

HARSCO CORP
Form 10-K
February 24, 2011

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2010

OR

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

Commission File Number 001-03970

HARSCO CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

23-1483991

(I.R.S. employer identification number)

350 Poplar Church Road, Camp Hill, Pennsylvania

(Address of principal executive offices)

17011

(Zip Code)

717-763-7064

Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Common stock, par value \$1.25 per share

Preferred stock purchase rights

Name of each exchange on which registered

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES NO

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 NO

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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 NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

The aggregate market value of the Company's voting stock held by non-affiliates of the Company as of June 30, 2010 was \$1,891,037,000.

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 January 31, 2011
Common stock, par value \$1.25 per share	80,674,774

DOCUMENTS INCORPORATED BY REFERENCE

Selected portions of the 2011 Proxy Statement are incorporated by reference into Part III of this Report.

The Exhibit Index (Item No. 15) located on pages 131 to 136 incorporates several documents by reference as indicated therein.

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PART I

Item 1. Business.

(a)

General Development of Business.

Harsco Corporation ("the Company") is a diversified, multinational provider of industrial services and engineered products serving global industries that are fundamental to worldwide economic growth and infrastructure development. The Company's operations fall into four reportable segments: Harsco Infrastructure, Harsco Metals & Minerals, Harsco Rail and Harsco Industrial. The Company has locations in over 50 countries, including the United States. The Company was incorporated in 1956.

The Company's executive offices are located at 350 Poplar Church Road, Camp Hill, Pennsylvania 17011. The Company's main telephone number is (717) 763-7064 and Internet website address is www.harsco.com. Through this Internet website (in the "Investor Relations" link) the Company makes available, free of charge, its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and all amendments to those reports, as soon as reasonably practical after those reports are electronically filed or furnished to the Securities and Exchange Commission. Information contained on the Company's website is not incorporated by reference into this Annual Report on Form 10-K, and should not be considered as part of this Annual Report on Form 10-K.

The Company's principal lines of business and related principal business drivers are as follows:

Principal Lines of Business

Engineered scaffolding, concrete forming and shoring, and other access-related services, rentals and sales

Outsourced, on-site services to steel mills and other metals producers, and recycling technologies for industrial by-product waste streams

Industrial abrasives and roofing granules

Railway track maintenance services and equipment

Industrial grating products

Air-cooled heat exchangers
Heat transfer products

Principal Business Drivers

Infrastructure and non-residential construction

Industrial plant maintenance requirements
Global metals production and capacity utilization

Outsourcing of services by metals producers

Demand for high-value specialty steel and ferro alloys

Demand for environmental solutions for metals and minerals waste streams

Industrial and infrastructure surface preparation and restoration

Residential roof replacement

Global railway track maintenance-of-way capital spending

Outsourcing of track maintenance and new track construction by railroads

Industrial plant and warehouse construction and expansion

Off-shore drilling and new rig construction
Natural gas compression, transmission and demand
Commercial and institutional boiler and water heater requirements

The Company reports segment information using the "management approach," based on the way management organizes and reports the segments within the enterprise for making operating decisions and assessing performance. The Company's reportable segments are identified based upon differences

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in products, services and markets served. These segments and the types of products and services offered are more fully described in section (c) below.

In 2010, 2009 and 2008, the United States contributed sales of \$1.0 billion, \$1.0 billion and \$1.3 billion, equal to 33%, 34% and 32% of total sales, respectively. In 2010, 2009 and 2008, the euro-based countries contributed sales of \$0.8 billion, \$0.8 billion and \$1.0 billion, equal to 25%, 27% and 26% of total sales, respectively. In 2010, 2009 and 2008, the United Kingdom contributed sales of \$0.4 billion, \$0.4 billion and \$0.7 billion, equal to 14%, 15% and 17% of total sales, respectively. One customer, ArcelorMittal, represented approximately 12% of the Company's sales during 2010 and 10% in both 2009 and 2008. There were no significant inter-segment sales.

(b) Financial Information about Segments

Financial information concerning industry segments is included in Note 14, Information by Segment and Geographic Area, to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data."

