

# The Hallwood Group Incorporated

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## FOR IMMEDIATE RELEASE

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### HALLWOOD GROUP REPORTS RESULTS FOR THE FOURTH QUARTER AND YEAR ENDED DECEMBER 31, 1997

Dallas, Texas, March 20, 1998—The Hallwood Group Incorporated (NYSE-HWG) today reported results for the fourth quarter and year ended December 31, 1997.

For the quarter, revenue was \$32.6 million, compared to \$28.0 million in the prior year. Net income was \$1.2 million, or \$0.90 per share, compared to \$3.3 million, which included a tax benefit of \$5.1 million, or \$2.53 per share, in the prior year.

For the year, revenue was \$148.8 million, compared to \$115.4 million in 1996. Net income was \$12.8 million, or \$8.77 per share, compared to \$6.5 million, or \$4.89 per share in 1996. Results for 1997 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 related non-cash deferred tax charge of \$8.96 million and a current tax charge of \$535,000.

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

**Asset management**, consisting of real estate and energy segments, earned \$1.9 million in the 1997 quarter and \$827,000 in the 1996 quarter. The real estate segment earned \$1.5 million for the 1997 quarter on revenue of \$2.7 million, compared to income of \$294,000 in the 1996 quarter on revenue of \$1.0 million. The increase is due to increased leasing fees in the 1997 period and equity income of \$275,000, compared to an equity loss of \$472,000 in 1996, from the Company's Hallwood Realty Partners, L.P. affiliate. Income from the energy segment decreased to \$391,000 in the 1997 quarter on revenue of \$1.8 million, from \$533,000 on revenue of \$1.9 million in the 1996 quarter, due to lower prices and production.

For the year, the asset management division earned \$5.4 million, compared to \$3.9 million in 1996, and revenue was \$13.3 million, compared to \$11.5 million in 1996.

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**Operating subsidiaries**, consisting of textile products and hotel operations, reported a loss of \$166,000 in the 1997 quarter, compared to a \$33,000 loss in the 1996 quarter. The 1997 quarter income for the textile products segment was \$240,000 compared to income of \$177,000 in 1996, and revenue increased to \$21.4 million from \$19.6 million. The hotel segment reported a loss of \$406,000, after depreciation and amortization of \$842,000 in the 1997 quarter, compared to a loss of \$210,000 after depreciation and amortization of \$752,000 in the 1996 quarter, on revenue of \$4.5 million and \$4.8 million, respectively.

For the year, income for the operating subsidiaries division was \$1.7 million, compared to \$1.2 million in 1996, and revenue was \$112.6 million and \$98.5 million, respectively.

**Associated Company**, consisted of Hallwood's former investment in ShowBiz Pizza Time, Inc. which was sold in March 1997. The Company reported a loss of \$650,000 in the 1996 fourth quarter.

For the year, income was \$18.8 million, including a gain of \$18.3 million from the sale of the Company's remaining ShowBiz investment, compared to income of \$2.9 million, including a gain of \$2.4 million from the sale of certain ShowBiz shares in 1996.

**Other**, consisting of other income, debenture interest and administrative expenses, reported income of \$289,000 in the 1997 quarter compared to a loss of \$1.9 million in the 1996 quarter. The Company favorably resolved an insurance litigation matter in the 1997 quarter, which resulted in a one-time gain of \$1.5 million.

For the 1997 year, the loss was \$3.4 million compared to \$6.0 million in 1996, primarily attributable to the aforementioned insurance settlement and lower interest costs. The Company self-tendered for \$12,875,000 principal amount of its 13.5% Debentures in June 1997 and redeemed the remaining \$14,287,000 balance in December 1997.

**Income Taxes** - Income tax expense for the 1997 fourth quarter was \$132,000, compared to a net tax benefit of \$5.1 million in 1996, which included a \$5,260,000 deferred tax benefit resulting from the appreciation in market value of the Company's former ShowBiz investment. Income tax expense of \$9.9 million for all of 1997 included an \$8.96 million federal deferred tax charge and a \$652,000 federal current tax charge (principally related to the ShowBiz sale), and \$296,000 for state taxes, compared to the 1996 net tax benefit of \$4.5 million, which included a federal deferred

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tax benefit of \$5.1 million, a federal current tax charge of \$183,000 and \$363,000 for state taxes.

**Extraordinary Gain or Loss** - The Company reported an extraordinary loss of \$677,000, as a result of refinancing two hotel term loans in the 1997 fourth quarter. For the year, the Company reported a net extraordinary gain of \$200,000, which reflects the aforementioned \$677,000 loss offset against the extraordinary gain of \$877,000 from the self-tender offer for the 13.5% Debentures in the second quarter.

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The following table sets forth selected financial information for the fourth quarter and years ended December 31, 1997 and 1996.

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

	<u>Fourth Quarter Ended</u> <u>December 31,</u>		<u>Years Ended</u> <u>December 31,</u>	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
Revenue . . . . .	\$32,583	\$27,971	\$148,769	\$115,401
Income (loss) before income taxes and extraordinary gain . . . .	1,999	(1,761)	22,555	1,998
Income taxes (benefit) . . . . .	132	(5,080)	9,908	(4,525)
Income before extraordinary gain (loss) . . . . .	1,867	3,319	12,647	6,523
Extraordinary gain (loss) from extinguishment of debt . . . .	(677)	--	200	--
Net income . . . . .	\$ 1,190	\$ 3,319	\$ 12,847	\$ 6,523

**BASIC**

Income before extraordinary gain (loss) per share . . . .	\$ 1.48	\$ 2.55	\$ 8.96	\$ 4.93
Extraordinary gain (loss) per share . . . . .	(0.54)	--	0.14	--
Net income per share . . . . .	\$ 0.94	\$ 2.55	\$ 9.10	\$ 4.93
Average shares outstanding . . .	1,262	1,299	1,406	1,314

**ASSUMING DILUTION**

Income before extraordinary gain (loss) per share . . . .	\$ 1.41	\$ 2.53	\$ 8.63	\$ 4.89
Extraordinary gain (loss) per share . . . . .	(0.51)	--	0.14	--
Net income per share . . . . .	\$ 0.90	\$ 2.53	\$ 8.77	\$ 4.89
Average shares outstanding . . .	1,321	1,310	1,460	1,324

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