

# The Hallwood Group Incorporated

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## FOR IMMEDIATE RELEASE

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### HALLWOOD GROUP REPORTS RESULTS FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 1998

Dallas, Texas, November 16, 1998—The Hallwood Group Incorporated (NYSE-HWG) today reported results for the third quarter ended September 30, 1998.

Revenue was \$26.8 million, compared to \$28.1 million in the prior-year quarter. Net income was \$191,000, or \$0.15 per share, compared to \$55,000, or \$0.04 per share, a year ago.

For the nine months, revenue was \$90.0 million, compared to \$116.2 million in the 1997 period. Net income was \$2.4 million or \$1.83 per share, compared to \$11.7 million, or \$7.79 per share in 1997. 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., now known as CEC Entertainment, 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 \$1.4 million in the 1998 quarter, compared to \$1.2 million in the 1997 quarter. The real estate segment earned \$1.3 million for the 1998 quarter on revenue of \$1.9 million, compared to income of \$737,000 in the 1997 quarter on revenue of \$1.3 million. The energy segment reported income of \$83,000 in the 1998 quarter on revenue of \$1.3 million, compared to income of \$506,000 on revenue of \$1.6 million in the 1997 quarter, principally due to declining oil and gas prices and related property impairments.

For the nine months, the asset management division earned \$3.5 million, compared to \$3.6 million in 1997, and revenue was \$9.0 million, compared to \$8.8 million in 1997.

Operating subsidiaries, consisting of textile products and hotel operations, reported a loss of \$358,000 in the 1998 quarter,

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compared to a \$145,000 loss in the 1997 quarter. The 1998 quarter income for the textile products segment was \$58,000 compared to a loss of \$13,000 in 1997, although revenue decreased to \$17.8 million from \$19.7 million. The hotel segment reported a loss of \$416,000, after depreciation and amortization of \$713,000 in the 1998 quarter, compared to a loss of \$132,000 after depreciation and amortization of \$626,000 in the 1997 quarter, on revenue of \$5.7 million and \$5.1 million, respectively.

For the nine months, income for the operating subsidiaries division was \$259,000, compared to \$1.9 million in 1997, and revenue was \$79.4 million and \$86.7 million, respectively.

**Associated Company**, consisted of Hallwood's former investment in ShowBiz Pizza Time, Inc., which was sold in March 1997.

For the 1997 nine months, income was \$18.8 million, including a gain of \$18.3 million from the sale of its ShowBiz investment.

**Other**, consisting of miscellaneous corporate income, offset by debenture interest and administrative expenses, reported losses of \$712,000 in the 1998 quarter and \$993,000 in the 1997 quarter. For the nine months, the loss was \$1.1 million and \$3.7 million, respectively. The reduced losses were primarily attributable to substantially lower interest costs resulting from the early retirement of the Company's 13.5% Debentures in 1997, and a non-recurring gain of \$1.0 million from the settlement of a litigation matter in the 1998 second quarter.

**Income Taxes** - The 1998 third quarter income tax expense was \$133,000 compared to \$50,000 in 1997. The 1998 nine months tax expense of \$340,000 included a \$40,000 federal current tax charge and \$300,000 of state taxes. 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.

**Extraordinary Gain** - The Company reported extraordinary gains of \$107,000 in the 1998 first quarter, as a result of the repurchase of \$2.3 million face value of 7% Debentures at a discount, and \$877,000 in the 1997 second quarter from the early repayment of \$12.9 million face value of 13.5% Debentures from the June 1997 self-tender offer.

The following table sets forth selected financial information for the three and nine months ended September 30, 1998 and 1997.

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

Three Months Ended September 30,		Nine Months Ended September 30,	
1998	1997	1998	1997

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Revenue . . . . .	<u>\$26,843</u>	<u>\$28,113</u>	<u>\$89,968</u>	<u>\$116,186</u>
Income before income taxes and extraordinary gain . . . . .	\$ 324	\$ 105	\$ 2,673	\$ 20,556
Income taxes . . . . .	<u>133</u>	<u>50</u>	<u>340</u>	<u>9,776</u>
Income before extraordinary gain . . . . .	191	55	2,333	10,780
Extraordinary gain from extinguishment of debt . . . . .	<u>--</u>	<u>--</u>	<u>107</u>	<u>877</u>
Net income . . . . .	191	55	2,440	11,657
Less: Preferred dividends . . . . .	<u>--</u>	<u>--</u>	<u>50</u>	<u>50</u>
Earnings available to common stockholders . . . . .	<u>\$ 191</u>	<u>\$ 55</u>	<u>\$ 2,390</u>	<u>\$ 11,607</u>

PER COMMON SHARE:

BASIC

Income before extraordinary gain . . . . .	\$ 0.15	\$ 0.04	\$ 1.82	\$ 7.38
Extraordinary gain . . . . .	<u>--</u>	<u>--</u>	<u>0.08</u>	<u>0.60</u>
Net Income . . . . .	<u>\$ 0.15</u>	<u>\$ 0.04</u>	<u>\$ 1.90</u>	<u>\$ 7.98</u>
Average shares outstanding . . . . .	1,255	1,262	1,255	1,455

ASSUMING DILUTION

Income before extraordinary gain . . . . .	\$ 0.15	\$ 0.04	\$ 1.75	\$ 7.20
Extraordinary gain . . . . .	<u>--</u>	<u>--</u>	<u>0.08</u>	<u>0.59</u>
Net Income . . . . .	<u>\$ 0.15</u>	<u>\$ 0.04</u>	<u>\$ 1.83</u>	<u>\$ 7.79</u>
Average shares outstanding . . . . .	1,299	1,299	1,307	1,490

END