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HARSCO CORP

Form 10-Q

October 31, 2018

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2018

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

(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)

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 NO

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

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

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

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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 26, 2018
Common stock, par value \$1.25 per share	80,313,239

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(In thousands)	September 30 2018	December 31 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$61,736	\$62,098
Restricted cash	2,815	4,111
Trade accounts receivable, net	304,165	288,034
Other receivables	55,156	20,224
Inventories	137,768	178,293
Current portion of contract assets	27,870	—
Other current assets	42,068	39,332
Total current assets	631,578	592,092
Property, plant and equipment, net	460,498	479,747
Goodwill	420,351	401,758
Intangible assets, net	83,598	38,251
Contract assets	3,566	—
Deferred income tax assets	39,824	51,574
Other assets	21,002	15,263
Total assets	\$1,660,417	\$1,578,685
LIABILITIES		
Current liabilities:		
Short-term borrowings	\$7,655	\$8,621
Current maturities of long-term debt	7,149	11,208
Accounts payable	149,216	126,249
Accrued compensation	48,617	60,451
Income taxes payable	11,432	5,106
Insurance liabilities	41,436	11,167
Current portion of advances on contracts	43,682	117,958
Other current liabilities	121,887	133,368
Total current liabilities	431,074	474,128
Long-term debt	625,440	566,794
Insurance liabilities	21,761	22,385
Retirement plan liabilities	213,156	259,367
Advances on contracts	10,322	—
Other liabilities	54,273	40,846
Total liabilities	1,356,026	1,363,520
COMMITMENTS AND CONTINGENCIES		
HARSCO CORPORATION STOCKHOLDERS' EQUITY		
Preferred stock	—	—
Common stock	141,837	141,110
Additional paid-in capital	187,930	180,201
Accumulated other comprehensive loss	(555,291)	(546,582)
Retained earnings	1,252,840	1,157,801
Treasury stock	(765,765)	(762,079)

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Total Harsco Corporation stockholders' equity	261,551	170,451
Noncontrolling interests	42,840	44,714
Total equity	304,391	215,165
Total liabilities and equity	\$1,660,417	\$1,578,685

See accompanying notes to unaudited condensed consolidated financial statements.

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HARSCO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
(In thousands, except per share amounts)	2018	2017	2018	2017
Revenues from continuing operations:				
Service revenues	\$250,890	\$246,144	\$763,815	\$738,059
Product revenues	194,585	138,509	521,670	414,033
Total revenues	445,475	384,653	1,285,485	1,152,092
Costs and expenses from continuing operations:				
Cost of services sold	194,459	194,483	589,738	577,200
Cost of products sold	132,262	95,849	367,218	295,367
Selling, general and administrative expenses	59,297	59,993	175,307	168,315
Research and development expenses	1,720	936	4,377	3,096
Other (income) expenses, net	628	(1,237)	1,570	1,729
Total costs and expenses	388,366	350,024	1,138,210	1,045,707
Operating income from continuing operations	57,109	34,629	147,275	106,385
Interest income	574	610	1,649	1,615
Interest expense	(9,665)	(12,122)	(29,241)	(36,180)
Defined benefit pension income (expense)	928	(680)	2,671	(2,054)
Loss on early extinguishment of debt	(125)	—	(1,159)	—
Income from continuing operations before income taxes	48,821	22,437	121,195	69,766
Income tax expense	(13,833)	(8,270)	(24,043)	(25,757)
Income from continuing operations	34,988	14,167	97,152	44,009
Discontinued operations:				
Loss on disposal of discontinued business	(433)	(578)	(274)	(538)
Income tax benefit related to discontinued business	96	207	61	193
Loss from discontinued operations	(337)	(371)	(213)	(345)
Net income	34,651	13,796	96,939	43,664
Less: Net income attributable to noncontrolling interests	(1,804)	(498)	(5,795)	(2,438)
Net income attributable to Harsco Corporation	\$32,847	\$13,298	\$91,144	\$41,226
Amounts attributable to Harsco Corporation common stockholders:				
Income from continuing operations, net of tax	\$33,184	\$13,669	\$91,357	\$41,571
Loss from discontinued operations, net of tax	(337)	(371)	(213)	(345)
Net income attributable to Harsco Corporation common stockholders	\$32,847	\$13,298	\$91,144	\$41,226
Weighted-average shares of common stock outstanding	80,950	80,637	80,821	80,519
Basic earnings per common share attributable to Harsco Corporation common stockholders:				
Continuing operations	\$0.41	\$0.17	\$1.13	\$0.52
Discontinued operations	—	—	—	—
Basic earnings per share attributable to Harsco Corporation common stockholders	\$0.41	\$0.16	(a) \$1.13	\$0.51 (a)
Diluted weighted-average shares of common stock outstanding	83,879	83,136	83,690	82,753
Diluted earnings per common share attributable to Harsco Corporation common stockholders:				
Continuing operations	\$0.40	\$0.16	\$1.09	\$0.50
Discontinued operations	—	—	—	—
Diluted earnings per share attributable to Harsco Corporation common stockholders	\$0.39	(a) \$0.16	\$1.09	\$0.50

(a) Does not total due to rounding

See accompanying notes to unaudited condensed consolidated financial statements.

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Table of Contents**HARSCO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)**

	Three Months Ended	
	September 30	
(In thousands)	2018	2017
Net income	\$34,651	\$13,796
Other comprehensive income (loss):		
Foreign currency translation adjustments, net of deferred income taxes of \$(91) and \$1,747 in 2018 and 2017, respectively	(3,953)	) 16,005
Net gain on cash flow hedging instruments, net of deferred income taxes of \$(306) and \$21 in 2018 and 2017, respectively	502	2,199
Pension liability adjustments, net of deferred income taxes of \$(289) and \$(523) in 2018 and 2017, respectively	4,668	(7,324)
Unrealized gain on marketable securities, net of deferred income taxes of \$(3) and \$(3) in 2018 and 2017, respectively	8	5
Total other comprehensive income	1,225	10,885
Total comprehensive income	35,876	24,681
Less: Comprehensive income attributable to noncontrolling interests	(432)	) (1,200)
Comprehensive income attributable to Harsco Corporation	\$35,444	\$23,481
	Nine Months Ended	
	September 30	
(In thousands)	2018	2017
Net income	\$96,939	\$43,664
Other comprehensive income (loss):		
Foreign currency translation adjustments, net of deferred income taxes of \$(1,043) and \$3,598 in 2018 and 2017, respectively	(40,157)	) 42,391
Net gain on cash flow hedging instruments, net of deferred income taxes of \$(2,191) and \$888 in 2018 and 2017, respectively	6,081	1,471
Pension liability adjustments, net of deferred income taxes of \$(902) and \$(1,567) in 2018 and 2017, respectively	24,294	(16,467)
Unrealized gain (loss) on marketable securities, net of deferred income taxes of \$5 and \$(6) in 2018 and 2017, respectively	(19)	) 11
Total other comprehensive income (loss)	(9,801)	) 27,406
Total comprehensive income	87,138	71,070
Less: Comprehensive income attributable to noncontrolling interests	(3,183)	) (4,674)
Comprehensive income attributable to Harsco Corporation	\$83,955	\$66,396

See accompanying notes to unaudited condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

	Nine Months Ended	
	September 30	
(In thousands)	2018	2017
Cash flows from operating activities:		
Net income	\$96,939	\$43,664
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	92,324	91,519
Amortization	7,620	5,989
Deferred income tax expense	1,996	2,018
Dividends from unconsolidated entities	88	93
Other, net	2,485	2,567
Changes in assets and liabilities:		
Accounts receivable	(29,022)	(26,633)
Inventories	(18,852)	(30,112)
Contract assets	(10,427)	—
Accounts payable	17,547	9,045
Accrued compensation	(10,438)	979
Advances on contracts	(12,339)	(6,534)
Retirement plan liabilities, net	(28,743)	(17,890)
Other assets and liabilities	(14,164)	8,200
Net cash provided by operating activities	95,014	82,905
Cash flows from investing activities:		
Purchases of property, plant and equipment	(91,302)	(64,131)
Purchases of businesses, net of cash acquired	(56,389)	—
Proceeds from sales of assets	9,096	10,746
Net proceeds from settlement of foreign currency forward exchange contracts	3,244	4,450
Net cash used by investing activities	(135,351)	(48,935)
Cash flows from financing activities:		
Short-term borrowings, net	(543)	1,915
Current maturities and long-term debt:		
Additions	128,158	26,000
Reductions	(75,104)	(65,245)
Dividends paid to noncontrolling interests	(5,446)	(1,783)
Sale (purchase) of noncontrolling interests	477	(3,412)
Stock-based compensation - Employee taxes paid	(3,685)	(1,607)
Deferred financing costs	(537)	(42)
Other financing activities, net	—	(370)
Net cash provided (used) by financing activities	43,320	(44,544)
Effect of exchange rate changes on cash and cash equivalents, including restricted cash	(4,641)	4,058
Net decrease in cash and cash equivalents, including restricted cash	(1,658)	(6,516)
Cash and cash equivalents, including restricted cash, at beginning of period	66,209	71,879
Cash and cash equivalents, including restricted cash, at end of period	\$64,551	\$65,363

