



HARSCO
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Q3 2016 Results & Outlook

Conference Call | November 3, 2016

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) the Company's ability to successfully implement and receive the expected benefits of cost-reduction and restructuring initiatives, including the achievement of expected cost savings in the expected time frame; (18) the ability to successfully implement the Company's strategic initiatives and portfolio optimization and the impact of such initiatives, such as the Harsco Metals & Minerals Segment's Improvement Plan ("Project Orion"); (19) implementation of environmental remediation matters; (20) risk and uncertainty associated with intangible assets; (21) the impact of a transaction, if any, resulting from the Company's determination to explore strategic options for the separation of the Harsco Metals & Minerals Segment; and (22) 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, 2015 and Part II, Item 1A, Risk Factors of the Company's Quarterly Report on Form 10-Q for the period ended June 30, 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

- ❑ Third quarter operating income within guidance
- ❑ Significantly reduced leverage and completed attractive refinancing
- ❑ Completed leadership appointments in M&M and Rail
- ❑ 2016 Outlook for adjusted operating income narrowed at mid-point of prior range; free cash flow guidance increased
- ❑ Business updates:
 - ❑ M&M – More consistent execution continues; steel market outlook remains uncertain; select growth opportunities to be considered
 - ❑ Industrial – Energy market visibility has improved somewhat; well positioned to benefit from any market recovery
 - ❑ Rail – U.S. market softness persists, although fundamentals appear to be near a trough; considerable progress against SBB contracts
- ❑ Priorities unchanged
 - ❑ Targeting ROIC above cost of capital over the long-term
 - ❑ Committed to rebalancing portfolio and realizing underlying asset value
 - ❑ Growth to be considered within context of an appropriate capital structure

Q3 2016 Financial Summary – Key Performance Indicators

	Third Quarter	Change vs. 2015	
		\$	%
Revenues	368	(61)	(14)%
GAAP Operating Income	29	21	nmf
<i>% of Sales</i>	7.8%		<i>nmf</i>
Adjusted Operating Income ⁽¹⁾	29	(7)	(19)%
<i>% of Sales</i>	7.8%		(40)Bps
GAAP Diluted Earnings Per Share	(0.41)	(0.31)	nmf
Adjusted Diluted Earnings Per Share ⁽¹⁾	0.14	(0.04)	(22)%
Free Cash Flow	60	37	nmf
ROIC (LTM)	6.0%		(20)Bps

nmf = not meaningful. (1) Excludes unusual items.

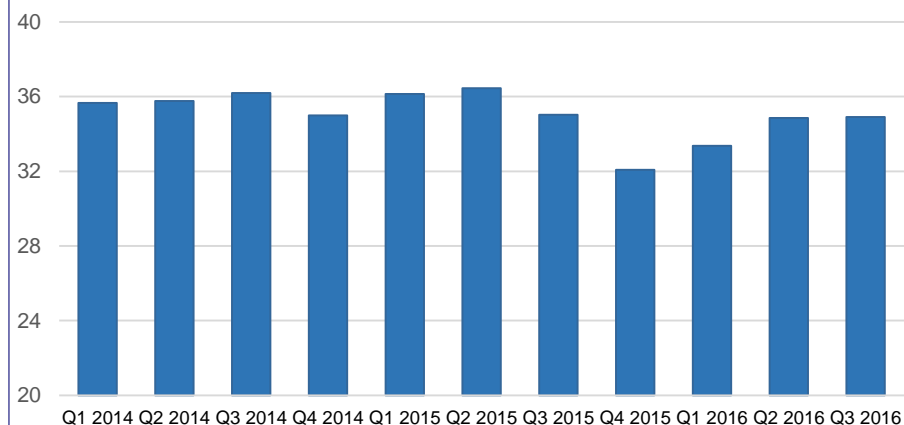
- ❑ Q3 operating income within guidance range of \$27-32 million; results helped by positive M&M performance and lower Corporate spending
- ❑ M&M adjusted operating income and Corporate costs improved compared to prior-year quarter; Industrial and Rail results reflect cyclical pressures which now appear to be bottoming
- ❑ GAAP EPS includes \$44 million (net) of unusual items from Brand interest sale and related debt repayment
- ❑ EPS also includes Brand Energy JV equity income of \$3 million (final quarter)
- ❑ Q3 FCF increased vs prior-year due to working capital (including contract advances) as well as lower capital spending

