

CALLOWAY'S NURSERY

DATE: November 8, 2006 **MEDIA, INVESTOR,** Dan Reynolds
FOR RELEASE: Immediately **ANALYST CONTACT:** (817) 222-1122

CALLOWAY'S NURSERY ANNOUNCES RESULTS FOR THIRD QUARTER ENDED SEPTEMBER 30, 2006

FORT WORTH, TX — NOVEMBER 8, 2006 -- Calloway's Nursery, Inc. (CLWY) today reported revenues and operating results for the third quarter and nine month periods ended September 30, 2006.

Results for the Third Quarter

- Sales were \$6.9 million for the Third quarter of 2006, compared to sales of \$6.2 million for the September 2005 quarter.
- Net loss was \$1.4 million for the Third quarter of 2006, compared to net loss of \$1.8 million for the September 2005 quarter.
- Diluted net loss per common share was \$.20 for the Third quarter of 2006, compared to diluted net loss per common share of \$.25 for the September 2005 quarter.

Results for the Nine Month Period

- Sales were \$35.6 million for 2006, compared to sales of \$35.4 million for 2005.
- Net income was \$1.7 million for 2006, compared to net income of \$1.7 million for 2005.
- Diluted net income per common share was \$.24 for 2006, compared to diluted net income per common share of \$.24 for 2005.

Founded in 1986, Calloway's Nursery, Inc. operates 23 retail garden centers in the three largest metropolitan areas in Texas: Dallas – Fort Worth, San Antonio and Houston, reaching a combined population of 11.5 million.

CALLOWAY'S NURSERY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(amounts in thousands, except per share amounts)

	Nine-Month Period Ended September 30,		Three-Month Period Ended September 30,	
	2006	2005	2006	2005
Net sales	\$35,585	\$35,353	\$6,937	\$6,161
Cost of goods sold	<u>18,086</u>	<u>18,206</u>	<u>3,811</u>	<u>3,519</u>
Gross profit	<u>17,499</u>	<u>17,147</u>	<u>3,126</u>	<u>2,642</u>
Operating expenses	11,495	11,177	3,231	3,111
Occupancy expenses	2,587	2,495	860	809
Advertising expenses	1,083	1,058	197	223
Depreciation and amortization	258	289	81	92
Interest expense, net	<u>397</u>	<u>447</u>	<u>137</u>	<u>176</u>
Total expenses	<u>15,820</u>	<u>15,466</u>	<u>4,506</u>	<u>4,411</u>
Net income (loss)	<u>\$1,679</u>	<u>\$1,681</u>	<u>(\$1,380)</u>	<u>(\$1,769)</u>
Weighted average number of common shares outstanding - basic and diluted	6,950	6,950	6,950	6,950
Net income (loss) per common share - basic and diluted	\$.24	\$.24	(\$.20)	(\$.25)

CALLOWAY'S NURSERY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(In Thousands)

ASSETS

	September 30, 2006	December 31, 2005	September 30, 2005
Cash and cash equivalents	\$3,115	\$5,062	\$3,714
Accounts receivable	405	167	164
Inventories	4,712	2,956	4,692
Prepays and other assets	291	132	136
	<hr/>	<hr/>	<hr/>
Total current assets	8,523	8,317	8,706
Property and equipment, net	10,006	10,159	10,231
Other assets	372	308	314
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$18,901</u>	<u>\$18,784</u>	<u>\$19,251</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Accounts payable and accrued expenses	\$4,765	\$4,128	\$4,255
Current portion of long-term debt	528	522	469
Preferred stock classified as liability	-	1,789	1,789
	<hr/>	<hr/>	<hr/>
Total current liabilities	5,293	6,439	6,513
Deferred rent payable	209	276	306
Long-term debt, net of current portion	8,861	9,210	9,382
	<hr/>	<hr/>	<hr/>
Total liabilities	14,363	15,925	16,201
Commitments and contingencies			
Shareholders' equity:			
Common stock	72	72	72
Additional paid-in capital	10,220	10,220	10,220
Accumulated deficit	(4,346)	(6,025)	(5,834)
	<hr/>	<hr/>	<hr/>
Less: Treasury stock, at cost	5,946	4,267	4,458
	<hr/>	<hr/>	<hr/>
Total shareholders' equity	(1,408)	(1,408)	(1,408)
	<hr/>	<hr/>	<hr/>
Total shareholders' equity	4,538	2,859	3,050
	<hr/>	<hr/>	<hr/>
Total liabilities and shareholders' equity	<u>\$18,901</u>	<u>\$18,784</u>	<u>\$19,251</u>

CALLOWAY'S NURSERY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In thousands)

	Nine-Month Period Ended September 30,	
	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Net income	\$1,679	\$1,681
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	258	289
Net change in operating assets and liabilities	<u>(1,647)</u>	<u>(1,397)</u>
Net cash flows provided by operating activities	<u>290</u>	<u>573</u>
Cash flows from investing activities –		
Additions to property and equipment	<u>(105)</u>	<u>(111)</u>
Cash flows from financing activities:		
Retirement of preferred stock	(1,789)	(1,456)
Net proceeds and cash used for issuance/repayments of long-term debt	<u>(343)</u>	<u>932</u>
Net cash used for financing activities	<u>(2,132)</u>	<u>(524)</u>
Net decrease in cash and cash equivalents from continuing operations	(1,947)	(62)
Cash and cash equivalents at beginning of period	<u>5,062</u>	<u>3,776</u>
Cash and cash equivalents at end of period	<u>\$3,115</u>	<u>\$3,714</u>