

Interim Financial report 2009

Harsco Finance B.V.

Amsterdam

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Interim report of the directors

Interim report of the directors

We hereby present the interim financial report of Harsco Finance B.V. ("the Company") located in IJmuiden for the half year ended 30 June 2009.

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 the Company is the interest expense has subsequently reduced in the first half of 2009 compared to 2008.

In 2009 due to repayment of intercompany loans there has been a subsequent reduction in the interest income.

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 decreased, from 125.0% at 31 December 2008 to 117.8% at 30 June 2009.

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 2009 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.

Auditors' Involvement

The interim financial report has not been audited or reviewed by an external auditor.

Director's Statement

In accordance with the Financial Supervision Act, section 5:25d, paragraph 2-sub c, the executive board declares that, to the best of our knowledge:

- The 2009 interim financial report as at 30 June 2009 and for the six months ended at 30 June 2009 have been prepared in accordance with Dutch GAAP and give a true and fair view of the assets, liabilities, financial position and profit or loss of Harsco Finance B.V. and
- The Interim Directors' Report gives a fair review of the information required pursuant to section 5:25d (8)/(9) of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht).

Amsterdam, 28 August, 2009

Board of Directors,



C.C.L. Whistler

M.H. Cubitt

M.E. Kimmel

J. Verhage

L. van den Houdt

N.P. Boegborn

J.G Sterkenburg resigned from his position as a director on the 30th June 2009.

On 1st July 2009, N.P. Boegborn was appointed as a director of the Company.

Interim accounts

Unaudited Balance sheet as at 30 June 2009

(before proposed appropriation of result)

		Unaudited 30 June 2009		Audited 31 December 2008	
	Notes	EUR	EUR	EUR	EUR
<i>Assets</i>					
Non-current assets					
Amounts due from group companies	5.1	386,496,007		287,217,355	
			386,496,007		287,217,355
Current assets					
Other receivables	7.1	-		663,082	
Cash and bank balances		7,724,136		7,953,335	
			7,724,136		8,616,417
			394,220,143		295,833,772
<i>Shareholder's equity and Liabilities</i>					
Shareholders' equity					
Paid up share capital	5.4	50,000,000		50,000,000	
Retained earnings	5.5	9,360,364		6,716,825	
Profit for the year	5.5	314,271		2,643,539	
	5.5		59,674,635		59,360,364
Non-current liabilities					
Bond	5.6	234,456,025		207,904,557	
Amounts due to group companies	5.6	57,407,841		9,012,763	
			291,863,866		216,917,320
Current liabilities					
Bank loans and overdrafts	5.2	22,818,824		16,292,379	
Amounts due to group companies	5.3	7,839,301		-	
Interest payable		11,669,560		2,795,637	
Taxes payable		323,436		436,784	
Other liabilities		30,521		31,288	
			42,681,642		19,556,088
			394,220,143		295,833,772

Unaudited Profit and loss account 2009

		Half Year 2009		Half Year 2008	
	Notes	EUR	EUR	EUR	EUR
<u>Financial income / (expenses)</u>					
Interest income	6.1	9,622,825		13,699,454	
Interest expense	6.2	(8,939,332)		(12,268,634)	
Foreign currency (loss)/gain		(105,257)		319,151	
			578,236		1,749,971
Expenses					
General and administrative	6.3		(154,758)		(148,301)
Profit before taxation			423,478		1,601,670
Taxation	6.4		(109,207)		(384,493)
Net profit after taxation			314,271		1,217,177

Notes to the unaudited balance sheet and unaudited 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 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 interim 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 Interim 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 interim accounts are presented in euros, which is the functional and presentation currency of the Company.

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 interim 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.

2.6 Impairment of non-current assets

Annually, 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.

2.7 *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.

2.8. *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 half year end against spot rates.

2.9. *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 the Company 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

The Company runs risks regarding the valuation of forward contracts, included under current liabilities.

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.

4.5 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 Unaudited 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 1.744 % and 7.535 %, depending on the lifetime and interest periods of the respective loans. The amounts due from group companies includes a loan of EUR 228m (GBP 194m) denominated in GBP.

	30 Jun 2009	31 Dec 2008
	EUR	EUR
Balance 1 January	287,217,355	467,091,104
Movement	72,445,988	(115,113,493)
Translation adjustment	26,832,664	(64,760,256)
Balance 30 June/31 December	386,496,007	287,217,355

5.2 Bank loans and Overdrafts

The Company has issued bank guarantees on behalf of MultiServ Slovensko Spol sro, Slovak Republic, and 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 30 June 2009 the company had GBP 103,502 drawn from the facility (2008: GBP 30,242). 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 30 June 2009 the company had EUR 4,824,076 (2008: EUR 9,357,085) 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 (2008: EUR 8,168,000). All bank balances are available on demand. As at 30 June 2009 an amount of NIL is outstanding in relation to this facility (2008: EUR nil).

