

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

## FORM 10-Q

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

For the Quarterly Period Ended March 31, 1996

OR

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

Commission File Number 1-3970

HARSCO CORPORATION  
(Exact name of registrant as specified in its charter)

Delaware 23-1483991  
(State of incorporation) (I.R.S. Employer Identification No.)

Camp Hill, Pennsylvania 17001-8888  
(Address of principal executive offices) (Zip Code)

Registrant's Telephone Number (717) 763-7064

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO  
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Title of Each Class -----	Outstanding Shares at March 31, 1996 -----
Common Stock Par Value \$1.25	25,074,059
Preferred Stock Purchase Rights	25,074,059

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

(In thousands, except per share amounts)	Three Months Ended	
	1996	1995
REVENUES:		
Net sales.....	\$ 366,686	\$ 356,879
Equity in income of unconsolidated entities.....	22,901	18,537
Other.....	235	526
<b>TOTAL REVENUES.....</b>	<b>389,822</b>	<b>375,942</b>
COSTS AND EXPENSES:		
Cost of sales.....	280,528	276,897
Selling, general and administrative expenses.....	51,387	49,625
Research and development expenses.....	741	1,143
Facilities discontinuance and reorganization costs.....	768	1,313
Other.....	(558)	(2,584)
<b>TOTAL COSTS AND EXPENSES.....</b>	<b>332,866</b>	<b>326,394</b>
<b>INCOME BEFORE INTEREST, TAXES, AND MINORITY INTEREST...</b>	<b>56,956</b>	<b>49,548</b>
Interest income.....	2,028	1,497
Interest expense.....	(6,087)	(7,510)
<b>INCOME BEFORE TAXES AND MINORITY INTEREST.....</b>	<b>52,897</b>	<b>43,535</b>
Provision for income taxes.....	20,630	17,414
<b>INCOME BEFORE MINORITY INTEREST.....</b>	<b>32,267</b>	<b>26,121</b>
Minority interest in net income.....	1,157	661
<b>NET INCOME.....</b>	<b>\$ 31,110</b>	<b>\$ 25,460</b>
Average shares of common stock outstanding.....	25,086	25,202
<b>NET INCOME PER SHARE.....</b>	<b>\$ 1.24</b>	<b>\$ 1.01</b>
Cash dividends declared per share.....	\$ .38	\$ .37

See accompanying notes to consolidated financial statements.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited)

(In thousands)	MARCH 31 1996	DECEMBER 31 1995
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents.....	\$ 49,963	\$ 76,669
Receivables.....	275,212	272,858
Inventories:		
Finished goods.....	30,642	25,996
Work in process.....	26,638	24,640
Raw material and purchased parts.....	51,612	54,151
Stores and supplies.....	19,332	18,498
Total inventories.....	128,224	123,285
Other current assets.....	63,878	60,954
<b>TOTAL CURRENT ASSETS.....</b>	<b>517,277</b>	<b>533,766</b>
Property, plant and equipment, at cost.....	1,088,737	1,080,267
Allowance for depreciation.....	(628,293)	(620,458)
	460,444	459,809
Cost in excess of net assets of companies acquired, net.....	202,070	205,801
Investments in unconsolidated entities.....	65,548	45,604
Other assets.....	62,121	65,682
	\$ 1,307,460	\$ 1,310,662
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Notes payable and current maturities.....	\$ 109,147	\$ 108,747
Accounts payable.....	98,671	112,736
Accrued compensation.....	36,476	41,304
Other current liabilities.....	128,537	125,725
<b>TOTAL CURRENT LIABILITIES.....</b>	<b>372,831</b>	<b>388,512</b>
Long-term debt.....	173,967	179,926
Deferred income taxes.....	33,027	36,061
Other liabilities.....	84,871	80,172
	664,696	684,671
<b>SHAREHOLDERS' EQUITY</b>		
Common stock and additional paid-in capital.....	147,280	141,855
Cumulative adjustments for translation & pension liability.....	(24,174)	(20,265)
Retained earnings.....	735,367	713,774
Treasury stock.....	(215,709)	(209,373)
	642,764	625,991
	\$ 1,307,460	\$ 1,310,662

See accompanying notes to consolidated financial statements.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS (Continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