Q3 2016 – Metals & Minerals

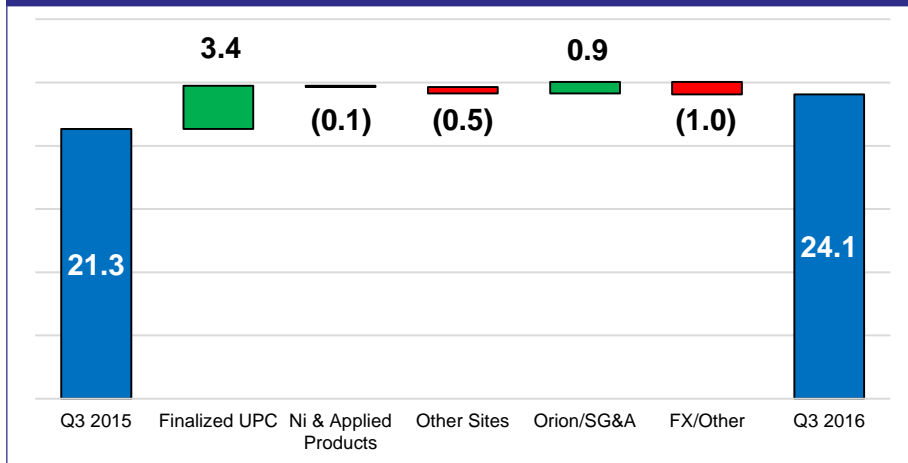
Summary Results

(\$ in millions)	Q3 2016	Q3 2015	% change
Revenues, as reported	248	277	(11)%
GAAP operating income	24	(3)	nmf
GAAP operating margin	9.7%	(1.2)%	
Adjusted operating income*	24	21	13%
Adjusted operating margin*	9.7%	7.7%	
Free cash flow (YTD)	108	47	nmf
ROIC (TTM)	5.1%	4.0%	110bps

LST Continuing Sites (million tons)



Adjusted Operating Income Bridge



Business Highlights

- ❑ Revenues impacted mainly by site exits and foreign exchange translation
- ❑ Adjusted operating income increased as a result of prior actions under Project Orion
- ❑ Free cash flow higher YTD due to cash earnings, working capital and lower capital expenditures

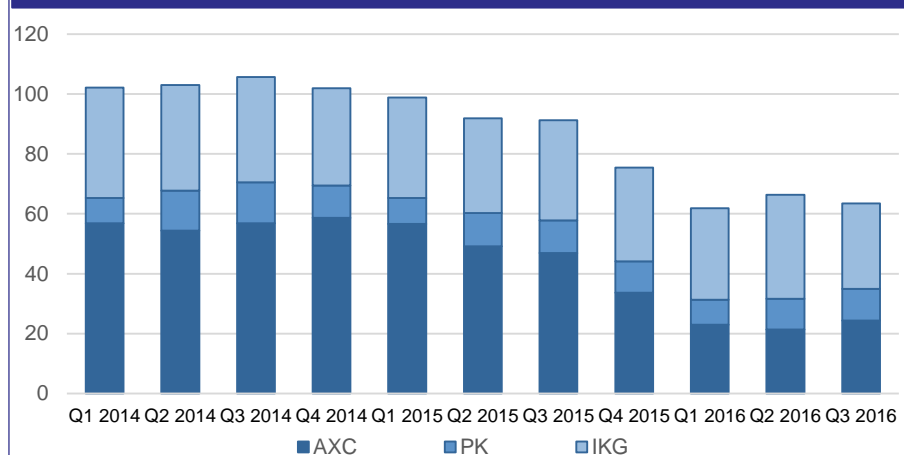
nmf = not meaningful; *excludes unusual items; no unusual items for Q3 2016.

