

HARSCO CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(In thousands, except per share amounts)	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Revenues from continuing operations:				
Service revenues	\$ 250,890	\$ 246,144	\$ 763,815	\$ 738,059
Product revenues	194,585	138,509	521,670	414,033
Total revenues	445,475	384,653	1,285,485	1,152,092
Costs and expenses from continuing operations:				
Cost of services sold	194,459	194,483	589,738	577,200
Cost of products sold	132,262	95,849	367,218	295,367
Selling, general and administrative expenses	59,297	59,993	175,307	168,315
Research and development expenses	1,720	936	4,377	3,096
Other (income) expenses, net	628	(1,237)	1,570	1,729
Total costs and expenses	388,366	350,024	1,138,210	1,045,707
Operating income from continuing operations	57,109	34,629	147,275	106,385
Interest income	574	610	1,649	1,615
Interest expense	(9,665)	(12,122)	(29,241)	(36,180)
Defined benefit pension income (expense)	928	(680)	2,671	(2,054)
Loss on early extinguishment of debt	(125)	—	(1,159)	—
Income from continuing operations before income taxes	48,821	22,437	121,195	69,766
Income tax expense	(13,833)	(8,270)	(24,043)	(25,757)
Income from continuing operations	34,988	14,167	97,152	44,009
Discontinued operations:				
Loss on disposal of discontinued business	(433)	(578)	(274)	(538)
Income tax benefit related to discontinued business	96	207	61	193
Loss from discontinued operations	(337)	(371)	(213)	(345)
Net income	34,651	13,796	96,939	43,664
Less: Net income attributable to noncontrolling interests	(1,804)	(498)	(5,795)	(2,438)
Net income attributable to Harsco Corporation	\$ 32,847	\$ 13,298	\$ 91,144	\$ 41,226
Amounts attributable to Harsco Corporation common stockholders:				
Income from continuing operations, net of tax	\$ 33,184	\$ 13,669	\$ 91,357	\$ 41,571
Loss from discontinued operations, net of tax	(337)	(371)	(213)	(345)
Net income attributable to Harsco Corporation common stockholders	\$ 32,847	\$ 13,298	\$ 91,144	\$ 41,226
Weighted-average shares of common stock outstanding	80,950	80,637	80,821	80,519
Basic earnings per common share attributable to Harsco Corporation common stockholders:				
Continuing operations	\$ 0.41	\$ 0.17	\$ 1.13	\$ 0.52
Discontinued operations	—	—	—	—
Basic earnings per share attributable to Harsco Corporation common stockholders	\$ 0.41	\$ 0.16	\$ 1.13	\$ 0.51
Diluted weighted-average shares of common stock outstanding	83,879	83,136	83,690	82,753
Diluted earnings per common share attributable to Harsco Corporation common stockholders:				
Continuing operations	\$ 0.40	\$ 0.16	\$ 1.09	\$ 0.50
Discontinued operations	—	—	—	—
Diluted earnings per share attributable to Harsco Corporation common stockholders	\$ 0.39	\$ 0.16	\$ 1.09	\$ 0.50

(a) Does not total due to rounding.

HARSCO CORPORATION
CONSOLIDATED BALANCE SHEETS (Unaudited)