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents**HARSCO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)**

(In thousands, except share amounts)	Harsco Corporation Stockholders' Equity						
	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
	Issued	Treasury					
Balances, January 1, 2017	\$ 140,625	\$(760,391)	\$ 172,101	\$ 1,150,688	\$ (606,722)	\$ 41,262	\$ 137,563
Adoption of new accounting standards (See Note 2)			1,106	(709)			397
Net income				41,226		2,438	43,664
Cash dividends declared:							
Noncontrolling interests						(1,783)	(1,783)
Total other comprehensive income, net of deferred income taxes of \$2,913					25,171	2,235	27,406
Purchase of subsidiary shares from noncontrolling interest			(2,242)			(1,170)	(3,412)
Stock appreciation rights exercised, net 8,965 shares	16	(63)	(16)				(63)
Vesting of restricted stock units and other stock grants, net 260,497 shares	452	(1,544)	(452)				(1,544)
Amortization of unearned portion of stock-based compensation, net of forfeitures			7,790				7,790
Balances, September 30, 2017	\$ 141,093	\$(761,998)	\$ 178,287	\$ 1,191,205	\$ (581,551)	\$ 42,982	\$ 210,018
	Harsco Corporation Stockholders' Equity						
	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
(In thousands)	Issued	Treasury					
Balances, January 1, 2018	\$ 141,110	\$(762,079)	\$ 180,201	\$ 1,157,801	\$ (546,582)	\$ 44,714	\$ 215,165
Adoption of new accounting standards (See Note 2)				3,895	(1,520)		2,375
Net income				91,144		5,795	96,939
Cash dividends declared:							
Noncontrolling interests						(5,534)	(5,534)
Sale of subsidiary shares to noncontrolling interest						477	477
Total other comprehensive loss, net of deferred income taxes of \$(4,131)					(7,189)	(2,612)	(9,801)
Stock appreciation rights exercised, net 27,669 shares	49	(273)	(49)				(273)
Vesting of restricted stock units and other stock grants, net 382,228 shares	678	(3,413)	(678)				(3,413)
Amortization of unearned portion of stock-based compensation, net of forfeitures			8,456				8,456
Balances, September 30, 2018	\$ 141,837	\$(765,765)	\$ 187,930	\$ 1,252,840	\$ (555,291)	\$ 42,840	\$ 304,391

See accompanying notes to unaudited condensed consolidated financial statements.

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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 in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X of the Securities and Exchange Commission (the "SEC"). Accordingly, the unaudited condensed consolidated financial statements do not include all information and disclosure required by U.S. GAAP for annual financial statements. The December 31, 2017 Condensed Consolidated Balance Sheet information contained in this Quarterly Report on Form 10-Q was derived from the 2017 audited consolidated financial statements. 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, 2017. 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.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform with current year classifications.

2. Recently Adopted and Recently Issued Accounting Standards

The following accounting standards have been adopted in 2018:

On January 1, 2018, the Company adopted changes, with subsequent amendments, issued by the Financial Accounting Standards Board ("FASB") 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 adoption of these changes resulted in the following modifications to the Company's revenue recognition process:

Harsco Industrial Segment - The timing of revenue recognition for air-cooled heat exchanger sales, which the Company historically recognized upon the completion of the efforts associated with these arrangements, is now recognized over time with the impact of increasing revenue in earlier periods. This change also impacted the Company's Condensed Consolidated Balance Sheets by decreasing both Inventories and Advances on contracts; and creating a new caption and establishing a balance related to Contract assets.

Harsco Rail Segment - The timing of revenue recognition for certain railway track maintenance equipment sales, which the Company historically recognized upon the completion of the efforts associated with these arrangements, is now recognized over time with the impact of increasing revenue in earlier periods. This change also impacted the Company's Condensed Consolidated Balance Sheets by decreasing both Inventories and Advances on contracts; and creating a new caption and establishing a balance related to Contract assets. In addition, certain advance payments received from customers, which provide a significant benefit of financing and are expected to be outstanding longer than twelve months, are treated as significant financing components to the related transactions and the Company will increase the overall transaction price with a corresponding increase in interest expense.

Additionally, the Company's disclosure related to revenue recognition has been expanded in accordance with the FASB changes. Please refer to Note 14, Revenue Recognition for additional information.

The Company has elected to apply the changes only to revenue arrangements that were not completed as of January 1, 2018; and

The Company has elected to reflect the aggregate effect of all contract modifications that occurred prior to the beginning of the earliest reported period when (i) identifying the satisfied and unsatisfied performance obligations; (ii) determining the transaction price; and (iii) allocating the transaction price to the satisfied and unsatisfied performance obligations.

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(In thousands)	Balance at December 31, 2017	Impact of Adoption	Balance at January 1, 2018
ASSETS			
Current assets:			
Trade accounts receivable, net	\$288,034	\$ 532	\$288,566
Inventories	178,293	(59,793)	118,500
Current portion of contract assets	—	18,248	18,248
Other current assets	39,332	179	39,511
Total current assets	592,092	(40,834)	551,258
Contract assets	—	3,566	3,566
Other assets	15,263	1,337	16,600
Total assets	1,578,685	(35,931)	1,542,754
LIABILITIES			
Current liabilities:			
Current portion of advances on contracts	117,958	(78,507)	39,451
Other current liabilities	133,368	13,995	147,363
Total current liabilities	474,128	(64,512)	409,616
Advances on contracts	—	24,564	24,564
Other liabilities	40,846	1,580	42,426
Total liabilities	1,363,520	(38,368)	1,325,152
HARSCO CORPORATION STOCKHOLDERS' EQUITY			
Accumulated other comprehensive loss	(546,582)	(1,520)	(548,102)
Retained earnings	1,157,801	3,957	1,161,758
Total Harsco Corporation stockholders' equity	170,451	2,437	172,888
Total equity	215,165	2,437	217,602
Total liabilities and equity	1,578,685	(35,931)	1,542,754

(In thousands)	September 30, 2018		
	As Reported	Impact of Adoption	As Reported - Less Impact of Adoption
ASSETS			
Current assets:			
Trade accounts receivable, net	\$304,165	\$(535)	\$303,630
Inventories	137,768	91,285	229,053
Current portion of contract assets	27,870	(27,870)	—
Other current assets	42,068	(157)	41,911
Total current assets	631,578	62,723	694,301
Contract assets	3,566	(3,566)	—
Deferred income tax assets	39,824	1,874	41,698
Other assets	21,002	(1,040)	19,962
Total assets	1,660,417	59,991	1,720,408

