

# HARSCO

Insight onsite.™

## Q1 2017 Results & Outlook

Conference Call | May 3, 2017

# Administrative Items

## Conference Call and Access to Information

More information on Harsco's quarterly earnings, including the Company's earnings press release issued today and this presentation, is available on the Investor Relations portion of Harsco's website. Company management will discuss the Company's financial performance during a conference call today at 9:00 a.m. (ET). Both the presentation and access to the call are available at <http://investors.harsco.com>. A replay can also be accessed on the site for up to two weeks after the call.

## Safe Harbor

The nature of the Company's business and the many countries in which it operates subject it to changing economic, competitive, regulatory and technological conditions, risks and uncertainties. In accordance with the "safe harbor" provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, the Company provides the following cautionary remarks regarding important factors that, among others, could cause future results to differ materially from the results contemplated by forward-looking statements, including the expectations and assumptions expressed or implied herein. Forward-looking statements contained herein could include, among other things, statements about management's confidence in and strategies for performance; expectations for new and existing products, technologies and opportunities; and expectations regarding growth, sales, cash flows, and earnings. Forward-looking statements can be identified by the use of such terms as "may," "could," "expect," "anticipate," "intend," "believe," "likely," "estimate," "plan" or other comparable terms. Factors that could cause actual results to differ, perhaps materially, from those implied by forward-looking statements include, but are not limited to: (1) changes in the worldwide business environment in which the Company operates, including general economic conditions; (2) changes in currency exchange rates, interest rates, commodity and fuel costs and capital costs; (3) changes in the performance of equity and bond markets that could affect, among other things, the valuation of the assets in the Company's pension plans and the accounting for pension assets, liabilities and expenses; (4) changes in governmental laws and regulations, including environmental, occupational health and safety, tax and import tariff standards; (5) market and competitive changes, including pricing pressures, market demand and acceptance for new products, services and technologies; (6) the Company's inability or failure to protect its intellectual property rights from infringement in one or more of the many countries in which the Company operates; (7) failure to effectively prevent, detect or recover from breaches in the Company's cybersecurity infrastructure; (8) unforeseen business disruptions in one or more of the many countries in which the Company operates due to political instability, civil disobedience, armed hostilities, public health issues or other calamities; (9) disruptions associated with labor disputes and increased operating costs associated with union organization; (10) the seasonal nature of the Company's business; (11) the Company's ability to successfully enter into new contracts and complete new acquisitions or strategic ventures in the time-frame contemplated, or at all; (12) the integration of the Company's strategic acquisitions; (13) the amount and timing of repurchases of the Company's common stock, if any; (14) the prolonged recovery in global financial and credit markets and economic conditions generally, which could result in the Company's customers curtailing development projects, construction, production and capital expenditures, which, in turn, could reduce the demand for the Company's products and services and, accordingly, the Company's revenues, margins and profitability; (15) the outcome of any disputes with customers, contractors and subcontractors; (16) the financial condition of the Company's customers, including the ability of customers (especially those that may be highly leveraged and those with inadequate liquidity) to maintain their credit availability; (17) implementation of environmental remediation matters; (18) risk and uncertainty associated with intangible assets; and (19) other risk factors listed from time to time in the Company's SEC reports. A further discussion of these, along with other potential risk factors, can be found in Part I, Item 1A, "Risk Factors," of the Company's Annual Report on Form 10-K for the year ended December 31, 2016. The Company cautions that these factors may not be exhaustive and that many of these factors are beyond the Company's ability to control or predict. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results. The Company undertakes no duty to update forward-looking statements except as may be required by law.

## Non-GAAP Measures

Throughout the Company's call and this presentation, the Company refers to certain non-GAAP measures, including, without limitation, adjusted operating income (loss) from continuing operations, adjusted operating income margin, adjusted diluted earnings per share from continuing operations, return on invested capital and free cash flow. For a reconciliation of non-GAAP measures to U.S. GAAP results and the Company's rationale for its usage of non-GAAP measures, see the Company's earnings press release issued today, and the Appendix in this presentation.

