HARSCO CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(In thousands, except per share amounts)	Three Months Ended June 30 2018	Three Months Ended June 30 2017	Six Months Ended June 30 2018	Six Months Ended June 30 2017
Revenues from continuing operations:				
Service revenues	$ 257,963	$ 251,306	$ 512,925	$ 491,915
Product revenues	174,009	143,592	327,085	275,524
Total revenues	431,972	394,898	840,010	767,439
Costs and expenses from continuing operations:				
Cost of services sold	195,906	193,235	395,279	382,717
Cost of products sold	122,976	100,728	234,956	199,518
Selling, general and administrative expenses	58,927	54,385	116,010	108,322
Research and development expenses	1,418	1,329	2,657	2,160
Other (income) expenses, net	(880)	2,072	942	2,966
Total costs and expenses	378,347	351,749	749,844	695,683
Operating income from continuing operations	53,625	43,149	90,166	71,756
Interest income	577	493	1,075	1,005
Interest expense	(9,993)	(12,405)	(19,576)	(24,058)
Defined benefit pension income (expense)	904	(675)	1,743	(1,374)
Loss on early extinguishment of debt	(1,034)	—	(1,034)	—
Income from continuing operations before income taxes	44,079	30,562	72,374	47,329
Income tax expense	(1,944)	(11,234)	(10,210)	(17,487)
Income from continuing operations	42,135	19,328	62,164	29,842
Discontinued operations:				
Income on disposal of discontinued business	739	628	159	40
Income tax expense related to discontinued business	(163)	(225)	(35)	(14)
Income from discontinued operations	576	403	124	26
Net income	42,711	19,731	62,288	29,868
Less: Net income attributable to noncontrolling interests	(2,222)	(693)	(3,991)	(1,940)
Net income attributable to Harsco Corporation	$ 40,489	$ 19,038	$ 58,297	$ 27,928
Amounts attributable to Harsco Corporation common stockholders:				
Income from continuing operations, net of tax	$ 39,913	$ 18,635	$ 58,173	$ 27,902
Income from discontinued operations, net of tax	576	403	124	26
Net income attributable to Harsco Corporation common stockholders	$ 40,489	$ 19,038	$ 58,297	$ 27,928
Weighted-average shares of common stock outstanding	80,861	80,535	80,756	80,460
Basic earnings per common share attributable to Harsco Corporation common stockholders:				
Continuing operations	$ 0.49	$ 0.23	$ 0.72	$ 0.35
Discontinued operations	0.01	0.01	—	—
Basic earnings per share attributable to Harsco Corporation common stockholders	$ 0.50	$ 0.24	$ 0.72	$ 0.35
Diluted weighted-average shares of common stock outstanding	83,643	82,850	83,594	82,558
Diluted earnings per common share attributable to Harsco Corporation common stockholders:				
Continuing operations	$ 0.48	$ 0.22	$ 0.70	$ 0.34
Discontinued operations	0.01	—	—	—
Diluted earnings per share attributable to Harsco Corporation common stockholders	$ 0.48 (a)	$ 0.23 (a)	$ 0.70	$ 0.34

(a) Does not total due to rounding.

HARSCO CORPORATION
CONSOLIDATED BALANCE SHEETS (Unaudited)

