HARSCO CORP
Form 10-Q
November 09, 2015
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2015
or

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to
Commission File Number 001-03970
HARSCO CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	23-1483991
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)
350 Poplar Church Road, Camp Hill, Pennsylvania	17011
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code 717-763-7064

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ý NO o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ý NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES o NO ý

Indicate the number of shares outstanding of each of the registrant’s classes of common stock, as of the latest practicable date.

Class	Outstanding at October 30, 2015
Common stock, par value $1.25 per share	80,094,365

Table of Contents

HARSCO CORPORATION
FORM 10-Q
INDEX

Table of Contents

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HARSCO CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(In thousands)	September 30 2015	December 31 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$57,994	$62,843
Trade accounts receivable, net	298,235	325,104
Other receivables	23,293	28,145
Inventories	210,296	178,922
Other current assets	90,897	88,465
Total current assets	680,715	683,479
Investments	266,707	288,505
Property, plant and equipment, net	583,707	663,244
Goodwill	406,338	416,155
Intangible assets, net	56,240	58,524
Other assets	120,947	159,320
Total assets	$2,114,654	$2,269,227
LIABILITIES		
Current liabilities:		
Short-term borrowings	$14,945	$16,748
Current maturities of long-term debt	21,869	25,188
Accounts payable	135,723	146,506
Accrued compensation	45,894	53,780
Income taxes payable	5,880	1,985
Dividends payable	16,419	16,535
Insurance liabilities	12,408	12,415
Advances on contracts	118,586	117,398
Due to unconsolidated affiliate	7,832	8,142
Unit adjustment liability	22,320	22,320
Other current liabilities	144,504	144,543
Total current liabilities	546,380	565,560
Long-term debt	822,390	829,709
Deferred income taxes	9,913	6,379
Insurance liabilities	32,288	35,470
Retirement plan liabilities	306,040	350,889
Due to unconsolidated affiliate	21,081	20,169
Unit adjustment liability	61,194	71,442
Other liabilities	42,075	37,699
Total liabilities	1,841,361	1,917,317
COMMITMENTS AND CONTINGENCIES		
HARSCO CORPORATION STOCKHOLDERS’ EQUITY		
Preferred stock	—	—
Common stock	140,503	140,444
Additional paid-in capital	169,109	165,666

Accumulated other comprehensive loss	(566,903)	(532,256)
Retained earnings	1,247,485	1,283,549
Treasury stock	(760,299)	(749,815)
Total Harsco Corporation stockholders’ equity	229,895	307,588
Noncontrolling interests	43,398	44,322
Total equity	273,293	351,910
Total liabilities and equity	$2,114,654	$2,269,227

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

HARSCO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
(In thousands, except per share amounts)	2015	2014	2015	2014
Revenues from continuing operations:				
Service revenues	$272,463	$341,831	$852,100	$1,054,591
Product revenues	155,871	184,546	483,560	519,613
Total revenues	428,334	526,377	1,335,660	1,574,204
Costs and expenses from continuing operations:				
Cost of services sold	224,588	282,907	714,287	873,747
Cost of products sold	112,043	125,831	343,825	361,954
Selling, general and administrative expenses	64,526	67,774	186,891	212,537
Research and development expenses	1,057	854	3,490	4,575
Loss on disposal of the Harsco Infrastructure Segment and transaction costs	1,000	54	1,000	4,653
Other expenses	17,392	513	3,829	27,373
Total costs and expenses	420,606	477,933	1,253,322	1,484,839
Operating income from continuing operations	7,728	48,444	82,338	89,365
Interest income	264	555	951	1,262
Interest expense	(11,110)	(11,949)	(34,812)	(35,328)
Change in fair value to the unit adjustment liability	(2,083)	(2,398)	(6,492)	(7,417)
Income (loss) from continuing operations before income taxes and equity loss	(5,201)	34,652	41,985	47,882
Income tax expense	(6,985)	(13,925)	(26,945)	(24,079)
Equity in income (loss) of unconsolidated entities, net	3,105	5,805	(396)	1,057
Income (loss) from continuing operations	(9,081)	26,532	14,644	24,860
Discontinued operations:				
Income (loss) on disposal of discontinued business	(637)	(640)	(849)	452
Income tax (expense) benefit related to discontinued business	235	237	313	(168)
Income (loss) from discontinued operations	(402)	(403)	(536)	284
Net income (loss)	(9,483)	26,129	14,108	25,144
Less: Net (income) loss attributable to noncontrolling interests	827	(1,532)	(925)	(2,948)
Net income (loss) attributable to Harsco Corporation	$(8,656)	$24,597	$13,183	$22,196
Amounts attributable to Harsco Corporation common stockholders:				
Income (loss) from continuing operations, net of tax	$(8,254)	$25,000	$13,719	$21,912
Income (loss) from discontinued operations, net of tax	(402)	(403)	(536)	284
Net income (loss) attributable to Harsco Corporation common stockholders	$(8,656)	$24,597	$13,183	$22,196
Weighted-average shares of common stock outstanding	80,238	80,918	80,233	80,873
Basic earnings (loss) per common share attributable to Harsco Corporation common stockholders:				
Continuing operations	$(0.10)	$0.31	$0.17	$0.27
Discontinued operations	(0.01)	—	(0.01)	—
	$(0.11)	$0.30 (a)	$0.16	$0.27

Basic earnings (loss) per share attributable to Harsco Corporation common stockholders				
Diluted weighted-average shares of common stock outstanding	80,238	81,099	80,363	81,093
Diluted earnings (loss) per common share attributable to Harsco Corporation common stockholders:				
Continuing operations	$(0.10)	$0.31	$0.17	$0.27
Discontinued operations	(0.01)	—	(0.01)	—
Diluted earnings (loss) per share attributable to Harsco Corporation common stockholders	$(0.11)	$0.30 (a)	$0.16	$0.27
Cash dividends declared per common share	$0.205	$0.205	$0.615	$0.615

(a) Does not total due to rounding.

See accompanying notes to unaudited condensed consolidated financial statements.