# CEO Perspective

- First quarter operating income above guidance
- 2017 Outlook raised; reflects improved fundamentals within Metal & Minerals and Industrial markets
- Business updates:
  - M&M – Solid execution helps illustrate earnings leverage; focused on operational and efficiency improvements as well as evaluating growth options
  - Industrial – Energy market developments positive, although pace of recovery uncertain; some challenges within grating business persist; focused on product and market capabilities
  - Rail – U.S. market softness persists, although leading indicators are now positive; focused on short-cycle and product opportunities as well as operational excellence
- Priorities: pursuing selective growth investments, while strengthening free cash flow and capital returns

# Q1 2017 Financial Summary – Key Performance Indicators

|  | First<br>Quarter | Change vs. 2016 |        |
|--|------------------|-----------------|--------|
|  |                  | \$              | %      |
| <b>Revenues</b>  | 373              | 19              | 5%     |
| <b>GAAP Operating Income</b>                             | 28               | 18              | nmf    |
| <i>% of Sales</i>  | 7.5%             |                 | 480bps |
| <b>Adjusted Operating Income<sup>(1)</sup></b>           | 28               | 10              | 57%    |
| <i>% of Sales</i>  | 7.5%             |                 | 250bps |
| <b>GAAP Diluted Earnings Per Share</b>                   | 0.11             | 0.24            | nmf    |
| <b>Adjusted Diluted Earnings Per Share<sup>(1)</sup></b> | 0.11             | 0.08            | nmf    |
| <b>Free Cash Flow<sup>(2)</sup></b>                      | (22)             | (5)             | (29)%  |
| <b>ROIC (LTM)<sup>(2)</sup></b>                          | 8.2%             |                 | 290bps |

nmf = not meaningful. (1) Excludes unusual items. See tables at end of presentation for GAAP to non-GAAP reconciliations.

(2) See tables at end of presentation for GAAP to non-GAAP reconciliations.

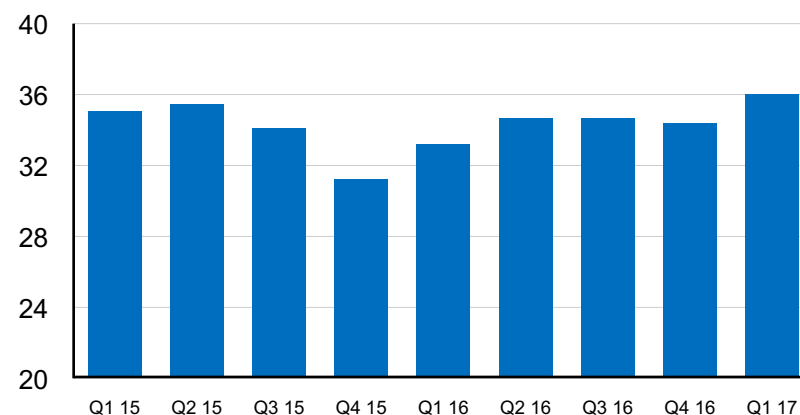
- **Q1 operating income above guidance range of \$15-20 million; each operating segment contributed to better-than-expected quarter**
- **M&M operating income increased vs 2016 quarter due to positive market factors as well as operating cost improvements, while Rail benefited from sales mix**
- **Industrial results reflect less favorable mix as well as some price-cost challenges**
- **GAAP EPS in Q1 2016 included \$3 million (2c) of JV income**
- **Q1 FCF reflects normal seasonality; year-over-year change mainly attributable to working capital changes, as was expected**

