HARSCO CORP
Form 10-Q
May 09, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the Quarterly Period Ended March 31, 2013
or

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

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

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

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

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

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

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

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

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

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

| Class | Outstanding at May 1, 2013 |
|---|---|
| Common stock, par value $1.25 per share | 80,665,302 |

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HARSCO CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

| (In thousands) | March 31 2013 | December 31 2012 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $92,941 | $95,250 |
| Trade accounts receivable, net | 622,156 | 600,264 |
| Other receivables | 39,651 | 39,836 |
| Inventories | 244,517 | 236,512 |
| Other current assets | 96,644 | 94,581 |
| Total current assets | 1,095,909 | 1,066,443 |
| Property, plant and equipment, net | 1,239,668 | 1,266,225 |
| Goodwill | 418,565 | 429,198 |
| Intangible assets, net | 71,425 | 77,726 |
| Other assets | 159,487 | 136,377 |
| Total assets | $2,985,054 | $2,975,969 |
| LIABILITIES | | |
| Current liabilities: | | |
| Short-term borrowings | $10,674 | $8,560 |
| Current maturities of long-term debt | 5,886 | 3,278 |
| Accounts payable | 231,608 | 221,479 |
| Accrued compensation | 74,058 | 94,398 |
| Income taxes payable | 8,898 | 10,109 |
| Dividends payable | 16,535 | 16,520 |
| Insurance liabilities | 20,859 | 19,434 |
| Advances on contracts | 37,166 | 47,696 |
| Other current liabilities | 212,310 | 216,101 |
| Total current liabilities | 617,994 | 637,575 |
| Long-term debt | 1,010,630 | 957,428 |
| Deferred income taxes | 19,337 | 18,880 |
| Insurance liabilities | 64,593 | 63,248 |
| Retirement plan liabilities | 352,442 | 385,062 |
| Other liabilities | 45,495 | 52,152 |
| Total liabilities | 2,110,491 | 2,114,345 |
| COMMITMENTS AND CONTINGENCIES | | |
| HARSCO CORPORATION STOCKHOLDERS' EQUITY | | |
| Preferred stock | — | — |
| Common stock | 140,211 | 140,080 |
| Additional paid-in capital | 155,500 | 152,645 |
| Accumulated other comprehensive loss | (392,934) | (411,168) |
| Retained earnings | 1,666,184 | 1,675,490 |
| Treasury stock | (746,038) | (745,205) |
| Total Harsco Corporation stockholders' equity | 822,923 | 811,842 |
| Noncontrolling interests | 51,640 | 49,782 |

| | | |
|---|---|---|
| Total equity | 874,563 | 861,624 |
| Total liabilities and equity | $2,985,054 | $2,975,969 |

See accompanying notes to unaudited condensed consolidated financial statements.

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HARSCO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

| | Three Months Ended March 31 | |
|---|---|---|
| (In thousands, except per share amounts) | 2013 | 2012 |
| Revenues from continuing operations: | | |
| Service revenues | $551,155 | $598,700 |
| Product revenues | 164,240 | 153,635 |
| Total revenues | 715,395 | 752,335 |
| Costs and expenses from continuing operations: | | |
| Cost of services sold | 443,396 | 483,425 |
| Cost of products sold | 120,862 | 110,242 |
| Selling, general and administrative expenses | 124,698 | 129,203 |
| Research and development expenses | 2,196 | 2,060 |
| Other (income) expenses | (1,542) | 40,092 |
| Total costs and expenses | 689,610 | 765,022 |
| Operating income (loss) from continuing operations | 25,785 | (12,687) |
| Interest income | 406 | 674 |
| Interest expense | (11,743) | (12,824) |
| Income (loss) from continuing operations before income taxes and equity income | 14,448 | (24,837) |
| Income tax expense | (4,965) | (4,498) |
| Equity in income (loss) of unconsolidated entities, net | (14) | 169 |
| Income (loss) from continuing operations | 9,469 | (29,166) |
| Discontinued operations: | | |
| Loss on disposal of discontinued business | (642) | (650) |
| Income tax benefit related to discontinued business | 245 | 244 |
| Loss from discontinued operations | (397) | (406) |
| Net income (loss) | 9,072 | (29,572) |
| Less: Net (income) loss attributable to noncontrolling interests | (1,827) | 203 |
| Net income (loss) attributable to Harsco Corporation | $7,245 | $(29,369) |
| Amounts attributable to Harsco Corporation common stockholders: | | |
| Income (loss) from continuing operations, net of tax | $7,642 | $(28,963) |
| Loss from discontinued operations, net of tax | (397) | (406) |
| Net income (loss) attributable to Harsco Corporation common stockholders | $7,245 | $(29,369) |
| | | |
| Weighted-average shares of common stock outstanding | 80,706 | 80,579 |
| Basic earnings (loss) per common share attributable to Harsco Corporation common stockholders: | | |
| Continuing operations | $0.09 | $(0.36) |
| Discontinued operations | — | (0.01) |
| Basic earnings (loss) per share attributable to Harsco Corporation common stockholders | $0.09 | $(0.36) (a) |
| | | |
| Diluted weighted-average shares of common stock outstanding | 80,930 | 80,579 |
| Diluted earnings (loss) per common share attributable to Harsco Corporation common stockholders: | | |
| Continuing operations | $0.09 | $(0.36) |
| Discontinued operations | — | (0.01) |
| Diluted earnings (loss) per share attributable to Harsco Corporation common stockholders | $0.09 | $(0.36) (a) |

| | | |
|---|---|---|
| Cash dividends declared per common share | $0.205 | $0.205 |

(a) Does not total due to rounding

See accompanying notes to unaudited condensed consolidated financial statements.