(In thousands)	Three Months Ended March 31	
	1996	1995
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income.....	\$ 31,110	\$ 25,460
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation.....	23,810	23,110
Amortization.....	2,328	2,538
Equity in income of unconsolidated entities.....	(22,901)	(18,537)
Dividends or distributions from unconsolidated entities....	3,325	3,325
Deferred income taxes.....	1,929	(2,190)
Other, net.....	1,659	(3,689)
Changes in assets and liabilities, net of acquisition of a business:		
Notes and accounts receivable.....	(4,503)	25,713
Inventories.....	(5,776)	(14,977)
Accounts payable.....	(7,792)	(4,819)
Other assets and liabilities.....	(982)	10,644
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES.....</b>	<b>22,207</b>	<b>46,578</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Expenditures for property, plant and equipment.....	(30,704)	(24,896)
Purchase of business, net of cash acquired.....	-	(3,208)
Investments held-to-maturity.....	1,000	1,000
Other investing activities.....	1,196	2,278
<b>NET CASH (USED) BY INVESTING ACTIVITIES.....</b>	<b>(28,508)</b>	<b>(24,826)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Short-term borrowings, net.....	(1,400)	(3,342)
Current maturities and long-term debt		
Additions.....	761	15,109
Reductions.....	(4,198)	(35,452)
Cash dividends paid on common stock.....	(9,521)	(9,319)
Common stock issued-options.....	3,038	1,586
Common stock acquired for treasury.....	(8,973)	-
Other financing activities.....	496	(221)
<b>NET CASH (USED) BY FINANCING ACTIVITIES.....</b>	<b>(19,797)</b>	<b>(31,639)</b>
Effect of exchange rate changes on cash.....	(608)	45
Net (decrease) in cash and cash equivalents.....	(26,706)	(9,842)
Cash and cash equivalents at beginning of period.....	76,669	43,550
Cash and cash equivalents at end of period	\$ 49,963	\$ 33,708

See accompanying notes to consolidated financial statements.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

REVIEW OF OPERATIONS BY GROUP  
(Unaudited)

(In millions)	Three Months Ended	
	1996	March 31 1995
-----		
SALES:		
Metal Reclamation and Mill Services.....	\$ 150.8	\$ 141.7
Infrastructure and Construction (a).....	92.6	93.0
Process Industry Products.....	123.3	122.2
-----		
Total.....	\$ 366.7	\$ 356.9
=====		
INCOME BEFORE TAXES AND MINORITY INTEREST:		
Metal Reclamation and Mill Services (b).....	\$ 20.4	\$ 14.1
Infrastructure and Construction (a).....	7.7	3.6
Process Industry Products.....	11.2	12.5
-----		
Facilities discontinuance and reorganization costs (c).....	(.4)	(1.2)
-----		
Total group operating profit.....	38.9	29.0
Equity in income of unconsolidated entities.....	22.9	18.5
Interest expense .....	(6.1)	(7.5)
General corporate expenses (d).....	(2.8)	3.5
-----		
Total pre-tax income.....	\$ 52.9	\$ 43.5
=====		

(a) Under the Infrastructure and Construction Group, the Company ceased all bus operations in June, 1995. For the first quarter of 1995, the school bus operations had \$8.5 million in sales and an operating loss of \$3.2 million.

(b) For the first quarter of 1995, Group income before taxes included a \$3.4 million foreign currency translation loss due to the devaluation of the Mexican peso.

(c) Facilities discontinuance and reorganization costs in 1995 included \$0.9 million of severance costs related to the school bus business.

(d) General corporate expenses for the first quarter of 1995 included \$5.8 million foreign currency translation and exchange gains.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (Cont'd.)

Cash payments for interest on all debt, net of amounts capitalized were \$5,563,000 for the first quarter of 1996 and \$7,510,000 for the first quarter of 1995. Cash payments for income taxes were \$11,151,000 for the first quarter of 1996 and \$5,981,000 for the first quarter of 1995.