(In thousands)	September 30 2018	December 31 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 61,736	\$ 62,098
Restricted cash	2,815	4,111
Trade accounts receivable, net	304,165	288,034
Other receivables	55,156	20,224
Inventories	137,768	178,293
Current portion of contract assets	27,870	—
Other current assets	42,068	39,332
Total current assets	631,578	592,092
Property, plant and equipment, net	460,498	479,747
Goodwill	420,351	401,758
Intangible assets, net	83,598	38,251
Contract assets	3,566	—
Deferred income tax assets	39,824	51,574
Other assets	21,002	15,263
Total assets	\$ 1,660,417	\$ 1,578,685
LIABILITIES		
Current liabilities:		
Short-term borrowings	\$ 7,655	\$ 8,621
Current maturities of long-term debt	7,149	11,208
Accounts payable	149,216	126,249
Accrued compensation	48,617	60,451
Income taxes payable	11,432	5,106
Insurance liabilities	41,436	11,167
Current portion of advances on contracts	43,682	117,958
Other current liabilities	121,887	133,368
Total current liabilities	431,074	474,128
Long-term debt	625,440	566,794
Insurance liabilities	21,761	22,385
Retirement plan liabilities	213,156	259,367
Advances on contracts	10,322	—
Other liabilities	54,273	40,846
Total liabilities	1,356,026	1,363,520
HARSCO CORPORATION STOCKHOLDERS' EQUITY		
Common stock	141,837	141,110
Additional paid-in capital	187,930	180,201
Accumulated other comprehensive loss	(555,291)	(546,582)
Retained earnings	1,252,840	1,157,801
Treasury stock	(765,765)	(762,079)
Total Harsco Corporation stockholders' equity	261,551	170,451
Noncontrolling interests	42,840	44,714
Total equity	304,391	215,165
Total liabilities and equity	\$ 1,660,417	\$ 1,578,685

HARSCO CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2018	2017	2018	2017
Cash flows from operating activities:				
Net income	\$ 34,651	\$ 13,796	\$ 96,939	\$ 43,664
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	30,319	31,024	92,324	91,519
Amortization	3,054	1,981	7,620	5,989
Deferred income tax expense (benefit)	1,656	(1,415)	1,996	2,018
Dividends from unconsolidated entities	88	74	88	93
Other, net	(552)	(3,141)	2,485	2,567
Changes in assets and liabilities:				
Accounts receivable	(7,577)	16,173	(29,022)	(26,633)
Inventories	(7,677)	(23,816)	(18,852)	(30,112)
Contract assets	(9,034)	—	(10,427)	—
Accounts payable	10,188	4,786	17,547	9,045
Accrued compensation	5,607	5,344	(10,438)	979
Advances on contracts	777	(5,055)	(12,339)	(6,534)
Retirement plan liabilities, net	(10,413)	(6,669)	(28,743)	(17,890)
Other assets and liabilities	(2,772)	3,044	(14,164)	8,200
Net cash provided by operating activities	48,315	36,126	95,014	82,905
Cash flows from investing activities:				
Purchases of property, plant and equipment	(34,806)	(23,431)	(91,302)	(64,131)
Purchases of businesses, net of cash acquired	—	—	(56,389)	—
Proceeds from sales of assets	5,943	9,212	9,096	10,746
Net proceeds from settlement of foreign currency forward exchange contracts	6,186	280	3,244	4,450
Net cash used by investing activities	(22,677)	(13,939)	(135,351)	(48,935)
Cash flows from financing activities:				
Short-term borrowings, net	2,434	(387)	(543)	1,915
Current maturities and long-term debt:				
Additions	3,300	2,000	128,158	26,000
Reductions	(31,911)	(18,533)	(75,104)	(65,245)
Dividends paid to noncontrolling interests	(837)	(14)	(5,446)	(1,783)
Sale (purchase) of noncontrolling interests	—	(3,412)	477	(3,412)
Stock-based compensation - Employee taxes paid	(71)	(281)	(3,685)	(1,607)
Deferred financing costs	(183)	—	(537)	(42)
Other financing activities, net	—	(2)	—	(370)
Net cash provided (used) by financing activities	(27,268)	(20,629)	43,320	(44,544)
Effect of exchange rate changes on cash and cash equivalents, including restricted cash	(906)	1,029	(4,641)	4,058
Net increase (decrease) in cash and cash equivalents, including restricted cash	(2,536)	2,587	(1,658)	(6,516)
Cash and cash equivalents, including restricted cash, at beginning of period	67,087	62,776	66,209	71,879
Cash and cash equivalents, including restricted cash, at end of period	\$ 64,551	\$ 65,363	\$ 64,551	\$ 65,363

HARSCO CORPORATION
REVIEW OF OPERATIONS BY SEGMENT (Unaudited)