4

Table of Contents

HARSCO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)

	Three Months Ended September 30	
(In thousands)	2015	2014
Net income (loss)	$(9,483)	$26,129
Other comprehensive income (loss):		
Foreign currency translation adjustments, net of deferred income taxes of $(3,747) and $5,322 in 2015 and 2014, respectively	(36,854)	(18,355)
Net gain (loss) on cash flow hedging instruments, net of deferred income taxes of $(799) and $(458) in 2015 and 2014, respectively	4,164	(1,244)
Pension liability adjustments, net of deferred income taxes of $(2,384) and $(2,057) in 2015 and 2014, respectively	19,580	18,211
Unrealized gain (loss) on marketable securities, net of deferred income taxes of $4 and $(1) in 2015 and 2014, respectively	(8)	2
Total other comprehensive loss	(13,118)	(1,386)
Total comprehensive income (loss)	(22,601)	24,743
Less: Comprehensive (income) loss attributable to noncontrolling interests	1,917	(877)
Comprehensive income (loss) attributable to Harsco Corporation	$(20,684)	$23,866

	Nine Months Ended September 30	
(In thousands)	2015	2014
Net income	$14,108	$25,144
Other comprehensive income (loss):		
Foreign currency translation adjustments, net of deferred income taxes of $(855) and $4,862 in 2015 and 2014, respectively	(74,671)	(16,608)
Net gain (loss) on cash flow hedging instruments, net of deferred income taxes of $(1,337) and $210 in 2015 and 2014, respectively	10,045	(3,111)
Pension liability adjustments, net of deferred income taxes of $(3,344) and $(2,130) in 2015 and 2014, respectively	27,796	18,887
Unrealized gain (loss) on marketable securities, net of deferred income taxes of $7 and $(3) in 2015 and 2014, respectively	(12)	6
Total other comprehensive loss	(36,842)	(826)
Total comprehensive income (loss)	(22,734)	24,318
Less: Comprehensive (income) loss attributable to noncontrolling interests	1,270	(1,879)
Comprehensive income (loss) attributable to Harsco Corporation	$(21,464)	$22,439

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

HARSCO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Nine Months Ended September 30	
(In thousands)	2015	2014
Cash flows from operating activities:		
Net income	$14,108	$25,144
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	110,343	124,855
Amortization	9,003	8,937
Change in fair value to the unit adjustment liability	6,492	7,417
Deferred income tax expense	9,998	4,054
Equity in (income) loss of unconsolidated entities, net	396	(1,057)
Loss on disposal of Harsco Infrastructure Segment	—	2,911
Other, net	(12,345)	16,677
Changes in assets and liabilities:		
Accounts receivable	9,161	(38,349)
Inventories	(36,472)	(22,772)
Accounts payable	(3,346)	(18,250)
Accrued interest payable	7,658	8,741
Accrued compensation	(3,640)	9,415
Advances on contracts	7,548	96,041
Harsco 2011/2012 Restructuring Program accrual	(305)	(2,455)
Other assets and liabilities	(29,497)	(36,019)
Net cash provided by operating activities	89,102	185,290
Cash flows from investing activities:		
Purchases of property, plant and equipment	(91,583)	(135,170)
Proceeds from the Infrastructure Transaction	—	15,699
Proceeds from sales of assets	20,777	11,153
Purchases of businesses, net of cash acquired	(7,705)	(26,244)
Payment of unit adjustment liability	(16,740)	(16,740)
Other investing activities, net	(7,975)	473
Net cash used by investing activities	(103,226)	(150,829)
Cash flows from financing activities:		
Short-term borrowings, net	1,211	3,971
Current maturities and long-term debt:		
Additions	92,993	117,470
Reductions	(101,679)	(120,544)
Cash dividends paid on common stock	(49,311)	(49,734)
Dividends paid to noncontrolling interests	(1,559)	(2,186)
Purchase of noncontrolling interests	(395)	—
Common stock acquired for treasury	(12,143)	—
Proceeds from cross-currency interest rate swap termination	75,057	—
Other financing activities, net	(2,607)	—
Net cash provided (used) by financing activities	1,567	(51,023)
Effect of exchange rate changes on cash	7,708	(4,440)

Net decrease in cash and cash equivalents	(4,849)	(21,002)
Cash and cash equivalents at beginning of period	62,843	93,605
Cash and cash equivalents at end of period	$57,994	$72,603

See accompanying notes to unaudited condensed consolidated financial statements.

6

Table of Contents

HARSCO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)

(In thousands, except share and per share amounts)	Harsco Corporation Stockholders' Equity Common Stock Issued	Treasury	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
Balances, January 1, 2014	$140,248	$(746,237)	$159,025	$1,372,041	$(370,615)	$43,093	$597,555
Net income				22,196		2,948	25,144
Cash dividends declared:							
Common @ $0.615 per share				(49,763)			(49,763)
Noncontrolling interests						(2,319)	(2,319)
Total other comprehensive income (loss), net of deferred income taxes of $2,939					243	(1,069)	(826)
Contributions from noncontrolling interests						1,560	1,560
Noncontrolling interests transferred in the Infrastructure Transaction						(905)	(905)
Vesting of restricted stock units and other stock grants, net 130,603 shares	195	(712)	2,067				1,550
Amortization of unearned portion of stock-based compensation, net of forfeitures			3,881				3,881
Balances, September 30, 2014	$140,443	$(746,949)	$164,973	$1,344,474	$(370,372)	$43,308	$575,877

(In thousands, except share and per share amounts)	Harsco Corporation Stockholders' Equity Common Stock Issued	Treasury	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
Balances, January 1, 2015	$140,444	$(749,815)	$165,666	$1,283,549	$(532,256)	$44,322	$351,910
Net income				13,183		925	14,108
Cash dividends declared:							
Common @ $0.615 per share				(49,247)			(49,247)
Noncontrolling interests						(1,559)	(1,559)
Total other comprehensive loss, net of deferred income taxes of $(5,529)					(34,647)	(2,195)	(36,842)
Contributions from noncontrolling interests						2,100	2,100
Purchase of subsidiary shares from noncontrolling interest			(3)			(395)	(398)
Sale of investment in consolidated subsidiary						200	200
Vesting of restricted stock units and other stock grants, net 31,147 shares	59	(264)	(99)				(304)

Treasury shares repurchased, 596,632 shares		(10,220)					(10,220)
Amortization of unearned portion of stock-based compensation, net of forfeitures			3,545				3,545
Balances, September 30, 2015	$140,503	$(760,299)	$169,109	$1,247,485	$(566,903)	$43,398	$273,293

See accompanying notes to unaudited condensed consolidated financial statements.

7

Table of Contents

HARSCO CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Basis of Presentation

Harsco Corporation (the “Company”) has prepared these unaudited condensed consolidated financial statements based on Securities and Exchange Commission rules that permit reduced disclosure for interim periods. In the opinion of management, all adjustments (all of which are of a normal recurring nature) that are necessary for a fair statement are reflected in the unaudited condensed consolidated financial statements. The December 31, 2014 Condensed Consolidated Balance Sheet information contained in this Quarterly Report on Form 10-Q was derived from the 2014 audited consolidated financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America (“U.S. GAAP”) for an annual report. The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements, including the notes thereto, included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014, as revised in the Company's Current Report on Form 8-K filed on June 1, 2015.
Operating results and cash flows for the three and nine months ended September 30, 2015 are not indicative of the results that may be expected for the year ending December 31, 2015.