# Q1 2017 – Metals & Minerals

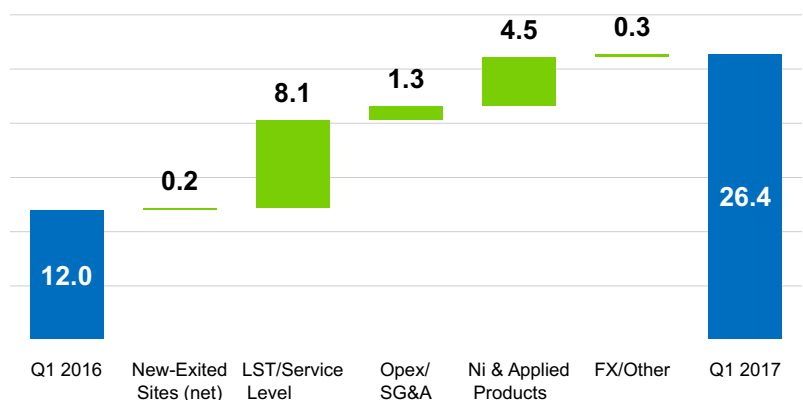
## Summary Results

| (\$ in millions)           | Q1 2017 | Q1 2016 | % change |
|----------------------------|---------|---------|----------|
| Revenues, as reported      | 247     | 230     | 8%       |
| GAAP operating income      | 26      | 7       | nmf      |
| GAAP operating margin      | 10.7%   | 3.0%    |          |
| Adjusted operating income* | 26      | 12      | nmf      |
| Adjusted operating margin* | 10.7%   | 5.2%    |          |
| Free cash flow (YTD)       | 10      | 22      | (53)%    |
| ROIC (TTM)                 | 10.8    | 5.9     | 490bps   |

## LST Continuing Sites (million tons)



## Adjusted Operating Income Bridge



## Business Highlights

- Revenues increased due to higher steel output and services as well as increased nickel-related sales
- Adjusted operating income increased as a result of above positive items plus operating cost improvements
- FCF change reflects that one-time working capital benefits in 2016 were not repeated

nmf = not meaningful; \*excludes unusual items; no usual items in Q1 2017; See tables at end of presentation for GAAP to non-GAAP reconciliations.

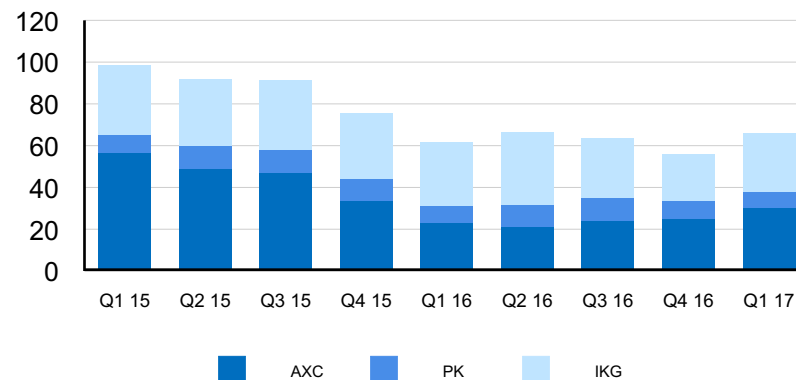


# Q1 2017 - Industrial

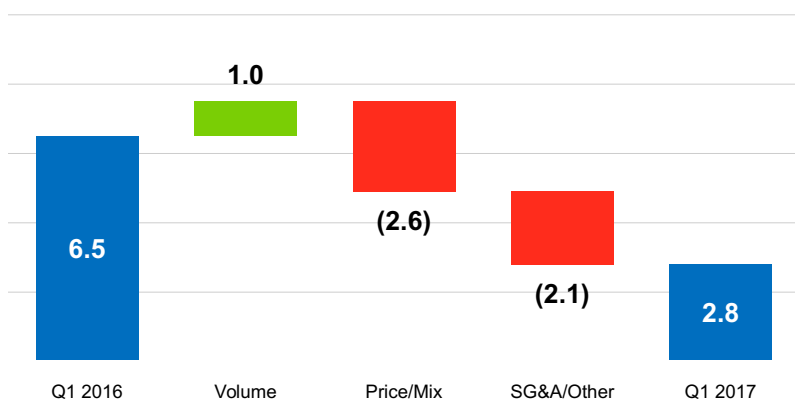
## Summary Results

| (\$ in millions)        | Q1 2017 | Q1 2016 | % change |
|-------------------------|---------|---------|----------|
| Revenues, as reported   | 66      | 62      | 6%       |
| Operating income - GAAP | 3       | 6       | (57)%    |
| Operating margin - GAAP | 4.3%    | 10.5%   |          |
| Free cash flow (YTD)    | 2       | 1       | 100%     |
| ROIC (TTM)              | 16.3    | 34.5    | nmf      |

