HARSCO CORP
Form 10-K
February 24, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2010

OR

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

Commission File Number 001-03970

HARSCO CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**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)

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

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

Title of each class	Name of each exchange on which registered
Common stock, par value $1.25 per share	New York Stock Exchange
Preferred stock purchase rights	

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

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

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

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

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

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

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

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

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

Class	**Outstanding at January 31, 2011**
Common stock, par value $1.25 per share	80,674,774

DOCUMENTS INCORPORATED BY REFERENCE

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

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

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PART I

Item 1. Business.

(a) General Development of Business.

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

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

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

Principal Lines of Business	**Principal Business Drivers**
Engineered scaffolding, concrete forming and shoring, and other access-related services, rentals and sales	Infrastructure and non-residential construction Industrial plant maintenance requirements
Outsourced, on-site services to steel mills and other metals producers, and recycling technologies for industrial by-product waste streams	Global metals production and capacity utilization Outsourcing of services by metals producers Demand for high-value specialty steel and ferro alloys Demand for environmental solutions for metals and minerals waste streams
Industrial abrasives and roofing granules	Industrial and infrastructure surface preparation and restoration Residential roof replacement
Railway track maintenance services and equipment	Global railway track maintenance-of-way capital spending Outsourcing of track maintenance and new track construction by railroads
Industrial grating products	Industrial plant and warehouse construction and expansion Off-shore drilling and new rig construction
Air-cooled heat exchangers	Natural gas compression, transmission and demand
Heat transfer products	Commercial and institutional boiler and water heater requirements

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

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

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

(b) Financial Information about Segments

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

(c) Narrative Description of Business

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

Harsco Infrastructure Segment 34% of consolidated revenues for 2010

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

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

Harsco Infrastructure Segment

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

(a) Including Mexico.

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

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

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

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

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

Harsco Metals & Minerals Segment

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

(a) Including Mexico.

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

Harsco Rail Segment 10% of consolidated revenues for 2010

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

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

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

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Harsco Industrial Segment 8% of consolidated revenues for 2010

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

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

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

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

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

(1)

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

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

(1)

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

(1)

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

(1)

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

(1)

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

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

Historical Pattern of Revenue from Continuing Operations

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

Historical Pattern of Cash Provided by Operations

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

(a)

Does not total due to rounding.

(1)

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

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

Standard accounts payable payment terms of 30 to 90 days.

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

(1)

(vii) One customer, ArcelorMittal, represented approximately 12% of the Company's sales in 2010 and 10% in 2009 and 2008. The Harsco Metals & Minerals Segment is dependent largely on the global steel industry, and in 2010, 2009 and 2008 there were two customers that each provided in excess of 10% of this Segment's revenues under multiple long-term contracts at numerous mill sites. ArcelorMittal was one of those customers in 2010, 2009 and 2008. The loss of any one of the contracts would not have a material adverse effect upon the Company's financial position or cash flows; however, it could have a significant effect on quarterly or annual results of operations. Additionally, these customers have significant accounts receivable balances. Further consolidation in the global steel industry is possible. Should transactions occur involving some of the Company's larger steel industry customers, it would result in an increase in concentration of revenues and credit risk for the Company. If a large customer were to experience financial difficulty, or file for bankruptcy protection, it could adversely impact the Company's income, cash flows and asset valuations. As part of its credit risk management practices, the Company closely monitors the credit standing and accounts receivable position of its customer base.

(1)

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

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

(1)

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

(1)

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

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

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

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

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

(1)

(xi) The expense for research and development activities was $4.3 million, $3.2 million and $5.3 million in 2010, 2009 and 2008, respectively. This excludes technology development and engineering costs classified in cost of sales or general and administrative expense. For additional information regarding research and development activities, see the Research and Development section included in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(1)

(xii) The Company has become subject to, as have others, stringent air and water quality control legislation. In general, the Company has not experienced substantial difficulty complying with these environmental regulations, and does not anticipate making any material capital expenditures for environmental control facilities. While the Company expects that environmental regulations may expand, and that its expenditures for air and water quality control will continue, it cannot predict the effect on its business of such expanded regulations. For additional information regarding environmental matters see Note 10, Commitments and Contingencies, to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data."

(1)

(xiii) At December 31, 2010, the Company had approximately 19,300 employees.

(d)

Financial Information about Geographic Areas

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

(e)

Available Information

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

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Item 1A. Risk Factors.

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

Market risk.

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

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

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

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

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

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

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

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

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

- periodic economic downturns in the countries in which the Company does business;
- fluctuations in currency exchange rates;
- imposition of or increases in currency exchange controls and hard currency shortages;
- customs matters and changes in trade policy or tariff regulations;
- changes in regulatory requirements in the countries in which the Company does business;
- changes in tax regulations, higher tax rates in certain jurisdictions and potentially adverse tax consequences including restrictions on repatriating earnings, adverse tax withholding requirements and "double taxation";
- longer payment cycles and difficulty in collecting accounts receivable;
- complexities in complying with a variety of U.S. and international laws and regulations;
- political, economic and social instability, civil and political unrest, terrorist actions and armed hostilities in the regions or countries in which the Company does business;
- inflation rates in the countries in which the Company does business;
- laws in various international jurisdictions that limit the right and ability of subsidiaries to pay dividends and remit earnings to affiliated companies unless specified conditions are met;

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

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

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

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

The Company has operations in several countries in the Middle East, including Bahrain, Egypt, Israel, Qatar, Saudi Arabia and the United Arab Emirates, as well as India, some of which are currently experiencing armed hostilities and civil unrest. Additionally, these countries are geographically close to other countries that may have a continued high risk of armed hostilities or civil unrest. During 2010, 2009 and 2008, the Company's Middle East operations contributed approximately $18.6 million, $71.8 million and $66.7 million, respectively, to the Company's operating income. Additionally, the Company has operations in and sales to countries that have encountered outbreaks of communicable diseases. In countries in which such outbreaks occur, worsen or spread to other countries, the Company may be negatively impacted through reduced sales to and within those countries and other countries impacted by such diseases.

Exchange rate fluctuations may adversely impact the Company's business.

Fluctuations in foreign exchange rates between the U.S. dollar and the over 46 other currencies in which the Company conducts business may adversely impact the Company's operating income and income from continuing operations in any given fiscal period. Approximately 67% and 66% of the Company's sales and approximately 23% and 52% of the Company's operating income from continuing operations for 2010 and 2009, respectively, were derived from operations outside the United States. More specifically, approximately 25% and 27% of the Company's revenues were derived from operations with the euro as their functional currency during 2010 and 2009, respectively. Additionally, approximately 14% and 15% of the Company's revenues were derived from operations in the United Kingdom during 2010 and 2009, respectively. Given the structure of the Company's revenues and expenses, an increase in the value of the U.S. dollar relative to the foreign currencies in which the Company earns its revenues generally has a negative impact on operating income, whereas a decrease in the value of the U.S. dollar tends to have the opposite effect. The Company's principal foreign currency exposures are to the euro and the British pound sterling.

Compared with the corresponding period in 2009, the average values of major currencies changed as follows in relation to the U.S. dollar during 2010, impacting the Company's sales and income:

British pound sterling	weakened by 1%
euro	weakened by 5%
South African rand	strengthened by 12%
Brazilian real	strengthened by 11%
Canadian dollar	strengthened by 9%
Australian dollar	strengthened by 15%
Polish zloty	strengthened by 3%

Compared with exchange rates at December 31, 2009, the values of major currencies at December 31, 2010 changed as follows:

British pound sterling	weakened by 4%
euro	weakened by 7%
South African rand	strengthened by 11%
Brazilian real	strengthened by 5%
Canadian dollar	strengthened by 5%
Australian dollar	strengthened by 12%
Polish zloty	weakened by 3%

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The Company's foreign currency exposures increase the risk of income statement, balance sheet and cash flow volatility. If the above currencies change materially in relation to the U.S. dollar, the Company's financial position, results of operations, or cash flows may be materially affected.

To illustrate the effect of foreign currency exchange rate changes in certain key markets of the Company, in 2010, revenues would have been approximately 0.3%, or $8.8 million, higher and operating income would have been approximately 4.9%, or $3.9 million, lower if the average exchange rates for 2009 were utilized. A similar comparison for 2009 would have increased revenues approximately 8.5% or $254.7 million, while operating income would have been approximately 14.0%, or $30.6 million, higher if the average exchange rates for 2009 would have remained the same as 2008. If the U.S. dollar weakens in relation to the euro and British pound sterling, the Company would generally expect to see a positive effect on future sales and income from continuing operations as a result of foreign currency translation. Currency changes also result in assets and liabilities denominated in local currencies being translated into U.S. dollars at different amounts than at the prior period end. If the U.S. dollar weakens in relation to currencies in countries in which the Company does business, the translated amounts of the related assets and liabilities, and therefore stockholders' equity, would increase. Conversely, if the U.S. dollar strengthens in relation to currencies in countries in which the Company does business, the translated amounts of the related assets, liabilities, and therefore stockholders' equity, would decrease.

Although the Company engages in foreign currency forward exchange contracts and other hedging strategies to mitigate foreign exchange risk, hedging strategies may not be successful or may fail to completely offset the risk. The Company has a Foreign Currency Risk Management Committee that develops and implements strategies to mitigate these risks.

In addition, competitive conditions in the Company's manufacturing businesses may limit the Company's ability to increase product prices in the face of adverse currency movements. Sales of products manufactured in the United States for the domestic and export markets may be affected by the value of the U.S. dollar relative to other currencies. Any long-term strengthening of the U.S. dollar could depress demand for these products and reduce sales and may cause translation gains or losses due to the revaluation of accounts payable, accounts receivable and other asset and liability accounts. Conversely, any long-term weakening of the U.S. dollar could improve demand for these products and increase sales and may cause translation gains or losses due to the revaluation of accounts payable, accounts receivable and other asset and liability accounts.

Cyclical industry and economic conditions may adversely affect the Company's businesses.

The Company's businesses are subject to general economic slowdowns and cyclical conditions in the industries served. In particular:

- The Company's Harsco Infrastructure Segment may be adversely impacted by slowdowns in non-residential, multi-dwelling residential or infrastructure construction and annual industrial and building maintenance cycles;

- The Company's Harsco Metals & Minerals Segment may be adversely impacted by slowdowns in steel mill production, excess capacity, consolidation or bankruptcy of steel producers or a reversal or slowing of current outsourcing trends in the steel industry;

- The Company's Harsco Rail Segment may be adversely impacted by developments in the railroad industry that lead to lower capital spending or reduced maintenance spending;

- The reclamation recycling services business of the Harsco Metals & Minerals Segment may be adversely impacted by slowdowns in customer production or a reduction in the selling price of its materials, which is market-based and varies based upon the current fair value of the

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components being sold. Therefore, the revenue amounts generated from the sale of such recycled materials vary based upon the fair value of the commodity components being sold;

The roofing granules and abrasives business of the Harsco Metals & Minerals Segment may be adversely impacted by reduced home resales or economic conditions that slow the rate of residential roof replacement, or by slowdowns in the industrial and infrastructure refurbishment industries;

The industrial grating products business of the Harsco Industrial Segment may be adversely impacted by slowdowns in non-residential construction and industrial production;

The air-cooled heat exchangers business of the Harsco Industrial Segment is affected by cyclical conditions present in the natural gas industry. Therefore, a slowdown in natural gas drilling or production could adversely affect this business;

The Company's access to capital and the associated costs of borrowing may be adversely impacted by the tightening of credit markets. Capital constraints and increased borrowing costs may also adversely impact the financial position and operations of the Company's customers across all business segments. Such customer capital constraints may result in cancelled or postponed construction projects negatively affecting the Harsco Infrastructure Segment.

The seasonality of the Company's business may cause its quarterly results to fluctuate.

The Company has historically generated the majority of its cash flows provided by operations in the second half of the year. This is a result of normally higher income during the second half of the year, as the Company's business tends to follow seasonal patterns. If the Company is unable to successfully manage the cash flow and other effects of seasonality on the business, its results of operations may suffer. The Company's historical revenue patterns and net cash provided by operating activities are included in Part I, Item 1, "Business."

The Company may lose customers or be required to reduce prices as a result of competition.

The industries in which the Company operates are highly competitive.

The Harsco Infrastructure Segment rents and sells equipment and provides erection and dismantling services to principally the non-residential and infrastructure construction and industrial plant maintenance markets. Contracts are awarded based upon the Company's engineering capabilities, product availability and efficiency, safety record, and the ability to competitively price its rentals and services. If the Company is unable to consistently provide high-quality products and services at competitive prices, it may lose customers or operating margins may decline due to reduced selling prices.

The Harsco Metals & Minerals Segment is sustained mainly through contract renewals. Historically, the Company has a high contract renewal rate. If the Company is unable to renew its contracts at the historical rates or renewals are at reduced prices, revenue and operating profits may decline. Additionally, the Company has exited certain underperforming contracts in an effort to improve overall profitability. The Company will continue to exit underperforming contracts as considered necessary to achieving its strategic initiatives.

The Harsco Rail Segment and the Harsco Industrial Segment compete with companies that manufacture similar products both internationally and domestically. Certain international competitors export their products into the United States and sell them at lower prices due to lower labor costs and government subsidies for exports. Such practices may limit the prices the Company can charge for its products and services. Additionally, unfavorable foreign exchange rates can adversely impact the Company's ability to match the prices charged by international

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competitors. If the Company is unable to match the prices charged by international competitors, it may lose customers.

The Company's strategy to overcome this competition includes enterprise business continuous improvement programs; provision of new technologies, services and solutions to customers; global sourcing programs, international customer expansion, particularity in emerging economies; and the diversification, streamlining and consolidation of operations.

Increased customer concentration and related credit, commercial and legal risk may adversely impact the Company's future earnings and cash flows.

