

The Hallwood Group Incorporated

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THE HALLWOOD GROUP INCORPORATED REPORTS RESULTS FOR THE FIRST QUARTER ENDED MARCH 31, 1997

Dallas, Texas, May 14, 1997—The Hallwood Group Incorporated (NYSE-HWG) today reported results for the first quarter ended March 31, 1997.

Revenue was \$51.8 million, compared to \$27.1 million in the prior-year quarter. Net income was \$8.4 million, or \$5.25 per share, compared to net income of \$308,000, or \$0.23 per share, a year ago. The current year quarter included a gain of \$18.2 million from the sale of the Company's investment in its former associated company, ShowBiz Pizza Time, Inc., partially offset by a non-cash deferred tax charge of \$8.96 million and a current tax charge of \$500,000.

Following is a divisional comparison of the quarter results:

Asset management, consisting of real estate and energy segments, earned \$1.1 million in the 1997 quarter. In the 1996 quarter, this division earned \$528,000. The real estate segment earned \$320,000 for the 1997 quarter on revenue of \$1.1 million, compared to \$-0-income in the 1996 quarter on revenue of \$515,000. The increase is primarily the result of the pro rata share of earnings (losses) from the Company's Hallwood Realty Partners, L.P. affiliate, reporting income in the amount of \$90,000 for the 1997 quarter, compared to a loss of \$494,000 for the 1996 quarter, principally due to Hallwood Realty Partners' significantly lower depreciation expense in 1997. Income from the energy segment increased to \$733,000, in the 1997 quarter on revenue of \$1.8 million, from \$528,000, on revenue of \$1.9 million, in the 1996 quarter, principally due to lower production and depreciation and depletion expenses.

Operating subsidiaries, consisting of textile products and hotel operations, earned \$907,000 in the 1997 quarter, compared to \$620,000 in the 1996 quarter. The 1997 quarter income for the textile products segment increased to \$632,000 from \$302,000, and revenue increased to \$23.5 million from \$18.2 million. The hotel segment reported income of \$275,000, after depreciation and amortization of \$689,000 in the 1997 quarter, compared to income of

\$318,000 after depreciation and amortization of \$563,000 in the 1996 quarter, on revenue of \$5.9 million and \$5.6 million, respectively.

Associated Company, consisting of Hallwood's former investment in ShowBiz Pizza Time, Inc., earned \$17.5 million for the 1997 quarter, including equity income of \$1.1 million and a gain of \$18.2 million from sale of the Company's entire investment in ShowBiz, compared to income of \$642,000 in the 1996 quarter.

Other, consisting of debenture interest and administrative expenses, reported losses of \$1.4 million and \$1.3 million for the 1997 and 1996 quarters, respectively.

Income Taxes - The 1997 quarter income tax expense of \$9.6 million included an \$8.96 million non-cash federal deferred tax charge and a \$500,000 federal current tax charge (principally related to the ShowBiz sale), and \$135,000 of state taxes, compared to the 1996 quarter tax expense of \$142,000, which included a non-cash federal deferred tax charge of \$63,000 and state taxes of \$79,000.

The following table sets forth selected financial information for the three months ended March 31, 1997 and 1996.

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

	Three Months Ended March 31,	
	1997	1996
Revenue	\$51,815	\$27,125
Income before income taxes	17,976	450
Income taxes	9,595	142
Net income	8,381	308
Net income per share	\$ 5.25	\$ 0.23
Average shares outstanding	1,595	1,328

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