

FORM 10-K  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the fiscal year ended December 31, 2000 Commission file number 1-3970

HARSCO CORPORATION  
(Exact name of registrant as specified in its charter)

Delaware 23-1483991  
(State or other jurisdiction of (I.R.S. employer identification number)  
incorporation or organization)

Camp Hill, Pennsylvania 17001-8888  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code 717-763-7064

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, par value \$1.25 per share	New York Stock Exchange Pacific Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

NONE  
(Title of class)

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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  NO

The aggregate market value of the Company's voting stock held by non-affiliates of the Company as of February 28, 2001 was \$1,098,753,571.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Classes	Outstanding at February 28, 2001
Common stock, par value \$1.25 per share	39,809,912
Preferred stock purchase rights	39,809,912

Documents Incorporated by Reference

Selected portions of the Notice of 2001 Meeting and Proxy Statement are Incorporated by Reference in Part III of this Report.

The Exhibit index (Item No. 14) is located on pages 84 to 91.

## HARSCO CORPORATION AND SUBSIDIARY COMPANIES

## INFORMATION REQUIRED IN REPORT

## PART I

## Item 1. Business:

## (a) Description of Business:

Harsco Corporation ("the Company") is a diversified, multinational provider of industrial services and engineered products. The principal lines of business are: scaffolding, forming and shoring and other access services to the worldwide industrial maintenance and non-residential construction markets; outsourced, on-site mill services that are provided to steel and non-ferrous metal producers in over 30 countries; railway track maintenance services and equipment that are provided to railroad customers worldwide, gas control and containment products for customers worldwide; and several other lines of business including, but not limited to, industrial grating and bridge decking, industrial pipe fittings, slag abrasives and roofing granules. The Company's operations fall into three operating segments: Infrastructure, Mill Services and Gas and Fluid Control. The Company has over 400 locations in 38 countries, including the United States.

In 2000, the Company acquired or divested the following businesses:

On June 16, 2000 the Company received all required regulatory approvals and declared its offer to acquire SGB Group Plc (SGB) wholly unconditional. Harsco took majority ownership in SGB and subsequently acquired 100% of the shares. SGB, based in the United Kingdom (UK), is one of Europe's largest suppliers of scaffolding, forming and related access products and services. SGB also has operations in North America, the Middle East and the Asia Pacific region. SGB had 1999 sales of 283 million British pounds sterling (approximately \$423 million using a December 31, 2000 exchange rate).

In May 2000, the Company completed the acquisitions of Bergslagens Stalervice AB and Bergslagens Suomi Oy (collectively Bergslagens). The two companies provide specialized slag processing and metal recovery services to steel mills in Sweden and Finland, respectively. The two organizations together recorded 1999 sales of nearly \$10 million.

In June 2000, the Company completed the sales of Guinness Wharf Limited and Flixborough Wharf Limited, and in March 2000 completed the sale of its natural gas vehicle automotive valve product line.

On April 6, 2000, the Company agreed to invest \$20 million for a 49% interest in S3Networks, LLC, a start-up company providing internet and e-business infrastructure consulting services primarily to Fortune 1000 companies. Since the Company is principal provider of initial capital for S3 Network, LLC, the Company records 100% of the net losses to the extent of its initial \$20 million investment. As of December 31, 2000 the Company has invested \$10 million in S3Networks. There is no obligation for the Company to fund the venture beyond its \$20 million investment.

The Company reports information about its operating segments using the "management approach". The management approach is based on the way management organizes the segments within the enterprise for making operating decisions and assessing performance. The Company's reportable segments are identified based upon differences in products, services, and markets served.

The operations of the Company in any one country, except the United States, did not account for more than 10% of sales in 1999 and 1998. In 2000, with the acquisition of SGB, the UK contributed sales of \$286.5 million equal to 14% of total sales. No single customer represented 10% or more of the Company's sales during 2000, 1999, and 1998. There are no significant intersegment sales.

(b) Financial Information about Industry Segments:

Financial information concerning Industry Segments is included in Note 14 to the Consolidated Financial Statements under Item 8, "Financial Statements and Supplementary Data".

(c) Narrative Description of Business:

- (1) A narrative description of the businesses by operating segment is as follows:

Infrastructure

Major product classes in this segment are access services and equipment, railway track maintenance services and equipment, and industrial grating and bridge decking products.

The June 2000 acquisition of SGB expands the Company's access services and equipment business to a worldwide level. SGB pioneered the introduction of traditional scaffolding in the UK and is the UK's largest supplier. The Company serves the non-residential construction, infrastructure, and industrial maintenance markets throughout Europe, the Middle East, and Asia with a full range of scaffolding, concrete formwork, shoring, and other construction-related services and products. SGB complements our Patent Construction Systems division's market leadership in North America to deliver total access solutions to customers on a worldwide basis, with increased geographic coverage and one of the broadest portfolios of services and equipment in the industry. Along with steel and aluminum support systems, the Company also provides design engineering services, on-site installation, and equipment management services.

The Company's railway track maintenance services provide high technology comprehensive track maintenance and new track construction support to railroad customers worldwide. The railway track maintenance equipment product class includes specialized track maintenance equipment used by private and government-owned railroads and urban transit systems worldwide. The equipment manufactured by the Company includes a comprehensive range of specially-designed systems used in the construction and maintenance of track and railbeds.

Included within this segment is the manufacture of a varied line of industrial grating products at several plants in North America. The Company produces a full range of riveted, pressure-locked and welded grating in steel, aluminum and fiberglass, used mainly in industrial flooring, safety, and security applications for power, paper, chemical, refining and processing applications. The Company also produces bridge decking and related products for bridge surfaces. The precast and prefabricated panels can arrive at the bridge site ready to be installed, minimizing traffic disruption.

This segment also produces commercial and industrial boilers and hot water heaters, and blenders, dryers and mixers for the chemical and food processing industries.

For 2000, the Infrastructure Segment's percentage of consolidated net sales was 35%.

## Mill Services

This segment includes Heckett MultiServ the world's largest provider of outsourced, on-site mill services to the international steel and metals industry. Heckett MultiServ's experience, financial resources, and broad geographic coverage are important qualities to leading metals producers, who increasingly look to Heckett MultiServ's specialized services and technologies to enhance their productivity, product quality, environmental compliance and commercial competitiveness. Heckett MultiServ provides its services on a long-term contract basis, supporting each stage of the metal-making process from initial raw material handling to post-production by-product processing and recycling. Working exclusively as a specialized, high-value services provider, Heckett MultiServ does not trade steel or scrap, or take ownership of its customers' raw materials or finished products. The company's multi-year contracts, with estimated future revenues of \$3.5 billion at December 31, 2000, provide Harsco with a substantial financial base of long-term revenues. Heckett MultiServ's geographic reach, more than 160 mills in over 30 countries, and its increasing range of services, provide financial and operating balance.

The Company's flame and on-site recycling technologies along with computerized scrap handling are several examples of the specialized services the Company provides. These highly specialized services and technologies include: scarfing, ferrocut, carbofer, briquetting and scrap management. The Company provides in-plant transportation and other specialized services, including slab management systems, general plant services, and other recycling technology. Other services provided include metal reclamation; slag processing, marketing and utilization; raw material management and handling; by-product recovery and recycling; and finished product handling and transport. Highly specialized recovery and cleaning equipment, installed and operated on the property of steel producers, together with standard material handling equipment are employed to reclaim metal and handle material. The customer uses this reclaimed metal in its steel production process. The nonmetallic residual slag is graded into various sizes at on-site Company-owned processing facilities and then sold commercially. It is used as an aggregate material in asphalt paving applications, railroad ballast and building blocks. Similar services are also provided to non-ferrous metal industries, such as aluminum, copper, and nickel.

This segment also provides roofing granules and slag abrasives. The Company's slag abrasives and roofing granules are produced from utility coal slag and natural rock materials at a number of locations throughout the United States. The Company's Black Beauty(TM) abrasives are used for industrial surface preparation, such as rust removal and cleaning of bridges, ship hulls, and various structures. Roofing granules are sold to residential roofing shingle manufacturers.

For 2000, the Mill Services Segment's percentage of consolidated net sales was 38%.

## Gas and Fluid Control

The segment's manufacturing and service facilities in the United States, Europe, Australia, Malaysia, and China comprise an integrated manufacturing network for gas containment and control products. This global operating presence and product breadth provide economies of scale and multiple code production capability, enabling the operating group to serve as a single source to the world's leading industrial gas producers and distributors, as well as regional and local customers on a worldwide basis.

Gas containment products include cryogenic gas storage tanks, high pressure and acetylene cylinders, propane tanks and composite vessels for industrial and commercial gases and other products. Gas control products include valves and regulators serving a variety of markets, including the industrial gas, commercial refrigeration, life support, and outdoor recreation industries. Products are used in applications such as scuba diving equipment and outdoor barbecue grills.

The segment also provides custom-designed and manufactured air-cooled heat exchangers, for the oil and gas industry, focusing on natural gas compressor, engine, and turbine applications for both domestic and international locations.

This segment is also a major supplier of industrial pipe fittings and related products for the plumbing, hardware and energy industries.

For 2000, the Gas and Fluid Control Segment's percentage of consolidated net sales was 27%.

(1) (i) The products and services of Harsco include a number of classes. The product classes that contributed 10% or more as a percentage of consolidated net sales in any of the last three fiscal years are set forth in the following table:

	2000	1999	1998
	----	----	----
Mill Services	35%	39%	40%
Gas Control and Containment Equipment	27%	24%	21%
Access Services and Equipment	21%	10%	9%

(1) (ii) New products and services are added from time to time; however, in 2000 none required the investment of a material amount of the Company's assets.

(1) (iii) The manufacturing requirements of the Company's operations are such that no unusual sources of supply for raw materials are required. The raw materials used by the Company include principally steel and to a lesser extent aluminum which usually are readily available.

(1) (iv) While Harsco has a number of trademarks, patents and patent applications, it does not consider that any material part of its business is dependent upon them.

(1) (v) Harsco furnishes building products and materials and certain industrial services that are seasonal in nature. In 2000, such operations accounted for 6% of total sales.

(1) (vi) The practices of the Company relating to working capital items are similar to those practices of other service providers or manufacturers servicing mainly industrial and commercial markets.

(1) (vii) No material part of the business of the Company is dependent upon a single customer or a few customers, the loss of any one of which would have a material adverse effect upon the Company.

(1) (viii) Backlog of orders was \$258.9 million and \$231.6 million as of December 31, 2000 and 1999, respectively. It is expected that approximately 26% of the total backlog at December 31, 2000, will not be filled during 2001. There is no significant seasonal aspect to the Company's backlog. Backlog for scaffolding, shoring and forming services, and for roofing granules and slag abrasives is not included in the total backlog, because it is generally not quantifiable due to the nature of the products and services provided. Contracts for the Mill Services Segment are also excluded from the total backlog. These contracts have estimated future revenues of \$3.5 billion at December 31, 2000.

(1)(ix) At December 31, 2000, the Company had no material contracts that were subject to renegotiation of profits or termination at the election of the U.S. Government.

(1) (x) The various businesses in which the Company operates are highly competitive and the Company encounters active competition in all of its activities from both larger and smaller companies who produce the same or similar products or services or who produce different products appropriate for the same uses.

(1) (xi) The expense for product development activities was \$5,714,000, \$7,759,000 and \$6,977,000 in 2000, 1999, and 1998, respectively.

(1) (xii) The Company has become subject, as have others, to increasingly stringent air and water quality control legislation. In general, the Company has not experienced substantial difficulty in complying with these environmental regulations in the past and does not anticipate making any major capital expenditures for environmental control facilities. While the Company expects that environmental regulations may expand, and its expenditures for air and water quality control will continue, it cannot predict the effect on its business of such expanded regulations. For additional information regarding environmental matters see Note 10 to the Consolidated Financial Statements included in Item 8, "Financial Statements and Supplementary Data".

(1) (xiii) As of December 31, 2000, the Company had approximately 19,700 employees.

(d) Financial Information about Foreign and Domestic Operations and Export Sales:

Financial information concerning foreign and domestic operations is included in Note 14 to the Consolidated Financial Statements under Item 8, "Financial Statements and Supplementary Data". Export sales totaled \$104.6 million and \$110.0 million in 2000 and 1999, respectively.

## Item 2. Properties:

Information as to the principal plants owned and operated by the Company is summarized in the following table:

Location -----	Floor Space (Sq. Ft.) -----	Principal Products -----
<b>Infrastructure:</b>		
E. Syracuse, New York	48,000	Railroad Equipment
Ludington, Michigan	159,000	Railroad Equipment
Fairmont, Minnesota	312,000	Railroad Equipment
West Columbia, South Carolina	224,000	Railroad Equipment
Brendale, Australia	20,000	Railroad Equipment
Nashville, Tennessee	246,000	Grating
Charlotte, North Carolina	23,000	Grating
Madera, California	48,000	Grating
Leeds, Alabama	51,000	Grating
Cheswick, Pennsylvania	56,000	Grating
Channelview, Texas	86,000	Grating
Marlboro, New Jersey	30,000	Grating
Queretaro, Mexico	63,000	Grating
Marion, Ohio	135,000	Construction Equipment
Dosthill, England	468,000	Forms
Thame, England	340,000	Cabins and Temporary Buildings
East Stroudsburg, Pennsylvania	161,000	Process Equipment
<b>Mill Services:</b>		
Moundsville, West Virginia	12,000	Roofing Granules/Abrasives
Drakesboro, Kentucky	41,000	Roofing Granules
Gary, Indiana	19,000	Roofing Granules/Abrasives
Ione, California	33,000	Roofing Granules

## Item 2. Properties (continued):

Location -----	Floor Space (Sq. Ft.) -----	Principal Products -----
Gas and Fluid Control:		
West Jefferson, Ohio	148,000	Pipe Fittings
Crowley, Louisiana	172,000	Pipe Fittings
Houston, Texas	26,000	Pipe Fittings
Chicago, Illinois	35,000	Pipe Fittings
Hamden, Connecticut	47,000	Pipe Fittings
Vanastra, Ontario, Canada	55,000	Pipe Fittings
Port of Catoosa, Oklahoma	131,000	Heat Exchangers
Sapulpa, Oklahoma	83,000	Heat Exchangers
Lockport, New York	104,000	Valve Manufacturing
Niagara Falls, New York	66,000	Valve Manufacturing
Washington, Pennsylvania	112,000	Valve Manufacturing
Jesup, Georgia	87,000	Propane Tanks
Jesup, Georgia	65,000	Propane Tanks
Jesup, Georgia	63,000	Cryogenic Storage Vessels
Bloomfield, Iowa	48,000	Propane Tanks
West Jordan, Utah	36,000	Propane Tanks
Fremont, Ohio	69,000	Propane Tanks
Pomona, California	56,000	Composite Pressure Vessels
Gardena, California	26,000	Composite Pressure Vessels
Long Beach, California	31,000	Natural Gas Vehicle Systems
Harrisburg, Pennsylvania	245,000	Cylinders
Huntsville, Alabama	220,000	Acetylene Tanks
Theodore, Alabama	305,000	Cryogenic Storage Vessels
Husum, Germany	61,000	Cryogenic Storage Vessels
Shah Alam, Malaysia	34,000	Cryogenic Storage Vessels
Shah Alam, Malaysia	29,000	Cylinders
Beijing, China	134,000	Cryogenic Storage Vessels



The Company also operates the following plants which are leased:

Location -----	Floor Space (Sq. Ft.) -----	Principal Products -----	Expiration Date of Lease -----
Infrastructure:			
Nottingham, England	30,000	Railroad Equipment	10/23/01
Danbury, Connecticut	16,000	Railroad Equipment	11/30/01
Cosley, England	145,000	Steel Access Products	03/24/19
Maldon, England	348,000	Aluminum Access Products	09/28/17
DeLimiet, Netherlands	42,000	Powered Access Equipment	12/31/04
Tulsa, Oklahoma	10,000	Grating	04/28/01
Gas and Fluid Control:			
Lansing, Ohio	67,000	Pipe Fittings	01/31/03
Cleveland, Ohio	50,000	Brass Castings	09/30/05

The Company operates from a number of other plants, branches, warehouses and offices in addition to the above. The Company has over 160 locations related to mill services in over thirty countries, however since these facilities are on the property of the steel mill being serviced they are not listed. The Company considers all of its properties, at which operations are currently performed, to be in satisfactory condition.

Item 3. Legal Proceedings:

Information regarding legal proceedings is included in Note 10 to the Consolidated Financial Statements under Item 8, "Financial Statements and Supplementary Data".

Item 4. Submission of Matters to a  
Vote of Security Holders:

There were no matters that were submitted during the fourth quarter of the year covered by this report to a vote of security holders, through the solicitation of proxies or otherwise.

Item 5. Market for the Registrant's Common Stock  
and Related Stockholder Matters:

Harsco common stock is traded on the New York, Pacific, Boston, and Philadelphia Stock Exchanges under the symbol HSC. At the end of 2000, there were 39,805,172 shares outstanding. In 2000, the stock traded in a range of \$31 5/8 - \$17 11/16 and closed at \$24 11/16 at year-end. At December 31, 2000 there were approximately 18,000 shareholders. For additional information regarding Harsco common stock market price and dividends declared, see the Common Stock Price and Dividend Information under Part II, Item 8, "Financial Statements and Supplementary Data".

## Item 6. Selected Financial Data

FIVE-YEAR STATISTICAL SUMMARY  
(ALL DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	2000 (a)	1999	1998	1997	1996
	-----	----	----	----	----
<b>INCOME STATEMENT INFORMATION</b>					
Net sales (b)	\$ 2,003,387	\$ 1,749,888	\$ 1,765,546	\$ 1,659,729	\$ 1,586,108
Income from continuing operations before interest, income taxes, and minority interest	192,708	169,736	191,901	179,888	166,057
Income from continuing operations	96,803	90,713	107,513	100,400	83,903
Income from discontinued defense business	--	--	--	28,424(c)	35,106
Gain on disposal of discontinued defense business	--	--	--	150,008	--
Net income	96,803	90,713	107,513	278,832	119,009
<b>FINANCIAL POSITION AND CASH FLOW INFORMATION</b>					
Working capital	\$ 190,236	\$ 182,439	\$ 112,619	\$ 341,160	\$ 214,519
Total assets	2,180,948	1,659,823	1,623,581	1,477,188	1,324,419
Long-term debt	774,450	418,504	309,131	198,898	227,385
Total debt	836,745	455,111	363,738	225,375	253,567
Depreciation and amortization	159,099	135,853	131,381	116,539	109,399
Capital expenditures	180,048	175,248	159,816	143,444	150,294
Cash provided by operating activities	259,448	213,953	189,260	148,541	217,202
Cash provided (used) by investing activities	(459,052)	(194,674)	(233,490)	196,545	(153,225)
Cash provided (used) by financing activities	210,746	(8,928)	(134,324)	(167,249)	(92,944)
<b>RATIOS</b>					
Return on net sales (1)	4.8%	5.2%	6.1%	6.0%	5.3%
Return on average equity (2)	14.7%	13.9%	14.3%	15.1%	14.0%
Return on average assets (3)	10.0%	10.7%	12.9%	14.3%	13.7%
Current ratio	1.4:1	1.4:1	1.2:1	1.9:1	1.7:1
Total debt to total capital (4)	55.4%	41.2%	34.7%	22.4%	27.1%
<b>PER SHARE INFORMATION (d)</b>					
Diluted - Income from continuing operations	\$ 2.42	\$ 2.21	\$ 2.34	\$ 2.04	\$ 1.67
- Income from discontinued defense business	--	--	--	.58(c)	.70
- Gain on disposal of discontinued defense business	--	--	--	3.05	--
- Net income	2.42	2.21	2.34	5.67	2.37
Book value	16.94	16.22	16.22	16.64	13.73
Cash dividends declared	.945	.91	.885	.82	.77
<b>OTHER INFORMATION</b>					
Basic average number of shares outstanding (d)	39,964,228	40,882,153	45,568,256	48,754,212	49,894,515
Diluted average number of shares outstanding (d)	40,021,803	41,017,067	45,910,531	49,191,872	50,317,664
Number of employees	19,700	15,700	15,300	14,600	14,200
Backlog (e)	\$ 258,858	\$ 231,557	\$ 188,594	\$ 225,575	\$ 211,734

## FIVE-YEAR STATISTICAL SUMMARY

- (a) Includes SGB Group Plc since date of acquisition.
  - (b) In order to comply with EITF Issue No. 00-10, all shipping and handling costs have been classified as cost of services sold or as cost of products sold rather than as reductions of sales. Sales for the five years have been reclassified to reflect this change.
  - (c) Includes income through August 1997 (the measurement date) from the discontinued defense business.
  - (d) Reflects two-for-one stock split to shareholders of record January 15, 1997.
  - (e) Excludes the estimated amount of long-term mill service contracts, which had estimated future revenues of \$3.5 billion at December 31, 2000.
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- (1) "Return on net sales" is calculated by dividing income from continuing operations by net sales.
  - (2) "Return on average equity" is calculated by dividing income from continuing operations by quarterly weighted average equity.
  - (3) "Return on average assets" is calculated by dividing income from continuing operations before interest expense, income taxes, and minority interest by quarterly weighted average assets.
  - (4) "Total debt to total capital" is calculated by dividing the sum of debt (short-term borrowings and long-term debt including current maturities) by the sum of equity and debt.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations:

LIQUIDITY AND CAPITAL RESOURCES

(DOLLARS ARE IN MILLIONS)	DECEMBER 31 2000	DECEMBER 31 1999	INCREASE
Current Assets	\$ 726.4	\$ 612.9	\$ 113.5
Current Liabilities	536.2	430.5	105.7
Working Capital	\$ 190.2	\$ 182.4	\$ 7.8
Current Ratio	1.4:1	1.4:1	
Notes Payable and Current Maturities	\$ 62.3	\$ 36.6	\$ 25.7
Long-term Debt	774.4	418.5	355.9
Total Debt	836.7	455.1	381.6
Total Equity	674.2	650.1	24.1
Total Capital	\$ 1,510.9	\$ 1,105.2	\$ 405.7
Total Debt to Total Capital	55.4%	41.2%	

The change in the components of the Company's working capital during 2000 is due principally to the strategic acquisition of SGB Group Plc (SGB) in June 2000. Current assets and current liabilities at December 31, 2000 include SGB amounts of \$150.9 million and \$110.6 million, respectively.

