

Hardinge Inc. One Hardinge Drive, Elmira, N.Y. 14902

Hardinge Reports Second Quarter 2017 Results

- ***Second quarter sales grew 11% to \$78.2 million; up 14% excluding unfavorable foreign currency translation***
- ***Diluted earnings per share up significantly to \$0.20 from \$0.01; Net income grew to \$2.5 million from \$0.1 million***
- ***Orders of \$92.7 million increased 15% with growth in all three regions***
- ***Backlog of \$144.9 million reaches five-year high***

ELMIRA, N.Y., August 3, 2017 - Hardinge Inc. (NASDAQ: HDNG), a leading international provider of advanced metal-cutting solutions and accessories, reported financial results for its second quarter ended June 30, 2017.

Chuck Dougherty, President and Chief Executive Officer, commented, "We had a strong quarter driven by improved industrial economies in North America and Asia that resulted in higher machine sales. Importantly, we had a very healthy level of orders that support our expectation of a solid 2017."

He added, "I joined the Company in May and have found an organization with a strong foundation from which we can build. We have global capabilities in operations, engineering and sales, great brands and outstanding people. Of note, we have an exceptional position in China, both in capabilities and market presence. There are opportunities to better leverage our scale in areas such as our supply chain and go-to-market strategy. And, I believe there is more potential to improve efficiencies through common systems and processes across our businesses. Our current focal areas are in completing the announced restructuring activities and developing a plan for optimizing our global footprint to create greater earnings power, as we develop a strategy to define our longer term priorities."

For the announced restructuring activities, the program is expected to be completed by mid-2018 and generate pre-tax annualized savings of \$2.0 million to \$2.5 million. Total restructuring costs are expected to be in the range of \$3.8 million to \$4.3 million, of which \$1.6 million is non-cash.

⁽¹⁾*Management believes that the use of non-GAAP measures helps in the understanding of the Company's operating performance. See page 9 of this release for the reconciliation tables between reported amounts and non-GAAP measures discussed in this document.*

Sales, Orders and Backlog for Second Quarter and First Half of 2017

North America: Sales of \$24.2 million in the quarter grew by 17% due to improved industrial market conditions from the impact of the recovery in the oil and gas industry on other industrial businesses. Orders for the region were up 6% in the quarter driven by \$1.9 million in orders by a key distributor. For the first six months of 2017, sales to North America were up 15% to \$43.8 million and orders increased 3% to \$50.7 million.

Europe: Sales in Europe of \$22.2 million were unchanged mostly as the result of the timing of machine orders. Orders in the region were up 12% driven by an improving industrial economy in Europe. Excluding unfavorable foreign currency translation of \$0.6 million and \$0.9 million on sales and orders, respectively, sales increased 3% and orders increased 15%.

For the first six months of 2017, sales to Europe of \$39.9 million were down 13% while orders increased 17% to \$51.3 million. Excluding unfavorable foreign currency translation, sales decreased 11% and orders increased 20%.

Asia: Sales of \$31.7 million and orders of \$35.7 million for the quarter were up 16% and 25%, respectively, as the economy in Asia has stabilized driving more investment in automation and machine tools by industrial manufacturers. Excluding unfavorable foreign currency impact of \$0.9 million on both sales and orders, sales were up 20% and orders increased 28%.

For the first half of 2017, sales of \$59.0 million and orders of \$63.7 million were up 10% and 21%, respectively. Excluding unfavorable foreign currency translation of \$1.9 million on sales and \$1.8 million on orders, sales were up 13% and orders increased 25%.

Consolidated backlog: Backlog at June 30, 2017 was \$144.9 million, up 14% over the trailing first quarter and improved 32% compared with June 30, 2016.

Second Quarter Operating Review

- Gross profit increased \$3.1 million, or 13%, on higher volume. As a percent of sales, gross profit was 34.1% in the quarter.
- Higher selling, general and administrative (SG&A) expenses included \$1.1 million in unusual costs associated with the executive search and severance expenses. Excluding those costs, and the \$0.4 million of professional fees related to the strategic review in the prior-year period, SG&A declined \$0.4 million in the quarter.
- Operating income increased \$1.9 million as a result of strong operating leverage. Operating margin expanded 2.4 points to 2.8% of sales.
- Adjusted Non-GAAP operating income⁽¹⁾ was \$3.9 million in the quarter, up significantly from \$0.9 million in the prior-year period. The adjusted operating margin was 5.0%, a 3.7 point expansion.
- Net income was \$2.5 million, or \$0.20 per diluted share, up from \$0.1 million, or \$0.01 per diluted share in the prior-year period. Adjusted Non-GAAP income⁽¹⁾ was \$4.2 million, or \$0.33 per diluted share, a more than four-fold increase over last year's second quarter.