2. Revised Financial Statements

During the first quarter of 2015, the Company identified an error that would have had the net effect of decreasing after-tax income by $7.5 million, related to an unasserted multiemployer pension plan withdrawal liability that should have been recorded by the Company in the fourth quarter of 2012. The Company became aware of the potential withdrawal liability during the first quarter of 2015 and followed the Company's standard procedure of engaging outside experts to determine the amount of potential liability. Based on these procedures, the Company determined it had triggered a partial withdrawal during the fourth quarter of 2012 due to a decrease in hours worked by the Company's employees who participate in the plan and that such amount should have been accrued in that period. The Company assessed the individual and aggregate impact of this error on the current year and all prior periods and determined that the cumulative effect of this error was material to both the first quarter and expected full-year 2015 results, but did not result in a material misstatement to any previously issued annual or quarterly financial statements. Accordingly, the Company is revising the relevant financial statements for all applicable periods and will revise additional financial statements as they appear in future filings.

In connection with the revision, the Company additionally corrected all previously disclosed immaterial out-of-period adjustments, including tax adjustments. The impact of revising the Company’s Condensed Consolidated Balance Sheets, Condensed Statements of Operations and Condensed Consolidated Statements of Cash Flows for all periods presented are as follows:

	December 31, 2014		
(In thousands)	As Previously Reported	Revision	As Revised
ASSETS			
Inventories	$177,265	$1,657	$178,922
Total current assets	681,822	1,657	683,479
Other assets	155,551	3,769	159,320
Total assets	2,263,801	5,426	2,269,227
LIABILITIES			
Other liabilities	$25,849	$11,850	$37,699
Total liabilities	1,905,467	11,850	1,917,317

HARSCO CORPORATION STOCKHOLDERS’ EQUITY			
Accumulated other comprehensive loss	$(532,491)	$235	$(532,256)
Retained earnings	1,290,208	(6,659)	1,283,549
Total Harsco Corporation stockholders’ equity	314,012	(6,424)	307,588
Total equity	358,334	(6,424)	351,910
Total liabilities and equity	2,263,801	5,426	2,269,227

Table of Contents

(In thousands, except per share amounts)	Three Months Ended September 30, 2014 As Previously Reported	Revision	As Revised
Costs and expenses from continuing operations:			
Cost of services sold	$285,098	$(2,191)	$282,907
Selling, general and administrative expenses	68,289	(515)	67,774
Total costs and expenses	480,639	(2,706)	477,933
Operating income from continuing operations	$45,738	$2,706	$48,444
Income from continuing operations before income taxes and equity income	31,946	2,706	34,652
Income tax expense	(11,671)	(2,254)	(13,925)
Equity in income of unconsolidated entities, net	5,295	510	5,805
Income from continuing operations	25,570	962	26,532
Net income	25,167	962	26,129
Net income attributable to Harsco Corporation	23,635	962	24,597
Amounts attributable to Harsco Corporation common stockholders:			
Income from continuing operations, net of tax	$24,038	$962	$25,000
Net income attributable to Harsco Corporation common stockholders	23,635	962	24,597
Basic income per common share attributable to Harsco Corporation common stockholders:			
Continuing operations	$0.30	$0.01	$0.31
Basic income per share attributable to Harsco Corporation common stockholders	0.29	0.01	0.30
Diluted income per common share attributable to Harsco Corporation common stockholders:			
Continuing operations	$0.30	$0.01	$0.31
Diluted income per share attributable to Harsco Corporation common stockholders	0.29	0.01	0.30

Table of Contents

(In thousands, except per share amounts)	Nine Months Ended September 30, 2014 As Previously Reported	Revision	As Revised
Revenues from continuing operations:			
Service revenues	$1,054,040	$551	$1,054,591
Total revenues	1,573,653	551	1,574,204
Costs and expenses from continuing operations:			
Cost of services sold	$875,898	$(2,151)	$873,747
Selling, general and administrative expenses	213,052	(515)	212,537
Research and development expenses	5,456	(881)	4,575
Loss on disposal of the Harsco Infrastructure Segment and transaction costs	5,607	(954)	4,653
Total costs and expenses	1,489,340	(4,501)	1,484,839
Operating income from continuing operations	$84,313	$5,052	$89,365
Income from continuing operations before income taxes and equity income	42,830	5,052	47,882
Income tax expense	(20,424)	(3,655)	(24,079)
Income from continuing operations	23,463	1,397	24,860
Net income	23,747	1,397	25,144
Net income attributable to Harsco Corporation	20,799	1,397	22,196
Amounts attributable to Harsco Corporation common stockholders:			
Income from continuing operations, net of tax	$20,515	$1,397	$21,912
Net income attributable to Harsco Corporation common stockholders	20,799	1,397	22,196
Basic income per common share attributable to Harsco Corporation common stockholders:			
Continuing operations	$0.25	$0.02	$0.27
Basic income per share attributable to Harsco Corporation common stockholders	0.26	0.01	0.27
Diluted earnings per common share attributable to Harsco Corporation common stockholders:			
Continuing operations	$0.25	$0.02	$0.27
Diluted income per share attributable to Harsco Corporation common stockholders	0.26	0.01	0.27

(In thousands)	Nine Months Ended September 30, 2014 As Previously Reported	Revision	As Revised
Net cash provided (used) by:			
Operating activities	$184,409	$881	$185,290
Investing activities	(149,948)	(881)	(150,829)

As of September 30, 2015, the cumulative impact of this revision was a $6.7 million reduction in retained earnings. The diluted loss per share from continuing operations decrease for the year ended December 31, 2014 was $0.03. The diluted loss per share from continuing operations increase for the years ended December 31, 2013 and 2012 was $0.06 for both periods. The notes to the condensed consolidated financial statements for the three and nine months ended September 30, 2015 have been revised, as applicable.

Table of Contents

3. Recently Adopted and Recently Issued Accounting Standards

The following accounting standards have been adopted in 2015:

On January 1, 2015, the Company adopted changes issued by the Financial Accounting Standards Board ("FASB") related to reporting discontinued operations and the disclosure of disposals of components of an entity. The changes modify the criteria related to what transactions constitute discontinued operations and expand disclosure requirements. The adoption of these changes did not have a material impact on the Company's condensed consolidated financial statements.

The following accounting standards have been issued and become effective for the Company at a future date:

In May 2014, the FASB issued changes related to the recognition of revenue from contracts with customers. The changes clarify the principles for recognizing revenue and develop a common revenue standard. The core principle of the changes is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The changes also require additional disclosures related to revenue recognition. In July 2015, the FASB deferred the effective date of these changes by one year, but will permit entities to adopt one year earlier. The changes become effective for the Company on January 1, 2018. Management is currently evaluating these changes.

In August 2014, the FASB issued changes related to management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. The changes become effective for the Company on January 1, 2017. Management has determined that these changes will not have a material impact on the Company's condensed consolidated financial statements.

In January 2015, the FASB issued changes related to reporting extraordinary and unusual items. The changes simplify income statement presentation by eliminating the concept of extraordinary items. The changes become effective for the Company on January 1, 2016. Management has determined that these changes will not have a material impact on the Company's condensed consolidated financial statements.