(c) Narrative Description of Business

- (1) A narrative description of the businesses by reportable segment is as follows:

Harsco Infrastructure Segment 34% of consolidated revenues for 2010

The Harsco Infrastructure Segment is one of the world's most complete global organizations for engineered rental scaffolding, shoring, concrete forming and other access-related solutions. The Segment operates from a network of branches throughout the world, including North America, Europe, the Gulf Region of the Middle East, Africa, Asia-Pacific and Latin America. Major services include the rental of concrete shoring and forming systems; scaffolding for non-residential and infrastructure construction projects and industrial maintenance requirements; as well as a variety of other infrastructure services including project engineering, equipment erection and dismantling services, industrial insulation services and equipment sales.

The Company's infrastructure services are provided through branch locations in approximately 40 countries plus export sales worldwide. In 2010, this Segment's revenues were generated in the following regions:

Harsco Infrastructure Segment

Region	2010 Percentage of Revenues
Western Europe	56%
North America	20%
Middle East and Africa	8%
Eastern Europe	6%
Latin America(a)	5%
Asia-Pacific	5%

- (a) Including Mexico.

For 2010, 2009 and 2008, the Harsco Infrastructure Segment's percentage of the Company's consolidated sales was 34%, 39% and 39%, respectively.

Harsco Metals & Minerals Segment 48% of consolidated revenues for 2010

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The Harsco Metals & Minerals Segment is one of the world's largest providers of on-site, outsourced services to the global metals industries. The Harsco Metals business provides its services

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and solutions on a long-term contract basis, supporting each stage of the metal-making process from initial raw material handling to post-production by-product processing and on-site recycling, including providing environmental services for the processing of residual by-products. Working as a specialized, value-added services provider, the Harsco Metals business rarely takes ownership of its customers' raw materials or finished products. The Harsco Metals business multi-year contracts had estimated future revenues of \$3.5 billion at December 31, 2010. This provides the Company with a substantial base of long-term revenues. Approximately 63% of these revenues are expected to be recognized by December 31, 2013. The remaining revenues are expected to be recognized principally between January 1, 2014 and December 31, 2019.

Harsco Minerals has two businesses: one is multinational and extracts high-value metallic content for production re-use on behalf of leading steelmakers and also specializes in the development of minerals technologies for commercial applications, including agriculture fertilizers; the other produces industrial abrasives and roofing granules from power-plant utility coal slag at a number of locations throughout the United States. Harsco Minerals' BLACK BEAUTY® abrasives are used for industrial surface preparation, such as rust removal and cleaning of bridges, ship hulls and various structures. Roofing granules are sold to residential roofing shingle manufacturers, primarily for the replacement roofing market. This business is one of the United States' largest producers of slag abrasives and residential roofing granules.

The Harsco Metals & Minerals Segment operates in over 35 countries. In 2010, this Segment's revenues were generated in the following regions:

Harsco Metals & Minerals Segment

Region	2010 Percentage of Revenues
Western Europe	40%
North America	27%
Latin America(a)	15%
Middle East and Africa	8%
Asia-Pacific	7%
Eastern Europe	3%

(a) Including Mexico.

For 2010, 2009 and 2008, the Harsco Metals & Minerals Segment's percentage of the Company's consolidated sales was 48%, 42% and 45%, respectively.

Harsco Rail Segment 10% of consolidated revenues for 2010

The Harsco Rail Segment is a global provider of equipment and services to maintain, repair and construct railway track. The Company's railway track maintenance services, solutions and specialized track maintenance equipment support private and government-owned railroads and urban transit systems worldwide.

The Company's rail products are produced in three countries and products and services are provided worldwide. In 2010, 2009 and 2008, export sales from the United States for the Harsco Rail Segment were \$134.1 million, \$119.7 million and \$68.1 million, respectively. These represent 43%, 39% and 25% of this Segment's revenues for the years ended December 31, 2010, 2009 and 2008, respectively.

For 2010, 2009 and 2008, the Harsco Rail Segment's percentage of the Company's consolidated sales was 10%, 10% and 7%, respectively.

