Financial report 2006

Harsco Finance B.V.

Amsterdam

Contents

Annual report of the directors

Annual report of the directors

We hereby present the financial statements of Harsco Finance B.V. ("the Company") for the year ended 31 December 2006.

Activities

The Company has continued to provide advice and services on Treasury matters and conduct financing and foreign exchange transactions on behalf of associated companies.
The Company operates financing activities solely for Harsco Corporation and its subsidiaries. It is financed by borrowing money from other subsidiaries of Harsco Corporation, from banks and by issuing commercial paper and bonds; it lends funds to other subsidiaries of Harsco Corporation; it earns a margin between its cost of funds and the rate at which it lends to fellow subsidiaries; it manages its foreign exchange exposure so as to ensure that it matches the currencies in which it borrows to the currencies in which it lends as closely as possible. For that purpose, in October 2000 the Company issued GBP 200,000,000 7.25% Guarantee notes due 2010. These notes are guaranteed by the Company's ultimate parent, Harsco Corporation.
In 2006 the development of the activities was stable compared to 2005. The result was lower due to the increase of interest on loans from bank loans and overdrafts.

Financing

The Company is financed by equity, loans from affiliated companies, bank loans and issuance of notes, as described above. All such debts are guaranteed by Harsco Corporation.
The solvency of the company was slightly lower, from 111.8% to 110.3%.

Financial instruments

Financial instruments are used to reduce foreign currency risks. Financial instruments are not used for speculative purposes.

Employment

During 2006 the Company had no employees.

Shareholder structures

The Company is a wholly owned subsidiary of Harsco Corporation, a company incorporated in the U.S.A.

Future developments

The company is continuing to develop its services in the steel industry and concentrate on the provision of such services in the future rather than manufacturing operations.

Amsterdam, August 23, 2007

Board of Directors,

Salvatore D. Fazzolari

[redacted]

M.H. Cubitt

[redacted]

M.E. Kimmel

[redacted]

J. Verhage

[redacted]

J.G. Sterkenburg

L. van den Houdt

Mr. L. van den Houdt was appointed a Director of the Company as at 14 February 2007. On 1 March 2007 Mr. I. Taylor resigned as Director of the Company.

Annual accounts

Balance sheet as at 31 December 2006

(after proposed appropriation of result)

	Notes	31 December 2006		31 December 2005	
		EUR	EUR	EUR	EUR
Assets					
Fixed assets					
Intangible fixed assets	4.1	704,445		839,606	
Amounts due from group companies	4.2	582,289,148		500,193,013	
			582,993,593		501,032,619
Current assets					
Tax receivable		24,167		-	
Other receivables		230,544		-	
Cash and bank balances	4.3	3,790,579		4,941,880	
			4,045,290		4,941,880
			587,038,883		505,974,499
Shareholder's equity and Liabilities					
Shareholders' equity					
Paid up share capital	4.4	50,000,000		50,000,000	
Retained earnings	4.5	3,459,150		2,000,988	
Profit for the year		1,663,501		1,458,162	
			55,122,651		53,459,150
Long-term liabilities					
Bank loans	4.6	294,494,823		288,059,941	
Amounts due to group companies	4.6	39,526,169		35,140,441	
			334,020,992		323,200,382
Current liabilities					
Bank loans and overdrafts		193,426,357		124,643,648	
Interest payable		4,428,014		4,092,134	
Taxes payable		-		387,207	
Other liabilities		40,869		191,978	
			197,895,240		129,314,967
			587,038,883		505,974,499

Profit and loss account 2006

		2006		2005	
	Notes	EUR	EUR	EUR	EUR
Expenses					
General and administrative	5.1	429,742		386,229	
			429,742		386,229
Operating loss			(429,742)		(386,229)
Financial income / (expenses)					
Interest income	5.2	31,229,789		25,938,937	
Interest expense	5.3	(28,515,223)		(23,294,908)	
Foreign currency		(519,128)		(132,756)	
			2,195,438		2,511,273
Profit / (loss) before taxation			1,765,696		2,125,044
Taxation	5.4		(102,195)		(666,882)
Net profit/ (loss) after taxation			1,663,501		1,458,162

Notes to the balance sheet and profit and loss account

1 General

1.1 Activities

The Company was incorporated on 31 May 2000 by means of notarial deed as a Dutch company with limited liability. The Company is a wholly owned subsidiary of Harsco Corporation, a company incorporated in the U.S.A.
The activities of the Company mainly relate to the financing of group companies of Harsco Corporation.

