

NEWS FOR IMMEDIATE RELEASE

Contact: Mary P. Doyle
Vice President, Investor Relations
(800) 225-0135
(214) 528-5588

**THE HALLWOOD GROUP INCORPORATED ANNOUNCES
COMMISSION-FREE EXCHANGE OFFER FOR 7% DEBENTURES**

Dallas, Texas, June 17, 1998 — The Hallwood Group Incorporated (**NYSE-HWG**) announced today a commission-free exchange offer to all holders of its 7% Collateralized Senior Subordinated Debentures due July 31, 2000 (the "7% Debentures"). The Company is offering to exchange up to \$20,555,443 (the total outstanding amount) of the 7% Debentures for a new issue of 8.5% Collateralized Subordinated Debentures due July 31, 2005 (the "8.5% Debentures") in the ratio of \$100 principal amount of 8.5% Debentures for each \$100 principal amount of 7% Debentures tendered for exchange (the "Exchange Offer"). Tendering debenture holders will be entitled to receive accrued interest from the date of the last interest payment (i.e., April 30, 1998 or July 31, 1998) through the exchange closing date. The closing price of the 7% Debentures (**NYSE-HWGOO**) was \$98.00 on June 16, 1998.

The 8.5% Debentures will be secured by a first and senior lien on the capital stock of a hotel company subsidiary and by a subordinate and junior lien on the capital stock of two other subsidiaries, which are also pledged to secure the 7% Debentures.

Terms and conditions of the Exchange Offer will be described in an Exchange Offer Circular. The Exchange Offer Circular will be mailed, and the Exchange Offer will commence, on or about June 22, 1998 and will expire at 5:00 p.m. Boston, Massachusetts time, on Friday, July 31, 1998, unless extended.

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