

EARL SCHEIB, INC.

News Release

(For immediate release)

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EARL SCHEIB ANNOUNCES FINANCIAL RESULTS FOR THE FIRST QUARTER OF FISCAL YEAR 2008

Sherman Oaks, CA, September 27, 2007 – Earl Scheib, Inc. (Pink Sheets: ESHB) reported its operating results for the first quarter ended July 31, 2007 of the fiscal year ending April 30, 2008 (“fiscal 2008”).

Net sales for the first quarter were \$12,236,000, a decrease of 3.3% from the first quarter of fiscal 2007. This resulted primarily from a decrease in car volume in the retail paint and body shops, partially offset by an increase in the average transaction value. On a same-day basis, same-shop retail sales in the first quarter of fiscal 2008 decreased by 2.5%.

The first quarter of fiscal 2008 resulted in an operating loss of \$644,000, compared to operating income of \$241,000 in the first quarter of fiscal 2007. Gross margins decreased by 4.8% of sales in the first quarter of fiscal 2008 due to increased cost of materials, rents and repair and maintenance expenses, as well as other costs not decreasing proportionally with the decrease in sales. Selling, general and administrative expense increased by \$189,000, or 2.4% of sales, due primarily to increased salaries for personnel to operate the Company’s newly installed POS system and increased legal and professional fees; the latter primarily related to the acquisition and start-up of two new Florida retail paint and body shop operations. Additionally, other selling, general and administrative expenses could not be reduced proportionally to the decrease in sales.

Net interest expense decreased by \$169,000 in the first quarter of fiscal 2008 compared to the first quarter of fiscal 2007, due primarily to a reduction in financing costs for the Company’s credit facility.

For the first quarter of fiscal 2008, the net loss was \$654,000, or 16 cents per diluted share, compared to net income of \$57,000, or 1 cent per diluted share, in the fiscal 2007 quarter.

Chris Bement, Chief Executive Officer and President, stated that, “As previously discussed in the 2007 Annual Report, our operations have continued to be negatively impacted by a decrease in car volume, resulting from the increase in gasoline prices, increase in consumer interest rates and reduction in availability of credit which we believe disproportionately affects a large segment of our customer base.

While consumers have a real need to replace automobile tires, brakes and batteries, many consumers can, and will, defer painting of their vehicles in difficult and uncertain economic times like they face today. We continue to review and alter our marketing efforts and advertised prices in an attempt to create a current desire in the mind of the consumer to paint their vehicles now. For the past couple of years we have given more emphasis to collision repair compared to cosmetic paint jobs and we have seen an increase in this part of our business. We are also trying various management incentive plans to encourage shop management to sell our paint and other services.

Our first quarter fiscal 2008 costs were higher than anticipated, and we have taken measures to bring them back in-line; in fact, we have already seen an improvement in August. We opened two new auto paint and body shops in Florida during the first quarter through our acquisition of certain assets of an existing Florida enterprise. Florida is a test market for us, even though it is currently a soft market. We were able to open both shops for less than we normally spend to open one shop in California. Additionally, the Company has negotiated an option to acquire up to an additional three other locations depending upon the results from these two initial locations. Furthermore, since these locations are test locations, the Company has the right to terminate the arrangement within 12 months from our opening date if we are not satisfied with the shops' performance.

We are pleased to announce that effective October 1, 2007, Mr. Stephen Antion will join the Earl Scheib, Inc. Board of Directors. Mr. Antion is the President of Ridgestone Corporation, a private investment company active in private equity and real estate investments and a stockholder in our Company. Prior to joining Ridgestone in 2000, Mr. Antion was a partner for a number of years at O'Melveny & Myers LLP in Los Angeles, CA in the Corporate Department. We welcome Mr. Antion to our Board and look forward to working with him to further strengthen our Company.

Earl Scheib, Inc., founded in 1937, is a nationwide operator of 103 auto paint and body shops located in approximately 95 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 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, the impact of new shops, new business initiatives or growth opportunities, 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
(thousand of dollars, except per share data)
Unaudited

| | For the quarter Ended July, 31 | |
|---|--------------------------------|----------|
| | 2007 | 2006 |
| Net Sales | \$12,236 | \$12,652 |
| Cost of Sales | 9,612 | 9,332 |
| Gross Margin | 2,624 | 3,320 |
| Selling, General & Administrative Expense | 3,268 | 3,079 |
| Operating Income (Loss) | (644) | 241 |
| Interest Expense, net | - | (169) |
| Income (Loss) Before Income Tax | (644) | 72 |
| Income Tax Provision | 10 | 15 |
| Net Income (Loss) | \$(654) | \$57 |
| Income (Loss) Per Share | | |
| Basic | \$(0.16) | \$0.01 |
| Diluted | (0.16) | 0.01 |
| Average Shares Outstanding | | |
| Basic | 4,001 | 4,396 |
| Diluted | 4,001 | 4,451 |

Earl Scheib, Inc.
Consolidated Balance Sheets
As of July, 31, 2007
(thousands of dollars, except share data)

| | <u>Unaudited</u> | <u>April 30,</u> |
|--|------------------|------------------|
| | <u>July 31,</u> | <u>2007</u> |
| | <u>2007</u> | <u>2007</u> |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$3,429 | \$3,000 |
| Accounts receivable, less allowances of \$47 at July 31, 2007 and \$45 at April 30, 2007 | 625 | 590 |
| Inventories | 1,692 | 1,698 |
| Prepaid expenses, including advertising costs of \$117 at July 31, 2007 and \$158 at April 30, 2007 | 1,321 | 1,589 |
| Deferred income taxes | 1,428 | 1,428 |
| Other current assets | 32 | 197 |
| Total current assets | <u>8,527</u> | <u>8,502</u> |
| Property, plant and equipment | 7,819 | 7,893 |
| Deferred income taxes | 241 | 241 |
| Other, including cash surrender value of life insurance of \$3,034 at July 31, 2007 and \$3,027 at April 30, 2007 | 3,247 | 3,232 |
| | <u>\$19,834</u> | <u>\$19,868</u> |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable | \$1,130 | \$953 |
| Accrued expenses: | | |
| Payroll and related taxes | 1,466 | 1,345 |
| Insurance | 3,110 | 2,760 |
| Interest | 22 | 94 |
| Advertising | 348 | 315 |
| Legal and professional | 120 | 86 |
| Other | 1,077 | 1,082 |
| Income taxes payable | 6 | - |
| Total current liabilities | <u>7,279</u> | <u>6,635</u> |
| Deferred management compensation | 2,392 | 2,435 |
| 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 4,001,000 outstanding | 4,808 | 4,808 |
| Additional paid-in capital | 6,863 | 6,844 |
| Retained earnings | 402 | 1,056 |
| Treasury stock, at cost (807,000 shares) | (3,593) | (3,593) |
| Total shareholders' equity | <u>8,480</u> | <u>9,115</u> |
| | <u>\$19,834</u> | <u>\$19,868</u> |

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

| | Quarter Ended July 31, | |
|---|---------------------------|---------|
| | 2007 | 2006 |
| Net Cash Provided By Operating Activities | \$617 | \$692 |
| Cash Flows From Investing Activities: | | |
| Capital expenditures | (197) | (210) |
| Proceeds from disposals of property and equipment | 9 | - |
| Net cash used in investing activities | (188) | (210) |
| Net increase in cash and cash equivalents | 429 | 482 |
| Cash and cash equivalents, at beginning of the period | 3,000 | 5,603 |
| Cash and cash equivalents, at end of the period | \$3,429 | \$6,085 |