

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, 2002

Dallas, Texas, November 14, 2002 – The Hallwood Group Incorporated (**AMEX-HWG**) today reported results for the third quarter and nine months ended September 30, 2002.

For the quarter, the net income was \$1.3 million, or \$0.94 per share assuming dilution, compared to a net loss of \$80,000, or \$0.00 per share, in 2001. The 2001 quarter included a loss from discontinued operations of \$419,000 and an extraordinary loss from early extinguishment of debt of \$98,000. Income from continuing operations in 2002 was \$1.3 million, or \$0.95 per share, compared to \$437,000, or \$0.27 per share, in 2001, on revenue of \$21.1 million and \$18.4 million, respectively.

For the nine months, net income was \$8.0 million, or \$5.60 per share, compared to \$8.8 million, or \$6.11 per share, in 2001. The 2002 nine month period included income from discontinued hotel operations of \$3.7 million. The 2001 nine month period included income from discontinued energy operations of \$10.7 million, a loss of \$409,000 from discontinued hotel operations, and an extraordinary loss from early extinguishment of debt of \$908,000. Income from continuing operations in 2002 was \$3.8 million, or \$2.61 per share, compared to a loss of \$618,000, or \$(0.47) per share, in 2001, on revenue of \$71.3 million and \$60.6 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 \$1.3 million on revenue of \$1.9 million in the 2002 quarter, compared to income of \$1.2 million on revenue of \$1.9 million in 2001. For the nine months income was \$3.8 million on revenue of \$5.3 million, compared to income of \$2.6 million on revenue of \$7.1 million in 2001.

Textile products. The textile products segment reported income of \$606,000 on revenue of \$18.2 million in the 2002 quarter, compared

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to a loss of \$110,000 on revenue of \$15.4 million in 2001. For the nine months, income was \$1.9 million on revenue of \$62.7 million, compared to a loss of \$83,000 on revenue of \$51.2 million in 2001.

Other, consisting principally of interest and administrative expenses less amortization of deferred revenue from a noncompete agreement, reported losses of \$111,000 and \$379,000 for the 2002 and 2001 quarters, respectively. For the nine months, the loss was \$108,000 and \$2.2 million, respectively. The decrease in 2002 was due to significantly lower interest expense and increased amortization of deferred revenue.

Income taxes - The 2002 quarter income tax expense attributable to continuing operations was \$506,000, and included a non-cash, deferred federal tax charge of \$390,000, a current federal tax charge of \$11,000 and state tax expense of \$105,000. The 2001 quarter income tax expense 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. For the 2002 nine months, income tax expense from continuing operations was \$1.9 million, and included a deferred federal tax charge of \$1.5 million, a current federal tax charge of \$34,000 and state tax expense of \$350,000. For the 2001 nine months, income tax expense from continuing operations was \$926,000, including a deferred federal tax charge of \$740,000, current federal tax of \$23,000 and state taxes of \$163,000.

Discontinued operations include the former energy and hotels business segments:

The loss from the hotels segment in the 2002 quarter was \$15,000, compared to a loss of \$419,000 in 2001.

For the nine months the hotels segment reported income of \$3.7 million, compared to a loss of \$409,000 in 2001, and the energy segment reported income of \$10.7 million in 2001 from the sale of its former energy affiliate.

Extraordinary loss from early extinguishment of debt:

In the 2001 quarter the Company reported its pro rata share of an extraordinary loss reported by Hallwood Realty Partners, L.P. in the amount \$98,000.

The 2001 nine month extraordinary loss of \$908,000 was the result of the write off of deferred costs associated with the former Senior Secured Term Loan, and the Company's pro rata share of an extraordinary loss reported by Hallwood Realty Partners, L.P.

The following table sets forth selected financial information for the three and nine months ended September 30, 2002 and 2001.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Revenue	\$21,088	\$18,431	\$71,329	\$60,596
Income from continuing operations				
before income tax	1,804	709	5,616	308
Income taxes	(506)	(272)	(1,860)	(926)
Income (loss) from continuing operations . . .	1,298	437	3,756	(618)
Income (loss) from discontinued operations, net of tax	(15)	(419)	3,719	10,325
Income before extraordinary gain and cumulative effect of SFAS No. 133 and SFAS No. 142 adoption	1,283	18	7,475	9,707
Extraordinary (loss)	--	(98)	--	(908)
Income (loss) before loss from cumulative effect of SFAS No. 133 and SFAS No. 142 adoption	1,283	(80)	7,475	8,799
Income (loss) from cumulative effect of SFAS No. 133 and No. SFAS 142 adoption	--	--	568	(40)
Net income (loss)	1,283	(80)	8,043	8,759
Preferred stock dividend	--	--	(50)	(50)
Net income (loss) available to common stockholders	<u>\$1,283</u>	<u>\$ (80)</u>	<u>\$7,993</u>	<u>\$ 8,709</u>
PER COMMON SHARE:				
BASIC				
Income (loss) from continuing operations . . .	\$0.95	\$0.31	\$2.72	\$(0.47)
Income (loss) from discontinued operations . .	(0.01)	(0.30)	2.73	7.25
Extraordinary (loss)	--	(0.07)	--	(0.64)
Income (loss) from cumulative effect of SFAS No. 133 and No. SFAS 142 adoption . . .	--	--	0.42	(0.03)
Net income (loss)	<u>\$0.94</u>	<u>\$(0.06)</u>	<u>\$5.87</u>	<u>\$ 6.11</u>
Weighted average shares outstanding	1,361	1,425	1,361	1,425
ASSUMING DILUTION:				
Income (loss) from continuing operations . . .	\$0.95	\$0.27	\$2.61	\$(0.47)
Income (loss) from discontinued operations . .	(0.01)	(0.22)	2.59	7.25
Extraordinary (loss)	--	(0.05)	--	(0.64)
Income (loss) from cumulative effect of SFAS No. 133 and No. SFAS 142 adoption . . .	--	--	0.40	(0.03)
Net income	<u>\$0.94</u>	<u>\$ --</u>	<u>\$5.60</u>	<u>\$ 6.11</u>
Weighted average shares outstanding	1,361	1,973	1,433	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.