

THE HALLWOOD GROUP INCORPORATED REPORTS RESULTS FOR THE FIRST QUARTER ENDED MARCH 31, 1998

Dallas, Texas, May 11, 1998—The Hallwood Group Incorporated (NYSE-HWG) today reported results for the first quarter ended March 31, 1998.

Revenue was \$31.1 million, compared to \$51.8 million in the prior-year quarter. Net income was \$344,000, or \$0.26 per share (assuming dilution), compared to net income of \$8.4 million, or \$5.27 per share, a year ago. The prior-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 \$591,000 in the 1998 quarter compared to \$1.1 million in the 1997 quarter. The real estate segment earned \$399,000 for the 1998 quarter on revenue of \$1.2 million, compared to \$320,000 in the 1997 quarter on revenue of \$1.1 million. The increase is the result of higher fee income, partially offset by a \$62,000 pro-rata loss from the Company's Hallwood Realty Partners, L.P. affiliate. The energy segment income decreased to \$192,000 for the 1998 quarter on revenue of \$1.3 million, from \$733,000 for the 1997 quarter on revenue of \$1.8 million, principally due to lower oil and gas prices.

Operating subsidiaries, consisting of textile products and hotel operations, earned \$277,000 in the 1998 quarter, compared to \$907,000 in the 1997 quarter. The textile products segment 1998 quarter income and revenue decreased slightly to \$625,000 from \$632,000 and to \$23.3 million from \$23.5 million, respectively. The hotel segment reported a loss of \$348,000, after depreciation and amortization of \$669,000 in the 1998 quarter, compared to income of \$275,000, after depreciation and amortization of \$689,000 in the 1997 quarter, on revenue of \$5.0 million and \$5.9 million, respectively. The hotel declines were principally attributable to an extensive renovation at the Longboat Key Holiday Inn hotel, which began in October 1997 and was substantially completed in April 1998.

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.

Other, consisting of debenture interest and administrative expenses, reported losses of \$535,000 and \$1.4 million for the 1998 and 1997 quarters, respectively. The reduced loss in 1998 is attributable to lower interest, resulting from the 1997 repurchase and redemption of all the Company's 13.5% Debentures.

Income Taxes - The 1998 quarter income tax expense of \$95,000, compares to the prior-year quarter expense of \$9.6 million, which included a \$8.96 million non-cash federal deferred tax charge, a \$500,000 federal current tax charge (principally related to the ShowBiz sale) and \$135,000 of state taxes.

Extraordinary Gain - The Company reported an extraordinary gain of \$107,000 in the 1998 quarter, as a result of the repurchase of \$2.3 million face amount of 7% Debentures at a discount.

The following table sets forth selected financial information for the three months ended March 31, 1998 and 1997.

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

	Three months ended March 31,	
	<u>1998</u>	<u>1997</u>
Revenue	\$31,100 =====	\$51,815 =====
Income before income taxes and extraordinary gain	\$332	\$17,976
Income taxes	\$95 ----- -	\$9,595 ----- -----
Income before extraordinary gain	\$237	\$8,381
Extraordinary gain from extinguishment of debt	\$107 ----- -	-- ----- -----
Net income	\$344 =====	\$8,381 =====
PER COMMON SHARE		
BASIC		
Income before extraordinary gain	\$0.19	\$5.37
Extraordinary gain	\$0.08 ----- -	-- ----- -----
Net income	\$0.27 =====	\$5.37 =====
Averages shares outstanding	1,256 =====	1,560 =====

ASSUMING DILUTION

Income before extraordinary gain	\$0.18	\$5.27
	\$0.08	--
Extraordinary gain	----- -	-----
Net income	\$0.26 =====	\$5.27 =====
Average shares outstanding	1,315 =====	1,589 =====