
HARSCO
Insight onsite.™

# Investor Presentation

March 2016

HARSCO

# Administrative Items

Forward-Looking Statements

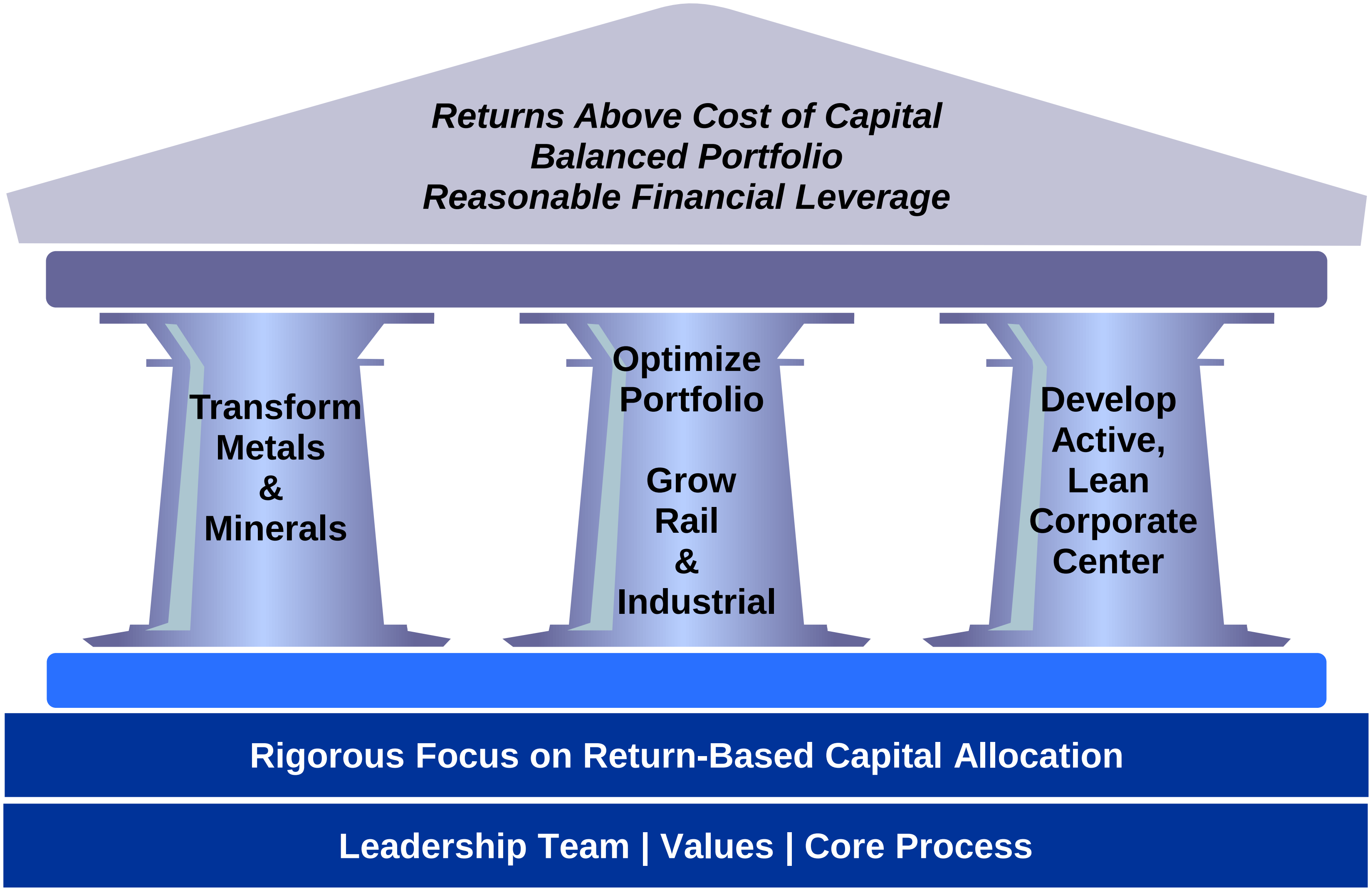
The Company's presentation contains forward-looking statements based on management's current expectations, estimates and projections. The nature of the Company's business and the many countries in which it operates subject it to changing economic, competitive, regulatory and technological conditions, risks and uncertainties. In accordance with the "safe harbor" provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, the Company provides the following cautionary remarks regarding important factors that, among others, could cause future results to differ materially from the results contemplated by forward-looking statements, including the expectations and assumptions expressed or implied herein. Forward-looking statements contained herein could include, among other things, statements about management's confidence in and strategies for performance; expectations for new and existing products, technologies and opportunities; and expectations regarding growth, sales, cash flows, and earnings. Forward-looking statements can be identified by the use of such terms as "may," "could," "expect," "anticipate," "intend," "believe," "likely," "estimate," "plan" or other comparable terms.

Factors that could cause actual results to differ, perhaps materially, from those implied by forward-looking statements include, but are not limited to: (1) changes in the worldwide business environment in which the Company operates, including general economic conditions; (2) changes in currency exchange rates, interest rates, commodity and fuel costs and capital costs; (3) changes in the performance of equity and bond markets that could affect, among other things, the valuation of the assets in the Company's pension plans and the accounting for pension assets, liabilities and expenses; (4) changes in governmental laws and regulations, including environmental, occupational health and safety, tax and import tariff standards; (5) market and competitive changes, including pricing pressures, market demand and acceptance for new products, services and technologies; (6) the Company's inability or failure to protect its intellectual property rights from infringement in one or more of the many countries in which the Company operates; (7) failure to effectively prevent, detect or recover from breaches in the Company's cybersecurity infrastructure; (8) unforeseen business disruptions in one or more of the many countries in which the Company operates due to political instability, civil disobedience, armed hostilities, public health issues or other calamities; (9) disruptions associated with labor disputes and increased operating costs associated with union organization; (10) the seasonal nature of the Company's business; (11) the Company's ability to successfully enter into new contracts and complete new acquisitions or strategic ventures in the time-frame contemplated, or at all; (12) the integration of the Company's strategic acquisitions; (13) the amount and timing of repurchases of the Company's common stock, if any; (14) the prolonged recovery in global financial and credit markets and economic conditions generally, which could result in the Company's customers curtailing development projects, construction, production and capital expenditures which, in turn, could reduce the demand for the Company's products and services and, accordingly, the Company's revenues, margins and profitability; (15) the outcome of any disputes with customers, contractors and subcontractors; (16) the financial condition of the Company's customers, including the ability of customers (especially those that may be highly leveraged and those with inadequate liquidity) to maintain their credit availability; (17) the Company's ability to successfully implement and receive the expected benefits of cost-reduction and restructuring initiatives, including the achievement of expected cost savings in the expected time frame; (18) the ability to successfully implement the Company's strategic initiatives and portfolio optimization and the impact of such initiatives, such as the Harsco Metals & Minerals Segment's Improvement Plan ("Project Orion"); (19) the amount ultimately realized from the Company's exit from the strategic venture between the Company and Clayton, Dubilier & Rice and the timing of such exit; (20) implementation of environmental remediation matters; (21) risk and uncertainty associated with intangible assets; (22) the impact of a transaction, if any, resulting from the Company's determination to explore strategic options for the separation of the Harsco Metals & Minerals Segment; and (23) other risk factors listed from time to time in the Company's SEC reports. A further discussion of these, along with other potential risk factors, can be found in Part I, Item 1A, "Risk Factors," of this Annual Report on Form 10-K. The Company cautions that these factors may not be exhaustive and that many of these factors are beyond the Company's ability to control or predict. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results. The Company undertakes no duty to update forward-looking statements except as may be required by law.

Non-GAAP Measures

Throughout this presentation, the Company refers to certain non-GAAP measures, including, without limitation, adjusted operating income (loss) from continuing operations, adjusted operating income margin, adjusted diluted earnings per share from continuing operations, return on invested capital and free cash flow. For a reconciliation of non-GAAP measures to U.S. GAAP results and the Company's rationale for its usage of non-GAAP measures, see the Appendix to this presentation.

# Harsco – Focused on ROIC



# Key Investment Highlights

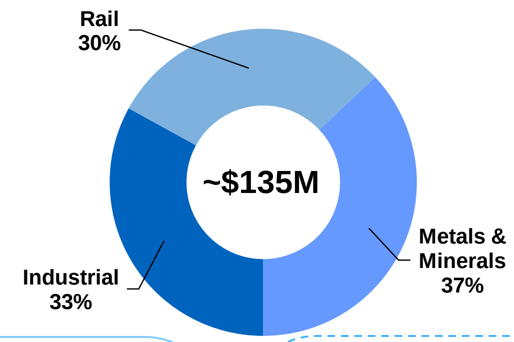
- **Three industry leading, diversified businesses with a global presence, providing innovative customer solutions**
  - Metals & Minerals is global leader in mill services industry with long-term contracts and high renewal rates
  - Industrial is a leading provider of highly engineered products to the industrial and energy markets with attractive margins and returns
  - Rail produces customized rail maintenance equipment and parts for a global customer base
- **Focused on improving profitability and value creation**
  - Project Orion improved financial profile of Metals & Minerals through efficiency, functional and operational initiatives
  - New technologies and product innovation to fuel growth in Industrial
  - Rail to benefit from product and geographic expansions as well as spare parts penetration
  - Evaluating options for separation of Metals & Minerals business
- **Meaningful earnings improvement potential from end-market recovery in each business unit**
- **Significant financial flexibility and focused on maintaining strong capital structure**
  - Emphasis on increasing free cash flow and net leverage expected to decline in 2016
- **Valuable investment in Brand Energy**

# Harsco at a Glance

NYSE: HSC

## Diversified global engineered products and services company

### Adjusted Operating Income




**HARSCO METALS & MINERALS**

**Revenue: ~$1.1B**

*Global market leader in mill services*

- Premier provider for resource recovery and environmental solutions
- 140 customer sites in 30+ countries
- Deep operational expertise providing onsite logistics and maintenance

**HARSCO INDUSTRIAL**

**Revenue: ~$360M**

*Highly engineered OEM to industrial and energy markets*

- AXC: A leader in high quality air-cooled heat exchangers
- IKG: leading producer of industrial metal grating products
- PK: innovative commercial boilers and water heaters

**HARSCO RAIL**

**Revenue: ~$260M**

*Customized provider of maintenance services and equipment*

- Leader in NA rail maintenance
- Large installed base
- Aftermarket expansion provides recurring revenues and is positioned to grow
- Significant opportunities for international expansion

**BRAND ENERGY & INFRASTRUCTURE SERVICES**

**Revenue: ~$3B**

*29% stake in leading industrial service provider*

- Global market leader
- Steady stream of recurring revenues
- Broad portfolio of services
- Strong presence in energy markets

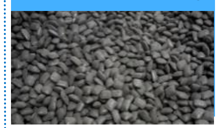


Note: Adjusted operating income and all revenues for Harsco Metals & Minerals, Rail, and Industrial Segments are 2015 actual amounts. Industrial Segment: AXC represents Air-X-Changers; IKG represents IKG Industries; and PK represents Patterson-Kelley.

