

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, 2001

Dallas, Texas, April 17, 2002 – The Hallwood Group Incorporated (**AMEX-HWG**) today reported results for the fourth quarter and year ended December 31, 2001. Results include the former energy segment and certain hotel assets held for sale that have been reclassified and reported as discontinued operations.

For the quarter, the loss from continuing operations was \$3.9 million, or \$2.79 per share, compared to income of \$126,000, or \$0.09 per share in 2000, on revenue of \$20.9 million and \$20.0 million, respectively. Net loss was \$4.5 million in 2001, or \$3.21 per share, compared to a net loss of \$4.5 million, or \$3.15 per share, in 2000. The 2001 quarter included an impairment of goodwill of \$1.4 million at the textile products segment, deferred tax expense of \$1.4 million and a \$575,000 loss from discontinued operations. The 2000 quarter included a \$4.5 million loss from discontinued operations, a deferred tax benefit of \$1.7 million and an \$85,000 extraordinary loss from the early extinguishment of debt from its real estate affiliate.

For the year, the loss from continuing operations was \$4.5 million, or \$3.24 per share, compared to a loss of \$635,000, or \$0.48 per share, in 2000, on revenue of \$81.3 million and \$82.0 million, respectively. Net income was \$4.2 million in 2001, or \$2.95 per share, compared to a net loss of \$4.9 million, or \$3.45 per share, in 2000. The 2001 results included income of \$9.8 million from discontinued operations, primarily resulting from a gain on the sale of the Company's investment of its former Hallwood Energy Corporation affiliate, and an extraordinary loss of \$917,000 from early extinguishment of debt.

Following is a comparison of results by business segment for the fourth quarters and years ended December 31, 2001 and 2000:

Real Estate The real estate segment reported income of \$650,000, on revenue of \$1.5 million in the 2001 quarter, compared to income of \$582,000, on revenue of \$1.5 million in 2000.

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For the year, the real estate segment reported income of \$3.3 million, on revenue of \$8.4 million, compared to income of \$3.8 million, on revenue of \$6.5 million in 2000. The decrease in 2001 was due to litigation expense of \$2.4 million, partially offset by increased equity income from its Hallwood Realty Partners L.P. affiliate.

Textile Products The textile products segment reported a loss of \$2.0 million in the 2001 quarter, on revenue of \$18.4 million, compared to income of \$140,000 in the 2000 quarter, on revenue of \$18.1 million. The decrease was principally due to an impairment of goodwill of \$1.4 million.

For the year, the textile products segment reported a loss of \$2.1 million, on revenue of \$69.6 million, compared to income of \$455,000, on revenue of \$73.9 million in 2000.

Other, comprised of one hotel that the Company has retained from its discontinued hotel segment, amortization of deferred revenue from a noncompetition agreement and miscellaneous income, offset by interest and administrative expenses, reported losses of \$1.0 million and \$2.2 million, for the 2001 and 2000 quarters, respectively. For the years 2001 and 2000, the loss was \$3.3 million and \$6.1 million, respectively. The reduced loss in 2001 was primarily due to fee income from the amortization of a noncompetition agreement and lower interest expense.

Income taxes (benefit) The 2001 quarter income tax expense attributable to continuing operations was \$1.5 million and included a non-cash, deferred federal tax charge of \$1.4 million, a current federal tax charge of \$35,000 and state tax expense of \$81,000. The 2000 quarter (benefit) was \$(1.5) million and included a current federal tax benefit of \$1.7 million, a current federal tax charge of \$8,000 and of state tax expense of \$165,000. For the year, income taxes from continuing operations was \$2.4 million and included a deferred federal tax charge of \$2.1 million, a current federal tax charge of \$58,000 and state tax expense of \$244,000. For the year 2000, income taxes from continuing operations was a benefit of \$1.2 million, including a deferred federal tax benefit of \$1.5 million, current federal tax of \$46,000 and state taxes of \$290,000.

