

HARSCO CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended March 31	
	2018	2017
(In thousands, except per share amounts)		
Revenues from continuing operations:		
Service revenues	\$ 254,962	\$ 240,609
Product revenues	153,076	131,932
Total revenues	408,038	372,541
Costs and expenses from continuing operations:		
Cost of services sold	199,373	189,482
Cost of products sold	111,980	98,790
Selling, general and administrative expenses	57,083	53,937
Research and development expenses	1,239	831
Other expenses, net	1,822	894
Total costs and expenses	371,497	343,934
Operating income from continuing operations	36,541	28,607
Interest income	498	512
Interest expense	(9,583)	(11,653)
Defined benefit pension income (expense)	839	(699)
Income from continuing operations before income taxes	28,295	16,767
Income tax expense	(8,266)	(6,253)
Income from continuing operations	20,029	10,514
Discontinued operations:		
Loss on disposal of discontinued business	(580)	(588)
Income tax benefit related to discontinued business	128	211
Loss from discontinued operations	(452)	(377)
Net income	19,577	10,137
Less: Net income attributable to noncontrolling interests	(1,769)	(1,247)
Net income attributable to Harsco Corporation	\$ 17,808	\$ 8,890
Amounts attributable to Harsco Corporation common stockholders:		
Income from continuing operations, net of tax	\$ 18,260	\$ 9,267
Loss from discontinued operations, net of tax	(452)	(377)
Net income attributable to Harsco Corporation common stockholders	\$ 17,808	\$ 8,890
Weighted-average shares of common stock outstanding	80,650	80,385
Basic earnings (loss) per common share attributable to Harsco Corporation common stockholders:		
Continuing operations	\$ 0.23	\$ 0.12
Discontinued operations	(0.01)	—
Basic earnings per share attributable to Harsco Corporation common stockholders	\$ 0.22	\$ 0.11 (a)
Diluted weighted-average shares of common stock outstanding	83,544	82,263
Diluted earnings (loss) per common share attributable to Harsco Corporation common stockholders:		
Continuing operations	\$ 0.22	\$ 0.11
Discontinued operations	(0.01)	—
Diluted earnings per share attributable to Harsco Corporation common stockholders	\$ 0.21	\$ 0.11

(a) Does not total due to rounding.

HARSCO CORPORATION
CONSOLIDATED BALANCE SHEETS (Unaudited)

(In thousands)	March 31 2018	December 31 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 64,780	\$ 62,098
Restricted cash	2,747	4,111
Trade accounts receivable, net	292,966	288,034
Other receivables	24,813	20,224
Inventories	132,352	178,293
Current portion of contract assets	23,871	—
Other current assets	41,227	39,332
Total current assets	582,756	592,092
Property, plant and equipment, net	482,837	479,747
Goodwill	406,706	401,758
Intangible assets, net	37,756	38,251
Contract assets	3,566	—
Deferred income tax assets	49,900	51,574
Other assets	19,100	15,263
Total assets	\$ 1,582,621	\$ 1,578,685
LIABILITIES		
Current liabilities:		
Short-term borrowings	\$ 5,160	\$ 8,621
Current maturities of long-term debt	10,065	11,208
Accounts payable	137,254	126,249
Accrued compensation	35,014	60,451
Income taxes payable	7,455	5,106
Insurance liabilities	11,061	11,167
Current portion of advances on contracts	38,147	117,958
Other current liabilities	145,501	133,368
Total current liabilities	389,657	474,128
Long-term debt	611,695	566,794
Insurance liabilities	23,017	22,385
Retirement plan liabilities	248,894	259,367
Advances on contracts	21,837	—
Other liabilities	41,176	40,846
Total liabilities	1,336,276	1,363,520
HARSCO CORPORATION STOCKHOLDERS' EQUITY		
Common stock	141,286	141,110
Additional paid-in capital	183,310	180,201
Accumulated other comprehensive loss	(543,217)	(546,582)
Retained earnings	1,179,516	1,157,801
Treasury stock	(762,788)	(762,079)
Total Harsco Corporation stockholders' equity	198,107	170,451
Noncontrolling interests	48,238	44,714
Total equity	246,345	215,165
Total liabilities and equity	\$ 1,582,621	\$ 1,578,685