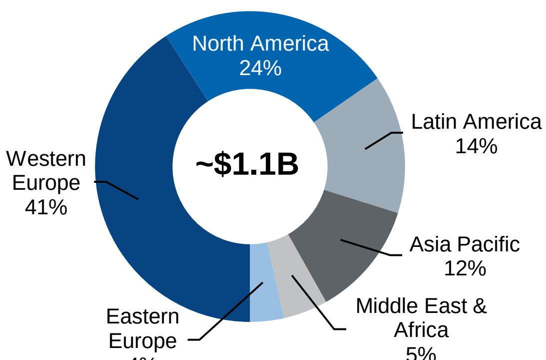
# Metals & Minerals
## Improving Returns Above Cost Of Capital

- **Global market leader in 30+ countries**
  - ~70 customers globally and ~140 operating sites
- **Differentiated operational and technical expertise providing valuable customer solutions**
- **Long term contracts and relationships; existing sites have often served customer over multiple decades**
- **High contract renewal rates**
- **Industry leading technology provides opportunity to leverage heightened environmental requirements**
  - Scrap detection and reporting system
  - Wet magnet technology: best in class metal recovery
  - Yield loss monitoring
  - Agglomeration technologies
- **Flexible operating structure scalable to business needs**
- **Project Orion initiatives improves return profile**

## Services and Products Portfolio

| Category | Solutions | Offerings |
|---|---|---|
| Materials Management and Melt Shop Services  | Optimize availability of inputs; Enable core operations; Improve production efficiency; Offer environmental, health, and safety solutions | Slag Hauling & Processing; Logistics and Raw Materials Inventory Management; Scarfing, Slitting & Packaging; Tap-hole Drilling, Refractory Wrecking /Recycling, Vessel Cleaning |
| Resource Recovery  | Processing & recovery of valuable resources | Extraction of nickel and other high value metallic; Briquetting & Pelletizing; Crushing & Metal Recovery; Scrap Sales |
| Environmental and Product Solutions  | Utilize by-products from steel and other metal making processes to create value added products; Zero waste environmental solutions | Abrasives & Roofing Granules; Road Base Materials & Cement; Metallurgical Additives; Fertilizers & Soil Conditioners |

## Revenue Mix by Geography




## Long Range Targets

| Category | 2015 Actuals | Long-Range Targets |
|---|---|---|
| Revenue | $1.1B | $1.1 - $1.2B |
| Adjusted OI Margin[1] | 6% | 9 - 10% |
| FCF | $64M | $110 - $130M[2] |

Note: Revenue breakdown from 2015
(1) Excludes impact of special items
(2) Excludes growth capital

FCF: Net cash provided by operating activities less capital expenditures plus proceeds from asset sales and capital expenditures for strategic ventures

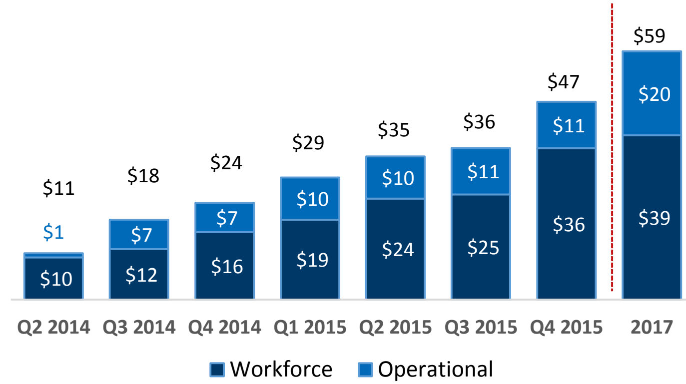
# Project Orion – Transforming M&M

## Uniquely Positions M&M to Benefit From a Recovery in Steel Markets

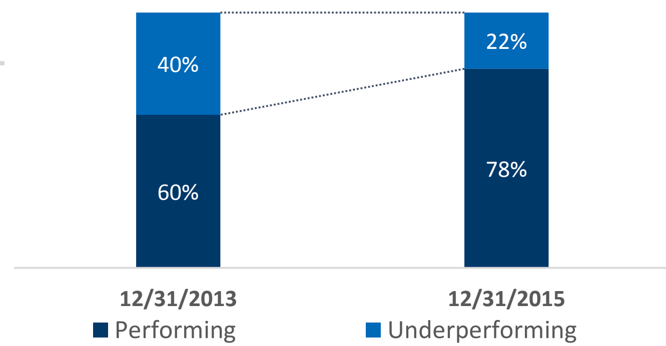
- **Initiated in Q2 2014: objective is to improve returns and to provide higher and more consistent level of value-added services to customers**
- **Highly confident in sustainable cost savings and portfolio potential; portfolio of acceptable performing sites illustrate value proposition**
- **Phase III launched in late 2015 – targeting additional benefits of $20-25 million through SG&A and COGS savings; majority to be realized in 2016**
- **On-going benefits of $47 million realized through 2015; including Phase III actions**

| Key Initiatives | Key Updates |
|---|---|
| **Bid and Contract Management** | ■ Formed to optimize contracts through diligent review and assessment<br>■ "Best-in-class" process developed and functioning<br>■ New opportunities and renewals flowing through process; ~30 renewals and new business opportunities won in 2015 |
| **Organizational / Headcount Structure Realignment** | ■ Centralized core processes (BCM, Engineering & Operations), introduced Regional leadership and aligned functional support (Finance, Legal, HR & IT)<br>■ All workforce actions completed under Phase I and II<br>■ Phase III to achieve additional savings |
| **Operational Standards Improvement** | ■ New operational standards ("Harsco Way") established and being rolled-out across global site portfolio<br>■ Initiative includes 16 standards identified as best practices<br>■ New assessment process to ensure continuous compliance with new standards |
| **Address Underperforming Contracts ("UPCs") Through Triage Teams** | ■ Proactively addressing underperforming contracts prior to expiration<br>■ Initiatives include commercial and operational actions; if viable solutions are not identified then exiting a site is an acceptable path<br>■ Anticipate addressing all underperforming sites by early 2016<br>■ Triage teams to remain in place to quickly react to any future site underperformance |

### Workforce and Operational Run-Rate Savings



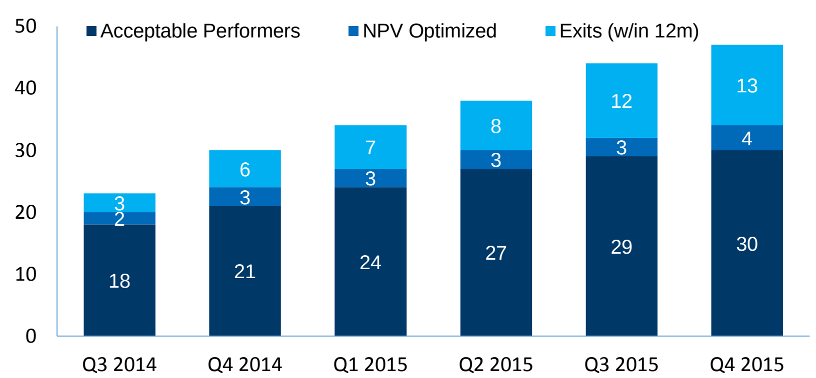

### Site Breakdown: Original UPCs



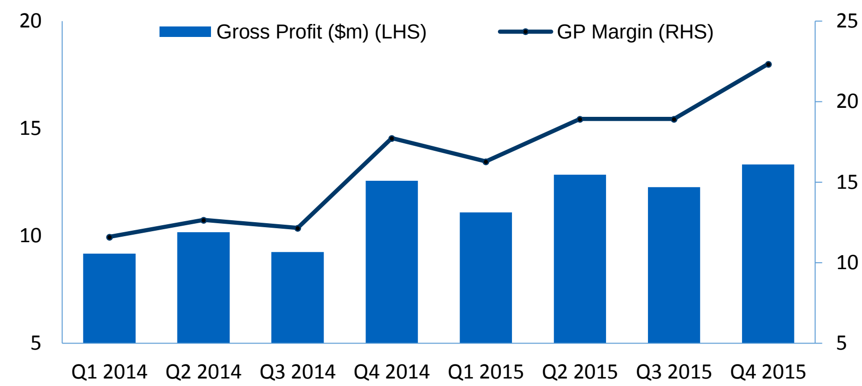

Note: RM = Return Measure; UPC = Underperforming Contract (<24 RM); PC = Performing Contract (>24 RM)