Notes to Consolidated Financial Statements

Commitments and Contingencies:

Federal Excise Tax and Other Matters Related to the Five-ton Truck Contract:

In the third quarter of 1995, the Company, the United States Army, and the United States Department of Justice concluded a settlement of Harsco's previously reported claims against the Army relating to Federal Excise Tax arising under a completed 1986 contract for the sale of five-ton trucks to the Army. On September 27, 1995, the Army paid Harsco \$49 million in accordance with the settlement terms. Harsco released the Army from any further liability for those claims, and the Department of Justice released Harsco from a threatened action for damages and civil penalties based on an investigation conducted by the Department's Commercial Litigation Branch that had been pending for several years. During the performance of the five-ton truck contract, the Company recorded an account receivable of \$62.5 million for its claims against the Army relating to Federal Excise Tax. As a result of accepting the \$49 million in settlement, Harsco recorded a non-recurring, pre-tax, non-cash charge of \$13.5 million (after-tax charge of \$8.2 million, \$.32 per share), in the third quarter of 1995.

The settlement preserves the rights of the parties to assert claims and defenses under the Internal Revenue Code, and rights of the Army and Harsco to claim certain amounts that may be owed by either party to reconcile possible underpayments or overpayments on the truck contract as part of the formal contract close out process.

The settlement does not resolve the potential for a claim from the Internal Revenue Service that, contrary to the Company's position, certain cargo truck models have gross vehicle weights in excess of the 33,000 pound threshold under the Federal Excise Tax law, and therefore are taxable. As previously reported, the Internal Revenue Service is reviewing Harsco's position and has tentatively concluded that those cargo truck models appear to be taxable. If the Internal Revenue Service asserts that tax is due on these vehicles, the total claim could be \$42 million plus interest and penalty, if any. The Company plans to vigorously contest any such tax deficiency. Although there is risk of an adverse outcome, the Company believes that these trucks are not taxable. The settlement agreement preserves the Company's right to seek reimbursement of after-imposed tax from the Army in the event that the cargo trucks are determined to be taxable, but the agreement limits the reimbursement to a maximum of \$21 million. Additionally, in an earlier contract modification, the Army accepted responsibility for \$3.6 million of the potential tax, bringing its total potential responsibility up to \$24.6 million.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (Cont'd.)

Under the settlement, the Army agreed that if the cargo trucks are determined to be taxable, the 1993 decision of the Armed Services Board of Contract Appeals (which ruled that the Company is entitled to a price adjustment to the contract for reimbursement of FET paid on vehicles that were to be delivered after October 1, 1988) will apply to the question of Harsco's right to reimbursement from the Army for after-imposed taxes on the cargo trucks. In Harsco's view, application of the 1993 decision will favorably resolve the principal issues regarding any such future claim by Harsco. Therefore, the Company believes that even if the cargo trucks are held to be taxable, the Army would be obligated to reimburse the Company for a majority of the tax, (but not interest or penalty, if any), resulting in a net maximum liability for Harsco of approximately \$18 million plus interest and penalty, if any. The Company believes it is unlikely that resolution of this matter will have a material adverse effect on the Company's financial position, however, it could have a material effect on quarterly or annual results of operations.

M9 Armored Combat Earthmover Claim:

The Company and its legal counsel are of the opinion that the U.S. Government did not exercise option three under the M9 Armored Combat Earthmover (ACE) contract in a timely manner, with the result that the unit prices for options three, four and five are subject to renegotiation. Claims reflecting the Company's position have been filed with respect to all options purported to be exercised, totaling in excess of \$60 million plus interest. No recognition has been given in the accompanying financial statements for any recovery on these claims. In July 1995, the Armed Services Board of Contract Appeals denied the motions for summary judgment which had been filed by both the Company and the Government. The Company is continuing to pursue its claim before the Armed Services Board of Contract Appeals.

Other Litigation:

On March 13, 1992, the U.S. Government filed a counterclaim against the Company in a civil suit alleging violations of the False Claims Act and breach of a contract to supply M109A2 Self-Propelled Howitzers. The counterclaim was filed in the United States Claims Court in response to the Company's claim of approximately \$5 million against the Government for costs incurred on this contract relating to the same issue. In October 1995, Government counsel informed the Company's counsel that at trial it would claim breach of contract damages of \$4.8 million plus damages and civil penalties under the False Claims Act totaling \$6.8 million. This is a reduction from the previously asserted Government claim of \$7.3 million in damages, trebled plus False Claims Act penalties. The Company and its counsel believe it is unlikely that resolution of these claims will have a material adverse effect on the Company's financial position, however, it could have a material effect on quarterly or annual results of operations.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS (Cont'd.)

