



August 20, 2004

SPAR Group Reports Financial Results for 2004 Second Quarter

Company's Operating Loss Reflects Non-Cash Charges

TARRYTOWN, N.Y.--Aug. 20, 2004--SPAR Group, Inc. (Nasdaq:SGRP) today reported financial results for the second quarter and six months ended June 30, 2004.

For the 2004 second quarter, the company sustained a net loss of \$12.2 million, equal to \$0.65 per share, which includes approximately \$9.3 million in non cash expenses (\$8.1 million in non-cash impairment charges, and a \$1.2 million non-cash charge against net deferred tax assets and tax benefits recorded in the first quarter of 2004). Net revenues for the 2004 second quarter amounted to \$11.9 million. The company reported net income of \$608,000, or \$0.03 per diluted share, on net revenues of \$17.4 million for the second quarter of 2003.

For the first six months of 2004, the company posted a net loss of \$13.0 million, or \$0.69 per share, on revenues of \$24.7 million, compared with net income of \$1.9 million, equal to \$0.10 per fully diluted share, on net revenues of \$36.1 million for the corresponding prior year period.

Robert G. Brown, SPAR Group's chairman and chief executive officer, said more than 77% of the loss for the second quarter and 68% of the loss for the six month period was attributable to non-cash, non-recurring items.

"While we have lost some key business, resulting in part from our largest customer completing the sale of its business and a major retailer closing some of its stores and changing some of its merchandising policies to emerge from bankruptcy, we have taken swift and decisive action in a restructuring plan aimed at restoring SPAR's financial health by downsizing our fixed expense structure to reflect our lower revenue base and returning the company to profitability in 2005," Brown said. "We plan to cut fixed costs, but not at the expense of the quality of service we provide to our customers. In addition, we plan to continue investing in technology, local in-store demonstration services and international expansion. We believe these areas though currently contributing to our losses, will improve profits in the future. It is our intent to build a profitable company and add tangible shareholder value. We are taking steps now to help assure that our long-term objectives will be met," Brown said.

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 return to profitability in 2005. 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 respecting 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		Six Months Ended	
June 30,	June 30,	June 30,	June 30,
2004	2003	2004	2003
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Net revenues	\$11,933	\$17,351	\$24,736	\$36,090
Cost of revenues	8,716	11,146	17,411	22,397
Gross profit	3,217	6,205	7,325	13,693
Selling, general and administrative expenses	5,577	4,768	10,545	9,711
Impairment charges	8,141	-	8,141	-
Depreciation and amortization	369	399	730	777
Operating (loss) income	(10,870)	1,038	(12,091)	3,205
Interest expense	64	72	98	140
Other expense (income)	7	(10)	8	28
(Loss) income before provision for income taxes	(10,941)	976	(12,197)	3,037
Provision for income taxes	1,236	368	771	1,151
Net (loss) income	\$(12,177)	\$608	\$(12,968)	\$1,886
Basic/diluted net (loss) income per common share:				
Net (loss) income - basic/diluted	\$(0.65)	\$0.03	\$(0.69)	\$0.10
Weighted average common shares - basic	18,859	18,858	18,859	18,850
Weighted average common shares - diluted	18,859	19,538	18,859	19,447

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

	June 30, 2004	Dec. 31, 2003
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	(Unaudited)	(Note)
Assets		
Current assets:		
Accounts receivable, net	\$7,743	\$13,942
Prepaid expenses and other current assets	310	415
Deferred income taxes	-	1,305
Total current assets	8,053	15,662
Property and equipment, net	1,751	2,099
Goodwill	798	8,749
Deferred income taxes	-	434
Other assets	448	926
Total assets	\$11,050	\$27,870
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$2,083	\$1,445
Accrued expenses and other current liabilities	1,192	4,350
Accrued expenses, due to affiliates	1,296	996
Restructuring charges, current	-	685
Customer deposits	932	17
Line of credit, short-term	1,856	4,084

Total current liabilities	7,359	11,577
Other long-term liabilities	513	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 - June 30, 2004 and		
December 31, 2003	189	189
Treasury stock	(213)	(384)
Accumulated other comprehensive loss	(3)	(7)
Additional paid-in capital	11,197	11,249
Accumulated (deficit) retained earnings	(7,992)	4,976
Total stockholders' equity	3,178	16,023
Total liabilities and stockholders' equity	\$11,050	\$27,870

Note: The Balance Sheet at December 31, 2003, has been derived from the audited financial statements at that date but does not include any of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

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