

ARCHIVED REPORT

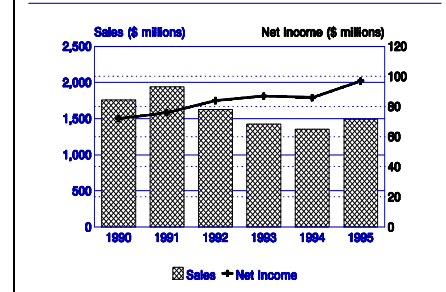
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Harsco Corporation - Archived 5/97

Outlook

- Harsco completed the merger of BMY Combat Systems with FMC during the year. The new company is called United Defense LP and is managed by FMC.
- With the majority of its vehicle operations under United Defense, the remainder of Harsco's business is in commercial markets.

Sales & Net Income Trends Harsco



Headquarters

Harsco Corporation
P.O. Box 8888
Camp Hill, PA 17001-8888
Telephone (717) 763-7064

Harsco is a leading international manufacturer of diverse goods and services principally for defense, industrial, commercial and construction applications. The company's growth strategy is through acquisition and internal growth. Its criteria for business units are large market share, profitable operations, significant size and potential for growth.

Harsco's defense business is conducted by one division and one joint venture: BMY Wheeled Vehicles Division and **United Defense Limited Partnership (LP)**, respectively. United Defense LP, formed in 1994, is jointly owned, with FMC holding an interest of 60 percent and Harsco holding 40 percent. Current products of United Defense LP include the M2/M3 Bradley Fighting

Vehicle and its derivatives; XM8 Armored Gun System; M993 Multiple Launch Rocket Systems carrier; M88A1 and M88IRV recovery vehicles; M9 Armored Combat Earthmover; M992 Field Artillery Ammunition Support Vehicle, the Breacher; and the M113 Armored Personnel Carrier family of vehicles. In addition, the partnership manufactures naval guns and launching systems, and military tracks for armored vehicles, and it provides overhaul and conversion services. The Wheeled Vehicle Division makes military equipment that is support or supply oriented, such as trucks, wreckers, cargo and long-bed trailers, trailer tractors and vans.

The company employed 13,000 people at the beginning of 1995, down from the 14,200 employed a year prior. The firm's independent auditors are Coopers & Lybrand. The stock "HSC" is traded on most American Exchanges.

Structure And Personnel

HARSCO CORPORATION

Derek C. Hathaway
Chairman, President and Chief Executive Officer
Leonard A. Campanaro
Senior Vice President and Chief Financial Officer
Paul C. Coppock

Senior Vice President, General Counsel, Secretary and Chief Administrative Officer
William D. Etzweiler
Senior Vice President and Chief Operating Officer

Barret W. Taussig
 Senior Vice President and Chief Operating Officer
 Salvatore D. Fazzolari
 Vice President and Controller
 Richard C. Hawkins
 Vice President, Human Resources
 Robert A. Haynos
 Vice President, Public Affairs
 Barry M. Sullivan
 Vice President and Treasurer
 Brian H. Tucker
 Vice President and Deputy General Counsel
 Warren A. Weisel

Vice President, Taxes

DIVISION PRESIDENTS

John J. Wood, BMY-Wheeled Vehicles
 Donald L. Katz, Capitol Manufacturing
 G. Robert Newman, Fairmont Tamper
 Geoffrey D.H. Butler, Heckett MultiServ
 Fred F. Beatty, IKG Industries
 James P. Mitchell, Patent Construction Systems
 Timothy M. Tauer, Patterson-Kelly
 Kenneth C. Anderson, Reed Minerals
 Karl F. Bruch III, Sherwood
 Taylor-Wharton Gas Equipment, Ronald W. Kaplan

Product Areas

The company is engaged in a broad range of businesses serving the defense, construction, industrial products and process-oriented industries. Harsco manages its businesses as independent divisions reporting to operational officers at the corporate level.

