HARSCO CORP
Form 10-Q
May 07, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the Quarterly Period Ended March 31, 2015
or

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

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

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

Registrant's telephone number, including area code 717-763-7064
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ý NO o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ý NO o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES o NO ý
Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 30, 2015
Common stock, par value $1.25 per share	80,087,180

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
HARSCO CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(In thousands)	March 31 2015	December 31 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$66,549	$62,843
Trade accounts receivable, net	332,005	325,104
Other receivables	21,709	28,145
Inventories	194,598	178,922
Assets held-for-sale	1,328	1,355
Other current assets	85,860	87,110
Total current assets	702,049	683,479
Investments	284,693	288,505
Property, plant and equipment, net	623,364	663,244
Goodwill	402,754	416,155
Intangible assets, net	58,385	58,524
Other assets	192,138	159,320
Total assets	$2,263,383	$2,269,227
LIABILITIES		
Current liabilities:		
Short-term borrowings	$18,643	$16,748
Current maturities of long-term debt	24,899	25,188
Accounts payable	143,823	146,506
Accrued compensation	41,824	53,780
Income taxes payable	6,732	1,985
Dividends payable	16,418	16,535
Insurance liabilities	12,192	12,415
Advances on contracts	116,514	117,398
Due to unconsolidated affiliate	8,317	8,142
Unit adjustment liability	22,320	22,320
Other current liabilities	145,356	144,543
Total current liabilities	557,038	565,560
Long-term debt	875,277	829,709
Deferred income taxes	7,164	6,379
Insurance liabilities	35,837	35,470
Retirement plan liabilities	316,948	350,889
Due to unconsolidated affiliate	20,469	20,169
Unit adjustment liability	68,107	71,442
Other liabilities	34,722	37,699
Total liabilities	1,915,562	1,917,317
COMMITMENTS AND CONTINGENCIES		
HARSCO CORPORATION STOCKHOLDERS’ EQUITY		
Preferred stock	—	—
Common stock	140,489	140,444
Additional paid-in capital	166,346	165,666

Accumulated other comprehensive loss	(527,475)	(532,256)
Retained earnings	1,282,465	1,283,549
Treasury stock	(760,227)	(749,815)
Total Harsco Corporation stockholders' equity	301,598	307,588
Noncontrolling interests	46,223	44,322
Total equity	347,821	351,910
Total liabilities and equity	$2,263,383	$2,269,227

See accompanying notes to unaudited condensed consolidated financial statements.

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HARSCO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended March 31	
(In thousands, except per share amounts)	2015	2014
Revenues from continuing operations:		
Service revenues	$287,428	$350,794
Product revenues	164,151	161,689
Total revenues	451,579	512,483
Costs and expenses from continuing operations:		
Cost of services sold	245,861	294,308
Cost of products sold	115,221	115,466
Selling, general and administrative expenses	63,902	66,794
Research and development expenses	919	2,663
Loss on disposal of the Harsco Infrastructure Segment and transaction costs	—	1,681
Other income	(13,205)	(656)
Total costs and expenses	412,698	480,256
Operating income from continuing operations	38,881	32,227
Interest income	256	297
Interest expense	(11,884)	(11,421)
Change in fair value to the unit adjustment liability	(2,245)	(2,546)
Income from continuing operations before income taxes and equity income	25,008	18,557
Income tax expense	(12,855)	(5,311)
Equity in income (loss) of unconsolidated entities, net	4,083	(1,230)
Income from continuing operations	16,236	12,016
Discontinued operations:		
Loss on disposal of discontinued business	(646)	(640)
Income tax benefit related to discontinued business	239	237
Loss from discontinued operations	(407)	(403)
Net income	15,829	11,613
Less: Net income attributable to noncontrolling interests	(565)	(1,402)
Net income attributable to Harsco Corporation	$15,264	$10,211
Amounts attributable to Harsco Corporation common stockholders:		
Income from continuing operations, net of tax	$15,671	$10,614
Loss from discontinued operations, net of tax	(407)	(403)
Net income attributable to Harsco Corporation common stockholders	$15,264	$10,211
Weighted-average shares of common stock outstanding	80,240	80,816
Basic earnings (loss) per common share attributable to Harsco Corporation common stockholders:		
Continuing operations	$0.20	$0.13
Discontinued operations	(0.01)	—
Basic earnings per share attributable to Harsco Corporation common stockholders	$0.19	$0.13
Diluted weighted-average shares of common stock outstanding	80,352	81,022
Diluted earnings (loss) per common share attributable to Harsco Corporation common stockholders:		
Continuing operations	$0.20	$0.13
Discontinued operations	(0.01)	—
Diluted earnings per share attributable to Harsco Corporation common stockholders	$0.19	$0.13