The Company is continuing its strategic focus on the reduction of capital employed including inventory and receivable levels. As a result of this focus, excluding acquisitions, in 2000 the Company reduced accounts receivable by \$15.9 million and inventories by \$9.4 million.

Long-term debt increased in 2000 principally as a result of financing the acquisitions of SGB, Bergslagens Stalservice AB and Bergslagens Suomi Oy (collectively Bergslagens), and to a lesser extent, capital investments. In October 2000, the Company financed the SGB acquisition with 200 million of British pound sterling 7.25% notes issued at 98.463% (approximately \$294.1 million using the December 31, 2000 foreign exchange rate). The Bergslagens acquisition was financed by a private placement bond issued in June 2000.

Capital investments in 2000 were a record \$180.0 million. These investments were made for new mill services contracts, for SGB access equipment, other business growth initiatives and for productivity improvements.

The strategic acquisitions, capital investments and cash dividends, paid at the same or increased rates for the 203rd consecutive quarter in February 2001, demonstrate the Company's continued commitment to creating shareholder value.

CASH UTILIZATION: (IN MILLIONS)	FOR THE YEAR ENDED DECEMBER 31				
	2000	1999	1998	1997	1996
Strategic Acquisitions	\$302.5	\$ 48.9	\$158.3	\$ 8.5	\$ 21.1
Share Repurchases	7.9	71.9	169.3	113.2	30.7
Cash Dividends	37.6	37.0	40.3	39.1	37.9
Capital Investments	180.0	175.2	159.8	143.4	150.3
Total	\$528.0	\$333.0	\$527.7	\$304.2	\$240.0

The Company's debt as a percent of total capital increased as a result of the debt incurred to finance the strategic acquisitions. Also contributing to the change is a \$28.3 million decrease in equity from foreign currency translation adjustments. These adjustments are principally due to a 6% decrease in the translated value of the euro, an 8% decrease in the British pound sterling and a 19% decrease in the South African rand from December 31, 1999 to December 31, 2000. To improve the debt to capital ratio, the Company has initiated a debt reduction program that is further described later in this section.

#### FINANCIAL STATISTICS FOR THE YEAR ENDED DECEMBER 31

	2000	1999
	----	----
Harsco stock price high-low	\$31.63 - \$17.69	\$34.38 - \$23.06
Return on average equity	14.7%	13.9%
Return on average assets	10.0%	10.7%
Return on average capital	9.6%	10.0%

Higher return on average equity is due to increased income in 2000 compared with 1999. Lower returns on average assets and average capital are due to the effect of the recent SGB acquisition which increased total assets and capital. The company's book value per share increased to \$16.94 per share at December 31, 2000 from \$16.22 at December 31, 1999 due principally to an increase in retained earnings resulting from increased income that was partially offset by foreign currency translation adjustments. These adjustments are recorded as part of other comprehensive income (expense).

In the first quarter of 2001, the Company engaged Stern Stewart & Co. to assist in the implementation of the Economic Value Added (EVA(R)) measurement and management system. The EVA(R) program will result in a worldwide focus by employees to add shareholder value by increasing the return on capital.

(IN MILLIONS)	2000	1999	1998
-----	----	----	----
NET CASH PROVIDED BY OPERATIONS:	\$259.4	\$214.0	\$189.3

Cash provided by operations in 2000 was a record \$259.4 million, \$45.4 million greater than in 1999. The increase in cash is due principally to the timing of receipts and payments for accounts receivable and accounts payable of \$46.0 million and \$11.4 million, respectively. Also affecting cash from operations was an increase in income before depreciation and amortization of \$29.3 million and a \$22.6 million increase in deferred income taxes. Partially offsetting these favorable variances was a \$46.2 million use of cash related to other assets and liabilities and a \$15.0 million variance related to the timing of payments for inventories. The decrease in other assets and liabilities is principally due to decreases in accrued taxes, payments related to facilities discontinuance and reorganizations including acquisitions, reduction of advance payments on contracts, and decreases in other current liabilities.

The Company has a U.S. commercial paper borrowing program under which it can issue up to \$350 million of short-term notes in the U.S. commercial paper market. In addition, the Company has a three billion Belgian franc commercial paper program, equivalent to approximately U.S. \$70 million at December 31, 2000. The Belgian program provides the capacity for the Company to borrow euros to fund its European operations more efficiently. The Company limits the aggregate commercial paper and syndicated credit facility borrowings at any one time to a maximum \$350 million. At December 31, 2000, the Company had \$216.8 million of U.S. commercial paper debt outstanding, and \$52.0 million of commercial paper debt outstanding under the Belgian program.

In September 2000, the Company renewed its revolving credit facility in the amount of \$350 million through a syndicate of 13 banks. This facility serves as back-up to the Company's U.S. commercial paper program. The facility is in two parts. One part amounts to \$131,250,000 and is referred to as a 364-day credit agreement that extends maturity of any borrowings for up to two years. The second part is for \$218,750,000 and is referred to as a 5-year credit agreement, that extends the maturity date of the facility for up to five years. As of December 31, 2000, there were no borrowings outstanding under this facility.

Subsequent to December 31, 2000, the Company executed two \$50 million credit facility agreements with European-based banks. Borrowings under these facilities, which expire in December 2001 and January 2002, are available in Eurocurrencies or U.S. dollars and will be primarily used to finance the Company's European operations. Borrowings outstanding at expiration may be repaid over the succeeding 4 years. Interest rates are based upon LIBOR plus a margin.

A Form S-3 shelf registration is on file with the Securities and Exchange Commission for the possible issuance of up to an additional \$200 million of new debt securities, preferred stock or common stock.

Due to the Company's increased debt level resulting from the SGB acquisition, Standard & Poor's and Fitch lowered the Company's credit ratings slightly. Moody's ratings were unchanged. The Company's outstanding long-term notes are now rated A- by Standard & Poor's, A- by Fitch and A-3 by Moody's. The Company has undertaken a debt reduction program that includes working capital reductions through process improvements and the use of software tools, divestitures of non-core businesses and non-performing assets, and a complete reevaluation of the capital expenditure program. These actions are expected to enable the company to reduce debt levels in 2001.

The Company's financial position and debt capacity should enable it to meet current and future requirements. As additional resources are needed, the Company should be able to obtain funds readily and at competitive costs. The Company is positioned to continue to invest strategically in high-return projects and acquisitions, and to pay cash dividends as a means to enhance shareholder value. In the near-term, the Company intends to use future discretionary cash flow principally for debt reduction.

RESULTS OF OPERATIONS  
2000 COMPARED WITH 1999

(DOLLARS ARE IN MILLIONS, EXCEPT PER SHARE)	2000	1999	AMOUNT INCREASE	PERCENT INCREASE
-----	----	----	-----	-----
Revenues	\$2,004.7	\$1,751.0	\$253.7	14%
Operating income	194.7	166.7	28.0	17
Net income	96.8	90.7	6.1	7
Diluted earnings per common share	2.42	2.21	.21	10

SUMMARY ANALYSIS OF RESULTS

The Company's revenues, operating income, operating income margin, net income and diluted earnings per share improved in 2000 compared with 1999. Results improved despite the negative impact on sales and earnings of the foreign currency translation effect of the strong U.S. dollar, the sale of six non-core businesses in 1999 and 2000 and the unfavorable effect of higher energy costs. On a comparative basis with 1999, the unfavorable effects of foreign currency translation reduced the Company's 2000 revenues and net income by approximately \$45 million and \$4.8 million, respectively. Net income in 2000 benefited from a lower effective income tax rate, principally on international earnings.

Sales and operating income for 2000 benefited significantly from the results of the SGB acquisition in the second quarter of 2000 and the Pandrol Jackson acquisition in the fourth quarter of 1999. Increased sales and income were due in part to increased demand for services from the Company's worldwide mill services business, which generates approximately 75% of its revenues from outside the United States. Improved performance from the non-U.S. mill services operations allowed the Company to post increased results in 2000, despite a second half slowdown in the domestic steel industry. Additionally, increased demand for services and products in the domestic non-residential construction market favorably affected sales and income.

Sales for most product lines in the Gas and Fluid Control Segment were below 1999 levels due to reduced demand and competitive pricing restraints due to a significant slowdown in the



manufacturing sector in the fourth quarter of 2000. Additionally, the disposition of three non-core businesses contributed to the decrease in sales. The decrease in sales, as well as higher product cost of sales, resulted in lower operating income for the Gas and Fluid Control Segment.

Interest expense in 2000 was significantly greater than in 1999, principally as a result of increased debt used to finance the SGB and Pandrol Jackson acquisitions. This increase offset a significant portion of the operating income increase.

#### COMPARATIVE ANALYSIS OF CONSOLIDATED RESULTS

##### REVENUES

Revenues for 2000 were significantly above those recorded in 1999. Sales increased principally due to the addition of acquired companies. The improvement also resulted from increased demand in mill services and non-residential construction markets in the United States. Sales decreased in the United States for railway track maintenance contract services and equipment (excluding acquisitions) as well as for products in the Gas and Fluid Control Segment. These decreases principally resulted from softening demand due to high energy costs and the unfavorable effects of a fourth quarter 2000 economic slowdown in the United States manufacturing sector. Excluding the unfavorable foreign currency translation effect of the strengthening U.S. dollar, particularly relative to the euro, revenues increased by more than 17%.

##### COST OF SALES AND SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Cost of services and products sold increased, but at a lower rate than the increase in revenues, despite a significant increase in energy costs. Selling, general and administrative expenses increased due to the costs related to acquired companies. The Company's continuing cost reduction, process improvement and reorganization efforts slowed the growth rate of these costs. Excluding the net effects of business acquisitions and dispositions, selling, general and administrative expenses decreased approximately 3%.

On a comparative basis, 2000 was unfavorably affected by higher product costs of \$8 million due to LIFO inflation. This was offset by a one-time employee benefit plan change that reduced pre-tax costs by approximately \$5.3 million, and by lower pension costs.

##### OTHER INCOME AND EXPENSES

In 2000, the Company incurred \$1.3 million of net other expenses compared to \$6 million in 1999. This income statement classification principally includes impaired asset write-downs, employee termination benefit costs and costs to exit activities, offset by net gains on the disposal of non-core assets. The decreased net expenses for 2000 principally results from a \$3.8 million increase in net gains from asset disposals.

##### INTEREST EXPENSE

Interest expense in 2000 was higher than in 1999 due principally to additional borrowings as a result of business acquisitions, principally SGB and Pandrol Jackson. Higher interest rates also contributed to the increase.

##### PROVISION FOR INCOME TAXES

The effective income tax rate for 2000 was 31.5% versus 35% for 1999. The reduction in the income tax rate is due principally to lower rates on international earnings.

## NET INCOME AND EARNINGS PER SHARE

Net income of \$96.8 million and diluted earnings per share of \$2.42 were above 1999 due to the factors previously disclosed.

## SEGMENT ANALYSIS

## INFRASTRUCTURE SEGMENT

(DOLLARS ARE IN MILLIONS)	2000	1999	AMOUNT INCREASE	PERCENT INCREASE
-----	----	----	-----	-----
Sales	\$703.6	\$432.5	\$271.1	63%
Operating income	62.3	41.2	21.1	51
Segment net income	26.1	22.5	3.6	16

The significant increase in sales and operating income of the Infrastructure Segment for 2000 is due to the acquisition of SGB in the second quarter of 2000 and Pandrol Jackson in the fourth quarter of 1999. The acquisitions resulted in increased sales of scaffolding, shoring, and forming services and railway track maintenance contracting services and equipment.

Excluding acquisitions, the operating income of the Infrastructure Segment decreased by \$7.7 million in 2000. The decrease reflects reduced demand for railway track maintenance contracting services and equipment. This was experienced particularly in the United States where the Company's customers were confronted with a manufacturing sector economic slowdown in the fourth quarter of 2000 as well as significantly higher energy costs. Railroad customers delayed the purchase of equipment and deferred their maintenance programs for most of the year. Additionally, a pre-tax non-recurring asset write-down of \$3.0 million was incurred in the third quarter of 2000 for the railway track maintenance business. Despite higher sales, operating income for the grating product line decreased due to higher material costs. The decrease in the Segment's operating income excluding acquisitions was partially offset by improved income for scaffolding services due to a continuing strong United States non-residential construction market.

Net income of the Infrastructure Segment increased due to the conditions previously discussed.

## MILL SERVICES SEGMENT

(DOLLARS ARE IN MILLIONS)	2000	1999	AMOUNT INCREASE	PERCENT INCREASE
-----	----	----	-----	-----
Sales	\$ 757.4	\$737.8	\$19.6	3%
Operating income	92.6	78.2	14.4	18
Segment net income	58.5	45.1	13.4	30

Sales of the Mill Services Segment in 2000 were above 1999 despite the unfavorable effect of foreign exchange translation and the disposition of two non-core businesses. Excluding these factors and the effects of an acquisition, sales increased by 10% in 2000. However, by year-end 2000 an oversupply of steel in the United States and Canada, due principally to a high level of imports, unfavorably affected prices, shipments and the profitability of many steel mills; consequently the demand for mill services began to decline and sales began to decrease. Economic conditions in the steel industry are forecasted to improve by the second half of 2001.

Operating income of the Mill Services Segment for 2000 was significantly above 1999. The increase reflects the improved operating and economic environment for mill services in the first half of 2000 and the favorable effects of continuous process improvement programs and reorganization efforts that more than offset significantly higher energy costs. Excluding the unfavorable foreign currency translation effect of the strong U. S. dollar, the disposition of two non-core businesses and a business acquisition, operating income increased by approximately 28%.

Net income of the Harsco Mill Services Segment for 2000 was also significantly above 1999. The increase reflects the conditions previously discussed. Additionally, a lower effective income tax rate in 2000 favorably affected international earnings.

#### GAS AND FLUID CONTROL SEGMENT

(DOLLARS ARE IN MILLIONS)	2000	1999	AMOUNT (DECREASE)	PERCENT (DECREASE)
-----	----	----	-----	-----
Sales	\$542.4	\$579.6	\$(37.2)	(6)%
Operating income	41.1	47.5	(6.4)	(13)
Segment net income	23.9	27.0	(3.1)	(11)

The decrease in 2000 sales of the Harsco Gas and Fluid Control Segment is due principally to reduced demand and to competitive pricing restraints for most product lines, as well as the disposition of three non-core businesses. The decreases in operating income and net income reflect the unfavorable effect of lower sales which more than offset net gains associated with the sale of non-core businesses. Additionally higher manufacturing production costs contributed to the decrease in income.

## SERVICES AND ENGINEERED PRODUCTS ANALYSIS

The Company is a diversified services and engineered products company. Over the last several years management has transformed the Company into a global services company. This is evidenced by recent acquisitions of service companies and related capital equipment. Sales, operating income and EBITDA for 2000 and 1999 are presented in the following table:

(DOLLARS ARE IN MILLIONS)	2000		1999	
	AMOUNT	PERCENT	AMOUNT	PERCENT
SALES				
Services	\$ 1,140.9	57%	\$ 866.8	50%
Engineered products	862.5	43	883.1	50
Total sales	\$ 2,003.4	100%	\$ 1,749.9	100%
OPERATING INCOME				
Services	\$ 122.7	63%	\$ 84.9	51%
Engineered products	73.3	37	82.0	49
Total segment operating income	\$ 196.0	100%	\$ 166.9	100%
EBITDA*				
Services	\$ 248.0	71%	\$ 191.1	63%
Engineered products	103.3	29	110.3	37
Total segment EBITDA	\$ 351.3	100%	\$ 301.4	100%

\* Earnings before interest, income taxes, depreciation and amortization (EBITDA) is not a measure of performance under generally accepted accounting principles, however, the Company and the investment community consider it an important calculation.

Service sales, operating income and EBITDA in 2000 increased significantly from 1999. The increase reflects the effects of acquired companies, principally SGB and Pandrol Jackson, as well as improved economic conditions in certain markets served by the company.

Operating income for 2000 for engineered products was down from 1999 due to reduced margins for certain products, principally grating and industrial fittings.

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RESULTS OF OPERATIONS  
1999 COMPARED WITH 1998

(DOLLARS ARE IN MILLIONS, EXCEPT PER SHARE)	1999	1998	AMOUNT (DECREASE)	PERCENT (DECREASE)
-----	----	----	-----	-----
Revenues	\$1,751.0	\$1,766.1	\$(15.1)	(1)%
Operating income	166.7	190.5	(23.8)	(12)
Net income	90.7	107.5	(16.8)	(16)
Diluted earnings per common share	2.21	2.34	(.13)	(6)

SUMMARY ANALYSIS OF RESULTS

Despite improving conditions in the steel industry during the last six months of 1999, the Company's results for the full year of 1999 reflect the adverse effects of a steel industry affected by overcapacity, reduced prices and weak demand in certain parts of the world. These problems contributed to reduced steel production and financial stress at several steel mills. Certain customers in the United States were forced to file for bankruptcy protection. In the second half of 1999, increased levels of domestic steel production and capacity utilization favorably affected the Company's results. Second half net income and earnings per share for 1999 exceeded the same period of 1998.

Soft market conditions in the industrial gas and oil industries contributed to lower results for 1999. However, the significant increase in crude oil prices that was experienced in late 1999 contributed to improved results for the second half. The Company's order backlog in the Gas and Fluid Control Segment as of December 31, 1999 was 27% higher than as of December 31, 1998, reflecting improved business conditions.

