

The Hallwood Group Incorporated

3710 Rawlins, Suite 1500 • Dallas, Texas 75219 • 214/528-5588 • Fax: 214/522-9254

NEWS FOR IMMEDIATE RELEASE

Contact: Mary Doyle
Vice President
Investor Relations
(800)225-0135
(214)528-5588

THE HALLWOOD GROUP INCORPORATED REPORTS RESULTS FOR THE FOURTH QUARTER AND YEAR ENDED DECEMBER 31, 1996 AND SALE OF ITS SHOWBIZ INVESTMENT

Dallas, Texas, March 31, 1997 – The Hallwood Group Incorporated (NYSE-HWG) today reported results for the fourth quarter and year ended December 31, 1996.

For the quarter, revenue was \$28.0 million, compared to \$23.5 million in the prior-year quarter. Net income was \$3.3 million, or \$2.53 per share, compared to a net loss of \$2.4 million, or \$1.79 per share, in the prior-year quarter.

For the year, revenue was \$115.4 million, compared to \$111.3 million in 1995. Net income for 1996 was \$6.5 million, or \$4.87 per share, compared to a net loss of \$3.0 million, or \$2.25 per share in 1995. The 1996 results include a \$2.4 million gain from the sale of ShowBiz common stock, and 1995 results include a \$2.4 million gain from the sale of a hotel and two hotel management contracts.

Following is a divisional comparison of the fourth quarter and annual results:

Asset management, consisting of real estate and energy segments, earned \$827,000 on revenue of \$2.9 million in the 1996 fourth quarter. In the 1995 quarter, this division reported a loss of \$94,000 on revenue of \$2.2 million. For the 1996 fourth quarter, the real estate segment reported income of \$294,000 on revenue of \$994,000, compared to a loss of \$239,000 on revenue of \$655,000 in the prior-year quarter, principally due to increased leasing commissions. Income from the energy segment increased to \$533,000, on revenue of \$1.9 million, from income of \$145,000, on revenue of \$1.6 million, in the 1995 period, principally due to higher oil and gas revenue.

For the year, the asset management division earned \$3.9 million on revenues of \$11.5 million, compared to earnings of \$620,000 on revenue of \$9.6 million in 1995.

Operating subsidiaries, consisting of textile products and hotel operations, reported a loss of \$33,000 in the fourth quarter of 1996, compared to a loss of \$138,000 in the 1995 quarter. The 1996 fourth quarter revenues for the textile products segment increased to \$19.6 million from \$16.6 million, and earnings increased to \$177,000 from \$61,000 in the 1995 period. The hotel segment reported a \$210,000 loss, after depreciation and amortization of \$752,000 in the 1996 period, compared to a \$199,000 loss, after depreciation and amortization of \$562,000 in the 1995 period, on revenues of \$4.8 million and \$4.7 million, respectively. The 1995 figures included the operations of a full service hotel sold in January 1995.

For the year, the operating subsidiaries division earned \$1.2 million on revenue of \$98.5 million, compared to income of \$3.0 million on revenue of \$100.8 million in the 1995 period. The 1995 results included a \$2.4 million gain from the sale of a hotel and two hotel management contracts.

Associated Company, consisting of Hallwood's pro rata share of operations of ShowBiz Pizza Time, Inc., reported a loss of \$651,000 for the 1996 fourth quarter, including equity income of \$341,000, compared to a loss of \$321,000 in the 1995 period, including an equity loss of \$150,000.

For the year this division earned \$2.9 million, including equity income of \$2.0 million and a \$2.4 million gain on the sale of 262,500 ShowBiz shares, compared to a loss of \$497,000, including equity income of \$217,000 in the 1995 period.

Other, consisting of debenture interest and administrative expenses, reported losses of \$1.9 million and \$2.2 million for the 1996 and 1995 quarters, respectively.

For the year, the loss was \$6.0 million and \$6.4 million in the 1996 and 1995 periods, respectively.

Income Taxes (Benefit), for the 1996 and 1995 quarters were a benefit of \$5,079,000 and \$309,000 and for the year a benefit of \$4,525,000 and \$87,000, respectively. The Company reported a \$5,260,000 deferred tax benefit in the 1996 fourth quarter, as a result of the revaluation of its deferred tax asset to consider the significant appreciation in the market value of the Company's investment in ShowBiz during 1996.

Extraordinary Gain, in the amount of \$169,000 included in 1995 resulted from the early extinguishment of 7% and 13.5% Debentures at a discount.

The following table sets forth selected financial information for the quarter and year ended December 31, 1996 and 1995.

THE HALLWOOD GROUP INCORPORATED
(In thousands, except per share amounts)

| | Fourth | | Year Ended | |
|---|---------------|-------------|--------------|-------------|
| | Quarter Ended | | December 31, | |
| | <u>1996</u> | <u>1995</u> | <u>1996</u> | <u>1995</u> |
| Revenue | \$27,971 | \$23,468 | \$115,401 | \$111,327 |
| Income (loss) before income tax and extraordinary gain | (1,761) | (2,722) | 1,998 | (3,296) |
| Income tax (benefit) | (5,080) | (309) | (4,525) | (87) |
| Income (loss) before extraordinary gain | 3,319 | (2,413) | 6,523 | (3,209) |
| Extraordinary gain from extinguishment of debt | -- | 26 | -- | 169 |
| Net income (loss) | 3,319 | (2,387) | 6,523 | (3,040) |
| Net income (loss) per share | \$ 2.53 | \$ (1.79) | \$ 4.87 | \$ (2.25) |
| Average shares outstanding | 1,314 | 1,331 | 1,329 | 1,354 |

SALE OF SHOWBIZ INVESTMENT

On March 26, 1997, pursuant to the terms of the registration statement filed with the Securities and Exchange Commission by the Company's former affiliate, ShowBiz Pizza Time, Inc., the Company completed the sale of its entire 2,632,983 common shares of ShowBiz at \$15.68 per share, net of underwriting commissions. The Company will report a significant gain from this transaction in the first quarter of 1997.

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