Cash dividends declared per common share	$0.205	$0.205

See accompanying notes to unaudited condensed consolidated financial statements.

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HARSCO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	Three Months Ended March 31	
(In thousands)	2015	2014
Net income	$15,829	$11,613
Other comprehensive income (loss):		
Foreign currency translation adjustments, net of deferred income taxes of $(1,650) and $(101) in 2015 and 2014, respectively	(28,842)	(1,270)
Net gain (loss) on cash flow hedging instruments, net of deferred income taxes of $(1,522) and $386 in 2015 and 2014, respectively	7,574	(3,963)
Pension liability adjustments, net of deferred income taxes of $(3,091) and $(406) in 2015 and 2014, respectively	25,293	3,681
Unrealized loss on marketable securities, net of deferred income taxes of $4 and $3 in 2015 and 2014, respectively	(8)	(5)
Total other comprehensive income (loss)	4,017	(1,557)
Total comprehensive income	19,846	10,056
Less: Comprehensive (income) loss attributable to noncontrolling interests	199	(1,102)
Comprehensive income attributable to Harsco Corporation	$20,045	$8,954

See accompanying notes to unaudited condensed consolidated financial statements.

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HARSCO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Three Months Ended March 31	
(In thousands)	2015	2014
Cash flows from operating activities:		
Net income	$15,829	$11,613
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	36,654	41,834
Amortization	3,237	3,001
Change in fair value to the unit adjustment liability	2,245	2,546
Deferred income tax expense	2,526	2,352
Equity in (income) loss of unconsolidated entities, net	(4,083)	1,230
Loss on disposal of Harsco Infrastructure Segment	—	242
Other, net	(9,612)	(750)
Changes in assets and liabilities:		
Accounts receivable	(20,151)	(49,455)
Inventories	(19,496)	(4,273)
Accounts payable	5,775	(6,246)
Accrued interest payable	6,828	8,207
Accrued compensation	(9,019)	(3,586)
Advances on contracts	8,693	34,006
Harsco 2011/2012 Restructuring Program accrual	(188)	(528)
Other assets and liabilities	(8,765)	(12,709)
Net cash provided by operating activities	10,473	27,484
Cash flows from investing activities:		
Purchases of property, plant and equipment	(31,630)	(39,839)
Proceeds from the Infrastructure Transaction	—	3,296
Proceeds from sales of assets	6,781	3,806
Purchases of businesses, net of cash acquired	(6,828)	(26,046)
Payment of unit adjustment liability	(5,580)	(5,580)
Other investing activities, net	2,360	(1,178)
Net cash used by investing activities	(34,897)	(65,541)
Cash flows from financing activities:		
Short-term borrowings, net	4,898	(1,721)
Current maturities and long-term debt:		
Additions	52,039	65,000
Reductions	(5,147)	(18,424)
Cash dividends paid on common stock	(16,443)	(16,562)
Common stock acquired for treasury	(12,143)	—
Other financing activities, net	(2,049)	—
Net cash provided by financing activities	21,155	28,293
Effect of exchange rate changes on cash	6,975	(479)
Net increase (decrease) in cash and cash equivalents	3,706	(10,243)
Cash and cash equivalents at beginning of period	62,843	93,605
Cash and cash equivalents at end of period	$66,549	$83,362

See accompanying notes to unaudited condensed consolidated financial statements.