Iran's Ministry of Defense initiated arbitration procedures against the Company in 1991 under the rules of the International Chamber of Commerce for damages allegedly resulting from breach of various contracts executed by the Company and the Ministry of Defense between 1970 and 1978. The contracts were terminated in 1978 and 1979 during the period of civil unrest in Iran that preceded the Iranian revolution. Iran asserted a claim under one contract for repayment of a \$7.5 million advance payment it made to the Company, plus interest at 12% through June 27, 1991 in the amount of \$25.3 million. Iran also asserted a claim for damages under other contracts for \$76.3 million. The Company has asserted various defenses and also has filed counterclaims against Iran for damages in excess of \$7.5 million which it sustained as a result of Iran's breach of contract, plus interest. The arbitration hearing was held in January 1996. At the hearing, Iran reduced the \$76.3 million portion of its claim to approximately \$34.4 million. The arbitration panel took the case under advisement and management expects that it will issue a decision in 1996. The Company's management and its counsel believe it is unlikely that resolution of these claims will have a material adverse effect on the Company's financial position or results of operations.

In 1992, the United States Government through its Defense Contract Audit Agency commenced an audit of certain contracts for sale of tracked vehicles by the Company to foreign governments, which were financed by the United States Government through the Defense Security Assistance Agency. The Company cooperated with the audit and responded to a number of issues raised by the audit. In September 1994, the Company received a subpoena issued by the Department of Defense Inspector General seeking various documents relating to sale contracts between the Company and foreign governments which were funded by the Defense Security Assistance Agency. The Company is continuing to cooperate and is responding to the subpoena. Based on discussions with the agent in charge and the Government auditors, it appears that the investigation focuses on whether the Company improperly certified requests for and received progress payments in advance of the schedule permitted by the Defense Security Assistance Agency regulations and Company certifications. The Company's management and its counsel believe it is unlikely that this issue will have a material adverse effect on the Company's financial position or results of operations.

In June 1994, the shareholder of the Ferrari Group, a Belgium holding company involved in steel mill services and other activities, filed a legal action in Belgium against Hekett MultiServ, S.A. and S.E.A.E., subsidiaries of MultiServ International N.V. (a subsidiary of the Company). The action alleges that these two subsidiaries breached contracts arising from letters of intent signed in 1992 and 1993 concerning the possible acquisition of the Ferrari Group, claiming that the subsidiaries were obligated to proceed with the acquisition and failed to do so. The action seeks damages of 504 million Belgian francs (approximately U.S. \$17 million). The Company intends to vigorously defend against the action and believes that based on conditions contained in the letters of intent and other defenses it will prevail. The Company and its counsel believe that it is unlikely that these claims will have a material adverse effect on the Company's financial position or results of operations.



HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (Cont'd.)

On August 29, 1994, the Company filed a legal action in the United States District Court for the Southern District of New York against certain former shareholders of MultiServ International, N.V. seeking recovery of damages arising from misrepresentations which the Company claims were made to it in connection with its purchase of the MultiServ International, N.V. stock on August 31, 1993. The Complaint seeks damages in an amount to be determined. On April 4, 1995, the court dismissed various elements of the Company's claims and allowed the Company to amend its complaint with respect to other elements. At the Company's request, the Court dismissed the remaining claims which then allowed the Company to file an appeal in the United States Court of Appeals for the Second Circuit. The Company has settled its claims with certain defendants, but continues to pursue its appeal with respect to claims against the other defendants.

Environmental

The Company is involved in a number of environmental remediation investigations and clean-ups and, along with other companies, has been identified as a "potentially responsible party" for certain waste disposal sites. While each of these matters is subject to various uncertainties, it is probable that the Company will agree to make payments toward funding certain of these activities and it is possible that some of these matters will be decided unfavorably to the Company. The Company has evaluated its potential liability, and its financial exposure is dependent upon such factors as the continuing evolution of environmental laws and regulatory requirements, the availability and application of technology, the allocation of cost among potentially responsible parties, the years of remedial activity required and the remediation methods selected. The Consolidated Balance Sheets at March 31, 1996 and December 31, 1995, include an accrual of \$5.2 million and \$5.3 million respectively for environmental matters. The amounts charged to earnings on a pre-tax basis related to environmental matters totaled \$76,000 and zero for the first three months of 1996 and 1995, 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 vary from the estimates, given inherent uncertainties in evaluating environmental exposures. Subject to the imprecision in estimating future environmental costs, the Company does not expect that any sum it may have to pay in connection with environmental matters in excess of the amounts recorded or disclosed above would have a material adverse effect on its financial position or results of operations.