Harsco Corporation

1. Metal Reclamation and Mill Services
 - 1.1 Heckett MultiServ
2. Infrastructure, Construction and Transportation
 - 2.1 BMY-Wheeled Vehicles
 - 2.2 Fairmont Tamper
 - 2.3 IKG Industries
 - 2.4 Patent Construction Systems
 - 2.5 Reed Minerals
3. Process Industry Products
 - 3.1 Capitol Manufacturing
 - 3.2 Patterson-Kelly
 - 3.3 Taylor-Wharton Gas Equipment
 - 3.4 Sherwood

Heckett MultiServ - metal recovery, waste-product disposal

BMY-Wheeled Vehicles - the M939A2 five-ton truck and its derivatives

Fairmont Tamper - maintenance, hydraulic equipment

IKG Industries - bridge decks, gratings and surface products

Patent Construction Systems - scaffolding, shoring, concrete forming

Reed Minerals - coal slag products, roofing

Capitol Manufacturing - pipe fittings, conduits and nipples

Patterson-Kelly - heat transfer and process equipment

Taylor-Wharton Gas Equipment - gas containment and control, structures

Sherwood - LPG and compressed gas valves, scuba gear

Subsidiary Operations. Harsco's subsidiary operations and their main products are as follows:

Facilities

All of the company's defense business is conducted by the BMY Divisions located in Pennsylvania and Ohio.

Eastern Region

United Defense LP, 1525 Wilson Boulevard Suite 700, Arlington, VA, 22209-2411. (703) 312-6100. This is the headquarters for FMC and BMY's new partnership.

United Defense LP, Combat Systems Division, PO Box 15512, York, PA 17405. Telephone (717) 225-4781.

Harsco BMY Wheeled Vehicle Division, 13311 Industrial Parkway, Marysville, OH 43040-9599. Telephone (513) 644-0041.

Corporate Overview

Located in Camp Hill, PA, Harsco is an international company that designs, produces and sells in three major product categories: Metal Reclamation and Mill Services; Infrastructure, Construction and Transportation; and Process Industry Products. Harsco also holds a 40 percent interest in United Defense LP, a \$1 billion joint venture with FMC Corporation, which principally manufactures combat vehicles for the US and international governments.

New Products and Services

No new defense related products or services were announced by Harsco's BMY Wheeled Vehicle operation in the past year.

Plant Expansion/Modernization/Organization Update

Harsco Out of Wheeled Vehicle Business. In January 1995, Harsco announced its intent to sell or close its BMY Wheeled Vehicles. Following the unit's failure to win new orders for several thousand trucks from the Middle East, the company decided that BMY did not meet Harsco's overall strategic requirement for producing consistent financial returns and that it would close or sell the operation. In February 1995, a letter of intent was signed to sell BMY's school-bus operations to Warwick Industries for an undisclosed price. However, this sale fell through and the operation was subsequently shut down in June 1995. The school-bus line was started in 1993 and three models of buses were manufactured. The original strategy of producing buses and military trucks on parallel assembly lines was frustrated by the failure to obtain substantial orders for the M939A2 five-ton truck. With the school-bus operation closed and production halted on the M939A2, Harsco has effectively exited the wheeled vehicle business.

Mergers/Acquisitions/Divestitures

MultiServ International NV Acquired. In August 1993, Harsco completed the acquisition of all the outstanding stock of MultiServ International, NV. MultiServ, with headquarters in London, is a specialized steel mill operation that focuses on metal reclamation. The company generates about \$350 million in annual revenue.

CanTex Division Sold. In the third quarter of 1991 it was announced that the sale of the CanTex division was being discussed with interested parties. According to Harsco, raw materials instability and a depressed construction

market have resulted in marginal profitability over the last several years. Thus, the company felt that under specialized ownership, CanTex could achieve greater success in the PVC industry. The sale of CanTex was completed in February 1992.

Sedco Pip Products Acquired. In April 1991 Harsco acquired Sedco Pipe Products from the John Maneely Company. Sedco produces electrical conduit and injection molded fittings.

Kinnear Division Divested. During 1990 the company sold the Kinnear division for \$27 million. Also in the same year, the company acquired Universal Granule Inc, a producer of roofing shingle granules based in Pawnee, Illinois. In addition, the Patent Scaffolding division made two acquisitions during 1990 - American Forms, based in New Jersey, and the scaffolding, shoring, and forming assets of Universal Builders Supply.

