

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, 1999

Dallas, Texas, March 29, 2000 C The Hallwood Group Incorporated (NYSE-HWG) today reported results for the fourth quarter and year ended December 31, 1999. All share and per share information have been adjusted retroactively for the three-for-two stock split paid November 5, 1999.

For the quarter, revenue was \$24.1 million, compared to \$26.3 million in 1998. The net loss was \$1.5 million, or \$0.82 per share, compared to net income of \$4.6 million, or \$2.41 per share, in 1998. The 1999 quarter included a \$1.8 million non-cash loss from redemption of treasury stock, a tax benefit of \$788,000 and an extraordinary gain from early extinguishment of debt of \$240,000. The 1998 quarter included a tax benefit of \$3.5 million and an extraordinary gain from the early extinguishment of debt of \$1.9 million.

For the year, revenue was \$115.3 million, compared to \$116.2 million in 1998. Net income was \$1.7 million, or \$0.88 per share, compared to \$7.1 million, or \$3.60 per share in 1998.

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

Asset management, consisting of real estate and energy segments, earned \$1.2 million in the 1999 quarter and \$1.4 million in the 1998 quarter. The real estate segment earned \$1.0 million on revenue of \$1.8 million in the 1999 quarter, compared to income of \$1.5 million on revenue of \$2.3 million in 1998. The decrease is primarily due to lower equity income from the Company's Hallwood Realty Partners, L.P. affiliate. The energy segment reported income of \$164,000 in the 1999 quarter on revenue of \$191,000, compared to a loss of \$131,000 on revenue of \$1.2 million in 1998.

The Company began accounting for its investment in its energy affiliate under the equity method, as a result of the consolidation of its combined energy interests into the new Hallwood Energy Corporation (NASDAQ:HECO), effective June 8, 1999.

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For the year, the asset management division earned \$7.0 million in 1999, compared to \$5.4 million in 1998, on revenue of \$12.4 million and \$13.0 million, respectively.

Operating subsidiaries, consisting of textile products and hotel operations, reported a loss of \$1.0 million in the 1999 quarter, compared to a loss of \$1.3 million in the 1998 quarter. The 1999 quarter income for the textile products segment was \$98,000, compared to a loss of \$50,000 in 1998, and revenue increased to \$17.5 million from \$16.9 million. The hotel segment reported a loss of \$1.1 million, after depreciation and amortization of \$800,000 in the 1999 quarter, compared to a loss of \$1.2 million, after depreciation and amortization of \$1.1 million in the 1998 quarter, on revenue of \$4.6 million and \$5.1 million, respectively.

For the year, the loss for the operating subsidiaries division was \$947,000, compared to a loss of \$998,000 in 1998, on revenue of \$102.6 million and \$101.5 million, respectively.

Other, consisting of administrative expenses, debenture and bank loan interest, less miscellaneous income, reported a loss of \$2.7 million in the 1999 quarter, compared to a loss of \$834,000 in the 1998 quarter. The 1999 quarter also included the aforementioned \$1.8 million non-cash loss from redemption of treasury stock.

For the year, the loss was \$5.1 million, compared to \$1.9 million in 1998. The increased loss was principally attributable to higher interest costs, resulting from a full year of 10% Debentures exchanged for 7% Debentures in August 1998, the \$1.8 million non-cash loss from redemption of treasury stock in 1999 and a non-recurring gain of \$1.0 million from the settlement of a litigation matter in 1998.

Income taxes (benefit) - The Company reported an income tax (benefit) of \$788,000 for the 1999 fourth quarter, compared to an income tax (benefit) of \$3.5 million in 1998.

For the year, the Company reported an income tax (benefit) of \$569,000, compared to an income tax (benefit) of \$3.1 million in 1998. The 1998 income tax (benefit) included a federal deferred (benefit) of \$4.3 million, offset by \$1.2 million of federal and state current tax charges.

Extraordinary gain - The Company reported on extraordinary gain of \$240,000 in the fourth quarter of 1999, compared to \$1.9 million in 1998. The 1999 gain was attributed to the early retirement of the 7% Debentures. The 1998 gain represented the Company's pro-rata share of an extraordinary gain from early extinguishment of debt reported by its Hallwood Realty Partners, L.P. affiliate.

For the 1999 and 1998 years, the Company reported extraordinary gains of \$240,000 and \$1.5 million, respectively. The 1999 gain was attributable to the aforementioned retirement of the 7% Debentures. The 1998 gain was attributable to the \$1.4 million pro

rata portion of Hallwood Realty Partners= extraordinary gain, in addition to a \$107,000 gain from the repurchase of 7% Debentures.

The following table sets forth selected financial information for the fourth quarters and years ended December 31, 1999 and 1998. All share and per share amounts have been adjusted retroactively for a three-for-two stock split paid November 5, 1999.

THE HALLWOOD GROUP INCORPORATED

(In thousands, except per share amounts)

	Fourth Quarters Ended December 31,		Years Ended December 31,	
	1999	1998	1999	1998
Revenue	\$ <u>24,081</u>	\$ <u>26,262</u>	\$ <u>115,340</u>	\$ <u>116,230</u>
Income (loss) before income taxes and extraordinary gain	\$(2,559)	\$ (684)	\$ 910	\$ 2,471
Income taxes (benefit)	<u>(788)</u>	<u>(3,455)</u>	<u>(569)</u>	<u>(3,115)</u>
Income (loss) before extraordinary gain	(1,771)	2,771	1,479	5,586
Extraordinary gain	<u>240</u>	<u>1,856</u>	<u>240</u>	<u>1,481</u>
Net income (loss)	(1,531)	4,627	1,719	7,067
Less: Preferred dividends	<u>--</u>	<u>--</u>	<u>50</u>	<u>50</u>
Net income (loss) available to common stockholders	\$ <u>(1,531)</u>	\$ <u>4,627</u>	\$ <u>1,669</u>	\$ <u>7,017</u>

PER COMMON SHARE

BASIC:

Income (loss) before extraordinary Gain.....	\$(0.97)	\$1.47	\$0.76	\$ 2.94
Extraordinary gain.....	<u>0.13</u>	<u>0.99</u>	<u>0.13</u>	<u>0.79</u>
Net income (loss).....	\$ <u>(0.84)</u>	\$ <u>2.46</u>	\$ <u>0.89</u>	\$ <u>3.73</u>
Weighted average shares outstanding	1,833	1,882	1,870	1,882

ASSUMING DILUTION:

Income (loss) before extraordinary Gain.....	\$(0.95)	\$1.45	\$0.75	\$ 2.84
Extraordinary gain.....	<u>0.13</u>	<u>0.96</u>	<u>0.13</u>	<u>0.76</u>
Net income (loss).....	\$ <u>(0.82)</u>	\$ <u>2.41</u>	\$ <u>0.88</u>	\$ <u>3.60</u>
Weighted average shares outstanding....	1,861	1,914	1,899	1,947

Certain statements in this press release may constitute Aforward-looking statements@ which are subject to known and unknown risks and uncertainties including, among other things, certain economic conditions, competition, development factors and operating costs that may cause the actual results to differ materially from results implied by such forward-looking statements.