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(In thousands)	September 30, 2018	
	As Reported	As Reported - Less Impact of Adoption
LIABILITIES		
Current liabilities:		
Current portion of advances on contracts	43,682	126,803
Other current liabilities	121,887	113,279
Total current liabilities	431,075	505,587
Advances on contracts	10,300	—
Other liabilities	54,221	54,057
Total liabilities	1,356,325	1,420,001
HARSCO CORPORATION STOCKHOLDERS' EQUITY		
Accumulated other comprehensive loss	(551,279)	(553,612)
Retained earnings	1,250,641	1,247,169
Total Harsco Corporation stockholders' equity	261,592	257,559
Noncontrolling interests	42,880	42,848
Total equity	304,399	300,407
Total liabilities and equity	1,660,491	1,720,408

three and nine

months ended

(In thousands, except per share amounts)	Three Months Ended			
	September 30, 2018	As Reported	Impact of Adoption	As Reported - Less Impact of Adoption
Revenues from continuing operations:				
Services revenues	\$250,890	\$ 512		\$251,402
Product revenues	194,585	(15,411)		179,174
Total revenues	445,475	(14,899)		430,576
Costs and expenses from continuing operations:				
Costs of services sold	194,459	1,273		195,732
Costs of products sold	132,262	(11,979)		120,283
Selling, general and administrative costs	59,297	66		59,363
Total costs and expenses	388,366	(10,640)		377,726
Operating income from continuing operations	57,109	(4,259)		52,850
Interest expense	(9,665)	) 550		(9,115)
Income from continuing operations before income taxes	48,821	(3,709)		45,112
Income tax (expense) benefit	(13,833)	) 932		(12,901)
Income from continuing operations	34,988	(2,777)		32,211
Net income	34,651	(2,777)		31,874
Less: Net income attributable to noncontrolling interests	(1,804)	) (10)		(1,814)
Net income attributable to Harsco Corporation	32,847	(2,787)		30,060
Amounts attributable to Harsco Corporation common stockholders:				
Income from continuing operations, net of tax	33,184	(2,787)		30,397
Net income attributable to Harsco Corporation common stockholders	32,847	(2,787)		30,060
Basic earnings per share attributable to Harsco Corporation common stockholders:				
Continuing operations	0.41	(0.03)		0.38
	0.41	(0.03)		0.37

Basic earnings per share attributable to Harsco Corporation common stockholders

Diluted earnings per share attributable to Harsco Corporation common stockholders:

Continuing operations	0.40	(0.03)	0.36
Diluted earnings per share attributable to Harsco Corporation common stockholders	0.39	(0.03)	0.36

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	Nine Months Ended September 30, 2018		
(In thousands, except per share amounts)	As Reported	Impact of Adoption	As Reported - Less Impact of Adoption
Revenues from continuing operations:			
Services revenues	\$763,815	\$4,182	\$767,997
Product revenues	521,670	(34,269)	487,401
Total revenues	1,285,485	(30,087)	1,255,398
Costs and expenses from continuing operations:			
Costs of services sold	589,738	3,980	593,718
Costs of products sold	367,218	(30,091)	337,127
Selling, general and administrative costs	175,307	103	175,410
Total costs and expenses	1,138,210	(26,008)	1,112,202
Operating income from continuing operations	147,275	(4,079)	143,196
Interest expense	(29,241)	1,453	(27,788)
Income from continuing operations before income taxes	121,195	(2,626)	118,569
Income tax (expense) benefit	(24,043)	919	(23,124)
Income from continuing operations	97,152	(1,707)	95,445
Net income	96,939	(1,707)	95,232
Less: Net income attributable to noncontrolling interests	(5,795)	(8)	(5,803)
Net income attributable to Harsco Corporation	91,144	(1,715)	89,429
Amounts attributable to Harsco Corporation common stockholders:			
Income from continuing operations, net of tax	91,357	(1,715)	89,642
Net income attributable to Harsco Corporation common stockholders	91,144	(1,715)	89,429
Basic earnings per share attributable to Harsco Corporation common stockholders:			
Continuing operations	1.13	(0.02)	1.11
Basic earnings per share attributable to Harsco Corporation common stockholders	1.13	(0.02)	1.11
Diluted earnings per share attributable to Harsco Corporation common stockholders:			
Continuing operations	1.09	(0.02)	1.07
Diluted earnings per share attributable to Harsco Corporation common stockholders	1.09	(0.02)	1.07

nine months

ended

	Nine Months Ended September 30, 2018		
(In thousands)	As Reported	Impact of Adoption	As Reported - Less Impact of Adoption
Cash flows from operating activities:			
Net income	\$96,939	\$(1,707)	\$95,232
Adjustments to reconcile net income to net cash used by operating activities:			
Deferred income tax expense (benefit)	1,996	(919)	1,077
Changes in assets and liabilities:			
Accounts receivable	(29,022)	8	(29,014)
Inventories	(18,852)	(34,923)	(53,775)
Contract assets	(10,427)	10,427	—

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Advances on contracts	(12,339)	21,794	9,455
Other assets and liabilities	(14,164)	5,320	(8,844)
Net cash used by operating activities	95,014	—	95,014

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On January 1, 2018, the Company adopted changes issued by the FASB related to how employers that sponsor defined benefit pension plans and other postretirement plans present the net periodic pension cost ("NPPC") in the statement of operations. Employers are required to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Other components of NPPC are required to be presented in the statement of operations separately from the service cost component and outside of the subtotal of income from operations. The changes also allow only the service cost component to be eligible for capitalization. The adoption of these changes resulted in the Company reclassifying \$0.7 million and \$2.1 million of NPPC expense for the three and nine months ended September 30, 2017, respectively, from the captions Cost of services sold; Cost of products sold; and Selling, general and administrative expenses to the new caption, Defined benefit pension income (expense) in the Company's Condensed Consolidated Statements of Operations.

On January 1, 2018, the Company adopted changes issued by the FASB clarifying when revisions to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The changes require modification accounting only in circumstances when the terms or conditions result in changes to the fair value, vesting conditions or classification of the award as an equity instrument or a liability. The adoption of these changes did not have an impact on the Company's condensed consolidated financial statements.

On January 1, 2018, the Company adopted changes issued by FASB which eliminate the requirement to defer the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. Under the new guidance, an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The changes resulted in an adjustment to opening retained earnings of less than \$0.1 million.

The following accounting standards have been issued and become effective for the Company at a future date: In February 2016, the FASB issued changes, with subsequent amendments, in accounting for leases, which become effective for the Company on January 1, 2019. The changes introduce a lessee model that brings most leases onto the balance sheet, which will result in an increase in lease-related assets and liabilities. The changes also align many of the underlying principles of the new lessor model with those in the FASB's new revenue recognition standard. Furthermore, the changes address other concerns related to the current lease model such as eliminating the requirement in current guidance for an entity to use bright-line tests in determining lease classification. The changes also require lessors to increase the transparency of their exposure to changes in value of their residual assets and how they manage that exposure. The Company has completed an assessment of existing leasing agreements and is in the process of quantifying the impact on the Company's consolidated financial statements. The Company has elected to adopt these changes on a modified retrospective basis and the practical expedients allowing for adoption on a prospective basis. In addition, the Company is in the process of identifying changes to current business processes and internal controls to support the reporting and disclosure requirements of the new standard.

In January 2017, the FASB issued changes that remove the second step of the annual goodwill impairment test, which requires a hypothetical purchase price allocation. The changes provide that the amount of goodwill impairment will be equal to the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. All other goodwill impairment guidance remains largely unchanged. The same one-step impairment test will be applied to goodwill at all reporting units, even those with zero or negative carrying amounts. Entities will be required to disclose the amount of goodwill at reporting units with zero or negative carrying amounts. The changes become effective for the Company on January 1, 2020. Management has determined that these changes will not have a material impact on the Company's condensed consolidated financial statements. However, should the Company be required to record a goodwill impairment charge in future periods, the amount recorded may differ compared to any amounts that might be recorded under current practice.

In August 2017, the FASB issued changes which expand and refine hedge accounting for both financial and non-financial risk components, aligns the recognition and presentation of the effects of hedging instruments and hedged items in the financial statements and includes certain targeted improvements to ease the application of current guidance related to the assessment of hedge effectiveness. The amendments in this update should be applied to hedging relationships existing on the date of adoption, which includes a cumulative-effect adjustment to eliminate any ineffectiveness recorded to accumulated other comprehensive income or loss with a corresponding adjustment to the opening balance of retained earnings as of the beginning of the fiscal year in which adoption occurred. Presentation and disclosure amendments are required to be applied prospectively. The changes become effective for the Company on January 1, 2019. Management is currently evaluating the impact of these changes on its condensed consolidated financial statements.

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In February 2018, the FASB issued changes which allow entities to reclassify stranded income tax effects resulting from the Tax Cuts and Jobs Act (the "Act") from accumulated other comprehensive income to retained earnings in their consolidated financial statements. Under the Act, deferred taxes were adjusted to reflect the reduction of the historical corporate income

tax rate to the newly enacted corporate income tax rate, which left the tax effects on items within accumulated other comprehensive income stranded at historical tax rates. The changes become effective for the Company on January 1, 2019. The Company had approximately \$21 million of stranded income tax effects in accumulated other comprehensive income at December 31, 2017 resulting from the Act which the Company plans to reclassify upon initial adoption of these changes.