First Half 2017 Review

- For the first half, gross profit was \$48.0 million, improved \$1.7 million on higher sales. Gross margin was relatively unchanged from the prior period.
- SG&A was down \$2.1 million, or 5%, primarily as a result of reduced commissions and sales and marketing spend.
- Adjusted Non-GAAP operating income⁽¹⁾ for the first half of 2017 was \$3.7 million, up from \$0.6 million in the first half of 2016. The adjusted operating margin was 2.6%, a 2.2 point expansion from leverage on higher volume.
- Net income was \$0.5 million, or \$0.04 per diluted share, improved from a \$1.1 million loss, or \$(0.09) per diluted share, in the first half of 2016. Adjusted Non-GAAP income⁽¹⁾ was \$3.7 million, or \$0.29 per diluted share, up significantly from \$0.4 million, or \$0.03 per diluted share last year.

Suspension of Dividend

Hardinge's Board of Directors has elected to suspend the quarterly cash dividend to shareholders in consideration of its development of a long-term strategy for growth, the re-evaluation of its capital allocation priorities and the nominal value of the current dividend of \$0.08 per share, or \$1.0 million per year.

Webcast and Conference Call

Hardinge will host a conference call and webcast today at 11:00 a.m. ET. During the conference call and webcast, Charles P. Dougherty, President and CEO, and Douglas J. Malone, Senior Vice President and CFO, will review the financial and operating results for the quarter, as well as the Company's strategy and outlook. A question and answer session will follow the formal discussion. Their review will be accompanied by a slide presentation which will be available on Hardinge's website at <http://ir.hardinge.com/events.cfm>.

The conference call can be accessed by calling (201) 689- 8560. The listen-only audio webcast can be monitored at <http://ir.hardinge.com/events.cfm>.

A telephonic replay will be available from 2:00 p.m. ET the day of the call through Thursday, August 10, 2017. To listen to the archived call, dial (412) 317-6671 and enter conference ID number 13665317. Alternatively, the archive can be heard on the Company's website at <http://ir.hardinge.com/events.cfm>. A transcript will also be posted to the website, once available.

About Hardinge

Hardinge is a leading global designer and manufacturer of high precision, computer-controlled machine tool solutions developed for critical, hard-to-machine metal parts and of technologically advanced workholding accessories. The Company's strategy is to leverage its global brand strength to further penetrate global market opportunities where customers will benefit from the technologically advanced, high quality, reliable products Hardinge produces. With approximately two-thirds of its sales outside of North America, Hardinge serves the worldwide metal working market. Hardinge's machine tool and

accessory solutions can also be found in a broad base of industries to include aerospace, agricultural, automotive, construction, consumer products, defense, energy, medical, technology and transportation.

Hardinge applies its engineering design and manufacturing expertise in high performance machining centers, high-end cylindrical and jig grinding machines, SUPER-PRECISION® and precision CNC lathes and technologically advanced workholding accessories. Hardinge has manufacturing operations in China, France, Germany, India, Switzerland, Taiwan, the United Kingdom and the United States.

The Company regularly posts information on its website: <http://www.hardinge.com>.

Safe Harbor Statement

This news release contains forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended). Such statements are based on management's current expectations that involve risks and uncertainties. Any statements that are not statements of historical fact or that are about future events may be deemed to be forward-looking statements. For example, words such as "may," "will," "should," "estimates," "predicts," "potential," "continue," "strategy," "believes," "anticipates," "plans," "expects," "intends," and similar expressions are intended to identify forward-looking statements. The Company's actual results or outcomes and the timing of certain events may differ significantly from those discussed in any forward-looking statements. The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events, or otherwise.

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FINANCIAL TABLES FOLLOW.