Q3 2016 - Industrial

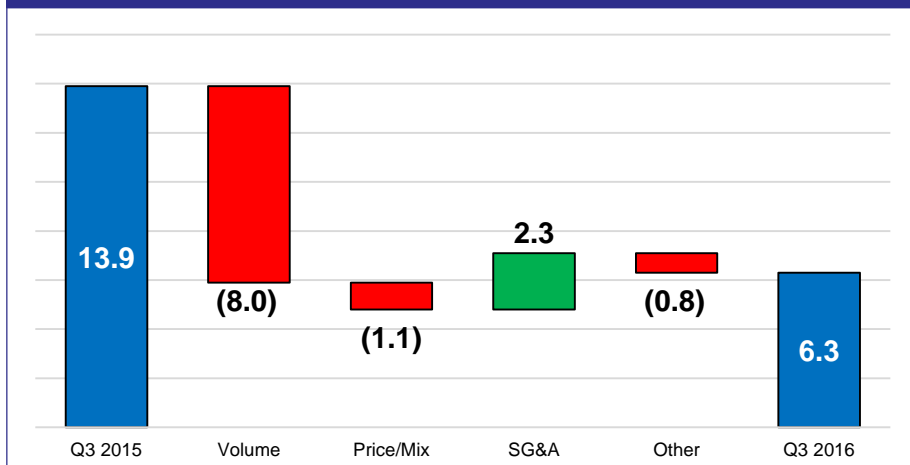
Summary Results

(\$ in millions)	Q3 2016	Q3 2015	% change
Revenues, as reported	63	91	(30)%
Operating income - GAAP	6	14	(55)%
Operating margin - GAAP	10.0%	15.3%	
Free cash flow (YTD)	18	40	(56)%
ROIC (TTM)	23.4%	40.4%	nmf

Revenue Mix



Operating Income Bridge



Business Highlights

- ❑ Revenues impacted by reduced demand for heat exchangers and industrial grating
- ❑ Operating income declined due to the above; partially offset by efficiency and cost improvements in the quarter
- ❑ Free cash flow change YTD reflects lower cash earnings; partially offset by reduced capital spending

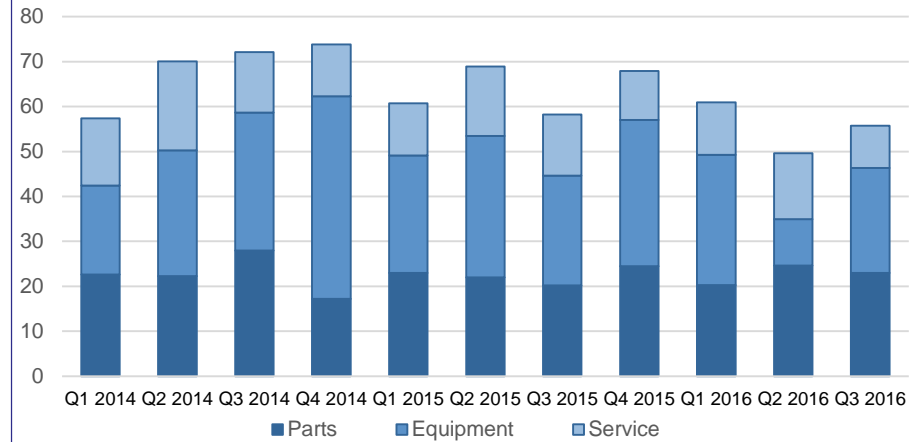
nmf = not meaningful

Q3 2016 - Rail

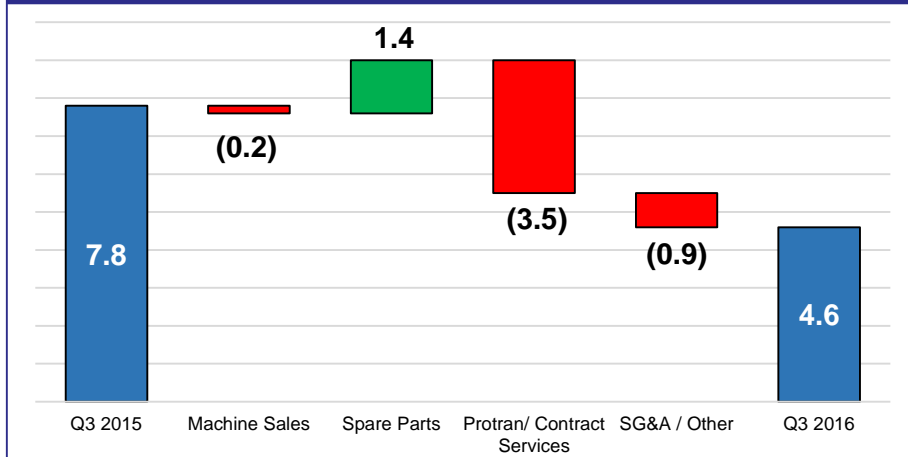
Summary Results

(\$ in millions)	Q3 2016	Q3 2015	% change
Revenues, as reported	57	60	(5)%
Operating income - GAAP	5	8	(41)%
Operating margin - GAAP	8.1%	13.0%	
Free cash flow (YTD)	(18)	2	nmf
ROIC (TTM)	22.5%	82.7%	nmf

