

# The Hallwood Group Incorporated

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## FOR IMMEDIATE RELEASE

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### HALLWOOD GROUP REPORTS RESULTS FOR THE SECOND QUARTER AND SIX MONTHS ENDED JUNE 30, 2008

Dallas, Texas, August 14, 2008 – The Hallwood Group Incorporated (AMEX-HWG) today reported results for the second quarter and six months ended June 30, 2008.

For the quarter, Hallwood reported a net loss of \$1.3 million, or \$0.87 per share, compared to a net loss of \$573,000, or \$0.38 per share, in 2007.

For the six months, net income was \$236,000, or \$0.15 per share, compared to a net loss of \$7.9 million, or \$5.21 per share, in 2007. The 2008 and 2007 six month results included an equity loss from the Company's Hallwood Energy, L.P. affiliate in the amount of \$12.1 million and \$12.4 million, respectively.

#### Following is a comparison of results for the 2008 and 2007 periods:

**Operating Income.** For the 2008 and 2007 quarters, operating income, primarily from textile products operations, was \$7.6 million and \$1.4 million, on revenue of \$47.1 million and \$32.1 million, respectively.

For the 2008 and 2007 six months, operating income was \$13.9 million and \$795,000, on revenue of \$91.1 million and \$60.4 million, respectively.

Increased revenue and operating income were primarily due to higher military sales, which were \$32.0 million and \$60.1 million for the three months and six months ended June 30, 2008, compared to \$16.7 million and \$28.7 million in 2007, respectively.

**Other Income (Loss).** Other income (loss) consists of equity losses from the Company's minority investment in its Hallwood Energy, L.P. affiliate, interest expense, and interest and other income.

For the 2008 and 2007 second quarters, other income (loss) was a loss of \$9.3 million and \$2.0 million, including an equity loss from its energy investment of \$9.2 million in 2008 and \$1.9 million in 2007, respectively.

For the 2008 and 2007 six months, other income (loss) was a loss of \$12.5 million and \$12.6 million, respectively, including an equity loss from its energy investment of \$12.1 million and \$12.4 million, respectively.

**Income Tax Expense (Benefit).** For the 2008 second quarter, the income taxes was a benefit of \$372,000, which included a non cash deferred federal tax benefit of \$686,000 and state tax expense of \$314,000. For the 2007 second quarter, the income taxes was a benefit of \$68,000, which included a non cash deferred federal tax benefit of \$297,000 and state tax expense of \$229,000.

For the 2008 six months, income taxes was an expense of \$1.1 million, which included a non cash deferred federal tax expense of \$121,000, and state tax expense of \$973,000. For the 2007 six months, income taxes was a benefit of \$3.9 million, which included a non cash deferred federal tax benefit of \$4.1 million, a non cash deferred state tax benefit of \$43,000 and current state tax expense of \$269,000.

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The following table sets forth selected financial information for the three months and six months ended June 30, 2008 and 2007.

**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>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenue .....	\$ <u>47,134</u>	\$ <u>32,065</u>	\$ <u>91,121</u>	\$ <u>60,373</u>
Operating income .....	\$ 7,614	\$ 1,380	\$13,836	\$ 795
Other income (loss) .....	<u>(9,316)</u>	<u>(2,021)</u>	<u>(12,506)</u>	<u>(12,557)</u>
Income (loss) before income taxes .....	(1,702)	(641)	1,330	(11,762)
Income tax expense (benefit) .....	<u>(372)</u>	<u>(68)</u>	<u>1,094</u>	<u>(3,865)</u>
Net income (loss) .....	\$ <u>(1,330)</u>	\$ <u>(573)</u>	\$ <u>236</u>	\$ <u>(7,897)</u>
PER COMMON SHARE:				
BASIC				
Net income (loss) .....	\$ <u>(0.87)</u>	\$ <u>(0.38)</u>	\$ <u>0.16</u>	\$ <u>(5.21)</u>
Weighted average shares outstanding .....	<u>1,521</u>	<u>1,517</u>	<u>1,521</u>	<u>1,517</u>
DILUTED				
Net income (loss) .....	\$ <u>(0.87)</u>	\$ <u>(0.38)</u>	\$ <u>0.15</u>	\$ <u>(5.21)</u>
Weighted average shares outstanding .....	<u>1,521</u>	<u>1,517</u>	<u>1,523</u>	<u>1,517</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. These risks and uncertainties are described in greater detail in the Company's periodic filings with the SEC.

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