

Financial report 2008

Harsco Finance B.V.

Amsterdam

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Annual report of the directors

Annual report of the directors

We hereby present the financial statements of Harsco Finance B.V. ("the Company") located in IJmuiden for the year ended 31 December 2008.

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.

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.

The financial markets have deteriorated further during this year, resulting in volatile market interest rates, currency exchange rates and widening credit spreads. The company's financial risk management program has properly addressed the potential impact of these developments. Thereby, the adverse effects of current market turmoil to the company have been limited.

In 2008 as part of the Harsco Corporation strategic plan, further external debt was funded through the American bond markets by the parent entity. The result of this to Harsco Finance B.V. has been a reduction in issued commercial paper to the value of EUR 84,528,482

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 ratio of the company is slightly increased, from 113.7% at 31 December 2007 to 125.0% at 31 December 2008.

Risk assessment

The Company mainly operates in the European Union and has issued a GBP denominated bond of 200 million. The currency risk associated with this bond is largely managed through a GBP denominated receivable from the parent company. On the basis of a risk analysis, management of the company has determined that the remaining foreign exchange risk is managed through forward contracts. Forward exchange contracts are not used for speculative purposes.

The Company incurs interest rate risk on interest-bearing receivables (in particular those included in fixed assets, securities and cash) and on interest-bearing non-current and current liabilities (including borrowings).

The loans provided to group companies bear either fixed or variable interest rates and as a result the Company incurs risks regarding future cash flows. Commercial paper issued is of a short term nature and therefore the company incurs risks regarding future cash flows. The Bonds issued have a fixed interest on which, the Company incurs market risks on fixed-interest borrowings.

No derivatives for interest rate risk are contracted.

In respect of credit risks the Company has non-current receivables which are inter-company loans. These are monitored on an ongoing basis and do not have a history of non performance. Management considers the risk of default remote.

The company uses several banks in order to avail itself of a range of overdraft facilities to manage liquidity risk.

Employment

During 2008 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 group 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.

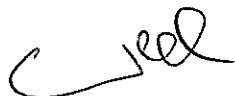
Director's Statement

In accordance with the Dutch Financial Supervision Act, section 5:25c, the executive board declares that, to the best of our knowledge.

- according to Dutch GAAP, the annual accounts for 2008 give a true and fair view of the assets, liabilities, financial position and profit or loss of Harsco Finance B.V..
- the annual report of directors gives a true and fair view of the situation per December 31, 2008, the state of affairs during the financial year 2008 of Harsco Finance B.V. together with a description of the key risks and uncertainties Harsco Finance B.V. faces.

Amsterdam, 23 April, 2009

Board of Directors,



C.C.L. Whistler
(Appointed on 15-12-2008)

M.H. Cubitt

M.E. Kimmel

J. Verhage

J.G. Sterkenburg

L. van den Houdt

S.D Fazzolari resigned from his position as a director on the 15th December 2008.

On 15th December 2008, C.C.L. Whistler was appointed as a director of Harsco Finance B.V..

Annual accounts

Balance sheet as at 31 December 2008

(before proposed appropriation of result)

		31 December 2008		31 December 2007	
	Notes	EUR	EUR	EUR	EUR
<i>Assets</i>					
Non-current assets					
Amounts due from group companies	5.1	287,217,355		467,091,104	
			287,217,355		467,091,104
Current assets					
Other receivables	7.1	663,082		-	
Cash and bank balances		7,953,335		2,198,324	
			8,616,417		2,198,324
			295,833,772		469,289,428
<i>Shareholder's equity and Liabilities</i>					
Shareholders' equity					
Paid up share capital	5.3	50,000,000		50,000,000	
Retained earnings	5.4	6,716,825		5,122,651	
Profit for the year		2,643,539		1,594,174	
			59,360,364		56,716,825
Non-current liabilities					
Bond	5.5	207,904,557		270,224,911	
Amounts due to group companies	5.5	9,012,763		12,698,796	
			216,917,320		282,923,707
Current liabilities					
Bank loans and overdrafts	5.2	16,292,379		125,070,823	
Interest payable		2,795,637		4,267,351	
Taxes payable		436,784		191,359	
Other liabilities		31,288		119,363	
			19,556,088		129,648,896
			295,833,772		469,289,428

Profit and loss account 2008

		2008		2007	
	Notes	EUR	EUR	EUR	EUR
<u>Financial income / (expenses)</u>					
Interest income	6.1	26,011,283		33,116,035	
Interest expense	6.2	(22,617,132)		(30,321,590)	
Foreign currency gain/(loss)		386,040		(350,126)	
			3,780,191		2,444,319
Expenses					
General and administrative	6.3		(288,466)		(261,685)
Profit before taxation			3,491,725		2,182,634
Taxation	6.4		(848,186)		(588,460)
Net profit after taxation			2,643,539		1,594,174

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 an arms length basis.

2 Principles of valuation of assets and liabilities

2.1 General

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. Certain reclassifications have been processed when compared to previous year which do not have an impact on equity and result.