Other

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

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS (Cont'd.)

## New Financial Accounting Standards Adopted

In March 1995, the Financial Accounting Standards Board issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" which is effective for years beginning after December 15, 1995. This statement establishes criteria for recognizing, measuring and disclosing impairments of long-lived assets, identifiable intangibles and goodwill. The Company adopted SFAS 121 in the first quarter of 1996, the effect of which was immaterial.

In October 1995, the Financial Accounting Standards Board issued SFAS No. 123, "Accounting for Stock-Based Compensation" which is effective for years beginning after December 15, 1995. This statement allows entities to choose between a new fair value based method of accounting for employee stock options or similar equity instruments and the current method of accounting prescribed by Accounting Principles Board Opinion No. 25. Entities electing to remain with the accounting in Opinion No. 25 must make pro forma disclosure of net income and earnings per share as if the fair value method of accounting had been applied. The Company will continue accounting for employee stock options and similar equity instruments in accordance with Opinion No. 25.

## Opinion of Management:

Financial information furnished herein, which is unaudited, reflects in the opinion of management all adjustments (all of which are of a recurring nature) that are necessary to present a fair statement of the interim period.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATIONITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS  
OF OPERATIONSMANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF  
OPERATIONS

## FINANCIAL CONDITION

Net cash provided by operating activities was \$22.2 million in the first quarter of 1996 compared to \$46.6 million in 1995 which included receipt of \$20.4 million in payment of a claim settlement. Operating cash flows for 1996 were unfavorably affected by working capital components. Inventories and accounts receivable increased \$5.8 million and \$4.5 million, respectively, and accounts payable decreased \$7.8 million. During the first quarter, distributions of \$3.3 million were received from unconsolidated entities. It is anticipated that an additional distribution of approximately \$10.0 million will be received in the second quarter of 1996.

Capital expenditures for the first quarter of 1996 were \$30.7 million compared with \$24.9 million in 1995, reflecting the Company's program to achieve business growth and to improve productivity and product quality. Proceeds from the sale of property, plant and equipment in the first quarter 1996 provided \$1.2 million in cash. Cash used for financing activities included a net decrease in long-term debt of \$3.4 million, a \$1.4 million reduction of short-term debt, and \$9.5 million of cash dividends paid on common stock. The Company has maintained a policy of reacquiring its common stock in unsolicited open market or privately-negotiated transactions at prevailing market prices for several years. In January 1996, the Board of Directors authorized the purchase, over a one-year period, of up to 1,000,000 shares of the Company's common stock. The total number of shares purchased under this program for the three months ended March 31, 1996 was 98,700 shares of common stock for approximately \$6.5 million, at an average cost of \$66.19 per share. Financing activities included \$9.0 million in cash used to repurchase these shares plus approximately \$2.5 million which was payable at year end for shares purchased in 1995. Cash and cash equivalents decreased \$26.7 million to \$50.0 million at March 31, 1996.

Other matters which could affect cash flows in the future are discussed under Part 1, item 1 and in the 1995 Annual Report on Form 10K under Note 10, "Commitments and Contingencies."

Harsco continues to maintain a good financial position, with net working capital of \$144.4 million, down slightly from the \$145.3 million at December 31, 1995. Current assets amounted to \$517.3 million, and current liabilities were \$372.8 million, resulting in a current ratio of 1.4 to 1, the same as year-end 1995. With total debt at \$283.1 million and equity at \$642.8 million at March 31, 1996, the total debt as a percent of capital was 30.6%, which is lower than the 31.6% at December 31, 1995.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd.)