In February 2015, the FASB issued changes related to consolidation. The changes update consolidation analysis and affect reporting entities that are required to evaluate whether they should consolidate certain legal entities. The changes become effective for the Company on January 1, 2016. Management has determined that these changes will not have a material impact on the Company's condensed consolidated financial statements.

In April 2015, the FASB issued changes related to simplifying the presentation of debt issuance costs. The changes require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct reduction from the carrying amount of that debt liability. In August 2015, the FASB added guidance about the presentation and subsequent measurement of debt issuance costs associated with line-of-credit arrangements. The changes become effective for the Company on January 1, 2016. Management has determined that these changes will not have a material impact on the Company's condensed consolidated financial statements.

In April 2015, the FASB issued changes related to the determination of whether a cloud computing arrangement includes a software license. If a cloud computing arrangement is determined to include a software license, then the customer accounts for the software license element consistent with the acquisition of other software licenses. If the arrangement is determined not to contain a software license, the customer should account for the arrangement as a service contract. The changes become effective for the Company on January 1, 2016. Management has determined that these changes will not have a material impact on the Company's condensed consolidated financial statements.

In July 2015, the FASB issued changes related to the simplification of the measurement of inventory. The changes require entities to measure most inventory at the lower of cost and net realizable value, thereby simplifying the current guidance under which an entity must measure inventory at the lower of cost or market. The changes do not apply to inventories that are measured using either the last-in, first-out method or the retail inventory method. The changes become effective for the Company on January 1, 2017. Management has determined that these changes will not have a material impact on the Company's condensed consolidated financial statements.

11

Table of Contents

In September 2015, the FASB issued changes simplifying the accounting for measurement period adjustments for business combinations. The changes result in an acquirer no longer being required to retrospectively reflect adjustments to provisional amounts during the measurement period as if they were recognized as of the acquisition date. Instead the acquirer would record the effect of the change to the provisional amounts during the measurement period in which the adjustment is identified. The changes also require additional disclosure related to such measurement period adjustments. The changes become effective for the Company on January 1, 2016. Management has determined that these changes will not have a material impact on the Company's condensed consolidated financial statements.

4. Acquisitions

In March 2015, the Company acquired Protran Technology ("Protran"), a U.S. designer and producer of safety systems for transportation and industrial applications; and in April 2015, the Company acquired JK Rail Products, LLC ("JK Rail"), a provider of after-market parts for railroad track maintenance. Protran and JK Rail have been included in the results of the Harsco Rail Segment. Inclusion of pro forma financial information for these transactions is not necessary as the acquisitions are immaterial.

5. Accounts Receivable and Inventories

Accounts receivable consist of the following:

(In thousands)	September 30 2015	December 31 2014
Trade accounts receivable	$322,751	$340,223
Less: Allowance for doubtful accounts	(24,516)	(15,119)
Trade accounts receivable, net	$298,235	$325,104
Other receivables (a)	$23,293	$28,145

(a) Other receivables include insurance claim receivables, employee receivables, tax claim receivables, receivables from affiliates and other miscellaneous receivables not included in Trade accounts receivable, net.

The provision for doubtful accounts related to trade accounts receivable was as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
(In thousands)	2015	2014	2015	2014
Provision for doubtful accounts related to trade accounts receivable	$10,005	$(170)	$10,615	$7,176

The increase in the Allowance for doubtful accounts since December 31, 2014 and the Provision for doubtful accounts for the three and nine months ended September 30, 2015 relates to one European customer in the Harsco Metals & Minerals Segment which ceased operations and began the formal process of liquidation.

Inventories consist of the following:

(In thousands)	September 30 2015	December 31 2014
Finished goods	$35,898	$30,525
Work-in-process	69,938	28,690
Raw materials and purchased parts	75,927	87,985
Stores and supplies	28,533	31,722
Inventories	$210,296	$178,922

12

Table of Contents

6. Equity Method Investments

In November 2013, the Company consummated the previously announced transaction to sell the Company's Harsco Infrastructure Segment into a strategic venture with Clayton, Dubilier & Rice ("CD&R") as part of a transaction that combined the Harsco Infrastructure Segment with Brand Energy & Infrastructure Services, Inc., which CD&R simultaneously acquired (the "Infrastructure Transaction"). As a result of the Infrastructure Transaction, the Company owns an approximate 29% equity interest in Brand Energy & Infrastructure Services Inc. and Subsidiaries ("Brand" or the "Infrastructure strategic venture") at both September 30, 2015 and December 31, 2014.

The book value of the Company's equity method investment in Brand at September 30, 2015 and December 31, 2014 was $264.2 million and $285.7 million, respectively. The Company records the Company's proportionate share of Brand's net income or loss one quarter in arrears. Brand's results of operations for the three months ended June 30, 2015 and 2014 and the nine months ended June 30, 2015 and the period from November 27, 2013 through June 30, 2014, are summarized as follows:

(In thousands)	Three Months Ended June 30 2015	Three Months Ended June 30 2014	Nine Months Ended June 30 2015	Period From November 27 2013 Through June 30 2014
Summarized Statement of Operations Information of Brand:				
Net revenues	$736,178	$827,735	$2,217,904	$1,805,592
Gross profit	154,710	187,272	486,656	387,966
Net income (loss) attributable to Brand Energy & Infrastructure Services, Inc. and Subsidiaries	10,817	18,866	(1,384)	4,259
Harsco's equity in income (loss) of Brand	3,105	5,770	(396)	1,021

The Company is required to make a quarterly payment to the Company's partner in the Infrastructure strategic venture, either (at the Company's election) (i) in cash, with total payments to equal approximately $22 million per year on a pre-tax basis (approximately $15 million per year after-tax), or (ii) in kind, through the transfer of approximately 2.5% of the Company's ownership interest in the Infrastructure strategic venture on an annual basis (the "unit adjustment liability"). The resulting liability is reflected in the caption, Unit adjustment liability, on the Company's Condensed Consolidated Balance Sheets. The Company will recognize the change in fair value to the unit adjustment liability each period until the Company is no longer required to make these payments or chooses not to make these payments. The change in fair value to the unit adjustment liability is a non-cash expense. For the three and nine months ended September 30, 2015, the Company recognized $2.1 million and $6.5 million, respectively, of change in fair value to the unit adjustment liability, compared to $2.4 million and $7.4 million for the three and nine months ended September 30, 2014, respectively.

The Condensed Consolidated Balance Sheets as of September 30, 2015 and December 31, 2014 include balances related to the unit adjustment liability of $83.5 million and $93.8 million, respectively, in the current and non-current captions, Unit adjustment liability. A reconciliation of beginning and ending balances related to the unit adjustment liability is included in Note 14, Derivative Instruments, Hedging Activities and Fair Value.

The Company intends to make these quarterly payments in cash and will continue to evaluate the implications of making payments in cash or in kind based upon performance of the Infrastructure strategic venture. In the future, should the Company decide not to make the cash payment, the value of both the equity method investment in Brand and the related unit adjustment liability may be impacted, and the change may be reflected in earnings in that period.