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HARSCO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

| | Three Months Ended March 31 | |
|---|---|---|
| (In thousands) | 2013 | 2012 |
| Net income (loss) | $9,072 | $(29,572) |
| Other comprehensive income (loss): | | |
| Foreign currency translation adjustments, net of deferred income taxes | (12,016) | 36,040 |
| Net gain on cash flow hedging instruments, net of deferred income taxes of $(437) and $(215) in 2013 and 2012, respectively | 2,061 | 762 |
| Pension liability adjustments, net of deferred income taxes of $(4,091) and $793 in 2013 and 2012, respectively | 28,003 | (5,418) |
| Unrealized gain on marketable securities, net of deferred income taxes of $(5) and $(4) in 2013 and 2012, respectively | 8 | 7 |
| Total other comprehensive income | 18,056 | 31,391 |
| Total comprehensive income | 27,128 | 1,819 |
| Less: Comprehensive (income) loss attributable to noncontrolling interests | 1,649 | (304) |
| Comprehensive income attributable to Harsco Corporation | $28,777 | $1,515 |

See accompanying notes to unaudited condensed consolidated financial statements.

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HARSCO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

| | Three Months Ended March 31 | |
|---|---|---|
| (In thousands) | 2013 | 2012 |
| Cash flows from operating activities: | | |
| Net income (loss) | $9,072 | $(29,572) |
| Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation | 61,282 | 65,454 |
| Amortization | 4,444 | 6,488 |
| Deferred income tax benefit | (1,407) | (7,367) |
| Equity in (income) loss of unconsolidated entities, net | 14 | (169) |
| Harsco 2011/2012 Restructuring Program non-cash adjustment | — | 12,246 |
| Other, net | (180) | (9,830) |
| Changes in assets and liabilities: | | |
| Accounts receivable | (30,108) | 212 |
| Inventories | (10,757) | (17,269) |
| Accounts payable | 13,252 | (9,522) |
| Accrued interest payable | 5,874 | 5,552 |
| Accrued compensation | (17,725) | (11,760) |
| Harsco Infrastructure Segment 2010 Restructuring Program accrual | (84) | (1,317) |
| Harsco 2011/2012 Restructuring Program accrual | (8,054) | (599) |
| Other assets and liabilities | (22,208) | (3,973) |
| Net cash provided (used) by operating activities | 3,415 | (1,426) |
| | | |
| Cash flows from investing activities: | | |
| Purchases of property, plant and equipment | (53,733) | (52,789) |
| Proceeds from sales of assets | 10,595 | 22,488 |
| Other investing activities, net | 2,903 | (2,020) |
| Net cash used by investing activities | (40,235) | (32,321) |
| | | |
| Cash flows from financing activities: | | |
| Short-term borrowings, net | 4,093 | (19,527) |
| Current maturities and long-term debt: | | |
| Additions | 63,719 | 139,066 |
| Reductions | (15,064) | (61,196) |
| Cash dividends paid on common stock | (16,536) | (16,499) |
| Dividends paid to noncontrolling interests | (755) | — |
| Contributions from noncontrolling interests | 857 | 7,935 |
| Purchase of noncontrolling interests | (166) | — |
| Common stock issued - options | 214 | 542 |
| Other financing activities, net | — | (2,708) |
| Net cash provided by financing activities | 36,362 | 47,613 |
| | | |
| Effect of exchange rate changes on cash | (1,851) | 1,554 |
| Net increase (decrease) in cash and cash equivalents | (2,309) | 15,420 |
| Cash and cash equivalents at beginning of period | 95,250 | 121,184 |
| Cash and cash equivalents at end of period | $92,941 | $136,604 |

See accompanying notes to unaudited condensed consolidated financial statements.