HARSCO CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In thousands)	Three Months Ended	
	March 31	
	2018	2017
Cash flows from operating activities:		
Net income	\$ 19,577	\$ 10,137
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation	31,418	30,207
Amortization	1,934	2,021
Deferred income tax expense (benefit)	4,635	(221)
Dividends from unconsolidated entities	—	19
Other, net	1,944	5,131
Changes in assets and liabilities:		
Accounts receivable	(4,848)	(27,882)
Inventories	(11,490)	(755)
Contract assets	(5,698)	—
Accounts payable	7,340	(541)
Accrued interest payable	51	286
Accrued compensation	(26,131)	(12,352)
Advances on contracts	(7,348)	(4,998)
Retirement plan liabilities, net	(12,252)	(8,381)
Other assets and liabilities	(7,375)	1,205
Net cash used by operating activities	(8,243)	(6,124)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(26,897)	(16,989)
Proceeds from sales of assets	377	1,006
Net proceeds (payments) from settlement of foreign currency forward exchange contracts	(3,822)	33
Net cash used by investing activities	(30,342)	(15,950)
Cash flows from financing activities:		
Short-term borrowings, net	(3,659)	3,655
Current maturities and long-term debt:		
Additions	46,000	24,000
Reductions	(2,944)	(14,345)
Sale of noncontrolling interests	477	—
Stock-based compensation - Employee taxes paid	(709)	(53)
Deferred financing costs	—	(36)
Net cash provided by financing activities	39,165	13,221
Effect of exchange rate changes on cash and cash equivalents, including restricted cash	738	1,403
Net increase (decrease) in cash and cash equivalents, including restricted cash	1,318	(7,450)
Cash and cash equivalents, including restricted cash, at beginning of period	66,209	71,879
Cash and cash equivalents, including restricted cash, at end of period	\$ 67,527	\$ 64,429

HARSCO CORPORATION
REVIEW OF OPERATIONS BY SEGMENT (Unaudited)

(In thousands)	Three Months Ended March 31, 2018		Three Months Ended March 31, 2017	
	Revenues	Operating Income (Loss)	Revenues	Operating Income (Loss)
Harsco Metals & Minerals	\$ 264,723	\$ 27,735	\$ 247,034	\$ 25,757
Harsco Industrial	83,598	12,421	65,885	2,894
Harsco Rail	59,678	1,952	59,588	6,217
Corporate	39	(5,567)	34	(6,261)
Consolidated Totals	<u>\$ 408,038</u>	<u>\$ 36,541</u>	<u>\$ 372,541</u>	<u>\$ 28,607</u>

HARSCO CORPORATION

RECONCILIATION OF ADJUSTED DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS, EXCLUDING UNUSUAL ITEMS TO DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS AS REPORTED (Unaudited)

	Twelve Months Fnded December 31
	2017
Diluted earnings per share from continuing operations as reported	\$ 0.09
Impact of U.S. Tax reform on income tax benefit (expense) (a)	0.59
Harsco Metals & Minerals Segment bad debt expense (b)	0.06
Loss on early extinguishment of debt (c)	0.03
Taxes on above unusual items (d)	(0.02)
Adjusted diluted earnings per share from continuing operations excluding unusual items	\$ 0.74 ^(e)

(a) The Company recorded a charge as a result of revaluing net deferred tax assets and liabilities as a result of U.S. tax reform (\$48.7 million).

(b) Bad debt expense incurred in the Harsco Metals & Minerals Segment (\$4.6 million pre-tax).

(c) Loss on early extinguishment of debt recorded at Corporate (\$2.3 million pre-tax).

(d) Unusual items are tax effected at the global effective tax rate, before discrete items, in effect at the time the unusual item is recorded except for unusual items from countries where no tax benefit can be realized, in which case a zero percent tax rate is used.

(e) Does not total due to rounding.

The Company's management believes Adjusted diluted earnings per share from continuing operations excluding unusual items, which is a non-U.S. GAAP financial measure, is useful to investors because it provides an overall understanding of the Company's historical and future prospects. Exclusion of unusual items permits evaluation and comparison of results for the Company's core business operations, and it is on this basis that management internally assesses the Company's performance. This measure should be considered in addition to, rather than as a substitute for, other information provided in accordance with U.S. GAAP.