In August 2018, the FASB issued changes which modify the disclosure requirements for fair value measurements. The amendments in this update remove the requirement to disclose the amount of, and reasons for, transfers between Level 1 and Level 2 of the fair value hierarchy; the policy for timing of transfers between levels; and the valuation processes for Level 3 fair value measurements. The changes require disclosure of changes in unrealized gains and losses for the period included in other comprehensive income (loss) for recurring Level 3 fair value measurements held at the end of the reporting period and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. The changes become effective for the Company on January 1, 2020. Management is currently evaluating the impact of these changes on its condensed consolidated financial statements.

In August 2018, the FASB issued changes which modify the disclosure requirements for employers that sponsor defined benefit pension or other post-retirement plans. The changes remove the requirements to disclose: amounts in accumulated other comprehensive income (loss) expected to be recognized as components of net periodic benefit cost over the next fiscal year; the amount and timing of plan assets expected to be returned to the employer; and the effects of a one-percentage point change in assumed health care cost trend rates. The update also requires disclosure of an explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period. The changes become effective for the Company on January 1, 2021. Management is currently evaluating the impact of these changes on its condensed consolidated financial statements.

In August 2018, the FASB issued changes that require entities that are customers in cloud computing arrangements to defer implementation costs if they would be capitalized by the entity in software licensing arrangements under the internal-use software guidance. The Company intends to early adopt these changes effective October 1, 2018.

3. Acquisitions

In May 2018, the Company acquired Altek Europe Holdings Limited and its affiliated entities (collectively, "Altek"), a U.K.-based manufacturer of market leading products that enable aluminum producers and recyclers to manage and efficiently extract value from critical waste streams, reduce waste generation and improve operating productivity. The Company acquired Altek, on a debt and cash free basis, for a purchase price of £45 million (approximately \$60 million) in cash, with the potential for up to £25 million (approximately \$33 million) in additional contingent consideration through 2021 subject to the future financial performance of Altek. The preliminary purchase price included an upfront payment of \$60.1 million, subject to working capital adjustments and net of cash acquired, as well as contingent consideration with an estimated preliminary fair value of \$16.3 million as of the acquisition date. Altek's revenues and operating results have been included in the results of the Harsco Metals & Minerals Segment and were not material to the Company's consolidated results for the three and nine months ended September 30, 2018. The Company incurred approximately \$1 million of costs associated with the Altek acquisition in the caption Selling, general and administrative expenses in the Condensed Consolidated Statements of Operations.

The fair value recorded for the assets acquired and liabilities assumed for Altek is as follows:

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(In millions)	Preliminary Valuation		
	June 30 2018	Measurement Period Adjustments (a)	September 30 2018
Cash and cash equivalents	\$ 1.7	\$ —	\$ 1.7
Net working capital	(1.5)	0.2	(1.3)
Property, plant and equipment	3.3	—	3.3
Intangible assets	52.5	0.2	52.7
Goodwill	20.9	5.8	26.7
Net deferred tax liabilities	(8.5)	—	(8.5)
Other liabilities	(0.3)	—	(0.3)
Total identifiable net assets of Altek	\$68.1	\$ 6.2	\$ 74.3

(a) The measurement period adjustments did not have a material impact on the Company's previously reported operating results.

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The goodwill is attributable to strategic benefits, including enhanced operational and financial scale and product and market diversification that the Company expects to realize. The Company expects less than \$1.0 million of goodwill to be deductible for income tax purposes.

The following table details the preliminary valuation of identifiable intangible assets and amortization periods for Altek:

(Dollars in millions)	Amortization Period	Preliminary Valuation		
		June 30 2018	Period Adjustments (a)	September 30 2018
Customer related	14.2 years	\$ 11.5	\$ 0.1	\$ 11.6
Technology related	10.3 years	36.5	0.1	36.6
Trade names	15.0 years	4.5	—	4.5
Total identifiable intangible assets of Altek		\$52.5	\$ 0.2	\$ 52.7

(a) The measurement period adjustments did not have a material impact on the Company's previously reported operating results.

The Company valued the customer related assets, technology related assets, and trade names using an income-based approach that utilized either the multi-period excess earnings method or the relief from royalty method.

The preliminary fair value of contingent consideration was estimated using a probability simulation model, which uses assumptions and estimates to forecast a range of outcomes for the contingent consideration. Key inputs to the model include projected earnings before interest, tax, depreciation and amortization; the discount rate; the projection risk neutralization rate; and volatility, which are Level 3 data. The Company will assess these assumptions and estimates on a quarterly basis as additional data impacting the assumptions is obtained. Any changes in the fair value of contingent consideration related to updated assumptions and estimates will be recognized in the Consolidated Statements of Operations during the period in which the change occurs.

The following table reflects the changes in the fair value of contingent consideration:

(In thousands)	Contingent Consideration
Balance, June 30, 2018	\$ 10,097
Measurement period adjustment (b)	6,177
Fair value adjustment (c)	412
Foreign currency translation (c)	(298)
Balance, September 30, 2018	\$ 16,388

(b) Measurement period adjustment was recorded to goodwill on the Condensed Consolidated Balance Sheet.

(c) These amounts are recorded in the caption Other (income) expenses, net on the Condensed Consolidated Statements of Operations.

The purchase price allocation for this transaction is not final and the fair value of intangible assets, goodwill and contingent consideration may vary from those reflected in the condensed consolidated financial statements at September 30, 2018. Inclusion of pro forma financial information for this transaction is not necessary as the acquisition is immaterial to the Company's results of operations.

4. Accounts Receivable and Inventories

Accounts receivable consist of the following:

(In thousands)	September 30 2018	December 31 2017
Trade accounts receivable	\$ 308,278	\$ 292,765
Less: Allowance for doubtful accounts	(4,113)	(4,731)
Trade accounts receivable, net	\$ 304,165	\$ 288,034

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Other receivables (a) (b) **\$55,156** \$20,224

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

(b) From time to time, based on developments including ongoing negotiations, the Company adjusts insured liabilities with offsetting insurance receivables, with no impact to the Condensed Consolidated Statements of Operations.

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

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2018	2017	2018	2017
Provision (benefit) for doubtful accounts related to trade accounts receivable	\$(26)	\$4,087	\$(182)	\$5,262

Inventories consist of the following:

(In thousands)	September 30 2018	December 31 2017
Finished goods	\$19,957	\$26,415
Work-in-process	22,175	24,367
Contracts-in-process (c)	—	45,599
Raw materials and purchased parts	72,935	58,943
Stores and supplies	22,701	22,969
Total inventories	\$137,768	\$178,293

Contracts-in-process consist of the following:

(In thousands)	December 31 2017
Contract costs accumulated to date	\$73,740
Estimated forward loss provisions for contracts-in-process (d)	(28,141)
Contracts-in-process (c) (e)	\$45,599

The Company has adopted the new revenue recognition standard utilizing the modified retrospective transition method, including use of practical expedients.

(c) Amounts previously reported as Contracts-in-progress have been recognized through the related cumulative catch-up adjustment. See Note 2, Recently Adopted and Recently Issued Accounting Standards for additional information.

(d) For periods prior to January 1, 2018, to the extent that the estimated forward loss provision exceeds accumulated contract costs it is included in the caption Other current liabilities on the Condensed Consolidated Balance Sheets and amounted to \$3.0 million at December 31, 2017.

(e) At December 31, 2017, the Company had \$97.9 million of net customer advances related to SBB contracts. These amounts are included in the caption Current portion of advances on contracts on the Condensed Consolidated Balance Sheets.

The Company recognized an initial estimated forward loss provision related to the contracts with the federal railway system of Switzerland ("SBB") of \$45.1 million for the year ended December 31, 2016. The Company recorded an additional forward loss provision of \$1.8 million for the nine months ended September 30, 2018. At September 30, 2018, the entire remaining estimated forward loss provision of \$9.7 million is included in the caption Other current liabilities on the Condensed Consolidated Balance Sheets. The estimated forward loss provision represents the Company's best estimate based on currently available information. It is possible that the Company's overall estimate of costs to complete these contracts may increase, which would result in an additional estimated forward loss provision at such time, but the Company is unable to estimate any further possible loss or range of loss at this time.

The Company recognized \$5.0 million and \$20.4 million of revenues for the contracts with SBB, on an over time basis, utilizing an input method based on costs incurred for the three and nine months ended September 30, 2018, respectively. The Company did not recognize any revenue for the contracts with SBB for the three and nine months ended September 30, 2017. For three and nine months ended September 30, 2018, consolidated product revenue gross margins were not significantly impacted by the revenue recognized under the SBB contracts. The Company is approximately 98% complete on the first contract and 24% complete on the second contract with SBB as of September 30, 2018.