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HARSCO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)

| | Harsco Corporation Stockholders' Equity | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common Stock | | | | | | |
| (In thousands, except share and per share amounts) | Issued | Treasury | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Noncontrolling Interests | Total |
| Balances, January 1, 2012 | $139,914 | $(744,644) | $149,066 | $1,996,234 | $(364,191) | $43,539 | $1,219,918 |
| Net loss | | | | (29,369) | | (203) | (29,572) |
| Cash dividends declared: | | | | | | | |
| Common @ $0.205 per share | | | | (16,525) | | | (16,525) |
| Translation adjustments, net of deferred income taxes of $(4,644) | | | | | 35,533 | 507 | 36,040 |
| Cash flow hedging instrument adjustments, net of deferred income taxes of $(215) | | | | | 762 | | 762 |
| Contributions from noncontrolling interests | | | | | | 7,935 | 7,935 |
| Pension liability adjustments, net of deferred income taxes of $793 | | | | | (5,418) | | (5,418) |
| Marketable securities unrealized gain, net of deferred income taxes of $(4) | | | | | 7 | | 7 |
| Stock options exercised, 30,900 shares | 39 | | 503 | | | | 542 |
| Vesting of restricted stock units and other stock grants, net 38,573 shares | 72 | (427) | 215 | | | | (140) |
| Amortization of unearned portion of stock-based compensation, net of forfeitures | | | 477 | | | | 477 |
| Balances, March 31, 2012 | $140,025 | $(745,071) | $150,261 | $1,950,340 | $(333,307) | $51,778 | $1,214,026 |

| | Harsco Corporation Stockholders' Equity | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common Stock | | | | | | |
| (In thousands, except share and per share amounts) | Issued | Treasury | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Noncontrolling Interests | Total |
| Balances, January 1, 2013 | $140,080 | $(745,205) | $152,645 | $1,675,490 | $(411,168) | $49,782 | $861,624 |
| Net income | | | | 7,245 | | 1,827 | 9,072 |
| Cash dividends declared: | | | | | | | |
| Common @ $.205 per share | | | | (16,551) | | | (16,551) |
| Noncontrolling interests | | | | | | (755) | (755) |
| Translation adjustments, net of deferred income taxes of $9,055 | | | | | (11,838) | (178) | (12,016) |
| Cash flow hedging instrument adjustments, net of deferred income taxes of $(437) | | | | | 2,061 | | 2,061 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Contributions from noncontrolling interests | | | | | | 857 | 857 |
| Purchase of subsidiary shares from noncontrolling interest | | | (292) | | | 107 | (185) |
| Pension liability adjustments, net of deferred income taxes of $(4,091) | | | | | 28,003 | | 28,003 |
| Marketable securities unrealized gain, net of deferred income taxes of $(5) | | | | | 8 | | 8 |
| Stock options exercised, 12,000 shares | 15 | | 223 | | | | 238 |
| Vesting of restricted stock units and other stock grants, net 60,176 shares | 116 | (833) | 2,059 | | | | 1,342 |
| Amortization of unearned portion of stock-based compensation, net of forfeitures | | | 865 | | | | 865 |
| Balances, March 31, 2013 | $140,211 | $(746,038) | $155,500 | $1,666,184 | $(392,934) | $51,640 | $874,563 |

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 based on Securities and Exchange Commission rules that permit reduced disclosure for interim periods. In the opinion of management, all adjustments (all of which are of a normal recurring nature) that are necessary for a fair presentation are reflected in the unaudited condensed consolidated financial statements. The December 31, 2012 Condensed Consolidated Balance Sheet information contained in this Quarterly Report on Form 10-Q was derived from the 2012 audited consolidated financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America (“U.S. GAAP”) for an annual report. The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements, including the notes thereto, included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2012.

The Company’s management has evaluated all activity of the Company and concluded that subsequent events are properly reflected in the Company’s unaudited condensed consolidated financial statements and notes as required by U.S. GAAP.

Operating results and cash flows for the three months ended March 31, 2013 are not indicative of the results that may be expected for the year ending December 31, 2013.

2. Recently Adopted and Recently Issued Accounting Standards

The following accounting standards have been adopted in 2013:

On January 1, 2013, the Company adopted Financial Accounting Standards Board ("FASB") issued changes related to offsetting assets and liabilities. The changes require additional disclosure regarding the offsetting of assets and liabilities to enable users of financial statements to understand the effect on financial position. The adoption of these changes did not have a material impact on the Company's consolidated financial statements. The disclosures required by these changes are included in Note 10, "Derivative Instruments, Hedging Activities and Fair Value."

On January 1, 2013, the Company adopted FASB issued changes related to the presentation of reclassification adjustments out of accumulated other comprehensive income. These changes require additional disclosure related to changes in accumulated other comprehensive income by component and significant items reclassified out of accumulated other comprehensive income. Other than the additional disclosure requirements, the adoption of these changes did not have a material impact on the Company's consolidated financial statements. The disclosures required by these changes are included in Note 13, "Components of Accumulated Other Comprehensive Loss."

The following accounting standard has been issued and becomes effective for the Company at a future date:

In March 2013, the FASB issued changes related to a parent's accounting for the cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. The changes resolve diversity in practice related to these matters. The changes become effective for the Company on January 1, 2014. Management has determined that these changes will not have a material impact on the Company's consolidated financial statements.