The Harsco Metals & Minerals Segment and, to a lesser extent, the Harsco Rail Segment have several large customers throughout the world with significant accounts receivable balances. Consolidation in the global steel industry has occurred in recent years and additional consolidation is possible. Should additional transactions occur involving some of the steel industry's larger companies which are customers of the Company, it would result in an increase in concentration of credit risk for the Company. If a large customer were to experience financial difficulty, or file for bankruptcy protection, it could adversely impact the Company's income, cash flows and asset valuations. As part of its credit risk management practices, the Company has developed strategies to mitigate, although not eliminate, this increased concentration of credit risk.

In the Harsco Infrastructure Segment, concentrations of credit risk with respect to accounts receivable are generally limited due to the Company's large number of customers and their dispersion across different geographies. However, continued economic declines in particular regions of the world could result in higher customer defaults and could adversely impact the Company's income, cash flows and asset valuations. The Company has developed strategies to mitigate, but not eliminate, this risk.

The Company is currently party to multiple contracts in numerous countries with its largest customer, ArcelorMittal. These contracts cover a variety of services. From time to time, the Company may be negotiating the terms of current and potential future services to be rendered due to the scope and complexity of this relationship. Disagreements between the parties can arise as a result of the scope and nature of the relationship and these ongoing negotiations. Currently, the Company does not have any disputes with ArcelorMittal that would have a material adverse effect on our financial position, results of operations or cash flows, but the Company cannot predict that such disputes will not arise in the future.

The Company's businesses may be negatively affected by disputes with customers, including attempts by major customers to unilaterally change the terms and pricing of certain contracts to their sole advantage without adequate consideration to the Company.

The Company is subject to changes in legislative, regulatory and legal developments involving income taxes.

The Company is subject to U.S. federal, state and international income, payroll, property, sales and use, value-added, fuel, and other types of taxes in numerous jurisdictions. Significant judgment is required in determining the Company's worldwide provisions for income taxes. Changes in tax rates, enactments of new tax laws, revisions of tax regulations, and claims or litigation with taxing authorities could result in substantially higher taxes, and therefore, could have a significant adverse effect on the Company's results of operations, financial condition and liquidity. Currently, a majority of the Company's revenue is generated from customers located outside the United States, and a substantial portion of the Company's assets and employees are located outside the United States. U.S. income tax and foreign withholding taxes have not been provided on undistributed earnings for certain non-U.S. subsidiaries as such earnings are indefinitely reinvested in the operations of those subsidiaries.

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In 2011, the Executive Branch of the U.S. Government (the "Administration") expressed a desire to engineer U.S. tax law reform to provide incentives for U.S. companies that expand the U.S. economy through hiring additional workers, investing in renewable energy sources and, more generally, investing in research and development. The Administration has indicated that this reform could be paid for by U.S. corporations doing business outside of the United States. Since 2008, the Administration has expressed an aversion to long-established and widely accepted tax provisions that allow U.S. multi-national corporations to defer U.S. taxes in profits permanently reinvested outside the United States. Although the Administration has indicated that 2011 tax reform may be structured with more of the business community's concerns in mind, the Administration has provided no indication that intended reform will be any more favorable to U.S. multi-national corporations with earnings indefinitely reinvested abroad. Any tax reform that reduces the Company's ability to defer U.S. taxes on profit indefinitely reinvested outside the United States could have a negative impact on the Company's ability to compete in the global marketplace. Consequently, the Company is communicating with legislators with the goal of achieving a balanced and fair approach to tax reform that would benefit the Company and other U.S. job creators. This may include legislative trade-offs between existing tax benefits and a lower overall effective tax rate for U.S. companies. The Company continues to monitor legislation to be in position to fully understand the potential impact on our operations and plan accordingly.

The Company's defined benefit net periodic pension cost is directly affected by the equity and bond markets, and a downward trend in those markets could adversely impact the Company's future earnings.

In addition to the economic issues that directly affect the Company's businesses, changes in the performance of equity and bond markets, particularly in the United Kingdom and the United States, impact actuarial assumptions used in determining annual net periodic pension cost, pension liabilities and the valuation of the assets in the Company's defined benefit pension plans. Financial market deterioration would most likely have a negative impact on the Company's net periodic pension cost and the accounting for pension assets and liabilities. This could result in a decrease to Stockholders' Equity and an increase in the Company's statutory funding requirements.

The Company's earnings may be positively or negatively impacted by the amount of income or expense the Company records for defined benefit pension plans. The Company calculates income or expense for the plans using actuarial valuations that reflect assumptions relating to financial market and other economic conditions. The most significant assumptions used to estimate defined benefit pension income or expense for the upcoming year are the discount rate and the expected long-term rate of return on plan assets. If there are significant changes in key economic indicators, these assumptions may materially affect the Company's financial position, results of operations and cash flows. These key economic indicators would also likely affect the amount of cash the Company would contribute to the defined benefit pension plans. For a discussion regarding how the Company's financial statements can be affected by defined benefit pension plan accounting policies, see the Pension Benefits section of the Application of Critical Accounting Policies in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

In response to adverse market conditions during 2002 and 2003, the Company conducted a comprehensive global review of its defined benefit pension plans in order to formulate a strategy to make its long-term pension costs more predictable and affordable. In 2008 and 2009, as a response to worsening economic conditions, the Company implemented design changes for additional defined benefit plans, of which the principal change involved converting future pension benefits for many of the Company's non-union employees in the United Kingdom from a defined benefit plan to a defined contribution plan.

The Company's Pension Committee continues to evaluate alternative strategies to further reduce overall net periodic pension cost including: conversion of certain remaining defined benefit plans to defined contribution plans; the ongoing evaluation of investment fund managers' performance; the

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balancing of plan assets and liabilities; the risk assessment of all multi-employer pension plans; the possible merger of certain plans; the consideration of incremental voluntary cash contributions to certain plans; and other changes that are likely to reduce future net periodic pension cost volatility and minimize risk.

In addition to the Company's defined benefit pension plans, the Company also participates in numerous multi-employer pension plans throughout the world. Within the United States, the Pension Protection Act of 2006 may require additional funding for multi-employer plans that could cause the Company to be subject to higher cash contributions in the future. Additionally, market conditions and the number of participating employers remaining in each plan may affect the funded status of multi-employer plans and consequently any Company withdrawal liability, if applicable. The Company continues to monitor and assess any full and partial withdrawal liability implications associated with these plans.

Further tightening of credit, as well as downgrades in Harsco's credit ratings, could increase Harsco's cost of borrowing and could adversely affect Harsco's future earnings and ability to access the capital markets.

Continued tightening of the credit markets may adversely impact the Company's access to capital and the associated costs of borrowing; however, this is somewhat mitigated by the Company's strong financial position. The Company's cost of borrowing and ability to access the capital markets are affected not only by market conditions but also by the short- and long-term debt ratings assigned to Harsco's debt by the major credit rating agencies. These ratings are based, in part, on the Company's financial position and liquidity as measured by credit metrics such as interest coverage and leverage ratios. See Liquidity and Capital Resources under Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further discussion on credit ratings and outlook. An inability to access the capital markets could have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Restrictions imposed by the Company's credit facilities and outstanding notes may limit the Company's ability to obtain additional financing or to pursue business opportunities.

The Company's credit facilities contain a covenant stipulating a maximum debt to capital ratio of 60%. One credit facility also contains a covenant requiring a minimum net worth of $475 million, and another limits the proportion of subsidiary consolidated indebtedness to a maximum of 10% of consolidated tangible assets. These covenants limit the amount of debt the Company may incur, which could limit its ability to obtain additional financing or pursue business opportunities. In addition, the Company's ability to comply with these ratios may be affected by events beyond its control. A breach of any of these covenants or the inability to comply with the required financial ratios could result in a default under these credit facilities. In the event of any default under these credit facilities, the lenders under those facilities could elect to declare all borrowings outstanding, together with accrued and unpaid interest and other fees, to be due and payable, which would cause an event of default under the notes. This could, in turn, trigger an event of default under the cross-default provisions of the Company's other outstanding indebtedness. At December 31, 2010, the Company was in compliance with these covenants with a debt to capital ratio of 37.6% and total net worth of $1.5 billion.

Failure of financial institutions to fulfill their commitments under committed credit facilities and derivative financial instruments may adversely affect the Company's future earnings and cash flows.

The Company has committed revolving credit facilities with financial institutions available for its use, for which the Company pays commitment fees. One facility is provided by a syndicate of several financial institutions, with each institution agreeing severally (and not jointly) to make revolving credit loans to the Company in accordance with the terms of the related credit agreement. If one or more of the financial institutions providing these committed credit facilities were to default on its obligation to fund its commitment, the portion of the committed facility provided by such defaulting financial institution would not be available to the Company. The Company periodically evaluates the creditworthiness of financial institution counterparties and does not expect default by them. However, given the current global financial environment, such default remains possible.

The company uses cross-currency interest rate swaps in conjunction with certain debt issuances in order to secure a fixed local currency interest rate. The Company has foreign currency forward exchange contracts outstanding as part of a worldwide program to minimize foreign currency operating income and balance sheet exposure. Foreign currency forward exchange contracts are used to hedge commitments, such as foreign currency debt, firm purchase commitments and foreign currency cash flows for certain export sales transactions. The Company may also enter into derivative contracts to hedge commodity exposures. The unsecured contracts outstanding at December 31, 2010 mature at various times through 2020 and are with major financial institutions. The Company may be exposed to credit loss in the event of non-performance by the other parties to the contracts. The Company evaluates the creditworthiness of the counterparties and does not expect default by them. However, given the current global financial environment, such default remains possible.

The inability of a counterparty to fulfill its obligation under committed credit facilities or derivative financial instruments may have a material adverse effect on the Company's financial condition, results of operations or cash flows.

See Liquidity and Capital Resources under Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this report for more information.

The Company's cash flows and earnings are subject to changes in interest rates.

The Company's total debt at December 31, 2010 was $885.0 million. Of this amount, approximately 4.0% had variable rates of interest and 96.0% had fixed rates of interest. The weighted average interest rate of total debt was approximately 4.70%. At current debt levels, a one percentage point increase/decrease in variable interest rates would increase/decrease interest expense by approximately $0.4 million per year. If the Company is unable to successfully manage its exposure to variable interest rates, its results of operations may be negatively impacted.

A negative outcome on personal injury claims against the Company may adversely impact results of operations and financial condition.

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 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. If the Company is found to be liable in any of these actions and the liability exceeds the Company's insurance coverage, results of operations, cash flows and financial condition could be adversely affected. For more information concerning this litigation, see Note 10, Commitments and Contingencies, to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data."

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Higher than expected claims under insurance policies, under which the Company retains a portion of the risk, could adversely impact results of operations and cash flows.

The Company retains a significant portion of the risk for property, workers' compensation, U.K. employers' liability, automobile, general and product liability losses. Reserves have been recorded that 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. At December 31, 2010 and 2009, the Company had recorded liabilities of $88.0 million and $87.2 million, respectively, related to both asserted and unasserted insurance claims. Included in the balance at December 31, 2010 and 2009 were $4.3 million and $6.9 million, respectively, of recognized liabilities covered by insurance carriers. If actual claims are higher than those projected by management, an increase to the Company's insurance reserves may be required and would be recorded as a charge to income in the period the need for the change was determined. Conversely, if actual claims are lower than those projected by management, a decrease to the Company's insurance reserves may be required and would be recorded as a reduction to expense in the period the need for the change was determined. The Company periodically evaluates the creditworthiness of the insurance providers and does not expect default by them. However, given the current global financial environment, such default remains possible.

The Company is subject to various environmental laws, and the success of existing or future environmental claims against it could adversely impact the Company's results of operations and cash flows.

The Company's operations are subject to various federal, state, local and international laws, regulations and ordinances relating to the protection of health, safety and the environment, including those governing discharges to air and water, handling and disposal practices for solid and hazardous wastes, the remediation of contaminated sites and the maintenance of a safe workplace. These laws impose penalties, fines and other sanctions for non-compliance and liability for response costs, property damages and personal injury resulting from past and current spills, disposals or other releases of, or exposure to, hazardous materials. The Company could incur substantial costs as a result of non-compliance with or liability for remediation or other costs or damages under these laws. The Company may be subject to more stringent environmental laws in the future, and compliance with more stringent environmental requirements may require the Company to make material expenditures or subject it to liabilities that the Company currently does not anticipate.

The Company is currently 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 under the federal "Superfund" law. At several sites, the Company is currently conducting environmental remediation, and it is probable that the Company will agree to make payments toward funding certain other of these remediation activities. It also is possible that some of these matters will be decided unfavorably to the Company and that other sites requiring remediation will be identified. Each of these matters is subject to various uncertainties, and 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 has evaluated its potential liability and the Consolidated Balance Sheets at December 31, 2010 and 2009 include an accrual of $4.2 million and $3.1 million, respectively, for future expenditures related to environmental matters. The amounts charged against pre-tax earnings related to environmental matters totaled $2.6 million, $1.5 million and $1.5 million during 2010, 2009 and 2008, respectively. The liability for future remediation costs is evaluated on a quarterly basis. Actual costs to be incurred at identified sites in future periods may be greater than the estimates, given inherent uncertainties in evaluating environmental exposures.

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Increases in energy prices could increase the Company's operating costs and reduce its profitability.

Worldwide political and economic conditions, an imbalance in the supply and demand for oil, extreme weather conditions and armed hostilities in oil-producing regions, among other factors, may result in an increase in the volatility of energy costs, both on a macro basis and for the Company specifically. To the extent that increased energy costs cannot be passed on to customers in the future, the financial condition, results of operations and cash flows of the Company may be adversely affected. To the extent that reduced energy costs are not passed on to customers in the future, this may have a favorable impact on the financial condition, results of operations and cash flows of the Company. The Company has established a Risk Management Committee to manage the risk of increased energy prices that affect the Company's operations.

Increases or decreases in purchase prices (or selling prices) or availability of steel or other materials and commodities may affect the Company's profitability.