Revenue Mix



Operating Income Bridge



Business Highlights

- ❑ Revenues decreased as lower contract services offset higher spare parts sales
- ❑ Operating income change reflects movement in contract services; also margins impacted by mix
- ❑ Free cash flow change YTD attributable to lower cash earnings and working capital changes

nmf = not meaningful

2016 Summary Outlook

	2016 Outlook	2016 Prior	2015 Actual
GAAP Operating Income	\$60 to \$69 million	\$57 to \$72 million	\$89 million
Adjusted Operating Income⁽¹⁾	\$108 to \$117 million	\$105 to \$120 million	\$135 million
Free Cash Flow	\$75 million to \$85 million	\$65 million to \$80 million	\$24 million
ROIC⁽¹⁾	5.8% to 6.3%	5.5% to 6.0%	6.3%
GAAP Diluted Earnings/(Loss) Per Share⁽²⁾	\$(0.76) to \$(0.85)	\$(0.32) to \$(0.17)	\$0.09
Adjusted Diluted Earnings Per Share⁽¹⁾	\$0.36 to \$0.45	\$0.33 to \$0.49	\$0.56

(1) Excludes unusual items. (2) 2016 figures do not take into account any charges related to the recent refinancing.

Q4 2016 Outlook

- ❑ Adjusted operating income is expected to be between \$20 to \$29 million versus \$26 million in Q4 2015
- ❑ Adjusted diluted earnings per share of \$0.06 to \$0.11
- ❑ Year-over-year considerations include:
 - M&M: Cost and operational improvements partially offset by exits; commodities comparable to prior-year quarter
 - Industrial: Weaker demand for heat exchangers and industrial grating and mix, partially offset by lower selling and administrative costs
 - Rail: Increased international equipment and Protran sales, offset by lower contract services contribution
 - Corporate costs modestly below prior-year quarter

Q&A



Appendix

2016 Business Outlook

<i>Excluding unusual items</i>		2016 versus 2015
Metals & Minerals	Revenues	↓ ~15%
	Operating Income	↑ double digits, excluding unusual items
	Drivers	+ Cost / operational savings, site triage, new sites - Site exits, commodities prices, LST
Industrial	Revenues	↓ ~30%
	Operating Income	~45% of 2015 Adjusted OI
	Drivers	+ Efficiency improvements, SG&A reductions, new products - Underlying market demand
Rail	Revenues	Unchanged
	Operating Income	↓ double digits, excluding 2015 FX gain and 2016 loss provision
	Drivers	+ Spare parts volumes - 2015 FX gain not repeated (\$11M), 2016 loss provision, U.S. rail spending, contract services, global build-out costs
Corporate Costs		Lower due to efficiency measures 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 September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Diluted earnings (loss) per share from continuing operations as reported	\$ (0.41)	\$ (0.10)	\$ (0.89)	\$ 0.17
Net loss on dilution and sale of equity investment (a)	0.54	—	0.67	—
Harsco Rail Segment contract loss provision (b)	—	—	0.50	—
Harsco Metals & Minerals Segment site exit and underperforming contract charges, net (c)	—	(0.02)	0.06	(0.02)
Harsco Metals & Minerals Segment separation costs (d)	—	0.02	0.04	0.02
Expense of deferred financing costs (e)	0.01	—	0.01	—
Harsco Metals & Minerals Segment contract termination charges (f)	—	0.17	—	0.17
Harsco Metals & Minerals Segment salt cake processing and disposal charges (g)	—	0.06	—	0.06
Harsco Metals & Minerals Segment subcontractor settlement charge (h)	—	0.05	—	0.05
Harsco Metals & Minerals Segment multi-employer pension plan charge (i)	—	0.01	—	0.01
Harsco Infrastructure Segment loss on disposal (j)	—	0.01	—	0.01
Taxes on above unusual items	—	(0.03)	(0.08)	(0.03)
Adjusted diluted earnings per share from continuing operations excluding unusual items	\$ 0.14	\$ 0.18	(k) \$ 0.32	(k) \$ 0.45

(a) Loss on the dilution and sale of the Company's investment in Brand Energy & Infrastructure Services recorded at Corporate (Q3 2016 \$43.5 million pre-tax; nine months 2016 \$53.8 million)

(b) Harsco Rail Segment contract loss provision related the Company's contracts with the federal railway system of Switzerland (nine months 2016 \$40.1 pre-tax).