In 1999, the strong U.S. dollar adversely impacted the foreign currency translation effect on results of operations in many countries in which the Company operates.

Additionally, pre-tax pension expense for 1999, calculated in accordance with SFAS No. 87, was \$10.6 million higher than 1998. The increase unfavorably impacted cost of services and products sold as well as selling, general, and administrative expenses.

COMPARATIVE ANALYSIS OF CONSOLIDATED RESULTS

REVENUES

Revenues for 1999 were \$1.75 billion, slightly below 1998. The decrease reflects principally the unfavorable effects of market conditions in the steel, oil and gas industries during the first six months of 1999. Improvements in market conditions in the second half of 1999, as well as higher sales from acquisitions, net of dispositions of non-core businesses, partially offset the lower sales reported in the first six months of 1999. Excluding the adverse foreign exchange translation effect of the strengthening U.S. dollar, particularly relative to the Brazilian real, the euro, the South African rand and the British pound, revenues exceeded 1998.

## COST OF SALES AND SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Costs of services and products sold for 1999 approximated that of 1998. As a result of divesting certain non-core businesses and the Company's continuing cost reduction, process improvement, and reorganization efforts, selling, general, and administrative expenses decreased despite the inclusion of acquired companies. The total of cost of sales plus selling, general, and administrative expenses was lower than 1998, despite a significant increase in pension expense.

## OTHER INCOME AND EXPENSES

In 1999, the Company incurred \$6.0 million of other expenses compared to \$4.3 million of other income in 1998. This income statement classification principally includes impaired asset write-downs, employee termination benefit costs and costs to exit activities, offset by net gains on the disposal of non-core assets.

Expenses for 1999 included \$2.9 million of impaired asset write-downs, principally for the Company's investment in Bio-Oxidation Services Inc. which is included in the Gas and Fluid Control Segment. Additionally, \$2.9 million of expense was incurred for employee termination benefits principally in the Mill Services Segment related to arrangements which included operations in France and the United Kingdom. In 1999, the Company did not benefit from any large gains related to either the sale of non-core businesses or redundant facilities or equipment.

Other income for 1998 included a pre-tax net gain of \$27 million recorded on the October 1998 sale of the Nutter Engineering unit of the Gas and Fluid Control Segment. This was substantially offset by \$14.4 million of impaired asset write-downs including \$6.1 million for the Company's investment in Bio-Oxidation Services Inc., as well as \$6.1 million for principally buildings and equipment in the Mill Services Segment related primarily to the Company's operation in Russia. Also during 1998, \$6.5 million of employee termination benefit expense was incurred principally in the Mill Services Segment, primarily in South Africa, United States, France and Germany.

## EMPLOYEE TERMINATION BENEFIT COSTS AND PAYMENTS

(IN MILLIONS)	SUMMARY OF ACTIVITY	
- - - - -	- - - - -	
Original reorganization action period	1999	1998
Employee termination benefits expense	\$2.9	\$6.5
Disbursements:		
In 1998	-	(2.4)
In 1999 (1)	(1.8)	(3.3)
Total disbursements	(1.8)	(5.7)
Other	-	(0.4)
Remaining payments as of		
December 31, 1999 (2)	\$1.1	\$0.4

(1) - Disbursements in 1999 are categorized according to the original reorganization action period to which they relate (1999 or 1998).

(2) - Remaining payments are categorized according to the original reorganization action period to which they relate (1999 or 1998).

## EMPLOYEE TERMINATIONS - NUMBER OF EMPLOYEES

	SUMMARY OF ACTIVITY	
	1999	1998
Original reorganization action period		
Employees affected by new reorganization actions	220	670
Employee terminations:		
In 1998	-	(349)
In 1999	(172)	(352)
Total terminations	(172)	(701)
Other	(9)	35
Remaining terminations as of December 31, 1999	39	4

## INTEREST EXPENSE

The Company's defense business was sold in the fourth quarter of 1997. This resulted in \$344 million of pre-tax cash proceeds. The availability of a substantial portion of this cash in 1998 resulted in additional interest income, as well as reduced interest expense compared to 1999. Additionally, interest expense for 1999 was higher than 1998 as a result of increased borrowings for record capital investments, the Company's share repurchase program and an acquisition in the fourth quarter of 1999. Capital investments, \$175.2 million in 1999, were made for new mill services contracts, other business growth initiatives, information technology, new processes, and productivity improvements.

## PROVISION FOR INCOME TAXES

The effective income tax rate for 1999 was 35% versus 37.5% for 1998. The reduction in the income tax rate is due principally to lower effective income tax rates on domestic earnings.

## NET INCOME AND EARNINGS PER SHARE

Net income of \$90.7 million was below 1998. Diluted earnings per common share were \$2.21, down from \$2.34 in 1998.

## SEGMENT ANALYSIS

## INFRASTRUCTURE SEGMENT

(DOLLARS ARE IN MILLIONS)	1999	1998	AMOUNT INCREASE	PERCENT INCREASE
-----	----	----	-----	-----
Sales	\$ 432.5	\$ 399.2	\$33.3	8%
Operating income	41.2	32.9	8.3	25
Segment net income	22.5	18.6	3.9	21

The Infrastructure Segment's sales for 1999 exceeded 1998 due to increased sales of scaffolding, shoring and forming services, as well as sales of railway track maintenance equipment and contracting services which included the effect of an acquisition in the fourth quarter of 1999.

Operating income of the Infrastructure Segment was significantly above 1998. Excluding other income and expenses, operating income was \$41.2 million compared to \$34.8 million in 1998. The increase was due principally to improved margins on sales of grating products and, to a lesser extent, higher income for scaffolding, shoring and forming services. Additionally, the fourth quarter of 1998 included \$2.9 million of principally inventory valuation adjustments due to a reorganization of the grating products business.

Segment net income was above 1998 due principally to improved margins on sales of grating products. Additionally, increased income was recorded for scaffolding, shoring and forming services. Excluding other income and expenses, net income in 1999 was \$22.5 million compared to \$19.9 million in 1998.

## MILL SERVICES SEGMENT

(DOLLARS ARE IN MILLIONS)	1999	1998	AMOUNT INCREASE (DECREASE)	PERCENT INCREASE (DECREASE)
-----	----	----	-----	-----
Sales	\$737.8	\$ 761.1	\$(23.3)	(3)%
Operating income	78.2	82.9	(4.7)	(6)
Segment net income	45.1	43.3	1.8	4

Sales of the Mill Services Segment were below 1998. The inclusion of sales from an acquired company for the full year 1999 was partially offset by the 1998 disposition of a non-core business. The decrease also reflects the unfavorable effects of foreign exchange translation and overcapacity in the steel industry which adversely affected worldwide steel prices and production. This is particularly true in the United States where the steel industry filed complaints with the government due to alleged unfairly low-priced imports. Lower steel production adversely affected volume and margins at most steel mills in the United States including many of the Company's customers. However, during the last six months of 1999, steel production and capacity utilization in the United States trended upwards reflecting the highest levels since the second quarter of 1998. Additionally, certain other key countries in which the Company conducts business also experienced upward trends in steel production in 1999. The Mill Services Segment fourth quarter 1999 results reflected this trend as revenues and income, excluding other income and expenses, exceeded the same period of 1998.

Operating income of the Mill Services Segment was below 1998. Results in 1998 included other expenses of \$6.5 million of pre-tax, non-cash write-downs of assets, principally property, plant and equipment and \$4.9 million of employee termination benefit costs. Excluding other income and expenses, operating income was \$81.5 million in 1999 compared to \$95.0 million in 1998.

The decrease in income for 1999 reflected the adverse effects of lower steel production and prices in the first half of 1999. Results for 1999 include a foreign currency transaction gain in Brazil, while in 1998, net foreign currency translation exchange losses were incurred. The transaction gain in Brazil partially offset the net unfavorable foreign currency impact associated with translation of the results of operations of the Mill Services Segment.

Net income of the Mill Services Segment was above 1998. Excluding other income and expenses, net income in 1999 was \$47.3 million compared to \$50.8 million in 1998, reflecting the conditions previously disclosed.



## GAS AND FLUID CONTROL SEGMENT

(DOLLARS ARE IN MILLIONS)	1999	1998	AMOUNT (DECREASE)	PERCENT DECREASE)
-----	----	----	-----	-----
Sales	\$579.6	\$605.2	\$(25.6)	(4)%
Operating income	47.5	72.3	(24.8)	(34)
Segment net income	27.0	40.9	(13.9)	(34)

Sales of the Gas and Fluid Control Segment decreased from 1998. The inclusion of a full year's sales of three acquired companies was more than offset by lower sales of process equipment due in part to the disposition of three non-core businesses. Reduced sales of gas control and containment equipment and process equipment also reflected decreased demand in the industrial gas and oil industries. In late 1999, these industries were favorably affected by rising crude oil prices.

Operating income of the Gas and Fluid Control Segment was below 1998 principally due to the inclusion in 1998 of gains on the disposal of two businesses. Excluding other income and expenses, operating income was \$50.0 million in 1999 compared to \$54.1 million in 1998. The decrease reflected the adverse effects of reduced demand from customers in the industrial gas and oil industries.

Segment net income was below 1998 principally due to the inclusion in 1998 of gains on the disposal of two businesses. Net income for 1999 was adversely affected, but to a lesser extent than 1998, by valuation provisions related to the write-down of assets held for disposal. Excluding other income and expenses, net income in 1999 was \$28.6 million compared to \$30.0 million in 1998.

## SERVICES AND ENGINEERED PRODUCTS ANALYSIS

In addition to the segment reporting previously presented, the Company is a services and engineered products company. Total service sales include mill services, as well as scaffolding, shoring, and forming services and railway track maintenance services. Engineered products principally include product sales of the Infrastructure and the Gas and Fluid Control Segments.

(DOLLARS ARE IN MILLIONS)	1999		1998	
-----	AMOUNT	PERCENT	AMOUNT	PERCENT
-----	-----	-----	-----	-----
SALES				
-----				
Services	\$ 866.8	50%	\$ 870.0	49%
Engineered Products	883.1	50	895.5	51
	-----	-----	-----	-----
Total sales	\$ 1,749.9	100%	\$ 1,765.5	100%
	=====	=====	=====	=====
OPERATING INCOME				
Services	\$ 84.9	51%	\$ 78.8	42%
Engineered Products	82.0	49	109.3	58
	-----	-----	-----	-----
Total segment operating income	\$ 166.9	100%	\$ 188.1	100%
	=====	=====	=====	=====

Services operating income in 1999 was \$84.9 million compared with \$78.8 million in 1998. Excluding losses and impaired asset write-downs associated with the medical waste disposal service business, services operating income was \$87.2 million and \$88.6 million for 1999 and 1998, respectively.

Operating income for engineered products in 1998 included a pre-tax net gain of \$27 million.

#### ECONOMIC ENVIRONMENT

The Company has currency exposures for its international operations which are subject to volatility, such as the foreign exchange fluctuations relative to the U.S. dollar experienced for the euro and British pound sterling in 2000 and for the Brazilian real and the euro in 1999. Such exposures may result in reduced sales, income, and cash flows. The aforementioned situations are not expected to have a material adverse impact on the Company's financial position or results of operations. However, these and similar risks could result in a material impact on the Company's financial position or results of operations in the future, if the currencies would continue to weaken in relation to the U.S. dollar. Balance sheet translation adjustments for the European and Brazilian operations generally do not affect results of operations.

In the second half of 2000 the worldwide steel industry experienced selling price reductions and production curtailments at many steel producers, particularly in the United States. The United States steel industry was unfavorably affected by imports of low-priced foreign steel and a worldwide oversupply of steel. In 2000, United States steel imports were second only to the crisis year of 1998. Certain steel producers, including certain Company customers, were forced to file for bankruptcy protection. There is a risk that the Company's future results of operations or financial condition could be adversely affected if the steel industry's problems were to continue. This risk is mitigated since approximately 75% of the Company's mill services sales are generated outside the United States. The Mill Services Segment provides services at steel mills throughout the world. The future financial impact on the Company associated with these risks cannot be estimated.

#### RESEARCH AND DEVELOPMENT

The Company invested \$5.7 million in internal research and development programs in 2000. Internal funding for the Infrastructure Segment amounted to \$3.0 million, principally for railway track maintenance equipment and services. Expenditures for the Mill Services and Gas and Fluid Control Segments were \$2.0 million and \$0.7 million, respectively.

#### BACKLOG

As of December 31, 2000, the Company's order backlog, exclusive of long-term mill services contracts, was \$258.9 million compared with \$231.6 million as of December 31, 1999, a 12% increase. The Infrastructure Segment order backlog at December 31, 2000 was \$181.7 million, an increase of 20% over the December 31, 1999 backlog of \$151.6 million. This increase is principally due to an increase in railway track maintenance equipment and services. Backlog for scaffolding, shoring and forming services of the Infrastructure Segment is excluded from the reported amounts. These amounts are generally not quantifiable due to the nature of the products and services provided.

Mill services contracts have estimated future revenues of \$3.5 billion at December 31, 2000, which is slightly below the \$3.6 billion at December 31, 1999, principally due to the effect of foreign currency translations.

## DIVIDEND ACTION

The Company paid four quarterly cash dividends of \$.235 per share in 2000, for an annual rate of \$.94. This is an increase of 4.4% from 1999. At the November 2000 meeting, the Board of Directors increased the dividend 2.1% to an annual rate of \$.96 per share. The Board normally reviews the dividend rate periodically during the year and annually at its November meeting. There are no material restrictions on the payment of dividends.

The Company is proud of its history of paying dividends. The Company has paid dividends each year since 1939. The February 2001 payment marked the 203rd consecutive quarterly dividend paid at the same or at an increased rate. During the five-year period ended December 31, 2000, dividends paid were increased five times. In 2000, the dividend payout rate was 39%. The Company is philosophically committed to maintaining or increasing the dividend at a sustainable level.

## FORWARD LOOKING STATEMENTS

The nature of the Company's operations and the many countries in which it operates subject it to changing economic, competitive, regulatory, and technological conditions, risks, and uncertainties. In accordance with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company provides the following cautionary remarks regarding important factors which, among others, could cause future results to differ materially from the forward-looking statements, expectations, and assumptions expressed or implied herein. These include statements about our management confidence and strategies for performance; expectations for new and existing products, technologies, and opportunities; and expectations for market segment and industry growth, sales, earnings, and other financial performance measures.

These factors include, but are not limited to: (1) changes in the worldwide business environment in which the Company operates, including general economic conditions, particularly in the mill services, infrastructure and industrial gas markets; currency exchange rates; interest rates; and capital costs; (2) changes in governmental laws and regulations, including taxes; (3) market and competitive changes, including pricing pressures, market demand and acceptance for new products, services, and technologies; (4) effects of unstable governments and business conditions in emerging economies; and (5) other risk factors listed from time to time in the Company's SEC reports. The Company does not intend to update this information and disclaims any legal liability to the contrary.

## Item 7A. Quantitative And Qualitative Disclosures About Market Risk

The Company is exposed to foreign currency risk in its international operations. The Company conducts business in thirty-eight countries and approximately 42%, 36% and 37% of the Company's net revenues for the years ended December 31, 2000, 1999 and 1998, respectively, were derived from the Company's operations outside the United States. The June 2000 SGB acquisition has increased the Company's foreign currency exposure. In 2000, the British pound sterling decreased 8% and the euro declined 6% in relation to the U.S. dollar. These and other foreign currency exposures increase the risk of income statement, balance sheet and cash flow volatility.

To illustrate the effect of foreign currency exchange rate changes due to the strengthening of the U.S. dollar, in 2000 sales would have been approximately 2.2% or \$45 million greater using the average exchange rates for the year 1999. A similar comparison for the year 1999 would

have increased sales approximately 2.5% if the average exchange rates for 1998 would have remained the same in 1999.

The Company seeks to reduce exposures to foreign currency fluctuations through the use of forward exchange contracts. At December 31, 2000, these contracts amounted to \$3.1 million and all mature within 2001. The Company does not hold or issue financial instruments for trading purposes, and it is the Company's policy to prohibit the use of derivatives for speculative purposes.

The Company's cash flows and earnings are subject to changes in interest rates. Total debt of \$836.7 million as of December 31, 2000 had interest rates ranging from 3.7% to 12.1%, of which approximately 54% were at fixed rates of interest. The weighted average interest rate of total debt was approximately 6.7%. At current debt levels, a one percentage increase in interest rates would increase interest expense by approximately \$3.8 million per year.

For additional information, see Note 13, Financial Instruments, to the Consolidated Financial Statements under Item 8, "Financial Statements and Supplementary Data."

On April 6, 2000, the Company agreed to invest \$20 million for a 49% interest in S3Networks, LLC, a start-up company providing internet and e-business infrastructure consulting services primarily to Fortune 1000 companies. This investment is subject to market risks inherent in any start-up company. Such risks include the ability to develop a revenue base sufficient to offset fixed expenses; the ability to hire and retain qualified employees; the ability to secure market share from established companies, etc. Since the Company is the principal provider of initial capital for S3Network, LLC, the Company records 100% of the net losses to the extent of its initial \$20 million investment. The Company recorded \$3.4 million of such pre-tax losses during 2000. There is no obligation for the Company to fund the venture beyond its \$20 million investment.

The Company is also exposed to risks related to changing economic conditions and their effect on the markets it serves and on the Company's supply chain, and related costs. For additional information, see "Economic Environment" under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

## Item 8. Financial Statements and Supplementary Data:

## Index to Consolidated Financial Statements and Supplementary Data

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To the Shareholders of Harsco Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity, comprehensive income and cash flows present fairly, in all material respects, the financial position of Harsco Corporation and Subsidiary Companies at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP  
Philadelphia, Pennsylvania  
January 30, 2001

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HARSCO CORPORATION  
CONSOLIDATED BALANCE SHEET

(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

DECEMBER 31	2000	1999
	-----	-----
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 56,422	\$ 51,266
Accounts receivable, net	413,654	331,123
Inventories	199,117	172,198
Other current assets	57,222	58,368
	-----	-----
TOTAL CURRENT ASSETS	726,415	612,955
	-----	-----
Property, plant and equipment, net	896,781	671,546
Cost in excess of net assets of businesses acquired, net	369,199	258,698
Other assets	188,553	116,624
	-----	-----
TOTAL ASSETS	\$ 2,180,948	\$ 1,659,823
	=====	=====
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Short-term borrowings	\$ 47,676	\$ 32,014
Current maturities of long-term debt	14,619	4,593
Accounts payable	192,148	132,394
Accrued compensation	46,591	46,615
Income taxes	34,783	44,154
Dividends payable	9,553	9,417
Other current liabilities	190,809	161,329
	-----	-----
TOTAL CURRENT LIABILITIES	536,179	430,516
	-----	-----
Long-term debt	774,450	418,504
Deferred income taxes	88,480	52,932
Insurance liabilities	46,988	37,097
Other liabilities	60,672	70,653
	-----	-----
TOTAL LIABILITIES	1,506,769	1,009,702
	-----	-----
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Preferred stock, Series A junior participating cumulative preferred stock	--	--
Common stock, par value \$1.25, issued 66,309,651 and 66,221,544 shares as of December 31, 2000 and 1999, respectively	82,887	82,777
Additional paid-in capital	90,000	88,101
Accumulated other comprehensive expense	(109,377)	(80,538)
Retained earnings	1,214,659	1,155,586
	-----	-----
Treasury stock, at cost (26,504,479 and 26,149,759 shares, respectively)	1,278,169	1,245,926
	(603,990)	(595,805)
	-----	-----
TOTAL SHAREHOLDERS' EQUITY	674,179	650,121
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 2,180,948	\$ 1,659,823
	=====	=====

See accompanying notes to consolidated financial statements.

