



March 17, 2005

## **SPAR Group Reports 2004 Financial Results; Company Cites Favorable Trend with Profitable Fourth Quarter**

TARRYTOWN, N.Y., Mar 17, 2005 -- SPAR Group, Inc. (SGRP) today reported its second consecutive quarter of profitability for the three months ended December 31, 2004, although, as anticipated, the company sustained a loss for the full year.

SPAR achieved net income of \$489,000, equal to \$.03 per diluted share, for the 2004 fourth quarter, compared with a net loss of \$2.1 million, or a loss of \$.11 per diluted share, a year ago. Net revenues for the 2004 fourth quarter rose 31% to \$16.0 million from \$12.2 million in the fourth quarter of 2003.

The gross margin percentage for the 2004 fourth quarter improved to 42.5% from 29.6% in the prior year's fourth quarter. Selling, general and administrative expenses for the quarter were reduced to \$5.7 million from \$5.9 million a year ago.

Robert G. Brown, SPAR's chairman and chief executive officer, attributed the positive fourth quarter performance and favorable trend achieved in the second half of 2004 primarily to the successful execution of SPAR's restructuring plan, along with the growth in the international business.

"Since June of 2004, our first priority has been to right size our business and get expenses aligned with a lower revenue base that resulted primarily from a change in the ownership of one of our major clients and the subsequent loss of that business," Brown said. "Concurrently, we continued to invest in technology, international expansion, and in-store event staffing, all with an eye to SPAR's future.

"These activities all have proven beneficial. We have successfully restructured our domestic business and as a result improved our gross profit percentage by 13% and reduced our selling, general and administrative expenses by 29% in the fourth quarter of 2004 versus 2003. These improvements were a result of our investment in technology that has enabled us to reduce costs while improving services. Our international business has grown significantly with 2004 fourth quarter sales of \$3.5 million up from \$800,000 in 2003. International profits for the fourth quarter improved \$600,000 from a loss of \$270,000 in 2003 to a profit of \$330,000 in 2004. Our in-store event staffing business has also improved over last year."

For the full 2004 year, SPAR registered a net loss of \$12.3 million, or \$0.65 per diluted share, including approximately \$8.1 million of non-cash, non-recurring items related to the write off of goodwill and other impairment charges. Net revenues for 2004 amounted to \$51.4 million. For 2003, SPAR had a net loss of \$539,000, or \$.03 per diluted share, on net revenues of \$64.9 million.

"We are optimistic about 2005," said Brown. "Domestically, we have restructured our business and added some new clients. Internationally, we continue to expand our business. Earlier this year, SPAR established a joint venture in China. In addition to entering South Africa and India in 2004, SPAR also established a joint venture in Romania. International sales grew significantly in 2004, and we expect that trend to continue as SPAR enters new markets. We believe SPAR is poised to have a strong 2005."

SPAR Group, Inc. is a diversified international marketing services company, providing a broad array of services to help companies improve their sales, operating efficiency and profits at retail worldwide. The company provides in-store merchandising, in-store event staffing, RFID and other technology, as well as, 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, further benefits to be derived from the company's restructuring plan, contributions from international expansion efforts, an improving external economic environment and the ability to 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 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 affect future results, performance or trends are discussed in SPAR Group Inc.'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		Twelve Months Ended	
	December 31, 2004	December 31, 2003	December 31, 2004	December 31, 2003
Net Revenues	\$15,952	\$12,155	\$51,370	\$64,859
Cost of revenues	9,170	8,561	33,644	42,338
Gross profit	6,782	3,594	17,726	22,521
Selling, general and administrative expenses	5,748	5,923	20,222	20,967
Impairment charges	-	-	8,141	-
Depreciation and amortization	395	368	1,399	1,529
Operating income (loss)	639	(2,697 )	(12,036 )	25
Interest expense	91	60	220	269
Other expense (income)	13	209	(754 )	237
Income (loss) before provision for income taxes	535	(2,966 )	(11,502 )	(481 )
Provision (benefit) for income taxes	69	(886 )	853	58
Income (loss) before minority interest	466	(2,080 )	(12,355 )	(539 )
Minority interest	23	-	87	-
Net income (loss)	\$489	\$(2,080 )	\$(12,268 )	\$(539 )
Basic/diluted net income (loss) per common share:				
Net income (loss) - basic/diluted	\$0.03	\$(0.11 )	\$(0.65 )	\$(0.03 )
Weighted average common shares - basic				
	18,859	18,859	18,859	18,855
Weighted average common shares -				

diluted	18,998	18,859	18,859	18,855
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SPAR Group, Inc.  
Consolidated Balance Sheets  
(unaudited)  
(in thousands, except share and per share data)

	December 31, 2004	December 31, 2003
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Assets		
Current Assets:		
Cash and cash equivalents	\$887	\$24
Accounts receivable, net	11,307	13,942
Prepaid expenses and other current assets	657	658
Deferred income taxes	-	1,305
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Total current assets	12,851	15,929
Property and equipment, net	1,536	2,099
Goodwill	798	8,749
Deferred income taxes	-	434
Other assets	636	926
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Total assets	\$15,821	\$28,137
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	2,158	1,373
Accrued expenses and other current liabilities	2,391	4,081
Accrued expense, due to affiliates	987	1,091
Restructuring charges	250	685
Customer deposits	1,147	530
Line of credit, short-term debt	4,956	4,084
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Total current liabilities	11,889	11,844
Other long-term liabilities	218	270
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 - 2004		
18,858,972 - 2003	189	189
Treasury stock	(108 )	(384 )
Additional paid-in capital	11,011	11,249
Accumulated other comprehensive loss	(86 )	(7 )
Accumulated (deficit) retained earnings	(7,292 )	4,976
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Total stockholders' equity	3,714	16,023
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Total liabilities and stockholders' equity	\$15,821	\$28,137
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