HARDINGE INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(in thousands, except share and per share data)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-----------|------------------------------|------------|
| | 2017 | 2016 | 2017 | 2016 |
| | (unaudited) | | (unaudited) | |
| Sales | \$ 78,197 | \$ 70,186 | \$ 142,754 | \$ 138,007 |
| Cost of sales | 51,568 | 46,633 | 94,738 | 91,711 |
| Gross profit | 26,629 | 23,553 | 48,016 | 46,296 |
| <i>Gross profit margin</i> | 34.1% | 33.6% | 33.6% | 33.5% |
| Selling, general and administrative expenses | 20,081 | 19,637 | 38,103 | 40,230 |
| Research & development | 3,777 | 3,369 | 7,335 | 6,656 |
| Restructuring | 542 | 226 | 1,978 | 426 |
| Other expense (income), net | 37 | 20 | 192 | (72) |
| Income (loss) from operations | 2,192 | 301 | 408 | (944) |
| <i>Operating margin</i> | 2.8% | 0.4% | 0.3% | (0.7)% |
| Interest expense | 104 | 132 | 210 | 285 |
| Interest income | (38) | (69) | (79) | (136) |
| Income (loss) before income taxes | 2,126 | 238 | 277 | (1,093) |
| Income tax (benefit) expense | (396) | 93 | (198) | 8 |
| Net Income (loss) | \$ 2,522 | \$ 145 | \$ 475 | \$ (1,101) |
| Per share data: | | | | |
| Basic earnings (loss) per share: | \$ 0.20 | \$ 0.01 | \$ 0.04 | \$ (0.09) |
| Diluted earnings (loss) per share: | \$ 0.20 | \$ 0.01 | \$ 0.04 | \$ (0.09) |
| Cash dividends declared per share: | \$ 0.02 | \$ 0.02 | \$ 0.04 | \$ 0.04 |
| Weighted avg. shares outstanding: Basic | 12,894 | 12,812 | 12,887 | 12,804 |
| Weighted avg. shares outstanding: Diluted | 12,932 | 12,901 | 12,921 | 12,804 |

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HARDINGE INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(in thousands, except share and per share data)

| | <u>June 30, 2017</u> | <u>December 31, 2016</u> |
|---|--------------------------|------------------------------|
| | <u>(Unaudited)</u> | |
| Assets | | |
| Cash and cash equivalents | \$ 26,369 | \$ 28,255 |
| Restricted cash | 2,509 | 2,923 |
| Accounts receivable, net | 55,071 | 55,573 |
| Inventories, net | 118,478 | 107,018 |
| Other current assets | 11,321 | 6,926 |
| Total current assets | <u>213,748</u> | <u>200,695</u> |
| Property, plant and equipment, net | 57,192 | 56,961 |
| Goodwill | 6,658 | 6,579 |
| Other intangible assets, net | 26,698 | 26,730 |
| Other non-current assets | 6,047 | 6,585 |
| Total non-current assets | <u>96,595</u> | <u>96,855</u> |
| Total assets | <u>\$ 310,343</u> | <u>\$ 297,550</u> |
| Liabilities and shareholders' equity | | |
| Notes payable to bank | \$ 99 | \$ 703 |
| Accounts payable | 25,982 | 24,217 |
| Accrued expenses | 27,140 | 25,629 |
| Customer deposits | 23,063 | 18,215 |
| Accrued income taxes | 671 | 1,160 |
| Current portion of long-term debt | 4,636 | 2,923 |
| Total current liabilities | <u>81,591</u> | <u>72,847</u> |
| Long-term debt | — | 2,970 |
| Pension and postretirement liabilities | 57,635 | 58,840 |
| Deferred income taxes | 4,343 | 3,800 |
| Other liabilities | 1,669 | 3,152 |
| Total non-current liabilities | <u>63,647</u> | <u>68,762</u> |
| Commitments and contingencies | | |
| Common stock (\$0.01 par value, 20,000,000 authorized; shares issued 12,943,789 and 12,903,037) | 129 | 129 |
| Additional paid-in capital | 121,489 | 121,015 |
| Retained earnings | 89,510 | 89,557 |
| Treasury shares (at cost, 0 and 9,243) | — | (104) |
| Accumulated other comprehensive loss | (46,023) | (54,656) |
| Total shareholders' equity | <u>165,105</u> | <u>155,941</u> |
| Total liabilities and shareholders' equity | <u>\$ 310,343</u> | <u>\$ 297,550</u> |