Table of Contents**5. Property, Plant and Equipment**

Property, plant and equipment consists of the following:

(In thousands)	September 30 2018	December 31 2017
Land	\$10,874	\$10,840
Land improvements	15,874	14,996
Buildings and improvements	192,011	198,582
Machinery and equipment	1,554,559	1,599,713
Uncompleted construction	30,608	24,387
Gross property, plant and equipment	1,803,926	1,848,518
Less: Accumulated depreciation	(1,343,428)	(1,368,771)
Property, plant and equipment, net	\$460,498	\$479,747

6. 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, 2018:

(In thousands)	Harsco Metals & Minerals Segment	Harsco Industrial Segment	Harsco Rail Segment	Consolidated Totals
Balance at December 31, 2017	\$381,893	\$6,839	\$13,026	\$401,758
Changes to goodwill	26,737	(a)—	—	26,737
Foreign currency translation	(8,144)	—	—	(8,144)
Balance at September 30, 2018	\$400,486	\$6,839	\$13,026	\$420,351

(a) Changes to goodwill in the Harsco Metals & Minerals Segment relate to the acquisition of Altek. The purchase price allocation is not yet final for this acquisition. See Note 3, Acquisitions.

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, 2018, no interim goodwill impairment testing was necessary.

Intangible assets included in the caption, Intangible assets, net, on the Condensed Consolidated Balance Sheets consist of the following:

(In thousands)	September 30, 2018		December 31, 2017	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer related (b)	\$137,498	\$98,834	\$153,014	\$121,385
Patents	2,590	2,495	5,825	5,700
Technology related (b)	36,666	1,851	26,131	26,131
Trade names (b)	9,311	1,754	8,317	4,845
Other	5,856	3,389	8,875	5,850
Total	\$191,921	\$108,323	\$202,162	\$163,911

(b) The increase in net Customer related, Technology related and Trade names intangible assets is related to the acquisition of Altek. The purchase price allocation is not yet final for this acquisition. See Note 3, Acquisitions.

Amortization expense for intangible assets was as follows:

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2018	2017	2018	2017

Amortization expense for intangible assets **\$2,395** \$1,269 **\$5,326** \$3,868

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

(In thousands)	2018	2019	2020	2021	2022
Estimated amortization expense (c)	\$7,900	\$9,750	\$9,250	\$8,800	\$8,500

(c) These estimated amortization expense amounts do not reflect the potential effect of future foreign currency exchange fluctuations and are subject to change pending finalization of the purchase price allocation for Altek.

Table of Contents**7. Debt and Credit Agreements**

In June 2018, the Company amended the existing Senior Secured Credit Facility in order to, among other things, reduce the interest rate applicable to the Term Loan Facility and to increase the limit of the Revolving Credit Facility. As a result of the amendments, borrowings under the Term Loan Facility now bear interest at a rate per annum of 225 basis points over the adjusted LIBOR rate and the facility limit under the Revolving Credit Facility has increased to \$500 million. Additionally, a charge of \$1.0 million was recorded during the second quarter of 2018 consisting principally of fees associated with the transaction and the write-off of unamortized deferred financing costs. Incremental fees associated with the transaction were recorded during the third quarter of 2018 bringing the total charge to \$1.2 million for the nine months ended September 30, 2018.

8. Employee Benefit Plans

	Three Months Ended			
	September 30			
	U.S. Plans		International Plans	
(In thousands)	2018	2017	2018	2017
Defined Benefit Pension Plans Net Periodic Pension Cost (Benefit)				
Service costs	\$10	\$10	\$401	\$426
Interest costs	2,391	2,469	5,498	5,843
Expected return on plan assets	(3,017)	(2,620)	(10,820)	(10,632)
Recognized prior service costs	—	8	(37)	48
Recognized loss	1,302	1,425	3,737	4,130
Defined benefit pension plans net periodic pension cost (benefit)	\$686	\$1,292	\$(1,221)	\$(185)
	Nine Months Ended			
	Sept 30			
	U.S. Plans		International Plans	
(In thousands)	2018	2017	2018	2017
Service costs	\$31	\$32	\$1,195	\$1,243
Interest costs	7,172	7,408	16,612	17,349
Expected return on plan assets	(9,051)	(7,863)	(32,661)	(31,571)
Recognized prior service costs	—	24	(113)	139
Recognized loss	3,906	4,276	11,267	12,260
Settlement/curtailment losses	166	—	—	—
Defined benefit pension plans net periodic pension cost (benefit)	\$2,224	\$3,877	\$(3,700)	\$(580)

On January 1, 2018, the Company adopted changes issued by the FASB related to how employers that sponsor defined benefit pension plans and other postretirement plans present NPPC in the statement of operations. Employers are required to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Other components of NPPC are required to be presented in the statement of operations separately from the service cost component and outside of the subtotal of income from operations. See Note 2, Recently Adopted and Recently Issued Accounting Standards, for additional details.

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
(In thousands)	2018	2017	2018	2017
Company Contributions				
Defined benefit pension plans (U.S.)	\$5,958	\$4,112	\$9,309	\$5,054
Defined benefit pension plans (International)	3,219	3,038	16,192	14,338

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Multiemployer pension plans	492	498	1,512	1,481
Defined contribution pension plans	2,306	3,278	7,888	8,306

The Company's estimate of expected contributions to be paid during the remainder of 2018 for the U.S. and international defined benefit pension plans are \$0.5 million and \$2.4 million, respectively.

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9. Income Taxes

Income tax expense related to continuing operations for the three and nine months ended September 30, 2018 was \$13.8 million and \$24.0 million, respectively and for the three and nine months ended September 30, 2017 was \$8.3 million and \$25.8 million, respectively. For the nine months ended September 30, 2018, income tax expense was positively affected by an \$8.3 million tax benefit arising from the adjustment to certain existing deferred tax asset valuation allowances as the result of the Altek acquisition.

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 reserve for uncertain tax positions at September 30, 2018 was \$4.6 million, including interest and penalties. Within the next twelve months, it is reasonably possible that \$0.9 million of unrecognized income tax benefits will be recognized upon settlement of tax examinations and the expiration of various statutes of limitations.

As a result of the changes in the U.S. tax law, the Company recorded a provisional charge of \$48.7 million included in Income tax expense in the Company's Consolidated Statements of Operations for 2017. Since year-end 2017, the Company has been accumulating and processing data and expects to finalize its assessment during the fourth quarter in 2018.

10. 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 Company did not have any material accruals or record any material expenses related to environmental matters during the periods presented.

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. Many of the claims relate to value-added ("ICMS"), services and social security 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, 2018, the principal amount of the tax assessment from the SPRA with regard to this case is approximately \$2 million, with penalty, interest and fees assessed to date increasing such amount by an additional \$20 million. Any change in the aggregate amount since the Company's last Annual Report on Form 10-K for the year ended December 31, 2017 is due to an increase in assessed interest and statutorily mandated legal fees for the period, as well as foreign currency translation. On June 4, 2018, the Appellate Court of the State of Sao Paulo ruled in favor of the SPRA, but ruled that the assessed penalty should be reduced to approximately \$2 million. After calculating the interest accrued on the penalty, the Company estimates that this ruling reduces the current overall liability for this case to approximately \$9 million. The Company has filed a motion for clarification on the ruling, which is still pending before the court. In the event the motion for clarification is unsuccessful, the Company plans to appeal both the liability ruling and the amount assessed. Due to multiple court precedents in the

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Company's favor, as well as the Company's ability to seek clarification as well as appeal, the Company does not believe a loss is probable.

Another ICMS tax case involving the SPRA refers to the tax period from January 2002 to December 2003 and has not yet reached the judicial phase. The aggregate amount assessed by the tax authorities in August 2005 was \$6.3 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 \$4.8 million. All such amounts include the effect of foreign currency translation.

The Company continues to believe that sufficient coverage for these claims exists as a result of the indemnification obligations of the Company's customer and such customer's pledge of assets in connection with the October 2009 notice, as required by Brazilian law.

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.