3. Accounts Receivable and Inventories

Accounts receivable consist of the following:

| (In thousands) | March 31 2013 | December 31 2012 |
|---|---|---|
| Trade accounts receivable | $640,941 | $617,517 |
| Less: Allowance for doubtful accounts | (18,785 ) | (17,253 ) |
| Trade accounts receivable, net | $622,156 | $600,264 |
| | | |
| Other receivables (a) | $39,651 | $39,836 |

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

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

| | Three Months Ended March 31 | |
|---|---|---|
| (In thousands) | 2013 | 2012 |
| Provision for doubtful accounts related to trade accounts receivable | $2,217 | $2,927 |

Inventories consist of the following:

| (In thousands) | March 31 2013 | December 31 2012 |
|---|---|---|
| Finished goods | $70,419 | $69,904 |
| Work-in-process | 36,519 | 28,944 |
| Raw materials and purchased parts | 98,900 | 99,058 |
| Stores and supplies | 38,679 | 38,606 |
| Inventories | $244,517 | $236,512 |

4. Property, Plant and Equipment

Property, plant and equipment consists of the following:

| (In thousands) | March 31 2013 | December 31 2012 |
|---|---|---|
| Land | $25,645 | $26,336 |
| Land improvements | 14,279 | 14,199 |
| Buildings and improvements | 195,349 | 190,078 |
| Machinery and equipment | 2,905,105 | 2,950,384 |
| Uncompleted construction | 107,725 | 107,633 |
| Gross property, plant and equipment | 3,248,103 | 3,288,630 |
| Less: Accumulated depreciation | (2,008,435) | (2,022,405) |
| Property, plant and equipment, net | $1,239,668 | $1,266,225 |

5. Goodwill and Other Intangible Assets

The following table reflects the changes in carrying amounts of goodwill by segment (there is no goodwill associated with the Harsco Infrastructure or Harsco Industrial Segments) for the three months ended March 31, 2013:

| (In thousands) | Harsco Metals & Minerals Segment | Harsco Rail Segment | Consolidated Totals |
|---|---|---|---|
| Balance at December 31, 2012 | $419,888 | $9,310 | $429,198 |
| Foreign currency translation | (10,633) | — | (10,633) |
| Balance at March 31, 2013 | $409,255 | $9,310 | $418,565 |

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 its annual goodwill impairment test as of October 1 and monitors for triggering events on an ongoing basis. The Company determined that as of March 31, 2013, no interim goodwill impairment testing was necessary. There can be no assurance that the Company's annual goodwill impairment testing will not result in a charge to earnings. Any impairment could result in the write-down of the carrying value of goodwill to its implied fair value.

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Intangible assets consist of the following:

| (In thousands) | March 31, 2013 Gross Carrying Amount | March 31, 2013 Accumulated Amortization | December 31, 2012 Gross Carrying Amount | December 31, 2012 Accumulated Amortization |
|---|---|---|---|---|
| Customer related | $179,395 | $130,013 | $183,862 | $129,904 |
| Non-compete agreements | 1,346 | 1,314 | 1,347 | 1,310 |
| Patents | 6,805 | 5,475 | 6,909 | 5,503 |
| Technology related | 29,334 | 18,147 | 29,588 | 17,551 |
| Trade names | 18,611 | 12,426 | 18,685 | 11,688 |
| Other | 9,641 | 6,332 | 9,947 | 6,656 |
| Total | $245,132 | $173,707 | $250,338 | $172,612 |

Amortization expense for intangible assets was as follows:

| | Three Months Ended March 31 | |
|---|---|---|
| (In thousands) | 2013 | 2012 |
| Amortization expense for intangible assets | $3,948 | $5,308 |

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

| (In thousands) | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Estimated amortization expense (a) | $16,500 | $14,250 | $9,750 | $8,000 | $4,250 |

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

6. Employee Benefit Plans

| | Three Months Ended March 31 | | | |
|---|---|---|---|---|
| Defined Benefit Net Periodic Pension Cost | U. S. Plans | | International Plans | |
| (In thousands) | 2013 | 2012 | 2013 | 2012 |
| Defined benefit plans: | | | | |
| Service cost | $641 | $472 | $909 | $1,064 |
| Interest cost | 2,941 | 3,209 | 10,781 | 11,378 |
| Expected return on plan assets | (3,909) | (3,907) | (11,819) | (11,044) |
| Recognized prior service costs | 35 | 47 | 92 | 99 |
| Recognized losses | 1,263 | 1,158 | 4,150 | 3,731 |
| Amortization of transition liability | — | — | — | 9 |
| Settlement/curtailment gain | — | — | — | (1,696) |
| Defined benefit plans net periodic pension cost | $971 | $979 | $4,113 | $3,541 |

| | Three Months Ended March 31 | |
|---|---|---|
| Company Contributions | | |
| (In thousands) | 2013 | 2012 |
| Defined benefit pension plans: | | |
| United States | $483 | $589 |
| International | 17,559 | 18,612 |
| Multiemployer pension plans | 2,816 | 3,295 |
| Defined contribution pension plans | 4,828 | 4,949 |

The Company currently anticipates contributing an additional $2.3 million and $13.2 million for the U.S. and international defined benefit pension plans, respectively, during the remainder of 2013.