HARSCO CORPORATION

RECONCILIATION OF ADJUSTED OPERATING INCOME (LOSS), EXCLUDING UNUSUAL ITEMS BY SEGMENT TO OPERATING INCOME (LOSS) AS REPORTED BY SEGMENT AFTER RECLASSIFICATION (Unaudited) (a)

(In thousands)	Harsco Metals & Minerals	Harsco Industrial	Harsco Rail	Corporate	Consolidated Totals
Twelve Months Ended December 31, 2017:					
Operating income (loss) as previously reported	\$ 105,257	\$ 35,174	\$ 32,091	\$ (29,723)	142,799
Pension reclassification adjustment	(2,895)	358	863	4,268	2,594
Operating income (loss), after reclassification	102,362	35,532	32,954	(25,455)	145,393
Harsco Metals & Minerals bad debt expense	4,589	—	—	—	4,589
Adjusted operating income (loss), excluding unusual items, after reclassification	\$ 106,951	\$ 35,532	\$ 32,954	\$ (25,455)	\$ 149,982

- (a) On January 1, 2018, the Company adopted changes issued by the Financial Accounting Standards Board related to how employers that sponsor defined benefit pension plans and other postretirement plans present net periodic pension cost ("NPPC") in the statement of operations. Employers are required to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Other components of NPPC are required to be presented in the statement of operations separately from the service cost component and outside of the subtotal of income from operations.

The Company's management believes Adjusted operating income (loss) excluding unusual items, which is a non-U.S. GAAP financial measure, is useful to investors because it provides an overall understanding of the Company's historical and future prospects. Exclusion of unusual items permits evaluation and comparison of results for the Company's core business operations, and it is on this basis that management internally assesses the Company's performance. This measure should be considered in addition to, rather than as a substitute for, other information provided in accordance with U.S. GAAP.

HARSCO CORPORATION
RECONCILIATION OF FREE CASH FLOW TO NET CASH USED BY OPERATING ACTIVITIES
(Unaudited)

(In thousands)	Three Months Ended	
	March 31	
	2018	2017
Net cash used by operating activities	\$ (8,243)	\$ (6,124)
Less capital expenditures	(26,897)	(16,989)
Plus capital expenditures for strategic ventures (a)	240	59
Plus total proceeds from sales of assets (b)	377	1,006
Free cash flow	<u>\$ (34,523)</u>	<u>\$ (22,048)</u>

(a) Capital expenditures for strategic ventures represent the partner's share of capital expenditures in certain ventures consolidated in the Company's financial statements.

(b) Asset sales are a normal part of the business model, primarily for the Harsco Metals & Minerals Segment.

The Company's management believes that free cash flow, which is a non-U.S. GAAP financial measure, is meaningful to investors because management reviews cash flows generated from operations less capital expenditures net of asset sales proceeds for planning and performance evaluation purposes. It is important to note that free cash flow does not represent the total residual cash flow available for discretionary expenditures since other non-discretionary expenditures, such as mandatory debt service requirements and settlements of foreign currency forward exchange contracts, are not deducted from the measure. This measure should be considered in addition to, rather than as a substitute for, other information provided in accordance with U.S. GAAP.

HARSCO CORPORATION

RECONCILIATION OF FREE CASH FLOW TO NET CASH PROVIDED BY OPERATING ACTIVITIES (Unaudited)

(In thousands)	Twelve Months Ended December 31
	2017
Net cash provided by operating activities	\$ 176,892
Less capital expenditures	(98,314)
Plus capital expenditures for strategic ventures (a)	865
Plus total proceeds from sales of assets (b)	13,418
Free cash flow	<u>\$ 92,861</u>

(a) Capital expenditures for strategic ventures represent the partner's share of capital expenditures in certain ventures consolidated in the Company's financial statements.

(b) Asset sales are a normal part of the business model, primarily for the Harsco Metals & Minerals Segment.

The Company's management believes that Free cash flow, which is a non-U.S. GAAP financial measure, is meaningful to investors because management reviews cash flows generated from (used in) operations less capital expenditures net of asset sales proceeds. It is important to note that free cash flow does not represent the total residual cash flow available for discretionary expenditures since other non-discretionary expenditures, such as mandatory debt service requirements and settlements of foreign currency forward exchange contracts, are not deducted from the measure. This measure should be considered in addition to, rather than as a substitute for, other information provided in accordance with U.S. GAAP.