Teaming/Competition/Joint Ventures

FMC and Harsco Complete Defense Merger. In January 1994, FMC and Harsco completed their plans to combine FMC's Defense Systems Group and Harsco's BMY Combat Systems Division. The new partnership, United Defense Limited Partnership (LP), expects annual sales of about \$1 billion in 1994. United Defense LP is jointly owned, with FMC holding an interest of 60 percent and Harsco, BMY's parent company, holding 40 percent. FMC and Harsco initially planned the venture in December 1992, when the two companies announced a preliminary agreement to combine military vehicle operations in a joint venture managed by FMC.

The new company is composed of the military vehicle manufacturing groups of both FMC and Harsco. These groups are, in turn, composed of several divisions. FMC's Defense Group is composed of four divisions - Ground Systems Division, Armament Systems Division, Steel Products Division, and Defense Systems International Division. Ground Systems builds a variety of military vehicles. The Armament Systems Division provides naval gun systems, vertical missile launchers, submarine-related systems, and overhaul/repair product support. The Steel Products Division makes military vehicle tracks and other vehicle components. FMC's Defense Group earned \$167.2 million on sales of \$1.11 billion in 1992.

BMY Combat Systems Division makes vehicles that are or would be routinely exposed to hostile fire. Products include armored earthmovers, self-propelled howitzers, and armored recovery vehicles. The BMY Wheeled Vehicle Division makes military equipment that is support

or supply oriented. Products include trucks, wreckers, cargo and long bed trailers, trailer tractors, and vans. Harsco will retain its Wheeled Vehicle Division as a distinct and separate entity under the agreement. The Harsco Defense Group earned \$83.8 million on sales of \$773.5 million in 1992. According to company literature, tracked vehicles composed 24 percent, or \$185.6 million, of the Defense Group's sales in 1992.

The newly combined company, named United Defense LP, is headquartered in Arlington, Virginia. Thomas W. Rabaut, formerly general manager of FMC's Defense Systems Group, has been named president and chief executive officer. The new company employs more than 6,000 people and operates major engineering, manufacturing and services sites in Santa Clara and San Jose, California; Fridley, Minnesota; Anniston, Alaska; Aiken, South Carolina; Aberdeen, South Dakota; and York, Chambersburg and Fayette County, Pennsylvania.

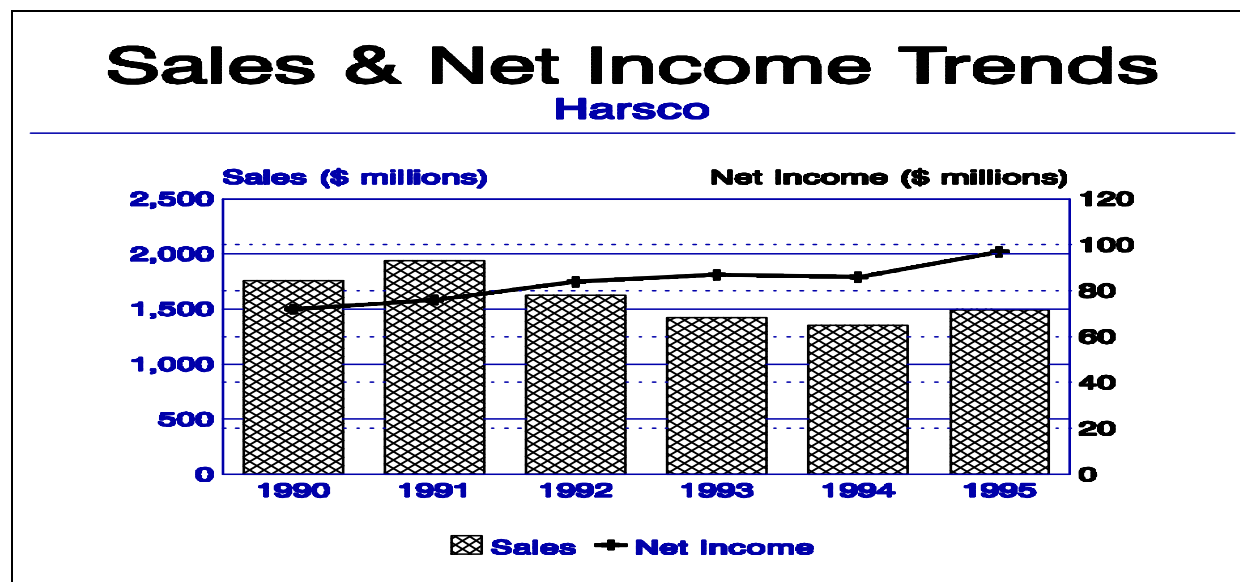
According to Robert N. Burt, chairman, CEO, and president of FMC, the reason to pool interests was simply that "Neither one of us wanted to commit significant new investment to the industry." Mr. Burt said FMC anticipates that Army spending on tracked and armored vehicles, the company's largest market segment, would slide from roughly \$4 billion in 1991 to about \$1 billion by 1995.