## Revenue Mix



## Operating Income Bridge



## Business Highlights

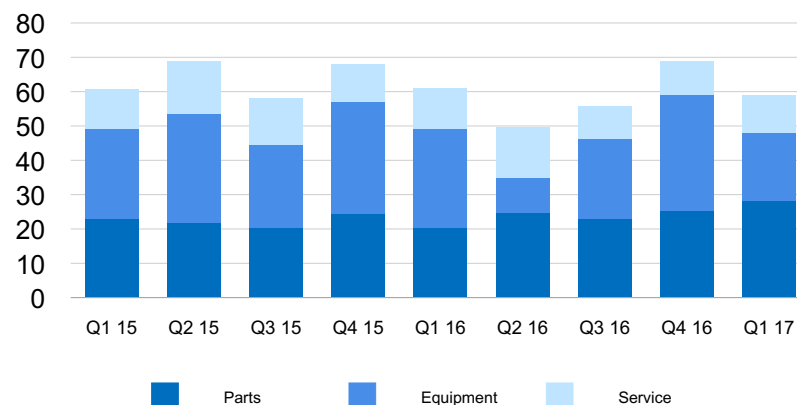
- Revenues increased as improved heat exchanger demand offset lower industrial grating sales
- Operating income declined due to product sales mix as well as higher material and healthcare costs
- Free cash flow change reflects that additional cash generated from working capital offset lower cash earnings

# Q1 2017 - Rail

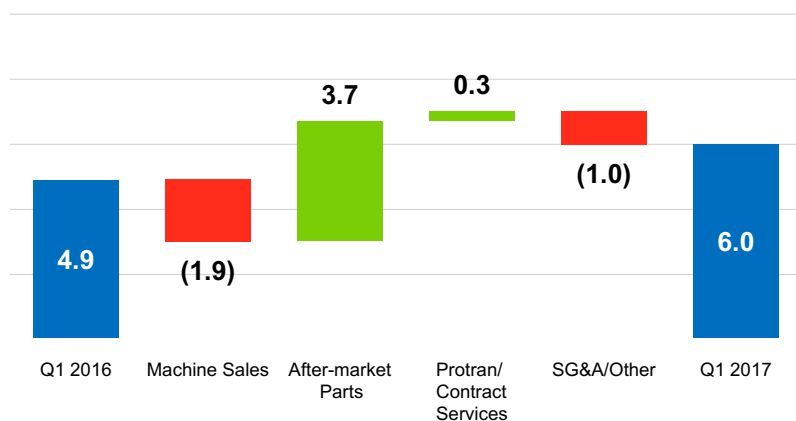
## Summary Results

| (\$ in millions)        | Q1 2017 | Q1 2016 | % change |
|-------------------------|---------|---------|----------|
| Revenues, as reported   | 60      | 62      | (3)%     |
| Operating income - GAAP | 6       | 5       | 22%      |
| Operating margin - GAAP | 10.0%   | 7.9%    |          |
| Free cash flow (YTD)    | (14)    | (27)    | 49%      |
| ROIC (TTM)              | 30.5%   | 44.3%   | nmf      |

## Revenue Mix



## Operating Income Bridge



## Business Highlights

- Revenues largely unchanged as lower equipment sales offset higher parts sales
- Operating income and margin improved as a result of higher spare parts contribution and product sales mix
- Free cash flow change reflects the movement in working capital accounts; lower inventory spend on large contracts and higher advances

nmf = not meaningful; See tables at end of presentation for GAAP to non-GAAP reconciliations.

# 2017 Summary Outlook

|  | <b>2017 Outlook</b>                 | <b>2017 Prior</b>            | <b>2016 Actual</b> |
|--|-------------------------------------|------------------------------|--------------------|
| <b>GAAP Operating Income</b>                             | <b>\$115 to \$130 million</b>       | \$100 to \$120 million       | \$63 million       |
| <b>Adjusted Operating Income<sup>(1)</sup></b>           | <b>\$115 to \$130 million</b>       | \$100 to \$120 million       | \$116 million      |
| <b>Free Cash Flow</b>                                    | <b>\$70 million to \$85 million</b> | \$60 million to \$80 million | \$100 million      |
| <b>ROIC<sup>(1)</sup></b>                                | <b>8.5% to 9.5%</b>                 | 8.0% to 9.0%                 | 6.9%               |
| <b>GAAP Diluted Earnings/(Loss) Per Share</b>            | <b>\$0.47 to \$0.61</b>             | \$0.32 to \$0.50             | \$(1.07)           |
| <b>Adjusted Diluted Earnings Per Share<sup>(1)</sup></b> | <b>\$0.47 to \$0.61</b>             | \$0.32 to \$0.50             | \$0.48             |

(1) Excludes unusual items.