(c) Harsco Metals & Minerals Segment charges primarily attributable to site exit and underperforming contract costs (nine months 2016 \$5.1 million pre-tax charge; Q3 and nine months 2015 \$1.4 million reversal pre-tax).

(d) Costs associated with Harsco Metals & Minerals Segment separation recorded at Corporate (nine months 2016 \$3.3 million pre-tax; Q3 and nine months 2015 \$1.8 million pre-tax).

(e) Expense of deferred financing costs associated with the Company's repayment of approximately \$85 million on its Term Loan facility recorded at Corporate (Q3 and nine months 2016 \$1.1 million pre-tax).

(f) Harsco Metals & Minerals Segment charges related to a contract terminations (Q3 and nine months 2015 \$13.7 million pre-tax).

(g) Harsco Metals & Minerals Segment charges incurred in connection with the processing and disposal of salt cakes (Q3 and nine months 2015 \$7.0 million pre-tax). The Company's Bahrain operations are operated under a strategic venture for which its strategic venture partner has a 35% minority interest. Accordingly, the net impact of the charge to the Company's Net income (loss) attributable to Harsco Corporation was \$4.6 million.

(h) Harsco Metals & Minerals Segment charges related to a settlement with a subcontractor (Q3 and nine months 2015 \$4.2 million pre-tax).

(i) Harsco Metals & Minerals Segment charges related to a multi-employer pension plan (Q3 and nine months 2015 \$1.1 million pre-tax).

(j) Loss resulting from the Harsco Infrastructure Transaction, which was consummated in the fourth quarter of 2013 (Q3 and nine months 2015 \$1.0 million pre-tax).

(k) 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.

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 Ended December 31 2015
Diluted earnings per share from continuing operations as reported	\$ 0.09
Harsco Metals & Minerals Segment contract termination charges, net (a)	0.17
Harsco Metals & Minerals Segment separation costs (b)	0.12
Harsco Metals & Minerals Segment salt cake processing and disposal charges (c)	0.06
Harsco Metals & Minerals Segment site exit and underperforming contract charges, net (d)	0.06
Harsco Metals & Minerals Segment Project Orion charges (e)	0.06
Harsco Metals & Minerals Segment subcontractor settlement charge (f)	0.05
Harsco Metals & Minerals Segment multi-employer pension plan charge (g)	0.01
Harsco Infrastructure Segment loss on disposal (h)	0.01
Taxes on above unusual items	(0.08)
Adjusted diluted earnings per share from continuing operations excluding unusual items	\$ 0.56 ⁽ⁱ⁾

(a) Harsco Metals & Minerals Segment charges related to a contract terminations (Full year 2015 \$13.5 million pre-tax).

(b) Costs associated with Harsco Metals & Minerals Segment separation costs recorded as Corporate (Full year 2015 \$9.9 million pre-tax).

(c) Harsco Metals & Minerals Segment charges incurred in connection with the processing and disposal of salt cakes (Full year 2015 \$7.0 million pre-tax). The Company's Bahrain operations are operated under a strategic venture for which its strategic venture partner has a 35% minority interest. Accordingly, the net impact of the charge to the Company's Net income (loss) attributable to Harsco Corporation was \$4.6 million.

(d) Harsco Metals & Minerals Segment charges primarily attributable to site exit costs and non-cash long lived asset impairment charges associated with strategic actions from Project Orion's focus on underperforming contracts (Full year 2015 \$5.0 million pre-tax which includes \$1.4 million of pre-tax gains).

(e) Harsco Metals & Minerals Segment Project Orion restructuring charges (Full year 2015 \$5.1 million pre-tax).

(f) Harsco Metals & Minerals Segment charges related to a settlement with a subcontractor (Full year 2015 \$4.2 million pre-tax).

(g) Harsco Metals & Minerals Segment charges related to a multi-employer pension plan (Full year 2015 \$1.1 million pre-tax).

(h) Loss resulting from the Harsco Infrastructure Transaction, which was consummated in the fourth quarter of 2013 (Full year 2015 \$1.0 million pre-tax).

(i) 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.

