

HARSCO CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended March 31	
	2017	2016
(In thousands, except per share amounts)		
Revenues from continuing operations:		
Service revenues	\$ 240,609	\$ 225,494
Product revenues	131,932	127,787
Total revenues	372,541	353,281
Costs and expenses from continuing operations:		
Cost of services sold	188,901	189,817
Cost of products sold	98,866	93,244
Selling, general and administrative expenses	55,141	50,784
Research and development expenses	831	882
Other expenses	894	9,123
Total costs and expenses	344,633	343,850
Operating income from continuing operations	27,908	9,431
Interest income	512	535
Interest expense	(11,653)	(12,363)
Change in fair value to unit adjustment liability and loss on dilution of equity method investment	—	(12,217)
Income (loss) from continuing operations before income taxes and equity income	16,767	(14,614)
Income tax (expense) benefit	(6,253)	2,166
Equity in income of unconsolidated entities, net	—	3,175
Income (loss) from continuing operations	10,514	(9,273)
Discontinued operations:		
Loss on disposal of discontinued business	(588)	(506)
Income tax benefit related to discontinued business	211	187
Loss from discontinued operations	(377)	(319)
Net income (loss)	10,137	(9,592)
Less: Net income attributable to noncontrolling interests	(1,247)	(1,277)
Net income (loss) attributable to Harsco Corporation	\$ 8,890	\$ (10,869)
Amounts attributable to Harsco Corporation common stockholders:		
Income (loss) from continuing operations, net of tax	\$ 9,267	\$ (10,550)
Loss from discontinued operations, net of tax	(377)	(319)
Net income (loss) attributable to Harsco Corporation common stockholders	\$ 8,890	\$ (10,869)
Weighted-average shares of common stock outstanding	80,385	80,238
Basic earnings (loss) per common share attributable to Harsco Corporation common stockholders:		
Continuing operations	\$ 0.12	\$ (0.13)
Discontinued operations	—	—
Basic earnings (loss) per share attributable to Harsco Corporation common stockholders	\$ 0.11 ^(a)	\$ (0.14) ^(a)
Diluted weighted-average shares of common stock outstanding	82,263	80,238
Diluted earnings (loss) per common share attributable to Harsco Corporation common stockholders:		
Continuing operations	\$ 0.11	\$ (0.13)
Discontinued operations	—	—
Diluted earnings (loss) per share attributable to Harsco Corporation common stockholders	\$ 0.11	\$ (0.14) ^(a)

(a) Does not total due to rounding.

HARSCO CORPORATION
CONSOLIDATED BALANCE SHEETS (Unaudited)

(In thousands)	March 31 2017	December 31 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 64,429	\$ 71,879
Trade accounts receivable, net	267,999	236,554
Other receivables	21,192	21,053
Inventories	190,431	187,681
Other current assets	34,203	33,108
Total current assets	578,254	550,275
Property, plant and equipment, net	483,271	490,255
Goodwill	384,812	382,251
Intangible assets, net	40,469	41,567
Deferred income tax assets	106,926	106,311
Other assets	12,702	10,679
Total assets	\$ 1,606,434	\$ 1,581,338
LIABILITIES		
Current liabilities:		
Short-term borrowings	\$ 7,875	\$ 4,259
Current maturities of long-term debt	18,690	25,574
Accounts payable	108,551	107,954
Accrued compensation	35,238	46,658
Income taxes payable	6,582	4,301
Insurance liabilities	11,916	11,850
Advances on contracts and other customer advances	113,949	117,329
Other current liabilities	112,714	109,748
Total current liabilities	415,515	427,673
Long-term debt	646,632	629,239
Insurance liabilities	25,102	25,265
Retirement plan liabilities	308,711	319,597
Other liabilities	41,941	42,001
Total liabilities	1,437,901	1,443,775
HARSCO CORPORATION STOCKHOLDERS' EQUITY		
Common stock	140,639	140,625
Additional paid-in capital	176,297	172,101
Accumulated other comprehensive loss	(589,723)	(606,722)
Retained earnings	1,158,869	1,150,688
Treasury stock	(760,444)	(760,391)
Total Harsco Corporation stockholders' equity	125,638	96,301
Noncontrolling interests	42,895	41,262
Total equity	168,533	137,563
Total liabilities and equity	\$ 1,606,434	\$ 1,581,338

