

HARSCO CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(In thousands, except per share amounts)	Three Months Ended March 31	
	2019	2018
Revenues from continuing operations:		
Service revenues	\$ 229,520	\$ 244,209
Product revenues	217,768	163,829
Total revenues	447,288	408,038
Costs and expenses from continuing operations:		
Cost of services sold	181,871	191,675
Cost of products sold	157,004	119,678
Selling, general and administrative expenses	67,029	57,083
Research and development expenses	1,262	1,239
Other expenses, net	1,876	1,822
Total costs and expenses	409,042	371,497
Operating income from continuing operations	38,246	36,541
Interest income	534	498
Interest expense	(9,739)	(9,583)
Defined benefit pension income (expense)	(1,337)	839
Income from continuing operations before income taxes and equity income	27,704	28,295
Income tax expense	(4,855)	(8,266)
Equity income of unconsolidated entities, net	20	—
Income from continuing operations	22,869	20,029
Discontinued operations:		
Loss on disposal of discontinued business	(440)	(580)
Income tax benefit related to discontinued business	108	128
Loss from discontinued operations	(332)	(452)
Net income	22,537	19,577
Less: Net income attributable to noncontrolling interests	(1,840)	(1,769)
Net income attributable to Harsco Corporation	\$ 20,697	\$ 17,808
Amounts attributable to Harsco Corporation common stockholders:		
Income from continuing operations, net of tax	\$ 21,029	\$ 18,260
Loss from discontinued operations, net of tax	(332)	(452)
Net income attributable to Harsco Corporation common stockholders	\$ 20,697	\$ 17,808
Weighted-average shares of common stock outstanding	79,907	80,650
Basic earnings (loss) per common share attributable to Harsco Corporation common stockholders:		
Continuing operations	\$ 0.26	\$ 0.23
Discontinued operations	—	(0.01)
Basic earnings per share attributable to Harsco Corporation common stockholders	\$ 0.26	\$ 0.22
Diluted weighted-average shares of common stock outstanding	81,653	83,544
Diluted earnings (loss) per common share attributable to Harsco Corporation common stockholders:		
Continuing operations	\$ 0.26	\$ 0.22
Discontinued operations	—	(0.01)
Diluted earnings per share attributable to Harsco Corporation common stockholders	\$ 0.25 ^(a)	\$ 0.21

(a) Does not total due to rounding.

HARSCO CORPORATION
CONSOLIDATED BALANCE SHEETS (Unaudited)

(In thousands)	March 31 2019	December 31 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 84,743	\$ 64,260
Restricted cash	2,942	2,886
Trade accounts receivable, net	296,795	291,213
Other receivables	51,130	54,182
Inventories	147,696	133,111
Current portion of contract assets	17,478	24,254
Other current assets	45,219	35,128
Total current assets	646,003	605,034
Property, plant and equipment, net	483,448	469,900
Right-of-use assets, net	49,584	—
Goodwill	412,449	411,552
Intangible assets, net	78,753	79,825
Deferred income tax assets	50,051	49,114
Other assets	17,273	17,442
Total assets	\$ 1,737,561	\$ 1,632,867
LIABILITIES		
Current liabilities:		
Short-term borrowings	\$ 6,426	\$ 10,078
Current maturities of long-term debt	6,538	6,489
Accounts payable	159,037	149,410
Accrued compensation	37,483	57,586
Income taxes payable	1,598	2,634
Insurance liabilities	40,830	40,774
Current portion of advances on contracts	37,014	31,317
Current portion of operating lease liabilities	12,936	—
Other current liabilities	122,721	118,708
Total current liabilities	424,583	416,996
Long-term debt	642,375	585,662
Insurance liabilities	20,384	19,575
Retirement plan liabilities	201,572	213,578
Advances on contracts	27,478	37,675
Operating lease liabilities	37,037	—
Other liabilities	48,860	46,005
Total liabilities	1,402,289	1,319,491
HARSCO CORPORATION STOCKHOLDERS' EQUITY		
Common stock	143,178	141,842
Additional paid-in capital	192,912	190,597
Accumulated other comprehensive loss	(584,425)	(567,107)
Retained earnings	1,340,878	1,298,752
Treasury stock	(805,520)	(795,821)
Total Harsco Corporation stockholders' equity	287,023	268,263
Noncontrolling interests	48,249	45,113
Total equity	335,272	313,376
Total liabilities and equity	\$ 1,737,561	\$ 1,632,867