# Project Orion
## Measuring Progress at Underperforming Sites

### Distribution of Finalized Outcomes




### Finalized Site Performance




- **Proactively dealing with each underperforming site based on NPV of scenario cash flows**
- **Underperforming contracts (UPCs) are not tied to any specific geography or customer**
- **~70% of original "underperformers" (UPCs) have been addressed or finalized**
- **Success to date validates initiative; finalized sites have shown considerable financial progress despite external headwinds**
  - Gross profit margins at finalized UPCs are in line with performing contracts
- **"Triage" teams expected to address remaining underperforming sites in 2016**
  - Additional "runway" for improvement given status of remaining UPCs
  - Financial impacts dependent on outcome timing and partially offset by exits





Note: RM = Return Measure; UPC = Underperforming Contract (<24 RM); PC = Performing Contract (>24 RM)

# M&M - Positioned to Capture Growth Opportunities

## Increased Penetration of Existing Sites with Targeted Pursuit of New Sites

- Renewed emphasis on entrepreneurial focus at site level for site managers to grow relationships and services
- Ability to obtain add-on contracts at local site level
- Identification of “new site” opportunities and implementation of business win action plan

- **Competitive landscape understood**
- **New sites identified in select markets globally**
  - **Ongoing dialogue with site managers and site owners**
  - **Assessment of areas of incremental value M&M can provide**

## Firm wide Commercialization of Applied Products Technology

- Applied product “successes" to be rolled out across the site portfolio
- Additional value creation / upside through the development of a global, coordinated Applied Products strategy

**Current Platform**

| | |
|---|---|
| **Abrasives and Roof Granules** | **Road Construction** |
| **Specialty Metallics Recovery / Fertilizer** | **Metallurgical Additives** |

## Capitalizing on Opportunities and Outlook in Growth Markets

### India

- Strong market position – only global steel mill services company with full-scale operations in India providing a comprehensive service offering
- High expected steel production volume growth
- Local purchasing enabling lower capital and operating costs
- In-house engineering capabilities, operating track record, and local presence are key differentiating factors
- Best-in-class operator positioned for positive market outlook

### China

- Significant opportunities from potential outsourcing of steel mill services
- Focus in China on environmental solutions presents additional applied products applications
- Established track record – developed relationships and full-scale operations in China differentiates Harsco from other global mill services companies

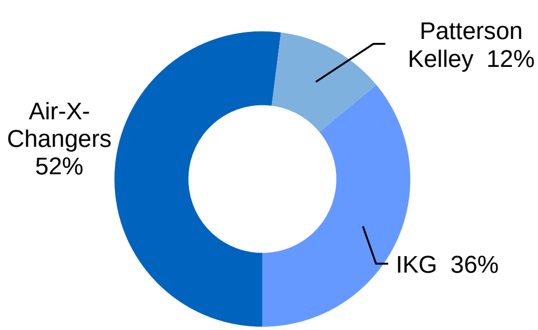
# Industrial - Highly Attractive Return Business

- **Three businesses with premium quality products and powerful 100+ year brand heritage**
  - **AXC**: A leader in high quality air-cooled heat exchangers, sold primarily to energy markets
  - **IKG**: leading producer of industrial metal grating products
  - **PK**: innovative commercial boilers and water heaters
- **Broad attractive end-markets**
  - Growth in natural gas production
  - Chemical and Oil processing expansions
  - Industrial capacity additions
  - Improvement in US construction
- **Focus on Continuous Improvement principles**
- **Attractive margins**
- **Capital-light business with high returns**
  - Yearly CapEx: ~4% of revenue
  - ROIC: 39%

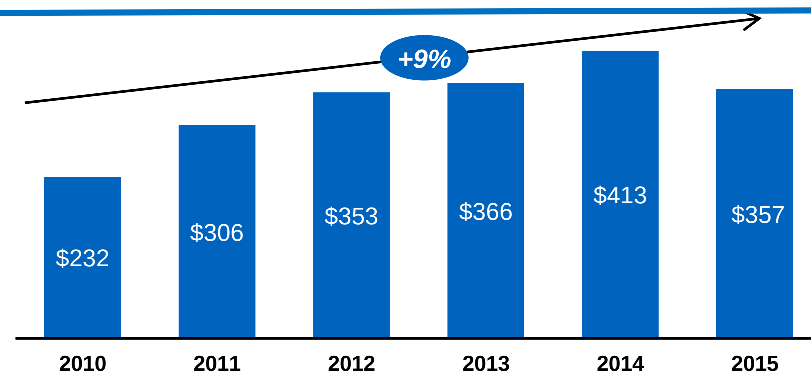
## Products and Applications Portfolio

| Products | Applications | Customers |
|---|---|---|
| **Air-X-Changers**  | Process cooling for petrochemical applications<br>Natural gas compression, processing, and transmission | Petrochemical Plants<br>Natural Gas packagers<br>Oil Refineries |
| **IKG**  | Mezzanines, platforms, treads, flooring systems<br>Aesthetic applications<br>Industrial fencing | Structural Steel Fabricators<br>Distributors and Service Centers |
| **Patterson-Kelley**  | Commercial and institutional building space heating<br>Domestic hot water | K-12 & Universities<br>Govt. Facilities<br>Hospitals, hotels<br>Apartment complexes |

## Revenue Mix by Business




## Significant Revenue Growth Since 2010 ($M)





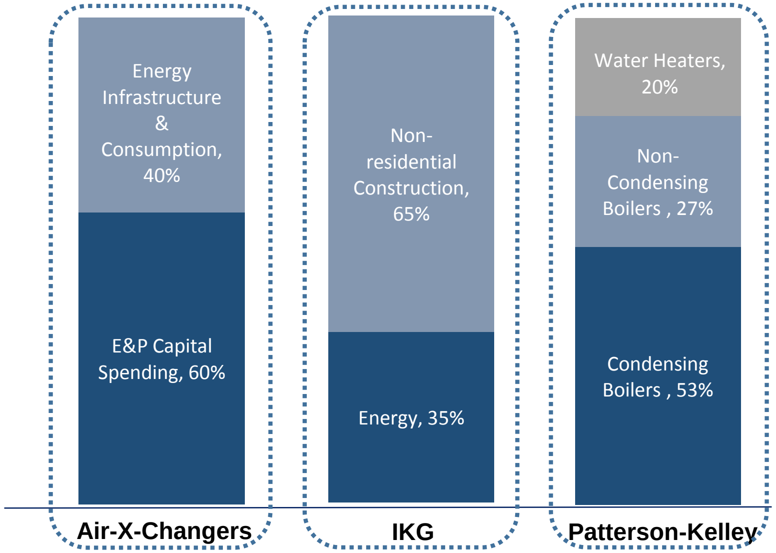



Note: Revenue breakdown from 2015. Segment ROIC for 2015 = segment net operating profit after tax (NOPAT) divided by net operating assets.

# Industrial Platform For Growth

- **Strong position in North America**
- **Product innovation will support growth and broaden offerings to new customers**
  - Examples include: SONIC™ boiler, NURO™ control panel and IKG GrateGuard™
- **Targeted M&A in large profitable markets**
  - Competitive market position
  - Supplement end market exposure
  - Leverages market expertise
  - Return in excess of cost of capital (~10%)
- **Successfully consolidated 5 facilities within a 40 mile radius into a single 550,000 sq. ft. AXC facility (CenterGate)**
  - Move completed in H2 2015
  - Investment supports profitable growth and lean manufacturing given that manufacturing inefficiencies existed operating multiple integrated facilities near Tulsa, OK
  - Customers require shorter lead times
  - Significant reduction in material handling, maintenance and utilities costs
  - Supports new Master Service Agreements with large customers

## Business Exposures[1]




## New CenterGate Facility

Source: (1) Company estimates or 2015 information.

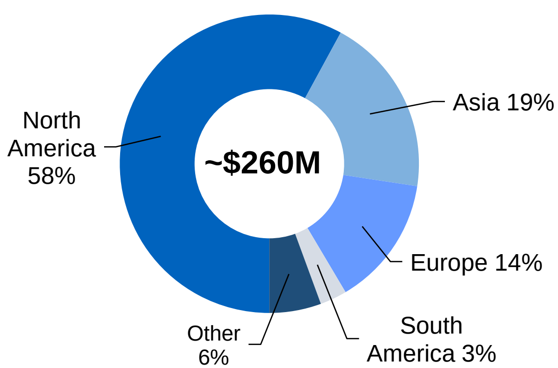
# Scaling Rail To Drive Growth

- **Leader in North American rail maintenance with developing foothold in Asia & Europe**
- **Customized OEM of rail track maintenance and construction equipment for private and state-owned railways**
- **Scalable manufacturing**
- **Large aftermarket opportunity supported by installed base of customers**
- **Profitable recurring services business**
- **Differentiated technology solutions**
- **Capital light business with high returns**
  - Yearly Capex: ~1% of revenue
  - ROIC: 70%