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HARSCO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (Unaudited)

	Harsco Corporation Stockholders' Equity						
	Common Stock						
(In thousands, except share and per share amounts)	Issued	Treasury	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
Balances, January 1, 2014	$140,248	$(746,237)	$159,025	$1,372,041	$(370,615)	$43,093	$597,555
Net income				10,211		1,402	11,613
Cash dividends declared:							
Common @ $0.205 per share				(16,572)			(16,572)
Noncontrolling interests						(133)	(133)
Total other comprehensive loss, net of deferred income taxes of $(118)					(1,257)	(300)	(1,557)
Contributions from noncontrolling interests						1,560	1,560
Noncontrolling interests transferred in the Infrastructure Transaction						(905)	(905)
Vesting of restricted stock units and other stock grants, net 39,941 shares	79	(593)	1,571				1,057
Amortization of unearned portion of stock-based compensation, net of forfeitures			452				452
Balances, March 31, 2014	$140,327	$(746,830)	$161,048	$1,365,680	$(371,872)	$44,717	$593,070

	Harsco Corporation Stockholders' Equity						
	Common Stock						
(In thousands, except share and per share amounts)	Issued	Treasury	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
Balances, January 1, 2015	$140,444	$(749,815)	$165,666	$1,283,549	$(532,256)	$44,322	$351,910
Net income				15,264		565	15,829
Cash dividends declared:							
Common @ $0.205 per share				(16,348)			(16,348)
Total other comprehensive income, net of deferred income taxes of $(6,259)					4,781	(764)	4,017
Contributions from noncontrolling interests						2,100	2,100
Vesting of restricted stock units and other stock grants, net 23,962 shares	45	(192)	(81)				(228)
Treasury shares repurchased, 596,632 shares		(10,220)					(10,220)
Amortization of unearned portion of stock-based compensation, net of forfeitures			761				761

Balances, March 31, 2015	$140,489	$(760,227)	$166,346	$1,282,465	$(527,475)	$46,223	$347,821

See accompanying notes to unaudited condensed consolidated financial statements.

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HARSCO CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Basis of Presentation

Harsco Corporation (the "Company") has prepared these unaudited condensed consolidated financial statements based on Securities and Exchange Commission rules that permit reduced disclosure for interim periods. In the opinion of management, all adjustments (all of which are of a normal recurring nature) that are necessary for a fair presentation are reflected in the unaudited condensed consolidated financial statements. The December 31, 2014 Condensed Consolidated Balance Sheet information contained in this Quarterly Report on Form 10-Q was derived from the 2014 audited consolidated financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America ("U.S. GAAP") for an annual report. The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements, including the notes thereto, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

Operating results and cash flows for the three months ended March 31, 2015 are not indicative of the results that may be expected for the year ending December 31, 2015.

2. Revised Financial Statements

During the first quarter of 2015, the Company identified an error that would have had the net effect of decreasing after-tax income by $7.5 million, related to an unasserted multiemployer pension plan withdrawal liability that should have been recorded by the Company in the fourth quarter of 2012. The Company became aware of a potential withdrawal liability during the first quarter of 2015 and followed the Company's standard procedure of engaging outside experts to determine the amount of potential liability. Based on these procedures, the Company determined it had triggered a partial withdrawal during the fourth quarter of 2012 due to a decrease in hours worked by the Company's employees who participate in the plan and that such amount should have been accrued in that period. The Company assessed the individual and aggregate impact of this error on the current year and all prior periods and determined that the cumulative effect of this error was material to both the first quarter and expected full-year 2015 results, but did not result in a material misstatement to any previously issued annual or quarterly financial statements. Accordingly, the Company is revising the relevant financial statements for all applicable periods and will revise additional financial statements as they appear in future filings.