HARSCO CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In thousands)	Three Months Ended March 31	
	2019	2018
Cash flows from operating activities:		
Net income	\$ 22,537	\$ 19,577
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation	30,204	31,418
Amortization	3,045	1,934
Deferred income tax expense	595	4,635
Equity in income of unconsolidated entities, net	(20)	—
Other, net	(279)	1,944
Changes in assets and liabilities:		
Accounts receivable	(3,270)	(4,848)
Inventories	(14,448)	(11,490)
Contract assets	6,770	(5,698)
Right-of-use assets	3,895	—
Accounts payable	3,099	7,340
Accrued compensation	(19,924)	(26,131)
Advances on contracts	(3,406)	(7,348)
Operating lease liabilities	(3,913)	—
Retirement plan liabilities, net	(9,403)	(12,252)
Other assets and liabilities	(644)	(7,324)
Net cash provided (used) by operating activities	14,838	(8,243)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(36,407)	(26,897)
Purchase of business, net of cash acquired	680	—
Proceeds from sales of assets	1,177	377
Net payments from settlement of foreign currency forward exchange contracts	(4,091)	(3,822)
Net cash used by investing activities	(38,641)	(30,342)
Cash flows from financing activities:		
Short-term borrowings, net	(3,578)	(3,659)
Current maturities and long-term debt:		
Additions	56,998	46,000
Reductions	(1,700)	(2,944)
Sale of noncontrolling interests	876	477
Stock-based compensation - Employee taxes paid	(8,237)	(709)
Net cash used by financing activities	44,359	39,165
Effect of exchange rate changes on cash and cash equivalents, including restricted cash	(17)	738
Net increase in cash and cash equivalents, including restricted cash	20,539	1,318
Cash and cash equivalents, including restricted cash, at beginning of period	67,146	66,209
Cash and cash equivalents, including restricted cash, at end of period	\$ 87,685	\$ 67,527

HARSCO CORPORATION
REVIEW OF OPERATIONS BY SEGMENT (Unaudited)

	Three Months Ended March 31, 2019		Three Months Ended March 31, 2018	
	Revenues	Operating Income (Loss)	Revenues	Operating Income (Loss)
(In thousands)				
Harsco Metals & Minerals	\$ 261,312	\$ 24,497	\$ 264,723	\$ 27,735
Harsco Industrial	117,385	17,030	83,598	12,421
Harsco Rail	68,591	5,389	59,678	1,952
Corporate	—	(8,670)	39	(5,567)
Consolidated Totals	\$ 447,288	\$ 38,246	\$ 408,038	\$ 36,541

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 March 31	
	2019	2018 (a)
Diluted earnings per share from continuing operations as reported	\$ 0.26	\$ 0.22
Harsco Rail Segment improvement initiative costs (b)	0.03	—
Corporate strategic costs (c)	0.03	—
Harsco Metals & Minerals Segment cumulative translation adjustment liquidation (d)	(0.03)	—
Harsco Metals & Minerals Segment change in fair value to contingent consideration liability (e)	—	—
Taxes on above unusual items (f)	(0.01)	—
Adjusted diluted earnings per share from continuing operations excluding unusual items	\$ 0.29 ^(g)	\$ 0.22

(a) No unusual items were excluded in the three months ended March 31, 2018.

(b) Costs associated with a productivity improvement initiative in the Harsco Rail Segment (Q1 2019 \$2.6 million pre-tax).

(c) Costs at Corporate associated with supporting and executing the Company's growth strategy (Q1 2019 \$2.7 million pre-tax).

(d) Harsco Metals & Minerals Segment gain related to the liquidation of cumulated translation adjustment related to an exited country (Q1 2019 \$2.3 million pre-tax).

(e) Fair value adjustment to contingent consideration liability related to the acquisition of Altek (Q1 2019 \$0.4 million pre-tax). The Company adjusts Operating income and Diluted earnings per share from continuing operations to exclude the impact of the change in fair value to the acquisition-related contingent consideration liability for the Altek acquisition because it believes that the adjustment for this item more closely correlates the reported financial measures with the ordinary and ongoing course of the Company's operations.