1.2 Cash flow statement

The Company did not draw up statements of cash flows since the shares of the Company are fully owned by Harsco Corporation, which consolidates its participation in the Company. The financial statements of Harsco Corporation including consolidated statements of cash flows have been filed at the Chamber of Commerce in Amsterdam.

1.3 Related parties

The parent company Harsco Corporation and its subsidiaries qualify as a related party. Transactions into funding between related parties are considered to be based upon a arms length basis.

2 Principles of valuation of assets and liabilities

2.1 General

The Company annual accounts are dominated in Euro.
In general, assets and liabilities are stated at the amounts at which they are acquired or incurred, or fair value. If not specially stated otherwise, they are recognized at the amounts at which they were acquired or incurred. The balance sheet and profit and loss account include references to the notes.
The company annual accounts were prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standard Board.

2.2 *Comparison with prior year*

The principles of valuation and determination of result remained unchanged compared to prior year. Comparative figures have been reclassified when necessary to improve insight.

2.3 *Foreign currencies*

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate prevailing at the transaction date. Exchange differences resulting from settlement and translation are charged or credited to the profit and loss account.
Transactions denominated in foreign currencies in the reporting period are recognised in the annual accounts at exchange rate ruling at the transaction date.
Translation differences in relation to intragroup long-term loans that effectively constitute an increase or decrease in net investments in foreign operations are directly recognized in equity as a component of the statutory reserve for translation differences.
Exchange rate differences arising on foreign currency loans that are entered into to finance the net investment in a foreign participation are recognized in the translation differences reserve insofar that such loans effectively hedge the exchange rate exposure on that net investment.

2.4 *Intangible fixed assets*

Intangible fixed assets are carried at historical cost less amortisation. Intangible fixed assets are amortised on an annuity basis over the deemed useful economic life of 10 years.

2.5 *Amounts due to group companies*

Amounts due from group companies are valued at face value net of any provision.

2.6 *Cash and bank balances*

Cash represents cash in hand, bank balances and deposits with a maturity of less than twelve months. Current account overdrafts at banks are included under debts to credit institutions under the heading of current liabilities.

2.7 *Impairment of fixed assets*

On each balance sheet date, the company tests whether there are any indications of assets being subject to impairment. If any such indications are present, the recoverable amount of the asset is determined. An asset is subject to impairment if its carrying amount is higher than its recoverable value; the recoverable value is the higher of the net realizable value and the value in use.

If it is established that a previously recognized impairment no longer applies or has declined, the increased carrying amount of the assets in question is not set higher than the carrying amount that would have been determined had no asset impairment been recognized.

2.8. Long-term liabilities

Long-term liabilities are carried at amortized cost, being the amount received taking account of any premium or discount, less transaction costs.
The difference between the carrying value determined and the ultimate repayment value, together with the interest due, is determined in such a manner that the effective interest is taken to the profit and loss account during the term of the liabilities.

3 Principles of determination of result

3.1 General

The results on transactions are recognised in the year in which they are realised; losses are taken as soon as they are foreseeable.

3.2 General and administrative expenses

General and administrative expenses are allocated to the reporting year to which they relate.

3.3 Amortization and impairment

Intangible fixed assets are amortised over their useful lives as from the inception of their use.

3.4 Interest income and expense

Interest income and expense is recognised on a pro-rata basis, taking account of the effective interest rate of the assets and liabilities concerned. When recognising the interest charges, the transaction cost on the loans received is taken into account.

3.5 Taxation

Profit tax is calculated on the profit/loss before taxation in the profit and loss account, taking into account any losses carried forward from previous financial years tax-exempt items and non- deductible costs.

4 Notes to the balance sheet

4.1 Intangible fixed assets

Intangible fixed assets are analysed as follows:

	31 Dec 2006	31 Dec 2005
	EUR	EUR
Cost		
Balance as at 1 January and 31 December	1,452,644	1,452,644
Accumulated depreciation	748,209	613,038
Net book value		
Book value as at 1 January	839,606	951,664
Amortisation	(150,805)	(139,131)
Translation adjustment	15,644	27,073
Book value as at 31 December	704,445	839,606

Intangible fixed assets consist of capitalized costs. All capitalised amounts are stated at cost less amortisation, based on the term of its originated source (10 years).