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Harsco Industrial Segment 8% of consolidated revenues for 2010

This Segment includes the Harsco Industrial IKG, Harsco Industrial Air-X-Changers and Harsco Industrial Patterson-Kelley businesses. Approximately 92% of this Segment's revenues originate in North America.

Harsco Industrial IKG manufactures a varied line of industrial grating products at several plants in the United States and one in Mexico. These products include a full range of bar grating configurations, which are used mainly in industrial flooring, as well as safety and security applications in the power, paper, chemical, refining and processing industries.

Harsco Industrial Air-X-Changers is a leading supplier of custom-designed and manufactured air-cooled heat exchangers for the natural gas industry. Harsco Industrial Air-X-Changers' heat exchangers are the primary apparatus used to condition natural gas during recovery, compression and transportation from underground reserves through the major pipeline distribution channels.

Harsco Industrial Patterson-Kelley is a leading manufacturer of heat transfer products such as boilers and water heaters for commercial and institutional applications.

For 2010, 2009 and 2008, this Segment's percentage of the Company's consolidated sales was 8%, 9% and 9%, respectively.

(1)

(i) The products and services of the Company are generated through a number of product groups. These product groups are more fully discussed in Note 14, Information by Segment and Geographic Area, to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data." The product groups that contributed 10% or more as a percentage of consolidated sales in any of the last three fiscal years are set forth in the following table:

Product Group	Percentage of Consolidated Sales		
	2010	2009	2008
Services and equipment for infrastructure construction and industrial maintenance	34%	39%	39%
On-site services to metal producers, minerals and recycling technologies	48%	42%	45%
Railway track maintenance services and equipment	10%	10%	7%

(1)

(ii) New products and services are added from time to time; however, in 2010 none required the investment of a material amount of the Company's assets.

(1)

(iii) The manufacturing requirements of the Company's operations are such that no unusual sources of supply for raw materials are required. The raw materials used by the Company for its limited product manufacturing include principally steel and, to a lesser extent, aluminum, which are usually readily available. The profitability of the Company's manufactured products is affected by changing purchase prices of steel and other materials and commodities.

(1)

(iv) While the Company has a number of trademarks, patents and patent applications, it does not consider that any material part of its business is dependent upon them.

(1)

(v) The Company furnishes products and materials and certain industrial services within the Harsco Infrastructure and the Harsco Industrial Segments that are seasonal in nature. As a result, the Company's sales and net income for the first quarter ending March 31 are normally lower than the second, third and fourth quarters. Additionally, the Company has

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historically generated the majority of its cash flows in the second half of the year. This is a result of normally higher income during the latter part of the year. The Company's historical revenue patterns and cash provided by operating activities were as follows:

Historical Pattern of Revenue from Continuing Operations

(In millions)	2010	2009	2008	2007	2006
First Quarter	\$ 742.4	\$ 696.9	\$ 987.8	\$ 840.0	\$ 682.1
Second Quarter	786.5	777.0	1,099.6	946.1	766.0
Third Quarter	752.4	744.2	1,044.9	927.4	773.3
Fourth Quarter	757.4	772.5	835.5	974.6	804.2
Totals	\$ 3,038.7	\$ 2,990.6	\$ 3,967.8	\$ 3,688.2(a)	\$ 3,025.6

Historical Pattern of Cash Provided by Operations

(In millions)	2010	2009	2008	2007	2006
First Quarter	\$ 30.1	\$ 39.6	\$ 32.0	\$ 41.7	\$ 69.8
Second Quarter	95.6	116.7	178.5	154.9	114.5
Third Quarter	110.3	120.4	171.6	175.7	94.6
Fourth Quarter	165.4	157.8	192.2	99.4	130.3
Totals	\$ 401.4	\$ 434.5	\$ 574.3	\$ 471.7	\$ 409.2

(a) Does not total due to rounding.

- (1) (vi) The practices of the Company relating to working capital are similar to those practices of other industrial service providers or manufacturers servicing both domestic and international industrial customers and commercial markets. These practices include the following:

Standard accounts receivable payment terms of 30 to 60 days, with progress or advance payments required for certain long-lead-time or large orders. Payment terms are slightly longer in certain international markets.