(In thousands)		June 30 2018		December 31 2017
ASSETS				
Current assets:				
Cash and cash equivalents	$	64,422	$	62,098
Restricted cash		2,665		4,111
Trade accounts receivable, net		295,390		288,034
Other receivables		27,349		20,224
Inventories		130,871		178,293
Current portion of contract assets		18,798		—
Other current assets		44,562		39,332
Total current assets		584,057		592,092
Property, plant and equipment, net		461,906		479,747
Goodwill		413,837		401,758
Intangible assets, net		86,265		38,251
Contract assets		3,566		—
Deferred income tax assets		42,387		51,574
Other assets		19,394		15,263
Total assets	$	1,611,412	$	1,578,685
LIABILITIES				
Current liabilities:				
Short-term borrowings	$	5,349	$	8,621
Current maturities of long-term debt		8,218		11,208
Accounts payable		137,491		126,249
Accrued compensation		43,133		60,451
Income taxes payable		5,707		5,106
Insurance liabilities		11,272		11,167
Current portion of advances on contracts		39,559		117,958
Other current liabilities		130,577		133,368
Total current liabilities		381,306		474,128
Long-term debt		652,431		566,794
Insurance liabilities		21,145		22,385
Retirement plan liabilities		228,063		259,367
Advances on contracts		13,493		—
Other liabilities		48,821		40,846
Total liabilities		1,345,259		1,363,520
HARSCO CORPORATION STOCKHOLDERS' EQUITY				
Common stock		141,812		141,110
Additional paid-in capital		185,512		180,201
Accumulated other comprehensive loss		(557,889)		(546,582)
Retained earnings		1,219,992		1,157,801
Treasury stock		(765,695)		(762,079)
Total Harsco Corporation stockholders' equity		223,732		170,451
Noncontrolling interests		42,421		44,714
Total equity		266,153		215,165
Total liabilities and equity	$	1,611,412	$	1,578,685

HARSCO CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In thousands)	Three Months Ended June 30 2018	Three Months Ended June 30 2017	Six Months Ended June 30 2018	Six Months Ended June 30 2017
Cash flows from operating activities:				
Net income	$ 42,711	$ 19,731	$ 62,288	$ 29,868
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	30,587	30,288	62,005	60,495
Amortization	2,632	1,987	4,566	4,008
Deferred income tax expense (benefit)	(4,295)	3,654	340	3,433
Dividends from unconsolidated entities	—	—	—	19
Other, net	1,093	2,803	3,037	5,708
Changes in assets and liabilities:				
Accounts receivable	(16,597)	(14,924)	(21,445)	(42,806)
Inventories	315	(5,541)	(11,175)	(6,296)
Contract assets	4,305	—	(1,393)	—
Accounts payable	19	4,800	7,359	4,259
Accrued interest payable	(109)	(120)	(58)	166
Accrued compensation	10,086	7,987	(16,045)	(4,365)
Advances on contracts	(5,768)	3,519	(13,116)	(1,479)
Retirement plan liabilities, net	(6,078)	(2,840)	(18,330)	(11,221)
Other assets and liabilities	(3,959)	1,559	(11,334)	4,990
Net cash provided by operating activities	54,942	52,903	46,699	46,779
Cash flows from investing activities:				
Purchases of property, plant and equipment	(29,599)	(23,711)	(56,496)	(40,700)
Purchases of businesses, net of cash acquired	(56,389)	—	(56,389)	—
Proceeds from sales of assets	2,776	528	3,153	1,534
Net proceeds (payments) from settlement of foreign currency forward exchange contracts	880	4,137	(2,942)	4,170
Net cash used by investing activities	(82,332)	(19,046)	(112,674)	(34,996)
Cash flows from financing activities:				
Short-term borrowings, net	682	(1,353)	(2,977)	2,302
Current maturities and long-term debt:				
Additions	78,858	—	124,858	24,000
Reductions	(40,249)	(32,367)	(43,193)	(46,712)
Dividends paid to noncontrolling interests	(4,609)	(1,769)	(4,609)	(1,769)
Sale of noncontrolling interests	—	—	477	—
Stock-based compensation - Employee taxes paid	(2,905)	(1,273)	(3,614)	(1,326)
Deferred financing costs	(354)	(6)	(354)	(42)
Other financing activities, net	—	(368)	—	(368)
Net cash provided (used) by financing activities	31,423	(37,136)	70,588	(23,915)
Effect of exchange rate changes on cash and cash equivalents, including restricted cash	(4,473)	1,626	(3,735)	3,029
Net increase (decrease) in cash and cash equivalents, including restricted cash	(440)	(1,653)	878	(9,103)
Cash and cash equivalents, including restricted cash, at beginning of period	67,527	64,429	66,209	71,879
Cash and cash equivalents, including restricted cash, at end of period	$ 67,087	$ 62,776	$ 67,087	$ 62,776