HARSCO CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In thousands)	Three Months Ended March 31	
	2017	2016
Cash flows from operating activities:		
Net income (loss)	\$ 10,137	\$ (9,592)
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Depreciation	30,207	33,081
Amortization	2,021	2,964
Change in fair value to the unit adjustment liability and loss on dilution of equity method investment	—	12,217
Deferred income tax benefit	(221)	(567)
Equity in income of unconsolidated entities, net	—	(3,175)
Dividends from unconsolidated entities	19	16
Other, net	5,131	(9,875)
Changes in assets and liabilities:		
Accounts receivable	(27,882)	15,952
Inventories	(755)	(12,408)
Accounts payable	(541)	(15,851)
Accrued interest payable	286	6,668
Accrued compensation	(12,352)	(3,777)
Advances on contracts and other customer advances	(4,998)	(8,995)
Retirement plan liabilities, net	(8,381)	(10,238)
Other assets and liabilities	1,205	605
Net cash used by operating activities	(6,124)	(2,975)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(16,989)	(16,951)
Proceeds from sales of assets	1,006	2,819
Purchases of businesses, net of cash acquired	—	(26)
Other investing activities, net	33	5,427
Net cash used by investing activities	(15,950)	(8,731)
Cash flows from financing activities:		
Short-term borrowings, net	3,655	(366)
Current maturities and long-term debt:		
Additions	24,000	29,010
Reductions	(14,345)	(42,921)
Cash dividends paid on common stock	—	(4,105)
Stock-based compensation - Employee taxes paid	(53)	—
Proceeds from cross-currency interest rate swap termination	—	16,625
Deferred financing costs	(36)	(894)
Net cash provided (used) by financing activities	13,221	(2,651)
Effect of exchange rate changes on cash	1,403	5,006
Net decrease in cash and cash equivalents	(7,450)	(9,351)
Cash and cash equivalents at beginning of period	71,879	79,756
Cash and cash equivalents at end of period	\$ 64,429	\$ 70,405

HARSCO CORPORATION
REVIEW OF OPERATIONS BY SEGMENT (Unaudited)

(In thousands)	Three Months Ended March 31, 2017		Three Months Ended March 31, 2016	
	Revenues	Operating Income (Loss)	Revenues	Operating Income (Loss)
Harsco Metals & Minerals	\$ 247,034	\$ 26,429	\$ 229,672	\$ 6,941
Harsco Industrial	65,885	2,804	61,869	6,471
Harsco Rail	59,588	5,986	61,740	4,906
Corporate	34	(7,311)	—	(8,887)
Consolidated Totals	\$ 372,541	\$ 27,908	\$ 353,281	\$ 9,431

HARSCO CORPORATION
RECONCILIATION OF NET DEBT TO TOTAL DEBT AS REPORTED(Unaudited)

(In thousands)

	March 31 2017	December 31 2016
Short-term borrowings	\$ 7,875	\$ 4,259
Current maturities of long-term debt	18,690	25,574
Long-term debt	646,632	629,239
Total debt	673,197	659,072
Less: Cash and cash equivalents	(64,429)	(71,879)
Net debt	\$ 608,768	\$ 587,193

The Company believes that the presentation of Net debt provides useful information to investors because management reviews Net debt as part of the management of the Company's overall liquidity, financial flexibility, capital structure and leverage. Furthermore, certain debt rating agencies, creditors and credit analysts monitor the Company's Net debt as part of their assessments of the Company's business.

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)
Adjusted diluted earnings per share from continuing operations excluding unusual items	\$ 0.11	\$ 0.03

(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.

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 June 30
	2016
Diluted loss per share from continuing operations as reported	\$ (0.35)
Harsco Rail Segment contract loss provision (a)	0.50
Taxes on above unusual items (b)	—
Adjusted diluted earnings per share from continuing operations excluding unusual items	\$ 0.15

(a) Harsco Rail Segment contract loss provision related the Company's contracts with the federal railway system of Switzerland (Q2 2016 \$40.1 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.

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

HARSCO CORPORATION

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

	Twelve Months Ended December 31 <u>2016</u>
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)
Adjusted diluted earnings per share from continuing operations excluding unusual items	\$ 0.48

(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.

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 March 31, 2017:					
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%
Three Months Ended March 31, 2016:					
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.

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 March 31, 2017:					
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
Three Months Ended March 31, 2016:					
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.

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, 2016:					
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	\$ 30,927	\$ 7,300	\$ 8,102	\$ (4,965)	\$ 41,364
Revenues as reported	\$ 253,560	\$ 66,270	\$ 50,103	\$ —	\$ 369,933

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

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

(In thousands)	Harsco Metals & Minerals	Harsco Industrial	Harsco Rail	Corporate	Consolidated Totals
Twelve Months Ended December 31, 2016:					
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	\$ 85,577	\$ 23,182	\$ 27,523	\$ (20,533)	\$ 115,749
Revenues as reported	\$ 965,540	\$ 247,542	\$ 238,107	\$ 34	\$ 1,451,223

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

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

(In thousands)	Three Months Ended March 31	
	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.

HARSCO CORPORATION

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

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

HARSCO CORPORATION

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

(In millions)	Projected Twelve Months Ending 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	\$ 70	\$ 85

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.

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

(In thousands)	Trailing Twelve Months for 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	\$ 83,068	\$ 65,055
Average equity	\$ 252,178	\$ 301,520
Plus average debt	759,500	915,682
Average capital	\$ 1,011,678	\$ 1,217,202
Return on invested capital excluding unusual items	8.2%	5.3%

(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.

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

	Year Ended December 31
(In thousands)	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
Return on invested capital excluding unusual items	6.9%

- (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.