The profitability of the Company's manufactured products is affected by changing purchase prices of steel and other materials and commodities. If raw material costs associated with the Company's manufactured products increase and the costs cannot be transferred to the Company's customers, operating income would be adversely affected. Additionally, decreased availability of steel or other materials could affect the Company's ability to produce manufactured products in a timely manner. If the Company cannot obtain the necessary raw materials for its manufactured products, then revenues, operating income and cash flows will be adversely affected.

Certain services performed by the Harsco Minerals businesses result in the recovery, processing and sale of specialty steel and other high-value metal by-products to its customers. The selling price of the by-products material is market-based and varies based upon the current fair value of its components. Therefore, the revenue amounts generated from the sale of such by-products material vary based upon the fair value of the commodity components being sold.

The Company may not be able to manage and integrate acquisitions successfully.

In the past, the Company has acquired businesses and on an ongoing basis, continues to evaluate strategic acquisition opportunities that have the potential to support and strengthen the business. The Company can give no assurances, however, that any acquisition opportunities will arise or, if they do, that they will be consummated, or that additional financing or capital, if needed, will be available on satisfactory terms. In addition, acquisitions involve inherent risks that the businesses acquired will not perform in accordance with the Company's expectations. The Company may not be able to achieve the synergies and other benefits that are expected from the integration of acquisitions as successfully or rapidly as projected, if at all. The Company's failure to effectively integrate newly acquired operations could prevent the Company from recognizing expected rates of return on an acquired business and could have a material and adverse effect on the results of operations, financial condition and cash flows.

The company could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws.

The U.S. Foreign Corrupt Practices Act and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. The Company's policies mandate compliance with these anti-bribery laws. The Company operates in many parts of the world that have experienced governmental corruption to some degree and, in certain circumstances; strict compliance with anti-bribery laws may conflict with local customs and practices. The Company trains its employees concerning anti-bribery laws and issues, and also informs its partners, subcontractors, agents and others

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who work with the Company or on its behalf that they must comply with anti-bribery law requirements. The Company also has procedures and controls in place to monitor internal and external compliance. The Company cannot provide assurance that its internal controls and procedures will always protect the Company from the reckless or criminal acts committed by its employees or agents. If the Company is found to be liable for anti-bribery law violations (either due to its own acts or out of inadvertence, or due to the acts or inadvertence of others), the Company could suffer from criminal or civil penalties or other sanctions which could have a material and adverse effect on results of operations, financial condition, and cash flows.

Actual results could differ from the estimates and assumptions used to prepare the Company's financial statements.

In preparing the financial statements, the Company is required under generally accepted accounting principles in the United States to make estimates and assumptions at the date of the financial statements. These estimates and assumptions affect the reported values of assets, liabilities, revenues and expenses, and certain disclosures. Areas requiring significant estimates by management include:

- Defined benefit pension benefits
- Notes and accounts receivable
- Goodwill impairment
- Long-lived asset impairment
- Inventory valuation and obsolescence
- Insurance reserves
- Legal and other contingencies
- Income taxes

Actual business and financial results could differ from estimates of such results, which could have a material and adverse effect on results of operations, financial condition, and cash flows.

The Company maintains a workforce based upon current and anticipated workload. If the Company does not receive future contract awards or if these awards are delayed, significant cost may result.

The Company's estimates of future performance depend on, among other matters, whether and when the Company will receive certain new contract awards, including the extent to which the Company utilizes its workforce. The rate at which the Company utilizes its workforce is impacted by a variety of factors including the ability to manage attrition; to forecast the need for services which allows it to maintain an appropriately sized workforce; the ability to transition employees from completed projects to new projects or between segments; and the need to devote resources to non-revenue generating activities such as training or business development. While the Company's estimates are based upon its good faith judgment, these estimates can be unreliable and may frequently change based on newly available information. In the case of large-scale domestic and international projects where timing is often uncertain, it is particularly difficult to predict whether and when the Company will receive a contract award. The uncertainty of contact award timing can present difficulties in matching the Company's workforce size with contract needs. If an expected contract award is delayed or not received, the Company could incur cost resulting from reductions in staff or redundancy of facilities or equipment that could have a material and adverse effect on results of operations, financial condition, and cash flows.

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The success of the Company's joint ventures depends on the satisfactory performance by joint venture partners of their joint venture obligations.

The Company enters into various joint ventures as part of its strategic growth initiatives as well as to comply with local laws. Differences in opinions or views between joint venture partners can result in delayed decision-making or failure to agree on material issues which could adversely affect the business and operations of the venture. From time to time in order to establish or preserve a relationship, or to better ensure venture success, the Company may accept risks or responsibilities for the joint venture which are not necessarily proportionate with the reward it expects to receive. The success of these and other joint ventures also depends, in large part, on the satisfactory performance by the Company's joint venture partners of their joint venture obligations, including their obligation to commit working capital, equity or credit support as required by the joint venture and to support their indemnification and other contractual obligations. If the Company's joint venture partners fail to satisfactorily perform their joint venture obligations as a result of financial or other difficulties, the joint venture may be unable to adequately perform or deliver its contracted services. Under these circumstances, the Company may be required to make additional investments and provide additional services to ensure the adequate performance and delivery of the contracted services. These additional obligations could result in reduced profits or, in some cases, increased liabilities or significant losses for the Company with respect to the joint venture. In addition, a failure by a joint venture partner to comply with applicable laws, rules or regulations could negatively impact its business and, in the case of government contracts, could result in fines, penalties, suspension or even debarment. Unexpected joint venture developments could have a material and adverse effect on results of operations, financial condition, and cash flows.

Item 1B. Unresolved Staff Comments.

None.

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Item 2. Properties.

Operations of Harsco and its subsidiaries are conducted at both owned and leased properties in domestic and foreign locations. The Company's executive offices are located at 350 Poplar Church Road, Camp Hill, Pennsylvania 17011 and are owned. The following table describes the location and principal use of the Company's more significant properties.

Location	Principal Products	Interest
Harsco Infrastructure Segment		
Abu Dhabi, United Arab Emirates	Infrastructure Services, Rentals and Sales	Leased
Arkel, The Netherlands	Infrastructure Services, Rentals and Sales	Owned
Darmstadt, Germany	Infrastructure Services, Rentals and Sales	Leased
Dosthill, United Kingdom	Infrastructure Services, Rentals and Sales	Owned
Dubai, United Arab Emirates	Infrastructure Services, Rentals and Sales	Leased
Las Vegas, Nevada, United States	Infrastructure Services, Rentals and Sales	Leased
Lubna, Poland	Infrastructure Services, Rentals and Sales	Owned
Manchester, United Kingdom	Infrastructure Services, Rentals and Sales	Leased
Marion, Ohio, United States	Infrastructure Services, Rentals and Sales	Owned
Melbourne, Australia	Infrastructure Services, Rentals and Sales	Leased
Mitry-Mory, France	Infrastructure Services, Rentals and Sales	Leased
Ratingen, Germany	Infrastructure Services, Rentals and Sales	Leased
Trevoux, France	Infrastructure Services, Rentals and Sales	Owned
Harsco Metals & Minerals Segment		
Sarver, Pennsylvania, United States	Minerals and Recycling Technologies	Owned
Sorel Tracy, Canada	Minerals and Recycling Technologies	Leased
Timoteo, Brazil	Minerals and Recycling Technologies	Leased
Drakesboro, Kentucky, United States	Roofing Granules/Abrasives	Owned
Fairless Hills, Pennsylvania, United States	Roofing Granules/Abrasives	Leased
Gary, Indiana, United States	Roofing Granules/Abrasives	Owned
Harsco Rail Segment		
Brendale, Australia	Rail Maintenance Equipment	Owned
Fairmont, Minnesota, United States	Rail Maintenance Equipment	Owned
Ludington, Michigan, United States	Rail Maintenance Equipment	Owned
West Columbia, South Carolina, United States	Rail Maintenance Equipment	Owned
Harsco Industrial Segment		
Catoosa, Oklahoma, United States	Heat Exchangers	Owned and Leased
Sapulpa, Oklahoma, United States	Heat Exchangers	Leased
East Stroudsburg, Pennsylvania, United States	Heat Transfer Products	Owned
Channelview, Texas, United States	Industrial Grating Products	Owned
Garrett, Indiana, United States	Industrial Grating Products	Leased
Leeds, Alabama, United States	Industrial Grating Products	Owned
Queretaro, Mexico	Industrial Grating Products	Owned
Tulsa, Oklahoma, United States	Industrial Grating Products	Leased

The Harsco Metals business, which is part of the Harsco Metals & Minerals Segment, principally operates on customer-owned sites and has administrative offices in Camp Hill, Pennsylvania, and Leatherhead, United Kingdom.

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The above listing includes the principal properties owned or leased by the Company. The Company also operates from a number of other smaller plants, branches, depots, warehouses and offices in addition to the above. The Company considers all of its properties at which operations are currently performed to be in satisfactory condition and suitable for their intended use.

Item 3. Legal Proceedings.

Information regarding legal proceedings is included in Note 10, Commitments and Contingencies, to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data."

Item 4. (Removed and Reserved)

Supplementary Item. Executive Officers of the Registrant (Pursuant to Instruction 3 to Item 401(b) of Regulation S-K).

Set forth below, at February 24, 2011, are the executive officers (this excludes five corporate officers who are not deemed "executive officers" within the meaning of applicable Securities and Exchange Commission regulations) of the Company and certain information with respect to each of them. M. E. Kimmel and R. M. Wagner were elected to their respective positions effective April 27, 2010. S.D. Fazzolari, S. J. Schnoor, G. J. Claro, S. W. Jacoby and S. H. Gerson were elected to their respective positions effective July 6, 2010. I. J. Harrington was elected to his position effective July 13, 2010. All terms expire on April 26, 2011. There are no family relationships among any of the executive officers.

Name	Age	Principal Occupation or Employment
Executive Officers:		
S. D. Fazzolari	58	Chairman, Chief Executive Officer and President of the Company since July 6, 2010. Chairman and Chief Executive Officer of the Company since April 22, 2008. Chief Executive Officer of the Company since January 1, 2008. Served as President and Chief Financial Officer of the Company from October 10, 2007 to December 31, 2007. Served as President, Chief Financial Officer and Treasurer of the Company from January 24, 2006 to October 9, 2007 and as a Director since January 2002. Served as Senior Vice President, Chief Financial Officer and Treasurer from August 1999 until January 2006 and as Senior Vice President and Chief Financial Officer from January 1998 to August 1999. Served as Vice President and Controller from January 1994 to December 1997 and as Controller from January 1993 to January 1994. Mr. Fazzolari began his Harsco career in 1980.
M. E. Kimmel	51	Senior Vice President, Chief Administrative Officer, General Counsel and Corporate Secretary since January 1, 2008. Served as General Counsel and Corporate Secretary from January 1, 2004 to December 31, 2007. Served as Corporate Secretary and Assistant General Counsel from May 1, 2003 to December 31, 2003. Held various legal positions within the Company since he joined Harsco in August 2001. Prior to joining the Company, he was Vice President, Administration and General Counsel, New World Pasta Company from January 1999 to July 2001. Before joining New World Pasta, Mr. Kimmel spent approximately 12 years in various legal positions with Hershey Foods Corporation.

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Name	Age	Principal Occupation or Employment
S. J. Schnoor	57	Senior Vice President, Chief Financial Officer and Treasurer since July 6, 2010. Senior Vice President and Chief Financial Officer since January 1, 2008. Served as Vice President and Controller of the Company from May 15, 1998 to December 31, 2007. Served as Vice President and Controller of the Patent Construction Systems Division from February 1996 to May 1998 and as Controller of the Patent Construction Systems Division from January 1993 to February 1996. Previously served in various auditing positions for the Company from 1988 to 1993. Prior to joining Harsco, he served in various auditing positions for Coopers & Lybrand from September 1985 to April 1988. Mr. Schnoor is a Certified Public Accountant.
I. J. Harrington	45	Executive Vice President and Group CEO Harsco Infrastructure since July 13, 2010. Prior to joining Harsco in July 2010, he served in the senior management of Fluor Corporation, with business line leadership and strategic planning responsibilities in Fluor's energy and chemicals, manufacturing & life sciences, operations maintenance and global services groups. He has also held senior project management and field engineering responsibilities in the construction of major new manufacturing and petrochemical facilities in Europe, Africa and the Middle East.
G. J. Claro	51	Executive Vice President and Group CEO Harsco Metals and Harsco Minerals since July 6, 2010. Served as Group CEO, Harsco Metals and Harsco Minerals Groups from September 1, 2009 to July 6, 2010. Served as Group CEO Harsco Metals from June 1, 2009 to September 1, 2009. Prior to joining Harsco in 2009, Mr. Claro served as the CEO of Aleris Americas and has nearly 30 years of executive leadership experience in the worldwide metals industry, including 20 years as an international operations executive within Alcoa Inc.
S. W. Jacoby	44	Vice President and Group President Harsco Rail since July 6, 2010. Served as President of Harsco Rail from April 2010 to July 2010. Served as Vice President and General Manager of Harsco Track Technologies from August 2007 to April 2010. Served as Vice President and General Manager of Air- X-Changers from April 2005 to August 2007. Mr. Jacoby has held other senior management positions in the Harsco Industrial business group since joining the Company on April 3, 1995. Prior to joining Harsco in 1995, Mr. Jacoby began his career with Mack Trucks.
S. H. Gerson	40	Vice President and Group President Harsco Industrial since January 25, 2011. Served as Vice President and Group President- Harsco Industrial and Chief Information Officer from July 6, 2010 to January 25, 2011. Served as Chief Information Officer from April 4, 2005 to July 6, 2010. Prior to joining Harsco on April 4, 2005, Mr. Gerson was with Kulicke & Soffa Industries, Inc., where he served as IT director of their worldwide application services. He has also served in IT management capacities with Compaq Computers and TRW Inc.
R. M. Wagner	43	Vice President and Controller since January 1, 2008. Mr. Wagner joined the Company in 2007 as Assistant Controller. Prior to joining the Company, he held management responsibilities for financial reporting at Bayer Corporation. He previously held a number of financial management positions both in the United States and internationally with Kennametal Inc., and also served as an audit manager with Deloitte & Touche. Mr. Wagner is a Certified Public Accountant.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Harsco Corporation common stock is listed on the New York Stock Exchange. At the end of 2010, there were 80,514,059 shares outstanding. In 2010, the Company's common stock traded in a range of $19.89 to $35.31 and closed at $28.32 at year-end. At December 31, 2010, there were approximately 18,260 stockholders. There are no significant limitations on the payment of dividends included in the Company's loan agreements. For additional information regarding Harsco common stock market price and dividends declared, see Dividend Action under Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the Common Stock Price and Dividend Information under Part II, Item 8, "Financial Statements and Supplementary Data." For additional information on the Company's equity compensation plans see Part III, Item 11, "Executive Compensation."