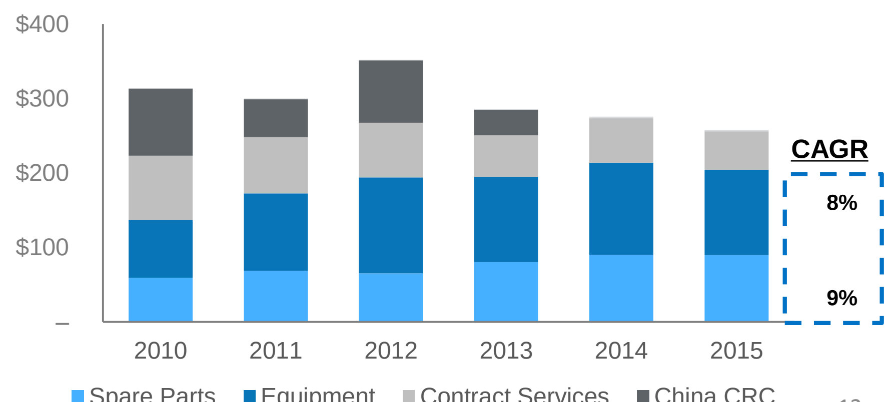
## Products / Services and Applications Portfolio

| Products / Services | | Applications |
|---|---|---|
| **Equipment** |  | Customized equipment utilized in the construction and maintenance equipment of rail infrastructure, including tampers, grinders, and other track equipment |
| **Aftermarket** |  | OEM and Non-OEM parts supply<br>Component and equipment rebuild services |
| **Contracting Solutions** |  | Selective rail maintenance solutions in niche market segments<br>Track and Rail renewal services |
| **Protran Technology** |  | Control systems and technology for Rail vehicles<br>Critical safety solutions in rail, transit and wayside applications |

## Revenue Mix by Geography




## Strong Revenue Growth in Core Products







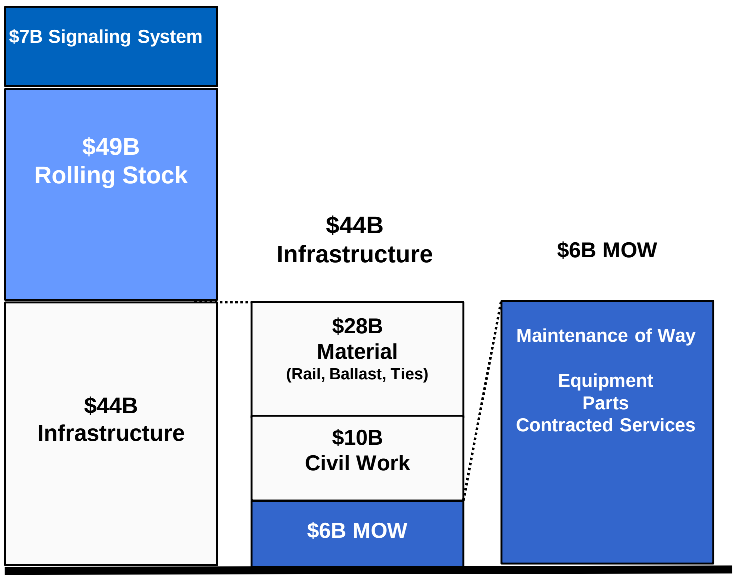

Note: Revenue breakdown for 2015 by destination. Segment ROIC for 2015 = segment net operating profit after tax (NOPAT) divided by net operating assets.

# MOW is a Profitable Growth Opportunity

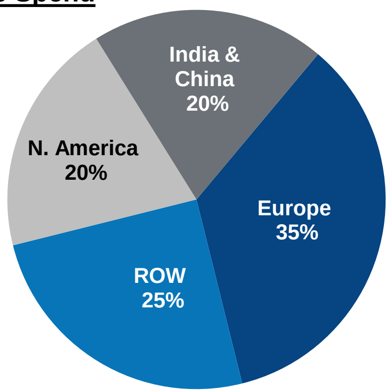
- **Share gains targeted within ~$6 billion industry**
- **International opportunities are significant, with focus on higher-spending global regions**
  - China contract validated capabilities
  - European awards are next leg of international expansion
  - Awarded ~$200 million in contracts from the federal railway system of Switzerland
  - Targeting participation in a number of large, upcoming tenders
- **Strategy to increase penetration in significant domestic and international spare parts market**
  - Leverage existing and growing installed base of equipment
  - New product offerings
- **Large, fragmented market with significant M&A opportunities to:**
  - Increase global scale
  - Broaden product capabilities
  - Accelerate growth in aftermarket
  - Add technology solutions

## MOW Market Structure

MOW Market Niche [1]




MOW Geographic Spend [1]




Source: (1) Company estimates.

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# Balanced Capital Allocation & Financial Strategy

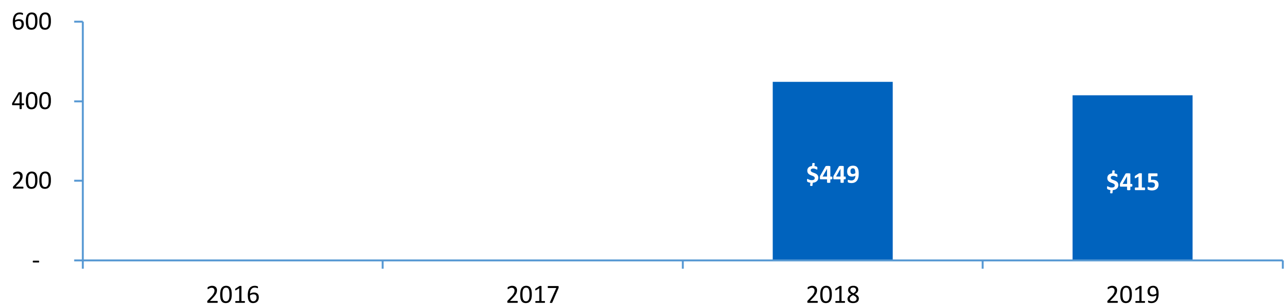
- **Primary focus is Return on Invested Capital; ROIC target is 10%**
  - Improve capital allocation and efficiency in Metals & Minerals
  - Pursue accretive growth opportunities in Rail and Industrial
- **Notable improvement in cash flow expected**
  - Metals & Minerals capital spending limited to maintenance and targeted growth investments
  - Additional contributions from Rail
  - Focus on working capital improvements
- **Maintain reasonable capital structure and adequate financial flexibility to pursue strategic initiatives**
  - Target leverage ratio is 2.5x to 3.0x
- **Value of Brand JV expected to grow in the future**

# Stable Capital Structure & Liquidity Profile

| ($ millions) | 12/31/2015 |
|---|---|
| **Capital structure:** | |
| Cash and cash equivalents | $80 |
| $350m Revolving Credit Facility due 2019 | 165 |
| Term Loan Facility | 250 |
| 5.75% Senior Notes due 2018 | 449 |
| Other debt | 47 |
| **Total debt** | **911** |
| Net debt | $831 |
| Net leverage ratio[1] | 2.8 |
| **Liquidity:** | |
| Gross liquidity[2] | $216 |

Note: (1) Ratio calculation in accordance with credit agreement
(2) Unused revolver + cash and cash equivalents – letters of credit outstanding under RCF (RCF limits cash to $75 million)

**Major Debt Maturities ($m)[3]**




Note: (3) Excludes amortization of Term Loan; $12.5 million in 2016 and $25 million per year thereafter

# Brand JV Delivering Value

BRAND
ENERGY & INFRASTRUCTURE SERVICES

**Premier provider of integrated specialty services to global energy, industrial and infrastructure markets**

*Forming and shoring systems, engineering design, project management and assembly*

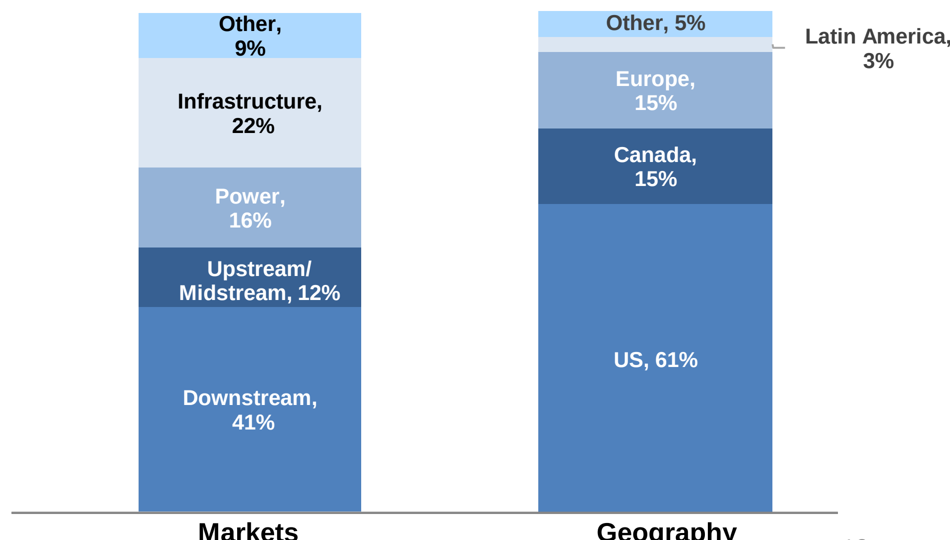
*Portfolio of industrial services including coatings, insulation, abrasive blasting and fireproofing*

- Acquisitive business model
- 29% owned by Harsco; JV with Clayton, Dubilier & Rice
- Harsco has two Board seats

## Value Proposition

- Cash proceeds of $300 million from JV formation
- Potential exit proceeds of $500 - $650 million
- Model assumptions include: (1) ~10% EBITDA CAGR; (2) $300 - $400 million debt reduction; and (3) 8x exit multiple
- Annual payments to partner in cash of ~$15 million (after-tax) or in kind through transfer of ~2.5% of ownership interest

## Business Mix




Note: Business mix information is for 2015

# 2016 Outlook

| | 2015 Actual[1] | 2016 Outlook[1] |
|---|---|---|
| **Adjusted Operating Income** | $135 million | **$80 to $100 million** |
| **Free Cash Flow** | $24 million | **$50 million to $70 million** |
| **ROIC** | 6.3% | **4.0% to 4.5%** |
| **Adjusted Diluted Earnings per Share** | $0.56 | **$0.13 to $0.33** |
| **Net Leverage Ratio (Year End)[2]** | 2.8x | **3.0x to 3.4x** |

(1) Excluding special items
(2) Ratio calculation in accordance with credit agreement.