# Q2 2017 Outlook

- Adjusted operating income is expected to be between \$32 to \$38 million versus \$41 million in Q2 2016
- Adjusted diluted earnings per share of \$0.14 to \$0.19
- Year-over-year considerations include:
  - M&M: Higher LST and commodities, offset by lower nickel volumes and services mix
  - Industrial: Improved demand for heat exchangers and more favorable mix, partially offset by weaker demand for industrial grating
  - Rail: Less favorable product sales mix and lower contract services contribution
  - Corporate costs higher than prior-year quarter

# Q&A



# Appendix

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# 2017 Business Outlook

| <i>Excluding unusual items</i> |                         | <b>2017 versus 2016</b>  |
|--------------------------------|-------------------------|--|
| <b>Metals &amp; Minerals</b>   | <b>Revenues</b>         | unchanged  |
|                                | <b>Operating Income</b> | ↑ ~10% at mid-point, excluding unusual items   |
|                                | <b>Drivers</b>          | + Commodities prices, LST, cost/operational savings, new sites<br>- FX, nickel & Applied Product volumes         |
| <b>Industrial</b>              | <b>Revenues</b>         | ↑ single digits  |
|                                | <b>Operating Income</b> | ↑ low double digits at mid-point   |
|                                | <b>Drivers</b>          | + Demand for heat exchangers and boilers, new products<br>- IKG demand, product mix                              |
| <b>Rail</b>                    | <b>Revenues</b>         | ↑ 30-35% (↑ 5-10% excluding SBB revenue)   |
|                                | <b>Operating Income</b> | ↑ single digits at mid-point, excluding unusual items  |
|                                | <b>Drivers</b>          | + Spare parts and Protran volumes, offshore equipment sales<br>- North American rail spending, contract services |
| <b>Corporate Costs</b>         |                         | ↑ due to pension, benefit programs and professional fees   |

# Reconciliation of Non-GAAP Measures

## HARSCO CORPORATION

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

|   | Three Months Ended |                |
|---|--------------------|----------------|
|   | March 31           |                |
|   | 2017               | 2016           |
| Diluted earnings (loss) per share from continuing operations as reported (a)                  | \$ 0.11            | \$ (0.13)      |
| Net loss on dilution of equity method investment (b)  | —                  | 0.13           |
| Harsco Metals & Minerals Segment site exit charges (c)  | —                  | 0.06           |
| Harsco Metals & Minerals Segment separation costs (d)   | —                  | 0.04           |
| Taxes on above unusual items (e)  | —                  | (0.07)         |
| <b>Adjusted diluted earnings per share from continuing operations excluding unusual items</b> | <b>\$ 0.11</b>     | <b>\$ 0.03</b> |

- (a) No unusual items were excluded in the first quarter of 2017.
- (b) Loss on the dilution of the Company's investment in Brand Energy & Infrastructure Services recorded at Corporate (Q1 2016 \$10.3 million pre-tax).
- (c) Harsco Metals & Minerals Segment charges primarily attributable to site exit costs (Q1 2016 \$5.1 million pre-tax).
- (d) Costs associated with Harsco Metals & Minerals Segment separation recorded at Corporate (Q1 2016 \$3.3 million pre-tax).
- (e) 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.

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.

# Reconciliation of Non-GAAP Measures

## 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<br>Ended<br>December 31 |
|---|---------------------------------------|
|   | 2016                                  |
| Diluted loss per share from continuing operations as reported                                     | \$ (1.07)                             |
| Net loss on dilution and sale of equity investment (a)  | 0.66                                  |
| Harsco Rail Segment forward contract loss provision (b)   | 0.56                                  |
| Loss on early extinguishment of debt (c)  | 0.44                                  |
| Harsco Metals & Minerals Segment site exit and underperforming contract charges, net (d)          | 0.06                                  |
| Harsco Metals & Minerals Segment separation costs (e)   | 0.04                                  |
| Expense of deferred financing costs (f)   | 0.01                                  |
| Harsco Metals & Minerals Segment cumulative translation adjustment liquidation (g)                | (0.01)                                |
| Taxes on above unusual items (h)  | (0.21)                                |
| <b>Adjusted diluted earnings per share from<br/>continuing operations excluding unusual items</b> | <b>\$ 0.48</b>                        |

