

# **HALLWOOD GROUP REPORTS RESULTS FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 1997**

**Dallas, Texas, November 13, 1997**—The Hallwood Group Incorporated (NYSE-HWG) today reported results for the third quarter ended September 30, 1997.

Revenue was \$28.1 million, compared to \$27.8 million in the prior-year quarter. Net income was \$55,000, or \$0.04 per share, compared to net income of \$500,000, or \$0.38 per share, a year ago.

For the nine months, revenue was \$116.2 million, compared to \$87.4 million in the 1996 period. The net income was \$11.7 million or \$7.79 per share, compared to net income of \$3.2 million, or \$2.41 per share in 1996. The 1997 nine month period included a gain of \$18.3 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 \$535,000, and an extraordinary gain from the extinguishment of debt of \$877,000.

Following is a divisional comparison of the third quarter and nine month results:

**Asset management**, consisting of real estate and energy segments, earned \$1.2 million in the 1997 quarter and \$1.8 million in the 1996 quarter. The real estate segment earned \$700,000 for the 1997 quarter on revenue of \$1.3 million, compared to income of \$1.2 million in the 1996 quarter on revenue of \$1.8 million. The decrease is due to reduced leasing fees in the 1997 period partially offset by an increase in equity income to \$219,000, compared to an equity loss of \$310,000 in 1996 from the Company's Hallwood Realty Partners, L.P. affiliate. Income from the energy segment decreased to \$506,000 in the 1997 quarter on revenue of \$1.6 million, from \$604,000 on revenue of \$2.0 million in the 1996 quarter, principally due to lower production.

For the nine months, the asset management division earned \$3.5 million, compared to \$3.1 million in 1996, and revenue was \$8.7 million, compared to \$8.6 million in 1996.

**Operating subsidiaries**, consisting of textile products and hotel operations, reported a loss of \$145,000 in the 1997 quarter, compared to a \$391,000 loss in the 1996 quarter. The 1997 quarter loss for the textile products segment was \$13,000 compared to a loss of \$87,000 in 1996, and revenue increased to \$19.7 million from \$17.9 million. The hotel segment reported a loss of \$132,000, after depreciation and amortization of \$626,000 in the 1997 quarter, compared to a loss of \$304,000 after depreciation and amortization of \$381,000 in the 1996 quarter, on revenue of \$5.1 million and \$5.0 million, respectively.

For the nine months, income for the operating subsidiaries division was \$1.9 million, compared to \$1.3 million in 1996, and revenue was \$86.7 million and \$74.0 million, respectively.

**Associated Company**, consisted of Hallwood's former investment in ShowBiz Pizza Time, Inc., which was sold in March 1997. The Company had reported income of \$678,000 in the third 1996

quarter.

For the nine months income was \$18.8 million, including a gain of \$18.3 million from the sale of the Company's entire ShowBiz investment, compared to income of \$3.5 million, including a gain of \$2.4 million from the sale of certain ShowBiz shares, in the 1996 period.

**Other**, consisting of debenture interest and administrative expenses, reported losses of \$947,000 in the 1997 quarter and \$1.4 million in the 1996 quarter. For the nine months, the loss was \$3.7 million and \$4.1 million, respectively. The reduced losses were primarily attributable to lower interest costs resulting from the self-tender offer for 13.5% Debentures completed in June 1997.

**Income Taxes** - The 1997 third quarter income tax expense was \$50,000 compared to \$135,000 in 1996. The 1997 nine months income tax expense of \$9.8 million included an \$8.96 million non-cash federal deferred tax charge and a \$535,000 federal current tax charge (principally related to the ShowBiz sale), and \$281,000 of state taxes, compared to the 1996 nine months tax expense of \$555,000, which included a non-cash federal deferred tax charge of \$189,000, a federal current tax charge of \$182,000 and state taxes of \$184,000.

**Extraordinary Gain** - The extraordinary gain in the amount of \$877,000 reported in the 1997 second quarter resulted from the early repayment of \$12.9 million face value of 13.5% Debentures from the Company's self-tender offer.

The following table sets forth selected financial information for the three and nine months ended September 30, 1997 and 1996.

## THE HALLWOOD GROUP INCORPORATED

(In thousands, except per share amounts)

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>1997</u>	<u>1996</u>	<u>1997ff</u>	<u>1996</u>
<b>Revenue</b>	\$28,113	\$27,842	\$116,186	\$87,431
<b>Income before income tax and extraordinary gain</b>	105	635	20,556	3,760
<b>Income tax</b>	50	135	9,776	555
<b>Income before extraordinary gain</b>	55	500	10,780	3,205

<b>Extraordinary gain from extinguishment of debt</b>	--	--	877	--
<b>Net income</b>	55	500	11,657	3,205
<b>Income before extraordinary gain/share</b>	.04	.38	7.20	2.41
<b>Extraordinary gain per share</b>	--	--	.59	--
<b>Net income per share</b>	.04	.38	7.79	2.41
<b>Average shares outstanding</b>	1,304	1,314	1,497	1,329