# Summary and Major Priorities

- Macro-economic factors continue to present challenges
- Business focus and strategy have remained consistent
  - ✓ Fix Metals & Minerals through execution of Project Orion
  - ✓ Secure additional growth opportunities in Industrial and Rail
  - ✓ Upgrade corporate support functions
  - ✓ Develop “continuous improvement” culture
- Improvement in FCF expected during 2016
- Maintain strong capital structure and financial flexibility
- Target remains to achieve a 10% ROIC
- Considerable value in Brand Energy JV stake


# Appendix

# Seasoned Management Team

**Nicholas Grasberger**
**President, CEO & Interim Head of Metals & Minerals**

**Nicholas Grasberger** was appointed President and Chief Executive Officer in July 2014. He also is a member of the Harsco Board of Directors and serves as the interim leader of the Metals & Minerals segment. Mr. Grasberger previously service as Harsco's Chief Operating Officer and Chief Financial Officer. Before that, he was Managing Director of the multinational Precision Polymers Division of Fenner Plc. Prior to joining Fenner, he served as the Chief Financial Officer of Armstrong Holdings, Inc., the parent company of Armstrong World Industries, and later as CEO of Armstrong's Building Products division. Mr. Grasberger also serves on the Board of the Company's joint venture in the energy and infrastructure sectors, Brand Energy and Infrastructure Services, in which Harsco holds an approximate 29 percent equity interest.

**Peter F. Minan**
**SVP & CFO**

**Peter F. Minan** was appointed Senior Vice President and Chief Financial Officer of the Company effective November 11, 2014. He has an extensive background in global financial management acquired through a nearly 30-year career with KPMG. He became a partner in 1993 and served as global lead partner for several multi-national Fortune 500 industrial and consumer audits. His roles included National Managing Partner, U.S. Audit practice, and Partner in Charge, Washington/Baltimore Audit practice. His most recent role was with Computer Sciences Corporation, where he served as Vice President of Enterprise Risk Management and Internal Audit. Mr. Minan has a degree in commerce from the University of Virginia's McIntire School of Commerce and is a Certified Public Accountant.

**Scott W. Jacoby**
**President of Rail**

**Scott W. Jacoby** serves as Senior Vice President and Group President of the Harsco Rail group. Since joining Harsco in 1995, Mr. Jacoby has held senior operations management positions in the Harsco Rail and Harsco Industrial business groups. Mr. Jacoby began his career with Mack Trucks and is also a CPA.

**Scott H. Gerson**
**President of Industrial**

**Scott H. Gerson** serves as Senior Vice President and Group President of the Harsco Industrial group. Mr. Gerson joined Harsco in 2005 as Chief Information Officer and was appointed to his current position in 2010. Mr. Gerson previously was with Kulicke & Soffa Industries, Inc., a manufacturer of semiconductor assembly and test equipment, where he served as IT director of their worldwide application services. He has also served in management capacities with Compaq Computers and TRW Inc.

**Tracey McKenzie**
**SVP & Chief HR Officer**

**Tracey McKenzie** serves as Senior Vice President and Chief Human Resources Officer. Prior to joining Harsco in September 2014, Ms. McKenzie served as Global HR Vice President for JLG Industries, a leader in the manufacturing sector for advanced aerial lift systems. While at JLG, she initiated and implemented global processes and procedures to foster employee engagement and development, while also advancing the company's objectives for Lean operational efficiency and continuous process improvement. Ms. McKenzie previously held executive level HR positions in her native Australia, and worked at Pacific Scientific Aerospace (a division of Danaher). She moved to the US in 2003, and holds an MBA from University of New England and a bachelor's in business administration from Royal Melbourne Institute of Technology (RMIT).

**Russell Hochman**
**SVP, General Counsel, CCO & Corporate Secretary**

**Russell Hochman** serves as Senior Vice President, General Counsel, Chief Compliance Officer and Corporate Secretary. Mr. Hochman served in senior legal roles with Pitney Bowes Inc. and leading law firms based in New York prior to joining Harsco in 2013. He holds a J.D. from Albany Law School of Union University and a B.A. from Cornell University.

# Experienced Board of Directors

| | |
|---|---|
| David C. Everitt | ❑ Non-Executive Chairman<br>❑ Former Co-Leader of Deere & Company's Agriculture and Turf Division |
| James F. Earl | ❑ Executive Vice President GATX Corporation<br>❑ President – GATX Rail International |
| Kathy G. Eddy | ❑ Founding partner of McDonough, Eddy, Parsons & Baylous, A.C., a public accounting and financial services corporation<br>❑ Former Chair of the American Institute of Certified Public Accountants Board of Directors |
| Stuart E. Graham | ❑ Chairman of Skanska AB<br>❑ Serves as Director of Industrivarden AB and PPL Corporation |
| F. Nicholas Grasberger | ❑ President and Chief Executive Officer of Harsco<br>❑ Former Managing Director of Precision Polymers Division of Fenner Plc and Former Chief Financial Officer of Armstrong Holdings, Inc |
| Terry D. Growcock | ❑ Former Chairman of The Manitowoc Company<br>❑ Serves on the Board of Directors of Harris Corporation and Carlisle Companies |
| Elaine La Roche | ❑ Senior Advisor to China International Capital Corporation US<br>❑ Former Vice Chairman, JP Morgan China Securities |
| Phillip C. Widman | ❑ Former Senior Vice President and CFO of Terex<br>❑ Former Executive Vice President and CFO of Philip Services Corporation |

# Business Sensitive to Many Macro Drivers

## Many business drivers

**Materials Management and Melt Shop Services**

- Liquid Steel Production
- Fixed fees
- Equipment / labor rental demand
- Fuel cost
- Inflation

**Resource recovery**

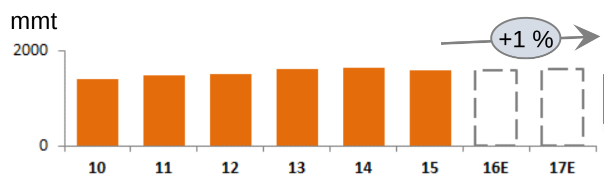
- Scrap price
- Nickel price
- Chrome price
- Iron price

**Environmental products**

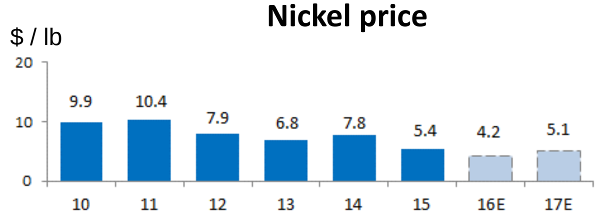
- Abrasive demand & price
- Roofing demand & price

## Business variables

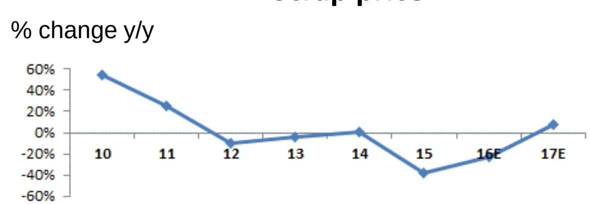
**Liquid Steel Production**




**Nickel price**




**Scrap price[1]**




## Impact to bottom line[2]

*Within current scope of operations…*

***~1% liquid steel production change equals ~$3 million (4%) segment OI improvement***

***$0.20 nickel price change equals ~$1 million (2%) segment OI improvement***

***10% scrap price change equals ~$0.6 million (1%) segment OI improvement***

**Impact to bottom line not linear**

1. Reflects US and European Shredded, and HMS #1 forecasts
2. Sensitivities are based on 2015 results

Source: World Steel Association, Deutsche Bank, Bank of America Merrill Lynch, Glodman Sachs, Citi Research, Barclays, Credit Suisse

# Q4 2015 Financial Summary – Key Performance Indicators[1]

| ($ - millions, except EPS) | Fourth Quarter | Change vs. 2014 $ | Change vs. 2014 % |
|---|---|---|---|
| **Revenues** | 387 | (105) | (21)% |
| **Adjusted Operating Income** | 26 | (4) | (13)% |
| % of Sales | 6.6% | | 60bps |
| **Adjusted Diluted Earnings Per Share** | $0.11 | $0.02 | 22% |
| **Free Cash Flow** | 6 | 31 | nmf |
| **ROIC (LTM)** | 6.3% | | (50)bps |

- **Q4 adjusted operating income above guidance of $15-20 million with each business contributing to the favorable result**
- **Earnings below prior-year period due to market pressures in M&M and Industrial; partially offset by increase in Rail**
- **Adjusted EPS included Brand Energy JV equity income of $0.6 million; impacted by FX losses**
- **Q4 FCF improved vs prior-year quarter due to reduced capex; Q4 below internal forecast due to timing of contract advances**
- **ROIC decreased to 6.3%**

(1) Excludes special items.

# FY 2015 Financial Summary – Key Performance Indicators[1]

| ($ - millions, except EPS) | 2015 | Change vs. 2014 $ | Change vs. 2014 % |
|---|---|---|---|
| **Revenues** | 1,723 | (343) | (17)% |
| **Adjusted Operating Income** | 135 | (20) | (13)% |
| % of Sales | 7.9% | | 40bps |
| **Adjusted Diluted Earnings Per Share** | $0.56 | $(0.18) | (24)% |
| **Free Cash Flow** | 24 | (28) | (53)% |
| **ROIC (LTM)** | 6.3% | | (50)bps |

- **2015 adjusted operating income impacted by underlying market trends in M&M and Industrial**
- **Lower Corporate costs and higher Rail earnings partially offset the above**
- **Adjusted EPS influenced by intercompany FX losses at Brand Energy JV and a higher tax rate**
- **Free cash flow declined Y/Y mainly due to fewer Rail advances, partially offset by lower capital spending**

(1) Excludes special items.