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HARSCO CORPORATION  
CONSOLIDATED STATEMENT OF INCOME

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)  
YEARS ENDED DECEMBER 31

	2000	1999	1998
	-----	-----	-----
<b>REVENUES</b>			
Service sales (1)	\$ 1,140,922	\$ 866,839	\$ 869,987
Product sales (1)	862,465	883,049	895,559
Other	1,354	1,119	582
	-----	-----	-----
TOTAL REVENUES	2,004,741	1,751,007	1,766,128
	-----	-----	-----
<b>COSTS AND EXPENSES</b>			
Cost of services sold	840,501	669,364	670,389
Cost of products sold	688,385	693,368	689,041
Selling, general, and administrative expenses	274,079	207,765	213,438
Research and development expenses	5,714	7,759	6,977
Other (income) and expenses	1,334	6,019	(4,264)
	-----	-----	-----
TOTAL COSTS AND EXPENSES	1,810,013	1,584,275	1,575,581
	-----	-----	-----
OPERATING INCOME	194,728	166,732	190,547
Equity in income (loss) of affiliates, net (2)	(2,020)	3,004	1,354
Interest income	5,987	4,662	8,378
Interest expense	(50,104)	(26,968)	(20,504)
	-----	-----	-----
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	148,591	147,430	179,775
Provision for income taxes	46,805	51,599	67,361
	-----	-----	-----
INCOME BEFORE MINORITY INTEREST	101,786	95,831	112,414
Minority interest in net income	4,983	5,118	4,901
	-----	-----	-----
NET INCOME	\$ 96,803	\$ 90,713	\$ 107,513
	=====	=====	=====
BASIC EARNINGS PER COMMON SHARE	\$ 2.42	\$ 2.22	\$ 2.36
	=====	=====	=====
Average shares of common stock outstanding	39,964	40,882	45,568
	=====	=====	=====
DILUTED EARNINGS PER COMMON SHARE	\$ 2.42	\$ 2.21	\$ 2.34
	=====	=====	=====
Diluted average shares of common stock outstanding	40,022	41,017	45,911
	=====	=====	=====

See accompanying notes to consolidated financial statements.

- (1) In order to comply with Emerging Issues Task Force (EITF) Issue No. 00-10, all shipping and handling costs have been classified as cost of services sold or as cost of products sold rather than as reductions of sales. The income statements for the twelve months ended December 31, 1999 and 1998 have been reclassified to reflect this change. The reclassification has no effect on previously reported operating income or net income for the twelve months ended December 31, 1999 and 1998.
- (2) Equity in income (loss) of affiliates is now separately reported. Previously these amounts were included in operating income as other revenues. Amounts previously reported as operating income for the twelve months ended December 31, 1999 and 1998 were \$169,736 and \$191,901, respectively.



HARSCO CORPORATION  
CONSOLIDATED STATEMENT OF CASH FLOWS

(IN THOUSANDS) YEARS ENDED DECEMBER 31	2000 -----	1999 -----	1998 -----
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 96,803	\$ 90,713	\$ 107,513
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	141,128	122,777	119,044
Amortization	17,971	13,076	12,337
Equity in (income) loss of affiliates, net	2,020	(3,004)	(1,354)
Dividends or distributions from affiliates	1,729	3,369	1,494
Deferred income taxes	22,806	193	3,893
Other (income) and expenses	3,397	6,019	24,843
Gain on sale of businesses	(2,226)	--	(29,107)
Other, net	1,422	5,205	5,260
Changes in assets and liabilities, net of acquisitions and dispositions of businesses:			
Accounts receivable	17,811	(28,157)	(15,718)
Inventories	966	15,934	(24,991)
Accounts payable	10,193	(1,238)	8,379
Net disbursements related to discontinued defense business	(12,012)	(14,605)	(13,642)
Other assets and liabilities	(42,560)	3,671	(8,691)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>259,448</u> =====	<u>213,953</u> =====	<u>189,260</u> =====
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment	(180,048)	(175,248)	(159,816)
Purchase of businesses, net of cash acquired*	(302,461)	(48,907)	(158,291)
Proceeds from sale of businesses	11,512	17,718	39,500
Proceeds from sale of property, plant and equipment	10,957	14,381	13,033
Investments available-for-sale: Maturities	--	--	40,000
Investments held-to-maturity: Maturities	--	--	4,010
Other investing activities	988	(2,618)	(11,926)
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<u>(459,052)</u> =====	<u>(194,674)</u> =====	<u>(233,490)</u> =====
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Short-term borrowings, net	146,552	(10,546)	16,131
Current maturities and long-term debt: Additions	562,993	214,133	172,709
Reductions	(448,366)	(103,410)	(116,163)
Cash dividends paid on common stock	(37,594)	(37,022)	(40,287)
Common stock issued-options	1,792	2,272	3,885
Common stock acquired for treasury	(7,917)	(71,860)	(169,258)
Other financing activities	(6,714)	(2,495)	(1,341)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>210,746</u> =====	<u>(8,928)</u> =====	<u>(134,324)</u> =====
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<u>(5,986)</u>	<u>(647)</u>	<u>(1,449)</u>
Net increase (decrease) in cash and cash equivalents	5,156	9,704	(180,003)
Cash and cash equivalents at beginning of year	51,266	41,562	221,565
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 56,422</u> =====	<u>\$ 51,266</u> =====	<u>\$ 41,562</u> =====
*PURCHASE OF BUSINESSES, NET OF CASH ACQUIRED			
Working capital, other than cash	\$ (20,249)	\$ 18,078	\$ 11,159
Property, plant and equipment	(215,065)	(36,417)	(89,182)
Other noncurrent assets and liabilities, net	(67,147)	(30,568)	(80,268)
<b>NET CASH USED TO ACQUIRE BUSINESSES</b>	<u>\$(302,461)</u> =====	<u>\$(48,907)</u> =====	<u>\$(158,291)</u> =====

See accompanying notes to consolidated financial statements.

HARSCO CORPORATION  
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(IN THOUSANDS, EXCEPT SHARE AMOUNTS)	COMMON STOCK		ADDITIONAL	ACCUMULATED OTHER COMPREHENSIVE INCOME (EXPENSE)		
	ISSUED	TREASURY	PAYED-IN	TRANSLATION	NET UNREALIZED	PENSION
			CAPITAL		INVESTMENT	LIABILITY
					GAINS (LOSSES)	
BALANCES, JANUARY 1, 1998	\$ 82,318	\$ (362,772)	\$ 79,360	\$ (49,677)	\$ (28)	\$ (1,269)
Net income						
Cash dividends declared, \$.885 per share						
Translation adjustments				(1,714)		
Unrealized investment gains, net of (\$18) deferred income taxes					28	
Pension liability adjustments, net of \$1,544 deferred income taxes						(2,385)
Acquired during the year, 4,989,483 shares		(168,405)				
Stock options exercised, 221,293 shares	276		5,913			
Restricted stock, net, 40,324 shares		1,649	110			
Other, 1,658 shares		66	1			
BALANCES, DECEMBER 31, 1998	82,594	(529,462)	85,384	(51,391)	--	(3,654)
Net income						
Cash dividends declared, \$.91 per share						
Translation adjustments				(27,273)		
Pension liability adjustments, net of (\$1,277) deferred income taxes						1,780
Acquired during the year, 2,326,798 shares		(66,441)				
Stock options exercised, 146,164 shares	183		2,740			
Other, 2,497 shares		98	(23)			
BALANCES, DECEMBER 31, 1999	82,777	(595,805)	88,101	(78,664)	--	(1,874)
Net income						
Cash dividends declared, \$.945 per share						
Translation adjustments				(28,327)		
Pension liability adjustments, net of \$295 deferred income taxes						(512)
Acquired during the year, 355,695 shares		(8,209)				
Stock options exercised, 88,107 shares	110		1,900			
Other, 975 shares		24	(1)			
BALANCES, DECEMBER 31, 2000	\$ 82,887	\$ (603,990)	\$ 90,000	\$ (106,991)	\$ --	\$ (2,386)

ACCUMULATED OTHER  
COMPREHENSIVE INCOME (EXPENSE)

(IN THOUSANDS, EXCEPT SHARE AMOUNTS)	RETAINED	
	TOTAL	EARNINGS
BALANCES, JANUARY 1, 1998	\$ (50,974)	\$1,033,770
Net income		107,513
Cash dividends declared, \$.885 per share		(39,455)
Translation adjustments	(1,714)	
Unrealized investment gains, net of (\$18) deferred income taxes	28	
Pension liability adjustments, net of \$1,544 deferred income taxes	(2,385)	
Acquired during the year, 4,989,483 shares		
Stock options exercised, 221,293 shares		
Restricted stock, net, 40,324 shares		
Other, 1,658 shares		
BALANCES, DECEMBER 31, 1998	(55,045)	1,101,828
Net income		90,713
Cash dividends declared, \$.91 per share		(36,955)
Translation adjustments	(27,273)	
Pension liability adjustments, net of (\$1,277) deferred income taxes	1,780	
Acquired during the year, 2,326,798 shares		
Stock options exercised, 146,164 shares		
Other, 2,497 shares		
BALANCES, DECEMBER 31, 1999	(80,538)	1,155,586
Net income		96,803

Cash dividends declared, \$.945 per share		(37,730)
Translation adjustments	(28,327)	
Pension liability adjustments, net of \$295 deferred income taxes	(512)	
Acquired during the year, 355,695 shares		
Stock options exercised, 88,107 shares		
Other, 975 shares		
BALANCES, DECEMBER 31, 2000	\$ (109,377)	\$1,214,659
	=====	=====

See accompanying notes to consolidated financial statements.

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HARSCO CORPORATION  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(IN THOUSANDS) YEARS ENDED DECEMBER 31	2000	1999	1998
	-----	-----	-----
Net Income	\$ 96,803	\$ 90,713	\$ 107,513
	-----	-----	-----
Other comprehensive income (expense):			
Foreign currency translation adjustments	(28,327)	(27,273)	(1,714)
Unrealized investment gains, net of deferred income taxes	--	--	28
Pension liability adjustments, net of deferred income taxes	(512)	1,780	(2,385)
	-----	-----	-----
Other comprehensive expense	(28,839)	(25,493)	(4,071)
	-----	-----	-----
Total comprehensive income	\$ 67,964	\$ 65,220	\$ 103,442
	=====	=====	=====

See accompanying notes to consolidated financial statements.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## CONSOLIDATION

The consolidated financial statements include the accounts of Harsco Corporation and its majority-owned subsidiaries (the "Company"). Investments in unconsolidated entities (all of which are 20-50% owned) are accounted for under the equity method.

## CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments which are highly liquid in nature and have an original maturity of three months or less.

## INVENTORIES

Inventories are stated at the lower of cost or market. Inventories in the United States are accounted for using principally the last-in, first-out (LIFO) method. Other inventories are accounted for using the first-in, first-out (FIFO) or average cost methods.

## DEPRECIATION

Property, plant and equipment is recorded at cost and depreciated over the estimated useful lives of the assets using principally the straight-line method. When property is retired from service, generally the cost of the retirement is charged to the allowance for depreciation to the extent of the accumulated depreciation and the balance is charged to income. Long-lived assets to be disposed are not depreciated while they are held for disposal.

## INTANGIBLE ASSETS

Intangible assets consist principally of cost in excess of net assets of businesses acquired, which is amortized on a straight line basis over a period not to exceed 30 years. Accumulated amortization was \$91.0 and \$74.9 million at December 31, 2000 and 1999, respectively.

## IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets, including cost in excess of net assets of businesses acquired and other intangible assets, used in the Company's operations are reviewed for impairment when events and circumstances indicate that the carrying amount of an asset may not be recoverable. The Company's policy is to record an impairment loss when it is determined that the carrying amount of the asset exceeds the sum of the expected undiscounted future cash flows resulting from use of the asset and its eventual disposition. Impairment losses are measured as the amount by which the carrying amount of the asset exceeds its fair value. Long-lived assets to be disposed are reported at the lower of the carrying amount or fair value less cost to sell.

## REVENUE RECOGNITION

Revenue is recognized for product sales generally when title and risk of loss transfer. Service sales are generally recognized over the contractual period or as services are performed. Both product sales and service revenues are recognized when they are realized or realizable and when earned. Revenue generally is realized or realizable and earned when all of the following criteria are met: persuasive evidence of an arrangement

exists, delivery has occurred or services have been rendered, the Company's price to the buyer is fixed or determinable and collectibility is reasonably assured.

#### INCOME TAXES

United States federal and state income taxes and non-U.S. income taxes are provided currently on the undistributed earnings of international subsidiaries and unconsolidated affiliated entities, giving recognition to current tax rates and applicable foreign tax credits, except when management has specific plans for reinvestment of undistributed earnings which will result in the indefinite postponement of their remittance. Deferred taxes are provided using the asset and liability method for temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

#### ACCRUED INSURANCE AND LOSS RESERVES

The Company retains a significant portion of the risk for workers' compensation, automobile, general, and product liability losses. Reserves have been recorded which reflect the undiscounted estimated liabilities including claims incurred but not reported. Changes in the estimates of the reserves are included in net income in the period determined. Amounts estimated to be paid within one year have been classified as Other current liabilities, with the remainder included in Insurance liabilities.

#### FOREIGN CURRENCY TRANSLATION

The financial statements of the Company's subsidiaries outside the United States, except for those subsidiaries located in highly inflationary economies, are principally measured using the local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at the exchange rates as of the balance sheet date. Resulting translation adjustments are recorded in the cumulative translation adjustment, a separate component of Other comprehensive income (expense). Income and expense items are translated at average monthly exchange rates. Gains and losses from foreign currency transactions are included in net income. For subsidiaries operating in highly inflationary economies, gains and losses on foreign currency transactions and balance sheet translation adjustments are included in net income.

The functional currency for the Company's operations in Mexico was the U.S. dollar for 1997 and 1998. Effective January 1999, the three-year cumulative rate of inflation fell below 100%. As of January 1, 1999, the Company measures the financial statements of its Mexican entities using the Mexican new peso as the functional currency.

Effective January 1998, the Company's operations in Brazil were no longer accounted for as a highly inflationary economy, because the three-year cumulative rate of inflation fell below 100%. The Company measures the financial statements of its Brazilian entities using the Brazilian real as the functional currency.

**FINANCIAL INSTRUMENTS AND HEDGING**

The Company has subsidiaries principally operating in North America, South America, Europe, and Asia-Pacific. These operations are exposed to fluctuations in related foreign currencies in the normal course of business. The Company seeks to reduce exposure to foreign currency fluctuations through the use of forward exchange contracts. The Company does not hold or issue financial instruments for trading purposes, and it is the Company's policy to prohibit the use of derivatives for speculative purposes. The Company has a Foreign Currency Risk Management Committee that meets periodically to monitor foreign currency risks.

The Company executes foreign currency forward exchange contracts to hedge transactions of its non-U.S. subsidiaries for firm purchase commitments, to hedge variable cash flows of forecasted transactions and for export sales denominated in foreign currencies. These contracts generally are for 90 to 180 days or less. For those contracts that hedge an identifiable transaction, gains or losses are deferred and accounted for as part of the underlying transaction. The cash flows from these contracts are classified consistent with the cash flows from the transaction being hedged. The Company also enters into foreign currency forward exchange contracts for intercompany foreign currency commitments. These forward exchange contracts do not qualify as hedges. Therefore, gains and losses are recognized in income based on fair market value.

**OPTIONS FOR COMMON STOCK**

The Company uses the intrinsic value method to account for options granted to employees for the purchase of common stock. No compensation expense is recognized on the grant date, since at that date, the option price equals the market price of the underlying common stock. The Company discloses the pro forma effect of accounting for stock options under the fair value method.

**EARNINGS PER SHARE**

Basic earnings per share is calculated using the average shares of common stock outstanding, while diluted earnings per share reflects the potential dilution that could occur if stock options were exercised.

**USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**RECLASSIFICATIONS**

Certain reclassifications have been made to prior years' amounts to conform with current year classifications.

**NEW FINANCIAL ACCOUNTING STANDARDS ISSUED**

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133), with an amended date effective for fiscal years beginning after June 15, 2000. SFAS No. 133 was amended by SFAS No. 138 (SFAS 138). SFAS 133 requires that an entity recognize all derivative instruments as either assets or liabilities on its balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction, and, if it is, the type of hedge transaction. The Company has adopted SFAS 133 and SFAS 138 as of January 1, 2001. Due to the Company's limited use of derivative instruments, SFAS 133 and SFAS 138 did not have a material effect on the financial position or results of operations of the Company. The net cumulative effect adjustment as of January 1, 2001 was an expense of \$21 thousand.

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (SFAS 140), which replaces SFAS No. 125 (SFAS 125) with the same title. It revises the standards for securitizations and other transfers of financial assets and collateral and requires additional disclosures, but otherwise retains most of SFAS 125's provisions. The Company will adopt SFAS 140 in the second quarter of 2001. The adoption of SFAS 140 is not expected to have a material effect on the Company's financial position or results of operations.

**NEW STAFF ACCOUNTING BULLETIN ISSUED**

In December 1999, the Securities and Exchange Commission (the "Commission") issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB 101), which provides guidance on the recognition, presentation, and disclosure of revenue in financial statements filed with the Commission. The Company adopted SAB 101 in the fourth quarter of 2000 with no material effect on revenue.

**NEW EMERGING ISSUES TASK FORCE (EITF) CONSENSUS**

In July and September 2000, the EITF reached a consensus in EITF Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs", by agreeing that shipping and handling fees billed to a customer in a sales transaction must be classified as revenues and that shipping costs should not be netted against sales. The EITF also requires that all costs incurred for shipping and handling be classified as expenses, preferably in cost of sales.

It was determined that certain operations of the Company had previously recorded shipping and handling costs by netting them against revenues. The Company has reclassified these costs to cost of services sold or cost of products sold, as applicable. As a result, \$34 million, \$33 million and \$32 million of shipping and handling costs associated with the sales of the Company's products and services for 2000, 1999 and 1998, respectively, have been reclassified. Pre-tax income, net income and earnings per share are not affected by this change.



## 2. DISCONTINUED DEFENSE BUSINESS

On August 25, 1997, the Company and FMC Corporation signed an agreement to sell United Defense, L.P. for \$850 million, and the sale was completed on October 6, 1997. Prior to the sale, FMC had been the managing general partner and 60% owner of United Defense, L.P., while the Company owned the balance of 40% as the limited partner. United Defense supplies ground combat and naval weapons systems for the U.S. and military customers worldwide.

Disbursements related to the discontinued defense business, principally claim settlements and legal fees, are shown separately on the Consolidated Statement of Cash Flows for 2000, 1999 and 1998.

## 3. ACQUISITIONS AND DISPOSITIONS

## ACQUISITIONS

On June 16, 2000 the Company received all required regulatory approvals and declared its offer to acquire SGB Group Plc (SGB) wholly unconditional. Harsco took majority ownership in SGB and subsequently acquired 100% of the shares. SGB, based in the UK, is one of Europe's largest suppliers of scaffolding, forming and related access products and services. SGB also has operations in North America, the Middle East and the Asia -Pacific region. SGB had 1999 sales of 283 million British pound sterling (approximately \$423 million using a December 31, 2000 exchange rate).

The acquisition of SGB has been accounted for using the purchase method of accounting, and accordingly, the operating results of SGB have been included in the consolidated results of the Company since the date of acquisition. The purchase price allocation is based upon appraisal values and management estimates.

The purchase price of SGB has been allocated as follows:

(IN MILLIONS)	
Working capital, other than cash	\$ 21.3
Property, plant and equipment	211.6
Other assets	45.3
Cost in excess of net assets acquired	127.1
Non-current liabilities	(133.4)
	-----
Purchase price, net of cash received	\$ 271.9
	=====

The purchase price allocation was reclassified in the fourth quarter of 2000. The reclassification was due principally to the netting of deferred income taxes in the countries of origin. Additionally, cost in excess of net assets acquired increased by \$14.2 million since September 30, 2000 due principally to a decrease in pension assets based upon an actuarial study.

In May 2000, the Company completed the acquisitions of Bergslagens Stalservice AB and Bergslagens Suomi Oy (collectively Bergslagens). The two companies provide specialized slag processing and metal recovery services to steel mills in Sweden and Finland, respectively. The two organizations together recorded 1999 sales of nearly \$10 million.