Standard accounts payable payment terms of 30 to 90 days.

Inventories are maintained in sufficient quantities to meet forecasted demand. Due to the time required to manufacture certain railway track maintenance equipment to customer specifications, inventory levels of this business tend to increase for an extended time during the production phase and then decline when the equipment is sold.

- (1) (vii) One customer, ArcelorMittal, represented approximately 12% of the Company's sales in 2010 and 10% in 2009 and 2008. The Harsco Metals & Minerals Segment is dependent largely on the global steel industry, and in 2010, 2009 and 2008 there were two customers that each provided in excess of 10% of this Segment's revenues under multiple long-term contracts at numerous mill sites. ArcelorMittal was one of those customers in 2010, 2009 and 2008. The loss of any one of the contracts would not have a material adverse effect upon the Company's financial position or cash flows; however, it could have a significant effect on quarterly or annual results of operations. Additionally, these customers have significant accounts receivable balances. Further consolidation in the global steel industry is possible. Should transactions occur involving some

of the Company's larger steel industry customers, it would result in an increase in concentration of revenues and credit

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risk for the Company. If a large customer were to experience financial difficulty, or file for bankruptcy protection, it could adversely impact the Company's income, cash flows and asset valuations. As part of its credit risk management practices, the Company closely monitors the credit standing and accounts receivable position of its customer base.

(1)

(viii) At December 31, 2010, the Company's metals services contracts had estimated future revenues of \$3.5 billion, compared with \$3.6 billion at December 31, 2009. At December 31, 2010, the Harsco Rail Segment had estimated future revenues of \$338.9 million, compared with \$442.3 million at December 31, 2009. This is primarily due to the shipment of orders during 2010, partially offset by new orders. The Harsco Rail Segment backlog includes a significant portion that will not be realized until mid-2011 and 2012 due to the long lead-time necessary to build certain equipment, and the long-term nature of certain service contracts. In addition, at December 31, 2010, the Company had an order backlog of \$76.8 million in its Harsco Industrial Segment. This compares with \$48.6 million at December 31, 2009. The increase from December 31, 2009 is due principally to international orders. Order backlog for scaffolding, shoring and forming services; for roofing granules and slag abrasives; and for the reclamation and recycling services of high-value content from steelmaking slag is excluded from the above amounts. These amounts are generally not quantifiable due to the short order lead times for certain services, the nature and timing of the products and services provided and equipment rentals with the ultimate length of the rental period unknown.

At December 31, 2010, approximately \$118.6 million or 28.5% of the Company's order backlog is not expected to be filled in 2011. The majority of this backlog is expected to be filled in 2012. This is exclusive of long-term metals industry services contracts, infrastructure-related services, roofing granules and industrial abrasives products, and minerals and metal recovery technologies services.

(1)

(ix) At December 31, 2010, the Company had no material contracts that were subject to renegotiation of profits or termination at the election of the United States government.

(1)

(x) The Company's competitive environment is complex because of the wide diversity of services and products it provides and the global breadth and depth of markets served. No single service provider or manufacturer competes with the Company with respect to all services provided or products manufactured and sold. In general, on a global basis, the Company's segments are among the market leaders in their respective sectors and compete with a range of global, regional and local businesses of varying size and scope.

Harsco Infrastructure Segment This Segment provides engineered rental scaffolding, shoring, concrete forming and other access-related solutions through a global branch network comprising approximately 40 countries. The Company believes it is one of the world's most complete global organizations for infrastructure-related access solutions. Its largest operations are based in the United States, the Netherlands and the United Kingdom. Further international expansion within other geographies is anticipated as part of the Company's strategic growth objectives. The Segment's key competitive factors are engineering expertise, customer service, on-time delivery, product quality, safety performance and value. Primary competitors in the United States, Europe and globally are a limited number of privately-held global providers of forming and shoring, but competition in the scaffolding market is more fragmented and regionally focused with a large number of local competitors, principally competing for smaller commercial construction projects, and a limited number of national competitors, principally competing in the industrial markets and for larger construction projects.