(In thousands)	Three Months Ended September 30, 2018		Three Months Ended September 30, 2017	
	Revenues	Operating Income (Loss)	Revenues	Operating Income (Loss)
Harsco Metals & Minerals	\$ 268,881	\$ 29,338	\$ 255,163	\$ 23,613
Harsco Industrial	93,912	13,959	78,318	12,954
Harsco Rail	82,682	19,000	51,134	4,391
Corporate	—	(5,188)	38	(6,329)
Consolidated Totals	\$ 445,475	\$ 57,109	\$ 384,653	\$ 34,629

(In thousands)	Nine Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
	Revenues	Operating Income (Loss)	Revenues	Operating Income (Loss)
Harsco Metals & Minerals	\$ 805,924	\$ 92,734	\$ 761,503	\$ 80,834
Harsco Industrial	269,575	40,550	217,766	25,088
Harsco Rail	209,912	29,570	172,716	18,800
Corporate	74	(15,579)	107	(18,337)
Consolidated Totals	\$ 1,285,485	\$ 147,275	\$ 1,152,092	\$ 106,385

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)

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Diluted earnings per share from continuing operations as reported	\$ 0.40	\$ 0.16	\$ 1.09	\$ 0.50
Harsco Metals & Minerals adjustment to slag disposal accrual (a)	—	—	(0.04)	—
Altek acquisition costs (b)	—	—	0.01	—
Loss on early extinguishment of debt (c)	—	—	0.01	—
Harsco Metals & Minerals Segment bad debt expense (d)	—	0.06	—	0.06
Harsco Metals & Minerals Segment change in fair value to contingent consideration liability (e)	—	—	—	—
Taxes on above unusual items (f)	—	(0.02)	—	(0.02)
Deferred tax asset valuation allowance adjustment (g)	—	—	(0.10)	—
Adjusted diluted earnings per share from continuing operations excluding unusual items	\$ 0.40	\$ 0.20	\$ 0.98 ^(h)	\$ 0.54

(a) Harsco Metals & Minerals adjustment to previously accrued amounts related to the disposal of certain slag material in Latin America (nine months 2018 \$3.2 million pre-tax).

(b) Costs associated with the acquisition of Altek Europe Holdings Limited and its affiliated entities ("Altek") recorded in the Harsco Metals & Minerals Segment (nine months 2018 \$0.8 million pretax) and at Corporate (nine months 2018 \$0.4 million pretax).

(c) Loss on early extinguishment of debt associated with the amending of the Company's existing Senior Secured Credit Facility in order to reduce the interest rate applicable to the Term Loan Facility (nine months 2018 \$1.0 million pre-tax).

(d) Bad debt expense incurred in Harsco Metals & Minerals Segment (Q3 and nine months 2017 \$4.6 million pre-tax).

(e) Fair value adjustment to contingent consideration liability related to the acquisition of Altek (Q3 and nine months 2018 \$0.4 million pre-tax). The Company adjusts Operating income and Diluted earnings per share from continuing operations to exclude the impact of the change in fair value to the acquisition-related contingent consideration liability for the Altek acquisition because it believes that the adjustment for this item more closely correlates the reported financial measures with the ordinary and ongoing course of the Company's operations.

(f) 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.

(g) Adjustment of certain existing deferred tax asset valuation allowances as a result of the Altek acquisition (nine months 2018 \$8.3 million).

(h) 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 DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS
EXCLUDING UNUSUAL ITEMS TO DILUTED LOSS PER SHARE FROM CONTINUING OPERATIONS AS
REPORTED (Unaudited)

	Three Months Ended December 31
	2017
Diluted loss per share from continuing operations as reported	\$ (0.42)
Impact of U.S. tax reform on income tax benefit (expense) (a)	0.59
Loss on early extinguishment of debt (b)	0.03
Taxes on above unusual items (c)	(0.01)
Adjusted diluted earnings per share from continuing operations excluding unusual items	\$ 0.20 ^(d)

- (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) Loss on early extinguishment of debt recorded at Corporate (\$2.3 million pre-tax).
- (c) 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.
- (d) 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 DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS, EXCLUDING UNUSUAL ITEMS TO DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS AS REPORTED (Unaudited)**