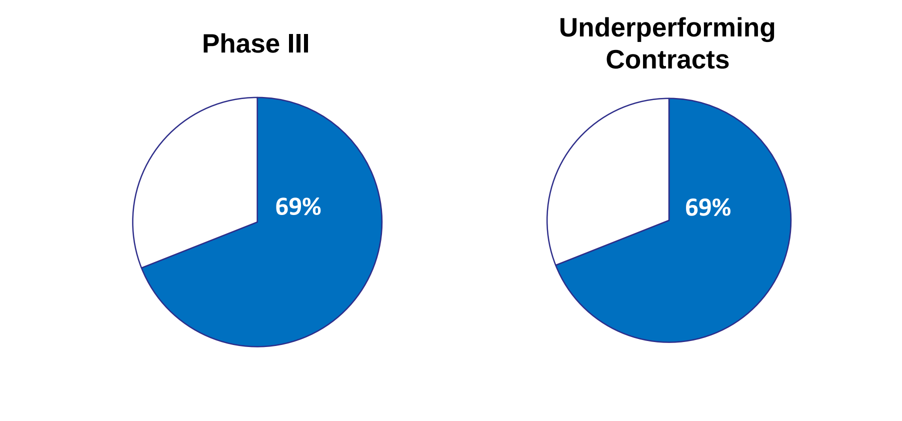
HARSCO

# Q4 2015 – Metals & Minerals

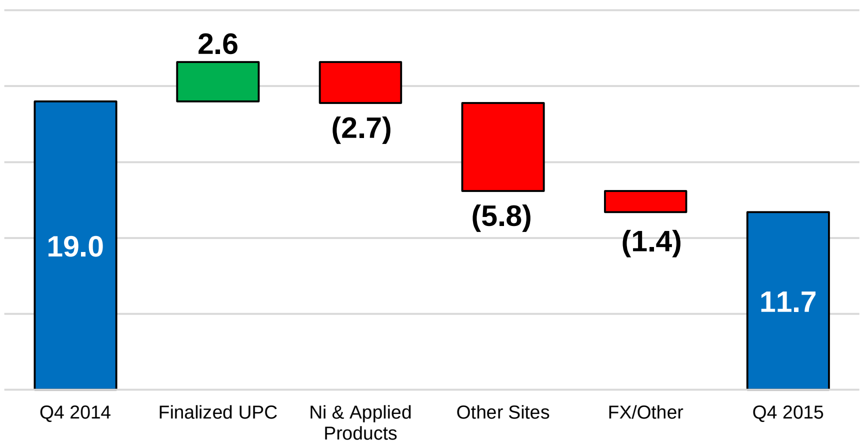
## Summary Results

| ($ in millions) | Q4 2015 | Q4 2014 | % change |
|---|---|---|---|
| Revenues, as reported | 243 | 316 | (23)% |
| Adjusted operating income | 12 | 19 | (39)% |
| Adjusted operating margin | 4.8% | 6.0% | |
| Free cash flow (YTD) | 64 | 2 | nmf |
| ROIC (TTM) | 3.7% | 4.8% | (100)bps |

## Project Orion - Current Workstream Progress




## Adjusted Operating Income Bridge




## Business Highlights

- Revenues impacted by FX, lower LSTs, site exits and lower nickel-related sales
- Adjusted OI declined as cost reductions, UPC improvements and other Orion benefits were offset by LSTs and commodities
- FCF increased in 2015 due to working capital and lower capital spending

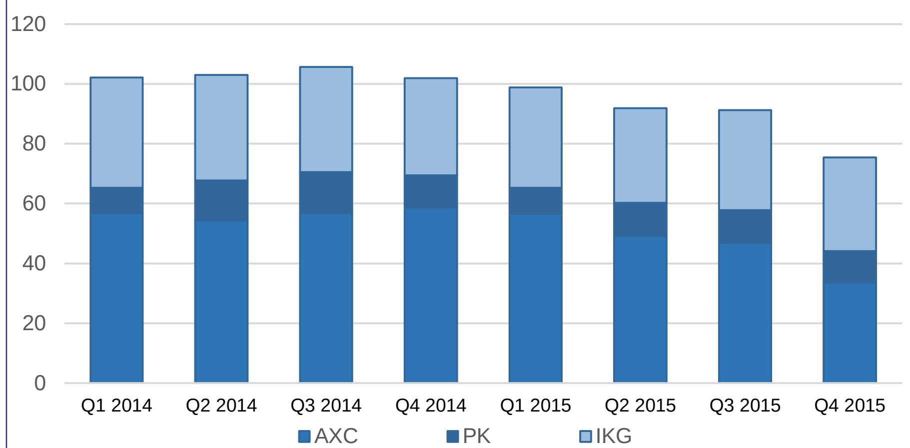
(1) 2014 financial information revised. nmf = not meaningful.

# Q4 2015 - Industrial

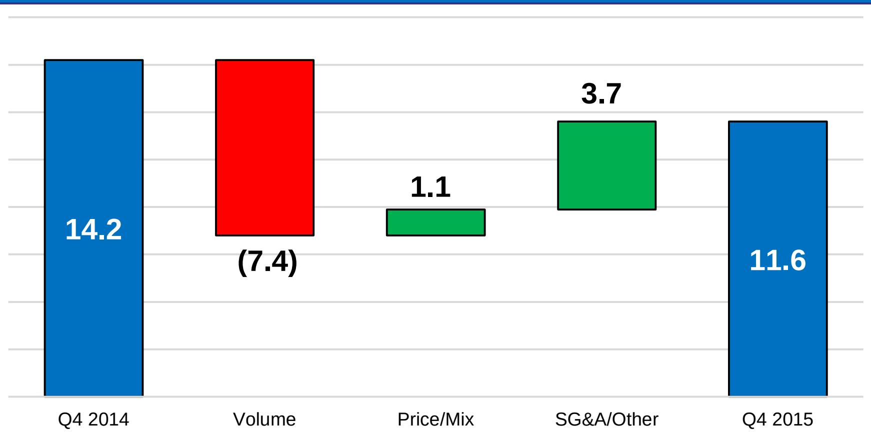
## Summary Results

| ($ in millions) | Q4 2015 | Q4 2014 | % change |
|---|---|---|---|
| Revenues, as reported | 75 | 102 | (26)% |
| Operating income | 12 | 14 | (18)% |
| Operating margin | 15.4% | 13.9% | |
| Free cash flow (YTD) | 59 | 51 | 16% |
| ROIC (TTM) | 38.8% | 49.0% | nmf |

## Revenue Mix




## Operating Income Bridge




## Business Highlights

- **Revenues declined due to lower demand for heat exchangers compared with prior year**
- **Operating income impacted by the above item; partially offset by improved mix and cost reductions in the quarter**
- **FCF increased for the year as working capital gains offset CenterGate investments and the change in cash earnings**

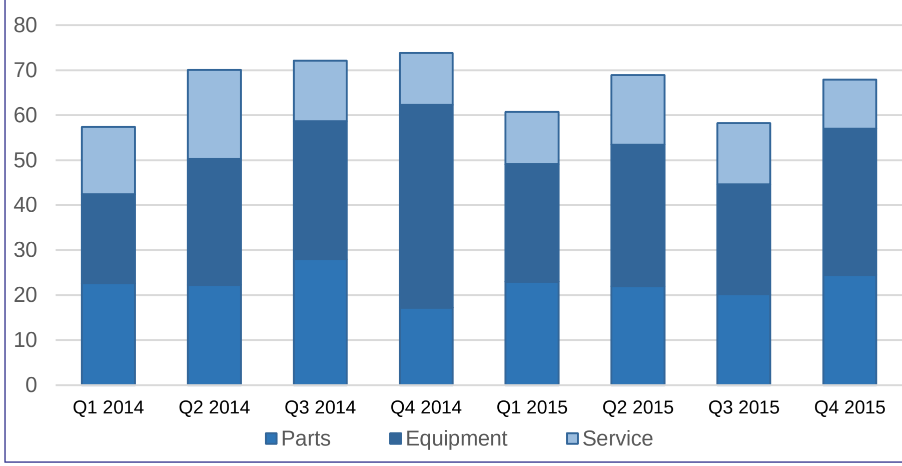
nmf = not meaningful

# Q4 2015 - Rail

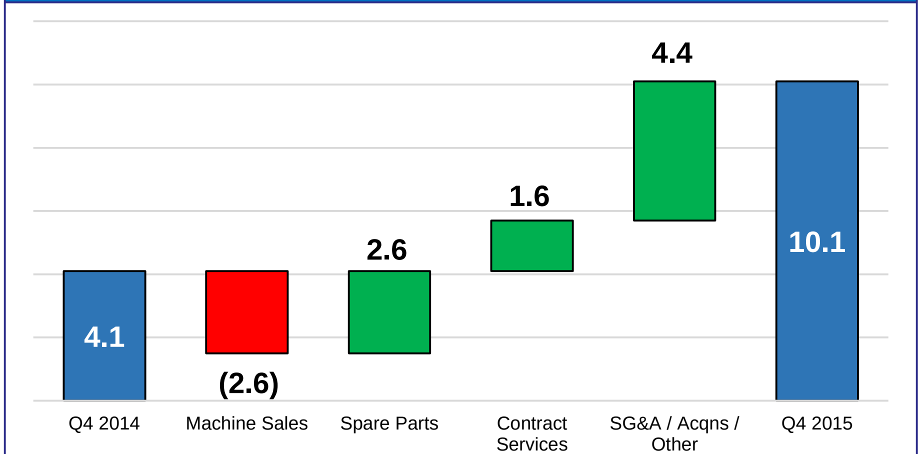
## Summary Results

| ($ in millions) | Q4 2015 | Q4 2014 | % change |
|---|---|---|---|
| Revenues, as reported | 69 | 74 | (7)% |
| Operating income | 10 | 4 | nmf |
| Operating margin | 14.6% | 5.6% | |
| Free cash flow (YTD) | (1) | 109 | nmf |
| ROIC (TTM) | 70.0% | 48.3% | nmf |

