HARSCO

Q2 2018
Results & Outlook

Conference Call | August 2, 2018

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.

Forward-Looking Statements
The Company's presentation contains forward-looking statements based on management's current expectations, estimates and projections. 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," "outlook," "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 outcome of any disputes with customers, contractors and subcontractors; (15) 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; (16) implementation of environmental remediation matters; (17) risk and uncertainty associated with intangible assets; and (18) 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, 2017. 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 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, free cash flow, free cash flow before growth capital expenditures. 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 Appendix in this presentation.

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CEO Perspective

- Q2 adjusted operating income and EPS above guidance
- 2018 Outlook increased; reflects positive market developments and improved visibility as well as lower Corporate costs
- Momentum expected to continue through 2019
- Business updates:
  - M&M – strong profit growth net of investments; continue to strengthen internal capabilities; Altek is first step to transform business into global environmental solutions provider
  - Industrial – strong operating leverage and market fundamentals robust
  - Rail – expecting strong H2 2018 and 2019; leadership executing well; new product pipeline very promising
- Focused on investing in both internal initiatives and acquisitions
- Harsco will also return capital to shareholders when appropriate

Q2 2018 FINANCIAL SUMMARY

KEY PERFORMANCE INDICATORS

- Q2 adjusted operating income above guidance range of $45-50 million
- Earnings exceeded guidance due to positive results in Industrial and Rail, as well as lower Corporate costs
- Each business segment realized an increase in operating profit relative to the prior-year quarter; each also achieved double-digit margins in Q2 2018
- EPS included benefit from lower interest costs and tax rate; GAAP EPS included unusual items of 12c
- FCF increased sequentially; Q2 2018 FCF comparable to prior-year quarter

		Change vs. 2017	
$ in millions except EPS	Q2 2018	$	% or bps
Revenues	432	37	9%
GAAP Operating Income	54	10	24%
% of Sales	*12.4%*		*150bps*
Adjusted Operating Income[1]	52	8	20%
% of Sales[1]	*11.9%*		100bps
GAAP Diluted Earnings Per Share	0.48	0.26	nmf
Adjusted Diluted Earnings Per Share[1]	0.36	0.14	64%
Free Cash Flow[1]	28	(2)	(5)%
ROIC (TTM)[1]	13.8%		420bps

2017 figures reflect pension reclassification.
nmf = not meaningful.
(1) See tables at end of presentation for GAAP to non-GAAP reconciliations.

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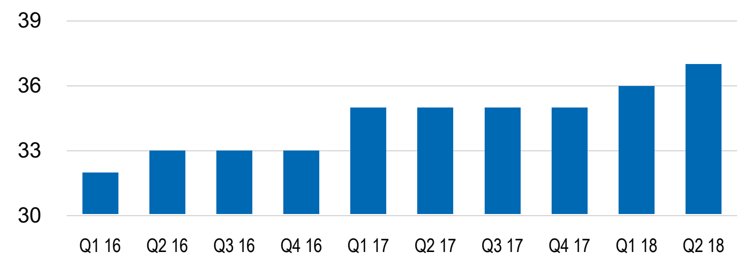
Q2 2018
METALS & MINERALS

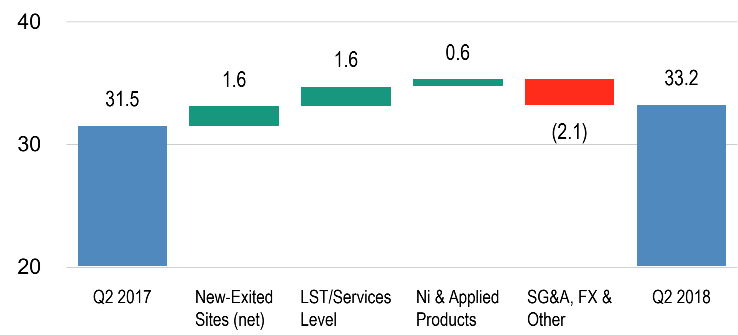
SUMMARY RESULTS
$ in millions

	Q2 2018	Q2 2017	% Change
Revenues, as reported	272	259	5%
Operating Income – GAAP	36	31	13%
Adjusted operating income*	33	31	5%
Adjusted operating margin*	12.2%	12.1%	
Free Cash Flow (YTD)	17	42	(61)%
ROIC (TTM)	12.7%	11.3%	140bps

LST CONTINUING SITES
Million tons



ADJUSTED OPERATING INCOME BRIDGE
$ in millions



Business Highlights

- Revenues increased due to higher services demand and Applied Product sales
- Operating income increase reflects above items and positive impact of net contract changes; partially offset by SG&A investments to support growth
- FCF change reflects increase in capital spending and working capital

*excludes unusual items; see tables at end of presentation for GAAP to non-GAAP reconciliations.
2017 figures reflect pension reclassification.