The stock price range during the first quarter was \$67 7/8 - 58. Harsco's book value per share at March 31, 1996, was \$25.63, compared with \$24.99 at year-end 1995. The Company's annualized return on average equity for the first quarter of 1996 was 15.4%, compared with 15.9% for the year 1995. The annualized return on average assets was 14.7%, compared with the 14.6% for the year 1995. The annualized return on average capital for the first quarter was 12.2%, compared with 12.2% for year 1995.

The Company has available through a syndicate of banks a \$300 million multi-currency five-year term line of credit. This facility serves as back-up to the Company's commercial paper program. As of March 31, 1996, there were no borrowings outstanding under this facility.

The Company also has a commercial paper borrowing program under which it can issue up to \$150 million of short-term notes in the U.S. commercial paper market. The Company limits the aggregate commercial paper and syndicated credit facility borrowings at any one time to a maximum \$300 million. At March 31, 1996, the Company had no outstanding commercial paper debt.

Harsco's outstanding long-term notes are rated A by Standard & Poor's and Baal by Moody's. Harsco's commercial paper is rated A-1 by Standard & Poor's, F-1 by Fitch Investors Service and P-2 by Moody's. The Company also has on file, with the Securities and Exchange Commission, a Form S-3 shelf registration for the possible issuance of up to an additional \$200 million of new debt securities, preferred stock or common stock.

As indicated by the above, the Company's financial position and debt capacity should enable it to meet its current and future requirements. As additional resources are needed, the Company should be able to obtain funds readily and at competitive costs.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATIONITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS  
OF OPERATIONS (Cont'd.)RESULTS OF OPERATIONS  
FIRST QUARTER OF 1996 COMPARED  
WITH FIRST QUARTER OF 1995

First quarter revenues of \$389.8 million were 4% above last year's comparable period. The increase was due principally to higher sales for metal reclamation and mill services, which included the consolidation of a subsidiary in South Africa that had previously been reflected as an equity investment. The Company acquired a majority ownership of the subsidiary in the fourth quarter of 1995. Partially offsetting these increases in metal reclamation and mill services, was the divesting of certain non-core businesses in Europe during the second half of 1995. In addition, higher sales were recorded for grating, scaffolding, shoring and forming equipment, and to a lesser extent railroad equipment, as well as structural composites. Higher revenues included better than expected income from the Company's equity investment in United Defense, L.P. These increases were partially offset by lower sales of gas control and containment equipment, and the effect of ceasing school bus operations in June 1995.

Cost of sales increased, principally due to higher volume. Selling and administrative expenses increased, as a result of higher compensation costs and professional fees associated with certain previously disclosed legal matters.

Income before taxes and minority interest was up 22% from the comparable period last year due to higher earnings. The effective income tax rate for 1996 was 39%, versus 40% in 1995. The reduction in the income tax rate is primarily due to lower effective tax rates on international earnings.

Higher earnings in the first quarter of 1996 were due principally to higher results for metal reclamation and mill services, pipe fittings and grating, as well as the Company's share of income in its equity investment in United Defense, L.P., that includes substantial dividend income from the partnership's equity investment in Turkey which was approximately twice the amount of dividend income that was received in 1995. Lower earnings were recorded for gas control and containment equipment in 1996. On a comparative basis, unfavorably affecting 1995's first quarter's results were losses arising from ceasing the school bus business. Income benefited in 1995 from the impact of a pre-tax \$5.1 million net foreign currency translation exchange gain arising from the decline in the U.S. Dollar against certain European currencies which more than offset a pre-tax \$3.4 million foreign currency translation exchange loss due to the devaluation of the Mexican peso. Interest expense decreased as a result of the continued reduction of the Company's outstanding debt.

Net income of \$31.1 million, was up 22% from the comparable period in 1995. This net income was the highest first quarter performance.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART I - FINANCIAL INFORMATION

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd.)

Sales of the Metal Reclamation and Mill Services Group, at \$150.8 million, were above 1995's first quarter, due principally to the consolidation of a subsidiary in South Africa which had previously been reflected as an equity investment as discussed above. Partially offsetting this was the divesting of certain non-core businesses in Europe during the second half of 1995. Sales for the Infrastructure and Construction Group, at \$92.6 million, approximated last year's similar period which included \$8.5 million for the school bus business which ceased operation in June 1995. Higher sales were recorded for grating and scaffolding in 1996. Sales for the Process Industry Products Group, at \$123.3 million, were slightly higher than the prior year's first quarter.