(f) 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.

(g) 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
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 2018
Diluted earnings per share from continuing operations as reported	\$ 0.48
Harsco Metals & Minerals adjustment to slag disposal accrual (a)	(0.04)
Altek acquisition costs (b)	0.01
Loss on early extinguishment of debt (c)	0.01
Taxes on above unusual items (e)	—
Deferred tax asset valuation allowance adjustment (e)	(0.10)
Adjusted diluted earnings per share from continuing operations excluding unusual items	\$ 0.36

- (a) Harsco Metals & Minerals adjustment to previously accrued amounts related to the disposal of certain slag material in Latin America (\$3.2 million pre-tax).
- (b) Costs associated with the acquisition of Altek Europe Holdings Limited and its affiliated entities recorded in the Harsco Metals & Minerals Segment (\$0.8 million pretax) and at Corporate (\$0.4 million pretax).
- (c) 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 (\$1.0 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) Adjustment of certain existing deferred tax asset valuation allowances as a result of the Altek acquisition (\$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 EARNINGS PER SHARE FROM CONTINUING OPERATIONS AS REPORTED (Unaudited)

	Twelve Months Ended December 31 2018
Diluted earnings per share from continuing operations as reported	\$ 1.64
Harsco Metals & Minerals adjustment to slag disposal accrual (a)	(0.04)
Harsco Metals & Minerals Segment change in fair value to contingent consideration liability (b)	(0.04)
Altek acquisition costs (c)	0.01
Loss on early extinguishment of debt (d)	0.01
Harsco Rail Segment improvement initiative costs (e)	0.01
Taxes on above unusual items (f)	(0.01)
Impact of U.S. tax reform on income tax benefit (expense) (g)	(0.18)
Deferred tax asset valuation allowance adjustment (h)	(0.10)
Adjusted diluted earnings per share from continuing operations excluding unusual items	\$ 1.31 ⁽ⁱ⁾

- (a) Harsco Metals & Minerals adjustment to previously accrued amounts related to the disposal of certain slag material in Latin America (\$3.2 million pre-tax).
- (b) Fair value adjustment to contingent consideration liability related to the acquisition of Altek (\$2.9 million pre-tax). The Company adjusts Operating income and Diluted earnings per share from continuing operations to exclude the impact of the change in fair value to the acquisition-related contingent consideration liability for the Altek acquisition because it believes that the adjustment for this item more closely correlates the reported financial measures with the ordinary and ongoing course of the Company's operations.
- (c) Costs associated with the acquisition of Altek Europe Holdings Limited and its affiliated entities ("Altek") recorded in the Harsco Metals & Minerals Segment (\$0.8 million pretax) and at Corporate (\$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 (\$1.0 million pre-tax).
- (e) Costs associated with a productivity improvement initiative in the Harsco Rail Segment (\$0.6 million pre-tax).
- (f) 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.
- (g) The Company recorded a benefit (expense) as a result of revaluing net deferred tax assets and liabilities as a result of U.S. tax reform (\$15.4 million benefit).
- (h) Adjustment of certain existing deferred tax asset valuation allowances as a result of the Altek acquisition (\$8.3 million).
- (i) Does not total due to rounding.

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

HARSCO CORPORATION
RECONCILIATION OF PROJECTED ADJUSTED DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS EXCLUDING UNUSUAL ITEMS TO DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS (Unaudited)

	Projected Three Months Ending June 30	
	2019	
	Low	High
Diluted earnings per share from continuing operations	\$ 0.23	\$ 0.29
Corporate strategic and transaction related costs	0.12	0.12
Harsco Rail Segment improvement initiative costs	0.02	0.02
Taxes on above unusual items	(0.03)	(0.03)
Adjusted diluted earnings per share from continuing operations, excluding unusual items	\$ 0.35 (a)	\$ 0.40