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7. Income Taxes

Income tax expense from continuing operations increased primarily due to higher income from continuing operations being generated in taxable jurisdictions for the three months ended March 31, 2013 compared with the three months ended March 31, 2012 offset by the expiration of statutes of limitations for uncertain tax positions in certain foreign jurisdictions and the benefits of retroactive law changes. The effective income tax rate related to continuing operations for the three months ended March 31, 2013 was 34.4% compared with (18.1)% for the three months ended March 31, 2012. The effective income tax rate related to continuing operations changed primarily due to decreased losses being generated in jurisdictions where no tax benefit can be recognized. This was offset by the increase in the expiration of statutes of limitations for uncertain tax positions in certain foreign jurisdictions and the benefits of retroactive law changes in 2013 not present in 2012.

An income tax benefit from an uncertain tax position may be recognized when it is more-likely-than-not that the position will be sustained upon examination, based on technical merits, including resolutions of any related appeals or litigation processes. The unrecognized income tax benefit at March 31, 2013 was $30.1 million including interest and penalties. Within the next twelve months, it is reasonably possible that up to $3.9 million of unrecognized income tax benefits will be recognized upon settlement of tax examinations and the expiration of various statutes of limitations. The Company recently has been contacted by the Internal Revenue Service to audit the Company's 2010 U.S. income tax return. The audit is expected to commence during 2013.

8. Commitments and Contingencies

Environmental

The Company is involved in a number of environmental remediation investigations and cleanups and, along with other companies, has been identified as a “potentially responsible party” for certain waste disposal sites. While each of these matters is subject to various uncertainties, it is probable that the Company will agree to make payments toward funding certain of these activities and it is possible that some of these matters will be decided unfavorably to the Company. The Company has evaluated its potential liability, and its financial exposure is dependent upon such factors as the continuing evolution of environmental laws and regulatory requirements, the availability and application of technology, the allocation of cost among potentially responsible parties, the years of remedial activity required and the remediation methods selected. The Condensed Consolidated Balance Sheets as of March 31, 2013 and December 31, 2012 include accruals in Other current liabilities of $1.4 million and $1.9 million, respectively, for environmental matters. The amounts charged against pre-tax income related to environmental matters totaled $0.3 million and $0.2 million for the three months ended March 31, 2013 and 2012, respectively.

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

Brazilian Tax Disputes

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

In October 2009, the Company received notification of the SPRA's final administrative decision regarding the levying of ICMS in the State of São Paulo in relation to services provided to a customer in the State between January 2004 and May 2005. As of March 31, 2013, the principal amount of the tax assessment from the SPRA with regard to this case is approximately $3 million, with penalty, interest and fees assessed to date increasing such amount by an additional $30 million. Any increase in the aggregate amount since the Company's Annual Report on Form 10-K for the year ended December 31, 2012 is due to an increase in assessed interest and statutorily mandated legal fees for the year. All such amounts include the effect of foreign currency translation.

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Another ICMS tax case involving the SPRA refers to the tax period from January 2002 to December 2003, and is still pending at the administrative phase, where the aggregate amount assessed by the tax authorities in August 2005 was $12 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 approximately $3 million, with penalty and interest assessed through that date increasing such amount by an additional $9 million. All such amounts include the effect of foreign currency translation.

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

The Company intends to continue its practice of vigorously defending itself against these tax claims under various alternatives, including judicial appeal. The Company will continue to evaluate its potential liability with regard to these claims on a quarterly basis; however, it is not possible to predict the ultimate outcome of these tax-related disputes in Brazil. No loss provision has been recorded in the Company's consolidated financial statements 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.

Customer Disputes

The Company, through its Harsco Metals & Minerals Segment, provides services to various subsidiaries and affiliates of ArcelorMittal (collectively, "ArcelorMittal") on a number of sites worldwide through long-term service contracts. Currently, ArcelorMittal and the Company are involved in several commercial disputes, a few of which have resulted in legal action. Both the Company and ArcelorMittal are working to resolve these matters. 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 and proceedings, management believes that the ultimate outcome of these matters will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Other

In the United States, the Company has been named as one of many defendants (approximately 90 or more in most cases) in legal actions 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 component within a Company product that may have contained asbestos would have been purchased from a supplier. Based on scientific and medical evidence, the Company believes that any asbestos exposure arising from normal use of any Company product never presented any harmful levels of airborne asbestos exposure, and, moreover, the type of asbestos contained in any component that was used in those products was protectively encapsulated in other materials and is not associated with the types of injuries alleged in the pending suits. Finally, in most of the depositions taken of plaintiffs to date in the litigation against the Company, plaintiffs have failed to specifically identify any Company products as the source of their asbestos exposure.

The majority of the asbestos complaints pending against the Company have been filed in New York. Almost all of the New York complaints contain a standard claim for damages of $20 million or $25 million against the approximately 90 defendants, regardless of the individual plaintiff's alleged medical condition, and without specifically identifying any Company product as the source of plaintiff's asbestos exposure.

