

The Hallwood Group Incorporated

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HALLWOOD GROUP REPORTS RESULTS FOR THE SECOND QUARTER ENDED JUNE 30, 1999

Dallas, Texas, August 12, 1999 – The Hallwood Group Incorporated (NYSE-HWG) today reported results for the second quarter ended June 30, 1999.

Revenue for the three months was \$33.2 million, compared to \$32.1 million in the prior-year quarter. Net income was \$2.6 million, or \$2.01 per share (assuming dilution), compared to net income of \$1.9 million, or \$1.42 per share, a year ago. The prior year quarter revenue and net income included \$1.0 million from the settlement of a litigation matter.

For the six months, revenue was \$64.6 million, compared to \$63.6 million in the 1998 period. Net income was \$3.1 million or \$2.41 per share (assuming dilution), compared to \$2.2 million, or \$1.68 per share in 1998.

Following is a divisional comparison of the second quarter and six month results:

Asset management, consisting of real estate and energy segments, earned \$3.2 million in the 1999 quarter, compared to \$1.5 million in the 1998 quarter. The real estate segment earned \$2.9 million on revenue of \$3.7 million, compared to income of \$1.3 million on revenue of \$1.9 million. The increased revenue and income were the result of increased leasing commissions. Income from the energy segment increased to \$302,000 on revenue of \$1.2 million, compared to income of \$263,000 on revenue of \$1.3 million.

For the six months, the asset management division earned \$4.0 million on revenue of \$7.9 million in the 1999 period, compared to \$2.5 million on revenue of \$6.1 million in the 1998 period.

Operating subsidiaries, consisting of textile products and hotel operations, earned \$446,000 in the 1999 quarter, compared to \$340,000 in the 1998 quarter. The textile products segment income increased to \$764,000 from \$465,000, and revenue increased to \$22.4 million, from \$22.3 million. The hotel segment reported a loss of \$318,000, after depreciation and amortization of \$689,000, compared to a loss of \$125,000 after depreciation and amortization of \$669,000, on revenue of \$5.7 million and \$5.3 million, respectively.

For the six months, income for the operating subsidiaries division was \$858,000 in 1999, compared to \$617,000 in 1998, on revenue of \$56.5 million and \$56.0 million, respectively.

Other, consisting of miscellaneous income, offset by debenture interest and administrative expenses, reported a loss of \$912,000 in the 1999 second quarter compared to income of \$221,000 in the 1998 quarter. The 1998 second quarter results included the aforementioned litigation settlement income of \$1.0 million.

For the six months, the loss was \$1,588,000 in 1999 and \$315,000 in 1998.

Income Taxes - The 1999 second quarter income tax expense was \$116,000 compared to \$112,000 in 1998. The six months income tax expense was \$127,000 in the 1999, compared to \$207,000 in 1998.

Extraordinary Loss - The Company reported an extraordinary loss of \$68,000 in the 1998 second quarter and \$375,000 for the 1998 six-month period. All extraordinary losses were the result of recording the Company's pro-rata share of its affiliate's Hallwood Realty Partners, L.P., extraordinary loss from early extinguishment of debt, apart from a \$107,000 gain on repurchase of \$2.3 million face amount of 7% Debentures at a discount in the first quarter of 1998.

The following table sets forth selected financial information for the three and six months ended June 30, 1999 and 1998.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
Revenue.....	\$ <u>33,184</u>	\$ <u>32,093</u>	\$ <u>64,599</u>	\$ <u>63,607</u>
Income before income taxes and extraordinary loss.....	\$ 2,730	\$ 2,085	\$ 3,246	\$ 2,831
Income taxes.....	<u>(116)</u>	<u>(112)</u>	<u>(127)</u>	<u>(207)</u>
Income before extraordinary loss...	2,614	1,973	3,119	2,624
Extraordinary loss from extinguishment of debt.....	--	(68)	--	(375)
Net income.....	\$ <u>2,614</u>	\$ <u>1,905</u>	\$ <u>3,119</u>	\$ <u>2,249</u>
PER COMMON SHARE:				
BASIC				
Income before extraordinary loss...	\$2.04	\$1.53	\$2.45	\$2.05
Extraordinary loss.....	<u>--</u>	<u>(0.05)</u>	<u>--</u>	<u>(0.30)</u>
Net income.....	\$ <u>2.04</u>	\$ <u>1.48</u>	\$ <u>2.45</u>	\$ <u>1.75</u>
Average shares outstanding.....	1,255	1,255	1,255	1,255
ASSUMING DILUTION				
Income before extraordinary loss...	\$2.01	\$1.47	\$2.41	\$1.97
Extraordinary loss.....	<u>--</u>	<u>(0.05)</u>	<u>--</u>	<u>(0.29)</u>
Net income.....	\$ <u>2.01</u>	\$ <u>1.42</u>	\$ <u>2.41</u>	\$ <u>1.68</u>
Average shares outstanding.....	1,275	1,310	1,274	1,308

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