HARDINGE INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(in thousands)

| | Six Months Ended June 30, | |
|--|------------------------------|------------|
| | 2017 | 2016 |
| | (Unaudited) | |
| Operating activities | | |
| Net income (loss) | \$ 475 | \$ (1,101) |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: | | |
| Impairment | 1,401 | — |
| Depreciation and amortization | 4,411 | 4,098 |
| Debt issuance costs amortization | 65 | 66 |
| Deferred income taxes | 132 | (119) |
| Gain on sale of assets | (16) | (4) |
| Unrealized foreign currency transaction gain | (819) | (116) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 2,261 | 11,826 |
| Restricted cash | 499 | (331) |
| Inventories | (8,251) | (7,720) |
| Other assets | (2,893) | (1,330) |
| Accounts payable | 745 | (2,170) |
| Customer deposits | 4,132 | (3,886) |
| Accrued expenses | (2,381) | (5,211) |
| Accrued pension and postretirement liabilities | (19) | (41) |
| Net cash used in operating activities | (258) | (6,039) |
| Investing activities | | |
| Capital expenditures | (968) | (992) |
| Proceeds from sales of assets | 16 | 37 |
| Net cash used in investing activities | (952) | (955) |
| Financing activities | | |
| Proceeds from short-term notes payable to bank | 12,418 | 28,871 |
| Repayments of short-term notes payable to bank | (13,062) | (28,643) |
| Repayments of long-term debt | (1,456) | (2,271) |
| Dividends paid | (516) | (536) |
| Net cash used in financing activities | (2,616) | (2,579) |
| Effect of exchange rate changes on cash | 1,940 | 167 |
| Net decrease in cash | (1,886) | (9,406) |
| Cash and cash equivalents at beginning of period | 28,255 | 32,774 |
| Cash and cash equivalents at end of period | \$ 26,369 | \$ 23,368 |

Quarterly Sales by Region

(\$ in thousands)

| Sales to Customers in | Quarter Ended | | | | | |
|-----------------------|---------------|------------|---------------|-------------------------|----------------|---------------------|
| | June 30, 2017 | | June 30, 2016 | | March 31, 2017 | |
| | \$ | % of Total | \$ | Year-over-Year % Change | \$ | Sequential % Change |
| North America | 24,220 | 31% | 20,694 | 17% | 19,583 | 24% |
| Europe | 22,240 | 28% | 22,242 | —% | 17,702 | 26% |
| Asia | 31,737 | 41% | 27,250 | 16% | 27,272 | 16% |
| Total | 78,197 | | 70,186 | 11% | 64,557 | 21% |

Year-to-Date Sales by Region

(\$ in thousands)

| Sales to Customers in | Six Months Ended | | | | |
|-----------------------|------------------|------------|----------------|-------------------------|--|
| | June 30, 2017 | | June 30, 2016 | | |
| | \$ | % of Total | \$ | Year-over-Year % Change | |
| North America | 43,803 | 31% | 38,144 | 15% | |
| Europe | 39,942 | 28% | 46,084 | (13)% | |
| Asia | 59,009 | 41% | 53,779 | 10% | |
| Total | 142,754 | | 138,007 | 3% | |

Quarterly Orders by Region

(\$ in thousands)

| Orders from Customers in | Quarter Ended | | | | | |
|--------------------------|---------------|------------|---------------|-------------------------|----------------|---------------------|
| | June 30, 2017 | | June 30, 2016 | | March 31, 2017 | |
| | \$ | % of Total | \$ | Year-over-Year % Change | \$ | Sequential % Change |
| North America | 27,003 | 29% | 25,520 | 6% | 23,669 | 14% |
| Europe | 30,021 | 32% | 26,859 | 12% | 21,290 | 41% |
| Asia | 35,692 | 38% | 28,555 | 25% | 27,987 | 28% |
| Total | 92,716 | | 80,934 | 15% | 72,946 | 27% |