4.2 Amounts due from group companies

The loans to group companies are amounts, which will be due and/or payable within 5 years. All loans bear interest rates, which vary between 2.88 % and 7.535 % depending on the lifetime and interest periods of the respective loans.

4.3 Cash and bank balances

The Company has issued bank guarantees to Heckett MultiServ Slovensko Spol sro, Slovak Republic, and Heckett MultiServ Spol sro, Czech Republic, for an amount of USD 5,000,000.

The Company has credit facility of USD 20,000,000 with ING Bank. At 31 December 2006 the Company had EUR 27,700,459 (2005: EUR 10,746,000) drawn from the facility. This facility is irrevocably and unconditionally guaranteed by the parent, Harsco Corporation. Furthermore the Company has a credit facility of USD 50,000,000 (2005: USD 50,000,000) with National Westminster Bank plc. As at 31 December 2006 a debit amount of EUR 662,995 (2005: EUR 1,317,000 is outstanding) in relation to this facility.

The Company, together with other group companies in the Netherlands, has entered into a joint and several liability agreements concerning the bank balances with ING Bank. The joint facility amounts to EUR 8,168,000 (2005: EUR 8,168,000). All bank balances are available on demand. As at 31 December 2006 an amount of NIL is outstanding in relation to this facility (2005: EUR nil).

4.4 Share Capital

	2006	**2005**
	EUR	EUR
Authorised		
1,000 shares of EUR 100,000 each as of 31 December	100,000,000	100,000,000
	100,000,000	100,000,000

	2006	**2005**
	EUR	EUR
Issued and paid up capital		
500 shares of EUR 100,000 each as of 31 December	50,000,000	50,000,000
	50,000,000	50,000,000

4.5 Retained earnings

	2006	**2005**
	EUR	EUR
Balance 1 January	2,000,988	227,750
Net profit / (loss) for the year 2005/2004	1,458,162	1,773,238
Balance 31 December	3,459,150	2,000,988

4.6 *Long-term liabilities*

	31 Dec 2006	31 Dec 2005
	EUR	EUR
GBP 200 million Bond	294,494,823	288,059,941
Amounts due to group companies	39,526,169	35,140,441
	334,020,992	323,200,382

The Company has guaranteed notes issued for a nominal value of GBP 200,000,000 (2006: EUR 296,644,200; 2005: EUR 290,625,020). The bond is presented net of discount (discount 2006: EUR 2,149,357; 2005: EUR 2,565,079). These notes bear interest of 7.25% p.a. The notes are fully guaranteed by Harsco Corporation. Unless previously cancelled, the guaranteed notes will be redeemed in October 2010 at par.
The loans from group companies are amounts, which will be due and/or payable within 5 years. All loans bear interest rates, which vary between 4.167 % and 6.12 % depending on the lifetime and interest periods of the respective loans.

5 Notes to the profit and loss account

5.1 *General and administrative*

General and administrative consists of accounting fees, legal fees and bank fees & services. The general and administrative expenses captions include amortization of intangible fixed assets EUR 150,805.

5.2 Interest and similar income

	2006	2005
	EUR	EUR
Interest income from group companies	31,220,002	25,851,665
Interest income from third parties	9,787	87,272
	31,229,789	25,938,937

5.3 Interest and similar expense

	2006	2005
	EUR	EUR
Interest expenses to group companies	(1,271,164)	(1,026,180)
Interest expenses to third parties	(27,244,059)	(22,268,728)
	(28,515,223)	(23,294,908)

5.4 Tax charge

The tax charge for the year includes releases of prior year tax accruals.

6 Supplementary information

6.1 Financial instruments

Financial instruments are used to reduce foreign currency risks. Financial instruments are not used for speculative purposes. Foreign currency instruments are used to reduce the foreign currency risk arising on operating activities and financing in foreign currencies. Forward exchange contracts with a term of up to one year are used to hedge the foreign currency risks from operating activities. The valuation of these contracts at year-end rates equals the valuation of the respective business transactions.

The estimated market value indicates the amount payable or receivable in exchange for termination of the contracts as at year-end without further obligations.

As at the end of 2006 the following amounts are outstanding:

	31 December 2006	
	Contract Volume	Estimated Market Value
	EUR '000	EUR '000
Forward exchange contracts		
Up to 1 year	37,080	36,848
Exceeding 1 year	-	-

The company is of the opinion that the market value as at year-end of the (primary) financial instruments not taken up in the above table, does not differ significantly from the balance sheet valuation.