	Projected Twelve Months Ending December 31	
	2019	
	Low	High
Diluted earnings per share from continuing operations	\$ 1.15	\$ 1.33
Corporate strategic and transaction related costs	0.15	0.15
Loss on early extinguishment of debt	0.09	0.09
Harsco Rail Segment improvement initiative costs	0.06	0.06
Harsco Metals & Minerals Segment cumulative translation adjustment liquidation	(0.03)	(0.03)
Harsco Metals & Minerals Segment change in fair value to contingent consideration liability	—	—
Taxes on above unusual items	(0.07)	(0.07)
Adjusted diluted earnings per share from continuing operations, excluding unusual items	\$ 1.35	\$ 1.53

(a) 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
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, 2019:					
Operating income (loss) as reported	\$ 24,497	\$ 17,030	\$ 5,389	\$ (8,670)	\$ 38,246
Harsco Rail Segment improvement initiative costs	—	—	2,648	—	2,648
Corporate strategic costs	—	—	—	2,739	2,739
Harsco Metals & Minerals Segment cumulative translation adjustment liquidation	(2,271)	—	—	—	(2,271)
Harsco Metals & Minerals Segment change in fair value to contingent consideration liability	369	—	—	—	369
Adjusted operating income (loss), excluding unusual items	\$ 22,595	\$ 17,030	\$ 8,037	\$ (5,931)	\$ 41,731
Revenues as reported	\$ 261,312	\$ 117,385	\$ 68,591	\$ —	\$ 447,288
Adjusted operating margin (%) excluding unusual items	8.6%	14.5%	11.7%		9.3%
Three Months Ended March 31, 2018:					
Operating income (loss) as reported (a)	\$ 27,735	\$ 12,421	\$ 1,952	\$ (5,567)	\$ 36,541
Revenues as reported	\$ 264,723	\$ 83,598	\$ 59,678	\$ 39	\$ 408,038
Operating margin (%) as reported	10.5%	14.9%	3.3%		9.0%

(a) No unusual items were excluded in the three months ended March 31, 2018.

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, 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	<u>\$ 33,191</u>	<u>\$ 14,170</u>	<u>\$ 8,618</u>	<u>\$ (4,393)</u>	<u>\$ 51,586</u>
Revenues as reported	<u>\$ 272,320</u>	<u>\$ 92,065</u>	<u>\$ 67,552</u>	<u>\$ 35</u>	<u>\$ 431,972</u>
Adjusted operating margin (%) excluding unusual items	<u>12.2 %</u>	<u>15.4 %</u>	<u>12.8 %</u>		<u>11.9 %</u>

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

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, 2018:					
Operating income (loss) as reported	\$ 121,195	\$ 54,665	\$ 37,341	\$ (22,274)	\$ 190,927
Harsco Metals & Minerals adjustment to slag disposal accrual	(3,223)	—	—	—	(3,223)
Harsco Metals & Minerals Segment change in fair value to contingent consideration liability	(2,939)	—	—	—	(2,939)
Altek acquisition costs	753	—	—	431	1,184
Harsco Rail Segment improvement initiative costs	—	—	640	—	640
Adjusted operating income (loss), excluding unusual items	\$ 115,786	\$ 54,665	\$ 37,981	\$ (21,843)	\$ 186,589
Revenues as reported	\$ 1,068,304	\$ 374,708	\$ 279,294	\$ 74	\$ 1,722,380
Adjusted operating margin (%) excluding unusual items	10.8%	14.6%	13.6%		10.8%

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 PROJECTED ADJUSTED OPERATING INCOME, EXCLUDING UNUSUAL ITEMS TO OPERATING INCOME
(Unaudited)

(In millions)	Projected Three Months Ending June 30	
	2019	
	Low	High
Operating income	\$ 41	\$ 46
Corporate strategic and transaction related costs	10	10
Harsco Rail Segment improvement initiative costs	2	2
Adjusted operating income, excluding unusual items	<u>\$ 53</u>	<u>\$ 58</u>

(In millions)	Projected Twelve Months Ending December 31	
	2019	
	Low	High
Operating income	\$ 192	\$ 207
Corporate strategic and transaction related costs	13	13
Harsco Rail Segment improvement initiative costs	5	5
Harsco Metals & Minerals Segment cumulative translation adjustment liquidation	(2)	(2)
Harsco Metals & Minerals Segment change in fair value to contingent consideration liability	—	—
Adjusted operating income, excluding unusual items	<u>\$ 207 (a)</u>	<u>\$ 222 (a)</u>

(a) Does not total due to rounding.