Q2 2018
INDUSTRIAL

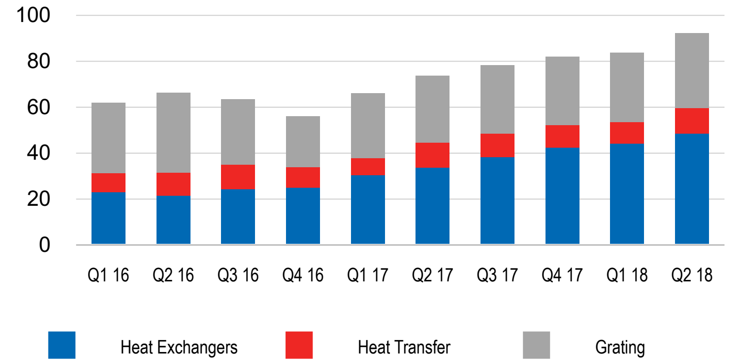
SUMMARY RESULTS

$ in millions

	Q2 2018	Q2 2017	% Change
Revenues, as reported	92	74	25%
Operating Income – GAAP	14	9	53%
Operating Margin – GAAP	15.4%	12.6%	
Free Cash Flow (YTD)	9	10	(1)%
ROIC (TTM)	38.8%	17.9%	nmf

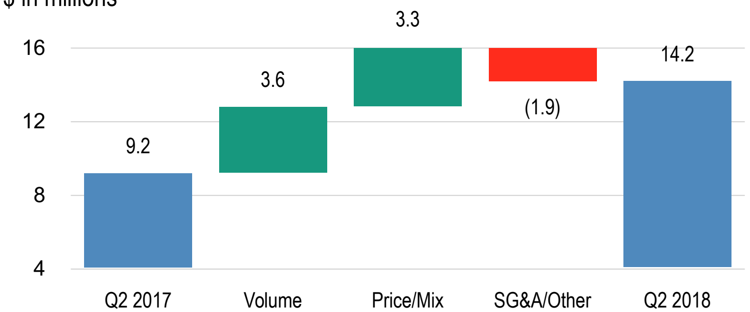
REVENUE MIX[1]

$ in millions



OPERATING INCOME BRIDGE

$ in millions



Business Highlights

- Revenue increase reflects improved demand across segment and higher product prices
- Operating income increase the result of higher demand and improved product sales mix / margin
- Free cash flow YTD comparable to prior-year as working capital changes and increased capital spending offset higher cash earnings, as anticipated

nmf = not meaningful.
2017 figures reflect pension reclassification.
See tables at end of presentation for GAAP to non-GAAP reconciliations.
1.The Company has adopted the new revenue recognition standard utilizing the modified retrospective transition method, including use of practical expedients. Comparative information has not been restated and continues to be reported under U.S. GAAP in effect for those periods.

Q2 2018

RAIL

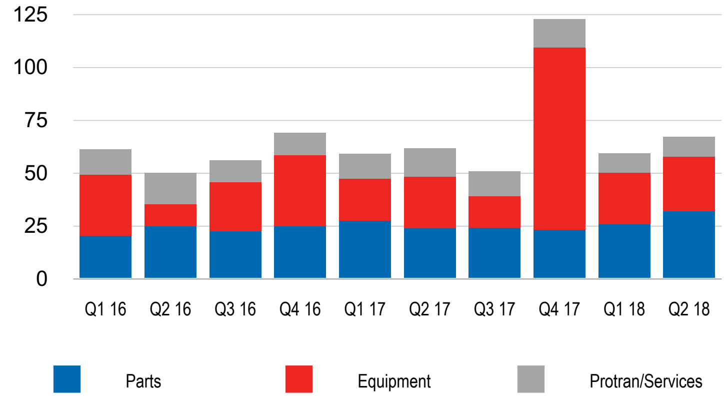
SUMMARY RESULTS

$ in millions

	Q2 2018	Q2 2017	% Change
Revenues, as reported	68	62	9%
Operating Income – GAAP	9	8	5%
Operating Margin – GAAP	12.8%	13.2%	
Free Cash Flow (YTD)	1	(7)	nmf
ROIC (TTM)	28.6%	32.9%	(430)bps