In connection with the revision, the Company additionally corrected all previously disclosed immaterial out-of-period adjustments, including tax adjustments. The impact of revising the Company's Condensed Consolidated Balance Sheets, Condensed Statements of Operations and Condensed Consolidated Statements of Cash Flows for all period presented are as follows:

	December 31, 2014		
(In thousands)	As Previously Reported	Revision	As Revised
ASSETS			
Inventories	$177,265	$1,657	$178,922
Total current assets	681,822	1,657	683,479
Other assets	155,551	3,769	159,320
Total assets	2,263,801	5,426	2,269,227
LIABILITIES			
Other liabilities	$25,849	$11,850	$37,699
Total liabilities	1,905,467	11,850	1,917,317

HARSCO CORPORATION STOCKHOLDERS' EQUITY			
Accumulated other comprehensive loss	$(532,491)	$235	$(532,256)
Retained earnings	1,290,208	(6,659)	1,283,549
Total Harsco Corporation stockholders' equity	314,012	(6,424)	307,588
Total equity	358,334	(6,424)	351,910
Total liabilities and equity	2,263,801	5,426	2,269,227

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(In thousands, except per share amounts)	Three Months Ended March 31, 2014 As Previously Reported	Revision	As Revised
Revenues from continuing operations:			
Service revenues	$351,010	$(216)	$350,794
Total revenues	512,699	(216)	512,483
Costs and expenses from continuing operations:			
Cost of services sold	$293,999	$309	$294,308
Research and development expenses	2,619	44	2,663
Loss on disposal of the Harsco Infrastructure Segment and transaction costs	2,138	(457)	1,681
Total costs and expenses	480,360	(104)	480,256
Operating income from continuing operations	$32,339	$(112)	$32,227
Income from continuing operations before income taxes and equity income	18,669	(112)	18,557
Income tax expense	(4,495)	(816)	(5,311)
Income from continuing operations	12,944	(928)	12,016
Net income	12,541	(928)	11,613
Net income attributable to Harsco Corporation	11,139	(928)	10,211
Amounts attributable to Harsco Corporation common stockholders:			
Income from continuing operations, net of tax	$11,542	$(928)	$10,614
Net income attributable to Harsco Corporation common stockholders	11,139	(928)	10,211
Basic earnings (loss) per common share attributable to Harsco Corporation common stockholders:			
Continuing operations	$0.14	$(0.01)	$0.13
Basic earnings per share attributable to Harsco Corporation common stockholders	0.14	(0.01)	0.13
Diluted earnings (loss) per common share attributable to Harsco Corporation common stockholders:			
Continuing operations	$0.14	$(0.01)	$0.13
Diluted earnings per share attributable to Harsco Corporation common stockholders	0.14	(0.01)	0.13

(In thousands)	Three Months Ended March 31, 2014 As Previously Reported	Revision	As Revised
Net cash provided (used) by:			
Operating activities	$27,528	$(44)	$27,484
Investing activities	(65,585)	44	(65,541)

As of March 31, 2015, the cumulative impact of this revision was a $6.7 million reduction in retained earnings. The diluted loss per share from continuing operations decrease for the year ended December 31, 2014 was $0.03. The diluted loss per share from continuing operations increase for the years ended December 31, 2013 and 2012 was $0.06

for both periods. The notes to the condensed consolidated financial statements for the three months ended March 31, 2015 have been revised, as applicable.

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3. Recently Adopted and Recently Issued Accounting Standards

The following accounting standards have been adopted in 2015:

On January 1, 2015, the Company adopted changes issued by the Financial Accounting Standards Board ("FASB") related to reporting discontinued operations and the disclosure of disposals of components of an entity. The changes modify the criteria related to what transactions constitute discontinued operations and expand disclosure requirements. The adoption of these changes did not have a material impact on the Company's condensed consolidated financial statements.

The following accounting standards have been issued and become effective for the Company at a future date:

In May 2014, the FASB issued changes related to the recognition of revenue from contracts with customers. The changes clarify the principles for recognizing revenue and develop a common revenue standard. The core principle of the changes is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The changes also require additional disclosures related to revenue recognition. The changes become effective for the Company on January 1, 2017; however, on April 1, 2015 the FASB proposed a deferral of the effective date by one year, but permits entities to adopt one year earlier. These proposed changes are not yet final. Management is currently evaluating these changes.

In August 2014, the FASB issued changes related to management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. The changes become effective for the Company on January 1, 2017. Management has determined that these changes will not have a material impact on the Company's condensed consolidated financial statements.

