

EARL SCHEIB, INC.

News Release

(for immediate release)

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EARL SCHEIB ANNOUNCES IMPROVED OPERATING RESULTS IN THE SECOND QUARTER OF FISCAL 2006

Sherman Oaks, CA, December 8, 2005 – Earl Scheib, Inc. (PINK SHEETS: ESHB) reported its results for the second quarter and six months ended October 31, 2005 of the fiscal year ending April 30, 2006.

Net sales for the second quarter of fiscal 2006 were \$12,727,000, an increase of 2.2% over the second quarter of fiscal 2005 net sales of \$12,448,000, despite operating a weighted average nine fewer retail paint shops at October 31, 2005 compared to 2004. The Company had one additional sales day in the second quarter of fiscal 2006. On a same-day basis, same-shop (shops open one year or more) sales increased by 5.4%; and combined sales in the fleet and truck center and commercial coatings operations increased by \$82,000 in the second quarter of fiscal 2006 compared to the second quarter of fiscal 2005.

Net sales for the six months ended October 31, 2005 were \$25,741,000, as compared to \$25,139,000 for the six months ended October 31, 2004, an increase of 2.4%. The Company operated a weighted average seven fewer retail paint shops during the six months ended October 31, 2005 compared 2004. The Company had one additional sales day in the six months ended October 31, 2005. On a same-day basis, same-shop sales increased by 5.0%; and combined sales in the fleet and truck center and commercial coatings operations increased by \$287,000 in the first six months of fiscal 2006 from the first six months of fiscal 2005.

Operating income for the second quarter of fiscal 2006 was \$425,000, an improvement of \$194,000 over the second quarter of fiscal 2005 operating income of \$231,000. While gross margins decreased by 1.4% in the second quarter of fiscal 2006 compared to fiscal 2005 due primarily to increases in material and direct labor costs at the shops and higher insurance expenses, primarily medical insurance; selling, general and administrative expenses decreased by 1.9% of sales. Additionally, the second quarter of fiscal 2005 included closed shop exit and fixed asset disposal expenses of \$120,000 while there were no such expenses in the fiscal 2006 quarter.

Operating income for the six months ended October 31, 2005 was \$661,000 compared to \$1,003,000 in the six months ended October 31, 2004. The decrease in operating results was primarily attributable to a decrease of 2.5% in gross margins resulting from higher material and direct labor costs in the shops and increased medical insurance expenses and the lack of last year's \$240,000 benefit from a workers compensation insurance credit that was not available this year.

Net interest expense decreased by \$106,000 in the second quarter and decreased by \$69,000 for the six month period of fiscal 2006 from fiscal 2005 due primarily to a reduction in financing costs for the Company's secured \$11,500,000 credit facility.

For the six month period ended October 31, 2005, the Company sold two previously closed auto paint shops for a net gain of \$124,000 compared to the sale of one closed paint shop for a gain of \$15,000 in the six months ended October 31, 2004.

Overall, net income for the second quarter of fiscal 2006 was \$315,000, or \$0.07 per diluted share; compared to \$21,000, or \$0 per diluted share, for the second quarter of fiscal 2005. For the six months ended October 31, 2005, net income was \$451,000, or \$0.10 per diluted share, compared to \$615,000, or \$0.14 per diluted share, for the six months ended October 31, 2004.

Chris Bement, Chief Executive Officer and President, stated that, "Our second quarter of fiscal 2006 results improved over last year in spite of increased medical insurance costs of \$196,000. Positive sales trends continued with the second quarter of fiscal 2006 representing the tenth consecutive quarter of same-day, same-shop sales increases. Additionally, the sales increase continued into November 2005.

In September, we temporarily closed two leased shops in Louisiana as a result of damage from hurricane Katrina and in October we temporarily closed a third leased shop (in Texas) due to storm damage to that shop. One of the Louisiana shops reopened in November. The other two shops will not reopen until the facilities are repaired by the landlords. We have no firm reopening dates at this time."

Earl Scheib, Inc., founded in 1937, is a nationwide operator of 103 auto paint and body shops located in approximately 100 cities throughout the United States. In addition, through a wholly-owned subsidiary, Earl Scheib, Inc. manufactures paint coating systems that are used not only by its paint and body shops, but are also sold to original equipment manufacturers and used by architectural construction firms. For more information, visit Earl Scheib on the web at www.earlscheib.com.

"Safe-Harbor" Statement Under the Private Securities Litigation Reform Act of 1995

Written and oral statements made by the Company that are not historic in nature are "forward-looking statements" as defined under the Private Securities Litigation Reform Act of 1995, including statements made in this news release and in filings with the Securities and Exchange Commission. Generally, the words "believe", "expect", "hope", "intend", "estimate", "anticipate", "plan", "will", "project", and similar expressions identify forward-looking statements. All statements which address operating performance, events, developments or strategies that the Company expects or anticipates in the future are forward-looking statements.

