

# The Hallwood Group Incorporated

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## FOR IMMEDIATE RELEASE

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### THE HALLWOOD GROUP INCORPORATED REPORTS RESULTS FOR THE FIRST QUARTER ENDED MARCH 31, 1999

Dallas, Texas, May 13, 1999 – The Hallwood Group Incorporated (NYSE-HWG) today reported results for the first quarter ended March 31, 1999.

Revenue was \$31.4 million, compared to \$31.5 million in the prior-year quarter. Net income was \$505,000, or \$0.40 per share (assuming dilution), compared to net income of \$344,000, or \$0.26 per share, a year ago, which included a \$307,000 extraordinary loss from early extinguishment of debt.

Following is a divisional comparison of the quarter results:

Asset management, consisting of real estate and energy segments, earned \$779,000 in the 1999 quarter compared to \$1.1 million in the 1998 quarter. The real estate segment earned \$966,000 for the 1999 quarter on revenue of \$1.7 million, compared to \$876,000 in the 1998 quarter on revenue of \$1.7 million. The increase is primarily due to lower administrative and interest costs. The energy segment reported a loss of \$187,000 for the 1999 quarter on revenue of \$1.3 million, compared to income of \$192,000 for the 1998 quarter on revenue of \$1.3 million, principally due to declines in oil and gas prices.

Operating subsidiaries, consisting of textile products and hotel operations, earned \$413,000 in the 1999 quarter, compared to \$277,000 in the 1998 quarter. The textile products segment 1999 quarter income and revenue decreased to \$329,000 from \$625,000 and \$21.9 million from \$23.3 million, respectively. The hotel segment reported income of \$84,000, after depreciation and amortization of \$724,000 in the 1999 quarter, compared to a loss of \$348,000, after depreciation and amortization of \$669,000 in the 1998 quarter, on revenue of \$6.5 million and \$5.0 million, respectively. The increase was principally attributable to increased income from the Longboat Key, Florida Holiday Inn and Suites, which benefitted from the extensive renovation completed in April 1998, and the acquisition of the management of the

Orlando, Florida Enclave Suites Resort Condominium hotel in July 1998.

**Other**, consisting of miscellaneous corporate income, offset by debenture interest and administrative expenses, reported losses of \$676,000 and \$599,000 for the 1999 and 1998 quarters, respectively. The increased loss in 1999 is attributable to lower miscellaneous income and higher interest costs from the August 1998 exchange offer, whereby \$6.5 million of 7% debentures were exchanged for a new issue of 10% debentures.

**Income taxes** - The 1999 quarter income tax expense was \$11,000, compared to the prior-year quarter expense of \$95,000.

**Extraordinary loss from early extinguishment of debt** - The Company reported an extraordinary loss from early extinguishment of debt of \$307,000 in the 1998 first quarter. The loss represents the Company's \$414,000 pro-rata share of an extraordinary loss from early extinguishment of debt reported by the Company's Hallwood Realty Partners, L.P. affiliate, partially offset by a \$107,000 gain from the repurchase of 7% Debentures.

The following table sets forth selected financial information for the three months ended March 31, 1999 and 1998.

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

	Three Months Ended March 31,	
	1999	1998
Revenue .....	\$ <u>31,415</u>	\$ <u>31,514</u>
Income before income taxes and extraordinary loss .....	\$ 516	\$ 746
Income taxes .....	<u>11</u>	<u>95</u>
Income before extraordinary loss .....	505	651
Extraordinary loss from early extinguishment of debt .....	<u>-</u>	<u>(307)</u>
Net income .....	\$ <u>505</u>	\$ <u>344</u>
 PER COMMON SHARE:		
BASIC		
Income before extraordinary loss ....	\$ 0.40	\$ 0.51
Extraordinary loss from early extinguishment of debt .....	<u>-</u>	<u>(0.24)</u>
Net income .....	<u>0.40</u>	\$ <u>0.27</u>
Average shares outstanding .....	1,255	1,256
 ASSUMING DILUTION		
Income before extraordinary loss .....	\$ 0.40	\$ 0.49
Extraordinary loss from early extinguishment of debt .....	<u>-</u>	<u>(0.23)</u>
Net income ....	\$ <u>0.40</u>	\$ <u>0.26</u>
Average shares outstanding .....	1,273	1,315

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