- (a) Loss on the dilution and sale of the Company's investment in Brand Energy & Infrastructure Services recorded at Corporate (\$53.8 million pre-tax).
- (b) Harsco Rail Segment forward contract loss provision related the Company's contracts with the federal railway system of Switzerland (\$45.1 million pre-tax).
- (c) Loss on early extinguishment of debt recorded at Corporate (\$35.3 million pre-tax).
- (d) Harsco Metals & Minerals Segment charges primarily attributable to site exit and underperforming contract costs (\$5.1 million pre-tax).
- (e) Costs associated with Harsco Metals & Minerals Segment separation recorded at Corporate (\$3.3 million pre-tax).
- (f) Expense of deferred financing costs associated with the Company's repayment of approximately \$85 million on its Term Loan Facility recorded at Corporate (\$1.1 million pre-tax).
- (g) Harsco Metals & Minerals Segment gain related to the liquidation of cumulated translation adjustment related to an exited country (\$1.2 million pre-tax).
- (h) 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.

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.



# Reconciliation of Non-GAAP Measures

## HARSCO CORPORATION REVIEW OF OPERATIONS BY SEGMENT EXCLUDING UNUSUAL ITEMS (Unaudited)

| (In thousands)   | Harsco<br>Metals &<br>Minerals | Harsco<br>Industrial | Harsco<br>Rail | Corporate  | Consolidated<br>Totals |
|--|--------------------------------|----------------------|----------------|------------|------------------------|
| <b>Three Months Ended March 31, 2017:</b>                |                                |                      |                |            |                        |
| Operating income (loss) as reported (a)                  | \$ 26,429                      | \$ 2,804             | \$ 5,986       | \$ (7,311) | \$ 27,908              |
| Revenues as reported                                     | \$ 247,034                     | \$ 65,885            | \$ 59,588      | \$ 34      | \$ 372,541             |
| Operating margin (%)                                     | 10.7%                          | 4.3%                 | 10.0%          |            | 7.5%                   |
| <b>Three Months Ended March 31, 2016:</b>                |                                |                      |                |            |                        |
| Adjusted operating income (loss) excluding unusual items | \$ 12,041                      | \$ 6,471             | \$ 4,906       | \$ (5,600) | \$ 17,818              |
| Revenues as reported                                     | \$ 229,672                     | \$ 61,869            | \$ 61,740      | \$ —       | \$ 353,281             |
| Adjusted operating margin (%) excluding unusual items    | 5.2%                           | 10.5%                | 7.9%           |            | 5.0%                   |

(a) No unusual items were excluded in the first quarter of 2017.

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.

# Reconciliation of Non-GAAP Measures

## 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<br>Metals &<br>Minerals | Harsco<br>Industrial | Harsco<br>Rail | Corporate  | Consolidated<br>Totals |
|--|--------------------------------|----------------------|----------------|------------|------------------------|
| <b>Three Months Ended March 31, 2017:</b>                |                                |                      |                |            |                        |
| Operating income (loss) as reported (a)                  | \$ 26,429                      | \$ 2,804             | \$ 5,986       | \$ (7,311) | \$ 27,908              |
| Revenues as reported                                     | \$ 247,034                     | \$ 65,885            | \$ 59,588      | \$ 34      | \$ 372,541             |
| <b>Three Months Ended March 31, 2016:</b>                |                                |                      |                |            |                        |
| Operating income (loss) as reported                      | \$ 6,941                       | \$ 6,471             | \$ 4,906       | \$ (8,887) | \$ 9,431               |
| Harsco Metals & Minerals Segment site exit charges       | 5,100                          | —                    | —              | —          | 5,100                  |
| Harsco Metals & Minerals Segment separation costs        | —                              | —                    | —              | 3,287      | 3,287                  |
| Adjusted operating income (loss) excluding unusual items | \$ 12,041                      | \$ 6,471             | \$ 4,906       | \$ (5,600) | \$ 17,818              |
| Revenues as reported                                     | \$ 229,672                     | \$ 61,869            | \$ 61,740      | \$ —       | \$ 353,281             |

(a) No unusual items were excluded in the first quarter of 2017.