	Twelve Months Ended 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
REVIEW OF OPERATIONS BY SEGMENT EXCLUDING UNUSUAL ITEMS (Unaudited)

(In thousands)	Harsco Metals & Minerals	Harsco Industrial	Harsco Rail	Corporate	Consolidated Totals
Three Months Ended September 30, 2018:					
Adjusted operating income (loss), excluding unusual items	\$ 29,750	\$ 13,959	\$ 19,000	\$ (5,188)	\$ 57,521
Revenues as reported	\$ 268,881	\$ 93,912	\$ 82,682	\$ —	\$ 445,475
Adjusted operating margin (%) excluding unusual items	11.1%	14.9%	23.0%		12.9%
Three Months Ended September 30, 2017:					
Adjusted operating income (loss), excluding unusual items	\$ 28,202	\$ 12,954	\$ 4,391	\$ (6,329)	\$ 39,218
Revenues as reported	\$ 255,163	\$ 78,318	\$ 51,134	\$ 38	\$ 384,653
Adjusted operating margin (%) excluding unusual items	11.1%	16.5%	8.6%		10.2%
Nine Months Ended September 30, 2018:					
Adjusted operating income (loss) excluding unusual items	\$ 90,676	\$ 40,550	\$ 29,570	\$ (15,148)	\$ 145,648
Revenues as reported	\$ 805,924	\$ 269,575	\$ 209,912	\$ 74	\$ 1,285,485
Adjusted operating margin (%) excluding unusual items	11.3%	15.0%	14.1%		11.3%
Nine Months Ended September 30, 2017:					
Adjusted operating income (loss), excluding unusual items	\$ 85,423	\$ 25,088	\$ 18,800	\$ (18,337)	\$ 110,974
Revenues as reported	\$ 761,503	\$ 217,766	\$ 172,716	\$ 107	\$ 1,152,092
Adjusted operating margin (%) excluding unusual items	11.2%	11.5%	10.9%		9.6%

- (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 costs ("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 amounts presented reflect the adoption of these changes.

The Company's management believes Adjusted operating margin (%) 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 (Unaudited)

(In thousands)	Harsco Metals & Minerals	Harsco Industrial	Harsco Rail	Corporate	Consolidated Totals
Three Months Ended September 30, 2018:					
Operating income (loss) as reported	\$ 29,338	\$ 13,959	\$ 19,000	\$ (5,188)	\$ 57,109
Harsco Metals & Minerals Segment change in fair value to contingent consideration liability	412	—	—	—	412
Adjusted operating income (loss), excluding unusual items	\$ 29,750	\$ 13,959	\$ 19,000	\$ (5,188)	\$ 57,521
Revenues as reported	\$ 268,881	\$ 93,912	\$ 82,682	\$ —	\$ 445,475
Three Months Ended September 30, 2017:					
Operating income (loss) as reported (a)	\$ 23,613	\$ 12,954	\$ 4,391	\$ (6,329)	\$ 34,629
Harsco Metals & Minerals bad debt expense	4,589	—	—	—	4,589
Adjusted operating income (loss), excluding unusual items	\$ 28,202	\$ 12,954	\$ 4,391	\$ (6,329)	\$ 39,218
Revenues as reported	\$ 255,163	\$ 78,318	\$ 51,134	\$ 38	\$ 384,653

- (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 amounts presented reflect the adoption of these changes.

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 ADJUSTED OPERATING INCOME (LOSS) EXCLUDING UNUSUAL ITEMS BY SEGMENT TO OPERATING INCOME (LOSS) AS REPORTED BY SEGMENT (Unaudited)