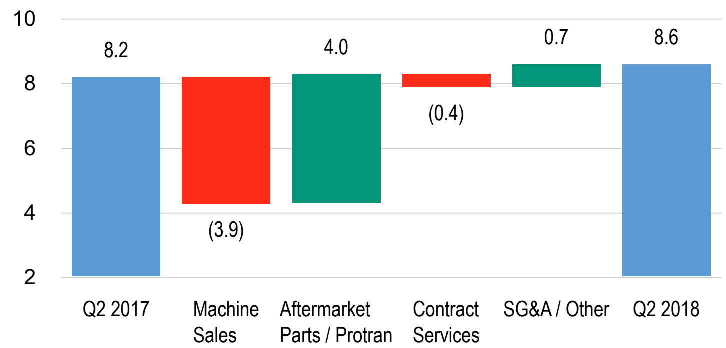
REVENUE MIX[1]

$ in millions



OPERATING INCOME BRIDGE

$ in millions



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Business Highlights

- Revenues increased due to SBB and higher aftermarket-parts sales; offset by lower contract services and international equipment sales
- Operating income change reflects improved parts demand / mix and lower SG&A spending; offset by weaker machine mix and lower services contributions
- Free cash flow increase mainly the result of cash generated from working capital

2018 OUTLOOK - CONSOLIDATED

	2018 Outlook(2)	2018 Prior	2017 Actual(3)
OPERATING INCOME - GAAP	$177 to $187M	$165 to $180M	$145M
ADJUSTED OPERATING INCOME[1]	$175 to $185M	$165 to $180M	$150M
ADJUSTED OPERATING INCOME MARGIN[1]	10.0% to 10.5%	9.5% to 10.0%	9.3%
DILUTED EARNINGS PER SHARE - GAAP	$1.31 to $1.39	$1.11 to $1.24	$0.09
ADJUSTED DILUTED EARNINGS PER SHARE[1]	$1.19 to $1.27	$1.11 to $1.24	$0.74
FREE CASH FLOW BEFORE GROWTH CAPITAL[1]	$135 to $150M	$130 to $150M	$109M
FREE CASH FLOW[1]	$90 to $100M	$85 to $100M	$93M
ROIC[1]	14.5% to 15.5%	14.0% to 15.5%	11.5%

(1) Excludes unusual items. See tables at end of presentation for GAAP to non-GAAP reconciliations.
(2) 2018 GAAP figures do not account for any unusual items in H2 2018.
(3) 2017 figures adjusted to reflect reclassification for new pension accounting standard

Q3 2018 OUTLOOK

Adjusted operating income[1] is expected to be between

$50M–$55M **versus $39M in Q3 2017**

Adjusted diluted earnings per share of

$0.34–$0.40 **compared to $0.20 in Q3 2017**

Corporate costs

above prior-year quarter due to professional fees and expenditure timing

YEAR-OVER-YEAR CONSIDERATIONS INCLUDE:

METALS & MINERALS

Higher LST and commodities, new contracts Applied Products and operating benefits, partially offset by exits, growth-related investments and FX

INDUSTRIAL

Increased demand across businesses; also Q3 2017 asset sale gain not repeated

RAIL

Higher earnings contributions from after-market parts, equipment and Protran Technology products

(1) See tables at end of presentation for GAAP to non-GAAP reconciliations.
Note: 2018 GAAP figures do not account for any unusual items in 2018. Also, comparisons reflect new pension reporting for both 2018 and 2017.

Q&A

APPENDIX

2018 SEGMENT OUTLOOK

Excluding unusual items			2018 VERSUS 2017[1]
Metals & Minerals	Revenues	▲	Mid-single to high-single digits
	Operating Income	▲	~10% at mid-point, excluding unusual items
	Drivers	+	LST, new sites/services, cost/operational savings, commodities prices, Applied Products
		-	Exited sites, investments
Industrial	Revenues	▲	Double digits
	Operating Income	▲	~45% at mid-point
	Drivers	+	Demand for all three major product groups More favorable product mix, manufacturing savings
Rail	Revenues	▲	Unchanged (▲ Mid-single digits excluding SBB revenue)
	Operating Income	▲	Mid-single digits at mid-point, excluding unusual items
	Drivers	+	Aftermarket parts and Protran volumes
		-	Equipment sales mix and Contracting services
Corporate Costs			Unchanged

(1) Comparisons are updated to reflect new pension reporting for both 2018 and 2017.