6.2 Directors

The Company has no (2005: nil) supervisory directors. The Company has six (2005: six) executive directors, none (2005: none) of whom received remuneration.

6.3 Contingencies and commitments

At 31 December 2006 there are contingent liabilities as noted below. The directors do not expect any loss to arise in connection with these liabilities and consequently no provision has been made in the accounts.

The company is party to an unlimited cross guarantee in favour of MultiServ (Holland) B.V., Harsco Europa B.V., MultiServ International B.V., MultiServ Finance B.V., Heckett MultiServ Far East B.V. and Heckett MultiServ China B.V. as part of a cash pooling arrangement. This agreement is underwritten by a guarantee from Harsco Corporation.

6.4 Stock Option Disclosure

During the financial year no new options were granted. The Company has no supervisory directors. The current share option scheme is going to be replaced by a scheme with performance based restricted stock units.

Harsco Corporation, the ultimate parent of the company, has granted stock options to officers, certain key employees and directors for the purchase of its common stock under two shareholder-approved plans. The 1995 Executive Compensation Plan authorises the issuance of up to 4,000,000 shares of the Corporation's common stock for use in paying incentive compensation awards in the form of stock options. The 1995 Non-Employees Directors' Stock Plan authorises the issuance of up to 300,000 shares of the Corporation's common stock for stock option awards.

Options are granted at fair market value on the date of grant. Options issued under the 1995 Executive Incentive Compensation Plan vest and become exercisable commencing two years following the date of grant. All options granted before 2002 under the 1995 Executive Incentive Compensation Plan vested and became exercisable one year following the date of grant. Options issued under the 1995 Non-Employee Directors' Stock Plan became exercisable commencing one year following the date of grant but vest immediately. The options under both plans expire ten years from the date of grant.

The summary of the status of the Company's stock option plan and the summary of the outstanding options as at 31 December 2006 are denominated in USD. The Company has chosen to disclose the information in USD given the fact that options are granted against USD value.

A summary of the status of the Corporations stock option plan in respect of the Company is as follows:

	2006		2005	
	Number of shares under option	**Weighted average exercise price**	**Number of shares under option**	**Weighted average exercise price**
		USD		USD
Outstanding at beginning of year	92,940	31.93	90,940	31.01
Options granted	-	-	2,000	29.10
Options lapsed	-	-	-	-
Exercised Options	29,500	-	-	-
Outstanding at end of year	63,440		92,940	
Total exercisable	63,440		92,940	

The costs of the share option schemes are not charged to the Company.

6.5 Related Party transactions

During 2006 the company paid management fees to MultiServ Group Limited for treasury services. In 2006 these fees amounted to € 203,919 (2005: 203,494).

6.6 Number of employees

During 2006 the company had no employees. (2005: nil)

Amsterdam, August 23 2007

Board of Directors,

[redacted]

Salvatore D. Fazzolari

[redacted]

M.H. Cubitt

[redacted]

M.E. Kimmel

[redacted]

J. Verhage

[redacted]

J.G. Sterkenburg

[redacted]

L. van den Houdt

[redacted]

Other information

Statutory profit distribution

According to Article 13 of the Articles of Association the Company may make distributions of profit only to the extent that its shareholders' equity exceeds the sum of the amount of the paid up and called up part of the capital and the reserves which must be maintained by law.

Proposed result appropriation

It is proposed to add the result for the year to retained earnings.
This proposal has been reflected in the accounts.

Audit report

This report is set out on page 20.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers Accountants N.V.
Thomas R. Malthusstraat 5
1066 JR Amsterdam
Postbus 90357
1006 BJ Amsterdam
Telephone (020) 568 66 66
Facsimile (020) 568 68 88
www.pwc.com/nl

To the General Meeting of Shareholders of Harsco Finance B.V.

Auditor's report

Report on the annual accounts

We have audited the accompanying annual accounts 2006 of Harsco Finance B.V., IJmuiden as set out on pages 5 to 17 which comprise the company balance sheet as at 31 December 2006, the consolidated and company profit and loss account for the year then ended and the notes.

The directors' responsibility
The directors of the company are responsible for the preparation and fair presentation of the annual accounts and for the preparation of the annual report of the directors, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on the annual accounts based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PRICEWATERHOUSECOOPERS

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Harsco Finance B.V. as at 31 December 2006, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the annual report of the directors is consistent with the annual accounts as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 23 August 2007
PricewaterhouseCoopers Accountants N.V.

[redacted]

A.G.J. Gerritsen RA