2.3 Foreign currencies

The Company annual accounts are presented in euros, which is the functional and presentation currency of Harsco Finance B.V..

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.

2.4 Amounts due to group companies

Amounts due to group companies are initially measured at fair value. These loans are subsequently carried at amortised cost. Transaction costs are included in the initial valuation

2.5 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 non-current 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. *Non-current liabilities*

Non-current 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.

2.9. *Financial instruments*

All on-balance sheet derivative financial instruments are valued at cost, which usually equals face value unless stated otherwise. Forward foreign exchange contracts are revalued at year end against spot rates.

2.10. *Amounts due from group companies*

Amounts due from group companies are initially measured at fair value. These loans are subsequently carried at amortised cost. Transaction costs are included in the initial valuation.

Impairment losses are deducted from amortised cost and expensed in the income statement.

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 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 Financial instruments and risk management

4.1 Currency risk

The company mainly operates in the European Union. The currency risk for Harsco Finance B.V. largely concerns positions and future transactions in USD and GBP. On the basis of a risk analysis, management of the company has determined that part of these currency risks is being hedged. Forward exchange contracts are used for this purpose.

4.2 Price risk

Harsco Finance B.V. runs risks regarding the valuation of forward contracts, included under current assets.

4.3 Interest rate risk

The company runs interest rate risks on the interest-bearing receivables (in particular under financial non-current assets, current assets and cash) and interest-bearing non-current and current liabilities (including debts to credit institutions).

For receivables and liabilities with variable interest agreements, the company runs risks regarding future cash flows. In addition, regarding fixed-interest receivables and liabilities, the company runs risks on the market value. No derivatives for interest rate risk are contracted.

4.4 Credit risk

In respect of credit risks the Company has non-current receivables which are inter-company loans. These are monitored on an ongoing basis and do not have a history of non performance. Management considers the risk of default remote.

4.4 Liquidity risk

The company uses several banks in order to avail itself of a range of overdraft facilities. Refer to note 5.2 of cash and bank balances.

5 Notes to the balance sheet

5.1 Amounts due from group companies

The loans to group companies are amounts, which will be due and/or payable within 5 years. These loans bear either variable or fixed interest rates, which vary between 3.438 % and 7.535 % depending on the lifetime and interest periods of the respective loans. The amounts due from group companies includes an loan of EUR 203m (GBP 194m) denominated in GBP. The fair value of the fixed interest rate loan due from group companies is EUR 213m (GBP 205m)

	31 Dec 2008	31 Dec 2007
	EUR	EUR
Balance 1 January	467,091,104	582,289,148
Movement	(115,113,493)	(89,833,145)
Translation adjustment	(64,760,256)	(25,364,899)
Balance 31 December	287,217,355	467,091,104

5.2 Bank loans and Overdrafts

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 a credit facility of GBP 13,500,000 with The Royal Bank of Scotland plc. At 31 December 2008 the company had GBP 30,242 drawn from the facility. This facility is irrevocably and unconditionally guaranteed by the parent, Harsco Corporation.

The company has a credit facility (which includes overdraft) of the equivalent of USD 20,000,000 with ING Bank. As at 31 December 2008 the company had EUR 9,357,085 (2007: EUR 15,742,582) overdraft under this facility. This facility is irrevocably and unconditionally guaranteed by the parent, Harsco Corporation.

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 (2007: EUR 8,168,000). All bank balances are available on demand. As at 31 December 2008 an amount of NIL is outstanding in relation to this facility (2007: EUR nil).

	31 Dec 2008	31 Dec 2007
	EUR	EUR
Commercial papers	6,451,336	90,979,818
Overdraft - Euro account	9,357,085	15,742,582
Overdraft - currency accounts	483,958	648,423
Short term borrowings	-	17,700,000
Balance 31 December	16,292,379	125,070,823

The commercial papers are irrevocably and unconditionally guaranteed by the parent, Harsco Corporation

5.3 Share Capital

	2008	2007
	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

	2008	2007
	EUR	EUR
Issued and paid up capital		
500 shares of EUR 100,000 each as of 31 December	50,000,000	50,000,000
	<u>50,000,000</u>	<u>50,000,000</u>

5.4 Retained earnings

	2008	2007
	EUR	EUR
Balance 1 January	5,122,651	3,459,150
Net profit from the previous year	1,594,174	1,663,501
	<u>6,716,825</u>	<u>5,122,651</u>
Balance 31 December		

5.5 Non-current liabilities

	31 Dec 2008	31 Dec 2007
	EUR	EUR
GBP 200 million Bond	208,934,060	272,229,060
Discount	(774,856)	(1,508,938)
Signing Fees	(254,647)	(495,211)
	<u>207,904,557</u>	<u>270,224,911</u>
GBP 200 million Bond net of discount		
Amounts due to group companies	9,012,763	12,698,796
	<u>216,917,320</u>	<u>282,923,707</u>

The Company has notes issued for a nominal value of GBP 200,000,000. These notes bear interest of 7.25% p.a. The notes are fully guaranteed by Harsco Corporation with recourse on 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. There was no interest charge on these loans during 2008. The 2007 amounts due to group companies were non interest bearing and were fully repaid in March 08. The 2008 amounts due to group companies were created at the end of December 2008 and therefore no interest was charged. Interest will be payable at a variable rate (2.84 % as at 1/1/09).