Brazilian Labor Disputes

The Company is subject to ongoing 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, 2018 and December 31, 2017, the Company has established reserves of \$7.4 million and \$9.6 million, respectively, on the Company's Condensed Consolidated Balance Sheets for amounts considered to be probable and estimable. 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 may, in the normal course of business, become involved in commercial disputes with 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 any ongoing matters will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Lima Refinery Litigation

On April 8, 2016, Lima Refining Company filed a lawsuit against the Company in the District Court of Harris County, Texas related to a January 2015 explosion at an oil refinery operated by Lima Refining Company. The action seeks approximately \$317 million plus interest in property damages, lost profits and business interruption damages. The action alleges the explosion occurred because of a defect in a heat exchange cooler manufactured by Hammco Corporation ("Hammco") in 2009, prior to the Company's acquisition of Hammco in 2014. The Company is vigorously contesting the allegations against it. The Company has both an indemnity right from the sellers of Hammco and liability insurance coverage under various primary and excess policies that the Company believes will be available, if necessary, to cover substantially all such liability that might ultimately be incurred in the above action. As a result, the

Company believes the situation will not result in a net unreimbursed loss.

Compliance Matter

As previously disclosed, in 2017, the Company undertook an internal investigation, with the assistance of outside counsel, after it became aware of allegations involving an employee and an agent of the Harsco Rail subsidiary in China (“Harsco Rail China”). During this investigation the Company learned about certain payments that potentially violate the Foreign Corrupt Practices Act. Revenues attributed to Harsco Rail China were approximately 2% of the Company’s consolidated revenues for each of the prior three completed fiscal years.

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The Company has voluntarily self-reported its initial findings to the SEC and the U.S. Department of Justice (the “DOJ”) and intends to fully cooperate with these agencies in their review. Based on information known to date, the Company believes the amount of the potential improper payments are not material to the condensed consolidated financial statements. Any determination that the Company's operations or activities were not in compliance with existing laws or regulations could result in the imposition of fines and penalties. No provision with respect to this matter has been made in the Company's condensed consolidated financial statements. At this time, the Company cannot predict the outcome or impact of the investigation or the reviews by the SEC and the DOJ. However, based on information available at this time, the Company does not believe any potential liability would be material to the Company's condensed consolidated financial position, although an amount recorded, if any, could be material to the results of operations for the period in which it may be recorded.

Other

The Company is named as one of many defendants (approximately 90 or more in most cases) in legal actions in the U.S. 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, 2018, there were 17,287 pending asbestos personal injury actions filed against the Company. Of those actions, 16,737 were filed in the New York Supreme Court (New York County), 113 were filed in other New York State Supreme Court Counties and 437 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, 2018, 16,704 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 33 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 costs and expenses of the asbestos actions are being paid by the Company's insurers. In view of the persistence of asbestos litigation in the U.S., 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, 2018, the Company has obtained dismissal in 28,007 cases by stipulation or summary judgment prior to trial.

It is not possible to predict the ultimate outcome of asbestos-related actions in the U.S. 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.

As previously disclosed, the Company has had ongoing meetings with the Supreme Council for Environment in Bahrain (“SCE”) over processing a byproduct (“salt cakes”) stored at the Al Hafeerah site. The Company's Bahrain operations that produced the salt cakes has ceased operations and are owned under a strategic venture for which its

strategic venture partner owns a 35% minority interest. An Environmental Impact Assessment and Technical Feasibility Study were approved by the SCE during the first quarter of 2018. The Company has previously established a reserve of \$7.0 million, which represents the Company's best estimate of the ultimate costs to be incurred to resolve this matter. The Company continues to evaluate this reserve and any future change in estimated costs could be material to the Company's results of operations in any one period.

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On July 27, 2018, Brazil's Federal and Rio de Janeiro State Public Prosecution Offices (MPF and MPE) filed a Civil Public Action against one of the Company's customers (CSN), the Company's Brazilian subsidiary, the Municipality of Volta Redonda, Brazil, and the Instituto Estadual do Ambiente (local environmental protection agency) seeking the implementation of various measures to limit and reduce the accumulation of customer-owned slag at the site in Brazil. On August 6, 2018, the 3rd Federal Court in Volta Redonda granted the MPF and MPE an injunction against the same parties requiring, among other things, CSN and the Company's Brazilian subsidiary to limit the volume of slag sent to the site. Because the customer owns the site and the slag located on the site, the Company believes that complying with this injunction is the steel producer's responsibility. Nevertheless, if the customer does not comply, the Company's Brazilian subsidiary, as a party to the injunction, could be assessed fines for non-compliance or could incur other losses related to the issue. The Company does not believe that a loss relating to this matter is probable or estimable at this point.

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 position, 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, 2017 for additional information on Accrued insurance and loss reserves.

11. Reconciliation of Basic and Diluted Shares

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
(In thousands, except per share amounts)	2018	2017	2018	2017
Income from continuing operations attributable to Harsco Corporation common stockholders	\$33,184	\$13,669	\$91,357	\$41,571
Weighted-average shares outstanding - basic	80,950	80,637	80,821	80,519
Dilutive effect of stock-based compensation	2,929	2,499	2,869	2,234
Weighted-average shares outstanding - diluted	83,879	83,136	83,690	82,753
Earnings from continuing operations per common share, attributable to Harsco Corporation common stockholders:				
Basic	\$0.41	\$0.17	\$1.13	\$0.52
Diluted	\$0.40	\$0.16	\$1.09	\$0.50

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

Three Months Ended September 30	Nine Months Ended September 30
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(In thousands)	2018	2017	2018	2017
Stock options	—	55	—	55
Stock appreciation rights	75	526	349	918
Performance share units	—	—	—	212

Table of Contents**12. Derivative Instruments, Hedging Activities and Fair Value****Derivative Instruments and Hedging Activities**

The Company uses derivative instruments, including foreign currency exchange forward contracts, interest rate swaps and cross-currency interest rate swaps ("CCIRs"), to manage certain foreign currency 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The Company utilizes market data or assumptions that the Company believes market participants would use in valuing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique.

The fair value hierarchy distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs), and (2) an entity's own assumptions about market participant assumptions based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are described below:

Level 1—Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2—Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3—Inputs that are both significant to the fair value measurement and unobservable.

In instances in which multiple levels of inputs are used to measure fair value, hierarchy classification is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The Company primarily applies the market approach for recurring fair value measurements and endeavors to utilize the best available information. Accordingly, the Company utilizes valuation techniques that maximize the use of observable inputs, such as forward rates, interest rates, the Company's credit risk and counterparties' credit risks, and which minimize the use of unobservable inputs. The Company is able to classify fair value balances based on the ability to observe those inputs. Foreign currency exchange forward contracts, interest rate swaps and CCIRs are based upon pricing models using market-based inputs (Level 2). Model inputs can be verified, and valuation techniques do not involve significant management judgment.

The fair value of outstanding derivative contracts recorded as assets and liabilities on the Condensed Consolidated Balance Sheets was as follows:

(In thousands)	Balance Sheet Location	Fair Value of Derivatives Designated as Hedging Instruments	Fair Value of Derivatives Not Designated as Hedging Instruments	Total Fair Value
September 30, 2018				
Asset derivatives (Level 2):				
	Foreign currency exchange forward contracts	\$ 2,209	\$ 7,742	\$9,951

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Interest rate swaps	Other current assets	1,900	—	1,900
Interest rate swaps	Other assets	3,453	—	3,453
Total		\$ 7,562	\$ 7,742	\$15,304
Liability derivatives (Level 2):				
Foreign currency exchange forward contracts	Other current liabilities	\$ 109	\$ 1,583	\$1,692
Interest rate swaps	Other liabilities	31	—	31
Total		\$ 140	\$ 1,583	\$1,723

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(In thousands)	Balance Sheet Location	Fair Value of Derivatives Designated as Hedging Instruments	Fair Value of Derivatives Not Designated as Hedging Instruments	Total Fair Value
December 31, 2017				
Asset derivatives (Level 2):				
Foreign currency exchange forward contracts	Other current assets	\$ 2,329	\$ 2,915	\$ 5,244
Interest rate swaps	Other current assets	464	—	464
Interest rate swaps	Other assets	170	—	\$ 170
Total		\$ 2,963	\$ 2,915	\$ 5,878
Liability derivatives (Level 2):				
Foreign currency exchange forward contracts	Other current liabilities	\$ 153	\$ 6,970	\$ 7,123
Interest rate swaps	Other liabilities	1,368	—	1,368
Total		\$ 1,521	\$ 6,970	\$ 8,491

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 interest rate swaps, CCIRs and certain foreign currency exchange forward 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 resulted in a net asset of \$1.3 million and a net liability of \$0.2 million at September 30, 2018 and December 31, 2017, respectively.