"In an era of shrinking defense budgets," said Harsco, "[the combination] will remove unneeded, higher cost capacity" and will permit increased cost efficiencies. According to Malcolm W. Gambill, Harsco's president and CEO, the partnership of FMC/Harsco represents a "positive way to address the changes that are occurring in the defense industry."

Financial Results/Corporate Statistics

Harsco sales for 1994 were \$1.3 billion, down somewhat from 1993's \$1.4 billion. The company posted net income of \$86.5 million, compared to income of \$87.6 million posted in 1993. Historical figures are provided below.

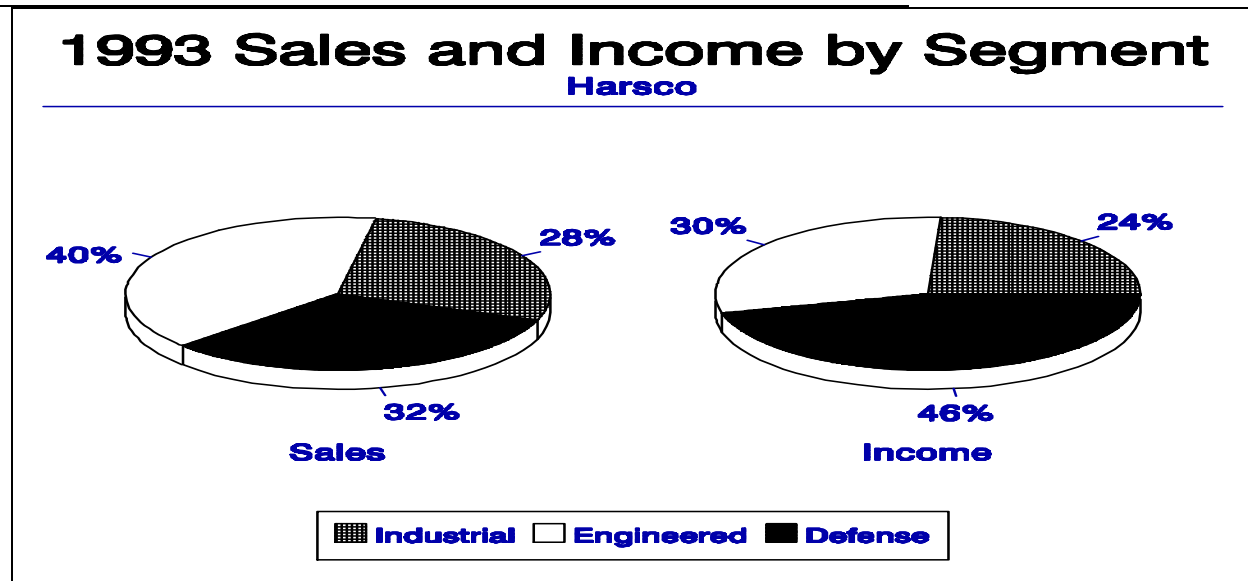
Y/E December 31	1989	1990	1991	1992	1993	1994
(\$ millions)						
Net Sales	1351.2	1759.5	1943.1	1624.9	1422.3	1357.7
Percent Govt	16.0	36.0	44.0	35.0	21.0	0.1
Net Income	11.4	72.5	76.5	84.3	87.6	86.5
Backlog	1538.3	1197.1	1229.7	738.9	146.7	160.7



Industry Segments

Operating segment financial data are shown below. As of January 1, 1994, Defense is no longer designated by Harsco as a separate group. This is due to the formation of the joint venture United Defense LP, in which Harsco has 40 percent ownership, and the suspension of the five-ton truck production at mid-year in 1993. Truck activity in 1994 is reflected under the Infrastructure, Construction and Transportation Group.