The fair value of the fixed interest rate bond per 31 December 2008 is EUR 220m (GBP 211,2m).

6 Notes to the profit and loss account

6.1 Interest income

	2008	2007
	EUR	EUR
Interest income from group companies	25,700,283	33,116,035
Interest income from third parties	311,000	-
	<u>26,011,283</u>	<u>33,116,035</u>

6.2 Interest expense

	2008	2007
	EUR	EUR
Interest expenses to group companies	-	(1,233,122)
Interest expenses to third parties	(22,617,132)	(29,088,468)
	<u>(22,617,132)</u>	<u>(30,321,590)</u>

6.3 General and administrative

General and administrative consists of accounting fees, legal fees and bank fees & services.

6.4 Tax charge

The effective tax charge for the year is lower (2007: higher) than the applicable tax rate under Dutch law.

The taxation on result on ordinary activities amounting to EUR 848,186 can be specified as follows:

	2008	2007
	EUR	EUR
Result from ordinary activities before taxation	3,491,725	2,182,634
Taxation on result of ordinary activities	848,186	588,460
Effective tax rate	24%	27%
Applicable tax rate	26%	26%

7 Supplementary information

7.1 Financial instruments

Derivative 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.

All on-balance sheet derivative financial instruments are valued at cost, which usually equals face value unless stated otherwise. Forward foreign exchange contracts are revalued at year end against spot rates.

As at the end of 2008 the following amounts are outstanding:

	31 December 2008		31 December 2007	
	Contract Volume	Revaluation Difference 31-12-2008	Contract Volume	Revaluation Difference 31-12-2007
	EUR '000	EUR '000	EUR '000	EUR '000
Forward exchange contracts				
Up to 1 year	7,768	663	552	(10)
Exceeding 1 year	-	-	-	-

The company is of the opinion that the market value as at year-end does not differ significantly from the balance sheet valuation. This balance sheet valuation was recorded as other receivables at 31 December 2008. The value reported is EUR 663,082. The balance sheet valuation at 31 December 2007 was recorded as other liabilities (2007: EUR 10,062).

7.2 Directors

The Company has six (2007: six) executive directors, none (2007: none) of whom received remuneration. The company's parent Harsco Corporation has an active supervisory board and audit committee. The Company itself has no (2007: nil) supervisory directors.

7.3 Contingencies and commitments

At 31 December 2008 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 other Harsco group companies: 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.

7.4 Stock Option Disclosure

During the financial year no new options were granted. The share option scheme has been 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 2008 are denominated in USD. The Company has chosen to disclose the information in USD given the fact that options are granted against USD value.

On January 23, 2007 Harsco Corporation Board of Directors approved a two-for-one stock split of the company's common stock, par value \$1.25 per share, to be effected in the form of a distribution of one additional share of the Company's common stock for each share that is issued and outstanding.

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

	2008		2007	
	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	126,880	15.15	63,440	15.15
Harsco Share split	-	-	63,440	15.15
Exercised Options	(4,100)	14.01		
Director appointment & resignation	(97,300)	15.14	-	-
Outstanding at end of year	25,480	15.36	126,880	15.15
Total exercisable	25,480		126,880	

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

7.5 *Related Party transactions*

The company provides loans to and obtain loans from companies belonging to the Harsco group. The related balances, intercompany interest income and expenses have been separately disclosed.

During 2008 the company paid management fees to MultiServ Group Limited for treasury services. In 2008 these fees amounted to EUR 173,796 (2007: EUR 202,973).

7.6 *Number of employees*

During 2008 the company had no employees. (2007: nil)

7.7 Auditors' remuneration

Remuneration paid during the year to the appointed auditors for 2008 relating to statutory audit service fees was EUR 19,000, other audit service fees was EUR 16,000 and for non-audit services (relating to taxation work) was EUR 15,573. (2007: audit services EUR 16,500 and for non-audit services (taxation) was EUR 4,300).

Amsterdam, 23 April, 2009

Board of Directors,

C.C.L. Whistler
(Appointed on 15-12-2008)

M.H. Cubitt

M.E. Kimmel

J. Verhage

J.G. Sterkenburg

L. van den Houdt

S.D Fazzolari resigned from his position as a director on the 15th December 2008.

On 15th December 2008, C.C.L. Whistler was appointed as director of Harsco Finance B.V..

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. The proposed profit appropriation is not reflected in these financial statements.

Audit report

This report is set out on page 24.

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

Auditor's report

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Report on the annual accounts

We have audited the accompanying annual accounts 2008 of Harsco Finance B.V., Amsterdam as set out on pages 6 to 21 which comprise the balance sheet as at 31 December 2008, the 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.

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 2008, 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 5f 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 April 2009
PricewaterhouseCoopers Accountants N.V.

Originally signed by A.G.J. Gerritsen RA