Balances related to transactions between the Company and Brand are as follows:

(In thousands)	September 30 2015	December 31 2014
Balances due from Brand	$2,330	$1,860
Balances due to Brand	28,913	28,311

These balances between the Company and Brand relate primarily to the funding of certain transferred defined benefit pension plan obligations through 2018. There is not expected to be any significant level of revenue or expense between the Company and Brand on an ongoing basis once all aspects of the Infrastructure Transaction have been finalized.

Table of Contents

7. Property, Plant and Equipment

Property, plant and equipment consists of the following:

(In thousands)	September 30 2015	December 31 2014
Land	$11,065	$15,721
Land improvements	15,408	15,898
Buildings and improvements	201,213	205,409
Machinery and equipment	1,725,312	1,861,965
Construction in progress	55,657	87,414
Gross property, plant and equipment	2,008,655	2,186,407
Less: Accumulated depreciation	(1,424,948)	(1,523,163)
Property, plant and equipment, net	$583,707	$663,244

8. Goodwill and Other Intangible Assets

The following table reflects the changes in carrying amounts of goodwill by segment for the nine months ended September 30, 2015:

(In thousands)	Harsco Metals & Minerals Segment	Harsco Industrial Segment	Harsco Rail Segment	Consolidated Totals
Balance at December 31, 2014	$400,006	$6,839	$9,310	$416,155
Changes to goodwill (a)	(493)	—	3,489	2,996
Foreign currency translation	(12,813)	—	—	(12,813)
Balance at September 30, 2015	$386,700	$6,839	$12,799	$406,338

(a) Changes to goodwill in the Harsco Rail Segment relate to the acquisitions of Protran and JK Rail. See Note 4, Acquisitions. In addition, the change to goodwill in the Harsco Metals & Minerals Segment relates to the allocation of goodwill associated with the sale of the Company's Pakistan-based chromium operations.

The Company’s 2014 annual goodwill impairment testing did not result in any impairment of the Company’s goodwill. The fair value of the Harsco Metals & Minerals Segment exceeded the carrying value by approximately 10%. The Company tests for goodwill impairment annually or more frequently if indicators of impairment exist, or if a decision is made to dispose of a business. The Company performs the annual goodwill impairment test as of October 1 and monitors for triggering events on an ongoing basis. The Company determined that, as of September 30, 2015, no interim goodwill impairment testing was necessary. There can be no assurance that the Company’s annual goodwill impairment testing will not result in a charge to earnings. Should the Company’s analysis continue to indicate degradation in the overall markets served by the Harsco Metals & Minerals Segment, impairment losses for associated assets could be required. Any impairment could result in the write-down of the carrying value of goodwill to its implied fair value.

Intangible assets included in the captions, Other current assets and Intangible assets, net, on the Condensed Consolidated Balance Sheets consist of the following:

(In thousands)	September 30, 2015		December 31, 2014	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer related	$155,416	$111,256	$157,530	$112,211
Non-compete agreements	1,097	1,047	1,107	1,039
Patents	5,912	5,474	6,079	5,399
Technology related	25,743	22,589	26,548	21,233
Trade names	8,308	4,077	7,745	3,733
Other	8,794	4,545	7,420	4,290
Total	$205,270	$148,988	$206,429	$147,905

14

Table of Contents

Amortization expense for intangible assets was as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
(In thousands)	2015	2014	2015	2014
Amortization expense for intangible assets	$2,286	$2,398	$6,602	$7,544

The estimated amortization expense for the next five fiscal years based on current intangible assets is as follows:

(In thousands)	2015	2016	2017	2018	2019
Estimated amortization expense (b)	$9,000	$8,750	$6,000	$5,750	$5,500

(b) These estimated amortization expense amounts do not reflect the potential effect of future foreign currency exchange fluctuations.

9. Debt and Credit Agreements

In March 2012, the Company entered into an Amended and Restated Five Year Credit Agreement (the "Credit Agreement") providing for $525 million of borrowing capacity through a syndicate of 14 banks.

On March 27, 2015, the Company entered into Amendment No. 3 ("Amendment No. 3") to the Credit Agreement. Amendment No. 3 provides for (i) $500 million of borrowing capacity, which the Company may request be increased to $550 million pending lenders' agreement, through a syndicate of 11 banks; (ii) extension of the current termination date for the Credit Agreement from March 2, 2017 to June 2, 2019 upon successful completion of refinancing the Company's 2.7% notes due October 15, 2015; (iii) replacement of the existing consolidated debt to consolidated earnings before interest, taxes, depreciation and amortization ("EBITDA") ratio with a net debt to consolidated EBITDA ratio not to exceed 3.75 to 1.0 through March 31, 2016 and 3.5 to 1.0 thereafter; and (iv) modification to certain defined terms. During the three months ended March 31, 2015, the Company expensed $0.6 million of previously deferred financing costs associated with the Credit Agreement for banks which did not participate in Amendment No. 3 to the Credit Agreement.

At September 30, 2015, the Company was in compliance with all debt covenants as the total net debt to consolidated EBITDA ratio was 2.7 to 1.0, the proportion of subsidiary consolidated indebtedness to consolidated tangible assets was 0.8% and total consolidated EBITDA to consolidated interest charges was 6.3 to 1.0.
At September 30, 2015 and December 31, 2014, the Company had $100.0 million and $98.5 million, respectively, of Credit Agreement borrowings outstanding. At September 30, 2015 and December 31, 2014, all such balances were classified as long-term borrowings in the Condensed Consolidated Balance Sheets. Classification of such balances is based on the Company's ability and intent to repay such amounts over the subsequent twelve months, as well as reflects the Company's ability and intent to borrow for a period longer than a year. To the extent the Company expects to repay any amounts within the subsequent twelve months, the amounts are classified as short-term borrowings.
At September 30, 2015, the Company's 2.7% notes due October 15, 2015 are classified as long-term debt on the Condensed Consolidated Balance Sheet based on the Company's ability and intent to refinance this debt on a long-term basis.

On October 15, 2015, the Company repaid the 2.7% notes due October 15, 2015 by utilizing borrowings under the Credit Agreement. There was no change to the Company's overall debt position as a result of the repayment and the Company remains in compliance with all debt covenants. The expiration of the Credit Agreement, per the terms of Amendment No. 3, is currently March 2, 2017.