Reconciliation of Non-GAAP Measures

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, 2016:					
Operating income (loss) as reported (a)	\$ 24,066	\$ 6,312	\$ 4,599	\$ (6,401)	\$ 28,576
Revenues as reported	\$ 247,691	\$ 63,422	\$ 56,674	\$ —	\$ 367,787
Operating margin (%)	9.7 %	10.0 %	8.1 %		7.8 %
Three Months Ended September 30, 2015:					
Adjusted operating income (loss) excluding unusual items	\$ 21,326	\$ 13,934	\$ 7,786	\$ (7,908)	\$ 35,138
Revenues as reported	\$ 277,367	\$ 91,199	\$ 59,768	\$ —	\$ 428,334
Adjusted operating margin (%) excluding unusual items	7.7 %	15.3 %	13.0 %		8.2 %
Nine Months Ended September 30, 2016:					
Adjusted operating income (loss) excluding unusual items	\$ 67,034	\$ 20,083	\$ 17,607	\$ (16,966)	\$ 87,758
Revenues as reported	\$ 730,923	\$ 191,561	\$ 168,517	\$ —	\$ 1,091,001
Adjusted operating margin (%) excluding unusual items	9.2 %	10.5 %	10.4 %		8.0 %
Nine Months Ended September 30, 2015:					
Adjusted operating income (loss) excluding unusual items	\$ 50,508	\$ 45,380	\$ 40,819	\$ (26,959)	\$ 109,748
Revenues as reported	\$ 862,901	\$ 281,883	\$ 190,876	\$ —	\$ 1,335,660
Adjusted operating margin (%) excluding unusual items	5.9 %	16.1 %	21.4 %		8.2 %

(a) No unusual items were excluded during the third quarter ended September 30, 2016.

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 Metals & Minerals	Harsco Industrial	Harsco Rail	Corporate	Consolidated Totals
Three Months Ended September 30, 2016:					
Operating income as reported (a)	\$ 24,066	\$ 6,312	\$ 4,599	\$ (6,401)	\$ 28,576
Revenues as reported	\$ 247,691	\$ 63,422	\$ 56,674	\$ —	\$ 367,787
Three Months Ended September 30, 2015:					
Operating income (loss) as reported	\$ (3,331)	\$ 13,934	\$ 7,786	\$ (10,661)	\$ 7,728
Harsco Metals & Minerals Segment contract termination charges	13,737	—	—	—	13,737
Harsco Metals & Minerals Segment salt cake processing and disposal charges	7,000	—	—	—	7,000
Harsco Metals & Minerals Segment subcontractor settlement charge	4,220	—	—	—	4,220
Harsco Metals & Minerals Segment separation costs	—	—	—	1,753	1,753
Harsco Metals & Minerals Segment multi-employer pension plan charge	1,122	—	—	—	1,122
Harsco Infrastructure Segment loss on disposal	—	—	—	1,000	1,000
Harsco Metals & Minerals Segment site exit and underperforming contract charges	(1,422)	—	—	—	(1,422)
Adjusted operating income (loss) excluding unusual items	\$ 21,326	\$ 13,934	\$ 7,786	\$ (7,908)	\$ 35,138
Revenues as reported	\$ 277,367	\$ 91,199	\$ 59,768	\$ —	\$ 428,334

(a) No unusual items were excluded during the third quarter ended September 30, 2016.