In January 2015, the FASB issued changes related to reporting extraordinary and unusual items. The changes simplify income statement presentation by eliminating the concept of extraordinary items. The changes become effective for the Company on January 1, 2016. Management has determined that these changes will not have a material impact on the Company's condensed consolidated financial statements.

In February 2015, the FASB issued changes related to consolidation. The changes update consolidation analysis and affect reporting entities that are required to evaluate whether they should consolidate certain legal entities. The changes become effective for the Company on January 1, 2016. Management has determined that these changes will not have a material impact on the Company's condensed consolidated financial statements.

4. Acquisitions

Acquisitions

In March 2015, the Company acquired Protran Technology ("Protran"), a U.S. designer and producer of safety systems for transportation and industrial applications. Protran has been included in the results of the Harsco Rail Segment. Inclusion of pro forma financial information for this transaction is not necessary as the acquisition is immaterial. The purchase price allocation is not yet final for this acquisition.

5. Accounts Receivable and Inventories

Accounts receivable consist of the following:

(In thousands)	March 31 2015	December 31 2014
Trade accounts receivable	$346,241	$340,223
Less: Allowance for doubtful accounts	(14,236)	(15,119)
Trade accounts receivable, net	$332,005	$325,104
Other receivables (a)	$21,709	$28,145

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

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

	Three Months Ended March 31	
(In thousands)	2015	2014
Provision for doubtful accounts related to trade accounts receivable	$196	$(19)

Inventories consist of the following:

(In thousands)	March 31 2015	December 31 2014
Finished goods	$33,480	$30,525
Work-in-process	43,261	28,690
Raw materials and purchased parts	85,599	87,985
Stores and supplies	32,258	31,722
Inventories	$194,598	$178,922

6. Equity Method Investments

In November 2013, the Company consummated the previously announced transaction to sell the Company's Harsco Infrastructure Segment into a strategic venture with Clayton, Dubilier & Rice ("CD&R") as part of a transaction that combines the Harsco Infrastructure Segment with Brand Energy & Infrastructure Services, Inc., which CD&R simultaneously acquired (the "Infrastructure Transaction"). As a result of the Infrastructure Transaction, the Company owns an approximate 29% equity interest in Brand Energy & Infrastructure Services Inc. and Subsidiaries ("Brand" or the "Infrastructure strategic venture") at both March 31, 2015 and December 31, 2014.

The book value of the Company's equity method investment in Brand at March 31, 2015 and December 31, 2014 was $281.9 million and $285.7 million, respectively. No instances of impairment were noted on the Company's equity method investments as of March 31, 2015. The Company records the Company's proportionate share of Brand's net income or loss one quarter in arrears. Brand's results of operations for the three month ended December 31, 2014 and the period from November 27, 2013 through December 31, 2013, respectively, are summarized as follows:

(In thousands)	Three Months Ended December 31 2014	Period From November 27 2013 Through December 31 2013 (a)
Summarized Statement of Operations Information of Brand:		
Net revenues	$804,199	$236,094
Gross profit	197,241	48,832
Net income (loss) attributable to Brand Energy & Infrastructure Services, Inc. and Subsidiaries	14,217	(4,245)
Harsco's equity in income (loss) of Brand	4,083	(1,231)

(a) The Company's equity method investment in Brand began on November 26, 2013; accordingly, there is only approximately one month of related equity income (loss).

The Company is required to make a quarterly payment to the Company's partner in the Infrastructure strategic venture, either (at the Company's election) (i) in cash, with total payments to equal approximately $22 million per year on a pre-tax basis (approximately $15 million per year after-tax), or (ii) in kind through the transfer of approximately 2.5% of the Company's ownership interest in the Infrastructure strategic venture on an annual basis (the "unit adjustment liability"). The resulting liability is reflected in the caption, Unit adjustment liability, on the Company's Condensed Consolidated Balance Sheets. The Company will recognize the change in fair value to the unit adjustment liability each period until the Company is no longer required to make these payments or chooses not to make these payments. The change in fair value to the unit adjustment liability is a non-cash expense. For the three months ended March 31, 2015 and 2014, the Company recognized $2.2 million and $2.5 million, respectively, of change in fair value to the unit adjustment liability.