(c)

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1, 2010 October 31, 2010				2,000,000
November 1, 2010 November 30, 2010				2,000,000
December 1, 2010 December 31, 2010				2,000,000
Total				

The Company's share repurchase program was extended by the Board of Directors in November 2010. The repurchase program expires January 31, 2012. At December 31, 2010, there are 2,000,000 authorized shares remaining in the program. When and if appropriate, repurchases are made in open market transactions, depending on market conditions. Repurchases may not be made and may be discontinued at any time.

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Item 6. Selected Financial Data.

Five-Year Statistical Summary

(In thousands, except per share, employee information and percentages)	2010	2009(a)	2008	2007(b)	2006
Income Statement Information attributable to Harsco Corporation common stockholders(c)					
Revenues from continuing operations	**$ 3,038,678**	$ 2,990,577	$ 3,967,822	$ 3,688,160	$ 3,025,613
Income from continuing operations	**10,885**	133,838	245,623	255,115	186,402
Income (loss) from discontinued operations	**(4,131)**	(15,061)	(4,678)	44,377	9,996
Net income attributable to Harsco Corporation	**6,754**	118,777	240,945	299,492	196,398
Financial Position and Cash Flow Information					
Working capital	**$ 387,082**	$ 418,237	$ 317,062	$ 471,367	$ 320,847
Total assets	**3,469,220**	3,639,240	3,562,970	3,905,430	3,326,423
Long-term debt	**849,724**	901,734	891,817	1,012,087	864,817
Total debt	**884,932**	984,927	1,012,883	1,080,794	1,063,021
Depreciation and amortization (including discontinued operations)	**315,239**	311,531	337,949	306,413	252,982
Capital expenditures	**192,348**	165,320	457,617	443,583	340,173
Cash provided by operating activities	**401,427**	434,458	574,276	471,740	409,239
Cash used by investing activities	**(202,023)**	(269,360)	(443,418)	(386,125)	(359,455)
Cash used by financing activities	**(171,521)**	(164,083)	(155,539)	(77,687)	(84,196)
Ratios					
Return on sales(d)	**0.4%**	4.5%	6.2%	6.9%	6.2%
Return on average equity(e)(f)	**0.7%**	9.1%	14.6%	18.9%	16.4%
Current ratio	**1.5:1**	1.6:1	1.4:1	1.5:1	1.4:1
Total debt to total capital(f)(g)	**37.6%**	39.5%	41.1%	40.3%	47.4%
Per Share Information attributable to Harsco Corporation common stockholders(h)					
Basic Income from continuing operations	**$ 0.14**	$ 1.67	$ 2.94	$ 3.03	$ 2.22
Income (loss) from discontinued operations	**(0.05)**	(0.19)	(0.06)	0.53	0.12
Net income	**$ 0.08(i)**	$ 1.48	$ 2.88	$ 3.56	$ 2.34
Diluted Income from continuing operations	**$ 0.13**	$ 1.66	$ 2.92	$ 3.01	$ 2.21
Income (loss) from discontinued operations	**(0.05)**	(0.19)	(0.06)	0.52	0.12
Net income	**$ 0.08**	$ 1.47	$ 2.87(i)	$ 3.53	$ 2.33
Book value(f)	**$ 18.23**	$ 18.79	$ 18.09	$ 18.99	$ 14.01
Cash dividends declared per share	**0.82**	0.805	0.78	0.7275	0.665
Other Information					
Diluted average number of shares outstanding(h)	**80,761**	80,586	84,029	84,724	84,430
Number of employees	**19,300**	19,600	21,500	21,500	21,500
Backlog from continuing operations(j)	**$ 415,766**	$ 490,863	$ 639,693	$ 448,054	$ 236,460

(a) Includes ESCO Interamerica, Ltd. acquired November 10, 2009 (Harsco Infrastructure Segment).

(b) Includes Excell Minerals acquired February 1, 2007 (Harsco Metals & Minerals Segment).

(c) 2006 income statement information is reclassified to reflect the Gas Technologies Segment as Discontinued Operations. This Segment was disposed on December 7, 2007.

(d) Return on sales is calculated by dividing income from continuing operations by revenues from continuing operations.

(e) Return on average equity is calculated by dividing income from continuing operations by average equity throughout the year.

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(f) 2006 through 2008 have been restated in order to include noncontrolling interests, previously referred to as minority interests, as a component of equity in accordance with the changes to consolidation accounting and reporting issued by the Financial Accounting Standards Board January 1, 2009.

(g) "Total debt to total capital" is calculated by dividing total debt (short-term borrowings and long-term debt including current maturities) by the sum of equity and total debt.

(h) 2006 per share information is restated to reflect the 2-for-1 stock split effective in the first quarter of 2007.

(i) Does not total due to rounding.

(j) Excludes the estimated amount of long-term mill service contracts, which had estimated future revenues of $3.5 billion, $3.6 billion and $4.1 billion at December 31, 2010, 2009 and 2008, respectively. Also excludes backlog of the Harsco Infrastructure Segment and the roofing granules and industrial abrasives business within the Harsco Metals & Minerals Segment. These amounts are generally not quantifiable due to the nature and timing of the products and services provided.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with the Consolidated Financial Statements provided under Part II, Item 8 of this Annual Report on Form 10-K. Certain statements contained herein may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially, as discussed more fully herein.

Forward-Looking Statements

The nature of the Company's business and the many countries in which it operates subject it to changing economic, competitive, regulatory and technological conditions, risks and uncertainties. In accordance with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company provides the following cautionary remarks regarding important factors that, among others, could cause future results to differ materially from the forward-looking statements, expectations and assumptions expressed or implied herein. Forward-looking statements contained herein could include, among other things, statements about the Company's management confidence and strategies for performance; expectations for new and existing products, technologies and opportunities; and expectations regarding growth, sales, cash flows, earnings and Economic Value Added ("EVA®"). These statements can be identified by the use of such terms as "may," "could," "expect," "anticipate," "intend," "believe" or other comparable terms.

Factors that could cause results to differ include, but are not limited to: (1) changes in the worldwide business environment in which the Company operates, including general economic conditions; (2) changes in currency exchange rates, interest rates, commodity and fuel costs and capital costs; (3) changes in the performance of stock and bond markets that could affect, among other things, the valuation of the assets in the Company's pension plans and the accounting for pension assets, liabilities and expenses; (4) changes in governmental laws and regulations, including environmental, tax and import tariff standards; (5) market and competitive changes, including pricing pressures, market demand and acceptance for new products, services and technologies; (6) unforeseen business disruptions in one or more of the many countries in which the Company operates due to political instability, civil disobedience, armed hostilities, public health issues or other calamities; (7) the seasonal nature of the business; (8) the Company's ability to successfully enter into new contracts and complete new acquisitions or joint ventures in the timeframe contemplated or at all; (9) the integration of the Company's strategic acquisitions; (10) the amount and timing of repurchases of the Company's common stock, if any; (11) the recent global financial and credit crisis and economic conditions generally, which could result in the Company's customers curtailing development projects, construction, production and capital expenditures, which, in turn, could reduce the demand for the Company's products and services and, accordingly, the Company's sales, margins and profitability; (12) the outcome of any disputes with customers; (13) the financial condition of the Company's customers, including the ability of customers

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(especially those that may be highly leveraged and those with inadequate liquidity) to maintain their credit availability; (14) the Company's ability to successfully implement and receive the expected benefits of cost-reduction and restructuring initiatives; and (15) other risk factors listed from time to time in the Company's SEC reports. A further discussion of these, along with other potential factors, can be found in Part I, Item 1A, "Risk Factors," of this Annual Report on Form 10-K. The Company cautions that these factors may not be exhaustive and that many of these factors are beyond the Company's ability to control or predict. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results. The Company undertakes no duty to update forward-looking statements except as may be required by law.

Executive Overview

The Harsco Minerals businesses, which were previously a component of an "All Other" Category, are now reported with the Harsco Metals Segment to form the Harsco Metals & Minerals Segment. This reflects the increasing operating synergies of these businesses within the Company's global markets as well as the combined management of these businesses. The remaining businesses of the "All Other" Category are now being reported as the Harsco Industrial operating segment, which also reflects the combined management of these businesses. The "All Other" Category is no longer utilized. Segment information for prior periods has been reclassified to conform with the current presentation.

The Company's revenues from continuing operations totaled $3.0 billion for both 2010 and 2009. The Company generated higher revenues for 2010 in the Harsco Metals & Minerals Segment due to an increase in global steel production and commodity pricing and in the Harsco Rail Segment due to higher levels of shipments under existing contracts. This was offset by weaker demand within the Harsco Infrastructure Segment due to distressed market conditions in global non-residential construction and decreased volume within the Harsco Industrial Segment. Foreign currency translation decreased revenues by $8.8 million for 2010 in comparison with last year. Incremental revenues for the Harsco Infrastructure Segment included $75.5 million from acquisitions in the Asia-Pacific, Latin America and Middle East regions for 2010 compared with last year.

Revenues by Segment (Dollars in millions)	2010	2009	Change	Percentage Change from 2009 to 2010 Price/ Volume	Currency	Total
Harsco Infrastructure	**$ 1,031.8**	$ 1,159.2	$ (127.4)	(9.0)%	(2.0)%	(11.0)%
Harsco Metals & Minerals	**1,461.5**	1,257.1	204.4	15.3	1.0	16.3
Harsco Rail	**313.3**	306.0	7.3	2.0	0.4	2.4
Harsco Industrial	**231.9**	268.1	(36.2)	(13.9)	0.4	(13.5)
Corporate	**0.2**	0.2				
Total Revenues	**$ 3,038.7**	$ 2,990.6	$ 48.1	1.9%	(0.3)%	1.6%

The following factors contributed positively to the Company's results for 2010:

- Increased global steel production by the customers served by the Company;
- Continued strong performance of Harsco Rail Segment resulting from higher levels of shipments and leaner operations;
- Increased metals pricing benefitting the reclamation and recycling business of the Harsco Metals & Minerals Segment;
- Further implementation of internal countermeasures to improve efficiency and eliminate unnecessary costs; and
- The Company's global continuous improvement initiatives.

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These positive factors were offset by the following major challenges, emanating from the global recession which began in 2008 and continued to negatively impact the Harsco Infrastructure Segment during 2010:

A lack of meaningful commercial and multi-family construction activity in the United States and across Europe due principally to depressed demand;

Reduced demand in the Gulf Region of the Middle East due principally to the Dubai sovereign debt crisis;

Pricing pressures as global customers continued to seek lower cost solutions and increased competition for remaining projects; and

Postponements, deferrals and cancellation of jobs and projects.

The Company continues to execute on its geographic expansion strategy, as revenues from targeted growth markets were approximately 25% of total revenues for 2010, compared with 22% for 2009.

Revenues by Region (Dollars in millions)	**2010**	**2009**	**Change**	**Percentage Change from 2009 to 2010 Price/ Volume**	**Currency**	**Total**
Western Europe	**$ 1,189.5**	$ 1,268.5	$ (79.0)	(2.5)%	(3.7)%	(6.2)%
North America	**1,080.2**	1,062.6	17.6	1.2	0.5	1.7
Latin America(a)	**292.2**	197.0	95.2	39.7	8.6	48.3
Middle East and Africa	**201.1**	228.7	(27.6)	(14.7)	2.6	(12.1)
Asia-Pacific	**160.7**	113.8	46.9	29.8	11.4	41.2
Eastern Europe	**115.0**	120.0	(5.0)	(2.1)	(2.1)	(4.2)
Total Revenues	**$ 3,038.7**	$ 2,990.6	$ 48.1	1.9%	(0.3)%	1.6%

(a) Includes Mexico.

Operating income from continuing operations for 2010 was $78.4 million, compared with $218.7 million for 2009. The decrease in operating income was driven by a depressed non-residential construction market, pricing pressures and restructuring initiative charges for 2010 in the Harsco Infrastructure Segment. This was partially offset by increased steel production at customer sites in the Harsco Metals & Minerals Segment and increased shipments in the Harsco Rail Segment, coupled with benefits from restructuring initiatives and countermeasures implemented over the past two years throughout the Company. Diluted earnings per share from continuing operations for 2010 were $0.13 compared with $1.66 for 2009.

The results in 2010 include a net charge of $84.4 million, or $0.77 per share in the Harsco Infrastructure Segment relating to a restructuring initiative implemented in the fourth quarter of 2010. This initiative is part of an ongoing strategy to improve organizational efficiency and enhance profitability and shareholder value by optimizing this Segment as a more streamlined, efficient, cost-effective, disciplined and market-focused global platform. See Note 17, Restructuring Programs to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data." Resulting cost savings are expected to approximate $43 million in 2011 and be over $60 million when fully annualized in 2012. The non-cash portion of the restructuring charge totaled $43.2 million.