(In thousands)	Harsco Metals & Minerals	Harsco Industrial	Harsco Rail	Corporate	Consolidated Totals
Nine Months Ended September 30, 2018:					
Operating income (loss) as reported	\$ 92,734	\$ 40,550	\$ 29,570	\$ (15,579)	\$ 147,275
Harsco Metals & Minerals adjustment to slag disposal accrual	(3,223)	—	—	—	(3,223)
Altek acquisition costs	753	—	—	431	1,184
Harsco Metals & Minerals Segment change in fair value to contingent consideration liability	412	—	—	—	412
Adjusted operating income (loss), excluding unusual items	<u>\$ 90,676</u>	<u>\$ 40,550</u>	<u>\$ 29,570</u>	<u>\$ (15,148)</u>	<u>\$ 145,648</u>
Revenues as reported	<u>\$ 805,924</u>	<u>\$ 269,575</u>	<u>\$ 209,912</u>	<u>\$ 74</u>	<u>\$ 1,285,485</u>
Nine Months Ended September 30, 2017:					
Operating income (loss) as reported (a)	\$ 80,834	\$ 25,088	\$ 18,800	\$ (18,337)	\$ 106,385
Harsco Metals & Minerals bad debt expense	4,589	—	—	—	\$ 4,589
Adjusted operating income (loss), excluding unusual items	<u>\$ 85,423</u>	<u>\$ 25,088</u>	<u>\$ 18,800</u>	<u>\$ (18,337)</u>	<u>\$ 110,974</u>
Revenues as reported	<u>\$ 761,503</u>	<u>\$ 217,766</u>	<u>\$ 172,716</u>	<u>\$ 107</u>	<u>\$ 1,152,092</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 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 amounts presented reflect the adoption of these changes.

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 ADJUSTED OPERATING INCOME (LOSS), EXCLUDING UNUSUAL ITEMS BY SEGMENT TO OPERATING INCOME (LOSS) AS REPORTED BY SEGMENT (Unaudited)

(In thousands)	Harsco Metals & Minerals	Harsco Industrial	Harsco Rail	Corporate	Consolidated Totals
Twelve Months Ended December 31, 2017:					
Operating income (loss) as reported (a)	\$ 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	\$ 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 amounts presented reflect the adoption of these changes.

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 September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Net cash used by operating activities	\$ 48,315	\$ 36,126	\$ 95,014	\$ 82,905
Less capital expenditures	(34,806)	(23,431)	(91,302)	(64,131)
Plus capital expenditures for strategic ventures (a)	437	36	972	432
Plus total proceeds from sales of assets (b)	5,943	9,212	9,096	10,746
Free cash flow	\$ 19,889	\$ 21,943	\$ 13,780	\$ 29,952

(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)**

	Twelve Months Ended December 31
(In thousands)	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	\$ 205	\$ 225
Less capital expenditures	(125)	(133)
Plus total proceeds from asset sales and capital expenditures for strategic ventures	10	8
Free cash flow	\$ 90	\$ 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 September 30	
	2018	2017
Income from continuing operations	\$ 64,791	\$ 30,151
Unusual items:		
Impact of U.S. tax reform on income tax benefit	48,680	—
Harsco Metals & Minerals Segment adjustment to slag disposal accrual	(3,223)	—
Loss on early extinguishment of debt	3,299	35,337
Altek acquisition costs	1,184	—
Harsco Metals & Minerals Segment change in fair value to contingent consideration liability	412	—
Harsco Rail Segment forward contract loss provision	—	5,000
Harsco Metals & Minerals Segment bad debt expense	—	4,589
Harsco Metals & Minerals Segment cumulative translation adjustment liquidation	—	(1,157)
Taxes on above unusual items (b)	(804)	(12,615)
Deferred tax asset valuation allowance adjustment	(8,292)	—
Net income from continuing operations, as adjusted	106,047	61,305
After-tax interest expense (c)	29,679	30,140
Net operating profit after tax as adjusted	\$ 135,726	\$ 91,445
Average equity	\$ 250,595	\$ 194,242
Plus average debt	630,474	656,437
Average capital	\$ 881,069	\$ 850,679
Return on invested capital excluding unusual items	15.4%	10.7%

- (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 September 30, 2017 and for the trailing twelve months for period ended September 30, 2018, 37% was used for October 1, 2017 through December 31, 2017 and 23% was used for January 1, 2018 through September 30, 2018, on an adjusted basis, for interest expense. The lower rate for 2018 is due to U.S. Tax reform.

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
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.