The effect of derivative instruments in the Condensed Consolidated Statements of Operations and the Condensed Consolidated Statements of Comprehensive Income, was as follows:

Derivatives Designated as Hedging Instruments

(In thousands)	Amount Recognized in Other Comprehensive Income ("OCI") on Derivative - Effective Portion	Location of Amount Reclassified from Accumulated OCI into Income - Effective Portion	Amount Reclassified from Accumulated OCI into Income - Effective Portion or Equity	Location of Amount Recognized in Income on Derivative - Ineffective Portion and Amount Excluded from Effectiveness Testing	Amount Recognized in Income on Derivative - Ineffective Portion and Amount Excluded from Effectiveness Testing
Three Months Ended September 30, 2018:					
Foreign currency exchange forward contracts	\$ (410)	Product revenues	\$ (3)		\$ —
Interest rate swaps	1,276	Interest expense	(367)		—
Cross-currency interest rate swaps	—	^(a) Interest expense	312		—
	\$ 866		\$ (58)		\$ —
Three Months Ended September 30, 2017:					
Foreign currency exchange forward contracts	\$ 2,333		\$ —		\$ —
Interest rate swaps	(335)		—		—
Cross-currency interest rate swaps	(72)	^(a) Interest Expense	252	Cost of services and products sold	(103)
	\$ 1,926		\$ 252		\$ (103)

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(In thousands)	Amount Recognized in Other Comprehensive Income ("OCI") on Derivative - Effective Portion	Location of Amount Reclassified from Accumulated OCI into Income - Effective Portion	Amount Reclassified from Accumulated OCI into Income - Effective Portion or Equity	Location of Amount Recognized in Income on Derivative - Ineffective Portion and Amount Excluded from Effectiveness Testing	Amount Recognized in Income on Derivative - Ineffective Portion and Amount Excluded from Effectiveness Testing
Nine Months Ended September 30, 2018:					
Foreign currency forward exchange contracts	\$ 1,369	Product revenues / Cost of services and products sold	\$(112)		\$ —
Foreign currency forward exchange contracts	—	Retained earnings (b)	(1,520)		—
Interest rate swaps	6,657	Interest expense	(602)		—
Cross currency interest rate swaps	—	Interest expense	960		—
	\$ 8,026		\$(1,274)		\$ —
Nine Months Ended September 30, 2017:					
Foreign currency forward exchange contracts	\$ 3,096	Product revenues / Cost of services and products sold	\$(185)		\$ —
Interest rate swaps	(2,878)		—		—
Cross currency interest rate swaps	(195)	(a) Interest expense	745	Cost of services and products sold	(420)
	\$ 23		\$ 560		\$ (420)

(a) Amounts represent changes in foreign currency translation related to balances in Accumulated other comprehensive loss.

(b) The Company has adopted the new revenue recognition standard utilizing the modified retrospective transition method, including use of practical expedients. See Note 2, Recently Adopted and Recently Issued Accounting Standards for additional information.

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(c)	
		2018	2017
Three Months Ended September 30:			
Foreign currency exchange forward contracts	Cost of services and products sold	\$3,194	\$(7,025)
Nine Months Ended September 30:			
Foreign currency exchange forward contracts	Cost of services and products sold	\$13,459	\$(18,764)

(c) 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 Exchange Forward Contracts

The Company conducts business in multiple currencies and, accordingly, is subject to the inherent risks associated with foreign exchange rate movements. 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 Company uses derivative instruments to hedge cash flows related to foreign currency fluctuations. Foreign currency exchange forward 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. The 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 exchange forward contracts are used to hedge commitments, such as foreign currency debt, firm purchase commitments and foreign currency cash flows for certain export sales transactions.

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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 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 in Accumulated other comprehensive loss, a separate component of equity, and reclassified to earnings in a manner that matches the timing of the earnings impact of the hedged transactions. The ineffective portion of all hedges, if any, is recognized currently in earnings.

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. At September 30, 2018 and December 31, 2017, the notional amounts of foreign currency exchange forward contracts were \$652.6 million and \$671.9 million, respectively. These contracts are primarily denominated in British pounds sterling and Euros and mature through October 2021.

In addition to foreign currency exchange forward contracts, the Company designates certain loans as hedges of net investments in international subsidiaries. The Company recorded pre-tax net loss of \$0.8 million and \$7.5 million during the three and nine months ended September 30, 2018, respectively and pre-tax net gains of \$7.6 million and \$17.1 million for the three and nine months ended September 30, 2017, respectively, in Accumulated other comprehensive loss.

Interest Rate Swaps

The Company uses interest rate swaps in conjunction with certain debt issuances in order to secure a fixed interest rate. Changes in the fair value attributed to the effect of the swaps' interest spread and changes in the credit worthiness of the counter-parties are recorded in Accumulated other comprehensive loss.

In January 2017 and February 2018, the Company entered into a series of interest rate swaps that cover the period from 2018 through 2022 and had the effect of converting \$300.0 million of the Term Loan Facility from floating-rate to fixed-rate beginning in 2018. The fixed rates provided by the swaps replace the adjusted LIBOR rate in the interest calculation, ranging from 1.65% for 2018 to 3.12% for 2022. The total notional of the Company's interest rate swaps was \$300.0 million as of September 30, 2018.

Cross-Currency Interest Rate Swaps

The Company may use CCIRs in conjunction with certain debt issuances in order to secure a fixed local currency interest rate. Under these CCIRs, the Company receives interest based on a fixed or floating U.S. dollar rate and pays interest on a fixed local currency rate based on the contractual amounts in dollars and the local currency, respectively. At maturity, there is also the payment of principal amounts between currencies. Changes in the fair value attributed to the effect of the swaps' interest spread and changes in the credit worthiness of the counter-parties are recorded in Accumulated other comprehensive loss. Changes in value attributed to the effect of foreign currency fluctuations are recorded in the Condensed Consolidated Statements of Operations and offset currency fluctuation effects on the debt principal. The Company had no outstanding CCIRs at September 30, 2018.

Fair Value of Other Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities and short-term borrowings approximate fair value due to the short-term maturities of these assets and liabilities. At September 30, 2018 and December 31, 2017, the total fair value of long-term debt (excluding deferred financing costs), including current maturities, was \$649.0 million and \$599.1 million, respectively, compared with a carrying value of \$646.5 million and \$593.7 million, respectively. Fair values for debt are based on pricing models using market-based inputs (Level 2) for similar issues or on the current rates offered to the Company for debt of the same remaining maturities.

13. Review of Operations by Segment

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(In thousands)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2018	2017	2018	2017
Revenues From Continuing Operations				
Harsco Metals & Minerals	\$268,881	\$255,163	\$805,924	\$761,503
Harsco Industrial	93,912	78,318	269,575	217,766
Harsco Rail	82,682	51,134	209,912	172,716
Corporate	—	38	74	107
Total Revenues From Continuing Operations	\$445,475	\$384,653	\$1,285,485	\$1,152,092
(In thousands)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2018	2017	2018	2017
Operating Income (Loss) From Continuing Operations				
Harsco Metals & Minerals	\$29,338	\$23,613	\$92,734	\$80,834
Harsco Industrial	13,959	12,954	40,550	25,088
Harsco Rail	19,000	4,391	29,570	18,800
Corporate	(5,188)	(6,329)	(15,579)	(18,337)
Total Operating Income From Continuing Operations	\$57,109	\$34,629	\$147,275	\$106,385
Depreciation and Amortization				
Harsco Metals & Minerals	\$29,007	\$28,636	\$86,724	\$84,444
Harsco Industrial	1,971	1,826	5,708	5,509
Harsco Rail	1,063	1,094	3,166	3,156
Corporate	1,332	1,449	4,346	4,399
Total Depreciation and Amortization	\$33,373	\$33,005	\$99,944	\$97,508
Capital Expenditures				
Harsco Metals & Minerals	\$29,870	\$20,994	\$79,469	\$58,065
Harsco Industrial	1,891	1,678	5,894	3,226
Harsco Rail	2,748	462	5,266	1,765
Corporate	297	297	673	1,075
Total Capital Expenditures	\$34,806	\$23,431	\$91,302	\$64,131

Reconciliation of Segment Operating Income to Income From Continuing Operations Before Income Taxes

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2018	2017	2018	2017
Segment operating income	\$62,297	\$40,958	\$162,854	\$124,722
General Corporate expense	(5,188)	(6,329)	(15,579)	(18,337)
Operating income from continuing operations	57,109	34,629	147,275	106,385
Interest income	574	610	1,649	1,615
Interest expense	(9,665)	(12,122)	(29,241)	(36,180)
Defined benefit pension income (expense)	928	(680)	2,671	(2,054)
Loss on early extinguishment of debt	(125)	—	(1,159)	—
Income from continuing operations before income taxes	\$48,821	\$22,437	\$121,195	\$69,766

14. Revenue Recognition

The Company recognizes revenues to depict the transfer of promised services and products to customers in an amount that reflects the consideration the Company expects to receive in exchange for those services or products. Service revenues include the service components of the Harsco Metals & Minerals and Harsco Rail Segments. Product revenues include the Harsco Industrial Segment and the product revenues of the Harsco Metals & Minerals and Harsco Rail Segments.

