

The Hallwood Group Incorporated

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FOR IMMEDIATE RELEASE

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HALLWOOD GROUP REPORTS RESULTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2001

Dallas, Texas, November 14, 2001 – The Hallwood Group Incorporated (**AMEX-HWG**) today reported results for the third quarter and nine months ended September 30, 2001.

For the quarter, the net loss was \$80,000, or \$0.00 per share assuming dilution, compared to a net loss of \$633,000, or \$(0.44) per share, in 2000. The 2001 quarter included a loss from discontinued operations of \$661,000 and an extraordinary gain of \$118,000 from early extinguishment of debt. Income from continuing operations was \$463,000, or \$0.28 per share, compared to a loss of \$686,000, or \$(0.48) per share, in 2000, on revenue of \$17.9 million and \$18.0 million, respectively.

For the nine months, net income was \$8.8 million, or \$6.11 per share, compared to a loss of \$376,000, or \$(0.30) per share, in 2000. The 2001 nine month period included \$10.1 million of income from discontinued operations and an extraordinary loss of \$692,000 from early extinguishment of debt. The loss from continuing operations was \$582,000, or \$(0.44) per share, compared to a loss of \$350,000, or \$(0.28) per share, in 2000, on revenue of \$59.1 million and \$60.8 million, respectively.

Following is a comparison of results for the business segments included in continuing operations:

Real Estate. The real estate segment reported income of \$1.2 million on revenue of \$1.8 million in the 2001 quarter, compared to income of \$1.0 million on revenue of \$1.6 million in 2000. For the nine months income was \$2.6 million on revenue of \$6.9 million, compared to income of \$3.3 million on revenue of \$5.0 million in 2000. The decrease was due to litigation expense of \$2.4 million, partially offset by increased equity income from its Hallwood Realty Partners, L.P. affiliate and an increase in fee revenue.

Textile products. The textile products segment reported a loss of \$110,000 in the 2001 quarter on revenue of \$15.4 million, compared

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to a loss of \$485,000 on revenue of \$16.4 million in 2000. For the nine months, the loss was \$83,000 on revenue of \$51.2 million, compared to income of \$315,000 on revenue of \$55.7 million in 2000. The decreases in income and revenue were due to lower overall demand from a general slow down of the economy and the continued trend of U.S. customers' movement of business off shore.

Other, consisting of interest and administrative expenses less fee and miscellaneous income, reported losses of \$353,000 and \$1.2 million for the 2001 and 2000 quarters, respectively. For the nine months, the loss was \$2.2 million and \$3.6 million, respectively. The decrease in 2001 was due to lower interest expense and fee income from the amortization of a noncompetition agreement.

Income taxes - The 2001 quarter income tax expense attributable to continuing operations was \$272,000, and included a non-cash, deferred federal tax charge of \$206,000, a current federal tax charge of \$36,000 and state tax expense of \$30,000. The 2000 quarter expense was \$18,000 and included a current federal tax charge of \$11,000 and \$7,000 of state tax expense. For the nine months, income taxes from continuing operations was \$927,000, and included a deferred federal tax charge of \$740,000, a current federal tax charge of \$23,000 and state tax expense of \$164,000. For the 2000 nine months, income taxes from continuing operations was \$333,000, including a deferred federal tax charge of \$170,000, current federal tax of \$38,000 and state taxes of \$125,000.

Discontinued operations include the former energy and hotels business segments:

Loss from the hotels segment in the 2001 quarter was \$661,000, compared to a loss of \$1.1 million in 2000. Income from the energy segment was \$1.2 million in the 2000 quarter. In May 2001 the Company sold its Hallwood Energy Corporation affiliate and received \$18.0 million for the tender of its 1,440,000 common shares and in June received an additional \$7.25 million for a noncompetition agreement.

For the nine months income from the energy segment was \$10.7 million, compared to \$2.5 million in 2000. Loss from the hotels segment was \$661,000, compared to a loss of \$2.5 million in 2000.

Extraordinary gain (loss) from early extinguishment of debt:

The 2001 quarter extraordinary gain of \$118,000 was the result of a \$216,000 gain from disposition of two hotel properties (net of tax), and the Company's pro rata share of an extraordinary loss reported by Hallwood Realty Partners, L.P. in the amount of \$98,000.

The 2001 nine month extraordinary loss of \$692,000 was the result of the write off of deferred costs associated with the former Senior Secured Term Loan, the Company's pro rata share of extraordinary losses reported by Hallwood Realty Partners, partially offset by the aforementioned gain from the disposition of two hotel properties.

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The following table sets forth selected financial information for the three and nine months ended September 30, 2001 and 2000.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Revenue	\$17,939	\$18,036	\$59,101	\$60,786
Income (loss) from continuing operations				
before income tax	735	(668)	345	(17)
Income taxes	272	18	927	333
Income (loss) from continuing operations	463	(686)	(582)	(350)
Income (loss) from discontinued operations, net of tax	(661)	53	10,073	(26)
Income (loss) before extraordinary gain (loss) and loss from cumulative effect of SFAS No. 133 adoption	(198)	(633)	9,491	(376)
Extraordinary gain (loss)	118	--	(692)	--
Income (loss) before loss from cumulative effect of SFAS No. 133 adoption	(80)	(633)	8,799	(376)
Loss from cumulative effect of SFAS No. 133 adoption	--	--	(40)	--
Net income (loss)	(80)	(633)	8,759	(376)
Preferred stock dividend	--	--	(50)	(50)
Net income (loss) available to common stockholders	\$ (80)	\$ (633)	\$ 8,709	\$ (426)
 PER COMMON SHARE:				
BASIC				
Income (loss) from continuing operations	\$0.32	\$(0.48)	\$(0.44)	\$(0.28)
Income (loss) from discontinued operations	(0.46)	0.04	7.07	(0.02)
Extraordinary gain (loss)	0.08	--	(0.49)	--
Loss from cumulative effect of SFAS No. 133 adoption	--	--	(0.03)	--
Net income (loss)	\$ (0.06)	\$ (0.44)	\$ 6.11	\$ (0.30)
Weighted average shares outstanding	1,425	1,425	1,425	1,425
 ASSUMING DILUTION:				
Income (loss) from continuing operations	\$0.28	\$(0.48)	\$(0.44)	\$(0.28)
Income (loss) from discontinued operations	(0.34)	0.04	7.07	(0.02)
Extraordinary gain (loss)	0.06	--	(0.49)	--
Loss from cumulative effect of SFAS No. 133 adoption	--	--	(0.03)	--
Net income (loss)	\$ --	\$ (0.44)	\$ 6.11	\$ (0.30)
Weighted average shares outstanding	1,973	1,425	1,425	1,425

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. These risks and uncertainties are described in greater detail in the Company's periodic filings with the SEC.

