condensed or omitted pursuant to the rules and regulations promulgated by the Securities and Exchange Commission. However, management believes that the disclosures contained are adequate to make the information presented not misleading.

Note 2

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of sales and expenses during the reporting period. Actual results could differ from those estimates.

Note 3

On December 22, 2005, the Board of Directors of Micropac Industries, Inc. approved the payment of a \$.15 per share dividend to all shareholders of record on February 3, 2006. The dividend was paid to shareholders on February 10, 2006.

On December 22, 2006, the Board of Directors of Micropac Industries, Inc. approved the payment of a \$.10 per share dividend to all shareholders of record on January 26, 2007. The dividend payment was paid to shareholders on February 9, 2007.

Note 4

On March 1, 2001, the Company's shareholders approved the 2001 Employee Stock Option Plan (the "Stock Plan"). As of August 25, 2007 there were 500,000 options available to be granted. No options have been granted to date.

Note 5

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On June 1, 2006 the Company renewed an uncollateralized \$3,000,000 line of credit agreement with a bank for a term of two (2) years. The interest rate is equal to the prime rate less 1/4%. The line of credit requires that the Company maintain certain financial ratios. The financial covenants require the Company to maintain a quick ratio of at least 1:1, maintain tangible net worth of \$6,250,000 plus 75% of future net income, and maintain total liabilities to tangible net worth of less than 1.25:1. The Company is in compliance with these covenants. The Company has not, to date, used any of the available line of credit.

### Note 6

Basic and diluted earnings per share are computed based upon the weighted average number of shares outstanding during the year. Diluted earnings per share gives effect to all dilutive potential common shares. For the nine months ended August 25, 2007 and August 26, 2006, the Company had no dilutive potential common stock.

### Note 7

6

Glast, Phillips & Murray, P.C. serves as the Company's legal counsel. Mr. James K. Murphey, a director and member of the Company's audit committee, is a member of Glast, Phillips & Murray, P.C.

MICROPAC INDUSTRIES, INC.  
(Unaudited)

## ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Business

Micropac Industries, Inc. (the "Company"), a Delaware corporation, manufactures and distributes various types of hybrid microelectronic circuits, solid state relays, power operational amplifiers, and optoelectronic components and assemblies. The Company's products are used as components in a broad range of military, space and industrial systems, including aircraft instrumentation and navigation systems, power supplies, electronic controls, computers, medical devices, and high-temperature (200o C) products. The Company's products are either custom (being application specific circuits designed and manufactured to meet the particular requirements of a single customer) or standard, proprietary components such as catalog items.

### Results of Operations

Three months



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|  | ended   |         | Year to Date |         |
|--|---------|---------|--------------|---------|
|  | 8/25/07 | 8/26/06 | 8/25/07      | 8/26/06 |
| NET SALES .....                        | 100.0%  | 100.0%  | 100.0%       | 100.0%  |
| COST AND EXPENSES:                     |         |         |              |         |
| Cost of Goods Sold .....               | 67.0%   | 67.1%   | 68.0%        | 66.4%   |
| Research and development .....         | 0.8%    | 3.3%    | 1.7%         | 2.9%    |
| Selling, general & administrative ...  | 17.1%   | 16.7%   | 17.8%        | 17.5%   |
|  | -----   | -----   | -----        | -----   |
| Total cost and expenses...             | 84.9%   | 87.1%   | 87.5%        | 86.8%   |
| OPERATING INCOME BEFORE INTEREST ..... | 15.1%   | 12.9%   | 12.5%        | 13.2%   |
| AND INCOME TAXES                       |         |         |              |         |
| Interest income .....                  | 1.0%    | 0.8%    | 1.0%         | 0.8%    |
| INCOME BEFORE TAXES .....              | 16.1%   | 13.7%   | 13.5%        | 14.0%   |
| Provision for taxes .....              | 6.1%    | 5.2%    | 5.1%         | 5.3%    |
| NET INCOME .....                       | 10.0%   | 8.5%    | 8.4%         | 8.7%    |

Sales for the third quarter and nine months ended August 25, 2007 totaled \$4,536,000 and \$13,234,000, respectively. Sales for the third quarter decreased 0.4% or \$16,000 below sales for the same period of 2006, while sales for the first nine months of 2007 increased 1.1% or \$149,000 above the first nine months of 2006. Sales decreased 3% in the commercial market, decreased 4% in the military market, and increased 7% in the space market for the nine months ending August 25, 2007.

Cost of goods sold for the third quarter 2007 versus 2006 totaled 67.0% and 67.1% of net sales, respectively, while cost of goods sold for the nine months of the comparable period totaled 68.0% and 66.4%, respectively, an increase of 1.6%.

Selling, general and administrative expenses for the third quarter and first nine months of 2007 totaled 17.1% and 17.8% of net sales, respectively, compared to 16.7% and 17.5% for the same period in 2006. In actual dollars expensed, selling, general and administrative expenses increased \$15,000 in the third quarter of 2007, compared to 2006, and increased \$69,000 for the first nine months of 2007, versus 2006, attributable to higher commissions on increased sales.

7

Net income for the third quarter and year to date 2007 totaled \$453,000 and \$1,110,000, respectively, compared to \$388,000 and \$1,140,000 for the comparable periods in 2006. Net income per share totaled \$.43 and \$.44 for the comparable nine months of 2007 and 2006, respectively.

Total assets increased \$942,000 to \$14,010,000 as of August 25, 2007 from \$13,068,000 as of November 30, 2006 with a increase in cash of \$297,000, short term investment increase of \$814,000, raw material decrease of \$173,000, work-in-process decrease of \$142,000, accounts receivable increase of \$93,000, increase in prepaid expense of \$7,000, and an increase in net property, plant, and equipment of \$46,000.