Year-to-Date Orders by Region

(\$ in thousands)

| Orders from Customers in | Six Months Ended | | | | |
|--------------------------|------------------|------------|----------------|-------------------------|--|
| | June 30, 2017 | | June 30, 2016 | | |
| | \$ | % of Total | \$ | Year-over-Year % Change | |
| North America | \$ 50,672 | 31% | \$ 49,423 | 3% | |
| Europe | 51,311 | 31% | 43,988 | 17% | |
| Asia | 63,679 | 38% | 52,448 | 21% | |
| Total | 165,662 | | 145,859 | 14% | |

Hardinge believes that providing non-GAAP financial measures such as adjusted loss from operations, adjusted net income, and adjusted earnings per diluted share is important for investors and other readers of Hardinge's financial statements, as they are used as an analytical indicator by Hardinge management to better understand its operating performance.

HARDINGE INC. AND SUBSIDIARIES

Reconciliation of GAAP Income (Loss) from Operations to Non-GAAP Adjusted Income from Operations
(in thousands)

| | Three Months Ended June 30, 2017 | | Three Months Ended June 30, 2016 | |
|---|---|-------------------|---|-------------------|
| | Amount | % of Sales | Amount | % of Sales |
| Income from operations as reported | \$ 2,192 | 2.8% | \$ 301 | 0.4% |
| Adjustments to reported income from operations: | | | | |
| Restructuring charges | 542 | 0.7% | 226 | 0.3% |
| Professional fees for strategic review process | — | —% | 404 | 0.6% |
| Other adjustments | 1,161 | 1.5% | — | —% |
| Non-GAAP income from operations as adjusted | <u>\$ 3,895</u> | <u>5.0%</u> | <u>\$ 931</u> | <u>1.3%</u> |

| | Six Months Ended June 30, 2017 | | Six Months Ended June 30, 2016 | |
|--|---|-------------------|---|-------------------|
| | Amount | % of Sales | Amount | % of Sales |
| Income (loss) from operations as reported | 408 | 0.3% | \$ (944) | (0.7)% |
| Adjustments to reported income (loss) from operations: | | | | |
| Restructuring charges | 1,978 | 1.4% | 426 | 0.3 % |
| Professional fees for strategic review process | — | —% | 1,103 | 0.8 % |
| Other adjustments | 1,303 | 0.9% | — | — % |
| Non-GAAP income from operations as adjusted | <u>\$ 3,689</u> | <u>2.6%</u> | <u>\$ 585</u> | <u>0.4 %</u> |

HARDINGE INC. AND SUBSIDIARIES
Reconciliation of GAAP Net Income (Loss) to Non-GAAP Adjusted Net Income
(in thousands, except per share data)

| | <u>Three Months Ended June 30, 2017</u> | | <u>Three Months Ended June 30, 2016</u> | |
|---|---|----------------|---|----------------|
| | Amount | EPS | Amount | EPS |
| Net income as reported | \$ 2,522 | \$ 0.20 | \$ 145 | \$ 0.01 |
| Adjustments to reported net income, pre-tax: ⁽¹⁾ | | | | |
| Restructuring charges | 496 | 0.04 | 226 | 0.02 |
| Professional fees for strategic review process | — | — | 404 | 0.03 |
| Other adjustments | 1,161 | 0.09 | — | — |
| Non-GAAP net income as adjusted | <u>\$ 4,179</u> | <u>\$ 0.33</u> | <u>\$ 775</u> | <u>\$ 0.06</u> |

| | <u>Six Months Ended June 30, 2017</u> | | <u>Six Months Ended June 30, 2016</u> | |
|--|---|----------------|---|----------------|
| | Amount | EPS | Amount | EPS |
| Net (loss) income as reported | \$ 475 | \$ 0.04 | \$ (1,101) | \$ (0.09) |
| Adjustments to reported net (loss) income, pre-tax: ⁽¹⁾ | | | | |
| Restructuring charges | 1,926 | 0.15 | 426 | 0.03 |
| Professional fees for strategic review process | — | — | 1,103 | 0.09 |
| Other adjustments | 1,303 | 0.10 | — | — |
| Non-GAAP net income as adjusted | <u>\$ 3,704</u> | <u>\$ 0.29</u> | <u>\$ 428</u> | <u>\$ 0.03</u> |

⁽¹⁾ items have no tax effect due to full tax valuation allowances in the related jurisdictions.