As of March 31, 2013, there are 18,090 pending asbestos personal injury claims filed against the Company. Of these cases, 17,600 are pending in the New York Supreme Court for New York County in New York State. The other claims, totaling 490, are filed in various counties in a number of state courts, and in certain Federal District Courts (including New York), and those complaints generally assert lesser amounts of damages than the New York State court cases or do not state any amount claimed.

As of March 31, 2013, the Company has obtained dismissal by stipulation, or summary judgment prior to trial, in 26,715 cases.

In view of the persistence of asbestos litigation nationwide, the Company expects to continue to receive additional claims. However, there have been developments during the past several years, both by certain state legislatures and by certain state courts, which could favorably affect the Company's ability to defend these asbestos claims in those jurisdictions. These developments include procedural changes, docketing changes, proof of damage requirements and other changes that require plaintiffs to follow specific procedures in bringing their claims and to show proof of damages before they can proceed with their claim. An example is the action taken by the New York Supreme Court (a trial court), which is responsible for managing

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all asbestos cases pending within New York County in the State of New York. This Court issued an order in December 2002 that created a Deferred or Inactive Docket for all pending and future asbestos claims filed by plaintiffs who cannot demonstrate that they have a malignant condition or discernible physical impairment, and an Active or In Extremis Docket for plaintiffs who are able to show such medical condition. As a result of this order, the majority of the asbestos cases filed against the Company in New York County have been moved to the Inactive Docket until such time as the plaintiffs can show that they have incurred a physical impairment. As of March 31, 2013, the Company has been listed as a defendant in 477 Active or In Extremis asbestos cases in New York County. The Court's Order has been challenged by some plaintiffs.

Except with regard to the legal costs in a few limited, exceptional cases, the Company's insurance carrier has paid all legal and settlement costs and expenses to date related to the Company's U.S. asbestos cases. 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 on these claims.

The Company intends to continue its practice of vigorously defending these claims and cases. It is not possible to predict the ultimate outcome of asbestos-related lawsuits, claims and proceedings due to the unpredictable nature of personal injury litigation, and no loss provision has been recorded in the Company's 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 lawsuits, claims and proceedings, the Company does not expect that any costs that are reasonably possible to be incurred by the Company in connection with asbestos litigation would have a material adverse effect on the Company's financial condition, results of operations or cash flows.

The Company is subject to various other claims and legal proceedings covering a wide range of matters that arose in the ordinary course of business. In the opinion of management, all such matters are adequately covered by insurance or by established reserves, and, if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a material adverse effect on the financial 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, 2012 for additional information on Accrued Insurance and Loss Reserves.

9. Reconciliation of Basic and Diluted Shares

| | Three Months Ended March 31 | |
|---|---|---|
| (In thousands, except per share amounts) | 2013 | 2012 |
| Income (loss) from continuing operations attributable to Harsco Corporation common stockholders | $7,642 | $(28,963) |
| | | |
| Weighted-average shares outstanding - basic | 80,706 | 80,579 |
| Dilutive effect of stock-based compensation | 224 | — |
| Weighted-average shares outstanding - diluted | 80,930 | 80,579 |

| | | |
|---|---|---|
| Earnings (loss) from continuing operations per common share, attributable to Harsco Corporation common stockholders: | | |
| Basic | $0.09 | $(0.36) |
| Diluted | $0.09 | $(0.36) |

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

| | Three Months Ended March 31 | |
|---|---|---|
| (In thousands) | 2013 | 2012 |
| Restricted stock units | — | 64 |
| Stock options | 304 | 460 |
| Stock appreciation rights | — | 56 |
| Other | — | 159 |

10. Derivative Instruments, Hedging Activities and Fair Value

Derivative Instruments and Hedging Activities

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

All derivative instruments are recorded on the Condensed Consolidated Balance Sheets at fair value. Changes in the fair value of derivatives used to hedge foreign currency denominated balance sheet items are reported directly in earnings along with offsetting transaction gains and losses on the items being hedged. Derivatives used to hedge forecasted cash flows associated with foreign currency commitments or forecasted commodity purchases may be accounted for as cash flow hedges, as deemed appropriate and if the criteria for hedge accounting are met. Gains and losses on derivatives designated as cash flow hedges are deferred as a separate component of equity and reclassified to earnings in a manner that matches the timing of the earnings impact of the hedged transactions. Generally, at March 31, 2013, these deferred gains and losses are reclassified to earnings over 10 to 15 years from the balance sheet date. The ineffective portion of all hedges, if any, is recognized currently in earnings.