## Revenue Mix




## Operating Income Bridge




## Business Highlights

- ❑ **Revenues declined due to lower equipment sales, partially offset by higher after-market parts sales**
- ❑ **Income increased on improved parts / services mix, acquisition contributions and lower SG&A costs**
- ❑ **Free cash flow change in 2015 attributable to fewer advances and working capital**

nmf = not meaningful

# 2016 Business Outlook

| *Excluding special items* | | 2016 versus 2015 |
|---|---|---|
| **Metals & Minerals** | **Revenues** | **↓ 15-20%** |
| | **Operating Income** | **Unchanged to ↓ double digits** |
| | **Drivers** | **+ Cost / operational savings, site triage, new sites<br>- Site exits, LST, commodities demand** |
| **Industrial** | **Revenues** | **↓ 30-35%** |
| | **Operating Income** | **~40-50% of 2015 Adjusted OI** |
| | **Drivers** | **+ Efficiency improvements, SG&A reductions, new products<br>- Underlying market demand** |
| **Rail** | **Revenues** | **↑ 10-15%** |
| | **Operating Income** | **Unchanged to ↓ single digits, excluding 2015 FX gain** |
| | **Drivers** | **+ Machine / spare parts volumes<br>- 2015 FX gain not repeated ($11M), U.S. rail spending, contract services, global build-out costs** |
| **Corporate Costs** | | **Lower due to efficiency measures and professional fees** |
| **Brand Energy JV** | | **Equity income forecasted to be $3-6 million** |

# Q1 2016 Outlook

- Adjusted operating income is expected to be between $6 to $11 million versus $39 million in Q1 2015
- Adjusted diluted loss per share of $0.02 to $0.07
- Year-over-year considerations include:
  - M&M: Lower LST and commodities as well as exits to offset cost and operational improvements
  - Industrial: Weak demand from U.S. energy market versus a very strong prior-year quarter
  - Rail: Lower equipment sales and less favorable overall mix; also 2015 FX gain not repeated
  - Corporate costs below prior-year quarter

# Reconciliation of Non-GAAP Measures

**HARSCO CORPORATION**

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

| | Three Months Ended December 31 | | Twelve Months Ended December 31 | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| Diluted earnings (loss) per share from continuing operations as reported | **$ (0.08)** | $ (0.55) | **$ 0.09** | $ (0.28) |
| Harsco Metals & Minerals Segment contract termination charges (a) | **—** | — | **0.17** | 0.14 |
| Harsco Metals & Minerals Segment separation costs (b) | **0.07** | — | **0.09** | — |
| Harsco Metals & Minerals Segment salt cake processing and disposal charges (c) | **—** | — | **0.06** | — |
| Harsco Metals & Minerals Segment site exit and underperforming contract charges (d) | **0.07** | 0.49 | **0.05** | 0.59 |
| Harsco Metals & Minerals Segment Project Orion charges (e) | **0.05** | 0.03 | **0.05** | 0.11 |
| Harsco Metals & Minerals Segment subcontractor settlement charge (f) | **—** | — | **0.04** | — |
| Harsco Metals & Minerals Segment multi-employer pension plan charge (g) | **—** | — | **0.01** | — |
| Harsco Infrastructure Segment (gain) loss on disposal (h) | **—** | 0.01 | **0.01** | 0.05 |
| Harsco Infrastructure transaction costs (i) | **—** | — | **—** | 0.02 |
| Harsco Metals & Minerals Segment Brazilian labor claim reserves (j) | **—** | 0.09 | **—** | 0.10 |
| Harsco Rail Segment grinder impairment charge (k) | **—** | — | **—** | — |
| Strategic transaction review costs (l) | **—** | 0.04 | **—** | 0.04 |
| Gains associated with exited Harsco Infrastructure operations retained (m) | **—** | (0.02) | **—** | (0.02) |
| Adjusted diluted earnings per share from continuing operations excluding special items | **$ 0.11** | $ 0.09 | **$ 0.56** (n) | $ 0.74 (n) |

(a) Harsco Metals & Minerals Segment charges related to a contract terminations (Q4 2015 $0.3 pre-tax income; Full year 2015 $13.5 million pre-tax loss; Full year 2014 $11.6 million, pre-tax).

(b) Costs associated with Harsco Metals & Minerals Segment separation costs recorded as Corporate (Q4 2015 $8.2 million pre-tax; Full year 2015 $9.9 million pre-tax).

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

(d) Harsco Metals & Minerals Segment charges primarily attributable to site exit costs and non-cash long lived asset impairment charges associated with strategic actions from Project Orion's focus on underperforming contracts (Q4 2015 $6.4 million pre-tax; Full year 2015 $5.0 million pre-tax; Q4 2014 $39.2 million pre-tax; Full year 2014 $50.1 million pre-tax).

(e) Harsco Metals & Minerals Segment Project Orion restructuring charges (Q4 and Full year 2015 5.1 million pre-tax; Q4 2014 $3.2 million pre-tax; Full year 2014 $12.0 million pre-tax).

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

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

(h) (Gain) loss resulting from the Harsco Infrastructure Transaction, which was consummated in the fourth quarter of 2013 (Full year 2015 $1.0 million pre-tax; Full year 2014 $2.9 million pre-tax).

(i) Harsco Infrastructure Transaction costs recorded as Corporate expenses (Q4 2014 $0.5 million pre-tax; Full year 2014 $2.2 pre-tax).

(j) Brazilian labor claim reserve adjustments in the Harsco Metals & Minerals Segment (Q4 2014 $5.2 million pre-tax; Full year 2014 $5.3 million pre-tax).

(k) Asset impairment charge on rail grinder equipment in the Harsco Rail Segment (Full year 2014 $0.6 million pre-tax).

(l) Strategic transaction review costs recorded as Corporate Expenses (Q4 and Full year 2014 $3.5 million pre-tax).

(m) Currency translation gains associated with exited Harsco Infrastructure operations retained recorded as an offset to Corporate expenses (Q4 and Full year 2014 $2.2 million pre-tax).

(n) Does not total due to rounding.

The Company's management believes Adjusted diluted earnings per share from continuing operations excluding special 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 special items permits evaluation and comparison of results for the Company's core business operations, and it is on this basis that management internally assesses the Company's performance. This measure should be considered in addition to, rather than as a substitute for, other information provided in accordance with U.S. GAAP.

# Reconciliation of Non-GAAP Measures

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

| (In thousands) | Harsco Metals & Minerals | Harsco Industrial | Harsco Rail | Corporate | Consolidated Totals |
|---|---|---|---|---|---|
| **Three Months Ended December 31, 2015:** | | | | | |
| Adjusted operating income (loss) excluding special items | **$ 11,654** | **$ 11,640** | **$ 10,077** | **$ (7,788)** | **$ 25,583** |
| Revenues as reported | **$ 243,261** | **$ 75,373** | **$ 68,798** | **$ —** | **$ 387,432** |
| Adjusted operating margin (%) excluding special items | **4.8%** | **15.4%** | **14.6%** | | **6.6%** |
| **Three Months Ended December 31, 2014:** | | | | | |
| Adjusted operating income (loss) excluding special items | $ 18,970 | $ 14,159 | $ 4,136 | $ (7,938) | $ 29,327 |
| Revenues as reported | $ 315,934 | $ 101,836 | $ 74,314 | $ — | $ 492,084 |
| Adjusted operating margin (%) excluding special items | 6.0% | 13.9% | 5.6% | | 6.0% |
| **Twelve Months Ended December 31, 2015:** | | | | | |
| Adjusted operating income (loss) excluding special items | **$ 62,162** | **$ 57,020** | **$ 50,896** | **$ (34,747)** | **$ 135,331** |
| Revenues as reported | **$ 1,106,162** | **$ 357,256** | **$ 259,674** | **$ —** | **$ 1,723,092** |
| Adjusted operating margin (%) excluding special items | **5.6%** | **16.0%** | **19.6%** | | **7.9%** |
| **Twelve Months Ended December 31, 2014:** | | | | | |
| Adjusted operating income (loss) excluding special items | $ 92,763 | $ 64,114 | $ 37,727 | $ (39,306) | $ 155,298 |
| Revenues as reported | $ 1,378,142 | $ 412,532 | $ 275,614 | $ — | $ 2,066,288 |
| Adjusted operating margin (%) excluding special items | 6.7% | 15.5% | 13.7% | | 7.5% |

The Company's management believes Adjusted operating margin (%) excluding special 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 special items permits evaluation and comparison of results for the Company's core business operations, and it is on this basis that management internally assesses the Company's performance. This measure should be considered in addition to, rather than as a substitute for, other information provided in accordance with U.S. GAAP.

