



November 3, 2006

## **SPAR Group Reports Financial Results for 2006 Third Quarter**

TARRYTOWN, N.Y., Nov. 3, 2006 -- SPAR Group, Inc. (Nasdaq:SGRP) today reported financial results for the third quarter and nine months ended September 30, 2006.

Net revenues for the 2006 third quarter increased 14.9% to \$12.7 million from \$11.1 million in the corresponding prior year period. SPAR Group registered a net loss of \$1.4 million, equal to a loss of \$0.07 per share, for the 2006 period, compared with a net loss of \$1.1 million, or \$0.06 per share, a year ago.

For the first nine months of 2006, net revenues rose 8.1% to \$41.5 million from \$38.4 million for the comparable prior year period. The company sustained a net loss of \$516,000, equal to a net loss of \$0.03 per share, for the year-to-date period of 2006, compared with net income of \$144,000, or \$0.01 per share, last year.

Robert G. Brown, SPAR Group's chairman and chief executive officer, said, "Revenue growth for the third quarter continued to be paced by our international division, with contributions from our newer joint venture operations, particularly Australia and Lithuania, that were not part of the company last year, as well as a strong performance by our partners in Japan. The net loss for the quarter principally reflected weakness in our domestic merchandising business. However, domestically we are encouraged by the start of a significant new customer relationship, as well as other events that occurred in the quarter, which should favorably impact 2007."

Revenues from SPAR Group's international operations for the 2006 third quarter increased to \$6.0 million from \$3.6 million last year, with a net loss of \$84,000, compared with net income of \$35,000 a year ago. International revenues for the first nine months of 2006 rose to \$16.1 million, compared with \$10.9 million last year. Included in the current year revenue was an additional quarter of revenue, totaling approximately \$1.3 million, associated with the change to the reporting year of the company's joint venture in Japan, as well as revenue from the company's new joint venture operations in Australia and Lithuania. The division posted a net loss of \$366,000 for the year-to-date period, versus net income of \$487,000 for the first nine months of 2005.

U.S. revenues for the 2006 third quarter amounted to \$6.7 million, compared with \$7.5 million a year ago, with a net loss of \$1.3 million, versus a net loss of \$1.2 million last year. For the 2006 year-to-date period, revenue in the U.S. amounted to \$25.4 million including \$770,000 from the termination of a customer service agreement during the first quarter, compared with \$27.5 million last year. The company posted a U.S. net loss of \$150,000, compared with a net loss of \$343,000 for the first nine months of 2005. Included in U.S. net income for the nine months of 2006 was \$1.3 million resulting from a favorable judgment awarded in a lawsuit, offset by the current year related legal expenses of approximately \$1.1 million.

"During the quarter, we were pleased to announce the appointment of C. Manly Molpus to our board of directors," Brown said. "He is currently president, chief executive officer and a director of the Grocery Manufacturers Association. We are delighted to have attracted a director with his breadth of experience and industry knowledge."

With joint venture partners in Japan, Turkey, South Africa, India, Romania, China, Lithuania and Australia, as well as operations in Canada and the United States, 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, electronic store, convenience store and grocery chains, throughout the United States and internationally. For more information, visit the company's Web site, [www.sparinc.com](http://www.sparinc.com).

Certain statements in this news release are forward-looking, including, but not limited to further growth and expansion of the company's international operation and improvement in its domestic merchandising business. 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 Group'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'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	
	Sept. 30, 2006	Sept. 30, 2005	Sept. 30, 2006	Sept. 30, 2005
	-----	-----	-----	-----
Net revenues	\$ 12,709	\$ 11,060	\$ 41,477	\$ 38,381
Cost of revenues	8,856	7,595	27,853	24,414
	-----	-----	-----	-----
Gross profit	3,853	3,465	13,624	13,967
Selling, general and administrative expenses	4,855	4,015(a)	13,794	12,090(a)
Depreciation and amortization	170	261	565	812
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Operating (loss) income	(1,172)	(811)	(735)	1,065
Interest expense	65	29	162	102
Other expense (income)	48	199(a)	(542)	608(a)
	-----	-----	-----	-----
(Loss) income before provision for income taxes and minority interests	(1,285)	(1,039)	(355)	355
Provision for income taxes	73	15	172	45
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(Loss) income before minority interest	(1,358)	(1,054)	(527)	310
Minority interest	34	88	(11)	166
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Net (loss) income	\$ (1,392)	\$ (1,142)	\$ (516)	\$ 144
	=====	=====	=====	=====
Basic/diluted net (loss) income per common share:				
Net (loss) income - basic/diluted	\$ (0.07)	\$ (0.06)	\$ (0.03)	\$ 0.01
	=====	=====	=====	=====
Weighted average common shares - basic	18,934	18,899	18,929	18,876
	=====	=====	=====	=====

Weighted average common shares - diluted	18,934	18,899	18,929	19,388
	=====	=====	=====	=====

(a) Certain reclassifications have been made to the prior years' financial statements to conform to the 2006 presentation.

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

	September 30, 2006	December 31, 2005
	----- (unaudited)	----- (audited)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,892	\$ 1,914
Accounts receivable, net	11,258	10,656
Prepaid expenses and other current assets	732	702
	-----	-----
Total current assets	13,882	13,272
Property and equipment, net	929	1,131
Goodwill	798	798
Other assets	206	216
	-----	-----
Total assets	\$ 15,815	\$ 15,417
	=====	=====
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 2,726	\$ 1,597
Accrued expenses and other current liabilities	2,207	2,639
Accrued expense due to affiliates	1,887	1,190
Restructuring charges	--	99
Customer deposits	655	1,658
Lines of credit	3,249	2,969
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Total current liabilities	10,724	10,152
Minority interest and other long-term liabilities	502	415
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Total liabilities	11,226	10,567
<b>Commitments and contingencies</b>		
<b>Stockholders' equity:</b>		
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-		
18,933,932 - September 30, 2006		
18,916,847 - December 31, 2005	189	189
Treasury stock	(1)	(1)
Additional paid-in capital	11,367	11,059
Accumulated other		
comprehensive loss	(36)	17
Accumulated deficit	(6,930)	(6,414)
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Total stockholders' equity	4,589	4,850
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Total liabilities and		
stockholders' equity	\$ 15,815	\$ 15,417
	=====	=====

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