The fair values of outstanding derivative contracts recorded as assets and liabilities on the Condensed Consolidated Balance Sheets at March 31, 2013 and December 31, 2012 were as follows:

| | Asset Derivatives (a) | | Liability Derivatives (a) | |
|---|---|---|---|---|
| (In thousands) | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value |
| March 31, 2013 | | | | |
| Derivatives designated as hedging instruments: | | | | |
| Cross currency interest rate swaps | Other current assets | $195 | Other current liabilities | $— |
| Cross currency interest rate swaps | Other assets | 47,752 | Other liabilities | 199 |
| Total derivatives designated as hedging instruments | | $47,947 | | $199 |
| Derivatives not designated as hedging instruments: | | | | |
| Foreign currency forward exchange contracts | Other current assets | $2,200 | Other current liabilities | $3,671 |

| | Asset Derivatives (a) | | Liability Derivatives (a) | |
|---|---|---|---|---|
| (In thousands) | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value |
| December 31, 2012 | | | | |
| Derivatives designated as hedging instruments: | | | | |
| Cross currency interest rate swaps | Other assets | $39,058 | Other liabilities | $14,346 |
| Derivatives not designated as hedging instruments: | | | | |
| Foreign currency forward exchange contracts | Other current assets | $853 | Other current liabilities | $1,775 |

(a) All of the Company's derivatives are recorded in the Condensed Consolidated Balance Sheets as gross amounts and not offset. All of the Company's cross currency interest rate swaps and certain foreign currency forward exchange contracts are transacted under International Swaps and Derivatives Association ("ISDA") documentation. Each ISDA master agreement permits the net settlement of amounts owed in the event of default. The Company's derivative assets and liabilities subject to enforceable master netting arrangements total $0.2 million at March 31, 2013 and $0.1 million at December 31, 2012.

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The effect of derivative instruments on the Condensed Consolidated Statements of Operations and the Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2013 and 2012 was as follows:

Derivatives Designated as Hedging Instruments

| (In thousands) | Amount of Gain (Loss) Recognized in Other Comprehensive Income (“OCI”) on Derivative - Effective Portion | Location of Gain (Loss) Reclassified from Accumulated OCI into Income - Effective Portion | Amount of Gain (Loss) Reclassified from Accumulated OCI into Income - Effective Portion | Location of Gain (Loss) Recognized in Income on Derivative - Ineffective Portion and Amount Excluded from Effectiveness Testing | Amount of Gain (Loss) Recognized in Income on Derivative - Ineffective Portion and Amount Excluded from Effectiveness Testing |
|---|---|---|---|---|---|
| Three Months Ended March 31, 2013: | | | | | |
| Foreign currency forward exchange contracts | $ 5 | Cost of services and products sold | $ (6) | | $ — |
| Cross-currency interest rate swaps | 2,493 | | — | Cost of services and products sold | 20,453 (a) |
| | $ 2,498 | | $ (6) | | $ 20,453 |
| Three Months Ended March 31, 2012: | | | | | |
| Foreign currency forward exchange contracts | $ (362) | Cost of services and products sold | $ 34 | | $ — |
| Cross-currency interest rate swaps | 1,339 | | — | Cost of services and products sold | (11,247) (a) |
| | $ 977 | | $ 34 | | $ (11,247) |

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

Derivatives Not Designated as Hedging Instruments

| (In thousands) | Location of Gain (Loss) Recognized in Income on Derivative | Amount of Gain (Loss) Recognized in Income on Derivative for the Three Months Ended March 31 (a) | |
|---|---|---|---|
| | | 2013 | 2012 |
| Foreign currency forward exchange contracts | Cost of services and products sold | $ 2,059 | $ (4,694) |

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

Foreign Currency Forward Exchange Contracts

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

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

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The following tables summarize, by major currency, the contractual amounts of the Company's foreign currency forward exchange contracts in U.S. dollars at March 31, 2013 and December 31, 2012. The "Buy" amounts represent the U.S. dollar equivalent of commitments to purchase foreign currencies, and the "Sell" amounts represent the U.S. dollar equivalent of commitments to sell foreign currencies. The recognized gains and losses offset amounts recognized in cost of services and products sold principally as a result of intercompany or third party foreign currency exposures.

Contracted Amounts of Foreign Currency Forward Exchange Contracts Outstanding at March 31, 2013:

| (In thousands) | Type | U.S. Dollar Equivalent | Maturity | Recognized Gain (Loss) |
|---|---|---|---|---|
| British pounds sterling | Sell | $3,079 | April 2013 | $(4) |
| British pounds sterling | Buy | 7,092 | April 2013 through May 2013 | 11 |
| Euros | Sell | 203,335 | April 2013 through June 2013 | 1,698 |
| Euros | Buy | 129,970 | April 2013 through May 2013 | (3,208) |
| Other currencies | Sell | 2,947 | April 2013 through May 2013 | (9) |
| Other currencies | Buy | 53,456 | April 2013 through May 2013 | 41 |
| Total | | $399,879 | | $(1,471) |

Contracted Amounts of Foreign Currency Forward Exchange Contracts Outstanding at December 31, 2012:

| (In thousands) | Type | U.S. Dollar Equivalent | Maturity | Recognized Gain (Loss) |
|---|---|---|---|---|
| British pounds sterling | Sell | $— | | $— |
| British pounds sterling | Buy | 6,141 | January 2013 through February 2013 | 58 |
| Euros | Sell | 264,234 | January 2013 through March 2013 | (1,082) |
| Euros | Buy | 116,618 | January 2013 through February 2013 | 187 |
| Other currencies | Sell | 2,811 | January 2013 through March 2013 | (15) |
| Other currencies | Buy | 44,291 | January 2013 | (71) |
| Total | | $434,095 | | $(923) |

In addition to foreign currency forward exchange contracts, the Company designates certain loans as hedges of net investments in international subsidiaries. The Company recorded pre-tax net gains of $1.7 million and pre-tax net losses $6.7 million during the three months ended March 31, 2013 and 2012, respectively, into Accumulated other comprehensive loss.