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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)

	Three Months Ended June 30		Six Months Ended June 30	
	2018	**2017**	**2018**	**2017**
Diluted earnings per share from continuing operations as reported (a)	**$ 0.48**	$ 0.22	**$ 0.70**	$ 0.34
Harsco Metals & Minerals adjustment to slag disposal accrual (b)	**(0.04)**	—	**(0.04)**	—
Altek acquisition costs (c)	**0.01**	—	**0.01**	—
Loss on early extinguishment of debt (d)	**0.01**	—	**0.01**	—
Taxes on above unusual items (e)	**—**	—	**—**	—
Deferred tax asset valuation allowance adjustment (f)	**(0.10)**	—	**(0.10)**	—
Adjusted diluted earnings per share from continuing operations excluding unusual items	**$ 0.36**	$ 0.22	**$ 0.58**	$ 0.34

(a) No unusual items were excluded in the three and six months ended June 30, 2017.
(b) Harsco Metals & Minerals adjustment to previously accrued amounts related to the disposal of certain slag material in Latin America (Q2 and six months 2018 $3.2 million pre-tax).
(c) Costs associated with the acquisition of Altek Europe Holdings Limited and its affiliated entities recorded in the Harsco Metals & Minerals Segment (Q2 and six months 2018 $0.8 million pretax) and at Corporate (Q2 and six months 2018 $0.4 million pretax).
(d) 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 (Q2 and six months 2018 $1.0 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.
(f) Adjustment of certain existing deferred tax asset valuation allowances as a result of the Altek acquisition (Q2 and six months 2018 $8.3 million).

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.

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RECONCILIATION OF NON-GAAP MEASURES

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 September 30 2017
Diluted loss per share from continuing operations as reported	$ 0.16
Harsco Metals & Minerals Segment bad debt expense (a)	0.06
Taxes on above unusual items (b)	(0.02)
Adjusted diluted earnings per share from continuing operations excluding unusual items	$ 0.20

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

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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.

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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 June 30, 2018:					
Operating income (loss) as reported	**$ 35,661**	**$ 14,170**	**$ 8,618**	**$ (4,824)**	**$ 53,625**
Harsco Metals & Minerals adjustment to slag disposal accrual	**(3,223)**	**—**	**—**	**—**	**(3,223)**
Altek acquisition costs	**753**	**—**	**—**	**431**	**1,184**
Adjusted operating income (loss), excluding unusual items	**$ 33,191**	**$ 14,170**	**$ 8,618**	**$ (4,393)**	**$ 51,586**
Revenues as reported	**$ 272,320**	**$ 92,065**	**$ 67,552**	**$ 35**	**$ 431,972**
Adjusted operating margin (%) excluding unusual items	**12.2%**	**15.4%**	**12.8%**		**11.9%**
Three Months Ended June 30, 2017 (a):					
Operating income (loss) as reported (b)	$ 31,464	$ 9,240	$ 8,192	$ (5,747)	$ 43,149
Revenues as reported	$ 259,306	$ 73,563	$ 61,994	$ 35	$ 394,898
Operating margin (%)	12.1%	12.6%	13.2%		10.9%

(a) No unusual items were excluded in the three months ended June 30, 2017.
(b) 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.

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(In thousands)	Harsco Metals & Minerals	Harsco Industrial	Harsco Rail	Corporate	Consolidated Totals
Six Months Ended June 30, 2018:					
Operating income (loss) as reported	$ 63,396	$ 26,591	$ 10,570	$ (10,391)	$ 90,166
Harsco Metals & Minerals adjustment to slag disposal accrual	(3,223)	—	—	—	(3,223)
Altek acquisition costs	$ 753	$ —	$ —	$ 431	$ 1,184
Adjusted operating income (loss), excluding unusual items	$ 60,926	$ 26,591	$ 10,570	$ (9,960)	$ 88,127
Revenues as reported	$ 537,043	$ 175,663	$ 127,230	$ 74	$ 840,010
Six Months Ended June 30, 2017 (a):					
Operating income (loss) as reported (b)	$ 57,221	$ 12,134	$ 14,409	$ (12,008)	$ 71,756
Revenues as reported	$ 506,340	$ 139,448	$ 121,582	$ 69	$ 767,439

(a) No unusual items were excluded in the six months ended June 30, 2017.
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(In thousands)	Harsco Metals & Minerals	Harsco Industrial	Harsco Rail	Corporate	Consolidated Totals
Three Months Ended September 30, 2017:					
Operating income (loss) as reported (a)	$ 23,613	$ 12,954	$ 4,391	$ (6,330)	$ 34,628
Harsco Metals & Minerals Segment bad debt expense	4,589	—	—	—	4,589
Operating income (loss), excluding unusual items	**$ 28,202**	**$ 12,954**	**$ 4,391**	**$ (6,330)**	**$ 39,217**