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 Metals & Minerals	Harsco Industrial	Harsco Rail	Corporate	Consolidated Totals
Nine Months Ended September 30, 2016:					
Operating income (loss) as reported	\$ 61,934	\$ 20,083	\$ (22,443)	\$ (20,253)	\$ 39,321
Harsco Rail Segment contract loss provision	—	—	40,050	—	40,050
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	<u>\$ 67,034</u>	<u>\$ 20,083</u>	<u>\$ 17,607</u>	<u>\$ (16,966)</u>	<u>\$ 87,758</u>
Revenues as reported	<u>\$ 730,923</u>	<u>\$ 191,561</u>	<u>\$ 168,517</u>	<u>\$ —</u>	<u>\$ 1,091,001</u>
Nine Months Ended September 30, 2015:					
Operating income (loss) as reported	\$ 25,851	\$ 45,380	\$ 40,819	\$ (29,712)	\$ 82,338
Harsco Metals & Minerals Segment contract termination charges	13,737	—	—	—	13,737
Harsco Metals & Minerals Segment salt cake processing and disposal charges	7,000	—	—	—	7,000
Harsco Metals & Minerals Segment subcontractor settlement charge	4,220	—	—	—	4,220
Harsco Metals & Minerals Segment separation costs	—	—	—	1,753	1,753
Harsco Metals & Minerals Segment multi-employer pension plan charge	1,122	—	—	—	1,122
Harsco Infrastructure Segment loss on disposal	—	—	—	1,000	1,000
Harsco Metals & Minerals Segment site exit and underperforming contract charges	(1,422)	—	—	—	(1,422)
Adjusted operating income (loss) excluding unusual items	<u>\$ 50,508</u>	<u>\$ 45,380</u>	<u>\$ 40,819</u>	<u>\$ (26,959)</u>	<u>\$ 109,748</u>
Revenues as reported	<u>\$ 862,901</u>	<u>\$ 281,883</u>	<u>\$ 190,876</u>	<u>\$ —</u>	<u>\$ 1,335,660</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 Metals & Minerals	Harsco Industrial	Harsco Rail	Corporate	Consolidated Totals
Twelve Months Ended December 31, 2015:					
Operating income (loss) as reported	\$ 26,289	\$ 57,020	\$ 50,896	\$ (45,669)	\$ 88,536
Harsco Metals & Minerals Segment contract termination charges, net	13,484	—	—	—	13,484
Harsco Metals & Minerals Segment separation costs	—	—	—	9,922	9,922
Harsco Metals & Minerals Segment salt cake processing and disposal charges	7,000	—	—	—	7,000
Harsco Metals & Minerals Segment Project Orion charges	5,070	—	—	—	5,070
Harsco Metals & Minerals Segment site exit and underperforming contract charges, net (a)	4,977	—	—	—	4,977
Harsco Metals & Minerals Segment subcontractor settlement charge	4,220	—	—	—	4,220
Harsco Metals & Minerals Segment multi-employer pension plan charge	1,122	—	—	—	1,122
Harsco Infrastructure Segment loss on disposal	—	—	—	1,000	1,000
Adjusted operating income (loss), excluding unusual items	<u>\$ 62,162</u>	<u>\$ 57,020</u>	<u>\$ 50,896</u>	<u>\$ (34,747)</u>	<u>\$ 135,331</u>
Revenues as reported	<u>\$ 1,106,162</u>	<u>\$ 357,256</u>	<u>\$ 259,674</u>	<u>\$ —</u>	<u>\$ 1,723,092</u>

(a) Harsco Metals & Minerals Segment charges primarily attributable to site exit costs and non-cash long lived asset impairment charges associated with strategic actions from Project Orion's focus on underperforming contracts (Full year 2015 \$5.0 million pre-tax which includes \$1.4 million of pre-tax gains).

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 Metals & Minerals	Harsco Industrial	Harsco Rail	Corporate	Consolidated Totals
Three Months Ended December 31, 2015:					
Operating income (loss) as reported	\$ 438	\$ 11,640	\$ 10,077	\$ (15,957)	\$ 6,198
Harsco Metals & Minerals Segment separation costs	—	—	—	8,169	8,169
Harsco Metals & Minerals Segment site exit and underperforming contract charges, net	6,399	—	—	—	6,399
Harsco Metals & Minerals Segment Project Orion charges	5,070	—	—	—	5,070
Harsco Metals & Minerals Segment contract termination charges	(253)	—	—	—	(253)
Adjusted operating income (loss), excluding unusual items	\$ 11,654	\$ 11,640	\$ 10,077	\$ (7,788)	\$ 25,583
Revenues as reported	\$ 243,261	\$ 75,373	\$ 68,798	\$ —	\$ 387,432

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		Nine Months Ended	
	September 30		September 30	
	2016	2015	2016	2015
Net cash provided by operating activities	\$ 76,173	\$ 43,884	\$ 104,755	\$ 89,102
Less maintenance capital expenditures (a)	(15,806)	(23,869)	(42,923)	(67,314)
Less growth capital expenditures (b)	(1,964)	(4,468)	(7,023)	(24,269)
Plus capital expenditures for strategic ventures (c)	17	43	112	310
Plus total proceeds from sales of assets (d)	2,063	7,426	7,178	20,777
Free cash flow	\$ 60,483	\$ 23,016	\$ 62,099	\$ 18,606

- (a) Maintenance capital expenditures are necessary to sustain the Company's current revenue streams and include contract renewal.
- (b) Growth capital expenditures, for which management has discretion as to amount, timing and geographic placement, expand the Company's revenue base and create additional future cash flow.
- (c) Capital expenditures for strategic ventures represent the partner's share of capital expenditures in certain ventures consolidated in the Company's financial statements.
- (d) 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)