Cross-Currency Interest Rate Swaps

The Company uses cross-currency interest rate swaps in conjunction with certain debt issuances in order to secure a fixed local currency interest rate. Under these cross-currency interest rate swaps, 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. The cross-currency interest rate swaps are recorded on the Condensed Consolidated Balance Sheets at fair value, with changes in value attributed to the effect of the swaps' interest spread recorded in Accumulated other comprehensive loss. Changes in value attributed to the effect of foreign currency fluctuations are recorded in the statements of operations and offset currency fluctuation effects on the debt principal.

The following table indicates the contractual amounts of the Company's cross-currency interest rate swaps at March 31, 2013:

| | | Interest Rates | |
|---|---|---|---|
| (In millions) | Contractual Amount | Receive | Pay |
| Maturing 2018 | $ 250.0 | Fixed U.S. dollar rate | Fixed euro rate |
| Maturing 2020 | 220.0 | Fixed U.S. dollar rate | Fixed British pound sterling rate |
| Maturing 2013 through 2017 | 10.8 | Floating U.S. dollar rate | Fixed rupee rate |

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Fair Value of Derivative Assets and Liabilities and Other Financial Instruments

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 gives 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 following table indicates the fair value hierarchy of the financial instruments of the Company at March 31, 2013 and December 31, 2012:

Level 2 Fair Value Measurements

| (In thousands) | March 31 2013 | December 31 2012 |
|---|---|---|
| Assets | | |
| Foreign currency forward exchange contracts | $2,200 | $853 |
| Cross-currency interest rate swaps | 47,947 | 39,058 |
| Liabilities | | |
| Foreign currency forward exchange contracts | 3,671 | 1,775 |
| Cross-currency interest rate swaps | 199 | 14,346 |

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. Commodity derivatives, foreign currency forward exchange contracts and cross-currency interest rate swaps are classified as Level 2 fair value based upon pricing models using market-based inputs. Model inputs can be verified, and valuation techniques do not involve significant management judgment.

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 March 31, 2013 and December 31, 2012, the total fair value of long-term debt, including current maturities, was $1.1 billion and $1.0 billion, respectively, compared to a carrying value of $1.0 billion in both periods. Fair values for debt are based on quoted market prices (Level 1) for the same or similar issues, or on the current rates offered to the Company for debt of the same remaining maturities.

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11. Review of Operations by Segment

| (In thousands) | Three Months Ended March 31 2013 | 2012 |
|---|---|---|
| Revenues From Continuing Operations | | |
| Harsco Metals & Minerals | $337,324 | $359,951 |
| Harsco Infrastructure | 216,059 | 237,972 |
| Harsco Rail | 71,566 | 68,048 |
| Harsco Industrial | 90,446 | 86,364 |
| Total revenues from continuing operations | $715,395 | $752,335 |
| Operating Income (Loss) From Continuing Operations | | |
| Harsco Metals & Minerals | $19,757 | $22,311 |
| Harsco Infrastructure | (12,016) | (53,542) |
| Harsco Rail | 3,342 | 9,331 |
| Harsco Industrial | 16,136 | 13,998 |
| Corporate | (1,434) | (4,785) |
| Total operating income (loss) from continuing operations | $25,785 | $(12,687) |

Reconciliation of Segment Operating Income (Loss) to Income (Loss) From Continuing Operations Before Income Taxes and Equity Income

| (In thousands) | Three Months Ended March 31 2013 | 2012 |
|---|---|---|
| Segment operating income (loss) | $27,219 | $(7,902) |
| General Corporate expense | (1,434) | (4,785) |
| Operating income (loss) from continuing operations | 25,785 | (12,687) |
| Interest income | 406 | 674 |
| Interest expense | (11,743) | (12,824) |
| Income (loss) from continuing operations before income taxes and equity income | $14,448 | $(24,837) |

12. Other (Income) Expenses

This Condensed Consolidated Statements of Operations classification includes restructuring costs for employee termination benefit costs, product rationalization, and costs to exit activities; former CEO separation costs; and net gains on the disposal of non-core assets.

| (In thousands) | Three Months Ended March 31 2013 | 2012 |
|---|---|---|
| Restructuring Program costs (see Note 14) | $— | $35,449 |
| Former CEO separation costs | — | 4,125 |
| Net gains | (3,692) | (401) |
| Other (a) | 2,150 | 919 |
| Other (income) expenses | $(1,542) | |