

**FOR IMMEDIATE RELEASE**

## **Thomas Group Announces Second Quarter 2009 Results And Earnings Conference Call**

**Irving, Texas – August 04, 2009 – Thomas Group, Inc. (NasdaqGM: TGIS)**, a leading operations and process improvement firm, today announced a net loss of \$1.4 million, or negative \$0.13 per diluted share, for the second quarter of 2009 on revenues of \$2.6 million, compared to net loss of \$1.9 million, or negative \$0.17 per diluted share, on revenues of \$5.4 million for the second quarter of 2008. For the first half of 2009, net loss was \$2.6 million, or negative \$0.24 per diluted share, compared to the first half of 2008 net loss of \$1.5 million, or negative \$0.14 per diluted share.

Earle Steinberg, President and Chief Executive Officer stated, “We continue to be challenged by the economic situation in the United States and Europe as we seek to close new consulting engagements and to rebuild our revenue. While we believe that we have made significant strides in developing new and meaningful business opportunities over the last year since the new executive management team arrived at Thomas Group, we continue to experience delays in gaining client approvals for our proposals. Prospective clients recognize the need for improving profits and for reducing costs more quickly and effectively, changes which Thomas Group can drive efficiently in their organizations. However, we sense that these prospective clients are more cautious and are moving more slowly to make decisions, even when the savings opportunities for their organizations are compelling.

We are optimistic about our ability to deliver the results that all of our shareholders expect, however timing continues to be difficult to predict. We realize that we need to close new business and/or reduce expenses in the near term to reduce our ‘cash burn rate’. Our cash balance at the end of the quarter was \$7.9 million, or \$0.73 per share, strengthened in part by the \$2.7 million Federal tax refund we received during the quarter.”

### **Second Quarter 2009 Financial Performance**

#### **Revenue**

Revenue for the second quarter of 2009 was \$2.6 million, compared to \$5.4 million in the second quarter of 2008. Consulting revenue from US government clients, represented by our Government practice, was \$0.5 million, or 21% of revenue, in the second quarter of 2009, compared to \$2.3 million, or 43% of revenue, in the second quarter of 2008. Consulting revenue from commercial clients, represented by our Aerospace and Defense, Healthcare, Industrial, Transportation and Logistics, and European practices, was \$1.7 million, or 64% of revenue, in the second quarter of 2009, compared to \$2.6 million, or 48% of revenue, in the second quarter of 2008. Reimbursement of expenses was \$0.4 million, or 15% of revenue in the second quarter of 2009, compared to \$0.5 million, or 9% of revenue in the second quarter of 2008.

Revenue for the first half of 2009 was \$5.9 million, compared to \$17.8 million in the first half of 2008. Consulting revenue from US government clients was \$1.4 million, or 24% of revenue, in the first half of 2009, compared to \$11.4 million, or 64% of revenue, in the first half of 2008. Consulting revenue from commercial clients was \$3.8 million, or 64% of revenue, in the first half of 2009, compared to \$5.5 million, or 31% of revenue, in the first half of 2008. Reimbursement of expenses was \$0.8 million, or 13% of revenue in the first half of 2009, compared to \$0.9 million, or 5% of revenue, in the first half of 2008.

## **Gross Margins**

Gross profit margins for the second quarter of 2009 were 34%, compared to 37% for the second quarter of 2008. Gross profit margins for the first half of 2009 were 39%, compared to 45% for the first half of 2008. The drop in the quarterly and year-to-date gross margins is related to a lower level of revenue in 2009 and to a higher concentration of lower margin client engagements.

## **Selling, General & Administrative Expenses (SG&A)**

SG&A costs for the second quarter of 2009 were \$3.1 million, compared to \$5.0 million in the second quarter of 2008. The \$1.9 million decrease is related primarily to a \$0.2 million decrease in stock-based compensation during the second quarter of 2009, a \$0.2 million decrease in sales commissions and executive bonus, a \$0.9 million decrease in payroll costs due to the decline in the number of consultants employed, a \$0.4 million decrease in severance costs related to the reduction in our labor force during the second quarter of 2008 and a \$0.2 million decrease in other costs due to a decline in activity as compared to the same period in 2008.