In October 1999, the Company acquired Charter plc's Pandrol Jackson railway track maintenance business. The transaction was completed for approximately \$48 million in cash plus assumption of liabilities, for a total consideration of approximately \$65 million. Pandrol Jackson manufactures and markets worldwide a wide range of equipment and services used in railway track maintenance. In December 1999, the Company completed the sale of the railway switch, crossing and transit grinding business obtained as part of the Pandrol Jackson railway maintenance acquisition. This business with annual sales of approximately \$6 million was divested in accordance with an agreement with the Department of Justice as a condition to the acquisition of Pandrol Jackson.

## 3. ACQUISITIONS AND DISPOSITIONS (CONTINUED)

In July 1999 and February 1999, respectively, the Company acquired certain assets and assumed certain liabilities of Structural Accessories, Inc. and Natural Gas Vehicle Systems, Inc. The purchase prices for these acquisitions approximated \$2 million and \$3 million, respectively.

All acquisitions have been accounted for using the purchase method of accounting with cost in excess of net assets of businesses acquired totaling \$137.0 million in 2000 and \$9.4 million in 1999. Results of operations are included in income since the dates of acquisition.

The following unaudited pro forma consolidated net sales, net income, and earnings per share data are presented as if the above businesses had been acquired at the beginning of the periods presented.

(IN MILLIONS, EXCEPT PER SHARE DATA)

PRO FORMA INFORMATION FOR YEARS ENDED DECEMBER 31	2000	1999
	-----	-----
Net sales	\$ 2,208	\$ 2,220
Net income	93	101
Basic earnings per share	2.27	2.47
Diluted earnings per share	2.27	2.47
	-----	-----

The unaudited pro forma information is not necessarily indicative of the results of operations that would have occurred had the purchases been made at the beginning of the periods presented, or of the future results of the combined operations.

The unaudited pro forma information includes the actual results of the acquired businesses prior to the acquisition dates, which includes for the year 2000 approximately \$4 million of non-tax deductible costs incurred by SGB in defense of the acquisition. These results do not reflect the effect of reorganization actions, synergies, cost reductions and other benefits resulting from the combinations. Additionally, the unaudited pro-forma information reflects amortization of the cost in excess of net assets acquired and interest expense on assumed borrowings for acquisitions for the full periods presented.

## 3. ACQUISITIONS AND DISPOSITIONS (CONTINUED)

In April 2000, the Company agreed to invest \$20 million for a 49 percent ownership interest in S3Networks, LLC, a start-up company providing internet and e-business infrastructure consulting services primarily to Fortune 1000 corporations. Cash of \$10 million has been invested through December 31, 2000 with an additional \$10 million due to be paid over a period not to exceed fifteen months from the initial investment date. The investment is being accounted for under the equity method. Since the Company is the principal provider of initial capital for S3Networks, LLC, the Company is recording 100% of net losses to the extent of its initial \$20 million investment. However, the Company will also record 100% of subsequent net income until the entire initial investment amount is reinstated. Subsequent to reinstatement of the initial investment amount, the company will record net income to the extent of its ownership percentage of S3Networks, LLC.

## DISPOSITIONS

In June 2000, the Company completed the sales of Guinness Wharf Limited and Flixborough Wharf Limited, and in March 2000 completed the sale of its natural gas vehicle automotive valve product line. The Company completed the sales of the Manchester truck dealership in September 1999; the pavement marking and vegetation control business of Chemi-Trol in August 1999; and Astralloy Wear Technology in March 1999.

## PENDING DIVESTITURES

The Company announced on September 27, 2000 that its Board of Directors had approved plans to divest three non-core operations as part of Harsco's continuing strategic repositioning as a leading worldwide industrial services company.

The operations include Capitol Manufacturing, which produces pipe fittings and related products for the industrial plumbing, electrical, and other markets; Patterson-Kelley, a manufacturer of industrial and commercial boilers, water heaters, and blenders; and Faber Prest Distribution, a UK-based materials transport business which Harsco acquired in 1998 as part of mill services provider Faber Prest Plc.

In the first quarter of 2001, due to changing economic conditions, the Company reversed its decision to divest Capitol Manufacturing.

## 4. ACCOUNTS RECEIVABLE AND INVENTORIES

Accounts receivable are net of an allowance for doubtful accounts of \$26.1 million and \$13.3 million at December 31, 2000 and 1999, respectively. The acquisition of SGB increased the allowance for doubtful accounts by \$15.8 million as of December 31, 2000.

Inventories consist of:

(IN THOUSANDS)	2000 -----	1999 -----
Finished goods	\$ 68,519	\$ 37,715
Work-in-process	36,751	37,198
Raw materials and purchased parts	73,265	76,911
Stores and supplies	20,582	20,374
	-----	-----
	\$199,117	\$172,198
	=====	=====
Valued at lower of cost or market:		
LIFO basis	\$124,189	\$132,366
FIFO basis	12,898	16,483
Average cost basis	62,030	23,349
	-----	-----
	\$199,117	\$172,198
	=====	=====

Inventories valued on the LIFO basis at December 31, 2000 and 1999 were approximately \$33.2 million and \$28.4 million, respectively, less than the amounts of such inventories valued at current costs.

As a result of reducing certain inventory quantities valued on the LIFO basis, net income increased from that which would have been recorded under the FIFO basis of valuation by \$0.03 million, \$1.1 million and \$0.2 million in 2000, 1999 and 1998, respectively.

## 5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of:

(IN THOUSANDS)	2000 -----	1999 -----
Land and improvements	\$ 46,609	\$ 28,847
Buildings and improvements	168,719	147,742
Machinery and equipment	1,489,906	1,243,437
Uncompleted construction	66,260	79,797
	-----	-----
	1,771,494	1,499,823
Less accumulated depreciation	874,713	828,277
	-----	-----
	\$ 896,781	\$ 671,546
	=====	=====

The estimated useful lives of different types of assets are generally:

Land improvements	5 to 20 years
Buildings and improvements	10 to 50 years
Certain plant, buildings and installations (Principally Mill Services Segment)	3 to 10 years
Machinery and equipment	3 to 20 years

## 6. DEBT AND CREDIT AGREEMENTS

On October 27, 2000, the Company issued 200 million British pound sterling (U.S. \$294 million) 7.25% notes due 2010. The interest payable annually commences on October 27, 2001. The net proceeds of the issue were used to refinance certain bank debt that was used to fund the acquisition of SGB Group.

The Company has a \$350 million credit facility through a syndicate of 13 banks. Borrowings under this agreement are available in U.S. dollars or Eurocurrencies and the credit facility serves as back-up to the Company's U.S. commercial paper program. The facility is in two parts. The first part, referred to as the 364-day credit agreement, permits borrowings up to \$131 million and expires in September 2001. Borrowings outstanding at expiration may be repaid over the succeeding 12 months. The second part, referred to as the five-year credit agreement, permits borrowings up to \$219 million and expires in September 2005. All borrowings under the five-year credit agreement are due at expiration. Interest rates are either negotiated, based upon the U.S. federal funds interbank market, prime, or based upon the London Interbank Offered Rate (LIBOR) plus a margin. The Company pays a facility fee (.0825% per annum as of December 31, 2000) that varies based upon its credit ratings. Prior to renegotiating the terms of its credit facility in September 2000, the Company formerly had a \$400 million facility that would have matured in July 2001. At December 31, 2000 and 1999, there were no borrowings outstanding under either facility.

The Company can also issue up to \$350 million of short-term notes in the U.S. commercial paper market. In addition, the Company has a three billion Belgian franc commercial paper program (approximately U.S. \$70 million at December 31, 2000) which is used to fund the Company's international operations. The Company limits the aggregate commercial paper and credit facility borrowings at any one time to a maximum of \$350 million. Commercial paper interest rates, which are based on market conditions, have been lower than comparable rates available under the credit facility. At December 31, 2000 and 1999, \$268.8 million and \$233.7 million of commercial paper was outstanding, respectively. Commercial paper is classified as long-term debt at December 31, 2000 and 1999, because the Company has the ability and intent to refinance it on a long-term basis through existing long-term credit facilities.

Subsequent to December 31, 2000 the Company executed two \$50 million credit facility agreements with European-based banks. Borrowings under these facilities, which expire in December 2001 and January 2002, are available in Eurocurrencies or U.S. dollars and will be primarily used to finance the Company's European operations. Borrowings outstanding at expiration may be repaid over the succeeding 4 years. Interest rates are based upon LIBOR plus a margin.

Short-term debt amounted to \$47.7 million and \$32.0 million at December 31, 2000 and 1999, respectively. The weighted average interest rate for short-term borrowings at December 31, 2000 and 1999 was 5.7% and 4.6%, respectively.

## 6. DEBT AND CREDIT AGREEMENTS (CONTINUED)

Long-term debt consists of:

(IN THOUSANDS)	2000 -----	1999 -----
7.25% notes due October 27, 2010	\$294,087	\$ --
6.0% notes due September 15, 2003	150,000	150,000
Commercial paper borrowings, with a weighted average interest rate of 7.0% as of December 31, 2000	268,794	233,746
Faber Prest loan notes due October 31, 2008 with interest based on Sterling LIBOR minus .75% (5.5% at December 31, 2000)	12,898	16,285
Industrial development bonds, payable in varying amounts from 2001 to 2010 with a weighted average interest rate of 6.2% as of December 31, 2000	13,400	11,400
Other financing payable in varying amounts to 2007 with a weighted average interest rate of 5.8% as of December 31, 2000	49,890	11,666
	-----	-----
	789,069	423,097
Less: current maturities	14,619	4,593
	-----	-----
	\$774,450	\$418,504
	=====	=====

The credit facility and certain notes payable agreements contain covenants restricting, among other things, the amount of debt, as defined in the agreement, that can be issued. At December 31, 2000, the Company was in compliance with these covenants.

The maturities of long-term debt for the four years following December 31, 2001 are:

(IN THOUSANDS)

2002	\$ 71,321	2004	\$ 7,517
2003	\$154,870	2005	\$226,442

Cash payments for interest on all debt were (in millions) \$44.7, \$25.0, and \$20.0 in 2000, 1999 and 1998, respectively. Capitalized interest was (in thousands) \$2, \$893, and \$10 in 2000, 1999, and 1998, respectively.

The Company has on file with the Securities and Exchange Commission a Form S-3 shelf registration for the possible issuance of up to an additional \$200 million of new debt securities, preferred stock, or common stock.



## 7. LEASES

The Company leases certain property and equipment under noncancelable operating leases. Rental expense under such operating leases was (in millions) \$30.3, \$16.9, and \$17.6 in 2000, 1999 and 1998, respectively. Approximately \$9.3 million of the increase for 2000 is due to the inclusion of the SGB acquisition as of June 2000.

Future minimum payments under operating leases with noncancelable terms are:

(IN THOUSANDS)

2001	\$33,142
2002	27,056
2003	21,051
2004	21,808
2005	6,509
After 2005	23,816

## 8. EMPLOYEE BENEFIT PLANS

## PENSION BENEFITS

The Company has pension and profit sharing retirement plans, most of which are noncontributory, covering substantially all of its employees. The benefits for salaried employees generally are based on years of service and the employee's level of compensation during specified periods of employment. Plans covering hourly employees generally provide benefits of stated amounts for each year of service. The multi-employer plans in which the Company participates provide benefits to certain unionized employees. The Company's funding policy for qualified plans is consistent with statutory regulations and customarily equals the amount deducted for income tax purposes. The Company's policy is to amortize prior service costs over the average future service period of active plan participants.

A change to the pension information presented for 2000 is the inclusion of SGB pension income, obligations and pension assets acquired in June 2000.

(IN THOUSANDS)

	U. S. PLANS			INTERNATIONAL PLANS		
	2000	1999	1998	2000	1999	1998
<b>PENSION EXPENSE</b>						
Defined benefit plans:						
Service cost	\$ 8,017	\$ 9,514	\$ 7,971	\$ 8,559	\$ 6,369	\$ 5,814
Interest cost	12,069	11,427	10,339	18,727	11,622	11,027
Expected return on plan assets	(22,448)	(20,012)	(21,227)	(30,054)	(16,836)	(18,632)
Recognized prior service costs	1,368	1,309	1,219	949	742	88
Recognized (gains) or losses	(1,853)	272	(2,026)	(953)	5	(2,008)
Amortization of transition asset	(1,834)	(1,834)	(1,834)	(567)	(613)	(618)
Curtailment losses	360	--	542	--	--	--
	(4,321)	676	(5,016)	(3,339)	1,289	(4,329)
Multi-employer plans	4,334	3,853	3,011	1,039	1,069	1,043
Defined contribution plans	1,401	1,165	2,673	4,386	3,301	3,370
	-----	-----	-----	-----	-----	-----
Pension expense	\$ 1,414	\$ 5,694	\$ 668	\$ 2,086	\$ 5,659	\$ 84
	=====	=====	=====	=====	=====	=====

## 8. EMPLOYEE BENEFIT PLANS (CONTINUED)

The change in the financial status of the pension plans and amounts recognized in the Consolidated Balance Sheet at December 31, 2000 and 1999 are:

PENSION BENEFITS (IN THOUSANDS)	U. S. PLANS		INTERNATIONAL PLANS	
	2000	1999	2000	1999
<b>CHANGE IN BENEFIT OBLIGATION:</b>				
Benefit obligation at beginning of year	\$ 159,055	\$ 170,167	\$ 203,913	\$ 201,287
Service cost	8,017	9,514	8,558	6,368
Interest cost	12,069	11,427	18,728	11,621
Plan participants' contributions	--	--	2,673	1,887
Amendments	1,127	1,076	298	4,340
Actuarial (gain)	(10,692)	(35,638)	(2,044)	(6,828)
Curtailement loss	360	--	--	--
Benefits paid	(6,672)	(6,065)	(12,952)	(9,164)
Obligations of acquired companies	--	8,574	229,608	--
Effect of foreign currency	--	--	(14,931)	(5,598)
	-----	-----	-----	-----
Benefit obligation at end of year	\$ 163,264	\$ 159,055	\$ 433,851	\$ 203,913
	=====	=====	=====	=====
<b>CHANGE IN PLAN ASSETS:</b>				
Fair value of plan assets at beginning of year	\$ 239,030	\$ 211,785	\$ 276,899	\$ 246,456
Actual return on plan assets	6,506	24,522	38,420	43,170
Employer contributions	2,709	731	2,629	694
Plan participants' contributions	--	--	2,673	1,887
Benefits paid	(6,672)	(6,065)	(12,808)	(9,038)
Plan assets of acquired companies	--	8,057	269,787	--
Effect of foreign currency	--	--	(20,738)	(6,270)
	-----	-----	-----	-----
Fair value of plan assets at end of year	\$ 241,573	\$ 239,030	\$ 556,862	\$ 276,899
	=====	=====	=====	=====
<b>FUNDED STATUS:</b>				
Funded status at end of year	\$ 78,310	\$ 79,975	\$ 123,011	\$ 72,985
Unrecognized net (gain)	(42,621)	(49,724)	(49,173)	(43,092)
Unrecognized transition (asset)	(8,244)	(10,078)	(2,262)	(3,144)
Unrecognized prior service cost	10,900	11,142	12,683	14,392
	-----	-----	-----	-----
Net amount recognized	\$ 38,345	\$ 31,315	\$ 84,259	\$ 41,141
	=====	=====	=====	=====
<b>AMOUNTS RECOGNIZED IN THE CONSOLIDATED BALANCE SHEET CONSIST OF</b>				
Prepaid benefit cost	\$ 47,235	\$ 40,066	\$ 89,171	\$ 45,848
Accrued benefit liability	(14,416)	(13,639)	(5,825)	(5,268)
Intangible asset	2,178	2,027	539	561
Accumulated other comprehensive income	3,348	2,861	374	--
	-----	-----	-----	-----
Net amount recognized	\$ 38,345	\$ 31,315	\$ 84,259	\$ 41,141
	=====	=====	=====	=====

Plan assets include equity and fixed-income securities. At December 31, 2000 and 1999, 732,640 shares of the Company's common stock with a fair market value of \$18.1 million and \$23.3 million, respectively, are included in plan assets. Dividends paid on such stock amounted to \$0.7 million in both 2000 and 1999.

## 8. EMPLOYEE BENEFIT PLANS (CONTINUED)

The actuarial assumptions used for the defined benefit pension plans are:

	U. S. PLANS			INTERNATIONAL PLANS		
	2000	1999	1998	2000	1999	1998
Weighted average assumed discount rates	8.0%	7.75%	6.75%	6.2%	6.2%	6.0%
Weighted average expected long-term rates of return on plan assets	9.5%	9.50%	9.50%	7.9%	7.5%	7.1%
Rates of compensation increase	4.0%	4.00%	4.50%	4.4%	4.4%	4.2%

For the U.S. plans, the projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were \$22.7 million, \$21.9 million, and \$9.0 million, respectively, as of December 31, 2000, and \$24.8 million, \$24.7 million, and \$12.3 million, respectively, as of December 31, 1999.

For the international plans, the projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were \$9.8 million, \$8.8 million, and \$3.9 million, respectively, as of December 31, 2000, and \$8.9 million, \$7.7 million, and \$3.4 million, respectively, as of December 31, 1999.

## 8. EMPLOYEE BENEFIT PLANS (CONTINUED)

## POSTRETIREMENT BENEFITS

The Company has postretirement life insurance benefits for a number of employees, and postretirement health care benefits for a limited number of employees mainly under plans related to acquired companies. The cost of life insurance and health care benefits are accrued for current and future retirees and are recognized as determined under the projected unit credit actuarial method. Under this method, the Company's obligation for postretirement benefits is to be fully accrued by the date employees attain full eligibility for such benefits. The Company's postretirement health care and life insurance plans are unfunded.

The postretirement benefit expense (health care and life insurance) was \$0.7 million in 2000, \$0.4 million in 1999, and \$0.3 million in 1998. The components of these expenses are not shown separately as they are not material.

The changes in the postretirement benefit liability recorded in the Consolidated Balance Sheet are:

POSTRETIREMENT BENEFITS (IN THOUSANDS)	2000 -----	1999 -----
CHANGE IN BENEFIT OBLIGATION:		
Benefit obligation at beginning of year	\$ 10,304	\$ 6,421
Service cost	182	129
Interest cost	761	466
Actuarial loss	231	319
Plan participants contributions	32	--
Benefits paid	(660)	(325)
Plan amendments	403	--
Obligation of acquired company	--	3,294
	-----	-----
Benefit obligation at end of year	\$ 11,253	\$ 10,304
	=====	=====
FUNDED STATUS:		
Funded status at end of year	\$(11,253)	\$(10,304)
Unrecognized prior service cost	367	(39)
Unrecognized net actuarial (gain)	(902)	(1,328)
	-----	-----
Net amount recognized as accrued benefit liability	\$(11,788)	\$(11,671)
	=====	=====

## 8. EMPLOYEE BENEFIT PLANS (CONTINUED)

The actuarial assumptions used for postretirement benefit plans are:

(DOLLARS IN THOUSANDS)	2000 -----	1999 -----	1998 -----
Assumed discount rate	8.00%	7.75%	6.75%
Health care cost trend rate	7.50%	7.50%	8.30%
Decreasing to ultimate rate	6.50%	6.50%	5.50%
Effect of one percent increase in health care cost trend rate:			
On cost components	\$ 41	\$ 21	\$ 21
On accumulated benefit obligation	\$ 510	\$ 415	\$ 185
	-----	-----	-----

For 2000, a one percent decrease in the health care cost trend rate would decrease the cost component by \$43 thousand and decrease the accumulated benefit obligation by \$480 thousand.

It is anticipated that the health care cost trend rate will decrease from 7.5% in 2001 to 6.5% in the year 2003.