The Company's management believes Adjusted operating income, 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 AND FREE CASH FLOW BEFORE GROWTH CAPITAL EXPENDITURES TO NET CASH USED BY
OPERATING ACTIVITIES (Unaudited)

(In thousands)	Three Months Ended March 31	
	2019	2018
Net cash used by operating activities	\$ 14,838	\$ (8,243)
Less capital expenditures	(36,407)	(26,897)
Plus capital expenditures for strategic ventures (a)	843	240
Plus total proceeds from sales of assets (b)	1,177	377
Free cash flow	(19,549)	(34,523)
Add growth capital expenditures	12,517	7,684
Free cash flow before growth capital expenditures	\$ (7,032)	\$ (26,839)

(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.

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

	Twelve Months Ended December 31
(In thousands)	2018
Net cash provided by operating activities	\$ 192,022
Less capital expenditures	(132,168)
Plus capital expenditures for strategic ventures (a)	1,595
Plus total proceeds from sales of assets (b)	11,887
Free cash flow	73,336
Add growth capital expenditures	30,655
Free cash flow before growth capital expenditures	<u>\$ 103,991</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 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.

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

(In millions)	Projected Twelve Months Ending December 31	
	2019	
	Low	High
Net cash provided by operating activities	\$ 225	\$ 260
Less capital expenditures	(176)	(194)
Plus total proceeds from asset sales and capital expenditures for strategic ventures	6	4
Free cash flow	55	70
Add growth capital expenditures	80	80
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.

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

(In thousands)	Trailing Twelve Months for Period Ended March 31	
	2019	2018
Income from continuing operations	\$ 147,579	\$ 21,163
Unusual items:		
Harsco Rail Segment improvement initiative costs	3,288	—
Harsco Metals & Minerals Segment adjustment to slag disposal accrual	(3,223)	—
Corporate strategic costs	2,739	—
Harsco Metals & Minerals Segment change in fair value to contingent consideration liability	(2,570)	—
Harsco Metals & Minerals Segment cumulative translation adjustment liquidation	(2,271)	—
Altek acquisition costs	1,184	—
Harsco Metals & Minerals Segment bad debt expense	—	4,589
Loss on early extinguishment of debt	1,034	2,265
Taxes on above unusual items (b)	(1,525)	(2,052)
Impact of U.S. tax reform on income tax benefit	(15,409)	48,680
Deferred tax asset valuation allowance adjustment	(8,292)	—
Net income from continuing operations, as adjusted	122,534	74,645
After-tax interest expense (c)	29,494	29,995
Net operating profit after tax as adjusted	\$ 152,028	\$ 104,640
Average equity	\$ 296,468	\$ 209,938
Plus average debt	643,816	625,337
Average capital	\$ 940,284	\$ 835,275
Return on invested capital excluding unusual items	16.2%	12.5%

- (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 23% for the trailing twelve months for the period ended March 31, 2019 and for the trailing twelve months for the period ended March 31, 2018, 37% was used for April 1, 2017 through December 31, 2017 and 23% was used for January 1, 2018 through March 31, 2018, 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.

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
	2018
Income from continuing operations	\$ 144,739
Unusual items:	
Harsco Metals & Minerals Segment adjustment to slag disposal accrual	(3,223)
Harsco Metals & Minerals Segment change in fair value to contingent consideration liability	(2,939)
Altek acquisition costs	1,184
Loss on early extinguishment of debt	1,034
Harsco Rail Segment improvement initiative costs	640
Taxes on above unusual items (b)	(361)
Impact of U.S. tax reform on income tax benefit	(15,409)
Deferred tax asset valuation allowance adjustment	(8,292)
Net income from continuing operations, as adjusted	117,373
After-tax interest expense (c)	29,374
Net operating profit after tax as adjusted	\$ 146,747
Average equity	\$ 274,164
Plus average debt	635,491
Average capital	\$ 909,655
Return on invested capital excluding unusual items	16.1%

- (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 23% for the year ended December 31, 2018 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.