HARSCO CORPORATION
REVIEW OF OPERATIONS BY SEGMENT (Unaudited)

(In thousands)	Three Months Ended June 30, 2018 Revenues	Three Months Ended June 30, 2018 Operating Income (Loss)	Three Months Ended June 30, 2017 Revenues	Three Months Ended June 30, 2017 Operating Income (Loss)
Harsco Metals & Minerals	$ 272,320	$ 35,661	$ 259,306	$ 31,464
Harsco Industrial	92,065	14,170	73,563	9,240
Harsco Rail	67,552	8,618	61,994	8,192
Corporate	35	(4,824)	35	(5,747)
Consolidated Totals	$ 431,972	$ 53,625	$ 394,898	$ 43,149

(In thousands)	Six Months Ended June 30, 2018 Revenues	Six Months Ended June 30, 2018 Operating Income (Loss)	Six Months Ended June 30, 2017 Revenues	Six Months Ended June 30, 2017 Operating Income (Loss)
Harsco Metals & Minerals	$ 537,043	$ 63,396	$ 506,340	$ 57,221
Harsco Industrial	175,663	26,591	139,448	12,134
Harsco Rail	127,230	10,570	121,582	14,409
Corporate	74	(10,391)	69	(12,008)
Consolidated Totals	$ 840,010	$ 90,166	$ 767,439	$ 71,756

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.

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.

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

HARSCO CORPORATION

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

	Twelve Months Ended December 31
	2017
Diluted earnings per share from continuing operations as reported	$ 0.09
Impact of U.S. Tax reform on income tax benefit (expense) (a)	0.59
Harsco Metals & Minerals Segment bad debt expense (b)	0.06
Loss on early extinguishment of debt (c)	0.03
Taxes on above unusual items (d)	(0.02)
Adjusted diluted earnings per share from continuing operations excluding unusual items	$ 0.74 (e)

(a) The Company recorded a charge as a result of revaluing net deferred tax assets and liabilities as a result of U.S. tax reform ($48.7 million).

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

(c) Loss on early extinguishment of debt recorded at Corporate ($2.3 million pre-tax).

(d) Unusual items are tax effected at the global effective tax rate, before discrete items, in effect at the time the unusual item is recorded except for unusual items from countries where no tax benefit can be realized, in which case a zero percent tax rate is used.

(e) Does not total due to rounding.

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

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

(In thousands)	Harsco Metals & Minerals	Harsco Industrial	Harsco Rail	Corporate	Consolidated Totals
Three Months Ended June 30, 2018:					
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%
Six Months Ended June 30, 2018:					
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
Adjusted operating margin (%) excluding unusual items	11.3%	15.1%	8.3%		10.5%
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
Operating margin (%)	11.3%	8.7%	11.9%		9.4%

(a) No unusual items were excluded from operating income in the three or six 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 costs ("NPPC") in the statement of operations. Employers are required to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Other components of NPPC are required to be presented in the statement of operations separately from the service cost component and outside of the subtotal of income from operations. The amounts presented reflect the adoption of these changes.

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

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

(In thousands)	Harsco Metals & Minerals	Harsco Industrial	Harsco Rail	Corporate	Consolidated Totals
Three Months Ended 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
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

(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.

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
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.

(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.

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 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
Revenues as reported	$ 255,163	$ 78,318	$ 51,134	$ 38	$ 384,653

(a) On January 1, 2018, the Company adopted changes issued by the Financial Accounting Standards Board related to how employers that sponsor defined benefit pension plans and other postretirement plans present net periodic pension cost ("NPPC ") in the statement of operations. Employers are required to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Other components of NPPC are required to be presented in the statement of operations separately from the service cost component and outside of the subtotal of income from operations. The amounts presented reflect the adoption of these changes.