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Harsco Metals & Mineral Segment This Segment provides outsourced on-site services to the global metals industries in over 35 countries, with its largest operations focused in the United Kingdom, the United States and Brazil. The Company believes it is one of the world's largest providers of on-site, outsourced services to the global metals industries. This Segment's key competitive factors are significant industry experience, technology, safety performance, service and value. The Company competes primarily with privately-held regional or local businesses for services outsourced by its customers. Additionally, due to the nature of the Company's services, it encounters a certain degree of "competition" from each customer's changing desire to perform similar services themselves instead of looking for an outsourced solution.

Harsco Rail Segment This Segment manufactures and sells highly-engineered railway track maintenance equipment produced primarily in the United States for customers throughout the world and derives approximately 45% of its volume from countries outside the United States. Additionally, this Segment provides railway track maintenance services principally in the United States and the United Kingdom. This Segment's key competitive factors are quality, technology, customer service and value. Primary competitors for both products and services are privately-held global businesses as well as certain regional competitors.

Harsco Industrial Segment This Segment includes manufacturing businesses located in the United States with a growing focus on international growth. Key competitive factors include quality and value. Primary competitors are U.S.-based manufacturers of similar products.

- (1) (xi) The expense for research and development activities was \$4.3 million, \$3.2 million and \$5.3 million in 2010, 2009 and 2008, respectively. This excludes technology development and engineering costs classified in cost of sales or general and administrative expense. For additional information regarding research and development activities, see the Research and Development section included in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."
- (1) (xii) The Company has become subject to, as have others, stringent air and water quality control legislation. In general, the Company has not experienced substantial difficulty complying with these environmental regulations, and does not anticipate making any material capital expenditures for environmental control facilities. While the Company expects that environmental regulations may expand, and that its expenditures for air and water quality control will continue, it cannot predict the effect on its business of such expanded regulations. For additional information regarding environmental matters see Note 10, Commitments and Contingencies, to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data."
- (1) (xiii) At December 31, 2010, the Company had approximately 19,300 employees.

(d) **Financial Information about Geographic Areas**

Financial information concerning foreign and domestic operations is included in Note 14, Information by Segment and Geographic Area, to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data." Export sales from the United States totaled \$156.5 million, \$149.0 million and \$105.7 million in 2010, 2009 and 2008, respectively.

(e) **Available Information**

Information is provided in Part I, Item 1 (a), "General Development of Business."

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Item 1A. Risk Factors.

Set forth below and elsewhere in this report and in other documents the Company files with the Securities and Exchange Commission are risks and uncertainties that could cause the Company's actual results to materially differ from the results contemplated by the forward-looking statements contained in this report and in other documents the Company files with the Securities and Exchange Commission.

Market risk.

In the normal course of business, the Company is routinely subjected to a variety of risks. In addition to the market risk associated with interest rate and currency movements on outstanding debt and non-U.S. dollar-denominated assets and liabilities, other examples of risk include customer concentration in the Harsco Metals & Minerals and Harsco Rail Segments; collectability of receivables; volatility of the financial markets and their effect on customer liquidity and pension plans; and global economic and political conditions.

The global financial markets experienced extreme disruption in the last half of 2008 through 2010, including, among other things, severely diminished liquidity and credit availability for many business entities; declines in consumer confidence; negative economic growth; declines in real estate values; increases in unemployment rates; significant volatility in equities; rating agency downgrades and uncertainty about economic stability. Governments across the globe have taken aggressive actions, including economic stimulus programs and austerity measures, intended to address these difficult market conditions. These economic uncertainties affect the Company's businesses in a number of ways, making it more difficult to accurately forecast and plan future business activities.

From time to time, disruption in the credit markets has severely restricted access to capital for many companies. When credit markets deteriorate, the Company's ability to incur additional indebtedness to fund operations or refinance maturing obligations as they become due may be constrained. The Company is unable to predict any duration or severity of disruptions in the credit and financial markets and adverse global economic conditions. While these conditions have not impaired the Company's ability to access credit markets and finance operations, a deterioration of economic conditions could materially and adversely affect the Company's business and results of operations.