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.

# Reconciliation of Non-GAAP Measures

## 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<br>Metals &<br>Minerals | Harsco<br>Industrial | Harsco<br>Rail   | Corporate         | Consolidated<br>Totals |
|---|--------------------------------|----------------------|------------------|-------------------|------------------------|
| <b>Three Months Ended June 30, 2016:</b>                  |                                |                      |                  |                   |                        |
| Operating income (loss) as reported                       | \$ 30,927                      | \$ 7,300             | \$ (31,948)      | \$ (4,965)        | \$ 1,314               |
| Harsco Rail Segment forward contract loss provision       | —                              | —                    | 40,050           | —                 | 40,050                 |
| Adjusted operating income (loss), excluding unusual items | <u>\$ 30,927</u>               | <u>\$ 7,300</u>      | <u>\$ 8,102</u>  | <u>\$ (4,965)</u> | <u>\$ 41,364</u>       |
| Revenues as reported                                      | <u>\$ 253,560</u>              | <u>\$ 66,270</u>     | <u>\$ 50,103</u> | <u>\$ —</u>       | <u>\$ 369,933</u>      |

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.

# Reconciliation of Non-GAAP Measures

## 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<br>Metals &<br>Minerals | Harsco<br>Industrial | Harsco<br>Rail    | Corporate          | Consolidated<br>Totals |
|--|--------------------------------|----------------------|-------------------|--------------------|------------------------|
| <b>Twelve Months Ended December 31, 2016:</b>                                  |                                |                      |                   |                    |                        |
| Operating income (loss) as reported  | \$ 81,634                      | \$ 23,182            | \$ (17,527)       | \$ (23,820)        | \$ 63,469              |
| Harsco Rail Segment forward contract loss provision                            | —                              | —                    | 45,050            | —                  | 45,050                 |
| Harsco Metals & Minerals Segment site exit                                     | 5,100                          | —                    | —                 | —                  | 5,100                  |
| Harsco Metals & Minerals Segment separation costs                              | —                              | —                    | —                 | 3,287              | 3,287                  |
| Harsco Metals & Minerals Segment cumulative translation adjustment liquidation | (1,157)                        | —                    | —                 | —                  | (1,157)                |
| Adjusted operating income (loss), excluding unusual items                      | <u>\$ 85,577</u>               | <u>\$ 23,182</u>     | <u>\$ 27,523</u>  | <u>\$ (20,533)</u> | <u>\$ 115,749</u>      |
| Revenues as reported   | <u>\$ 965,540</u>              | <u>\$ 247,542</u>    | <u>\$ 238,107</u> | <u>\$ 34</u>       | <u>\$ 1,451,223</u>    |

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.

# Reconciliation of Non-GAAP Measures

## HARSCO CORPORATION

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

| (In thousands)                                       | Three Months Ended |                    |
|--|--------------------|--------------------|
|  | March 31           |                    |
|  | 2017               | 2016               |
| Net cash used by operating activities                | \$ (6,124)         | \$ (2,975)         |
| Less capital expenditures                            | (16,989)           | (16,951)           |
| Plus capital expenditures for strategic ventures (a) | 59                 | 16                 |
| Plus total proceeds from sales of assets (b)         | 1,006              | 2,819              |
| Free cash flow                                       | <u>\$ (22,048)</u> | <u>\$ (17,091)</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, 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.

# Reconciliation of Non-GAAP Measures

## HARSCO CORPORATION

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

| <b>(In thousands)</b>                                | <b>Twelve Months Ended</b> |                 |
|--|----------------------------|-----------------|
|  | <b>December 31</b>         |                 |
|  | <b>2016</b>                |                 |
| Net cash provided by operating activities            | <b>\$</b>                  | <b>159,785</b>  |
| Less capital expenditures                            |                            | <b>(69,340)</b> |
| Plus capital expenditures for strategic ventures (a) |                            | <b>170</b>      |
| Plus total proceeds from sales of assets (b)         |                            | <b>9,305</b>    |
| Free cash flow                                       | <b>\$</b>                  | <b>99,920</b>   |

- (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.