## SAVINGS PLAN

The Company has a 401(k) savings plan which covers substantially all U.S. employees with the exception of employees represented by a collective bargaining agreement, unless the agreement expressly provides otherwise. Employee contributions are generally determined as a percentage of covered employee's compensation. The expense for contributions to the plan by the Company was (in millions) \$4.9, \$4.4, and \$4.8 for 2000, 1999, and 1998, respectively.

## OTHER EMPLOYEE BENEFIT PLANS

The Company offers various other benefit plans to its employees. In 2000, the Company amended certain plans in the United States which resulted in a one-time pre-tax cost reduction of approximately \$5.3 million.

## 8. EMPLOYEE BENEFIT PLANS (CONTINUED)

## EXECUTIVE INCENTIVE COMPENSATION PLAN

Under the 1995 Executive Incentive Compensation Plan, the Management Development and Compensation Committee awarded 60% of the value of any earned annual incentive compensation award to be paid to participants in the form of cash and 40% in the form of restricted shares of the Company's common stock. Upon the request of the participant, the Committee was authorized to make the incentive award payable all in cash, subject to a 25% reduction in the total amount of the award. Awards were made in February of the following year. The Company accrued amounts based on performance reflecting the value of cash and common stock which was anticipated to be earned for the year. Compensation expense relating to these awards was (in millions) \$5.6, \$3.8, and \$3.7 in 2000, 1999 and 1998, respectively.

Effective January 1, 1999, the restricted stock portion of the compensation plan was discontinued and the terms of the plan were amended to provide for payment of the incentive compensation all in cash. On January 6, 1999, the Company repurchased from the participants, at the original award value, the restricted shares awarded in 1998. For all other shares, the restrictions were removed effective January 6, 1999.

## 9. INCOME TAXES

Income before income taxes and minority interest in the Consolidated Statement of Income consists of:

(IN THOUSANDS)	2000 -----	1999 -----	1998 -----
United States	\$ 68,000	\$ 78,689	\$ 121,091
International	80,591	68,741	58,684
	-----	-----	-----
	\$ 148,591	\$ 147,430	\$ 179,775
	=====	=====	=====
Provision for income taxes:			
Currently payable:			
Federal	\$ 5,113	\$ 22,474	\$ 37,297
State	(536)	1,743	2,835
International	21,803	25,203	23,468
	-----	-----	-----
	26,380	49,420	63,600
Deferred federal and state	17,375	3,890	6,552
Deferred international	3,050	(1,711)	(2,791)
	-----	-----	-----
	\$ 46,805	\$ 51,599	\$ 67,361
	=====	=====	=====

Cash payments for income taxes were (in millions) \$19.3, \$50.7, and \$38.8, for 2000, 1999, and 1998, respectively. Approximately \$5.4 million of the taxes paid in 1998 are related to the gain on the disposal of the defense business.



## 9. INCOME TAXES (CONTINUED)

The following is a reconciliation of the normal expected statutory U.S. federal income tax rate to the effective rate as a percentage of Income before income taxes and minority interest as reported in the Consolidated Statement of Income:

	2000 -----	1999 -----	1998 -----
U.S. federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit	.4	1.6	1.6
Export sales corporation benefit	(.3)	(.5)	(.6)
Losses for which no tax benefit was recorded	1.3	.3	1.3
Difference in effective tax rates on international earnings and remittances	(5.7)	(1.9)	(1.3)
Nondeductible acquisition costs	1.9	2.1	2.0
Other, net	(1.1)	(1.6)	(.5)
	-----	-----	-----
Effective income tax rate	31.5%	35.0%	37.5%
	=====	=====	=====

The tax effects of the primary temporary differences giving rise to the Company's deferred tax assets and liabilities for the years ended December 31, 2000 and 1999 are:

(IN THOUSANDS)	2000		1999	
	ASSET -----	LIABILITY -----	ASSET -----	LIABILITY -----
Depreciation	\$ --	\$ 48,918	\$ --	\$ 36,580
Expense accruals	29,796	--	34,975	--
Inventories	3,224	--	5,294	--
Provision for receivables	2,211	--	3,867	--
Postretirement benefits	2,975	--	4,221	--
Deferred revenue	--	4,181	--	4,196
Unrelieved foreign tax credits	6,566	--	1,264	--
Unrelieved foreign tax losses	4,749	--	6,694	--
Unrelieved domestic tax losses	2,085	--	2,424	--
Pensions	--	37,653	--	22,923
Other	459	--	--	1,913
	-----	-----	-----	-----
	52,065	90,752	58,739	65,612
Valuation allowance	(11,659)	--	(5,309)	--
	-----	-----	-----	-----
Total deferred income taxes	\$ 40,406	\$ 90,752	\$ 53,430	\$ 65,612
	=====	=====	=====	=====

At December 31, 2000 and 1999, Other current assets included deferred income tax benefits of \$29.8 million and \$35.0 million, respectively.

## 9. INCOME TAXES (CONTINUED)

At December 31, 2000, certain of the Company's subsidiaries had total available net operating loss carryforwards ("NOLs") of approximately \$27.1 million, of which approximately \$14.8 million may be carried forward indefinitely and \$12.3 million have varying expiration dates. Included in the total are \$10.7 million of preacquisition NOLs.

At December 31, 2000, certain of the Company's subsidiaries had total available foreign tax credit carryforwards of approximately \$6.6 million, of which approximately \$5.3 million may be carried forward five years and \$1.3 million have varying expiration dates.

During 2000 and 1999, \$1.0 million and \$2.3 million, respectively, of preacquisition NOLs were utilized by the Company, resulting in tax benefits of \$0.4 million and \$0.8 million, respectively.

The valuation allowance of \$11.7 million and \$5.3 million at December 31, 2000 and 1999, respectively, relates principally to cumulative unrelieved foreign tax credits and tax losses which are uncertain as to realizability. To the extent that the preacquisition NOLs are utilized in the future and the associated valuation allowance reduced, the tax benefit will be allocated to reduce the cost in excess of net assets of businesses acquired.

The change in the valuation allowances for 2000 and 1999 results primarily from the utilization of international tax loss carryforwards, generation of foreign tax credit carryforwards and the release of valuation allowances in certain international jurisdictions based on the Company's revaluation of the realizability of future benefits. The release of valuation allowances in certain jurisdictions was allocated to reduce the cost in excess of net assets of businesses acquired by \$0.2 million, and \$0.3 million in 2000 and 1999, respectively.

## 10. COMMITMENTS AND CONTINGENCIES

## DISCONTINUED DEFENSE BUSINESS - CONTINGENCIES

FEDERAL EXCISE TAX AND OTHER MATTERS RELATED TO THE FIVE-TON TRUCK CONTRACT In 1995, the Company, the United States Army ("Army"), and the United States Department of Justice concluded a settlement of Harsco's previously reported claims against the Army relating to Federal Excise Tax ("FET") arising under a completed 1986 contract for the sale of five-ton trucks to the Army. On September 27, 1995, the Army paid the Company \$49 million in accordance with the settlement terms. The Company released the Army from any further liability for those claims, and the Department of Justice released the Company from a threatened action for damages and civil penalties based on an investigation conducted by the Department's Commercial Litigation Branch that had been pending for several years.

The settlement preserves the rights of the parties to assert claims and defenses under the Internal Revenue Code, and rights of the Army and the Company to claim certain amounts that may be owed by either party to reconcile possible underpayments or overpayments on the truck contract as part of the formal contract close-out process.

The settlement does not resolve the claim by the Internal Revenue Service ("IRS") that, contrary to the Company's position, certain cargo truck models sold by the Company should be considered to have gross vehicle weights in excess of the 33,000 pound threshold under FET law, are not entitled to an exemption from FET under any other theory, and therefore are taxable. In 1999, the IRS assessed an increase in FET of \$30.4 million plus penalties of \$9.3 million and applicable interest currently estimated to be \$53.7 million. In October 1999, the Company posted an \$80 million bond required as security by the IRS. This increase in FET takes into account offsetting credits of \$9.2 million, based on a partial allowance of the Company's \$31.9 million claim that certain truck components are exempt from FET. The IRS disallowed in full the Company's additional claim that it is entitled to the entire \$52 million of FET (plus applicable interest currently estimated by the Company to be \$48.2 million) the Company has paid on the five-ton trucks, on the grounds that such trucks qualify for the FET exemption applicable to certain vehicles specially designed for the primary function of off-highway transportation. In the event that the Company ultimately receives from the IRS a refund of tax (including applicable interest) with respect to which the Company has already received reimbursement from the Army, the refund would be allocated between the Company and the Army. In August 2000, the Company filed legal action against the Government in the U.S. Court of Federal Claims challenging the assessment and seeking a refund of all FET that the Company has paid on five-ton trucks. That action is proceeding. Although there is risk of an adverse outcome, both the Company and the Army believe that the cargo trucks are not taxable. No recognition has been given in the accompanying financial statements for the Company's claims with the IRS.

## COMMITMENTS AND CONTINGENCIES (CONTINUED)

The settlement agreement with the Army preserved the Company's right to seek reimbursement of after-imposed tax from the Army in the event that the cargo trucks are determined to be taxable, but the agreement limited the reimbursement to a maximum of \$21 million. Additionally, in an earlier contract modification, the Army accepted responsibility for \$3.6 million of the potential tax, bringing its total potential responsibility up to \$24.6 million. As of September 30, 2000, the Army paid Harsco this entire amount and Harsco paid those funds to the IRS, subject to its pending refund claim. Thus, the Company has satisfied a portion of the disputed tax assessment. If the Company succeeds in its refund claim against the IRS, it will owe the Army the amount recovered that corresponds to the \$24.6 million.

Even if the cargo trucks are ultimately held to be taxable, the Army's contribution of \$24.6 million toward payment of the tax (but not interest or penalty, if any), would result in a net maximum liability for the Company of \$5.8 million plus penalties and applicable interest currently estimated to be \$11.5 million and \$53.7 million, respectively. The Company believes it is unlikely that resolution of this matter will have a material adverse effect on the Company's financial position; however, it could have a material effect on quarterly or annual results of operations.

## OTHER DEFENSE BUSINESS LITIGATION

In 1992, the United States Government through its Defense Contract Audit Agency commenced an audit of certain contracts for sale of tracked vehicles by the Company to foreign governments, which were financed by the United States Government through the Defense Security Assistance Agency. The U.S. Attorney's Office then commenced an investigation of those contracts. In December 1999, the Company announced that it reached agreement with the U.S. Government on behalf of its former BMY-Combat Systems Division (BMY) to settle the matter. Under the agreement, BMY pled guilty to a one-count misdemeanor relating to submitting advance payment certifications which resulted in BMY receiving a portion of the payments for the contract prematurely. In accordance with the settlement, Harsco paid the Government a \$200,000 fine in June 2000 and in July 2000 paid the \$10.8 million in damages for a total of \$11 million. The settlement ends the Government's investigation and releases Harsco and BMY from further liability for the issues under investigation. Harsco charged the payment against an existing liability, resulting in no charge to the Company's earnings.

## ENVIRONMENTAL

The Company is involved in a number of environmental remediation investigations and clean-ups and, along with other companies, has been identified as a "potentially responsible party" for certain waste disposal sites. While each of these matters is subject to various uncertainties, it is probable that the Company will agree to make payments toward funding certain of these activities and it is possible that some of these matters will be decided unfavorably to the Company. The Company has evaluated its potential liability, and its financial exposure is dependent upon such factors as the continuing evolution of environmental laws and regulatory requirements, the availability and application of technology, the allocation of cost among potentially responsible parties, the years of remedial activity required and the remediation methods selected. The Consolidated Balance Sheet at December 31, 2000 and 1999 includes an accrual of \$3.5 million and \$3.0 million, respectively, for environmental matters. The amounts affecting pre-tax earnings related to environmental matters totaled \$1.8 million of expense in 2000, \$0.7 million of income in 1999, and \$0.8 million of expense in 1998.

The liability for future remediation costs is evaluated on a quarterly basis. Actual costs to be incurred at identified sites in future periods may vary from the estimates, given inherent uncertainties in evaluating environmental exposures. The Company does not expect that any sum it may have to pay in connection with environmental matters in excess of the amounts recorded or disclosed above would have a material adverse effect on its financial position or results of operations.

In the first quarter of 2000 the U.S. Environmental Protection Agency issued a Notice of Violation to the Company for violations of the Clean Air Act arising from slag dust emissions at one of the Company's mill services locations. The Agency is seeking abatement of dust emissions at the site and has advised that it is seeking financial penalties which exceed \$100,000. The Company is cooperating with the mill and the Agency to abate the dust emissions and is in settlement discussions with the Agency.

## OTHER

The Company is subject to various other claims, legal proceedings, and investigations covering a wide range of matters that arose in the ordinary course of business. In the opinion of management, all such matters are adequately covered by insurance or by accruals, and if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a material adverse effect on the financial position or results of operations of the Company.

## 11. CAPITAL STOCK

The authorized capital stock consists of 150,000,000 shares of common stock and 4,000,000 shares of preferred stock, both having a par value of \$1.25 per share. The preferred stock is issuable in series with terms as fixed by the Board of Directors. None of the preferred stock has been issued. On June 24, 1997, the Company adopted a revised Shareholder Rights Plan. Under the new Plan, the Board declared a dividend to shareholders of record on September 28, 1997, of one right for each share of common stock. The rights may only be exercised if, among other things, a person or group has acquired 15% or more, or intends to commence a tender offer for 20% or more, of the Company's common stock. Each right entitles the holder to purchase 1/100th share of a new Harsco Junior Participating Cumulative Preferred Stock at an exercise price of \$150. Once the rights become exercisable, if any person acquires 20% or more of the Company's common stock, the holder of a right will be entitled to receive common stock calculated to have a value of two times the exercise price of the right. The rights, which expire on September 28, 2007, do not have voting power, and may be redeemed by the Company at a price of \$.05 per right at any time until the 10th business day following public announcement that a person or group has accumulated 15% or more of the Company's common stock. At December 31, 2000, 750,000 shares of \$1.25 par value preferred stock were reserved for issuance upon exercise of the rights.

In January 1999, the Board of Directors authorized the purchase, over a one-year period, of 2,000,000 shares of the Company's common stock. In January 2000, the Board of Directors extended the share purchase authorization through January 25, 2001 for the 856,354 shares remaining on the original authorization. In 2000, 351,200 shares were purchased under this authorization. In January 2001, the Board of Directors extended the share purchase authorization through January 22, 2002 for the 505,154 shares still remaining as of December 31, 2000 from the original authorization.

In 2000, additional purchases of 3,520 shares, net of issues, were made principally as part of the 1995 Executive Compensation Plan.

## COMMON STOCK SUMMARY

BALANCES	SHARES ISSUED	TREASURY SHARES	SHARES OUTSTANDING
December 31, 1997	65,854,087	18,877,957	46,976,130
December 31, 1998	66,075,380	23,825,458	42,249,922
December 31, 1999	66,221,544	26,149,759	40,071,785
DECEMBER 31, 2000	66,309,651	26,504,479	39,805,172

## 11. CAPITAL STOCK (CONTINUED)

The following is a reconciliation of the average shares of common stock used to compute basic earnings per common share to the shares used to compute diluted earnings per common share as shown on the Consolidated Statement of Income:

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)	2000	1999	1998
Net Income	\$ 96,803	\$ 90,713	\$ 107,513
Average shares of common stock outstanding used to compute basic earnings per common share	39,964	40,882	45,568
Additional common shares to be issued assuming exercise of stock options, net of shares assumed reacquired	58	135	343
Shares used to compute dilutive effect of stock options	40,022	41,017	45,911
Basic earnings per common share	\$ 2.42	\$ 2.22	\$ 2.36
Diluted earnings per common share	\$ 2.42	\$ 2.21	\$ 2.34

## 12. STOCK-BASED COMPENSATION

The Company's net income and net income per common share would have been reduced to the pro forma amounts indicated below if compensation cost for the Company's stock option plan had been determined based on the fair value at the grant date for awards in accordance with the provisions of SFAS No. 123.

(IN THOUSANDS, EXCEPT PER SHARE)	2000	1999	1998
Net income:			
As reported	\$ 96,803	\$ 90,713	\$ 107,513
Pro forma	94,395	89,113	105,736
Basic earnings per share:			
As reported	2.42	2.22	2.36
Pro forma	2.36	2.18	2.32
Diluted earnings per share:			
As reported	2.42	2.21	2.34
Pro forma	2.36	2.17	2.30

The fair value of the options granted during 2000, 1999 and 1998 is estimated on the date of grant using the binomial option pricing model. The weighted-average assumptions used and the estimated fair value are as follows:

	2000	1999	1998
Expected term	4 YEARS	4 years	4 years
Expected stock volatility	30.5%	25.0%	16.0%
Risk-free interest rate	6.44%	4.65%	5.65%
Dividend	\$ .94	\$ .91	\$ .88
Rate of dividend increase	5%	5%	5%
Fair value	\$7.13	\$5.18	\$6.68

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 Incentive Compensation Plan authorizes the issuance of up to 4,000,000 shares of the Company's common stock for use in paying incentive compensation awards in the form of stock options. The 1995 Non-Employee Directors' Stock Plan authorizes the issuance of up to 300,000 shares of the Company's common stock for stock option awards. Options are granted at fair market value at date of grant and become exercisable commencing one year later. The options expire ten years from the date of grant. Upon shareholder approval of these two plans in 1995, the Company terminated the use of the 1986 stock option plan for granting of stock option awards. At December 31, 2000, there were 2,368,060 and 206,000 shares available for granting stock options under the 1995 Executive Incentive Compensation Plan and the 1995 Non-Employee Directors' Stock Plan, respectively.



## 12. STOCK-BASED COMPENSATION (CONTINUED)

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 Changes during 2000, 1999, and 1998 in options outstanding were:

	SHARES UNDER OPTION	WEIGHTED AVERAGE EXERCISE PRICE
-----		
Outstanding, January 1, 1998	1,085,461	\$ 26.06
Granted	275,100	38.30
Exercised	(221,293)	24.93
Terminated and expired	(16,500)	35.73
-----		
Outstanding, December 31, 1998	1,122,768	29.14
Granted	428,400	26.92
Exercised	(146,164)	19.06
Terminated and expired	(68,400)	31.36
-----		
Outstanding, December 31, 1999	1,336,604	28.97
Granted	539,247(1)	28.18
Exercised	(88,107)	22.11
Terminated and expired	(105,052)	33.01
-----		
OUTSTANDING, DECEMBER 31, 2000	1,682,692	\$ 29.18
=====		

(1) Included in the 2000 grant are 61,097 options granted to SGB key employees as part of the Company's acquisition of SGB. These options are not a part of the 1995 Executive Incentive Plan, or the 1995 Non-Employee Directors' Stock Plan.

## 12. STOCK-BASED COMPENSATION (CONTINUED)

Options to purchase 1,162,947 shares, 932,704 shares and 857,168 shares were exercisable at December 31, 2000, 1999, and 1998, respectively. The following table summarizes information concerning outstanding and exercisable options at December 31, 2000.

RANGE OF EXERCISABLE PRICES	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER OUTSTANDING	REMAINING CONTRACTUAL LIFE IN YEARS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
\$ 14.10 - \$21.00	127,480	5.4	\$ 19.63	77,480	\$ 18.78
21.63 - 30.49	1,107,356	7.5	27.39	637,611	26.09
32.81 - 46.16	447,856	6.6	36.31	447,856	36.31
	1,682,692			1,162,947	

During 2000, 1999, and 1998, the Company had non-cash transactions related to stock option exercises of \$0.1 million, \$0.5 million, and \$1.6 million, respectively, whereby old shares were exchanged for new shares.

## 12. STOCK-BASED COMPENSATION (CONTINUED)

As of January 1, 1999, the restricted stock portion of the 1995 Executive Incentive Compensation Plan was discontinued.

The following table summarizes the restricted stock activity for 1998:

	1998
-----	-----
Restricted shares awarded	40,702
Restricted shares forfeited	378
Weighted average market value of stock on grant date	\$43.22
-----	-----

During 1998, the Company recorded \$.1 million in compensation expense related to restricted stock.