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The Company's obligation to make a quarterly payment will cease upon the earlier of (i) Brand achieving $487.0 million in last twelve months' earnings before interest, taxes, depreciation and amortization ("EBITDA") for three quarters, which need not be consecutive, or (ii) eight years after the closing of the Infrastructure Transaction. In addition, upon the initial public offering of Brand, the Company's quarterly payment obligation will decrease by the portion of CD&R's ownership interest sold or eliminated completely once CD&R's ownership interest in Brand falls below 20%. In the event of a liquidation of Brand, CD&R is entitled to a liquidation preference of approximately $336 million, plus any quarterly payments that had been paid in kind.

The Condensed Consolidated Balance Sheets as of March 31, 2015 and December 31, 2014 include balances related to the unit adjustment liability of $90.4 million and $93.8 million, respectively, in the current and non-current captions, Unit adjustment liability. A reconciliation of beginning and ending balances related to the unit adjustment liability is included in Note 14, Derivative Instruments, Hedging Activities and Fair Value.

The Company intends to make these quarterly payments in cash and will continue to evaluate the implications of making payments in cash or in kind based upon performance of the Infrastructure strategic venture. In the future, should the Company decide not to make the cash payment, the value of both the equity method investment in Brand and the related unit adjustment liability may be impacted, and the change may be reflected in earnings in that period.

Balances related to transactions between the Company and Brand are as follows:

(In thousands)	March 31 2015	December 31 2014
Balances due from Brand	$2,579	$1,860
Balances due to Brand	28,786	28,311

These balances between the Company and Brand relate primarily to transition services and the funding of certain transferred defined benefit pension plan obligations through 2018. There is not expected to be any significant level of revenue or expense between the Company and Brand on an ongoing basis once all aspects of the Infrastructure Transaction have been finalized.

7. Property, Plant and Equipment

Property, plant and equipment consists of the following:

(In thousands)	March 31 2015	December 31 2014
Land	$14,962	$15,721
Land improvements	15,621	15,898
Buildings and improvements	199,362	205,409
Machinery and equipment	1,773,141	1,861,965
Construction in progress	72,367	87,414
Gross property, plant and equipment	2,075,453	2,186,407
Less: Accumulated depreciation	(1,452,089)	(1,523,163)
Property, plant and equipment, net	$623,364	$663,244

8. Goodwill and Other Intangible Assets

The following table reflects the changes in carrying amounts of goodwill by segment for the three months ended March 31, 2015:

(In thousands)	Harsco Metals & Minerals	Harsco Industrial Segment	Harsco Rail Segment	Consolidated Totals

	Segment			
Balance at December 31, 2014	$400,006	$6,839	$9,310	$416,155
Changes to goodwill (a)	—	—	2,060	2,060
Foreign currency translation	(15,461)	—	—	(15,461)
Balance at March 31, 2015	$384,545	$6,839	$11,370	$402,754

(a) Changes to goodwill relate to the acquisition of Protran. The purchase price allocation is not yet final for this acquisition. See Note 4, Acquisitions.

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The Company's 2014 annual goodwill impairment testing did not result in any impairment of the Company's goodwill. The fair value of the Harsco Metals & Minerals Segment exceeded the carrying value by approximately 10%. The Company tests for goodwill impairment annually or more frequently if indicators of impairment exist or if a decision is made to dispose of a business. The Company performs the annual goodwill impairment test as of October 1 and monitors for triggering events on an ongoing basis. The Company determined that, as of March 31, 2015, no interim goodwill impairment testing was necessary. There can be no assurance that the Company's annual goodwill impairment testing will not result in a charge to earnings. Should the Company's analysis indicate a further degradation in the overall markets served by the Harsco Metals & Minerals Segment, impairment losses for associated assets could be required. Any impairment could result in the write-down of the carrying value of goodwill to its implied fair value.
Intangible assets included in the captions, Other current assets and Intangible assets, net, on the Condensed Consolidated Balance Sheets consist of the following:

	March 31, 2015	December 31, 2014
(In thousands)		