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

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

(In thousands)	Harsco Metals & Minerals	Harsco Industrial	Harsco Rail	Corporate	Consolidated Totals
Twelve Months Ended December 31, 2017:					
Operating income (loss) as reported (a)	$ 102,362	$ 35,532	$ 32,954	$ (25,455)	$ 145,393
Harsco Metals & Minerals bad debt expense	4,589	—	—	—	4,589
Adjusted operating income (loss), excluding unusual items	$ 106,951	$ 35,532	$ 32,954	$ (25,455)	$ 149,982

(a) On January 1, 2018, the Company adopted changes issued by the Financial Accounting Standards Board related to how employers that sponsor defined benefit pension plans and other postretirement plans present net periodic pension cost ("NPPC") in the statement of operations. Employers are required to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Other components of NPPC are required to be presented in the statement of operations separately from the service cost component and outside of the subtotal of income from operations. The amounts presented reflect the adoption of these changes.

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

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

	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.

HARSCO CORPORATION
RECONCILIATION OF FREE CASH FLOW 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

(a) Capital expenditures for strategic ventures represent the partner's share of capital expenditures in certain ventures consolidated in the Company's financial statements.
(b) Asset sales are a normal part of the business model, primarily for the Harsco Metals & Minerals Segment.

The Company's management believes that Free cash flow, which is a non-U.S. GAAP financial measure, is meaningful to investors because management reviews cash flows generated from (used in) operations less capital expenditures net of asset sales proceeds. It is important to note that free cash flow does not represent the total residual cash flow available for discretionary expenditures since other non-discretionary expenditures, such as mandatory debt service requirements and settlements of foreign currency forward exchange contracts, are not deducted from the measure. This measure should be considered in addition to, rather than as a substitute for, other information provided in accordance with U.S. GAAP.

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

	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

The Company's management believes that free cash flow, which is a non-U.S. GAAP financial measure, is meaningful to investors because management reviews cash flows generated from operations less capital expenditures net of asset sales proceeds for planning and performance evaluation purposes. It is important to note that free cash flow does not represent the total residual cash flow available for discretionary expenditures since other non-discretionary expenditures, such as mandatory debt service requirements and settlements of foreign currency forward exchange contracts, are not deducted from the measure. This measure should be considered in addition to, rather than as a substitute for, other information provided in accordance with U.S. GAAP.

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

	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.

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

(In thousands)	Year Ended December 31 2017
Income from continuing operations	$ 11,648
Unusual items:	
Impact of U.S. tax reform on income tax benefit	48,680
Harsco Metals & Minerals Segment bad debt expense	4,589
Loss on early extinguishment of debt	2,265
Taxes on above unusual items (b)	(2,052)
Net income from continuing operations, as adjusted	65,130
After-tax interest expense (c)	29,957
Net operating profit after tax as adjusted	$ 95,087
Average equity	$ 189,560
Plus average debt	638,964
Average capital	$ 828,524
Return on invested capital excluding unusual items	11.5%

(a) Return on invested capital excluding unusual items is net income from continuing operations excluding unusual items, and after-tax interest expense, divided by average capital for the year. The Company uses a trailing twelve month average for computing average capital.

(b) Unusual items are tax effected at the global effective tax rate, before discrete items, in effect at the time the unusual item is recorded except for unusual items from countries where no tax benefit can be realized, in which case a zero percent tax rate is used.

(c) The Company's effective tax rate approximated 37% for the year ended December 31, 2017 on an adjusted basis, for interest expense.

The Company's management believes Return on invested capital excluding unusual items, which is a non-U.S. GAAP financial measure, is meaningful in evaluating the efficiency and effectiveness of the capital invested in the Company's business. Exclusion of unusual items permits evaluation and comparison of results for the Company's core business operations, and it is on this basis that management internally assesses the Company's performance. This measure should be considered in addition to, rather than as a substitute for, net income or other information provided in accordance with U.S. GAAP.