## 13. FINANCIAL INSTRUMENTS

## OFF-BALANCE SHEET RISK

As collateral for performance and to ceding insurers, the Company is contingently liable under standby letters of credit and bonds in the amount of \$181.6 million and \$165.9 million at December 31, 2000 and 1999, respectively. These standby letters of credit and bonds are generally in force for up to three years. Certain issues have no scheduled expiration date. The Company pays fees to various banks and insurance companies that range from 0.08 to 1.9 percent per annum of their face value. If the Company were required to obtain replacement standby letters of credit and bonds as of December 31, 2000 for those currently outstanding, it is the Company's opinion that the replacement costs would not vary significantly from the present fee structure.

At December 31, 2000 and 1999, the Company had \$3.1 million and \$19.2 million, respectively, of foreign currency forward exchange contracts outstanding. These contracts are part of a worldwide program to minimize foreign currency exchange operating income and balance sheet exposure. The unsecured contracts mature within 12 months and are with major financial institutions. The Company is exposed to credit loss in the event of non-performance by the other parties to the contracts. The Company evaluates the credit worthiness of the counterparties' financial condition and does not expect default by the counterparties.

## FOREIGN EXCHANGE RISK MANAGEMENT

The Company generally has currency exposures in 38 countries. The Company's primary foreign currency exposures are in United Kingdom, France, Canada, South Africa, Brazil, Germany, Australia, and Mexico.

Foreign currency forward exchange contracts are used to hedge commitments, such as foreign currency debt, firm purchase commitments, and foreign currency cash flows for certain export sales transactions.

## 13. FINANCIAL INSTRUMENTS (CONTINUED)

The following tables summarize by major currency the contractual amounts of the Company's forward exchange contracts in U.S. dollars as of December 31, 2000 and 1999. The "Buy" amounts represent the U.S. dollar equivalent of commitments to purchase foreign currencies, and the "Sell" amounts represent the U.S. dollar equivalent of commitments to sell foreign currencies.

(IN THOUSANDS)		AS OF DECEMBER 31, 2000			
	TYPE	U.S. DOLLAR EQUIVALENT	MATURITY	RECOGNIZED GAIN (LOSS)	UNREALIZED GAIN (LOSS)
Forward exchange contracts:					
British pounds	Buy	\$1,938	Various in 2001	\$(74)	\$ --
British pounds	Sell	501	Various in 2001	(2)	--
Australian dollars	Buy	199	Various in 2001	--	2
Japanese yen	Buy	186	January 4, 2001	--	(12)
Euros	Buy	160	January 4, 2001	--	7
British pounds	Sell	70	January 4, 2001	--	2
		\$3,054		\$(76)	\$ (1)

At December 31, 2000, the Company had executed forward exchange contracts in British pounds, which were used to hedge certain future payments between the Company and its various subsidiaries. These forward contracts do not qualify as hedges for financial reporting purposes. At December 31, 2000, the Company had recorded net losses of \$0.1 million on these contracts. The Company also had forward exchange contracts in British pounds, Japanese yen, euros and Australian dollars, which were used to hedge equipment purchases. Since these contracts hedge identifiable foreign currency firm commitments, the losses were deferred and will be accounted for as part of the underlying transactions.

(IN THOUSANDS)		AS OF DECEMBER 31, 1999			
	TYPE	U.S. DOLLAR EQUIVALENT	MATURITY	RECOGNIZED GAIN (LOSS)	UNREALIZED GAIN (LOSS)
Forward exchange contracts:					
Euros	Buy	\$17,339	January 18, 2000	\$(661)	\$ -
British pounds	Buy	1,506	Various in 2000	79	-
French francs	Buy	229	Various in 2000	-	(13)
British pounds	Buy	93	Various in 2000	-	(2)
		\$19,167		\$(582)	\$(15)

## 13. FINANCIAL INSTRUMENTS (CONTINUED)

At December 31, 1999, the Company had executed forward exchange contracts in euros and British pounds, which were used to hedge certain future payments between the Company and its various subsidiaries. These forward contracts did not qualify as hedges for financial reporting purposes. At December 31, 1999, the Company had recorded net losses of \$0.6 million on these contracts. In January 2000, the euro contract was extended to March 18, 2000. The Company also had forward exchange contracts in French francs and British pounds, which were used to hedge equipment purchases. Since these contracts hedge identifiable foreign currency firm commitments, the losses were deferred and were accounted for as part of the underlying transactions.

## CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and cash equivalents, investments, and accounts receivable. The Company places its cash and cash equivalents with high quality financial institutions and, by policy, limits the amount of credit exposure to any one institution. Concentrations of credit risk with respect to accounts receivable are limited due to the Company's large number of customers and their dispersion across different industries and geographies. The Company generally does not require collateral or other security to support customer receivables.

## FAIR VALUE OF FINANCIAL INSTRUMENTS

The major methods and assumptions used in estimating the fair values of financial instruments are:

## CASH AND CASH EQUIVALENTS

The carrying amount approximates fair value due to the relatively short period to maturity of these instruments.

## LONG-TERM DEBT

The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities.

## FOREIGN CURRENCY EXCHANGE CONTRACTS

The fair value of foreign currency exchange contracts are estimated by obtaining quotes from brokers.

The carrying amounts and estimated fair values of the Company's financial instruments as of December 31, 2000 and 1999 are:

(IN THOUSANDS)	2000		1999	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Cash and cash equivalents	\$ 56,422	\$ 56,422	\$ 51,266	\$ 51,266
Long-term debt	789,069	790,070	423,097	416,925
Foreign currency exchange contracts	3,054	2,973	19,167	18,571

## 14. INFORMATION BY SEGMENT AND GEOGRAPHIC AREA

The Company reports information about its operating segments according to the "management approach". This approach is based on the way management organizes the segments within the enterprise for making operating decisions and assessing performance.

The Company's reportable segments are identified based upon differences in products, services, and markets served. The Company's business units are aggregated into three reportable segments. These segments and the type of products and services offered include:

## INFRASTRUCTURE

Major products and services include scaffolding, powered access equipment, shoring, concrete forming products, erection and dismantling services and a variety of other access equipment; railway track maintenance equipment and services; industrial grating and bridge decking; process equipment, including industrial blenders, dryers, mixers, water heaters and boilers.

Products and services are provided to the oil, chemical and petrochemical industries; commercial and industrial construction firms; public utilities; industrial plants; private and government-owned railroads worldwide; urban mass transit operators; process industries; bridge repair companies; and infrastructure repair and maintenance markets. Other customers include the chemical, food processing and pharmaceutical industries; and the institutional building and retrofit markets.

## MILL SERVICES

This segment provides mill services, principally for the global steel industry. Mill services include slag processing, marketing, and disposal; metal reclamation; slab management systems; materials handling and scrap management programs; in-plant transportation; and a variety of other services. Similar services are provided to non-ferrous metallurgical industries, such as aluminum, nickel, and copper. Also, slag recovery services are provided to electric utilities from which granules for asphalt roofing shingles and slag abrasives for industrial surface preparation are derived.

## GAS AND FLUID CONTROL

Major products and services are gas containment cylinders and tanks including cryogenic equipment; valves, regulators, and gauges, including scuba and life support equipment; industrial pipe fittings; and air-cooled heat exchangers.

Major customers include various industrial markets; hardware, plumbing, and petrochemical sectors; natural gas and process industries; propane, compressed gas, life support, scuba, and refrigerant gas industries; gas equipment companies; welding distributors; medical laboratories; beverage carbonation users; and the animal husbandry industry.

## 14. INFORMATION BY SEGMENT AND GEOGRAPHIC AREA (CONTINUED)

## OTHER INFORMATION

The measurement basis of segment profit or loss is net income. Interest income is recorded by each segment as incurred. Interest expense is allocated to the segments based on actual interest expense incurred by international operations and based on internal borrowings at estimated weighted average interest rates for domestic operations. Income taxes are allocated to the segments based on actual income tax expense incurred, or where aggregated for tax purposes, based on the effective income tax rates for the countries in which they operate. Sales of the Company in the United States and the United Kingdom exceed 10% of consolidated sales with 58% and 14%, respectively. No single customer represented 10% or more of the Company's sales during 2000, 1999, or 1998. There are no significant inter-segment sales.

Corporate assets include principally cash, investments, prepaid pension costs, and United States deferred taxes. Assets in the United Kingdom represent 26% of total segment assets as of December 31, 2000, and 12% of total segment assets as of December 31, 1999, and are disclosed separately in the geographic area information.

## SEGMENT INFORMATION

(IN MILLIONS)	INFRA- STRUCT (4)	MILL SERVICES	GAS AND FLUID CONTROL	S3 NETWORKS LLC	GENERAL CORPORATE	CONSOLIDATED TOTAL
TWELVE MONTHS ENDED DECEMBER 31, 2000						
Net sales to unaffiliated customers (1)	\$ 703.6	\$ 757.4	\$ 542.4	\$ --	\$ --	\$ 2,003.4
Operating income (loss)	\$ 62.3	\$ 92.6	\$ 41.1	\$ --	\$ (1.3)	\$ 194.7
Equity in income (loss) of affiliates, net (2)	0.6	0.8	--	(3.4)	--	(2.0)
Interest income	1.3	4.5	0.1	--	0.1	6.0
Interest expense	(24.1)	(10.7)	(3.6)	--	(11.7)	(50.1)
Income tax (expense) benefit	(13.8)	(23.9)	(13.7)	1.2	3.4	(46.8)
Minority interest in net (income) loss	(0.2)	(4.8)	--	--	--	(5.0)
Segment net income (loss)	\$ 26.1	\$ 58.5	\$ 23.9	\$ (2.2)	\$ (9.5)	\$ 96.8

(IN MILLIONS)	INFRA- STRUC	MILL SERVICES	GAS AND FLUID CONTROL	S3 NETWORKS LLC	GENERAL CORPORATE	CONSOLIDATED TOTAL
Twelve Months Ended December 31, 1999 (3)						
Net sales to unaffiliated customers (1)	\$ 432.5	\$ 737.8	\$ 579.6	\$ --	\$ --	\$ 1,749.9
Operating income (loss)	\$ 41.2	\$ 78.2	\$ 47.5	\$ --	\$ (0.2)	\$ 166.7
Equity in income of affiliates, net (2)	--	3.0	--	--	--	3.0
Interest income	0.2	4.3	0.1	--	0.1	4.7
Interest expense	(6.3)	(10.8)	(4.8)	--	(5.1)	(27.0)
Income tax (expense) benefit	(12.6)	(24.4)	(15.9)	--	1.3	(51.6)
Minority interest in net (income) loss	--	(5.2)	0.1	--	--	(5.1)
Segment net income (loss)	\$ 22.5	\$ 45.1	\$ 27.0	\$ --	\$ (3.9)	\$ 90.7



## 14. INFORMATION BY SEGMENT AND GEOGRAPHIC AREA (CONTINUED)

(IN MILLIONS)

Twelve Months Ended December 31, 1998 (3)	INFRA- STRUCT	MILL SERVICES	GAS AND FLUID CONTROL	S3 NETWORKS LLC	GENERAL CORPORATE	CONSOLIDATED TOTAL
Net sales to unaffiliated customers (1)	\$ 399.2	\$ 761.1	\$ 605.2	\$ --	\$ --	\$ 1,765.5
Operating income	\$ 32.9	\$ 82.9	\$ 72.3	\$ --	\$ 2.4	\$ 190.5
Equity in income of affiliates, net (2)	--	1.4	--	--	--	1.4
Interest income	0.4	4.8	0.2	--	3.0	8.4
Interest expense	(5.4)	(11.0)	(4.1)	--	--	(20.5)
Income tax expense	(9.3)	(29.9)	(27.5)	--	(0.7)	(67.4)
Minority interest in net income	--	(4.9)	--	--	--	(4.9)
Segment net income	\$ 18.6	\$ 43.3	\$ 40.9	\$ --	\$ 4.7	\$ 107.5

- (1) In order to comply with Emerging Issues Task Force (EITF) Issue No. 00-10, all shipping and handling costs have been classified as cost of services sold or as cost of products sold rather than as reductions of sales. The income statement for the twelve months ended December 31, 1999 and 1998 have been reclassified to reflect this change. The reclassification had no effect on previously reported operating income or net income for the twelve months ended December 31, 1999 and 1998.
- (2) Equity in income (loss) of affiliates is now separately reported. In prior years these amounts were classified in operating income. Amounts previously reported as operating income for the twelve months ended December 31, 1999 and 1998 were \$81.2 million and \$84.3 million, respectively for Mill Services Segment and a consolidated total of \$169.7 million and \$191.9 million, respectively. Reported operating income amounts for the other segments are unchanged.
- (3) Segment information reflects the first quarter 1999 reorganization of the Patterson-Kelley division. Segment information for 1998 has been reclassified to reflect this change. The reorganization resulted in the realignment of the heat transfer and industrial blending equipment product lines from the Gas and Fluid Control Segment to the Infrastructure Segment. Sales of these product lines were \$27.3 million, \$26.9 million, and \$29.2 million for the years 2000, 1999, and 1998, respectively.
- (4) The SGB scaffolding and access service business was acquired in June 2000 and is included as part of the Infrastructure Segment.

SEGMENTS (IN MILLIONS)	ASSETS			DEPRECIATION AND AMORTIZATION			CAPITAL EXPENDITURES		
	2000	1999	1998	2000	1999	1998	2000	1999	1998
Infrastructure (a) (b)	\$ 906.4	\$ 325.7	\$ 241.1	\$ 38.0	\$ 17.0	\$ 15.9	\$ 53.8	\$ 17.9	\$ 26.1
Mill Services(c)	900.9	934.6	922.7	97.7	99.5	98.2	116.5	134.9	102.7
Gas and Fluid Control	312.3	347.9	380.9	19.6	18.1	16.1	9.4	21.4	30.6
Segment totals	2,119.6	1,608.2	1,544.7	155.3	134.6	130.2	179.7	174.2	159.4
Corporate	61.3	51.6	78.9	3.8	1.3	1.2	0.3	1.0	0.4
Total	\$ 2,180.9	\$ 1,659.8	\$ 1,623.6	\$ 159.1	\$ 135.9	\$ 131.4	\$ 180.0	\$ 175.2	\$ 159.8

- (a) The Pandrol Jackson railway track maintenance business was acquired in October 1999 and is included as part of the Infrastructure Segment.
- (b) The SGB scaffolding and access service business was acquired in June 2000 and is included as part of the Infrastructure Segment.
- (c) A non-cash amount of \$26.6 million of loan notes was issued for the Faber Prest acquisition related to the Mill Services Segment in 1998.

## 14. INFORMATION BY SEGMENT AND GEOGRAPHIC AREA (CONTINUED)

## INFORMATION BY GEOGRAPHIC AREA (1)

GEOGRAPHIC AREA (IN MILLIONS)	NET SALES TO UNAFFILIATED CUSTOMERS			SEGMENT ASSETS		
	2000 (2)(3)	1999 (3)	1998 (3)	2000 (2)	1999	1998
United States	\$ 1,152.6	\$ 1,126.4	\$ 1,114.6	\$ 810.6	\$ 797.1	\$ 721.2
United Kingdom	286.5	156.6	128.2	558.6	186.2	180.7
All Other	564.3	466.9	522.7	750.4	624.9	642.8
Segment Totals	\$ 2,003.4	\$ 1,749.9	\$ 1,765.5	\$ 2,119.6	\$ 1,608.2	\$ 1,544.7

- (1) Revenues are attributed to individual countries based on the location of the facility generating the revenue.
- (2) Included in above amounts are sales and assets of SGB Group that was acquired in June 2000 with a major portion of sales and assets located in the United Kingdom.
- (3) In order to comply with EITF Issue No. 00-10, all shipping and handling costs have been classified as cost of services sold or as cost of products sold rather than as reductions of sales. Sales for 1999 and 1998 have been reclassified to reflect this change.

## 15. OTHER (INCOME) AND EXPENSES

In the years 2000, 1999, and 1998, the Company recorded Other (income) and expenses of \$1.3 million, \$6.0 million, and \$(4.3) million, respectively:

OTHER (INCOME) AND EXPENSES			
(IN THOUSANDS)	2000	1999	1998
Net gains	\$ (4,325)	\$ (560)	\$ (29,107)
Impaired asset write-downs	1,876	2,878	14,410
Employee termination benefit costs	3,854	2,889	6,543
Costs to exit activities	590	502	2,792
Other	(661)	310	1,098
Total	\$ 1,334	\$ 6,019	\$ (4,264)

## NET GAINS

Net gains for 2000 reflect gains in all three operating segments recorded principally on the sales of non-core product lines and redundant properties, primarily land, buildings and related equipment. Net gains for 1998 consist principally of a pre-tax net gain of \$27 million recorded on the October 1998 sale of the Nutter Engineering unit of the Gas and Fluid Control Segment. Such gains are reflected as adjustments to reconcile net income to net cash provided by operating activities in the Consolidated Statement of Cash Flows. Total proceeds associated with these gains are included in Proceeds from the sale of businesses and Proceeds from sale of property, plant and equipment in the investing activities section of the Consolidated Statement of Cash Flows. Total proceeds associated with 1998 gains were \$42.9 million. Other related information concerning dispositions is discussed in Note 3, Acquisitions and Dispositions.

## IMPAIRED ASSET WRITE-DOWNS

Impaired asset write-downs for 2000, 1999 and 1998 include \$1.9 million, \$1.9 million and \$6.1 million, respectively, of pre-tax, non-cash, write-downs of the Company's investment in Bio-Oxidation Services Inc., which is held for disposal. Bio-Oxidation Services Inc. is included in the Gas and Fluid Control Segment. The write-down amounts were measured on the basis of the lower of carrying amount or fair value less costs to sell. Fair value was determined using available information based upon the estimated amount at which the assets could be sold in a current transaction between willing parties. The investment carrying values were \$4.4 million, \$6.6 million and \$7.6 million as of December 31, 2000, 1999 and 1998, respectively. For the years 2000, 1999 and 1998, Bio-Oxidation Services Inc. recorded pre-tax losses of \$1.9 million, \$2.3 million and \$9.8 million, respectively. The Company estimates that disposal will occur during 2001.

## 15. OTHER (INCOME) AND EXPENSES (CONTINUED)

Impaired asset write-downs for 1998 also include a \$6.1 million pre-tax, non-cash, write-down of assets, principally property, plant and equipment in the Mill Services Segment. The write-down became necessary as a result of significant adverse changes in the international economic environment and the steel industry. The impairment loss was measured as the amount by which the carrying amount of assets exceeded their estimated fair value. Fair value was estimated based upon the expected future realizable net cash flows. In September 1999, assets associated with a substantial portion of this provision were sold in conjunction with the termination settlement of a contract in Russia.

Non-cash impaired asset write-downs are included in Other (income) and expenses in the Consolidated Statement of Cash Flows as adjustments to reconcile net income to net cash provided by operating activities.

## EMPLOYEE TERMINATION BENEFIT COSTS

Employee termination benefit costs consist principally of severance arrangements to employees terminated as a result of management reorganization actions. Under these reorganization actions, the Company's management has established and approved specific plans of termination. Details of the termination benefit plans have been communicated to the affected employees prior to recognition of related provisions. Non-cash charges for employee termination benefit costs are included as adjustments to reconcile net income to net cash provided by operating activities in the Consolidated Statement of Cash Flows.

During 2000, \$3.9 million of employee termination benefit costs were incurred, principally in the Mill Services Segment, primarily in Holland, Belgium and Italy. Additionally, termination benefit costs were incurred in the United States in the Gas and Fluid Control Segment as well as at corporate headquarters. In 2000, approximately 294 employees were included in employee termination arrangements initiated by the Company and approximately \$3.3 million of cash payments were made under such arrangements. The payments are reflected as uses of operating cash in the Consolidated Statement of Cash Flows.