SG&A costs for the first half of 2009 were \$6.5 million compared to \$10.5 million in the first half of 2008. The \$4.0 million decrease is primarily related to a \$1.2 million decrease in payroll costs due to the decline in the number of consultants employed, a \$0.4 million decrease in severance costs related to the reduction in our labor force during the second quarter of 2008 a \$0.6 million decrease in stock-based compensation, a \$0.7 million decrease in sales commissions and executive bonus, a \$0.3 million decrease in recruiting costs, a \$0.2 million decrease in bad debt allowance, a \$0.1 million decrease in outside consultants used related to the decrease in activity, a \$0.1 million decrease in general insurance costs and a \$0.3 million decline in other costs due to a decrease in activity and the number of consultants employed as compared to prior year.

## **Working Capital and Cash Flow**

Working capital decreased from \$13.2 million at December 31, 2008 to \$10.4 million at June 30, 2009, due primarily to our operating loss for the first half of 2009.

For the first half of 2009, the net change in cash was a net decrease of \$0.5 million, compared to a net increase of \$2.4 million for the first half of 2008. For the first half of 2009, net cash used in operating activities was \$0.3 million, compared to \$4.3 million provided by operating activities for the first half of 2008. This decrease is due primarily to our net loss for the first half of the year offset by the receipt of income tax refund in 2009. There was no cash used for investing activities in the first half of 2009 compared to \$0.1 million in the first half of 2008, which consisted of computer and software purchases. Cash used for financing activities for the first half of 2009 was \$0.1 million consisting primarily of stock repurchases compared to \$1.8 million in the first six months of 2008, related to the \$1.2 million payment of dividends, the \$0.4 million purchase of stock under our stock repurchase plan, and the \$0.2 million net tax effect of stock issuances.

Despite the loss during the first half of 2009, we continue to have a relatively strong balance sheet and no long-term debt. We received \$2.7 million in Federal income tax refunds during the second quarter of 2009. At the present time, we estimate that our working capital will be sufficient to fund our operations until we are able to return to profitability. We continue to assess this situation on an on-going basis. Despite the challenges we face, we remain enthusiastic about the future of Thomas Group.

During the first quarter of 2008, we established a written plan pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934, which provides for the purchase of our common stock in support of our announced share repurchase program. After a waiting period, repurchases commenced on April 7, 2008. During the second quarter of 2009, we repurchased 58,004 shares for a total of \$50,943, or an average of \$0.88 per share including commissions and fees.

As of June 30, 2009, we had repurchased 628,606 shares for a total of \$1,086,523, or \$1.73 per share including commissions and fees. A total of 176,844 shares remain available for repurchase under the

authority previously provided by our Board of Directors. We are continuing to purchase shares in the third quarter of 2009.

### **Operations and Business Development**

As we previously announced, during March and April of 2008, two of our multi-year contracts with the U.S. Navy expired. These contracts accounted for approximately 85% of our revenue in 2007. Our revenue for 2009 decreased significantly as compared to 2008, due in large part to these contract expirations.

In response to the loss of these contracts, in early 2008 we put in place a plan to return to profitability and growth. This included an immediate reduction of staff as well as on-going efforts to significantly reduce expenses in order to minimize losses and to make it easier to return to profitability. However, in reducing expenses, we have attempted to balance the need for reduced costs with the need to be able to develop new product offerings, as well as to maintain the ability to add new clients as the result of our continuing business development efforts.

In addition to previously announced efforts, we continue to seek additional ways to reduce costs. As of June 30, 2009 we had 24 consultants on furlough. These furloughed consultants will be offered the opportunity to return to the payroll if and when we develop client engagements that require their individual skill sets. In addition to these reductions in payroll costs, we have aggressively worked to reduce other costs wherever possible.

Despite our best efforts to reduce costs and control expenses, we expect to continue to operate at a loss until we are able to develop client engagements sufficient to generate revenue to allow us to break even.

During the second quarter of 2009, we received notice from the Internal Revenue Service that it is reviewing our 2007 Federal income tax return. We do not anticipate any material impact on our financial statements as a result of this 2007 audit.

## Earnings Conference Call

We would like to invite you to participate in a conference call with our senior management to discuss the earnings for second quarter of 2009.