HARSCO CORPORATION

RECONCILIATION OF FREE CASH FLOW TO NET CASH PROVIDED BY OPERATING ACTIVITIES (Unaudited)

(In millions)	Projected Twelve Months Ending December 31	
	2018	
	Low	High
Net cash provided by operating activities	\$ 210	\$ 245
Less capital expenditures	(130)	(149)
Plus total proceeds from asset sales and capital expenditures for strategic ventures	5	4
Free Cash Flow	\$ 85	\$ 100

The Company's management believes that free cash flow, which is a non-U.S. GAAP financial measure, is meaningful to investors because management reviews cash flows generated from operations less capital expenditures net of asset sales proceeds for planning and performance evaluation purposes. It is important to note that free cash flow does not represent the total residual cash flow available for discretionary expenditures since other non-discretionary expenditures, such as mandatory debt service requirements and settlements of foreign currency forward exchange contracts, are not deducted from the measure. This measure should be considered in addition to, rather than as a substitute for, other information provided in accordance with U.S. GAAP.

HARSCO CORPORATION
RECONCILIATION OF RETURN ON INVESTED CAPITAL EXCLUDING UNUSUAL ITEMS TO NET INCOME (LOSS) FROM CONTINUING OPERATIONS AS REPORTED (a) (Unaudited)

(In thousands)	Trailing Twelve Months for Period Ended March 31	
	2018	2017
Net income (loss) from continuing operations	\$ 21,163	\$ (60,635)
Unusual items:		
Impact of U.S. tax reform on income tax benefit	48,680	—
Harsco Metals & Minerals Segment bad debt expense	4,589	—
Loss on early extinguishment of debt	2,265	35,337
Harsco Rail Segment forward contract loss provision	—	45,050
Net loss on dilution and sale of equity investment	—	43,518
Expense of deferred financing costs	—	1,125
Harsco Metals & Minerals Segment cumulative translation adjustment liquidation	—	(1,157)
Taxes on above unusual items (b)	(2,052)	(11,512)
Net income from continuing operations, as adjusted	74,645	51,726
After-tax interest expense (c)	29,995	31,342
Net operating profit after tax as adjusted	\$ 104,640	\$ 83,068
Average equity	\$ 209,938	\$ 252,178
Plus average debt	625,337	759,500
Average capital	\$ 835,275	\$ 1,011,678

Return on invested capital excluding unusual items **12.5%** **8.2%**

- (a) Return on invested capital excluding unusual items is net income (loss) from continuing operations excluding unusual items, and after-tax interest expense, divided by average capital for the year. The Company uses a trailing twelve month average for computing average capital.
- (b) Unusual items are tax effected at the global effective tax rate, before discrete items, in effect at the time the unusual item is recorded except for unusual items from countries where no tax benefit can be realized, in which case a zero percent tax rate is used.
- (c) The Company's effective tax rate approximated 37% for the trailing twelve months for period ended March 31, 2017 and for the trailing twelve months for period ended March 31, 2018, 37% was used for April 1, 2017 through December 31, 2017 and 23% was used for January 1, 2018 through March 31, 2018, on an adjusted basis, for interest expense.

The Company's management believes Return on invested capital excluding unusual items, which is a non-U.S. GAAP financial measure, is meaningful in evaluating the efficiency and effectiveness of the capital invested in the Company's business. Exclusion of unusual items permits evaluation and comparison of results for the Company's core business operations, and it is on this basis that management internally assesses the Company's performance. This measure should be considered in addition to, rather than as a substitute for, net income or other information provided in accordance with U.S. GAAP.

HARSCO CORPORATION
RECONCILIATION OF RETURN ON INVESTED CAPITAL EXCLUDING UNUSUAL ITEMS TO NET INCOME FROM CONTINUING
OPERATIONS AS REPORTED (a) (Unaudited)

(In thousands)	Year Ended December 31
	2017
Net income from continuing operations	\$ 11,648
Unusual items:	
Impact of U.S. tax reform on income tax benefit	48,680
Harsco Metals & Minerals Segment bad debt expense	4,589
Loss on early extinguishment of debt	2,265
Taxes on above unusual items (b)	(2,052)
Net income from continuing operations, as adjusted	65,130
After-tax interest expense (c)	29,957
Net operating profit after tax as adjusted	\$ 95,087
Average equity	\$ 189,560
Plus average debt	638,964
Average capital	\$ 828,524
Return on invested capital excluding unusual items	11.5%

- (a) Return on invested capital excluding unusual items is net income from continuing operations excluding unusual items, and after-tax interest expense, divided by average capital for the year. The Company uses a trailing twelve month average for computing average capital.
- (b) Unusual items are tax effected at the global effective tax rate, before discrete items, in effect at the time the unusual item is recorded except for unusual items from countries where no tax benefit can be realized, in which case a zero percent tax rate is used.
- (c) The Company's effective tax rate approximated 37% for the year ended December 31, 2017 on an adjusted basis, for interest expense.