Negative economic conditions may adversely impact the demand for the Company's services, and the ability of the Company's customers to meet their obligations to the Company on a timely basis. Any disputes with customers could also have an adverse impact on the Company's income and cash flows.

Tightening of credit in financial markets may lead businesses to postpone spending, which may impact the Company's customers, causing them to cancel, decrease or delay their existing and future orders with the Company. Declines in economic conditions may further impact the ability of the Company's customers to meet their obligations to the Company on a timely basis and could result in bankruptcy filings by them. If customers are unable to meet their obligations on a timely basis, it could adversely impact the realizability of receivables, the valuation of inventories and the valuation of long-lived assets across the Company's businesses. The risk remains that certain significant Harsco Metals & Minerals customers may file for bankruptcy protection, be acquired or consolidate in the future. Additionally, the Company may be negatively affected by contractual disputes with customers, including attempts by customers to unilaterally change the terms and pricing of certain contracts to their sole advantage without adequate consideration to the Company, which could have an adverse impact on the Company's income and cash flows.

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If the Company cannot generate future cash flows at a level sufficient to recover the net book value of any of its reporting units, the Company may be required to record an impairment charge to its earnings.

As a result of the Company's goodwill impairment testing, the Company may be required to record future impairment charges to the extent the Company cannot generate future cash flows at a level sufficient to recover the net book value of any of the Company's reporting units. At October 1, 2010, the fair value of all reporting units exceeded their carrying value. For the Harsco Infrastructure Segment reporting unit, the fair value exceeded the carrying value by approximately 4%. The Company's estimates of fair value are based on assumptions about the future operating cash flows and growth rates of each reporting unit, discount rates applied to these cash flows and current market estimates of value. Based on the uncertainty of future growth rates and other assumptions used to estimate goodwill recoverability, future reductions in the Company's expected cash flows for the Harsco Infrastructure Segment could cause a material non-cash impairment charge of goodwill, which could have a material adverse effect on the Company's results of operations, financial condition and cash flows. See Note 1, Summary of Significant Accounting Policies and Note 5, Goodwill and Other Intangible Assets, to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data," for additional disclosure related to these items.

The Company's global presence subjects it to a variety of risks arising from doing business internationally.

The Company operates in over 50 countries, including the United States. The Company's global footprint exposes it to a variety of risks that may adversely affect results of operations, cash flows or financial position. These include, but may not be limited to, the following:

periodic economic downturns in the countries in which the Company does business;

fluctuations in currency exchange rates;

imposition of or increases in currency exchange controls and hard currency shortages;

customs matters and changes in trade policy or tariff regulations;

changes in regulatory requirements in the countries in which the Company does business;

changes in tax regulations, higher tax rates in certain jurisdictions and potentially adverse tax consequences including restrictions on repatriating earnings, adverse tax withholding requirements and "double taxation";

longer payment cycles and difficulty in collecting accounts receivable;

complexities in complying with a variety of U.S. and international laws and regulations;

political, economic and social instability, civil and political unrest, terrorist actions and armed hostilities in the regions or countries in which the Company does business;

inflation rates in the countries in which the Company does business;

laws in various international jurisdictions that limit the right and ability of subsidiaries to pay dividends and remit earnings to affiliated companies unless specified conditions are met;

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sovereign risk related to foreign governments and the potential risks that include, but may not be limited to, that those governments stop paying interest or repudiate their debt, that they nationalize their private businesses or that they alter their foreign-exchange regulations; and,

uncertainties arising from local business practices, cultural considerations and international political and trade tensions. The Company operates in many parts of the world that have experienced governmental corruption to some degree. Accordingly, in certain circumstances,

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strict compliance with local laws and anti-bribery laws may conflict with local customs and practices.

If the Company is unable to successfully manage the risks associated with its global business, the Company's financial condition, cash flows and results of operations may be negatively impacted.

The Company has operations in several countries in the Middle East, including Bahrain, Egypt, Israel, Qatar, Saudi Arabia and the United Ara