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(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
Revenues as reported	$ 1,011,328	$ 299,592	$ 295,999	$ 143	$ 1,607,062
Adjusted operating margin (%) excluding unusual items	10.6%	11.9%	11.1%		9.3%

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RECONCILIATION OF NON-GAAP MEASURES

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

	Three Months Ended June 30		Six Months Ended June 30	
(In thousands)	**2018**	**2017**	**2018**	**2017**
Net cash used by operating activities	**$ 54,942**	$ 52,903	**$ 46,699**	$ 46,779
Less capital expenditures	**(29,599)**	(23,711)	**(56,496)**	(40,700)
Plus capital expenditures for strategic ventures (a)	**295**	337	**535**	396
Plus total proceeds from sales of assets (b)	**2,776**	528	**3,153**	1,534
Free cash flow	**$ 28,414**	$ 30,057	**$ (6,109)**	$ 8,009

(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.

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RECONCILIATION OF NON-GAAP MEASURES

HARSCO CORPORATION
RECONCILIATION OF FREE CASH FLOW AND FREE CASH FLOW BEFORE GROWTH CAPITAL EXPENDITURES TO NET CASH PROVIDED BY OPERATING ACTIVITIES (Unaudited)

(In thousands)	Twelve Months Ended December 31 2017
Net cash provided by operating activities	$ 176,892
Less capital expenditures	(98,314)
Plus capital expenditures for strategic ventures (a)	865
Plus total proceeds from sales of assets (b)	13,418
Free cash flow	92,861
Add growth capital expenditures	16,465
Free cash flow before growth capital expenditures	$ 109,326

(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. The Company's management also believes that free cash flow before growth capital expenditures, which is a non-U.S. GAAP financial measure, is meaningful to investors because management uses this as a key factor in the deployment of capital for strategic planning purposes. It is important to note that free cash flow and free cash flow before growth capital expenditures do 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 these measures. These measures should be considered in addition to, rather than as a substitute for, other information provided in accordance with U.S. GAAP.

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RECONCILIATION OF NON-GAAP MEASURES

HARSCO CORPORATION

RECONCILIATION OF FREE CASH FLOW AND FREE CASH FLOW BEFORE GROWTH CAPITAL EXPENDITURES TO NET CASH PROVIDED BY OPERATING ACTIVITIES (Unaudited)

	Projected Twelve Months Ending December 31	
	2018	
(In millions)	Low	High
Net cash provided by operating activities	$ 215	$ 235
Less capital expenditures	(135)	(143)
Plus total proceeds from asset sales and capital expenditures for strategic ventures	10	8
Free cash flow	90	100
Add growth capital expenditures	45	50
Free cash flow before growth capital expenditures	$ 135	$ 150

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. The Company's management also believes that free cash flow before growth capital expenditures, which is a non-U.S. GAAP financial measure, is meaningful to investors because management uses this as a key factor in the deployment of capital for strategic planning purposes. It is important to note that free cash flow and free cash flow before growth capital expenditures do 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 these measures. These measures 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)

	Trailing Twelve Months for Period Ended June 30	
(In thousands)	**2018**	**2017**
Income (loss) from continuing operations	**$ 43,970**	$ (15,185)
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	**3,299**	35,337
Harsco Metals & Minerals Segment adjustment to slag disposal accrual	**(3,223)**	—
Altek acquisition costs	**1,184**	—
Net loss on dilution and sale of equity investment	**—**	43,518
Harsco Rail Segment forward contract loss provision	**—**	5,000
Expense of deferred financing costs	**—**	1,125
Harsco Metals & Minerals Segment cumulative translation adjustment liquidation	**—**	(1,157)
Taxes on above unusual items (b)	**(2,272)**	(11,512)
Deferred tax asset valuation allowance adjustment	**(8,292)**	—
Net income from continuing operations, as adjusted	**87,935**	57,126
After-tax interest expense (c)	**29,875**	30,461
Net operating profit after tax as adjusted	**$ 117,810**	$ 87,587
Average equity	**$ 230,115**	$ 216,509
Plus average debt	**626,590**	700,588
Average capital	**$ 856,705**	$ 917,097
Return on invested capital excluding unusual items	**13.8%**	9.6%

(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 June 30, 2017 and for the trailing twelve months for period ended June 30, 2018, 37% was used for July 1, 2017 through December 31, 2017 and 23% was used for January 1, 2018 through June 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.

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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 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.

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