The Company's management believes Return on invested capital excluding unusual items, which is a non-U.S. GAAP financial measure, is meaningful in evaluating the efficiency and effectiveness of the capital invested in the Company's business. Exclusion of unusual items permits evaluation and comparison of results for the Company's core business operations, and it is on this basis that management internally assesses the Company's performance. This measure should be considered in addition to, rather than as a substitute for, net income or other information provided in accordance with U.S. GAAP.

HARSCO CORPORATION
RECONCILIATION OF ADJUSTED OPERATING INCOME (LOSS) EXCLUDING UNUSUAL ITEMS BY SEGMENT TO OPERATING INCOME (LOSS) AS REPORTED BY SEGMENT AFTER RECLASSIFICATION (Unaudited) (a)

(In thousands)	Harsco Metals & Minerals	Harsco Industrial	Harsco Rail	Corporate	Consolidated Totals
Three Months Ended March 31, 2017:					
Operating income (loss) as previously reported	\$ 26,429	\$ 2,804	\$ 5,986	\$ (7,311)	\$ 27,908
Pension reclassification adjustment	(672)	90	231	1,050	699
Operating income (loss), after reclassification	<u>\$ 25,757</u>	<u>\$ 2,894</u>	<u>\$ 6,217</u>	<u>\$ (6,261)</u>	<u>\$ 28,607</u>
Three Months Ended June 30, 2017:					
Operating income (loss) as previously reported	\$ 32,177	\$ 9,151	\$ 7,961	\$ (6,815)	\$ 42,474
Pension reclassification adjustment	(713)	89	231	1,068	675
Operating income (loss), after reclassification	<u>\$ 31,464</u>	<u>\$ 9,240</u>	<u>\$ 8,192</u>	<u>\$ (5,747)</u>	<u>\$ 43,149</u>
Three Months Ended September 30, 2017:					
Operating income (loss) as previously reported	\$ 24,327	\$ 12,864	\$ 4,161	\$ (7,402)	\$ 33,950
Pension reclassification adjustment	(714)	90	230	1,072	678
Operating income (loss), after reclassification	23,613	12,954	4,391	(6,330)	34,628
Harsco Metals & Minerals bad debt expense	4,589	—	—	—	4,589
Adjusted operating income (loss), excluding unusual items, after reclassification	<u>\$ 28,202</u>	<u>\$ 12,954</u>	<u>\$ 4,391</u>	<u>\$ (6,330)</u>	<u>\$ 39,217</u>
Three Months Ended December 31, 2017:					
Operating income (loss) as previously reported	\$ 22,324	\$ 10,355	\$ 13,983	\$ (8,195)	\$ 38,467
Pension reclassification adjustment	(796)	89	171	1,078	542
Operating income (loss), after reclassification	<u>\$ 21,528</u>	<u>\$ 10,444</u>	<u>\$ 14,154</u>	<u>\$ (7,117)</u>	<u>\$ 39,009</u>

(a) On January 1, 2018, the Company adopted changes issued by the Financial Accounting Standards Board related to how employers that sponsor defined benefit pension plans and other postretirement plans present NPPC in the statement of operations. Employers are required to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Other components of net periodic pension cost ("NPPC") are required to be presented in the statement of operations separately from the service cost component and outside of the subtotal of income from operations.

The Company's management believes Adjusted operating income (loss) excluding unusual items, which is a non-U.S. GAAP financial measure, is useful to investors because it provides an overall understanding of the Company's historical and future prospects. Exclusion of unusual items permits evaluation and comparison of results for the Company's core business operations, and it is on this basis that management internally assesses the Company's performance. This measure should be considered in addition to, rather than as a substitute for, other information provided in accordance with U.S. GAAP.