Table of Contents

10. Employee Benefit Plans

Defined Benefit Pension Plans Net Periodic Pension Cost (In thousands)	Three Months Ended September 30			
	U.S. Plans		International Plans	
	2015	2014	2015	2014
Service cost	$722	$558	$428	$394
Interest cost	3,089	3,217	9,146	11,024
Expected return on plan assets	(4,203)	(4,196)	(12,630)	(12,743)
Recognized prior service costs	20	22	47	46
Recognized loss	1,230	838	4,244	3,596
Defined benefit pension plans net periodic pension cost	$858	$439	$1,235	$2,317

Defined Benefit Pension Plans Net Periodic Pension Cost (In thousands)	Nine Months Ended September 30			
	U.S. Plans		International Plans	
	2015	2014	2015	2014
Service costs	$2,167	$1,675	$1,320	$1,213
Interest cost	9,268	9,651	27,475	32,948
Expected return on plan assets	(12,609)	(12,590)	(37,914)	(38,039)
Recognized prior service costs	60	68	144	138
Recognized loss	3,689	2,514	12,700	10,732
Amortization of transition liability	—	—	—	56
Defined benefit pension plans net periodic pension cost	$2,575	$1,318	$3,725	$7,048

Company Contributions (In thousands)	Three Months Ended September 30		Nine Months Ended September 30	
	2015	2014	2015	2014
Defined benefit pension plans:				
United States	$567	$5,909	$1,841	$7,057
International	3,935	4,226	24,166	25,963
Multiemployer pension plans	570	667	1,876	2,334
Defined contribution pension plans	2,619	3,322	8,884	10,321

The Company's estimate of expected contributions to be paid during the remainder of 2015 for the U.S. and international defined benefit plans are $0.6 million and $4.2 million, respectively.

11. Income Taxes

The income tax expense related to continuing operations for the three and nine months ended September 30, 2015 was $7.0 million and $26.9 million, respectively, compared with $13.9 million and $24.1 million for the three and nine months ended September 30, 2014, respectively.

An income tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, based on technical merits, including resolutions of any related appeals or litigation processes. The unrecognized income tax benefit at September 30, 2015 was $7.4 million, including interest and penalties. During the current quarter, there was a decrease of $7.1 million in unrecognized income tax benefit resulting from the adjustment by a foreign tax authority as a result of a tax audit. The unrecognized income tax benefit was related to a net operating loss carryforward that carried a full valuation allowance. As a result, the related deferred tax asset was decreased by the same amount. Within the next twelve months, it is reasonably possible that up to $1.2 million of unrecognized income tax benefits will be recognized upon settlement of tax examinations and the expiration of various statutes of limitations.

Table of Contents

12. Commitments and Contingencies

Environmental

The Company is involved in a number of environmental remediation investigations and cleanups and, along with other companies, has been identified as a “potentially responsible party” for certain waste disposal sites. While each of these matters is subject to various uncertainties, it is probable that the Company will agree to make payments toward funding certain of these activities and it is possible that some of these matters will be decided unfavorably to the Company. The Company has evaluated its potential liability, and its financial exposure is dependent upon such factors as the continuing evolution of environmental laws and regulatory requirements, the availability and application of technology, the allocation of cost among potentially responsible parties, the years of remedial activity required and the remediation methods selected. The Condensed Consolidated Balance Sheets at September 30, 2015 and December 31, 2014 include accruals in Other current liabilities of $1.3 million and $1.2 million, respectively, for environmental matters. The amounts charged against pre-tax income related to environmental matters totaled $0.3 million and $0.8 million for the three and nine months ended September 30, 2015, respectively. The amounts charged against pre-tax income related to environmental matters totaled $0.4 million and $1.7 million for the three and nine months ended September 30, 2014, respectively.

The Company evaluates its liability for future environmental remediation costs on a quarterly basis. Although actual costs to be incurred at identified sites in future periods may vary from the estimates (given inherent uncertainties in evaluating environmental exposures), the Company does not expect that any costs that are reasonably possible to be incurred by the Company in connection with environmental matters in excess of the amounts accrued would have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Brazilian Tax Disputes

The Company is involved in a number of tax disputes with federal, state and municipal tax authorities in Brazil. These disputes are at various stages of the legal process, including the administrative review phase and the collection action phase, and include assessments of fixed amounts of principal and penalties, plus interest charges that increase at statutorily determined amounts per month and are assessed on the aggregate amount of the principal and penalties. In addition, the losing party at the collection action or court of appeals phase could be subject to a charge to cover statutorily mandated legal fees, which are generally calculated as a percentage of the total assessed amounts due, inclusive of penalty and interest. A large number of the claims relate to value-added ("ICMS") services and social security ("INSS") tax disputes. The largest proportion of the assessed amounts relate to ICMS claims filed by the State Revenue Authorities from the State of São Paulo, Brazil (the "SPRA"), encompassing the period from January 2002 to May 2005.

In October 2009, the Company received notification of the SPRA’s final administrative decision regarding the levying of ICMS in the State of São Paulo in relation to services provided to a customer in the State between January 2004 and May 2005. As of September 30, 2015, the principal amount of the tax assessment from the SPRA with regard to this case was approximately $2 million, with penalty, interest and fees assessed to date increasing such amount by an additional $17 million. Any change in the aggregate amount since the Company’s last Annual Report on Form 10-K for the year ended December 31, 2014, as revised in the Company's Current Report on Form 8-K filed on June 1, 2015, is due to an increase in assessed interest and statutorily mandated legal fees for the period as well as foreign currency translation.

Another ICMS tax case involving the SPRA refers to the tax period from January 2002 to December 2003, and is still pending at the administrative phase. The aggregate amount assessed by the tax authorities in August 2005 was $6.2 million (the amounts with regard to this claim are valued as of the date of the assessment since it has not yet reached the collection phase), composed of a principal amount of $1.5 million, with penalty and interest assessed through that date increasing such amount by an additional $4.7 million. All such amounts include the effect of foreign currency translation.

The Company continues to believe it is not probable that it will incur a loss for these assessments by the SPRA. The Company also continues to believe that sufficient coverage for these claims exists as a result of the Company’s customer’s indemnification obligations and such customer’s pledge of assets in connection with the October 2009 notice, as required by Brazilian procedure.

The Company intends to continue its practice of vigorously defending itself against these tax claims under various alternatives, including judicial appeal. The Company will continue to evaluate its potential liability with regard to these claims on a quarterly basis; however, it is not possible to predict the ultimate outcome of these tax-related disputes in Brazil. No loss provision has been recorded in the Company's condensed consolidated financial statements for the disputes described above because the loss contingency is not deemed probable, and the Company does not expect that any costs that are reasonably possible to be incurred by the Company in connection with Brazilian tax disputes would have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Table of Contents

Brazilian Labor Disputes

The Company is subject to collective bargaining and individual labor claims in Brazil through the Harsco Metals & Minerals Segment which allege, among other things, the Company's failure to pay required amounts for overtime and vacation at certain sites. The Company is vigorously defending itself against these claims; however, litigation is inherently unpredictable, particularly in foreign jurisdictions. While the Company does not currently expect that the ultimate resolution of these claims will have a material adverse effect on the Company’s financial condition, results of operations or cash flows, it is not possible to predict the ultimate outcome of these labor-related disputes.

