

EARL SCHEIB, INC.

News Release

(For immediate release)

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EARL SCHEIB ANNOUNCES FINANCIAL RESULTS FOR THE FIRST QUARTER OF FISCAL YEAR 2007

Sherman Oaks, CA, September 19, 2006 – Earl Scheib, Inc. (Pink Sheets: ESHB) reported its operating results for the first quarter ended July 31, 2006 for the fiscal year ending April 30, 2007 (“fiscal 2007”).

Net sales for the first quarter of fiscal 2007 were \$12,652,000, a decrease of 2.8% from the first quarter of fiscal 2006. This resulted primarily from a decrease in car volume in the retail paint and body shops and operation of five fewer retail shops, partially offset by an increase in the average transaction value and one additional selling day in the first quarter of fiscal 2007. On a same-day basis, same-shop retail sales in the first quarter of fiscal 2007 decreased by 0.2%.

Operating income in the first quarter of fiscal 2007 was \$241,000, as compared to \$236,000 in the first quarter of fiscal 2006. Gross margins increased by 1.5% of sales in the first quarter of fiscal 2007 as reductions in expenses, primarily labor and materials, exceeded the reduction in sales. Selling, general and administrative expense increased by \$102,000, or 1.4% of sales, due primarily to increased salary expense.

Net interest expense in the first quarter of fiscal 2007 was \$36,000 less than the first quarter of fiscal 2006, as the Company terminated its existing bank credit facility in the first quarter of fiscal 2007.

The first quarter last year included the sale of one parcel of real estate for a pretax gain of \$130,000. There were no sales of property in this year’s first quarter. As a result, net income for the first quarter of fiscal 2007 was \$57,000, or \$0.01 per diluted share, compared to net income of \$136,000, or \$0.03 per diluted share, in the first quarter of fiscal 2006.

Chris Bement, Chief Executive Officer and President, stated that, “As I previously discussed in my letter in the 2006 Annual Report to Shareholders, the impact of soaring gasoline prices, rising interest costs, and other general economic and market factors beyond our control continued to negatively affect our retail shop car intake in the first quarter ended July 31, 2006. We continue to believe that the decrease in car volume will abate as time passes, consumers become more oriented to higher gasoline prices and the

economic climate settles down. We continue to review our sales price points and look to expand our spot painting and minor collision repair work

“We are close to executing leases for two new retail shop locations in California, and plan to open them in early 2007. We are working to complete the installation of our new corporate wide point-of-sale computer system, and have hired experienced technical personnel for that purpose. The retention of these personnel is the reason for the increase in selling, general and administrative salaries in the first quarter of this year. We expect that this investment will yield improved financial results in future periods.

Earl Scheib, Inc., founded in 1937, is a nationwide operator of 102 auto paint and body shops located in approximately 92 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 document 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 previous trend in quarterly increases in the Company's same-shop sales may not be sustainable, the impact of the Company's reallocation of management resources, the impact of the point-of-sale computer system, 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, Quality Fleet & Truck Centers and 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. The Company undertakes no obligation to correct or update any forward-looking statements whether as a result of new information, future events or otherwise.

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

	For The Quarter Ended July 31,	
	2006	2005
Net Sales	\$12,652	\$13,014
Cost of Sales	9,332	9,799
Gross Margin	3,320	3,215
Selling, General & Administrative Expense	3,079	2,979
Operating Income	241	236
Gain on sales of real property	-	130
Interest expense, net	(169)	(205)
Income Before Income Tax	72	161
Income Tax Provision	15	25
Net Income	\$ 57	\$ 136
Income Per Share:		
Basic	\$ 0.01	\$ 0.03
Diluted	0.01	0.03
Average Shares Outstanding:		
Basic	4,396	4,393
Diluted	4,451	4,413

Earl Scheib, Inc.
Consolidated Balance Sheets
As of July 31, 2006
(thousands of dollars, except share data)

	<u>Unaudited</u> July 31, 2006	April 30, 2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,085	\$ 5,603
Accounts receivable, less allowances of \$86 at July 31 and \$74 at April 30	614	786
Inventories	2,018	1,757
Prepaid expenses, including advertising costs of \$318 at July 31 and \$326 at April 30	1,394	1,599
Deferred income taxes	1,367	1,367
Other current assets	56	209
Total current assets	11,534	11,321
Property, plant and equipment	8,145	8,200
Deferred income taxes	574	574
Other, including cash surrender value of life insurance of \$2,892 at July 31 and \$2,885 at April 30	3,096	3,200
	<u>\$23,349</u>	<u>\$23,295</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 1,234	\$ 1,183
Accrued expenses:		
Payroll and related taxes	1,189	1,332
Insurance	2,791	2,603
Interest	22	107
Advertising	545	398
Legal and professional	229	410
Other	1,085	1,053
Income taxes payable	108	98
Total current liabilities	7,203	7,184
Deferred management compensation	2,574	2,616
Long-term debt and obligations	1,683	1,683
Shareholders' Equity		
Capital stock \$1 par - 12,000,000 shares authorized; 4,808,000 issued and 4,396,000 outstanding	4,808	4,808
Additional paid-in capital	6,786	6,766
Retained earnings	3,172	3,115
Treasury stock, at cost (412,000 shares)	(2,877)	(2,877)
Total shareholders' equity	11,889	11,812
	<u>\$23,349</u>	<u>\$23,295</u>

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

	Quarter Ended July 31,	
	2006	2005
Net Cash Provided by Operating Activities	\$ 692	\$ 496
Cash Flows from Investing Activities:		
Capital expenditures	(210)	(333)
Proceeds from sales of property and equipment	-	359
Net cash provided by (used in) investing activities	(210)	26
Net increase in cash and cash equivalents	482	522
Cash and cash equivalents, at beginning of the period	5,603	3,024
Cash and cash equivalents, at end of the period	\$6,085	\$3,546