SALES	1992	1993	1994
(\$ million)			
Metal Reclamation and Mill Services	165.1	268.1	523.4
Infrastructure, Construction and Transportation	303.8	306.3	391.5
Process Industry Products	382.5	385.8	442.8
Defense Products	773.5	462.1-	



OPERATING INCOME	1992	1993	1994
(\$ million)			
Metal Reclamation and Mill Services	30.8	28.8	43.5
Infrastructure, Construction and Transportation	20.2	17.9	11.3
Process Industry Products	27.8	33.2	42.0
Defense Products	83.8	67.0	-

1995 Financial Results

Sales for 1995 were \$1.49 billion, up from 1994 sales of \$1.36 billion. Net income for 1994 was \$97.4 million, compared to 1995's net income of \$86.6 million. Financial data for the past eight quarters is presented below. Data is unaudited.

1995 Quarters	1	2	3	4
(\$ millions)				
Net Sales	356.8	377.3	374.1	387.1
Net Income	25.4	24.5	18.4	28.9
1994 Quarters	1	2	3	4
(\$ millions)				
Net Sales	318.6	338.0	348.1	352.9
Net Income	18.6	17.5	22.3	28.0

Strategic Outlook

Aside from its interest in United Defense LP, much of Harsco's business is now centered on commercial markets. With most of the company's defense operation now run under United Defense LP, Harsco decided to no longer list Defense as a separate group in its financial reporting for 1994. The company's only remaining defense operation, BMY Wheeled Vehicles — which specializes in military truck manufacturing — was slowly phased out of the past two years due to a lack of new orders.

The company's joint venture United Defense LP has so far exceeded the company's expectations by posting higher than anticipated income and cash flow over 1994. Programs such as the M109A6 Paladin self-propelled howitzer modification and production of small lots of MLRS carriers and M113 vehicles continue to trickle in at steady pace. With new production contracts drying up, United Defense is presently shifting its focus from basic manufacturing to systems integration in an effort to capture future vehicle modi-

fication and upgrade projects. The strategy has already caught the eye of the US Army, which has launched a horizontal technology insertion campaign to upgrade its current weapon systems to maintain their edge on tomorrow's digital battlefield. One of the programs that the company is concentrating on now is a series of upgrades to the M2 Bradley. United Defense is currently developing a variety of systems that can simply plug right into the vehicle's modular structure.

So far the merger has reversed the tenuous future that was facing the both FMC and BMY individually.