The Company continues to have significant available liquidity and remains well-positioned from a financial flexibility perspective. Net cash generated from operating activities was $401.4 million in 2010, compared with $434.5 million in 2009. Capital expenditures in 2010 were modestly higher than in 2009 principally due to capital required for new contract signings in the Harsco Metals & Minerals Segment. In September 2010, the Company completed a $250 million bond offering that bears interest at 2.7% and matures in October 2015. The net proceeds of this issuance were used to repay, in part,

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200 million British pound sterling-denominated notes that matured October 27, 2010. The Company's debt to capital ratio at December 31, 2010 was 37.6% (the lowest ratio in the last twelve years) compared with 39.5% at December 31, 2009. See Liquidity and Capital Resources under Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further discussion on cash flows.

Segment Financial Highlights

Revenues (Dollars in millions)	2010		2009		Change Amount	Change Percent
Harsco Infrastructure	**$ 1,031.8**	**34.0%**	$ 1,159.2	38.8%	$ (127.4)	(11.0)%
Harsco Metals & Minerals	**1,461.5**	**48.1**	1,257.1	42.0	204.4	16.3
Harsco Rail	**313.3**	**10.3**	306.0	10.2	7.3	2.4
Harsco Industrial	**231.9**	**7.6**	268.1	9.0	(36.2)	(13.5)
Corporate	**0.2**		0.2			
Total Revenues	**$ 3,038.7**	**100.0%**	$ 2,990.6	100.0%	$ 48.1	1.6%

Operating Income (Loss) (Dollars in millions)	2010		2009		Change Amount	Change Percent
Harsco Infrastructure	**$ (145.3)**	**(185.3)%**	$ 68.4	31.3%	$ (213.7)	(312.4)%
Harsco Metals & Minerals	**117.9**	**150.3**	43.3	19.8	74.6	172.3
Harsco Rail	**66.1**	**84.3**	56.5	25.9	9.6	17.0
Harsco Industrial	**42.9**	**54.7**	55.1	25.2	(12.2)	(22.2)
Corporate	**(3.1)**	**(4.0)**	(4.7)	(2.2)	1.6	33.5
Total Operating Income	**$ 78.4(a)**	**100.0%**	$ 218.7(a)	100.0%	$ (140.2)(a)	(64.1)%

(a) Does not total due to rounding.

Operating Margins	2010	2009
Harsco Infrastructure	**(14.1)%**	5.9%
Harsco Metals & Minerals	**8.1**	3.4
Harsco Rail	**21.1**	18.5
Harsco Industrial	**18.5**	20.6
Consolidated Operating Margin	**2.6%**	7.3%

Harsco Infrastructure Segment:

The Harsco Infrastructure Segment generated lower revenue and an operating loss in 2010 compared with 2009, due principally to lower end-market demand driven by greatly reduced commercial and multi-family construction activity in the United States, across Europe, and the Gulf Region of the Middle East, coupled with significant pricing pressures. In addition, the lack of available credit for certain customers has resulted in delayed or cancelled non-residential construction projects. Although acquisitions in the Asia-Pacific, Latin America and Middle East regions increased revenues compared with 2009, they reduced operating income due to adverse market conditions. Foreign

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currency translation reduced revenues and operating income compared with 2009 due to the weaker euro and British pound sterling, partially offset by the stronger Australian dollar and Canadian dollar.

Significant Effects on Revenues
(In millions)

Revenues 2009	$	1,159.2
Net decreased price and volume		(179.5)
Impact of foreign currency translation		(23.4)
Acquisitions		75.5
Revenues 2010	$	1,031.8

Significant Effects on Operating Income:

During 2010, the Segment's operating results decreased due to reduced, deferred or cancelled non-residential, commercial and infrastructure construction spending, exacerbated by ongoing pricing pressures in all major markets globally and lower equipment utilization rates.

In response to further deterioration of global infrastructure markets during 2010, this Segment incurred $95.7 million in restructuring costs in 2010 relating to restructuring initiatives, including $84.4 million of restructuring initiatives implemented in the fourth quarter of 2010 as part of an ongoing strategy to improve organizational efficiency and enhance profitability and shareholder value by optimizing this Segment as a more streamlined, efficient, cost-effective, disciplined and market-focused global platform. See Note 17, Restructuring Programs in Part II, Item 8, "Consolidated Financial Statements and Supplementary Data" for additional information regarding these restructuring initiatives.

These were offset by a combination of property sale gains of $3.3 million for 2010 and favorable contingent consideration adjustments of $10.6 million during 2010. See Note 2, Acquisitions and Dispositions in Part II, Item 8, "Consolidated Financial Statements and Supplementary Data" for additional information regarding the contingent consideration adjustments.

The net impact of acquisitions, excluding contingent consideration adjustments, reduced operating income by $3.3 million compared with 2009 due to adverse market conditions.

Foreign currency translation in 2010 decreased operating income for this Segment by $0.9 million compared with 2009.

Harsco Metals & Minerals Segment:

The Harsco Metals & Minerals Segment generated higher revenues, operating income and margins in 2010 compared with 2009 due principally to the increased global steel production of its customers and higher commodity pricing. Foreign currency translation increased revenues and operating income compared with 2009 due to the strengthening Brazilian real, Australian dollar and South Africa rand, partially offset by the weakening euro and British pound sterling.

Significant Effects on Revenues
(In millions)

Revenues 2009	$	1,257.1
Net increased price and volume due to increased steel production		149.9
Higher commodity pricing and volume in the reclamation and recycling business		33.3
Impact of foreign currency translation		12.4
Impact of 2009 out-of-period adjustment		10.3

Other		(1.5)
Revenues 2010	$	1,461.5

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Significant Effects on Operating Income:

Customers' production in 2010 increased approximately 20% compared with 2009.

Commodity pricing within the minerals and recycling technologies business increased approximately 41% compared with 2009.

During 2010, this Segment's operating income benefited from cost reduction initiatives; from sustained benefits from previously implemented restructuring actions; and from additional countermeasures implemented throughout 2009 and 2010 which have targeted expense reduction, revenue enhancement and asset optimization.

Foreign currency translation in 2010 increased operating income for this Segment by $2.7 million compared with 2009.

Operating income in 2009 included a decrease resulting from a one-time accounting adjustment of $9 million in the third quarter.

Harsco Rail Segment:

The Harsco Rail Segment generated record revenues, operating income and margins in 2010 due principally to shipments of equipment to China and other parts of the world, coupled with cost reduction benefits as a result of continuous improvement initiatives.

Significant Effects on Revenues (In millions)	
Revenues 2009	$ 306.0
Net increased volume	6.2
Impact of foreign currency translation	1.1
Revenues 2010	$ 313.3

Significant Effects on Operating Income:

This Segment's operating income for 2010 increased over 2009 due to shipments of equipment under existing contracts in China and other parts of the world, partially offset by lower spare parts sales.

During 2010, this Segment's operating income and margins also benefited from ongoing implementation of continuous improvement initiatives.

Foreign currency translation in 2010 did not have a significant effect on operating income compared with 2009.

Harsco Industrial Segment:

The Harsco Industrial Segment generated lower revenues and lower operating income resulting in a slight decrease in operating margin compared with 2009. The decline in revenues for 2010 was

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primarily due to reduced market demand for air-cooled heat exchangers and industrial grating; and the sale of the processing equipment line of business.

Significant Effects on Revenues
(In millions)

Revenues 2009	$ 268.1
Net decreased price and volume	(31.7)
Sale of processing equipment line of business	(5.6)
Impact of foreign currency translation	1.1
Revenues 2010	$ 231.9

Significant Effects on Operating Income:

The air-cooled heat exchangers business experienced an overall decrease during 2010 compared with 2009 due to reduced customer demand; however there was modest incremental improvement in demand throughout 2010 due to increased demand for natural gas resulting in increased customer volume.

Operating income in the industrial grating products business decreased in 2010 due to lower demand stemming from the weak economy as compared with 2009.

Operating income decreased due to higher cost of sales due to last-in, first-out ("LIFO") expense in 2010 compared with 2009.

Countermeasures targeting expense reduction, revenue enhancement and asset optimization continue to be implemented in this Segment, partially offsetting lower end-market demand in 2010.

Foreign currency translation in 2010 did not have a significant effect on operating income compared with 2009.

Outlook, Trends and Strategies

Despite a certain level of uncertainty and ongoing global economic turbulence, the Company believes it is well-positioned to capitalize on opportunities in the near to long-term based on its strong balance sheet, available liquidity and ability to generate strong operating cash flows, as well as its demonstrated ability to execute appropriate countermeasures. Countermeasures such as ongoing cost-reduction initiatives; the Company's globally integrated enterprise initiative ("OneHarsco"); and the Company's continuous improvement program have significantly reduced, and should continue to reduce, the Company's cost structure and further enhance its financial strength without sacrificing quality of output. The Company's expansion of its global footprint in targeted growth markets; its diversity of services and products in industries that are fundamental to global growth; its long-term mill services and minerals supply contracts; the portability and mobility of its Harsco Infrastructure services equipment; and its large Harsco Infrastructure services customer base help mitigate the Company's overall long-term exposure to changes in the economic outlook in any single economy. However, any further deterioration of global economies could still have an adverse impact on the Company's operating results.

The Harsco Infrastructure Segment again faced significant challenges in 2010, as the effects of the global economic recession and market uncertainty continued to impact the business through project delays, scope reductions or job cancellations. Austerity measures implemented by governments and companies in Europe, particularly in the United Kingdom, coupled with increased competitive pricing pressures and lower equipment utilization rates, negatively impacted the Segment's operating results. As a result, the Company initiated a significant restructuring program in the fourth quarter of 2010 to

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permanently reduce the Segment's cost base. These restructuring actions are expected to be substantially completed in the first quarter of 2011, setting the stage for improved results for this business starting in the second quarter of 2011 and, with some end-market improvement, an expected return to full-year profitability in 2012 and beyond. Restructuring charges in the fourth quarter of 2010 totaled $84.4 million. Resulting cost savings are expected to approximate $43 million in 2011 and be over $60 million when fully annualized in 2012.

In the Harsco Metals & Minerals Segment, global steel production in 2010 recovered from record lows experienced in 2009. Steel production appears to have stabilized with the potential for further growth from increased global economic activity as well as future improvement in the global nonresidential construction market. In addition, the Company continues to see significant new bidding activities for its services to mills around the world, and anticipates the start-up in 2011 and 2012 of several contract awards in China and elsewhere as previously announced by the Company.

The Harsco Rail Segment showed improved results in 2010 compared with 2009. The timing of Harsco Rail equipment deliveries impacts quarterly and annual results, but 2011 is expected to show continued improvement due to existing backlogs and strong new order bidding activity.

A broader global market is being pursued by the Harsco Industrial Segment for its highly engineered products as growth opportunities to expand the Segment's businesses beyond their traditional North American focus are pursued. Part of this strategy is to establish certain joint venture partnerships in key geographies, several of which are currently under development.

Additionally, the following significant items, risks, trends and strategies are expected to affect the Company in 2011 and beyond:

- The Company will continue to place a strong focus on corporate-wide expansion into targeted and emerging markets to grow and improve the balance of its geographic footprint. More specifically, the Company's global growth strategies include steady, targeted expansion, particularly in the Gulf Region of the Middle East and Africa, Asia-Pacific and Latin America to further complement the Company's already strong presence throughout Europe and North America. Growth is also expected to be achieved through the provision of additional services to existing customers; new contracts in both developed and targeted growth markets; and targeted joint ventures and partnerships in strategic countries and market sectors. This strategy is expected to result in approximately 35% of revenue from emerging markets by 2015. This growth will come both organically and through investments such as the recently announced China's Taiyuan Iron & Steel (Group) Co, Ltd. ("TISCO") joint venture. Over time, a balanced geographic footprint should also benefit the Company through further diversification of its customer base.

- The Company expects continued strong and sustainable cash flows from operating activities. The Company also expects to maintain discipline to limit capital expenditures through its ability to redeploy equipment to new projects, without jeopardizing growth opportunities. The Company believes that, in the current economic environment, the mobile nature of its capital investment pool will facilitate strategic growth initiatives in the near-term, lessening the need for growth capital expenditures, particularly for the Harsco Infrastructure Segment. New or renewed contracts in the Harsco Metals & Minerals Segment may require incremental capital investments. Strategic geographic expansion such as joint ventures in emerging markets, in any Segment, may also require higher levels of capital investments. Due to normal business seasonality, once again in 2011, the Company expects to generate most of its cash flow in the second half of the year.

- Management will continue to be very selective and disciplined in allocating capital, choosing projects with the highest Economic Value Added ("EVA®") potential.

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Continued implementation of the Company's enterprise-wide Continuous Improvement program is expected to provide long-term benefits and enhance the overall performance of the Company through increased efficiency and a reduced cost structure.

The Company announced in 2010 that it has embarked upon a business transformation initiative designed to create significant operating and cost efficiencies by improving the Company's internal supply chain planning, logistics, scheduling and integration throughout its worldwide operations. This project is expected to contribute to the Company's EVA® growth but could result in near-term cost increases and capital expenditures.

The Company has maintained a capital structure with a balance sheet debt to capital ratio approximating 40% for the last several years. That ratio has been reduced to 37.6% at year-end 2010 primarily due to prudent cash management including disciplined capital expenditures. This will provide financial flexibility for investing in strategic initiatives, including joint ventures and capital outlays, particularly for growth initiatives; however, such future spending may require short-term borrowing.

As a result of a very successful third quarter 2010 bond offering in which the Company issued 2.7% notes to pay off maturing 7.25% British pound sterling notes, the Company expects to save approximately $12 million in interest expense during 2011.

The effective income tax rate for 2011 is currently expected to be approximately 26% to 27.5%.

Currently, a majority of the Company's revenue is generated from customers located outside the United States, and a substantial portion of the Company's assets and employees are located outside the United States. United States income tax and foreign withholding taxes have not been provided on undistributed earnings for certain non-U.S. subsidiaries as the Company considers such earnings as indefinitely reinvested in the operations of those subsidiaries. The Executive Branch of the U.S. Government (the "Administration") has indicated that 2011 tax reform may be structured with more of the business community's concerns in mind; however, the Administration has provided no indication that intended reform will be any more favorable to U.S. multi-national corporations with earnings indefinitely reinvested abroad. Any tax reform that reduces the Company's ability to defer U.S. taxes on profit indefinitely reinvested outside the United States could have a negative impact on the Company's ability to compete in the global marketplace.