Discontinued Operations In May 2001, the Company sold its Hallwood Energy Corporation affiliate and received \$18.0 million in cash for its common stock and in June received an additional \$7.25 million in cash for a noncompetition agreement. For the year, including a gain on disposal, the discontinued energy segment reported income of \$11.1 million compared to \$2.8 million in 2000.

Loss from the hotel operations to be sold in the 2001 quarter was \$975,000, compared to a loss of \$4.8 million in 2000, including

impairments of long-lived assets of \$560,000 in 2001 and \$3.3 million in 2000. For the year, the loss from the discontinued hotel operations to be sold was \$1.4 million and \$7.0 million in 2001 and 2000, respectively.

Extraordinary gain (loss) The 2001 extraordinary loss of \$917,000 was principally the result of the write off of deferred costs associated with the former Senior Secured Term Loan, along with the Company's pro rata share of extraordinary losses reported by Hallwood Realty Partners, L.P. The 2000 loss of \$85,000 was also the Company's pro rata share of extraordinary loss from Hallwood Realty Partners.

The following table sets forth selected financial information for the fourth quarters and years ended December 31, 2001 and 2000, respectively.

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

	Fourth Quarters Ended December 31,		Years Ended December 31,	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Revenue	\$ <u>20,889</u>	\$ <u>19,988</u>	\$ <u>81,282</u>	\$ <u>81,966</u>
Loss from continuing operations before income taxes (benefit) . . .	\$ (2,433)	\$ (1,417)	\$ (2,125)	\$ (1,845)
Income taxes (benefit)	<u>1,497</u>	<u>(1,543)</u>	<u>2,423</u>	<u>(1,210)</u>
Income (loss) from continuing operations	(3,930)	126	(4,548)	(635)
Income (loss) from discontinued operations, net of tax	<u>(575)</u>	<u>(4,532)</u>	<u>9,750</u>	<u>(4,147)</u>
Income (loss) before extraordinary gain (loss) and loss from cumulative effect of SFAS No. 133 adoption	(4,505)	(4,406)	5,202	(4,782)
Extraordinary gain (loss)	(9)	(85)	(917)	(85)
Loss from cumulative effect of SFAS No. 133 adoption	<u>--</u>	<u>--</u>	<u>(40)</u>	<u>--</u>
Net income (loss)	(4,514)	(4,491)	4,245	(4,867)
Less: Preferred stock dividend	<u>--</u>	<u>--</u>	<u>50</u>	<u>50</u>
Net income (loss) available to common stockholders	\$ <u>(4,514)</u>	\$ <u>(4,491)</u>	\$ <u>4,195</u>	\$ <u>(4,917)</u>
 PER COMMON SHARE				
BASIC:				
Income (loss) from continuing operations	\$ (2.79)	\$ 0.09	\$ (3.24)	\$ (0.48)
Income (loss) from discontinued operations	(0.41)	(3.18)	6.87	(2.91)
Extraordinary gain (loss)	(0.01)	(0.06)	(0.65)	(0.06)
Loss from cumulative effect of SFAS No. 133 adoption	<u>--</u>	<u>--</u>	<u>(0.03)</u>	<u>--</u>
Net income (loss)	\$ <u>(3.21)</u>	\$ <u>(3.15)</u>	\$ <u>2.95</u>	\$ <u>(3.45)</u>
Weighted average shares outstanding .	1,407	1,425	1,420	1,425
 ASSUMING DILUTION:				
Income (loss) from continuing operations	\$ (2.79)	\$ 0.09	\$ (3.24)	\$ (0.48)
Income (loss) from discontinued operations	(0.41)	(3.18)	6.87	(2.91)
Extraordinary gain (loss)	(0.01)	(0.06)	(0.65)	(0.06)
Loss from cumulative effect of SFAS No. 133 adoption	<u>--</u>	<u>--</u>	<u>(0.03)</u>	<u>--</u>
Net income (loss)	\$ <u>(3.21)</u>	\$ <u>(3.15)</u>	\$ <u>2.95</u>	\$ <u>(3.45)</u>
Weighted average shares outstanding . .	1,407	1,425	1,420	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.