



November 12, 2004

## **SPAR Group Reports Financial Results for 2004 Third Quarter; Company Reports Profitable Third Quarter**

TARRYTOWN, N.Y., Nov 12, 2004 -- SPAR Group, Inc. (SGRP) today reported a profit for the third quarter ended September 30, 2004.

The company achieved net income of \$210,000, equal to \$.01 per diluted share, for the 2004 third quarter, compared with a net loss of \$345,000, or a loss of \$.02 per share, a year ago. Net revenues for the 2004 third quarter declined to \$10.7 million from \$16.6 million last year.

Robert. G. Brown, SPAR Group's chairman and chief executive officer, said the significant expense reductions are evidence of SPAR's restructuring to reflect the company's current size. He said the lower comparative revenue, in part, resulted from the company's largest customer completing the sale of its business.

"Our restructuring plan is focused on improving SPAR's financial health," Brown said. "We are downsizing our expense structure and cutting fixed costs throughout the company. At the same time, we are not losing sight of SPAR's future and continue to invest in technology, local in-store demonstration services and international expansion.

"While business conditions remain challenging, we are optimistic about the company's long-term future and the progress being made to achieve and sustain positive operating results," Brown said.

For the three months ended September 30, 2004, the gross margin percentage improved to 34.8% from 31.5% last year. Selling, general and administrative expenses totaling \$4.0 million, include \$500,000 of restructuring expenses and were reduced from \$5.3 million for the corresponding period last year. SPAR also reported \$800,000 of other income that includes non-recurring income of approximately \$600,000 resulting from the restructuring of debt due to the company from a prior subsidiary.

For the first nine months of 2004, SPAR posted a net loss of \$12.8 million, or \$0.68 per share, on net revenues of \$35.4 million. The company had net income of \$1.5 million, equal to \$0.08 per diluted share, on net revenues of \$52.7 million for the corresponding prior year period.

Brown said more than 63%, or \$8.1 million of the loss for the 2004 year-to-date period, was attributable to non-cash, non-recurring items related to the write off of goodwill and other impairment charges.

SPAR Group, Inc. is a diversified international marketing services company, providing a broad array of productivity enhancing products and services to help Fortune 1000 companies improve their sales, operating efficiency and profits. The company provides in-store merchandising, in-store demonstrations, technology and research to manufacturers and retailers covering all product classifications and all classes of trade, including mass market, drug store, convenience store and grocery chains, throughout the United States and internationally.

Certain statements in this news release are forward-looking, including, but not limited to, the benefits to be derived from the company's restructuring plan and the ability to achieve and sustain positive operating results. The company's actual results, performance and trends could differ materially from those indicated or implied by such statements as a result of various factors, including (without limitation) the continued strengthening of SPAR's selling and marketing functions, continued customer satisfaction and contract renewal, new product development, continued technological superiority over its competitors, continued availability of capable dedicated personnel, continued cost management, the success of its international efforts, success and availability of acquisitions, availability of financing and other factors, as well as by factors applicable to most companies such as general economic, competitive and other business and civil conditions. Information regarding certain of these and other factors that could effect future results, performance or trends are discussed in SPAR Group's annual report on Form 10-K, quarterly reports on Form 10-Q, and other filings made with the Securities and Exchange Commission from time to time.

SPAR Group, Inc.  
Consolidated Statements of Operations  
(unaudited)  
(in thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	September	September	September	September
	30, 2004	30, 2003	30, 2004	30, 2003
Net revenues	\$10,683	\$16,615	\$35,418	\$52,704
Cost of revenues	6,963	11,380	24,474	33,777
Gross profit	3,720	5,235	10,944	18,927
Selling, general and administrative expenses	4,028	5,334	14,471	15,044
Impairment charges	-	-	8,141	-
Depreciation and amortization	275	385	1,005	1,162
Operating (loss) income	(583)	(484)	(12,673)	2,721
Interest expense	(29)	(69)	(127)	(209)
Other income (expense)	773	-	764	(28)
Income (loss) before provision for income taxes	161	(553)	(12,036)	2,484
Provision (benefit) for income taxes	15	(208)	783	943
Net income (loss) before minority interest	146	(345)	(12,819)	1,541
Minority interest	64	-	64	-
Net income (loss)	\$210	\$(345)	\$(12,755)	\$1,541
Net income (loss) per common share:				
Basic	\$0.01	\$(0.02)	\$(0.68)	\$0.08
Diluted	\$0.01	\$(0.02)	\$(0.68)	\$0.08
Weighted average common shares - basic	18,859	18,859	18,859	18,853
Weighted average common shares - diluted	19,206	18,859	18,859	19,508

SPAR Group, Inc.  
Consolidated Balance Sheets  
(unaudited)  
(in thousands, except share and per share data)

	September 30, 2004	December 31, 2003
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Assets		
Current assets:		
Cash and cash equivalents	\$236	\$-
Accounts receivable, net	7,966	13,942
Prepaid expenses and other current assets	1,267	659
Deferred income taxes	-	1,305
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Total current assets	9,469	15,906
Property and equipment, net	1,686	2,099
Goodwill	798	8,749
Deferred income taxes	-	434
Other assets	431	926
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Total assets	\$12,384	\$28,114
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Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$1,593	\$1,350
Accrued expenses and other current liabilities	1,194	4,081
Accrued expenses, due to affiliates	1,889	1,091
Restructuring charges, current	162	685
Customer deposits	915	530
Line of credit, short-term	2,809	4,084
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Total current liabilities	8,562	11,821
Other long-term liabilities	476	270
Restructuring charges, long term	117	-
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value:		
Authorized shares - 3,000,000		
Issued and outstanding shares - none	-	-
Common stock, \$.01 par value:		
Authorized shares - 47,000,000		
Issued and outstanding shares -		
18,858,972 - September 30, 2004		
18,858,972 - December 31, 2003	189	189
Treasury stock	(176)	(384)
Accumulated other comprehensive loss	(56)	(7)
Additional paid-in capital	11,051	11,249
Accumulated (deficit) retained earnings	(7,779)	4,976
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Total stockholders' equity	3,229	16,023
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Total liabilities and stockholders' equity	\$12,384	\$28,114
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