	30 Jun 2009	31 Dec 2008
	EUR	EUR
Commercial papers	17,324,920	6,451,336
Overdraft - Euro account	4,824,076	9,357,085
Overdraft - currency accounts	669,828	483,958
Balance 30 June/31 December	22,818,824	16,292,379

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

5.3 Amounts due to group companies

	30 Jun 2009	31 Dec 2008
	EUR	EUR
Amounts due to group companies	7,839,301	-
	7,839,301	-

The loans due to group companies are amounts, which will be due and/or payable on demand. Interest will be payable at a variable rate between 1.494 % and 3.099 %.

5.4 Share Capital

	30 Jun 2009	31 Dec 2008
	EUR	EUR
Authorised		
1,000 shares of EUR 100,000 each as of 30 June/31 December	100,000,000	100,000,000
	<u>100,000,000</u>	<u>100,000,000</u>
	30 Jun 2009	31 Dec 2008
	EUR	EUR
Issued and paid up capital		
500 shares of EUR 100,000 each as of 30 June/31 December	50,000,000	50,000,000
	<u>50,000,000</u>	<u>50,000,000</u>

5.5 The movements in shareholders' equity for the half year 2008 are as follows:

	Share capital	Accumulated reserves	Profit for the year	Total
	EUR	EUR	EUR	EUR
Balance as at 1 January 2008	50,000,000	5,122,651	1,594,174	56,716,825
Appropriation of profit	-	1,594,174	(1,594,174)	-
Result for the half year 2008	-	-	1,217,177	1,217,177
Balance as at 30 June 2008	<u>50,000,000</u>	<u>6,716,825</u>	<u>1,217,177</u>	<u>57,934,002</u>
Result for Second half year 2008	-	-	1,426,362	1,426,362
Balance as at 31 December 2008	<u>50,000,000</u>	<u>6,716,825</u>	<u>2,643,539</u>	<u>59,360,364</u>

The movements in shareholders' equity for the half year 2009 are as follows:

	Share capital	Accumulated reserves	Profit for the year	Total
	EUR	EUR	EUR	EUR
Balance as at 1 January 2009	50,000,000	6,716,825	2,643,539	59,360,364
Appropriation of profit	-	2,643,539	(2,643,539)	-
Result for the half year 2009	-	-	314,271	314,271
Balance as at 30 June 2009	50,000,000	9,360,364	314,271	59,674,635

5.6 Non-current liabilities

	30 Jun 2009	31 Dec 2008
	EUR	EUR
GBP 200 million Bond	235,312,500	208,934,060
Discount	(644,513)	(774,856)
Signing Fees	(211,962)	(254,647)
GBP 200 million Bond net of discount	234,456,025	207,904,557
Amounts due to group companies	57,407,841	9,012,763
	291,863,866	216,917,320

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. Interest will be payable at a variable rate between 1.868 % and 3.598 %.

6 Notes to the Unaudited Profit and Loss account

6.1 Interest income

	Half Year 2009	Half Year 2008
	EUR	EUR
Interest income from group companies	9,573,971	13,592,056
Interest income from third parties	48,854	107,398
	<u>9,622,825</u>	<u>13,699,454</u>

6.2 Interest expense

	Half Year 2009	Half Year 2008
	EUR	EUR
Interest expense to group companies	(305,701)	-
Interest expense to third parties	(8,633,631)	(12,268,634)
	<u>(8,939,332)</u>	<u>(12,268,634)</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 equal (2008: lower) to the applicable tax rate under Dutch law.

The taxation on result on ordinary activities amounting to EUR 109,207 can be specified as follows:

	Half Year 2009	Half Year 2008
	EUR	EUR
Result from ordinary activities before taxation	423,478	1,601,670
Taxation on result of ordinary activities	109,207	384,493
Effective tax rate	26%	24%
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 half 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 period end against spot rates.

As at the 30 June 2009 the following amounts are outstanding:

	30 June 2009		31 December 2008	
	Contract Volume	Revaluation Difference 30-06-2009	Contract Volume	Revaluation Difference 30-06-2008
	EUR '000	EUR '000	EUR '000	EUR '000
Forward exchange contracts				
Up to 1 year	5,360	(6)	7,768	663
Exceeding 1 year	-	-	-	-

The Company is of the opinion that the market value as at half year-end does not differ significantly from the balance sheet valuation. This balance sheet valuation was recorded as other liabilities at 30 June 2009. The value reported is EUR 5,991. The balance sheet valuation at 31 December 2008 was recorded as other receivables (2008: EUR 663,082).

7.2 Directors

The Company has six (2008: six) executive directors, none (2008: none) of whom received remuneration. The company's parent Harsco Corporation has an active supervisory board and audit committee. The Company itself has no (2008: nil) supervisory directors.

7.3 Contingencies and commitments

At 30 June 2009 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 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 2009 the Company paid management fees to MultiServ Group Limited for treasury services. In the first half of 2009 these fees amounted to EUR 78,157 (First half 2008: EUR 89,382).

7.5 Number of employees

During 2009 the company had no employees. (2008: nil)

Amsterdam, 28 August, 2009

Board of Directors,



C.C.L. Whistler

M.H. Cubitt

M.E. Kimmel

J. Verhage

L. van den Houdt

N.P. Boegborn

J.G Sterkenburg resigned from his position as a director on the 30th June 2009.

On 1st July 2009, N.P. Boegborn was appointed as a director of the Company.