Operating profit for the Metal Reclamation and Mill Services Group was significantly ahead of 1995's first quarter, which included \$3.4 million of foreign currency translation exchange losses due to the devaluation of the Mexican peso. The increase also includes higher income in 1996 due to the consolidation of a subsidiary in South Africa. The Infrastructure and Construction Group posted an operating profit of \$7.7 million, this was more than double 1995's first quarter which included losses arising from the shutdown of the school bus operation. Additionally, significantly improved results for grating contributed to the improved operating profit of the Group. Operating profit for the Process Industry Products Group, at \$11.2 million, was down 10% from the prior year's first quarter and reflected significantly lower results for gas control and containment equipment which more than offset higher earnings for pipe fittings.

In addition to the Group reporting noted above, the Company views itself as a diversified industrial services and manufacturing company. Total industrial services sales, which include Metal Reclamation and Mill Services Group and Infrastructure and Construction Group service businesses, principally scaffolding services and railway maintenance of way services, were \$184.1 million in 1996 and \$170.3 million in 1995, or approximately 50% and 48% of net sales, respectively. The total manufacturing sales for 1996 were \$182.6 million or approximately 50% of net sales, which includes sales from the Infrastructure and Construction Group and the Process Industry Products Group. The total manufacturing sales for 1995 were \$186.6 million or approximately 52% of net sales.

The operating profit for industrial services for 1996 was \$22.3 million compared with \$15.9 million in 1995, or approximately 57% and 53%, respectively, of total Group operating profit. The operating profit from manufacturing for 1996 was \$17.0 million compared with \$14.3 million in 1995, which is approximately 43% and 47%, respectively, of total Group operating profit.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART II - OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

Information on legal proceedings is included under Part I, Item 1., the section labeled "Commitments and Contingencies."

## ITEM 4. SUBMISSION OF MATTERS TO A VOTE BY SECURITY HOLDERS

At the Annual Meeting of shareholders held on April 30, 1996 in Camp Hill, Pennsylvania, two members of the Board of Directors were reelected to terms expiring in 1999 under the classified Board structure enacted at the 1986 Annual Meeting. They include A. J. Sordoni, III, Chairman of Sordoni Construction Services, Inc. and R. C. Wilburn, President, Colonial Williamsburg Foundation.

The Board of Directors voting tabulation is as follows:

Name	For No. of Shares	Withheld No. of Shares	Abstentions No. of Shares	Broker No-Votes No. of Shares
A. J. Sordoni, III	20,688,329	202,385	- 0 -	- 0 -
R. C. Wilburn	20,680,401	210,313	- 0 -	- 0 -

Shareholders also approved the appointment of Coopers & Lybrand L.L.P. as independent accountants to audit the financial statements of the Company for the fiscal year ending December 31, 1996 by the following vote:

For No. of Shares	Withheld No. of Shares	Abstentions No. of Shares	Broker No-Votes No. of Shares
20,761,545	52,532	76,637	- 0 -

HARSCO CORPORATION AND SUBSIDIARY COMPANIES  
PART II - OTHER INFORMATION

## ITEM 5. OTHER INFORMATION

## ACQUISITION:

\* On January 18, 1996, the Company announced that by mutual agreement, the parties have discontinued discussions about the possible acquisition of Symons Corporation.

\* On April 29, 1996, the Company announced that its Taylor-Wharton Gas Equipment Division acquired substantially all of the assets of the Coyne Cylinder business of Huntsville, Alabama. The transaction included the acquisition of the business assets from Coyne Cylinder Company for \$18 million in cash and the assumption of certain liabilities for a total consideration of approximately \$22 million.

Coyne, which was a subsidiary of Thermadyne Holding Corporation of St. Louis, Missouri, has annual revenues exceeding \$45 million. It is the world's leading manufacturer of acetylene, small and intermediate high pressure and specialty cylinders, and also produces scuba tanks and cylinder caps.

## DIVIDEND ACTION:

\* On March 21, 1996, the Company announced that the Board of Directors declared a quarterly cash dividend of 38 cents per share, payable May 15, 1996, to shareholders of record on April 15, 1996.

