

# CALLOWAY'S NURSERY

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MEDIA, INVESTOR, Dan Reynolds  
ANALYST CONTACT: (817) 222-1122

## CALLOWAY'S NURSERY ANNOUNCES RESULTS FOR FOURTH QUARTER AND YEAR ENDED DECEMBER 31, 2007

FORT WORTH, TX — FEBRUARY 20, 2008 -- Calloway's Nursery, Inc. (CLWY) today reported revenues and operating results for the fourth quarter and year ended December 31, 2007.

### Results for the Fourth Quarter

- Sales were \$11.0 million for the 2007 quarter, compared to sales of \$11.0 million for the 2006 quarter. Same-store sales were \$11.0 million for the 2007 quarter, compared to same-store sales of \$10.9 million for the 2006 quarter.
- Net loss was \$80,000 for the 2007 quarter, compared to net income of \$111,000 for the 2006 quarter. The 2007 quarter included \$22,000 income tax benefit, compared to \$663,000 income tax benefit for the 2006 quarter.
- Diluted net loss per common share was \$.01 for the 2007 quarter, compared to diluted net income per common share of \$.02 for the 2006 quarter. The 2007 quarter results included less than \$.01 per-share income tax benefit, compared to \$.10 per-share income tax benefit for the 2006 quarter.

### Results for the Year

- Sales were \$46.4 million for 2007, compared to sales of \$46.6 million for 2006. Same-store sales were \$46.1 million for 2007, compared to same-store sales of \$45.9 million for 2006.
- Net income was \$0.4 million for 2007, compared to net income of \$1.8 million for 2006. The 2007 results included \$0.3 million income tax expense, compared to \$0.7 million income tax benefit for 2006.
- Diluted net income per common share was \$.05 for 2007, compared to diluted net income per common share of \$.26 for 2006. The 2007 results included \$.04 per-share income tax expense, compared to \$.10 per-share income tax benefit for 2006.

Founded in 1986, Calloway's Nursery, Inc. operates 22 retail garden centers in the three largest metropolitan areas in Texas: Dallas - Fort Worth, San Antonio and Houston, reaching a combined population over 11.5 million.

CALLOWAY'S NURSERY, INC.  
CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)  
(amounts in thousands, except per share amounts)

	Year Ended		Three-Months Ended	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Net sales	\$46,426	\$46,606	\$10,975	\$11,021
Cost of goods sold	<u>25,275</u>	<u>24,536</u>	<u>6,333</u>	<u>6,450</u>
Gross profit	<u>21,151</u>	<u>22,070</u>	<u>4,642</u>	<u>4,571</u>
Operating expenses	15,025	15,096	3,422	3,601
Advertising expenses	1,505	1,552	504	469
Occupancy expenses	3,040	3,448	635	861
Depreciation and amortization	384	340	94	82
Net interest expense	525	507	89	110
Total expenses	<u>20,479</u>	<u>20,943</u>	<u>4,744</u>	<u>5,123</u>
Income (loss) before provision for income taxes	672	1,127	(102)	(552)
Income tax expense (benefit)	296	(663)	(22)	(663)
Net income (loss)	<u><u>\$376</u></u>	<u><u>\$1,790</u></u>	<u><u>(\$80)</u></u>	<u><u>\$111</u></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	\$.05	\$.26	(\$0.01)	\$.02

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

	ASSETS	December 31, <u>2007</u>	December 31, <u>2006</u>
Cash and cash equivalents		\$3,207	\$3,967
Accounts receivable		148	109
Inventories		3,324	3,612
Prepays and other assets		88	276
Deferred income taxes		259	149
Total current assets		7,026	8,113
Property and equipment, net		11,890	10,778
Deferred income taxes		387	585
Other assets		288	299
Total assets		\$19,591	\$19,775

LIABILITIES AND SHAREHOLDERS' EQUITY

Accounts payable and accrued expenses	\$4,355	\$5,696
Current portion of long-term debt	577	555
Total current liabilities	4,932	6,251
Deferred rent payable	137	188
Long-term debt, net of current portion	9,497	8,687
Total liabilities	14,566	15,126
Shareholders' equity:		
Common stock	72	72
Additional paid-in capital	10,220	10,220
Accumulated deficit	(3,859)	(4,235)
	6,433	6,057
Less: Treasury stock, at cost	(1,408)	(1,408)
Total shareholders' equity	5,025	4,649
Total liabilities and shareholders' equity	\$19,591	\$19,775

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

	Year Ended December 31,	
	2007	2006
Cash flows from operating activities:		
Net income	\$376	\$1,790
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	384	340
Net change in operating assets and liabilities	(856)	13
Net cash provided by (used for) operating activities	(96)	2,143
Cash flows from investing activities:		
Additions to property and equipment	(2,246)	(959)
Proceeds from sale of property and equipment	750	--
Net cash used for investing activities	(1,496)	(959)
Cash flows from financing activities:		
Proceeds from issuance of debt	3,098	--
Repayments of debt	(2,266)	(490)
Retirement of preferred stock	--	(1,789)
Net cash provided by (used for) financing activities	832	(2,279)
Net decrease in cash and cash equivalents from continuing operations	(760)	(1,095)
Cash and cash equivalents at beginning of period	3,967	5,062
Cash and cash equivalents at end of period	\$3,207	\$3,967