

# The Hallwood Group Incorporated

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## FOR IMMEDIATE RELEASE

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### HALLWOOD GROUP REPORTS RESULTS FOR THE SECOND QUARTER ENDED JUNE 30, 2000

Dallas, Texas, August 11, 2000 – The Hallwood Group Incorporated (AMEX-HWG) today reported results for the second quarter ended June 30, 2000.

For the three months revenue was \$26.5 million, compared to \$33.2 million in 1999. The net loss was \$70,000, or \$0.08 per share (assuming dilution), compared to net income of \$2.6 million, or \$1.34 per share, in 1999.

For the six months, revenue was \$54.1 million, compared to \$64.6 million in 1999. Net income was \$257,000, or \$0.14 per share (assuming dilution), compared to \$3.1 million, or \$1.61 per share, in 1999.

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

Asset management, consisting of real estate and energy segments, earned \$1.7 million in the 2000 quarter, compared to \$3.2 million in 1999. The real estate segment earned \$1.0 million on revenue of \$1.6 million, compared to income of \$2.9 million on revenue of \$3.7 million in 1999. The decreased revenue and income were the result of lower leasing commissions. Income and revenue from the energy segment for the quarter increased to \$655,000, compared to income of \$302,000 on revenue of \$1.2 million in 1999. The Company began accounting for its investment in its energy affiliate under the equity method in June 1999, as a result of the consolidation of its combined energy interests into the new Hallwood Energy Corporation.

For the six months, the asset management division earned \$3.6 million on revenue of \$4.7 million, compared to \$4.0 million on revenue of \$7.9 million in 1999.

**Operating subsidiaries**, consisting of textile products and hotel operations, reported a loss of \$504,000 in the 2000 quarter, compared to income of \$446,000 in 1999. The textile products segment quarter income decreased to \$253,000 from \$764,000, and revenue decreased to \$19.3 million, from \$22.4 million in 1999. The hotel segment reported a quarter loss of \$757,000, after depreciation and amortization of \$739,000, compared to a loss of \$318,000 after depreciation and amortization of \$689,000 in 1999, on revenue of \$4.9 million and \$5.7 million, respectively.

For the six months, the operating subsidiaries division reported a loss of \$616,000, on revenue of \$49.3 million, compared to income of \$858,000, on revenue of \$56.5 million, in 1999.

**Other**, consisting principally of bank loan and debenture interest and administrative expenses, reported a loss of \$1.2 million in the quarter, compared to a loss of \$912,000 in 1999. The increased loss is attributable to higher interest costs from the bank loan and contingent payments under a separation agreement with a former officer and shareholder, both of which were recorded in December 1999.

For the six months, the loss was \$2.4 million, compared to \$1.6 million in 1999.

**Income Taxes** - Income tax expense for the quarter was \$65,000 compared to \$116,000 in 1999. The six months income tax expense was \$315,000, including a non-cash deferred federal tax charge of \$170,000, compared to \$127,000, without a deferred tax charge in 1999.

The following table sets forth selected financial information for the three and six months ended June 30, 2000 and 1999.

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

	<u>Three Months Ended</u> <u>June 30,</u>		<u>Six Months Ended</u> <u>June 30,</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
Revenue . . . . .	\$ <u>26,540</u>	\$ <u>33,184</u>	\$ <u>54,065</u>	\$ <u>64,599</u>
Income (loss) before income taxes .	\$ (5)	\$ 2,730	\$ 572	\$ 3,246
Income taxes . . . . .	<u>(65)</u>	<u>(116)</u>	<u>(315)</u>	<u>(127)</u>
Net income (loss) . . . . .	(70)	2,614	257	3,119
Less: Preferred dividends . . . . .	<u>(50)</u>	<u>(50)</u>	<u>(50)</u>	<u>(50)</u>
Net income (loss) available to common stockholders . . . . .	\$ <u>(120)</u>	\$ <u>2,564</u>	\$ <u>207</u>	\$ <u>3,069</u>
 PER COMMON SHARE:				
BASIC				
Net income (loss) available to common stockholders . . . . .	\$ <u>(0.08)</u>	\$ <u>1.36</u>	\$ <u>0.15</u>	\$ <u>1.63</u>
Weighted average shares outstanding	<u>1,425</u>	<u>1,883</u>	<u>1,425</u>	<u>1,883</u>
 ASSUMING DILUTION				
Net income (loss) available to common stockholders . . . . .	\$ <u>(0.08)</u>	\$ <u>1.34</u>	\$ <u>0.14</u>	\$ <u>1.61</u>
Weighted average shares outstanding	<u>1,430</u>	<u>1,913</u>	<u>1,434</u>	<u>1,912</u>

Certain statements in this press release may constitute "forward-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.

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