Tuesday, Aug 4, 2009  
2:00 p.m. CT, 3:00 p.m. ET

To participate in the conference call, please call 800-247-5110 from the U.S. or 334-323-7224 from outside the US. The PASSCODE is: 542459. Although interactive participation in the call will be limited to investment professionals, any interested party may listen to a live broadcast of the call via the internet by logging on to:

<http://www.investorcalendar.com/IC/CEPage.asp?ID=146861>

Interested persons are encouraged to log on to the website approximately 15 minutes prior to the designated start time in case they need to download any software. Webcast replay is available until August 4, 2010. Approximately one hour after the earnings conference call, a playback of the conference call will be available for sixty days. To listen to the call, U.S. callers may call 877-919-4059 and international callers may call 334-323-7226. The Conference Call Replay Pass Code is 97942571#. Playback options: press 1 to begin; 4 to rewind 30 seconds; 5 to pause; 6 to fast forward 30 seconds; 0 for instructions; 9 to exit.

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### About Thomas Group

Thomas Group, Inc. (NasdaqGM: TGIS) is an international, publicly-traded professional services firm specializing in operational improvements. Thomas Group's unique brand of process improvement and performance management services enable businesses to enhance operations, improve productivity and quality, reduce costs, generate cash and drive higher profitability. Known for Breakthrough Process Performance, Thomas Group creates and implements customized improvement strategies for sustained performance improvements in all facets of the business enterprise. Thomas Group has offices in Dallas and Detroit. For more information, please visit [www.thomasgroup.com](http://www.thomasgroup.com).

### Safe Harbor Statement under the Private Securities Litigation Reform Act:

Any statements in this release that are not strictly historical statements, including statements about our beliefs and expectations, are "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those expressed or implied by these statements, including general economic and business conditions that may impact clients and our revenues, timing and awarding of customer contracts, revenue recognition, competition and cost factors as well as other factors detailed from time to time in our filings with the Securities and Exchange Commission, including our Form 10-K for the year ended December 31, 2008. These forward-looking statements may be identified by words such as "anticipate," "expect," "suggests," "plan," "believe," "intend," "estimates," "targets," "projects," "could," "should," "may," "would," "continue," "forecast," and other similar expressions. These forward-looking statements speak only as of the date of this release. Except as required by law, we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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**THOMAS GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share data)  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Consulting revenue before reimbursements	\$2,236	\$4,882	\$5,157	\$16,922
Reimbursements	383	496	751	894
Total revenue	2,619	5,378	5,908	17,816
Cost of sales before reimbursable expenses	1,350	2,901	2,829	8,948
Reimbursable expenses	383	496	751	894
Total cost of sales	1,733	3,397	3,580	9,842
Gross profit	886	1,981	2,328	7,974
Selling, general and administrative expenses	3,150	4,996	6,511	10,527
Operating income	(2,264)	(3,015)	(4,183)	(2,553)
Interest income, net	2	82	6	201
Other income	21	-	27	-
Income from operations before income taxes	(2,241)	(2,933)	(4,150)	(2,352)
Income taxes	(887)	(1,040)	(1,571)	(824)
Net income	(\$1,354)	(\$1,893)	(\$2,579)	(\$1,528)
Earnings per share:				
Basic:	(\$0.13)	(\$0.17)	(\$0.24)	(\$0.14)
Diluted:	(\$0.13)	(\$0.17)	(\$0.24)	(\$0.14)
Weighted average shares:				
Basic	10,667	11,076	10,672	11,074
Diluted	10,667	11,076	10,672	11,074

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**THOMAS GROUP, INC.**  
**Selected Consolidated Financial Data**  
(Amounts stated in thousands)

**Selected Geographical Revenue Data**  
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Revenue:				
North America	\$1,851	\$4,589	\$3,771	\$16,284
South America	-	-	17	-
Europe	768	789	2,120	1,532
Total revenue	<u>\$2,619</u>	<u>\$5,378</u>	<u>\$5,908</u>	<u>\$17,816</u>

**Selected Balance Sheet Data**  
(Unaudited)

	June 30, 2009	December 31, 2008
Cash	\$7,864	\$8,349
Trade accounts receivables	1,525	1,432
Income tax receivable, net	1,453	3,650
Total current assets	11,874	14,912
Total assets	14,235	17,154
Total current liabilities	1,449	1,701
Total liabilities	1,626	1,903
Total stockholders' equity	\$12,610	\$15,251

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