Forward-looking statements involve risks and uncertainties that could cause actual results or events to differ materially from the Company's past experience or current expectations. The following are some of the risks and uncertainties that may impact the forward-looking statements: the recent trend in quarterly increases in the Company's same-shop sales may not continue or be sustainable, the impact of the Company's retail paint and body shop closures and operational restructuring, the effect of weather, the effect of economic conditions, the impact of competitive products, services, pricing, capacity and supply constraints or difficulties, changes in laws and regulations applicable to the Company, the impact of advertising and promotional activities, the impact of the Company's expansion of its fleet services, new product rollout and Quality Fleet and Truck Centers, commercial coatings business, the potential adverse effects of certain litigation, financing, insurance or lending constraints and the impact of various tax positions taken by the Company.

Earl Scheib, Inc.
Consolidated Statements of Operations
(thousand of dollars, except per share data)
Unaudited

	Three Months ended October 31,		Six Months ended October 31,	
	2005	2004	2005	2004
Net Sales	\$ 12,727	\$ 12,448	\$ 25,741	\$ 25,139
Cost of Sales	9,468	9,089	19,267	18,184
Gross Margin	3,259	3,359	6,474	6,955
Selling, General & Administrative Expense	2,834	3,128	5,813	5,952
Operating Income	425	231	661	1,003
Gain (loss) on Sales of Real Property	(6)	0	124	15
Interest Expense, net	(79)	(185)	(284)	(353)
Income Before Income Tax	340	46	501	665
Income Tax Provision	25	25	50	50
Net Income	<u>\$ 315</u>	<u>\$ 21</u>	<u>\$ 451</u>	<u>\$ 615</u>
Income Per Share				
Basic	\$ 0.07	\$ 0.00	\$ 0.10	\$ 0.14
Diluted	<u>0.07</u>	<u>0.00</u>	<u>0.10</u>	<u>0.14</u>
Average Shares Outstanding				
Basic	4,393	4,380	4,393	4,380
Diluted	<u>4,417</u>	<u>4,402</u>	<u>4,415</u>	<u>4,402</u>

Earl Scheib, Inc.
Consolidated Balance Sheets
(thousands of dollars, except share data)

	<u>Unaudited</u> October 31, 2005	April 30, 2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,458	\$ 3,024
Accounts receivable, less allowances of \$48 at October 31 and \$81 at April 30, 2005	672	638
Inventories	2,280	1,739
Prepaid expenses, including advertising costs of \$450 at October 31 and \$415 at April 30, 2005	1,654	1,488
Deferred income taxes	1,496	1,496
Property held for sale	0	314
Other current assets	104	300
Total current assets	9,664	8,999
Property, plant and equipment	8,231	7,937
Deferred income taxes	445	445
Other, including cash surrender value of life insurance of \$2,784 at October 31 and \$2,740 at April 30, 2005	3,137	2,978
	\$ 21,477	\$ 20,359
Liabilities		
Current liabilities:		
Accounts payable	\$ 1,272	\$ 775
Accrued expenses:		
Payroll and related taxes	1,246	1,403
Insurance	3,133	2,789
Interest	93	117
Advertising	480	418
Legal and professional	276	401
Other	1,210	1,120
Income taxes payable	41	28
Total current liabilities	7,751	7,051
Deferred management compensation	2,773	2,800
Long-term debt and obligations	1,683	1,683
Shareholders' Equity		
Capital stock \$1 par - 12,000,000 shares authorized; 4,808,000 issued; 4,392,000 outstanding at October 31 and 4,393,000 at April 30, 2005	4,808	4,808
Additional paid-in capital	6,766	6,766
Retained earnings	605	154
Treasury stock, at cost (416,000 shares at October 31 and 415,000 at April 30, 2005)	(2,909)	(2,903)
Total shareholders' equity	9,270	8,825
	\$ 21,477	\$ 20,359

Earl Scheib, Inc.
Condensed Consolidated Statements of Cash Flows
(thousands of dollars)
Unaudited

	Six Months Ended October 31,	
	<u>2005</u>	<u>2004</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 850</u>	<u>\$ 1,694</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(829)	(87)
Proceeds from sale or disposal of property and equipment	431	46
Net cash provided by (used in) investing activities	<u>(398)</u>	<u>(41)</u>
CASH FLOWS USED IN FINANCING ACTIVITIES:		
Credit facility financing costs	<u>(18)</u>	<u>(97)</u>
Net increase in cash and cash equivalents	434	1,556
Cash and cash equivalents, at beginning of the period	<u>3,024</u>	<u>2,188</u>
Cash and cash equivalents, at end of the period	<u>\$ 3,458</u>	<u>\$ 3,744</u>