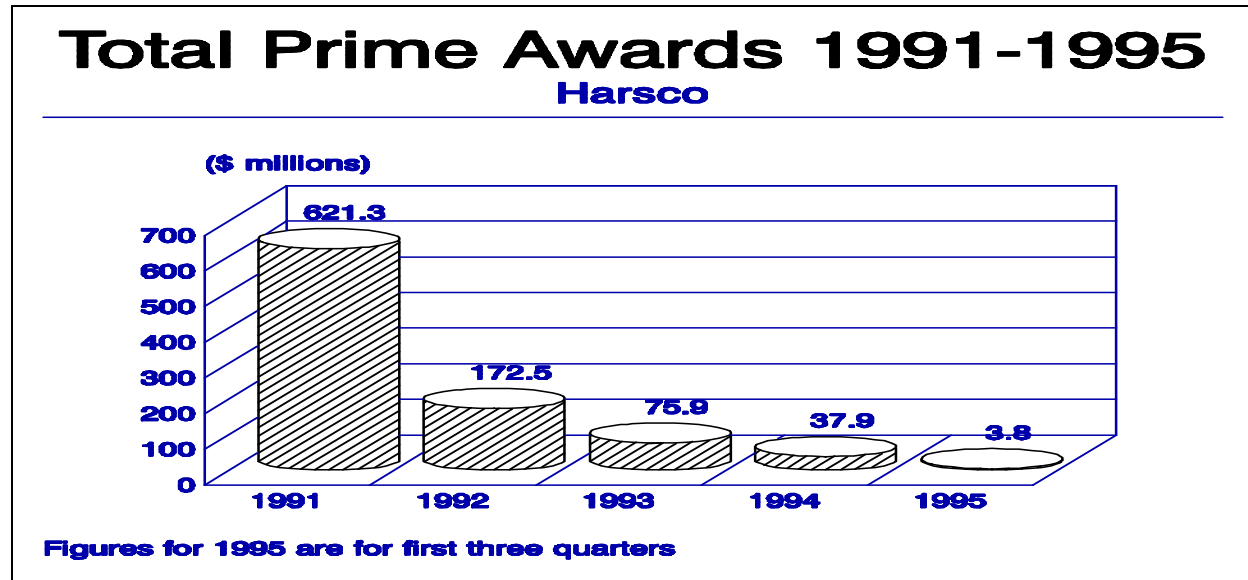
Through the combined power of United Defense, the companies appear to have already enhanced their market position both at home and overseas.

However, with Harsco holding only a minority interest in United Defense and no longer having a substantial defense business of its own, this report will be dropped in 1997. United Defense LP will continue to be covered in the FMC Corporation report located elsewhere in this binder.

Prime Award Summary

Harsco's five-year summary of awards by customer is given below. Awards, if any, of less than \$50,000 are indicated by a zero. Please note that the data for 1995 are for the first three quarters only.

(\$ millions)	1991	1992	1993	1994	1995
ARMY	617.8	172.4	75.5	37.7	3.8
DEF LOGISTICS AGENCY	3.2	0.1	0.0	0.2	0.0
NAVY	0.3	0.0	0.4	0.0	0.0
TOTAL	621.3	172.5	75.9	37.9	3.8



York, PA

(\$ millions)	1991	1992	1993	1994	1995
ARMY	171.4	49.1	21.9	24.8	3.5

Marysville, OH

(\$ millions)	1991	1992	1993	1994	1995
ARMY	418.7	122.8	53.4	12.7	0.3

Program Activity

Some important aerospace and government programs currently under way at HARSCO are listed below. The briefs are intended to provide a listing and general outline of the size, schedule and funding of programs that are of major importance to the company. For detailed information or analysis of specific aerospace and defense programs or equipment, please refer to the appropriate FORECAST INTERNATIONAL binder (for example, AIRCRAFT, MILITARY VEHICLES, WARSHIPS, MISSILES, ELECTRONICS, and GAS TURBINES). The following is an outline of the company's business interests:

- Tactical Logistic Vehicles

Military Vehicle Programs

M939A2 Five-Ton Trucks

The M939, manufactured by AM General, is basically an improvement over the existing M809 series. Three major areas have been improved in the M939: transmission, transfer case and brakes. The M939A2 incorporates a central tire inflation system connected to super single radial tires. BMY Wheeled Vehicles halted manufacture of the M939A2 in the 1993-94 time frame.

United Defense LP. For details of the programs carried out under this joint venture, please refer to the FMC Corporation report located in this binder.

US Contract Awards

Below is a listing of major contracts awarded to the BMY Division of HARSCO from the United States Government in the past two years (contracts as of press date). No contracts were awarded to BMY in 1995.

<u>Date</u>	<u>Award (\$ millions)</u>	<u>Contract #</u>	<u>Description</u>
3/29/93	\$8.7	DAAE07-91-C-R056	Breacher vehicle and one additional prototype vehicle.
4/16/93	\$29.9	DAAE07-86-C-J111	293 M923A2 cargo trucks.
9/30/93	\$78.2	DAAE07-93-C-A038	87 M9 Armored Combat Earthmovers for the US Marines and 34 for the Army Reserve.

1994

2/14/94 \$14.5 DAAE07-91-C-R056 Additional funding for Breacher mine clearing vehicle.

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