# Reconciliation of Non-GAAP Measures

**HARSCO CORPORATION**

**RECONCILIATION OF ADJUSTED OPERATING INCOME (LOSS) EXCLUDING SPECIAL ITEMS BY SEGMENT TO OPERATING INCOME (LOSS) AS REPORTED BY SEGMENT**

(Unaudited)

| (In thousands) | Harsco Metals & Minerals | Harsco Industrial | Harsco Rail | Corporate | Consolidated Totals |
|---|---|---|---|---|---|
| **Three Months Ended December 31, 2015:** | | | | | |
| Operating income (loss) as reported | $ 438 | $ 11,640 | $ 10,077 | $ (15,957) | $ 6,198 |
| Harsco Metals & Minerals Segment separation costs | — | — | — | 8,169 | 8,169 |
| Harsco Metals & Minerals Segment site exit and underperforming contract charges | 6,399 | — | — | — | 6,399 |
| Harsco Metals & Minerals Segment Project Orion charges | 5,070 | — | — | — | 5,070 |
| Harsco Metals & Minerals Segment contract termination charges | (253) | — | — | — | (253) |
| Adjusted operating income (loss), excluding special items | $ 11,654 | $ 11,640 | $ 10,077 | $ (7,788) | $ 25,583 |
| Revenues as reported | $ 243,261 | $ 75,373 | $ 68,798 | $ — | $ 387,432 |
| **Three Months Ended December 31, 2014:** | | | | | |
| Operating income (loss) as reported | $ (28,659) | $ 14,159 | $ 4,136 | $ (9,714) | $ (20,078) |
| Harsco Metals & Minerals Segment site exit and underperforming contract charges | 39,248 | — | — | — | 39,248 |
| Harsco Metals & Minerals Segment Brazilian labor claim reserves | 5,204 | — | — | — | 5,204 |
| Strategic transaction review costs | — | — | — | 3,531 | 3,531 |
| Harsco Metals & Minerals Segment Project Orion charges | 3,177 | — | — | — | 3,177 |
| Harsco Infrastructure transaction costs | — | — | — | 450 | 450 |
| Gains associated with exited Harsco Infrastructure operations retained | — | — | — | (2,205) | (2,205) |
| Adjusted operating income (loss) excluding special items | $ 18,970 | $ 14,159 | $ 4,136 | $ (7,938) | $ 29,327 |
| Revenues as reported | $ 315,934 | $ 101,836 | $ 74,314 | $ — | $ 492,084 |

The Company's management believes Adjusted operating income (loss) excluding special 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 special items permits evaluation and comparison of results for the Company's core business operations, and it is on this basis that management internally assesses the Company's performance. This measure should be considered in addition to, rather than as a substitute for, other information provided in accordance with U.S. GAAP.

# Reconciliation of Non-GAAP Measures

**HARSCO CORPORATION**

**RECONCILIATION OF ADJUSTED OPERATING INCOME (LOSS) EXCLUDING SPECIAL ITEMS BY SEGMENT TO OPERATING INCOME (LOSS) AS REPORTED BY SEGMENT**

(Unaudited)

| (In thousands) | Harsco Metals & Minerals | Harsco Industrial | Harsco Rail | Corporate | Consolidated Totals |
|---|---|---|---|---|---|
| **Twelve Months Ended December 31, 2015:** | | | | | |
| Operating income (loss) as reported | $ 26,289 | $ 57,020 | $ 50,896 | $ (45,669) | $ 88,536 |
| Harsco Metals & Minerals Segment contract termination charges | 13,484 | — | — | — | 13,484 |
| Harsco Metals & Minerals Segment separation costs | — | — | — | 9,922 | 9,922 |
| Harsco Metals & Minerals Segment salt cake processing and disposal charges | 7,000 | — | — | — | 7,000 |
| Harsco Metals & Minerals Segment Project Orion charges | 5,070 | — | — | — | 5,070 |
| Harsco Metals & Minerals Segment site exit and underperforming contract charges | 4,977 | — | — | — | 4,977 |
| Harsco Metals & Minerals Segment subcontractor settlement charge | 4,220 | — | — | — | 4,220 |
| Harsco Metals & Minerals Segment multi-employer pension plan charge | 1,122 | — | — | — | 1,122 |
| Harsco Infrastructure Segment loss on disposal | — | — | — | 1,000 | 1,000 |
| Adjusted operating income (loss), excluding special items | $ 62,162 | $ 57,020 | $ 50,896 | $ (34,747) | $ 135,331 |
| Revenues as reported | $ 1,106,162 | $ 357,256 | $ 259,674 | $ — | $ 1,723,092 |
| **Twelve Months Ended December 31, 2014:** | | | | | |
| Operating income (loss) as reported | $ 13,771 | $ 64,114 | $ 37,137 | $ (45,735) | $ 69,287 |
| Harsco Metals & Minerals Segment site exit and underperforming contract charges | 50,111 | — | — | — | 50,111 |
| Harsco Metals & Minerals Segment Project Orion charges | 11,992 | — | — | — | 11,992 |
| Harsco Metals & Minerals Segment contract termination charges | 11,557 | — | — | — | 11,557 |
| Harsco Metals & MInerals Segment Brazilian labor claim reserves | 5,332 | — | — | — | 5,332 |
| Strategic transaction review costs | — | — | — | 3,531 | 3,531 |
| Harsco Infrastructure Segment loss on disposal | — | — | — | 2,911 | 2,911 |
| Harsco Infrastructure transaction costs | — | — | — | 2,192 | 2,192 |
| Harsco Rail Segment grinder impairment charge | — | — | 590 | — | 590 |
| Gains associated with exited Harsco Infrastructure operations retained | — | — | — | (2,205) | (2,205) |
| Adjusted operating income (loss) excluding special items | $ 92,763 | $ 64,114 | $ 37,727 | $ (39,306) | $ 155,298 |
| Revenues as reported | $ 1,378,142 | $ 412,532 | $ 275,614 | $ — | $ 2,066,288 |

The Company's management believes Adjusted operating income (loss) excluding special 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 special items permits evaluation and comparison of results for the Company's core business operations, and it is on this basis that management internally assesses the Company's performance. This measure should be considered in addition to, rather than as a substitute for, other information provided in accordance with U.S. GAAP.

# Reconciliation of Non-GAAP Measures

**HARSCO CORPORATION**

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

| | Three Months Ended December 31 | | Twelve Months Ended December 31 | |
|---|---|---|---|---|
| **(In thousands)** | **2015** | **2014** | **2015** | **2014** |
| Net cash provided by operating activities | **$ 32,405** | $ 41,437 | **$ 121,507** | $ 226,727 |
| Less maintenance capital expenditures (a) | **(25,231)** | (45,292) | **(92,545)** | (133,231) |
| Less growth capital expenditures (b) | **(6,738)** | (28,397) | **(31,007)** | (75,628) |
| Plus capital expenditures for strategic ventures (c) | **129** | 3,473 | **439** | 6,876 |
| Plus total proceeds from sales of assets (d) | **5,189** | 3,823 | **25,966** | 27,379 |
| Free cash flow | **$ 5,754** | $ (24,956) | **$ 24,360** | $ 52,123 |

(a) Maintenance capital expenditures are necessary to sustain the Company's current revenue streams and include contract renewal.

(b) Growth capital expenditures, for which management has discretion as to amount, timing and geographic placement, expand the Company's revenue base and create additional future cash flow.

(c) Capital expenditures for strategic ventures represent the partner's share of capital expenditures in certain ventures consolidated in the Company's financial statements.

(d) Asset sales are a normal part of the business model, primarily for the Harsco Metals & Minerals Segment. For the Full year 2014 this line item also includes proceeds of $12.4 million from the Harsco Infrastructure Transaction net working capital settlement.

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

# Reconciliation of Non-GAAP Measures

**HARSCO CORPORATION**

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

| | Projected Twelve Months Ending December 31 | |
|---|---|---|
| | 2016 | |
| **(In millions)** | **Low** | **High** |
| Net cash provided by operating activities | $ 154 | $ 163 |
| Less capital expenditures (a) | (105) | (95) |
| Plus total proceeds from asset sales and capital expenditures for strategic ventures | 1 | 2 |
| Free Cash Flow | $ 50 | $ 70 |

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

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

# Reconciliation of Non-GAAP Measures

**HARSCO CORPORATION**

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

| | Year Ended December 31 | |
|---|---|---|
| **(In thousands)** | **2015** | **2014** |
| Net income (loss) from continuing operations | **$ 7,312** | $ (17,786) |
| Special items: | | |
| Harsco Metals & Minerals Segment contract termination charges, net | **13,484** | 11,557 |
| Harsco Metals & Minerals Segment separation costs | **9,922** | — |
| Harsco Metals & Minerals Segment salt cake processing and disposal charges | **7,000** | — |
| Harsco Metals & Minerals Segment Project Orion charges | **5,070** | 11,992 |
| Harsco Metals & Minerals Segment site exit and underperforming contract charges, net | **4,977** | 50,111 |
| 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** | 2,911 |
| Harsco Metals & Minerals Segment Brazilian labor claim reserves | **—** | 5,332 |
| Strategic transaction review costs | **—** | 3,531 |
| Harsco Infrastructure transaction costs | **—** | 2,192 |
| Harsco Rail Segment grinder asset impairment charge | **—** | 590 |
| Gains associated with exited Harsco Infrastructure operations retained | **—** | (2,205) |
| Taxes on above special items | **(6,198)** | (2,324) |
| Net income from continuing operations, as adjusted | **47,909** | 65,901 |
| After-tax interest expense (b) | **29,486** | 29,680 |
| | | |
| Net operating profit after tax as adjusted | **$ 77,395** | $ 95,581 |
| | | |
| Average equity | **$ 308,320** | $ 554,381 |
| Plus average debt | **910,955** | 857,168 |
| Average capital | **$ 1,219,275** | $ 1,411,549 |
| | | |
| **Return on invested capital excluding special items** | 6.3 % | 6.8 % |

(a) Return on invested capital excluding special items is net income (loss) from continuing operations excluding special 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) 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 special items, which is a non-U.S. GAAP financial measures, are meaningful in evaluating the efficiency and effectiveness of the capital invested in the Company's business. Exclusion of special 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. These measures should be considered in addition to, rather than as a substitute for, net income or other information provided in accordance with U.S. GAAP.