	Twelve Months Ended December 31
(In thousands)	2015
Net cash provided by operating activities	\$ 121,507
Less maintenance capital expenditures (a)	(92,545)
Less growth capital expenditures (b)	(31,007)
Plus capital expenditures for strategic ventures (c)	439
Plus total proceeds from sales of assets (d)	25,966
Free cash flow	<u>\$ 24,360</u>

- (a) Maintenance capital expenditures are necessary to sustain the Company's current revenue streams and include contract renewal.
- (b) Growth capital expenditures, for which management has discretion as to amount, timing and geographic placement, expand the Company's revenue base and create additional future cash flow.
- (c) Capital expenditures for strategic ventures represent the partner's share of capital expenditures in certain ventures consolidated in the Company's financial statements.
- (d) 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. 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)

(In millions)	Projected Twelve Months Ending December 31	
	2016	
	Low	High
Net cash provided by operating activities	\$ 135	\$ 138
Less capital expenditures (a)	(70)	(65)
Plus total proceeds from asset sales and capital expenditures for strategic ventures	10	12
Free Cash Flow	<u>\$ 75</u>	<u>\$ 85</u>

- (a) Capital expenditures encompass two primary elements: maintenance capital expenditures, which are necessary to sustain the Company's current revenue streams and include contract renewals; and growth capital expenditures, for which management has discretion as to amount, timing and geographic placement, and which expand the Company's revenue base and create additional future cash flow.

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 Period Ended September 30	
	2016	2015
Loss from continuing operations	\$ (73,896)	\$ (28,002)
Unusual items:		
Net loss on dilution and sale of equity investment	53,822	—
Harsco Rail Segment contract loss provision	40,050	—
Harsco Metals & Minerals Segment site exit and underperforming contract charges, net (b)	11,499	37,826
Harsco Metals & Minerals Segment separation costs	11,456	1,753
Harsco Metals & Minerals Segment Project Orion charges	5,070	3,177
Expense of deferred financing costs	1,125	—
Harsco Metals & Minerals Segment contract termination charges	(253)	13,737
Harsco Metals & Minerals Segment salt cake processing and disposal charges	—	7,000
Harsco Metals & Minerals Segment Brazilian labor claim reserves	—	5,204
Harsco Metals & Minerals Segment subcontractor settlement charge	—	4,220
Strategic transaction review costs	—	3,531
Harsco Metals & Minerals Segment multi-employer pension plan charge	—	1,122
Harsco Infrastructure Segment loss on disposal	—	1,000
Harsco Infrastructure transaction costs	—	450
Gains associated with exited Harsco Infrastructure operations retained	—	(2,205)
Taxes on above unusual items	(9,962)	185
Net income from continuing operations, as adjusted	38,911	48,998
After-tax interest expense (c)	32,546	29,344
Net operating profit after tax as adjusted	\$ 71,457	\$ 78,342
Average equity	\$ 304,532	\$ 360,452
Plus average debt	881,077	897,429
Average capital	\$ 1,185,609	\$ 1,257,881
Return on invested capital excluding unusual items	6.0%	6.2%

- (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) Harsco Metals & Minerals Segment charges primarily attributable to site exit costs and non-cash long lived asset impairment charges associated with strategic actions from Project Orion's focus on underperforming contracts (Twelve months ended September 30, 2015 \$37.8 million pre-tax which includes \$1.4 million of pre-tax gains).
- (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 FROM CONTINUING OPERATIONS AS REPORTED (a) (Unaudited)

(In thousands)	Year Ended December 31
	2015
Income from continuing operations	\$ 7,312
Unusual items:	
Harsco Metals & Minerals Segment contract termination charges, net	13,484
Harsco Metals & Minerals Segment separation costs	9,922
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 site exit and underperforming contract charges, net (b)	4,977
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	(6,198)
Net income from continuing operations, as adjusted	47,909
After-tax interest expense (c)	29,486
Net operating profit after tax as adjusted	\$ 77,395
Average equity	\$ 308,182
Plus average debt	910,955
Average capital	\$ 1,219,137
Return on invested capital excluding unusual items	6.3%

- (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) Harsco Metals & Minerals Segment charges primarily attributable to site exit costs and non-cash long lived asset impairment charges associated with strategic actions from Project Orion's focus on underperforming contracts (Full year 2015 \$5.0 million pre-tax which includes \$1.4 million of pre-tax gains).
- (c) The Company's effective tax rate approximated 37% 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.