The Company is continuing to review all known labor claims and as of September 30, 2015 and December 31, 2014, the Company has established reserves of $7.3 million and $8.6 million, respectively, on the Company's Condensed Consolidated Balance Sheets for amounts considered to be probable and estimable. The decrease in the reserves is primarily attributable to foreign currency translation. As the Company continues to evaluate these claims and takes actions to address them, the amount of established reserves may be impacted.

Customer Disputes

The Company, through its Harsco Metals & Minerals Segment, provides services through long-term service contracts on a number of sites worldwide. As the Company has previously disclosed, a subcontractor at the site of a large customer in the Harsco Metals & Minerals Segment had filed arbitration against the Company, claiming that it was owed monetary damages from the Company in connection with its processing certain materials. Additionally, related to this matter, the Company has brought suit against its customer which the Company believed had responsibility for any damages. During the third quarter of 2015, all parties involved reached a binding settlement agreement. The Company recorded a charge of $4.2 million related to its obligations under the settlement agreement.

The Company, through its Harsco Metals & Minerals Segment, may, in the normal course of business, become involved in commercial disputes with other subcontractors or customers. Although results of operations and cash flows for a given period could be adversely affected by a negative outcome in these or other lawsuits, claims or proceedings, management believes that the ultimate outcome of these matters will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Other

The Company is named as one of many defendants (approximately 90 or more in most cases) in legal actions in the United States alleging personal injury from exposure to airborne asbestos over the past several decades. In their suits, the plaintiffs have named as defendants, among others, many manufacturers, distributors and installers of numerous types of equipment or products that allegedly contained asbestos.

The Company believes that the claims against it are without merit. The Company has never been a producer, manufacturer or processor of asbestos fibers. Any asbestos-containing part of a Company product used in the past was purchased from a supplier and the asbestos encapsulated in other materials such that airborne exposure, if it occurred, was not harmful and is not associated with the types of injuries alleged in the pending actions.

At September 30, 2015, there were 17,221 pending asbestos personal injury actions filed against the Company. Of those actions, 16,893 were filed in the New York Supreme Court (New York County), 125 were filed in other New York State Supreme Court Counties and 203 were filed in courts located in other states.

The complaints in most of those actions generally follow a form that contains a standard damages demand of $20 million or $25 million, regardless of the individual plaintiff’s alleged medical condition, and without identifying any specific Company product.

At September 30, 2015, 16,759 of the actions filed in New York Supreme Court (New York County) were on the Deferred/Inactive Docket created by the court in December 2002 for all pending and future asbestos actions filed by persons who cannot demonstrate that they have a malignant condition or discernible physical impairment. The remaining 134 cases in New York County are pending on the Active or In Extremis Docket created for plaintiffs who can demonstrate a malignant condition or physical impairment.

The Company has liability insurance coverage under various primary and excess policies that the Company believes will be available, if necessary, to substantially cover any liability that might ultimately be incurred in the asbestos actions referred to above. The Company believes that a substantial portion of the costs and expenses of the asbestos actions will be paid by the Company’s insurers.

Table of Contents

In view of the persistence of asbestos litigation in the United States, the Company expects to continue to receive additional claims in the future. The Company intends to continue its practice of vigorously defending these claims and cases. At September 30, 2015, the Company has obtained dismissal in 27,679 cases by stipulation or summary judgment prior to trial.

It is not possible to predict the ultimate outcome of asbestos-related actions in the United States due to the unpredictable nature of this litigation, and no loss provision has been recorded in the Company's condensed consolidated financial statements because a loss contingency is not deemed probable or estimable. Despite this uncertainty, and although results of operations and cash flows for a given period could be adversely affected by asbestos-related actions, the Company does not expect that any costs that are reasonably possible to be incurred by the Company in connection with asbestos litigation would have a material adverse effect on the Company's financial condition, results of operations or cash flows.

The Company is subject to various other claims and legal proceedings covering a wide range of matters that arose in the ordinary course of business. In the opinion of management, all such matters are adequately covered by insurance or by established reserves, and, if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a material adverse effect on the financial condition, results of operations or cash flows of the Company.

Insurance liabilities are recorded when it is probable that a liability has been incurred for a particular event and the amount of loss associated with the event can be reasonably estimated. Insurance reserves have been estimated based primarily upon actuarial calculations and reflect the undiscounted estimated liabilities for ultimate losses, including claims incurred but not reported. Inherent in these estimates are assumptions that are based on the Company's history of claims and losses, a detailed analysis of existing claims with respect to potential value, and current legal and legislative trends. If actual claims differ from those projected by management, changes (either increases or decreases) to insurance reserves may be required and would be recorded through income in the period the change was determined. When a recognized liability is covered by third-party insurance, the Company records an insurance claim receivable to reflect the covered liability. Insurance claim receivables are included in Other receivables on the Company's Condensed Consolidated Balance Sheets. See Note 1, Summary of Significant Accounting Policies, to the Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014, as revised in the Company's Current Report on Form 8-K filed on June 1, 2015, for additional information on Accrued Insurance and Loss Reserves.

13. Reconciliation of Basic and Diluted Shares

	Three Months Ended September 30		Nine Months Ended September 30	
(In thousands, except per share amounts)	2015	2014	2015	2014
Income (loss) from continuing operations attributable to Harsco Corporation common stockholders	$(8,254)	$25,000	$13,719	$21,912
Weighted-average shares outstanding - basic	80,238	80,918	80,233	80,873
Dilutive effect of stock-based compensation	—	181	130	220
Weighted-average shares outstanding - diluted	$80,238	$81,099	$80,363	$81,093
Earnings (loss) from continuing operations per common share, attributable to Harsco Corporation common stockholders:				
Basic	$(0.10)	$0.31	$0.17	$0.27
Diluted	$(0.10)	$0.31	$0.17	$0.27

The following average outstanding stock-based compensation units were not included in the computation of diluted earnings (loss) per share because the effect was antidilutive:

	Three Months Ended September 30		Nine Months Ended September 30	
(In thousands)	2015	2014	2015	2014
Restricted stock units	441	—	—	103
Stock options	90	200	101	210
Stock appreciation rights	1,265	372	1,156	453
Performance share units	322	136	265	78

Table of Contents

14. Derivative Instruments, Hedging Activities and Fair Value

Derivative Instruments and Hedging Activities

The Company uses derivative instruments, including foreign currency forward exchange contracts, commodity contracts and cross-currency interest rate swaps, to manage certain foreign currency, commodity price and interest rate exposures. Derivative instruments are viewed as risk management tools by the Company and are not used for trading or speculative purposes.

All derivative instruments are recorded on the Condensed Consolidated Balance Sheets at fair value. Changes in the fair value of derivatives used to hedge foreign currency denominated balance sheet items are reported directly in earnings, along with offsetting transaction gains and losses on the items being hedged. Derivatives used to hedge forecasted cash flows associated with foreign currency commitments or forecasted commodity purchases may be accounted for as cash flow hedges, as deemed appropriate, if the criteria for hedge accounting are met. Gains and losses on derivatives designated as cash flow hedges are deferred as a separate component of equity and reclassified to earnings in a manner that matches the timing of the earnings impact of the hedged transactions. Generally, at September 30, 2015, these deferred gains and losses are reclassified to earnings over 10 to 15 years from the balance sheet date. The ineffective portion of all hedges, if any, is recognized currently in earnings.