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# Reconciliation of Non-GAAP Measures

## HARSCO CORPORATION

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

| (In millions)  | Projected<br>Twelve Months Ending<br>December 31 |              |
|--|--|--------------|
|  | 2017   |              |
|  | Low  | High         |
| Net cash provided by operating activities  | \$ 164   | \$ 168       |
| Less capital expenditures  | (95)   | (85)         |
| Plus total proceeds from asset sales and capital expenditures for strategic ventures | 1  | 2            |
| Free Cash Flow   | <u>\$ 70</u>                                     | <u>\$ 85</u> |

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. 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, 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.

# Reconciliation of Non-GAAP Measures

## 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<br>Period Ended March 31 |                     |
|--|---|---------------------|
|  | 2017  | 2016                |
| Loss from continuing operations  | \$ (60,635)   | \$ (18,197)         |
| Unusual items:   |   |                     |
| Harsco Rail Segment forward contract loss provision                                  | 45,050  | —                   |
| Net loss on dilution and sale of equity investment                                   | 43,518  | 10,304              |
| Loss on early extinguishment of debt   | 35,337  | —                   |
| Expense of deferred financing costs  | 1,125   | —                   |
| Harsco Metals & Minerals Segment cumulative translation adjustment liquidation       | (1,157)   | —                   |
| Harsco Metals & Minerals Segment contract termination charges                        | —   | 13,484              |
| Harsco Metals & Minerals Segment separation costs                                    | —   | 13,209              |
| Harsco Metals & Minerals Segment site exit and underperforming contract charges, net | —   | 10,077              |
| Harsco Metals & Minerals Segment salt cake processing and disposal charges           | —   | 7,000               |
| Harsco Metals & Minerals Segment Project Orion charges                               | —   | 5,070               |
| Harsco Metals & Minerals Segment subcontractor settlement charge                     | —   | 4,220               |
| Harsco Metals & Minerals Segment multi-employer pension plan charge                  | —   | 1,122               |
| Harsco Infrastructure Segment loss on disposal                                       | —   | 1,000               |
| Taxes on above unusual items (b)   | (11,512)  | (12,021)            |
| Net income from continuing operations, as adjusted                                   | 51,726  | 35,268              |
| After-tax interest expense (c)   | 31,342  | 29,787              |
| Net operating profit after tax as adjusted   | <u>\$ 83,068</u>                                    | <u>\$ 65,055</u>    |
| Average equity   | \$ 252,178  | \$ 301,520          |
| Plus average debt  | 759,500   | 915,682             |
| Average capital  | <u>\$ 1,011,678</u>                                 | <u>\$ 1,217,202</u> |
| Return on invested capital excluding unusual items                                   | <u>8.2%</u>   | <u>5.3%</u>         |

- (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% on an adjusted basis for both periods 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.

# Reconciliation of Non-GAAP Measures

## HARSCO CORPORATION

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

| (In thousands)   | Year Ended   |
|--|--------------|
|  | December 31  |
|  | 2016         |
| Loss from continuing operations  | \$ (80,422)  |
| Unusual items:   |              |
| Net loss on dilution and sale of equity investment                                   | 53,822       |
| Harsco Rail Segment forward contract loss provision                                  | 45,050       |
| Loss on early extinguishment of debt   | 35,337       |
| Harsco Metals & Minerals Segment site exit and underperforming contract charges, net | 5,100        |
| Harsco Metals & Minerals Segment separation costs                                    | 3,287        |
| Expense of deferred financing costs  | 1,125        |
| Harsco Metals & Minerals Segment cumulative translation adjustment liquidation       | (1,157)      |
| Taxes on above unusual items (b)   | (17,335)     |
| Net income from continuing operations, as adjusted                                   | 44,807       |
| After-tax interest expense (c)   | 31,790       |
| Net operating profit after tax as adjusted   | \$ 76,597    |
| Average equity   | \$ 290,995   |
| Plus average debt  | 821,559      |
| Average capital  | \$ 1,112,554 |
| <b>Return on invested capital excluding unusual items</b>                            | <b>6.9%</b>  |

- (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% on an adjusted basis for both periods 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.