Fluctuations in the U.S. dollar can have significant impacts in the Harsco Infrastructure and Harsco Metals & Minerals Segments, as approximately 80% of the revenues generated in these Segments are outside the United States. If the U.S. dollar weakens sales and operating income would generally improve. If the U.S. dollar strengthens, sales and operating income would generally be lower.

Volatility in energy and commodity costs (e.g., diesel fuel, natural gas, steel, etc.) and worldwide demand for these commodities could impact the Company's operations, both in cost increases or decreases to the extent that such increases or decreases are not passed on to customers. However, volatility in energy and commodity costs may provide additional service opportunities for the Harsco Metals & Minerals Segment as customers may outsource more services to reduce overall costs. Volatility may also affect opportunities in the Harsco Infrastructure Segment for additional plant maintenance and capital improvement projects.

Total defined benefit net periodic pension expense for 2011 is expected to be approximately $15 million, slightly higher than 2010. The increased expense is due to a lower discount rate at December 31, 2010, partially offset by higher than expected returns on plan assets in 2010. These two factors are the primary drivers of the Company's defined benefit net periodic pension

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expense as future service is no longer a factor in substantially all of the Company's significant defined benefit plans.

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act became law during 2010. These new laws will have an impact on the Company's future costs for providing health care benefits to its employees when the laws begin to impact the Company in 2013 and beyond. The Company determined that the impact of the new laws on postretirement medical plans will be immaterial to its financial position, results of operations and cash flows. The Company is assessing the extent to which the new laws will affect its future health care and related employee benefit plan costs for active employees.

The Company may be required to record future impairment charges to the extent it cannot generate future cash flows at a level sufficient to recover the net book value of a reporting unit. As part of the Company's annual goodwill impairment testing, estimates of fair value are based on assumptions regarding future operating cash flows and growth rates of each reporting unit, discount rates applied to these cash flows and current market estimates of value. Based on the uncertainty of future growth rates and other assumptions used to estimated goodwill recoverability, future reductions in a reporting unit's cash flows could cause a material non-cash impairment charge of goodwill, which could have a material adverse effect on the Company's results of operations and financial condition.

Harsco Infrastructure Segment:

The Company has substantially completed a comprehensive restructuring initiative, which was announced in the fourth quarter of 2010, for the Harsco Infrastructure Segment. The Company anticipates pretax Harsco Infrastructure Segment benefits of approximately $43 million in 2011 from restructuring actions and fully annualized benefits of over $60 million beginning in 2012. The benefits will increase sequentially during each quarter of 2011 with the full annualized rate effective by the fourth quarter of the year. This sets the stage for improved results for this business starting in the second quarter of 2011 and, with some end-market improvement, a return to full-year profitability in 2012 and beyond. Additionally, the Company expects to dispose of non-core product lines that are part of the restructuring program during 2011.

The Company expects the Harsco Infrastructure Segment to incur an operating loss in the first quarter of 2011 as equipment utilization is expected to decline due to the normal sequential first-quarter seasonal slowdown. With early signs of increased quoting activity and new awards, a stabilizing rental rate and the effect of increasing restructuring cost savings as the year progresses, the Company anticipates sequential quarterly improvements throughout 2011. The main positive effect on the full-year 2011 results in the Harsco Infrastructure Segment is expected to be the benefits from the restructuring program and improved volumes in targeted regions that are being serviced by a refocused sales force.

The Company has initiated strategies to reposition the Harsco Infrastructure Segment and is focusing increasingly on projects in the global industrial maintenance and the civil infrastructure construction sectors; and developing this business in economies outside the United States and Western Europe that have greater prospects for both near-term and long-term growth. The Segment is shifting from small, essentially independent branches that serve smaller projects to an integrated business with resources able to focus on larger projects that will have a longer duration and which requires highly engineered solutions. Local focus on the customer will continue, but customer service will improve through coordinated logistics, engineering and product management.

In 2010, approximately 25% of the Segment's business was in the commercial and multi-family sector, which has been impacted most severely by tightened credit restrictions and the global

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economic downturn. The remainder of current business was spread equally within the industrial maintenance and infrastructure sectors. Over the next few years, the Company is targeting an allocation of approximately 40% each in the industrial maintenance and infrastructure sectors, with 20% in the commercial and multi-family sector. Industrial maintenance contracts generally are longer-term contracts with sustainable revenue streams serving the oil and gas, pharmaceutical, chemical, electric utility power plant and steel industries. Civil infrastructure contracts also tend to be longer-term contracts with "blue-chip" contractors and include government-sponsored projects from stimulus programs.

Harsco Metals & Minerals Segment:

For the Harsco Metals & Minerals Segment, in the first quarter of 2011, the Company expects steel production to remain at approximately the level experienced in the fourth quarter of 2010 and also expects similar volumes as the fourth quarter of 2010 for the Minerals businesses. The outlook for the full year 2011 is positive resulting from new contract startups and contract renewals with increased volumes.

The new 25-year joint venture relationship currently being finalized with TISCO and also subject to Chinese government approval, as announced in December 2010, will effectively address the environmentally beneficial processing and metal recovery of TISCO's stainless and carbon steel slag production by-products across a range of potential commercial applications. The Company anticipates that the joint venture has the potential to generate new revenues of an estimated $30 million per year initially, ramping up to a projected run rate of approximately $50 million to $60 million per year when fully operational. Harsco and TISCO will respectively share a 60%-40% relationship in the partnership.

The Harsco Metals & Minerals Segment is strategically focusing on adjacent market penetration and accelerated growth in emerging markets in the Gulf Region of the Middle East and Africa, Latin America and Asia-Pacific. As the steel manufacturing footprint moves towards developing countries, the Company expects that this Segment will continue to grow and at an accelerated pace. Profitability is currently higher in these markets and the customer's recognition for the value proposition is more evident.

The Company anticipates that tightening environmental regulations will compel customers to address their production waste streams as an opportunity to maximize environmental compliance. This should provide additional revenue opportunities for the Harsco Metals & Minerals Segment. The Company will continue to pursue growth opportunities in environmental services as increasing regulatory and public demand for environmental solutions creates additional outsourced opportunities in slag management.

The industrial abrasives and roofing granules business within the Harsco Metals & Minerals Segment generates value by collecting and processing boiler slag, a coal combustion by-product ("CCP") into commercially useful products that put this material to beneficial use in products such as roofing materials and blasting abrasives. In May 2010, the Environmental Protection Agency ("EPA") released a proposed rule that set out two different options with regard to the regulation of CCPs produced by coal-fired utility boilers. One option would regulate CCPs as hazardous waste when the CCPs are destined for disposal in landfills and surface impoundments. The second option would regulate the disposal of CCPs as solid waste by issuing minimum national criteria for proper management of these nonhazardous, solid wastes. Neither proposal changes the EPA's prior determination that beneficially used CCPs, including the Company's products, are exempt from the hazardous waste regulations. The adoption, terms and timing of any new regulation controlling disposal of CCPs remain uncertain, however, and there can be no assurance that any CCP regulation will continue to provide for an exemption for beneficial use of CCPs. The Company will continue to closely monitor the EPA's proposal.

Further consolidation in the global steel industry is possible. Should additional consolidations occur involving some of the steel industry's larger companies that are customers of the Company, it could result in an increase in concentration of revenues and credit risk for the Company. If a large customer were to experience financial difficulty, or file for bankruptcy protection, it could adversely impact the Company's income, cash flows and asset valuations. As part of its credit risk management practices, the Company closely monitors the credit standing and accounts receivable position of its customer base. Further consolidation may also increase pricing pressure on the Company and the competitive risk of services contracts that are due for renewal. Additionally, disputes with customers, including attempts by major customers to unilaterally change the terms and pricing of certain contracts, may adversely affect the Company's results. Conversely, such consolidation may provide additional service opportunities for the Company as the Company believes it is well-positioned competitively. As a result of this customer concentration, a key strategy of the Company is to diversify its customer base and expand to emerging market customers.

The Company will emphasize prudent global expansion of its reclamation and recycling business for extracting high-value metallic content from slag and responsibly handling and recycling residual materials. Environmental services provide growth opportunities in the reclamation and recycling business as additional outsourced functions in slag management of stainless steel and other high-value metals arise.

Improved customer production levels should have an overall positive effect on certain reclamation and recycling services in the near-term. Metal prices for our reclamation and recycling business have increased in 2010 compared with 2009 and are expected to increase slightly in 2011. Any price increases would have a positive effect on operating results, while decreases would have a negative impact.

Harsco Rail Segment:

The Company expects that the Harsco Rail Segment will continue to perform well during 2011, particularly due to the anticipated shipments of rail grinding machines under existing contracts. Bidding activity also remains strong. However, due to the shipment volumes, sales and income will be weighted more heavily to the latter half of 2011. Conversely, in 2010, the majority of the Segment's sales and income were recorded in the first half of the year. This is one of the major reasons why the Company expects the first quarter of 2011 earnings to be below the first quarter of 2010.

International demand for Harsco Rail's track maintenance services, solutions and equipment has been strong as reflected in global bidding activity. This is expected to continue into the long-term. The Harsco Rail Segment expects to develop a larger presence in certain developing countries as track construction and maintenance needs grow. Additionally, new higher-margin service and sales opportunities along with strategic acquisitions and/or joint ventures in the Harsco Rail Segment will be considered if the appropriate strategic opportunities arise.

This Segment will continue to pursue cost-reduction initiatives to reduce its overall cost base. These initiatives may result in near-term capital expenditures and restructuring costs.

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Harsco Industrial Segment:

For 2011 and beyond, the Harsco Industrial Segment expects gradually improving results as its presence in emerging markets increases through joint ventures.

The Harsco Industrial Segment recently announced a $26 million order that marks the successful expansion of its air-cooled heat exchangers business into Australia. The Company plans to manufacture the heat exchangers in Australia through a new in-country joint venture now being formed, while providing engineering design and quality assurance support from Harsco Industrial Air-X-Changer's main facilities in the United States as well as Harsco's Offshore Services Center in Hyderabad, India. In addition, joint ventures in Brazil and China in the industrial grating business are expected to be operational by mid-year 2011.

Increased industrial use due to improving economic conditions will influence the price and demand for natural gas and, consequently, the demand for heat exchanger equipment. Weather trends can also impact this business as demand for heat exchanger equipment tends to increase in colder weather and decrease in warmer weather.

The heat exchanger business of the Harsco Industrial Segment is dependent on a small group of key customers. The loss of one of these customers due to competition or due to financial difficulty, or the filing for bankruptcy protection, could adversely impact the Company's income, cash flows and asset valuations. As part of its credit risk management practices, the Company closely monitors the credit standing and accounts receivable position of its customer base.

Worldwide supply and demand for steel and other commodities impact raw material costs for the Harsco Industrial segment. The Company has implemented strategies to help mitigate, but not eliminate, the potential impact that changes in steel and other commodity prices could have on operating income. If steel or other commodity costs associated with the Company's manufactured products increase and the costs cannot be passed on to the Company's customers, operating income would be adversely affected. Conversely, reduced steel and other commodity costs would improve operating income to the extent such savings do not have to be transferred to customers.

Results of Operations for 2010, 2009 and 2008

(Dollars are in millions, except per share information and percentages)	**2010**	**2009**	**2008**
Revenues from continuing operations	**$ 3,038.7**	$ 2,990.6	$ 3,967.8
Cost of services and products sold	**2,336.9**	2,252.1	2,926.4
Selling, general and administrative expenses	**532.6**	509.1	602.2
Other expenses	**86.5**	7.6	22.0
Operating income from continuing operations	**78.4**	218.7	412.0
Interest expense	**60.6**	62.7	73.2
Income tax expense from continuing operations	**4.3**	18.5	91.8
Income from continuing operations	**16.6**	140.8	251.5
Loss from discontinued operations, net of taxes	**(4.1)**	(15.1)	(4.7)
Net income attributable to Harsco Corporation	**6.8**	118.8	240.9
Diluted earnings per common share from continuing operations attributable to Harsco Corporation common stockholders	**0.13**	1.66	2.92
Effective income tax rate for continuing operations	**20.9%**	11.6%	26.7%

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Comparative Analysis of Consolidated Results

Revenues

2010 vs. 2009

Revenues for 2010 increased $48.1 million or 2% from 2009. This increase was attributable to the following significant items:

(In millions)		**Change in Revenues 2010 vs. 2009**
$	149.9	Net increased volume in the Harsco Metals & Minerals Segment due principally to increased steel production by the Company's customers.
	75.5	Effect of business acquisitions in the Harsco Infrastructure Segment.
	33.3	Net increased revenue in the Harsco Metals & Minerals Segment due to higher commodity pricing and increased volume in the reclamation and recycling services business.
	10.3	Out-of-period adjustment in 2009 for the Harsco Metals & Minerals Segment.
	(179.5)	Net decreased revenues in the Harsco Infrastructure Segment due to lower sales, rentals and reduced pricing principally due to lower activity levels and project deferrals, postponements and cancellations of non-residential construction activity globally as a result of economic decline.
	(18.1)	Decreased revenues in the Harsco Industrial Segment for the air-cooled heat exchangers business due to a weaker natural gas market.
	(17.1)	Reduced demand in the Harsco Industrial Segment for industrial grating products coupled with lower pricing levels.
	(8.8)	Effect of foreign currency translation.
	2.6	Other (minor changes across the various units not already mentioned).
$	48.1	Total Change in Revenues 2010 vs. 2009

2009 vs. 2008

Revenues for 2009 decreased $977.2 million or 25% from 2008. This decrease was attributable to the following significant items:

(In millions)		**Change in Revenues 2009 vs. 2008**
$	(356.1)	Net decreased volume due principally to the deterioration of the global steel markets in the Harsco Metals & Minerals Segment.
	(277.9)	Net decreased revenues in the Harsco Infrastructure Segment due to lower sales and rentals, principally due to lower construction activity globally as a result of economic decline.
	(254.7)	Effect of foreign currency translation.
	(51.7)	Reduced demand in the Harsco Industrial Segment for industrial grating products coupled with lower pricing levels.
	(45.1)	Decreased revenues in the Harsco Industrial Segment for the air-cooled heat exchangers business due to a weaker natural gas market.
	(19.8)	Net decreased revenues in the Harsco Metals & Minerals Segment for the reclamation and recycling services business due to lower commodity pricing, partially offset by net increased volume.
	(5.9)	Decreased volume in the Harsco Metals & Minerals Segment for the roofing granules and abrasives business.
	(11.5)	Other (minor changes across the various units not already mentioned).
	35.6	Net increased revenues in the Harsco Rail Segment due principally to a higher level of rail equipment shipments to China in 2009 and increased contract services, partially offset by lower repair parts sales.
	9.9	Effect of business acquisitions in the Harsco Infrastructure Segment.
$	(977.2)	Total Change in Revenues 2009 vs. 2008

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Cost of Services and Products Sold

2010 vs. 2009

Cost of services and products sold for 2010 increased $84.7 million or 4% from 2009. This increase was attributable to the following significant items:

(In millions)		**Change in Cost of Services and Products Sold 2010 vs. 2009**
$	56.8	Business acquisitions.
	30.6	Principally unfavorable product mix in the Harsco Infrastructure Segment due to lower high-margin rentals.
	2.7	Increased costs due to changes in revenue (exclusive of the effect of foreign currency translation and business acquisitions, and including the impact of increased commodity and energy costs included in selling prices).
	(5.4)	Effect of foreign currency translation.
$	84.7	Total Change in Cost of Services and Products Sold 2010 vs. 2009

2009 vs. 2008

Cost of services and products sold for 2009 decreased $674.3 million or 23% from 2008. This decrease was attributable to the following significant items:

(In millions)		**Change in Cost of Services and Products Sold 2009 vs. 2008**
$	(500.9)	Decreased costs due to lower revenues (exclusive of the effect of foreign currency translation and business acquisitions, and including the impact of lower commodity and energy costs included in selling prices).
	(180.4)	Effect of foreign currency translation.
	(2.7)	Other (product/service mix and increased equipment maintenance costs, partially offset by enterprise business optimization initiatives and volume-related efficiencies).
	9.7	Business acquisitions.
$	(674.3)	Total Change in Cost of Services and Products Sold 2009 vs. 2008

Selling, General and Administrative Expenses

2010 vs. 2009

Selling, general and administrative expenses for 2010 increased $23.6 million or 5% from 2009. This increase was attributable to the following significant items:

(In millions)		**Change in Selling, General and Administrative Expenses 2010 vs. 2009**
$	22.0	Effect of business acquisitions.
	5.9	Higher professional fees due to "OneHarsco" initiatives.
	4.6	Increased travel expenses to support business expansion and optimization projects.
	(3.8)	Effect of foreign currency translation.
	(3.6)	Decreased sales commissions, related to business activity.
	(1.5)	Other.
$	23.6	Total Change in Selling, General and Administrative Expenses 2010 vs. 2009

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2009 vs. 2008

Selling, general and administrative expenses for 2009 decreased $93.1 million or 16% from 2008. This decrease was attributable to the following significant items:

(In millions)		Change in Selling, General and Administrative Expenses 2009 vs. 2008
$	(43.7)	Effect of foreign currency translation.
	(22.3)	Decreased compensation expense due to lower employment levels.
	(12.8)	Other (due to spending reductions).
	(8.4)	Decreased travel expenses due to discretionary spending reductions.
	(8.2)	Lower professional fees due to discretionary spending reductions.
	(2.9)	Lower bad debt expense.
	2.6	Increased sales commissions, largely related to increased revenues in the Harsco Rail Segment.
	2.6	Effect of business acquisitions.
$	(93.1)	Total Change in Selling, General and Administrative Expenses 2009 vs. 2008

Other Expenses

This income statement classification includes impaired asset write-downs, product rationalization costs, employee termination benefit costs and costs to exit activities, offset by net gains on the disposal of non-core assets.

2010 vs. 2009

Net Other expenses of $86.5 million for 2010 increased $78.9 million from $7.6 million in 2009. This increase in other expenses primarily relates to a net charge of $84.4 million in the Harsco Infrastructure Segment for a restructuring initiative implemented in the fourth quarter of 2010, as part of an on-going strategy to improve organizational efficiency and enhance profitability and shareholder value by optimizing this Segment as a more streamlined, cost-effective, disciplined and market-focused global platform.

2009 vs. 2008

Net Other expenses of $7.6 million for 2009 decreased $14.4 million from $22.0 million in 2008. This decrease in other expenses primarily relates to restructuring charges that the Company incurred during the fourth quarter of 2008, principally in the Harsco Metals & Minerals Segment, that were not repeated at the same level.

For additional information, see Note 15, Other (Income) and Expenses, to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data."

Interest Expense

2010 vs. 2009

Interest expense in 2010 was $60.6 million, a decline of $2.1 million or 3% compared with 2009. This was principally due to refinancing the 7.25% British pound sterling-denominated notes with a new 2.7% bond offering, to lower overall debt levels in 2010 and, to a lesser extent, lower interest rates on variable interest rate borrowings. The impact of foreign currency translation reduced interest expense by approximately $0.1 million.

2009 vs. 2008

Interest expense in 2009 was $62.7 million, a decline of $10.4 million or 14% compared with 2008. This was principally due to lower overall debt levels in 2009 and, to a lesser extent, lower interest rates

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on variable interest rate borrowings. The impact of foreign currency translation also reduced interest expense by approximately $4.4 million.

Income Tax Expense from Continuing Operations

2010 vs. 2009

Income tax expense from continuing operations in 2010 was $4.3 million, a decrease $14.2 million or 77% compared with 2009. This decline was due to lower earnings from continuing operations partially offset by an increase in the effective income tax rate from continuing operations. The effective income tax rate relating to continuing operations for 2010 was 20.9% versus 11.6% for 2009. The increase in the effective income tax rate for 2010 compared with 2009 is a reflection of certain non-recurring net discrete tax benefits recognized in 2009. The 2009 net discrete tax benefits included a change in the permanent reinvestment of prior year undistributed earnings and the recognition of previously unrecognized tax benefits in certain foreign and state jurisdictions, offset by an increase in unrecognized tax benefits related to an ongoing dispute between the European Union and a specific European country. Included in 2010 are $3.5 million of non-recurring, out-of-period benefits related primarily to deferred charges from historical intercompany sales of inventory and adjustments of other deferred tax balances, offset by a tax charge of $1.7 million related to valuation allowance activity for a specific foreign operating jurisdiction and a U.S. tax charge on certain non-deductible items of $1.7 million.

2009 vs. 2008

Income tax expense from continuing operations in 2009 was $18.5 million, a decrease of $73.3 million or 80% compared with 2008. This decline was due to lower earnings from continuing operations and a decrease in the effective income tax rate from continuing operations. The effective income tax rate relating to continuing operations for 2009 was 11.6% versus 26.7% for 2008. The decrease in the effective income tax rate for 2009 compared with 2008 reflected a decline in earnings in jurisdictions with higher tax rates, a change in the permanent reinvestment in current year earnings, and certain net discrete tax benefits recognized in 2009. The net discrete benefits include a change in the permanent reinvestment of prior year undistributed earnings and the recognition of previously unrecognized tax benefits in certain foreign and state jurisdictions, offset by an increase in unrecognized tax benefits related to an ongoing dispute between the European Union and a specific European country.

For additional information, see Note 9, Income Taxes, to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data."

Income from Continuing Operations

2010 vs. 2009

Income from continuing operations in 2010 of $16.6 million was $124.2 million or 88% lower than 2009. This decrease principally resulted from weak market conditions in non-residential construction affecting the Harsco Infrastructure Segment from the economic climate over the past two years, including a net $84.4 million restructuring charge incurred in the fourth quarter of 2010. This was partially offset by an increase in global steel production and commodity pricing in the Harsco Metals & Minerals Segment and higher levels of shipments under existing contracts for the Harsco Rail Segment.

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2009 vs. 2008

Income from continuing operations in 2009 of $140.8 million was $110.7 million or 44% lower than 2008. This decrease resulted from the global economic downturn that continued throughout 2009 and the slower than expected recovery.

Loss from Discontinued Operations

2010 vs. 2009

A loss from discontinued operations of $4.1 million was generated in 2010 primarily due to a pre-tax charge of $5.0 million related to potential and contingent third party tort claims, as more fully described in Note 10, Commitments and Contingencies, to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data." This compares with a loss of $15.1 million in 2009 due principally to the resolution of open claims and counterclaims that had been submitted to arbitration related to the disposition of the Gas Technologies Segment, coupled with the tax effect from the final purchase price allocation.

2009 vs. 2008

A loss from discontinued operations of $15.1 million was generated in 2009 due to the resolution of open claims and counterclaims that had been submitted to arbitration related to the disposition of the Gas Technologies Segment, coupled with the tax effect from the final purchase price allocation. This compares with a loss of $4.7 million in 2008 due principally to working capital adjustments and other costs associated with the disposition of the Gas Technologies Segment.

Net Income Attributable to Harsco Corporation and Earnings Per Share

2010 vs. 2009

Net income attributable to Harsco Corporation of $6.8 million and diluted earnings per share of $0.08 in 2010 were lower than 2009 by $112.0 million or 94% and $1.47 or 95%, respectively, due to decreased income from continuing operations partially offset by a decrease in losses from discontinued operations for the reasons described above.

2009 vs. 2008

Net income attributable to Harsco Corporation of $118.8 million and diluted earnings per share of $1.47 in 2009 were lower than 2008 by $122.2 million or 51% and $1.40 or 49%, respectively, due to decreased income from continuing operations and increased losses from discontinued operations for the reasons described above.

Liquidity and Capital Resources

Overview

Global financial markets, which have been under stress since 2008 due to poor financial institution lending and investment practices and sharp declines in real estate values, have improved for certain highly rated credit issuers. However, tightened credit conditions for the funding of non-residential construction projects, particularly commercial construction, along with the sovereign debt crisis in Europe and the Middle East and recent economic austerity measures implemented in the United Kingdom have restrained growth in the Harsco Infrastructure Segment. These unfavorable conditions in the credit markets continue to affect some of the Company's current and potential customers. In response to these changes in global economic conditions, the Company continues to implement capital efficiency initiatives to enhance liquidity including the following: prudently reducing capital spending to projects where the highest returns can be achieved while redeploying existing capital investments; optimizing worldwide cash positions; reducing discretionary spending; and frequent evaluation of customer and business-partner credit risk.

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Despite the global financial market environment, the Company continues to have sufficient available liquidity and has been able to obtain all necessary financing. On September 20, 2010, the Company successfully issued $250 million five-year notes bearing interest at 2.7%. The net proceeds of this issuance were used to repay, in part, the 200 million British pound sterling-denominated notes that matured October 27, 2010. At that time, the Company issued additional commercial paper debt to repay the remainder of the British pound sterling-denominated notes in excess of the proceeds from the 2010 bond issuance. The Company currently expects operational and business needs to be covered by cash from operations for 2011, although borrowings may be made from time to time due to historical patterns of seasonal cash flow and for the funding of various projects. Despite difficult end markets for the Harsco Infrastructure Segment, the Company generated strong operating cash flows of $401.4 million in 2010, a modest decrease from 2009 operating cash flow of $434.5 million. The results in 2010 compared with 2009 reflect lower levels of income generated by the Harsco Infrastructure Segment.

In 2010, the Company invested $192.3 million in capital expenditures (43.5% of which were for revenue-growth projects), compared with $165.3 million invested in 2009. The Company paid $66.0 million in stockholder dividends in 2010 compared with $63.8 million paid in 2009.

Total debt outstanding decreased by $100.0 million. The decrease in borrowings was driven by the Company's continued prudent spending on capital investments, which enabled the company to pay down debt. The Company's debt to total capital ratio decreased to 37.6% at December 31, 2010 due to the lower debt levels. This was the lowest debt to total capital ratio in the last twelve years. The Company's debt to total capital ratio was 39.5% at December 31, 2009.

Despite the difficult end markets for the Harsco Infrastructure Segment, the Company expects to generate strong operating cash flows for 2011. The Company plans to sustain its balanced portfolio through its strategy of redeploying discretionary cash for disciplined organic growth and international or market-segment diversification; for potential strategic joint ventures and partnerships; for growth in long-term, high-return and high-renewal-rate services contracts for the Harsco Metals & Minerals Segment, principally in targeted growth markets or for customer diversification; and for strategic investments or possible acquisitions in the Harsco Rail Segment. The Company also foresees continuing its long and consistent history of paying dividends to stockholders.

The Company continues its focus on improving working capital management. Globally integrated enterprise initiatives, such as "OneHarsco," are being used to continue to further improve the effective and efficient use of working capital, particularly accounts receivable and inventories in the Harsco Infrastructure, Harsco Metals & Minerals and Harsco Rail Segments.

Cash Requirements

The following summarizes the Company's expected future payments related to contractual obligations and commercial commitments at December 31, 2010.

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Contractual Obligations at December 31, 2010(a)

			Payments Due by Period		
(In millions)	Total	Less than 1 year	1 3 years	4 5 years	After 5 years
Short-term debt	$ 31.2	$ 31.2	$	$	$
Long-term debt (including current maturities and capital leases)	853.7	4.0	152.6	249.7	447.4
Projected interest payments on long-term debt(b)	244.5	41.0	78.9	64.2	60.4
Pension benefit payments(c)	661.5	61.2	118.1	127.0	355.2
Operating leases	154.9	41.2	56.1	33.6	24.0
Purchase obligations	125.2	115.8	9.3	0.1	
Cross-currency interest rate swaps(d)	648.8	25.5	51.0	51.0	521.3
Foreign currency forward exchange contracts(e)	214.2	214.2			
Total contractual obligations(f)	$ 2,934.0	$ 534.1	$ 466.0	$ 525.6	$ 1,408.3

(a) See Note 6, Debt and Credit Agreements; Note 7, Leases; Note 8, Employee Benefit Plans; Note 9, Income Taxes; and Note 13, Financial Instruments, to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data," for additional disclosures on short-term and long-term debt; operating leases; pensions; income taxes; and cross-currency interest rate swaps and foreign currency forward exchange contracts, respectively.