The fair values of outstanding derivative contracts recorded as assets and liabilities on the Condensed Consolidated Balance Sheets at September 30, 2015 and December 31, 2014 were as follows:

	Asset Derivatives		Liability Derivatives	
(In thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
September 30, 2015				
Derivatives designated as hedging instruments:				
Foreign currency forward exchange contracts	Other current assets	$3,289	Other current liabilities	$46
Cross-currency interest rate swaps	Other assets	10,455	Other liabilities	—
Total derivatives designated as hedging instruments		$13,744		$46
Derivatives not designated as hedging instruments:				
Foreign currency forward exchange contracts	Other current assets	$4,120	Other current liabilities	$724

	Asset Derivatives		Liability Derivatives	
(In thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
December 31, 2014				
Derivatives designated as hedging instruments:				
Foreign currency forward exchange contracts	Other current assets	$420	Other current liabilities	$—
Cross-currency interest rate swaps	Other assets	52,989	Other liabilities	2,599
Total derivatives designated as hedging instruments		$53,409		$2,599
Derivatives not designated as hedging instruments:				
Foreign currency forward exchange contracts	Other current assets	$4,065	Other current liabilities	$4,618

All of the Company's derivatives are recorded in the Condensed Consolidated Balance Sheets at gross amounts and not offset. All of the Company's cross-currency interest rate swaps and certain foreign currency forward exchange contracts are transacted under International Swaps and Derivatives Association ("ISDA") documentation. Each ISDA master agreement permits the net settlement of amounts owed in the event of default. The Company's derivative assets and liabilities subject to enforceable master netting arrangements did not result in a net asset or net liability at either September 30, 2015 or December 31, 2014.

Table of Contents

The effect of derivative instruments on the Condensed Consolidated Statements of Operations and the Condensed Consolidated Statements of Comprehensive Loss for the three and nine months ended September 30, 2015 and 2014 was as follows:
Derivatives Designated as Hedging Instruments

(In thousands)	Amount of Gain (Loss) Recognized in Other Comprehensive Income ("OCI") on Derivative - Effective Portion	Location of Gain (Loss) Reclassified from Accumulated OCI into Income - Effective Portion	Amount of Gain Reclassified from Accumulated OCI into Income - Effective Portion	Location of Gain Recognized in Income on Derivative - Ineffective Portion and Amount Excluded from Effectiveness Testing	Amount of Loss Recognized in Income on Derivative - Ineffective Portion and Amount Excluded from Effectiveness Testing	
Three Months Ended September 30, 2015:						
Foreign currency forward exchange contracts	$ 2,517	Cost of services and products sold	$ 78		$ —	
Cross-currency interest rate swaps	2,446		—	Cost of services and products sold	13,087	(a)
	$ 4,963		$ 78		$ 13,087	
Three Months Ended September 30, 2014:						
Foreign currency forward exchange contracts	$ 77		$ —		$ —	
Cross-currency interest rate swaps	(863)		—	Cost of services and products sold	26,629	(a)
	$ (786)		$ —		$ 26,629	

(In thousands)	Amount of Gain (Loss)Recognized in Other Comprehensive Income ("OCI") on Derivative - Effective Portion	Location of Gain (Loss) Reclassified from Accumulated OCI into Income - Effective Portion	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income - Effective Portion	Location of Gain (Loss) Recognized in Income on Derivative - Ineffective Portion and Amount Excluded from Effectiveness Testing	Amount of Gain (Loss) Recognized in Income on Derivative - Ineffective Portion and Amount Excluded from Effectiveness Testing	
Nine Months Ended September 30, 2015:						
Foreign currency forward exchange contracts	$ 2,851	Cost of services and products sold	$ 80		$ —	
Cross currency interest rate swaps	8,531		—	Cost of services and products sold	24,739	(a)
	$ 11,382		$ 80		$ 24,739	
Nine Months Ended September 30, 2014:						
	$ 97		$ (3)		$ —	

Foreign currency forward exchange contracts			Cost of services and products sold			
Cross currency interest rate swaps	(3,418	)	—	Cost of services and products sold	21,254	(a)
	$ (3,321	)	$(3)		$ 21,254	

(a) These gains (losses) offset foreign currency fluctuation effects on the debt principal.

Table of Contents

Derivatives Not Designated as Hedging Instruments

(In thousands)	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative for the Three Months Ended September 30 (a) 2015	2014
Foreign currency forward exchange contracts	Cost of services and products sold	$ 2,724	$ (1,126)

(In thousands)	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative for the Nine Months Ended September 30 (a) 2015	2014
Foreign currency forward exchange contracts	Cost of services and products sold	$ (4,510)	$ (704)

(a) These gains (losses) offset amounts recognized in cost of services and products sold principally as a result of intercompany or third party foreign currency exposures.

Foreign Currency Forward Exchange Contracts

The Company conducts business in multiple currencies and, accordingly, is subject to the inherent risks associated with foreign exchange rate movements. The financial position and results of operations of substantially all of the Company's foreign subsidiaries are measured using the local currency as the functional currency. Foreign currency-denominated assets and liabilities are translated into U.S. dollars at the exchange rates existing at the respective balance sheet dates, and income and expense items are translated at the average exchange rates during the respective periods. The aggregate effects of translating the balance sheets of these subsidiaries are deferred and recorded in Accumulated other comprehensive loss, which is a separate component of equity.

The Company uses derivative instruments to hedge cash flows related to foreign currency fluctuations. Foreign currency forward exchange contracts outstanding are part of a worldwide program to minimize foreign currency exchange operating income and balance sheet exposure by offsetting foreign currency exposures of certain future payments between the Company and various subsidiaries, suppliers or customers. These unsecured contracts are with major financial institutions. The Company may be exposed to credit loss in the event of non-performance by the contract counterparties. The Company evaluates the creditworthiness of the counterparties and does not expect default by them. Foreign currency forward exchange contracts are used to hedge commitments, such as foreign currency debt, firm purchase commitments and foreign currency cash flows for certain export sales transactions.

The following tables summarize, by major currency, the contractual amounts of the Company's foreign currency forward exchange contracts in U.S. dollars at September 30, 2015 and December 31, 2014. The "Buy" amounts represent the U.S. dollar equivalent of commitments to purchase foreign currencies, and the "Sell" amounts represent the U.S. dollar equivalent of commitments to sell foreign currencies. The recognized gains and losses offset amounts recognized in cost of services and products sold principally as a result of intercompany or third party foreign currency exposures.

Contracted Amounts of Foreign Currency Forward Exchange Contracts Outstanding at September 30, 2015:

(In thousands)	Type	U.S. Dollar Equivalent	Maturity