Harsco Metals & Minerals - This Segment provides on-site services, under long-term contracts, for material logistics; product quality improvement and resource recovery from iron, steel and metals manufacturing; and also manufactures and sells industrial abrasives and roofing granule products.

Service revenues are recognized over time as the customer simultaneously receives the benefits provided by the Company's performance. The Company utilizes an output method based on work performed (liquid steel tons processed, weight of material handled, etc.) to measure progress, which is deemed to best depict the transfer of value to the customer and revenue earned by the Company. Transaction prices are based on contractual terms, which may include both fixed and variable portions. The fixed portion is recognized as earned (normally monthly) over the contractual period. The variable portion is recognized as services are performed and differs based on the volume of services performed. Given the long-term nature of these arrangements, most contracts permit periodic adjustment of either the variable or both the fixed and variable portions based on the changes in macroeconomic indicators, including changes in commodity prices. Transaction prices, when the standalone selling price is not directly observable, are allocated to performance obligations utilizing an expected cost plus a margin approach. Amounts are typically billed and payable on a monthly basis as services are performed.

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Product revenues are recognized at the point when control transfers to the customer. Control generally transfers at the point of shipment for domestic orders and in accordance with the international commercial terms included in contracts for export sales. Transaction prices are based on contractual terms, which are generally fixed and when the standalone selling price is not directly observable, allocated to performance obligations utilizing an adjusted market assessment approach. Amounts are billed and payable upon completion of each transaction.

At September 30, 2018, the Harsco Metals & Minerals Segment had remaining, fixed, unsatisfied performance obligations, where the expected contract duration exceeds one-year totaling \$147.5 million. Of this amount, \$44.6 million is expected to be fulfilled by September 30, 2019, \$40.1 million by September 30, 2020, \$25.6 million by September 30, 2021, \$22.5 million by September 30, 2022 and the remainder thereafter. These amounts exclude any variable fees, fixed fees subject to indexation and any performance obligations expected to be satisfied within one year. The increase in remaining, fixed, unsatisfied performance obligations, where the expected contract duration exceeds one year is primarily attributable to new contracts entered into during the third quarter of 2018.

Harsco Industrial - This segment sells air-cooled heat exchangers, metal bar grating configurations and energy-efficient heat transfer products.

For air-cooled heat exchangers, revenue is recognized over time as control is transferred to the customer. Control transfers over time because the air-cooled heat exchangers are customized, have no alternate use and the Company has an enforceable right to payment. The Company utilizes an input method based on costs incurred to measure progress, which is deemed to best depict the transfer of value to the customer and revenue earned by the Company. Transaction prices are based on contractual terms, which are generally fixed, and when the standalone selling price is not directly observable, allocated to performance obligations utilizing an adjusted market assessment approach. The Company may receive periodic payments associated with key milestones with any remaining consideration billed and payable upon completion of the transaction.

For metal bar grating configurations and energy-efficient heat transfer products, revenue is recognized at the point when control transfers to the customer. Control generally transfers at the point of shipment for domestic orders and in accordance with the international commercial terms included in contracts for export sales. Transaction prices are based on contractual terms, which are generally fixed, and when the standalone selling price is not directly observable, allocated to performance obligations utilizing an adjusted market assessment approach. Amounts are billed and payable upon completion of each transaction though advance payments are required in limited circumstances.

Harsco Rail - This Segment sells railway track maintenance equipment, after-market parts and provides railway track maintenance services.

For the majority of railway track maintenance equipment sales, revenue is recognized at the point when control transfers to the customer. Control generally transfers at the point of shipment for domestic orders and in accordance with the international commercial terms included in contracts for export sales. In certain railway track maintenance equipment sales, revenue is recognized over time because such equipment is highly customized, has no alternate use and the Company has an enforceable right to payment. In such instances, the Company utilizes an input method based on costs incurred to measure progress, which is deemed to best depict the transfer of value to the customer and revenue earned by the Company. Transaction prices are based on contracted terms, which are generally fixed, and when the standalone selling price is not directly observable, allocated to performance obligations utilizing either the adjusted market assessment or expected cost plus a margin approach. For certain transactions, the Company receives periodic payments associated with key milestones. In limited instances, those payments are intended to provide financing with such transactions being treated as including a significant financing component. Any remaining consideration is billed and payable upon completion of the transaction.

For after-market parts sales, revenue is recognized at the point when control transfers to the customer. Control generally transfer to the customer at the point of shipment for domestic orders and in accordance with the international commercial terms included in contracts for export sales. Transaction prices are based on contracted terms, which are generally fixed, and when the standalone selling price is not directly observable, allocated to performance obligations utilizing an adjusted market assessment approach. Amounts are billed and payable upon completion of each contract.

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For railway track maintenance services, revenue is recognized over time as the customer simultaneously receives the benefits provided by the Company's performance. The Company utilizes an appropriate output method based on work performed (feet, miles, shifts worked, etc.) to measure progress, which is deemed to best depict the transfer of value to the customer and revenue earned by the Company. Transaction prices are based on contracted terms, which are generally variable. The variable portion is recognized as services are performed and differs based on the value of services. Given the long-term nature of these arrangements, most contracts permit periodic adjustment based on the changes in macroeconomic indicators. Transaction prices, when the standalone selling price is not directly observable, are allocated to performance obligations utilizing an expected cost plus a margin approach. Amounts are typically billed and payable on a monthly basis as services are performed.

At September 30, 2018, the Harsco Rail Segment had remaining, fixed, unsatisfied performance obligations, where the expected contract duration exceeds one-year totaling \$200.3 million. Of this amount, \$46.6 million is expected to be fulfilled by September 30, 2019, \$63.0 million by September 30, 2020, \$54.5 million by September 30, 2021, \$28.0 million by September 30, 2022 and the remainder thereafter. These amounts exclude any variable fees, fixed fees subject to indexation and any performance obligations expected to be satisfied within one year. The increase in remaining, fixed, unsatisfied performance obligations, where the expected contract duration exceeds one year is primarily attributable to the further satisfaction of performance obligations for over time equipment contracts.

A summary of the Company's revenues by primary geographical markets as well as by key product and service groups is as follows:

(In thousands)	Three Months Ended				Consolidated Totals
	September 30, 2018				
	Harsco Metals & Minerals Segment	Harsco Industrial Segment	Harsco Rail Segment	Corporate	
Primary Geographical Markets (a):					
North America	\$78,844	\$88,524	\$62,823	\$	—\$230,191
Western Europe	97,411	—	10,720	—	108,131
Latin America (b)	36,165	5,388	1,130	—	42,683
Asia-Pacific	36,846	—	8,009	—	44,855
Middle East and Africa	12,370	—	—	—	12,370
Eastern Europe	7,245	—	—	—	7,245
Total Revenues (c)	\$268,881	\$93,912	\$82,682	\$	—\$445,475
Key Product and Service Groups:					
On-site services and material logistics, product quality improvement and resource recovery for iron, steel and metals manufacturing; as well as value-added environmental solutions for industrial co-products	\$268,881	\$—	\$—	\$	—\$268,881
Railway track maintenance services and equipment	—	—	82,682	—	82,682
Air-cooled heat exchangers	—	52,093	—	—	52,093
Industrial grating and fencing products	—	31,782	—	—	31,782
Heat transfer products	—	10,037	—	—	10,037
Total Revenues (c)	\$268,881	\$93,912	\$82,682	\$	—\$445,475

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	Three Months Ended			
	September 30, 2017			
	Harsco	Harsco	Corporate	Consolidated
(In thousands)	Medical	Rail		Totals
	& Industrial	Segment		
	Miscellaneous	Segment		
	Segment			
Primary Geographical Markets (a):				