## DIRECTOR RETIREMENTS:

\* On April 30, 1996, Jeffrey J. Burdge and Roy C. Smith retired from the Company's Board of Directors.



ITEM 6(a). EXHIBITS

The following exhibits are attached:

- a.) Exhibit No. 11 Computation of Fully Diluted Net Income Per Common Share.
- b.) Exhibit No. 12 Computation of Ratios of Earnings to Fixed Charges.
- c.) Exhibit No. 27 Financial Data Schedule

ITEM 6(b). REPORTS ON FORM 8-K

- a.) There were no reports filed on Form 8-K during the first quarter ending March 31, 1996.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HARSCO CORPORATION  
-----

(Registrant)

DATE April 29, 1996  
-----

/S/ Leonard A. Campanaro  
-----

Leonard A. Campanaro  
Senior Vice President and  
Chief Financial Officer

DATE April 30, 1996  
-----

/S/ Salvatore D. Fazzolari  
-----

Salvatore D. Fazzolari  
Vice President and Controller

## EXHIBIT INDEX

Exhibit No. 11 Computation of Fully Diluted Net Income Per Common Share.

Exhibit No. 12 Computation of Ratios of Earnings to Fixed Charges.

Exhibit No. 27 Financial Data Schedule

HARSCO CORPORATION  
 COMPUTATION OF FULLY DILUTED NET INCOME PER COMMON SHARE  
 (dollars in thousands except per share)

	3 MONTHS ENDED MARCH 31 1996	1995
	-----	-----
Net income	\$ 31,110	\$ 25,460
	=====	=====
Average shares of common stock outstanding used to compute primary earnings per common share	25,086,029	25,202,429
Additional common shares to be issued assuming exercise of stock options, net of shares assumed reacquired	243,047	107,161
	-----	-----
Shares used to compute dilutive effect of stock options	25,329,076	25,309,590
	=====	=====
Fully diluted net income per common share	\$ 1.23	\$ 1.01
	=====	=====
Net income per common share	\$ 1.24	\$ 1.01
	=====	=====

## Computation of Ratios of Earnings to Fixed Charges

(In Thousands of Dollars)

	Three Months Ended 3/31/96	YEARS ENDED DECEMBER 31				
		1995	1994	1993	1992	1991
Consolidated Earnings:						
Pre-tax income from continuing operations(1)	\$ 51,740	\$ 161,231	\$ 146,089	\$ 137,151	\$ 140,576	\$ 119,647
Add fixed charges computed below	7,148	33,121	37,982	23,879	22,425	23,544
Net adjustments for equity companies	(19,026)	(4,320)	(134)	(363)	(454)	(439)
Net adjustments for capitalized interest	--	--	(274)	(172)	(134)	(469)
Consolidated Earnings Available for Fixed Charges	\$ 39,862	\$ 190,032	\$ 183,663	\$ 160,495	\$ 162,413	\$ 142,283
Consolidated Fixed Charges:						
Interest Expense per financial statements(2)	\$ 6,087	\$ 28,921	\$ 34,048	\$ 19,974	\$ 18,882	\$ 18,925
Interest expense capitalized	33	134	338	332	355	574
Portion of rentals (1/3) representing an interest factor	1,028	4,066	3,596	3,573	3,188	4,045
Interest expense for equity companies whose debt is guaranteed (3)	--	--	--	--	--	--
Consolidated Fixed Charges	\$ 7,148	\$ 33,121	\$ 37,982	\$ 23,879	\$ 22,425	\$ 23,544
Consolidated Ratio of Earnings to Fixed Charges	\$ 5.58	5.74	4.84	6.72	7.24	6.04

(1) 1992 excludes the cumulative effect of change in accounting method for postretirement benefits other than pensions.

(2) Includes amortization of debt discount and expense.

(3) No fixed charges were associated with debt of less than fifty percent owned companies guaranteed by the Company during the five year period 1991 through 1995, and the three months ended March 31, 1996.

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3-MOS  
DEC-31-1996  
MAR-31-1996  
49,963  
0  
283,588  
(8,376)  
128,224  
517,277  
1,088,737  
(628,293)  
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173,967  
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280,528  
332,866  
0  
1,017  
6,087  
52,897  
20,630  
31,110  
0  
0  
0  
31,110  
1.24  
1.23