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Accounts receivable, net totaled \$2,141,000 as of August 25, 2007 and represents an increase of \$93,000 since November 30, 2006.

Inventories totaled \$4,205,000 at the end of the third quarter 2007 compared to \$4,520,000 on November 30, 2006, a decrease of \$315,000. Raw materials inventories decreased \$173,000 since November 30, 2006, while work-in-process inventories decreased \$142,000. The decrease in raw materials and work-in-process is attributable to the shipment of the space level products with high dollar radiation tolerant devices.

Liabilities totaled \$1,704,000 on August 25, 2007 representing an increase of \$90,000 from November 30, 2006; primarily associated with a decrease in accounts payable of \$16,000, a decrease of \$44,000 in accrued compensation, an increase of \$148,000 in provision for income taxes, a decrease in deferred revenue of \$25,000, and an increase of \$27,000 in other accrued liabilities.

Shareholders' equity increased \$852,000 in the first nine months of 2007. Earnings per share for the nine month period totaled \$.43 per share.

### Liquidity and Capital Resources

Cash and short-term investments as of August 25, 2007 totaled \$5,694,000 compared to \$4,583,000 on November 30, 2006, an increase of \$1,111,000. Cash flow from operations was \$1,612,000 and proceeds for the disposal of equipment of \$7,000 for the first nine months offset by a cash dividend of \$258,000, \$250,000 invested in equipment, and \$814,000 invested in short term investments.

For the nine months ended August 25, 2007 cash flows from operating activities were \$1,612,000 compared to \$356,000 for the nine months ended August 26, 2006. Inventory decreased \$315,000 for the first nine months of 2007 compared to an increase of \$815,000 for the first nine months of 2006 resulting in the increase in cash flow for operations from 2006.

Capital expenditures through the third quarter of 2007 totaled \$250,000 compared to \$205,000 as of August 26, 2006. These purchases were financed internally with the Company's cash, and included office, production and test equipment.

A special cash dividend of \$258,000 was paid on February 9, 2007 to all shareholders of record.

On June 1, 2006 the Company renewed an uncollateralized \$3,000,000 line of credit agreement with a bank for a term of two (2) years. The interest rate is equal to the prime rate less 1/4%. The line of credit requires that the Company maintain certain financial ratios. The financial covenants require the Company to maintain a quick ratio of at least 1:1, maintain a tangible net worth of \$6,250,000 plus 75% of future net income, and maintain a total liabilities to tangible net worth of less than 1.25:1. The Company is in compliance with these covenants. The Company has not, to date, used any of the available line of credit.

The Company expects to generate adequate amounts of cash from the sale of products and services and the collection thereof to meet its liquidity needs.

### Outlook

New orders for the third quarter and year-to-date 2007 totaled \$4,037,000 and \$12,936,000, respectively, compared to \$3,677,000 and \$12,040,000 for the comparable periods of 2006 or an increase of 10.0% and 7.0% respectively. The increase in new orders is primarily attributable to increased orders for space level optocouplers offset by a decrease in the industrial semiconductor assemblies.

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Backlog totaled \$9,236,000 on August 25, 2007 compared to \$8,295,000 as of August 26, 2006 and \$9,791,000 on November 30, 2006. The majority of the backlog is expected to be shipped in the next twelve (12) months and represents a good mix of the company's products and technologies with 17% in the commercial market, 67% in the military market, and 17% in the space market compared to 12% in the commercial market, 54% in the military market, and 34% in the space market for the same period of 2006.

The Company cannot assure that the results of operations for the interim period presented are indicative of total results for the entire year due to fluctuations in customer delivery schedules, or other factors over which the Company has no control.

8

### Cautionary Statement

This Form 10-QSB contains forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Actual results could differ materially. Investors are warned that forward-looking statements involve risks and unknown factors including, but not limited to, customer cancellation or rescheduling of orders, problems affecting delivery of vendor-supplied raw materials and components, unanticipated manufacturing problems and availability of direct labor resources.

Such risks and uncertainties include, but are not limited to historical volatility and cyclicity of the semiconductor and semiconductor capital equipment markets that are subject to significant and often rapid increases and decreases in demand. In addition, the Company produces silicon phototransistors and light emitting diode die for use in certain military, standard and custom products. Fabrication efforts sometimes may not be successful, limiting the availability of these components. Competitors offer commercial level alternatives and our customers may purchase our competitors' products if the Company is not able to manufacture the products using these technologies to meet the customer demands. Approximately \$1,340,000 of the Company's backlog is dependent on these semiconductors.

The Company disclaims any responsibility to update the forward-looking statements contained herein, except as may be required by law.

### ITEM 3. CONTROLS AND PROCEDURES

#### (a) Evaluation of disclosure controls and procedures.

The Chief Executive Officer and Chief Financial Officer of the Company evaluated the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) as of August 25, 2007 and, based on this evaluation, concluded that the Company's disclosure controls and procedures are functioning in an effective manner to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. .

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(b) Changes in internal controls.

There has been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

9

### PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is not involved in any material current or pending legal proceedings.

ITEM 2. CHANGES IN SECURITIES

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

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(b) Reports on Form 8-K

On December 22, 2006, the Board of Directors of Micropac Industries, Inc. approved the payment of a \$.10 per share dividend to all shareholders of record on January 26, 2007. The dividend payment was paid to shareholders on February 9, 2007.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned duly authorized.

MICROPAC INDUSTRIES, INC.

October 9, 2007

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Date

/s/ Mark King

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Mark King  
Chief Executive Officer

October 9, 2007

-----

Date

/s/ Patrick Cefalu

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Patrick Cefalu  
Chief Financial Officer