(b) The total projected interest payments on Long-term Debt are based upon borrowings, interest rates and foreign currency exchange rates at December 31, 2010. The interest rates on variable-rate debt and the foreign currency exchange rates are subject to changes beyond the Company's control and may result in actual interest expense and payments differing from the amounts projected above.

(c) Amounts represent expected benefit payments by the defined benefit plans for the next 10 years.

(d) This amount represents the notional value of the cross-currency interest rate swaps outstanding at December 31, 2010. Due to the nature of these contracts, there will be offsetting cash flows to these obligations. The cross-currency interest rate swaps are recorded in the Consolidated Balance Sheets at fair value.

(e) This amount represents the notional value of the foreign currency exchange contracts outstanding at December 31, 2010. Due to the nature of these contracts, there will be offsetting cash flows to these obligations, with the difference recognized as a gain or loss in the Consolidated Statement of Income.

(f) At December 31, 2010, in addition to the above contractual obligations, the Company had approximately $46.6 million of long-term tax liabilities, including interest and penalties, related to uncertain tax positions. Because of the high degree of uncertainty regarding the timing of future cash flows associated with these long-term tax liabilities, the Company is unable to estimate the years in which settlement will occur with the respective taxing authorities. These long-term tax liabilities may be partially offset by loss carry forwards of $8.5 million which may be recognized upon the resolution of certain uncertain tax positions.

Off-Balance Sheet Arrangements The following table summarizes the Company's contingent commercial commitments at December 31, 2010. These amounts are not included in the Company's Consolidated Balance Sheets since there are no current circumstances known to management indicating that the Company will be required to make payments on these contingent obligations.

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Commercial Commitments at December 31, 2010

		Amount of Commitment Expiration Per Period				
(In millions)	**Total Amounts Committed**	**Less than 1 Year**	**1 3 Years**	**4 5 Years**	**Over 5 Years**	**Indefinite Expiration**
Standby Letters of Credit	$ 198.4	$ 150.6	$ 43.9	$ 0.5	$	$ 3.4
Guarantees	83.3	10.2	0.7	0.4	6.1	65.9
Performance Bonds	12.0	5.2	0.1			6.7
Other Commercial Commitments	11.1					11.1
Total Commercial Commitments	$ 304.8	$ 166.0	$ 44.7	$ 0.9	$ 6.1	$ 87.1

Certain commercial commitments, that are of a continuous nature, do not have an expiration date and are therefore considered to be indefinite in nature.

Sources and Uses of Cash

The Company's principal sources of liquidity are cash from operations and borrowings under its various credit agreements, augmented periodically by cash proceeds from non-core asset sales. The primary drivers of the Company's cash flow from operations are the Company's sales and income. The Company's long-term Harsco Metals & Minerals Segment's contracts, in addition to the backlog of certain equipment orders and the long-term nature of certain service contracts within the Harsco Rail Segment, provide predictable cash flows for the near-term years. (See the "Certainty of Cash Flows" section for additional information on estimated future revenues of Harsco Metals & Minerals and Harsco Rail Segments' contracts and order backlogs for the Company's manufacturing businesses.) Cash returns on capital investments made in prior years, for which no cash is currently required, are a significant source of cash from operations. Depreciation expense related to these investments is a non-cash charge. The Company also continues to maintain working capital at a manageable level based upon the requirements and seasonality of the businesses.

Major uses of operating cash flows and borrowed funds include: capital investments, principally in the Harsco Metals & Minerals Segment; payroll costs and related benefits; dividend payments; pension funding payments; inventory purchases for the Harsco Rail and Industrial Segment; income tax payments; debt principal and interest payments; insurance premiums and payments of self-insured casualty losses; and machinery, equipment, automobile and facility lease payments. Cash is also used for targeted, strategic acquisitions as appropriate opportunities arise.

Resources available for cash requirements The Company meets its ongoing cash requirements for operations and growth initiatives by utilizing cash from operations, by accessing the public debt markets and by borrowing from banks. Public markets in the United States and Europe are accessed through the Company's commercial paper programs and through discrete-term note issuance to investors. Various bank credit facilities are available throughout the world. On September 20, 2010, the Company successfully issued $250 million five-year notes bearing interest at 2.7%. In October 2010, the Company issued additional commercial paper debt to repay the remainder of the 200 million British pound sterling-denominated notes in excess of the proceeds from the 2010 bond issuance. The Company expects to utilize public debt markets, bank facilities and cash from operations to meet its cash requirements in the future.

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The following table illustrates the amounts outstanding under credit facilities and commercial paper programs and available credit at December 31, 2010:

Summary of Credit Facilities and Commercial Paper Programs (In millions)	**At December 31, 2010** Facility Limit	Outstanding Balance	Available Credit
U.S. commercial paper program	$ 550.0	$	$ 550.0
Euro commercial paper program	267.4	26.7	240.7
Multi-year revolving credit facility(a)	570.0		570.0
Bilateral credit facility(b)	30.0		30.0
Totals at December 31, 2010	**$ 1,417.4**	**$ 26.7**	**$ 1,390.7(c)**

(a) U.S.-based program.

(b) International-based program.

(c) Although the Company has significant available credit, for practical purposes, the Company limits aggregate commercial paper and credit facility borrowings at any one-time to a maximum of $600 million (the aggregate amount of the back-up facilities).

During the fourth quarter of 2009, the Company entered into a new three-year revolving credit facility in the amount of $570 million, through a multi-national syndicate of 21 banks co-led by Citibank and Royal Bank of Scotland. This $570 million facility serves as back-up to the Company's commercial paper programs. Interest rates on the facility are based upon either the announced Citibank Prime Rate, the Federal Funds Effective Rate plus a margin or LIBOR plus a margin. The Company pays a facility fee (currently 0.375% per annum) that varies based upon its credit ratings. At December 31, 2010, there were no borrowings outstanding on this credit facility.

The Company's bilateral credit facility was amended in December 2010 to extend the maturity date to December 2011. This $30 million facility serves as back-up to the Company's commercial paper programs and also provides available financing for the Company's European operations. Borrowings under this facility are available in most major currencies with active markets at interest rates based upon LIBOR plus a margin. Borrowings outstanding at expiration may be repaid over the succeeding 12 months. At December 31, 2010 and 2009, there were no borrowings outstanding on this facility.

See Note 6, Debt and Credit Agreements, to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data," for more information on the Company's credit facilities.

Credit Ratings and Outlook The following table summarizes the Company's current debt ratings:

	Long-term Notes	**U.S.-Based Commercial Paper**	**Outlook**
Standard & Poor's (S&P)	A-	A-2	Negative
Moody's	Baa2	P-2	Stable
Fitch	A-	F2	Stable

The Company's euro-based commercial paper program has not been rated since the euro market does not require it. In September 2010, Standard & Poor's and Fitch reaffirmed the Company's credit ratings. In January 2011, Moody's downgraded the Company's Long-term Notes to Baa2, but upgraded its Outlook to Stable. This downgrade resulted in an increase of 0.10% to the facility fee paid by the Company on the Company's multi-year revolving credit facility from 0.275% to 0.375%. Any additional downgrades to the Company's credit ratings may increase borrowing costs to the Company, while an improvement in the Company's credit ratings may decrease borrowing costs to the Company.

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Additionally, future downgrades in the Company's credit ratings may result in reduced access to credit markets.

Working Capital Position Changes in the Company's working capital are reflected in the following table:

(Dollars are in millions)	December 31 2010	December 31 2009	Increase (Decrease)
Current Assets			
Cash and cash equivalents	**$ 124.2**	$ 94.2	$ 30.0
Trade accounts receivable, net	**585.3**	598.3	(13.0)
Other receivables, net	**29.3**	30.9	(1.6)
Inventories	**271.6**	291.2	(19.6)
Other current assets	**144.5**	154.7	(10.2)
Total current assets	**1,154.9**	1,169.3	(14.4)
Current Liabilities			
Notes payable and current maturities	**35.2**	83.2	(48.0)
Accounts payable	**261.5**	215.5	46.0
Accrued compensation	**83.9**	67.7	16.2
Income taxes payable	**9.7**	5.9	3.8
Other current liabilities	**377.6**	378.8	(1.2)
Total current liabilities	**767.9**	751.1	16.8
Working Capital	**$ 387.0**	$ 418.2	$ (31.2)
Current Ratio(a)	**1.5:1**	1.6:1	

(a) Calculated as Current assets / Current liabilities

Working capital decreased 7% in 2010 due principally to the following factors:

- Net trade accounts receivable decreased $13.0 million primarily due to improved collections;
- Inventories decreased $19.6 million primarily due to the Company's focus on reducing inventory levels based upon current market demand;
- Accounts payable increased $46.0 million due to increased business activity primarily in the Harsco Metals & Minerals Segment and the Harsco Infrastructure Segment; and
- Accrued compensation increased $16.2 million due to higher incentive compensation accruals at year-end 2010.

These factors were partially offset by the following:

- Cash increased $30.0 million primarily due to stronger December cash flows; and

Notes payable and current maturities decreased $48.0 million due to strong operating cash flows in 2010 that facilitated repayments of short-term commercial paper and other borrowings.

Certainty of Cash Flows The certainty of the Company's future cash flows is underpinned by the long-term nature of the Company's metals services contracts, the order backlog for the Company's railway track maintenance services and equipment, and the strong discretionary cash flows (operating cash flows in excess of the amounts necessary for capital expenditures to maintain current revenue levels) generated by the Company. Historically, the Company has utilized these discretionary cash flows for growth-related capital expenditures, strategic acquisitions and for debt repayment. As the Company has demonstrated since the end of 2008, it has the ability to substantially reduce its capital expenditures due to the mobility of its existing capital investment base as well as a more disciplined globally integrated capital allocation approach. The existing capital base can be redeployed for use in growth

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projects, thus limiting the need for new investment, especially for the Harsco Infrastructure Segment. The Company has continued to grow in countries with increased demand through prudent redeployment of its existing equipment.

At December 31, 2010, the Company's metals services contracts had estimated future revenues of $3.5 billion, compared with $3.6 billion at December 31, 2009. At December 31, 2010, the Company's railway track maintenance services and equipment business had estimated future revenues of $338.9 million compared with $442.3 million at December 31, 2009. This is primarily due to shipment of orders during 2010, partially offset by new orders. The railway track maintenance services and equipment business includes a significant portion that will not be realized until late 2011 and 2012 due to the long lead-time necessary to build certain equipment, and the long-term nature of certain service contracts. In addition, at December 31, 2010, the Company had an order backlog of $76.9 million in the Harsco Industrial Segment. This compares with $48.6 million at December 31, 2009. The increase from December 31, 2009 is due principally to international orders. Order backlog for scaffolding, shoring and forming services; for roofing granules and slag abrasives; and for the reclamation and recycling services of high-value content from steelmaking slag is excluded from the above amounts. These amounts are generally not quantifiable due to the short order lead times for certain services, the nature and timing of the products and services provided and equipment rentals with the ultimate length of the rental period unknown.

The types of products and services that the Company provides are not subject to rapid technological change, which increases the stability of related cash flows. Additionally, each of the Company's businesses, in its balanced portfolio, is among the top three companies (relative to sales) in the industries and markets the Company serves. Due to these factors, the Company is confident in its future ability to generate positive cash flows from operations.

Cash Flow Summary

The Company's cash flows from operating, investing and financing activities, as reflected in the Consolidated Statements of Cash Flows, are summarized in the following table:

Summarized Cash Flow Information (In millions)	**2010**	**2009**	**2008**
Net cash provided by (used in):			
Operating activities	**$ 401.4**	$ 434.5	$ 574.3
Investing activities	**(202.0)**	(269.4)	(443.4)
Financing activities	**(171.5)**	(164.1)	(155.6)
Effect of exchange rate changes on cash	**2.2**	1.8	(5.8)
Net change in cash and cash equivalents	**$ 30.1**	$ 2.8	$ (30.5)

Cash From Operating Activities Net cash provided by operating activities in 2010 was $401.4 million, a decrease of $33.1 million from 2009. The decrease was primarily due to lower net income in 2010 as compared with 2009 primarily attributable to the Harsco Infrastructure Segment.

Cash Used in Investing Activities In 2010, cash used in investing activities was $202.0 million consisting primarily of capital investments of $192.3 million and $27.6 million used for strategic acquisitions. Capital investments increased $27.0 million compared with 2009. Growth capital constituted 43.5% of investments made in 2010, with capital investments made predominantly in the Harsco Metals & Minerals Segment. Throughout 2011, the Company plans to continue to manage its balanced portfolio and consider opportunities to invest in value creation projects. Additionally, the Company intends to increase growth investments, including joint ventures, in the Harsco Metals & Minerals and Harsco Rail Segments in 2011 and beyond, as these businesses continue to expand globally.

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Cash Used in Financing Activities The following table summarizes the Company's debt and capital positions at December 31, 2010 and 2009.

(Dollars are in millions)	December 31 2010	December 31 2009
Notes Payable and Current Maturities	**$ 35.2**	$ 83.2
Long-term Debt	**849.7**	901.7
Total Debt	**884.9**	984.9
Total Equity	**1,468.1**	1,509.8
Total Capital	**$ 2,353.0**	$ 2,494.7
Total Debt to Total Capital(a)	**37.6%**	39.5%

(a) Calculated as Total debt/Total capital.

The Company's debt as a percent of total capital decreased in 2010 due to lower overall debt, primarily due to lower capital expenditures.