During 1999, \$2.9 million of expense related to employee termination benefits was incurred, principally in the Mill Services Segment, primarily in France and the United Kingdom. In 1999, approximately 220 employees were included in employee termination arrangements initiated by the Company, and approximately \$1.8 million of cash payments were made under such arrangements. An additional \$0.8 million was disbursed in 2000 for the 1999 reorganization actions.

## 15. OTHER (INCOME) AND EXPENSES (CONTINUED)

During 1998, \$6.5 million of expense related to employee termination benefits was incurred, principally in the Mill Services Segment primarily in South Africa, United States, France, and Germany. In 1998, approximately 670 employees were included in employee termination arrangements initiated by the Company and approximately \$2.4 million of cash payments were made under such arrangements. An additional \$0.2 million and \$3.3 million were disbursed in 2000 and 1999, respectively, for the 1998 reorganization actions.

## EMPLOYEE TERMINATION BENEFIT COSTS AND PAYMENTS

(IN MILLIONS)	SUMMARY OF ACTIVITY		
Original reorganization action period	2000	1999	1998
Employee termination benefits expense	\$ 3.9	\$ 2.9	\$ 6.5
Disbursements:(1)			
In 1998	--	--	(2.4)
In 1999	--	(1.8)	(3.3)
In 2000	(3.3)	(0.8)	(0.2)
Total disbursements	(3.3)	(2.6)	(5.9)
Other	0.3	(0.3)	(0.4)
Remaining payments as of December 31, 2000(2)	\$ 0.9	\$ --	\$ 0.2

(1) - Disbursements are categorized according to the original reorganization action period to which they relate (2000, 1999 or 1998). Cash severance payments in 2000 occurred principally in the Mill Services Segment primarily in Europe. Cash severance payments in 1999 occurred principally in the Mill Services Segment in South Africa principally for 1998 reorganization actions.

(2) - Remaining payments are categorized according to the original reorganization action period to which they relate (2000 or 1998).

## 15. OTHER (INCOME) AND EXPENSES (CONTINUED)

## EMPLOYEE TERMINATIONS - NUMBER OF EMPLOYEES

SUMMARY OF ACTIVITY			
Original reorganization action period	2000	1999	1998
Employees affected by new reorganization actions	294	220	670
Employee terminations:			
In 1998	--	--	(349)
In 1999	--	(172)	(352)
In 2000	(282)	(39)	(1)
Total terminations	(282)	(211)	(702)
Other	--	(9)	35
Remaining terminations as of December 31, 2000	12	--	3

## COSTS TO EXIT ACTIVITIES

Costs to exit activities consist of incremental direct costs of reorganization actions and lease run-out costs. Such costs are recorded when a specific exit plan is approved by management. Relocation expenses, such as employee moving costs, are classified as exit costs and are expensed as incurred. Other costs classified in this category are generally expensed as incurred.

During 1998, \$1.0 million and \$0.8 million of exit costs, principally relocation expenses, were included in the Mill Services and Infrastructure Segments, respectively.

TWO-YEAR SUMMARY OF QUARTERLY RESULTS  
(UNAUDITED)

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)		2000			
QUARTERLY	FIRST	SECOND	THIRD	FOURTH	
Net sales(1)	\$457.5	\$465.6	\$541.4	\$538.9	
Gross profit(2)	92.6	108.7	133.0	133.2	
Net income	20.2	28.2	22.3	26.1	
Diluted earnings per share	.50	.70	.56	.65	

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)		1999			
QUARTERLY	FIRST	SECOND	THIRD	FOURTH	
Net sales(1)	\$412.1	\$438.8	\$432.1	\$466.9	
Gross profit(2)	82.8	94.7	93.7	102.2	
Net income	14.8	23.8	26.1	26.0	
Diluted earnings per share	.35	.58	.64	.65	

## Notes:

- (1) In order to comply with EITF Issue No. 00-10, all shipping and handling costs have been classified as cost of services sold or as cost of products sold rather than as reductions of sales. Sales for the first three quarters of 2000 and for the year 1999 have been reclassified to reflect this change.
- (2) Gross profit is defined as Net sales less Cost of sales, Other (income) and expenses, and Research and development expenses.

## COMMON STOCK PRICE AND DIVIDEND INFORMATION

	MARKET PRICE PER SHARE		DIVIDENDS DECLARED PER SHARE
	HIGH	LOW	
-----			
2000			
First Quarter	\$ 31 5/8	\$ 24	\$ .235
Second Quarter	30	25 31/64	.235
Third Quarter	29 7/8	21 1/4	.235
Fourth Quarter	26 3/4	17 11/16	.24
1999			
First Quarter	\$ 33	\$ 25	\$ .225
Second Quarter	34 3/8	23 1/16	.225
Third Quarter	32 5/16	25 3/8	.225
Fourth Quarter	31 7/8	26	.235
-----			



Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure:

None.

## PART III

## Item 10. Directors and Executive Officers of the Registrant:

## (a) Identification of Directors:

Information regarding the identification of directors and positions held is incorporated by reference to the 2001 Proxy Statement.

## (b) Identification of Executive Officers:

Set forth below, as of March 2, 2001, are the executive officers (this excludes one corporate officer who is not deemed an "executive officer" within the meaning of applicable Securities and Exchange Commission regulations) of the Company and certain information with respect to each of them. The executive officers were elected to their respective offices on April 27, 2000, or at various times during the year as noted. All terms expire on April 25, 2001. There are no family relationships between any of the officers.

Name	Age	Principal Occupation or Employment
- - - - -	---	-----
Corporate Officers:		
D. C. Hathaway	56	Chairman, President and Chief Executive Officer since July 31, 2000. Chairman and Chief Executive Officer from January 1, 1998 to July 31, 2000. Served as Chairman, President and Chief Executive Officer from April 1, 1994 to December 31, 1997, and President and Chief Executive Officer from January 1, 1994 to April 1, 1994. Director since 1991. From 1991 to 1993, served as President and Chief Operating Officer. From 1986 to 1991 served as Senior Vice President-Operations of the Corporation. Served as Group Vice President from 1984 to 1986 and as President of the Dartmouth Division of the Corporation from 1979 until 1984.
G. D. H. Butler	55	Senior Vice President - Operations of the Corporation effective September 26, 2000. Concurrently serves as President of the Heckett MultiServ-East Division and President of the SGB Division. Was President of the Heckett MultiServ-East Division from July 1, 1994, to September 26, 2000. Served as Managing Director - Eastern Region of the Heckett MultiServ Division from January 1, 1994 to June 30, 1994. Served in various officer positions within MultiServ International, N. V. prior to 1994 and prior to Harsco's acquisition of that corporation in August, 1993.

Name	Age	Principal Occupation or Employment
-----	---	-----
P. C. Coppock	50	Senior Vice President, Chief Administrative Officer, General Counsel and Secretary of the Corporation effective January 1, 1994. Served as Vice President, General Counsel and Secretary of the Corporation from May 1, 1991 to December 31, 1993. From 1989 to 1991 served as Secretary and Corporate Counsel and as Assistant Secretary and Corporate Counsel from 1986 to 1989. Served in various Corporate Attorney positions for the Corporation since 1981.
S. D. Fazzolari	48	Senior Vice President, Chief Financial Officer and Treasurer of the Corporation effective August 24, 1999. Served as Senior Vice President and Chief Financial Officer from January 1998 to August 1999. Served as Vice President and Controller from January 1994 to December 1997 and as Controller from January 1993 to January 1994. Previously served as Director of Auditing from 1985 to 1993, and served in various auditing positions from 1980 to 1985.
R. W. Kaplan	49	Senior Vice President-Operations of the Corporation effective July 1, 1998. Concurrently serves as President of the Harsco Gas & Fluid Control Group and was President of the Taylor-Wharton Gas Equipment Division from February 1, 1994 to November 16, 1999. Served as Vice President and Treasurer of the Corporation from January 1992 to February 1994. Served as Treasurer of the Corporation from May 1991 to December 1992. Previously served as Vice President and General Manager of the Plant City Steel/Taylor-Wharton Division from 1987 to 1991 and Vice President and Controller of the Division from 1985 to 1987. Previously served in various Corporate treasury/financial positions since 1979.
S. J. Schnoor	47	Vice President and Controller of the Corporation effective May 15, 1998. Served as Vice President and Controller of the Patent Construction Systems Division from February 1996 to May 1998 and as Controller of the Patent Construction Systems Division from January 1993 to February 1996. Previously served in various auditing positions for the Corporation from 1988 to 1993.

## (c) Beneficial Ownership Reporting Compliance

Information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934 is incorporated by reference to the section entitled "Section 16(a) Beneficial Ownership Reporting Compliance" of the 2001 Proxy Statement.

## Item 11. Executive Compensation:

Information regarding compensation of executive officers and directors is incorporated by reference to the sections entitled "Executive Compensation and Other Information" and "Directors' Compensation" of the 2001 Proxy Statement.

## Item 12. Security Ownership of Certain Beneficial Owners and Management:

Information regarding security ownership of certain beneficial owners and management is incorporated by reference to the section entitled "Share Ownership of Management" of the 2001 Proxy Statement.

## Item 13. Certain Relationships and Related Transactions:

Information regarding certain relationships and related transactions is incorporated by reference to the section entitled "Employment Agreements with Officers of the Company" of the 2001 Proxy Statement.

## PART IV

## Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K:

- (a) 1. The Consolidated Financial Statements are listed in the index to Item 8, "Financial Statements and Supplementary Data," on page 29.
- (a) 2. The following financial statement schedule should be read in conjunction with the Consolidated Financial Statements (see Item 8, "Financial Statements and Supplementary Data"):

	Page
	----
Report of Independent Accountants on Financial Statement Schedule	85
Schedule II - Valuation and Qualifying Accounts for the years 2000, 1999 and 1998	86

Schedules other than those listed above are omitted for the reason that they are either not applicable or not required or because the information required is contained in the financial statements or notes thereto.

Condensed financial information of the registrant is omitted since there are no substantial amounts of "restricted net assets" applicable to the Company's consolidated subsidiaries.

Financial statements of 50% or less owned unconsolidated companies are not submitted inasmuch as (1) the registrant's investment in and advances to such companies do not exceed 20% of the total consolidated assets, (2) the registrant's proportionate share of the total assets of such companies does not exceed 20% of the total consolidated assets, and (3) the registrant's equity in the income from continuing operations before income taxes of such companies does not exceed 20% of the total consolidated income from continuing operations before income taxes.

REPORT OF INDEPENDENT ACCOUNTANTS ON  
FINANCIAL STATEMENT SCHEDULE

To the Board of Directors of  
Harsco Corporation:

Our audits of the consolidated financial statements referred to in our report dated January 30, 2001 appearing on page 30 of this Form 10-K also included an audit of the financial statement schedule listed in Item 14(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers LLP  
Philadelphia, Pennsylvania  
January 30, 2001

SCHEDULE II. VALUATION AND QUALIFYING ACCOUNTS  
(dollars in thousands)

COLUMN A ----- Description -----	COLUMN B ----- Balance at Beginning of Period -----	COLUMN C ----- Additions ----- Charged to Cost and Expenses -----	COLUMN D ----- (Deductions) Additions ----- Due to Currency Translation Adjustments ----- Other(1) -----		COLUMN E ----- Balance at End of Period -----
For the year 2000:					
Deducted from Receivables: Uncollectible accounts	\$ 13,339 =====	\$ 3,997 =====	\$ (494) =====	\$ 9,236 (2) =====	\$ 26,078 =====
Deducted from Inventories: Inventory valuations	\$ 10,684 =====	\$ 2,121 =====	\$ (284) =====	\$ (3,483)(3) =====	\$ 9,038 =====
Other Reorganization and Valuation Reserves	\$ 17,080 =====	\$ 2,116 =====	\$ (666) =====	\$ 5,318 (4) =====	\$ 23,848 =====
For the year 1999:					
Deducted from Receivables: Uncollectible accounts	\$ 13,602 =====	\$ 4,844 =====	\$ (153) =====	\$ (4,954) =====	\$ 13,339 =====
Deducted from Inventories: Inventory valuations	\$ 5,777 =====	\$ 6,383 =====	\$ (132) =====	\$ (1,344) =====	\$ 10,684 =====
Other Reorganization and Valuation Reserves	\$ 25,316 =====	\$ 5,206 =====	\$ (389) =====	\$(13,053)(5) =====	\$ 17,080 =====
For the year 1998:					
Deducted from Receivables: Uncollectible accounts	\$ 6,834 =====	\$ 9,166 =====	\$ 9 =====	\$ (2,407) =====	\$ 13,602 =====
Deducted from Inventories: Inventory valuations	\$ 3,687 =====	\$ 6,871 =====	\$ (30) =====	\$ (4,751) =====	\$ 5,777 =====
Other Reorganization and Valuation Reserves	\$ 3,102 =====	\$ 16,423 =====	\$ 93 =====	\$ 5,698 (6) =====	\$ 25,316 =====

- (1) Amounts charged to valuation account during the year.
- (2) Includes \$18,791 increase due to opening balance sheet receivable reserves of SGB Group and \$5,630 charged against those reserves.
- (3) Includes \$3,309 increase due to opening balance sheet inventory reserves of SGB Group.
- (4) Includes \$15,602 increase due to opening balance sheet reorganization reserves of SGB Group and \$2,338 charged against those reserves.
- (5) Includes \$5,942 of charges against the opening balance sheet reorganization reserves of Faber Prest acquired in 1998.
- (6) Includes \$12,328 increase due to opening balance sheet reorganization reserves for companies acquired in 1998.

## (a) 3. Listing of Exhibits Filed with Form 10-K:

Exhibit Number -----	Data Required -----	Location in 10-K -----
3(a)	Articles of Incorporation as amended April 24, 1990	Exhibit volume, 1990 10-K
3(b)	Certificate of Amendment of Articles of Incorporation filed June 3, 1997	Exhibit volume, 1999 10-K
3(c)	Certificate of Designation filed September 25, 1997	Exhibit volume, 1997 10-K
3(d)	By-laws as amended April 25, 1990	Exhibit volume, 1990 10-K
4(a)	Harsco Corporation Rights Agreement dated as of September 28, 1997, with Chase Mellon Shareholder Services L.L.C.	Incorporated by reference to Form 8-A, filed September 26, 1997
4(b)	Registration of Preferred Stock Purchase Rights	Incorporated by reference to Form 8-A dated October 2, 1987
4(c)	Current Report on dividend distribution of Preferred Stock Purchase Rights	Incorporated by reference to Form 8-K dated October 13, 1987
4(d)	Debt Securities Registered under Rule 415 (6% Notes)	Incorporated by reference to Form S-3, Registration No. 33-42389 dated August 23, 1991
4(e)	6% 1993 Notes due September 15, 2003 described in Prospectus Supplement dated September 8, 1993 to Form S-3 Registration under Rule 415 dated August 23, 1991	Incorporated by reference to the Prospectus Supplement dated September 8, 1993 to Form S-3, Registration No. 33-42389 dated August 23, 1991
4(f)	Debt and Equity Securities Registered	Incorporated by reference to Form S-3, Registration No. 33-56885 dated December 15, 1994, effective date January 12, 1995



## (a) 3. Listing of Exhibits Filed with Form 10-K (continued):

Exhibit Number -----	Data Required -----	Location in 10-K -----
4(g)	Harsco Finance B. V. L200 million, 7.25% Guaranteed Notes due 2010	Exhibit to 10-Q for the period ended September 30, 2000
4(h)	Cash Offer for SGB Group PLC	Exhibit to 10-Q for the period ended June 30, 2000
	Material Contracts - Credit facility	
10(a)	\$50,000,000 Facility agreement dated 15 December 2000	Exhibit volume, 2000 10-K
10(b)	\$50,000,000 Facility agreement dated 12th January 2001	Exhibit volume, 2000 10-K
10(c)	Commercial Paper Payment Agency Agreement Dated October 1, 2000, Between Salomon Smith Barney Inc. and Harsco Corporation	Exhibit volume, 2000 10-K
10(d)	Commercial Paper Dealer Agreement Dated October 11, 1994, Between Lehman Brothers, Inc. and Harsco Corporation	Exhibit volume, 1994 10-K
10(e)	Issuing and Paying Agency Agreement, Dated October 12, 1994, Between Morgan Guaranty Trust Company of New York and Harsco Corporation	Exhibit volume, 1994 10-K
10(f)	Commercial Paper Agreement with Banque Bruxelles Lambert S.A./Bank Brussel Lambert N.V. dated September 25, 1996.	Exhibit to 10-Q for the period ended September 30, 1996
10(g)	364-Day Credit Agreement	Exhibit to 10-Q for the period ended September 30, 2000
10(h)	Five Year Credit Agreement	Exhibit to 10-Q for the period ended September 30, 2000

## (a) 3. Listing of Exhibits Filed with Form 10-K (continued):

Exhibit Number -----	Data Required -----	Location in 10-K -----
Material Contracts - Underwriting		
10(i)	Commercial Paper Placement Agency Agreement dated November 6, 1998, between Chase Securities, Inc. and Harsco Corporation	Exhibit volume, 1998 10-K
10(j)	Underwriting Agreement for Debt Securities dated October 22, 1987	Exhibit volume, 1987 10-K
Material Contracts - Management Contracts and Compensatory Plans		
10(k)	Harsco Corporation Supplemental Retirement Benefit Program as amended January 27, 1998	Exhibit volume, 1997 10-K
10(l)	Trust Agreement between Harsco Corporation and Dauphin Deposit Bank and Trust Company dated July 1, 1987 relating to the Supplemental Retirement Benefit Plan	Exhibit volume, 1987 10-K
10(m)	Harsco Corporation Supplemental Executive Retirement Plan as amended	Exhibit volume, 1991 10-K
10(n)	Trust Agreement between Harsco Corporation and Dauphin Deposit Bank and Trust Company dated November 22, 1988 relating to the Supplemental Executive Retirement Plan	Exhibit volume, 1988 10-K
10(o)	1995 Executive Incentive Compensation Plan	Proxy Statement dated March 22, 1995 on Exhibit A pages A-1 through A-12

## (a) 3. Listing of Exhibits Filed with Form 10-K (continued):

Exhibit Number -----	Data Required -----	Location in 10-K -----
10(p)	Authorization, Terms and Conditions of the Annual Incentive Awards, as amended and Restated January 1, 2001, under the 1995 Executive Incentive Compensation Plan  Employment Agreements -	Exhibit volume, 2000 10-K
10(q)	D. C. Hathaway	Exhibit volume, 1989 10-K Uniform agreement, the same as shown for J. J. Burdge
"	L. A. Campanaro	" "
"	P. C. Coppock	" "
"	S. D. Fazzolari	" "
"	R. W. Kaplan	" "
10(r)	Special Supplemental Retirement Benefit Agreement for D. C. Hathaway	Exhibit Volume, 1988 10-K
10(s)	Settlement Agreement with Leonard A. Campanaro  Director Indemnity Agreements -	Exhibit to 10-Q for the period ended June 30, 2000
10(t)	R. F. Nation	Exhibit volume, 1989 10-K Uniform agreement, same as shown for J. J. Burdge
"	A. J. Sordoni, III	" "
"	R. C. Wilburn	" "
"	D. C. Hathaway	" "
"	J. I. Scheiner	" "
"	C. F. Scanlan	" "
"	J. J. Jasinowski	" "
"	J. P. Viviano	" "
10(u)	Harsco Corporation Deferred Compensation Plan for Non-Employee Directors, as amended and restated June 27, 2000	Exhibit volume, 2000 10-K

## (a) 3. Listing of Exhibits Filed with Form 10-K (continued):

Exhibit Number -----	Data Required -----	Location in 10-K -----
10(v)	Harsco Corporation 1995 Non-Employee Directors' Stock Plan	Proxy Statement dated March 22, 1995 on Exhibit B pages B-1 through B-6
12	Computation of Ratios of Earnings to Fixed Charges	Exhibit volume, 2000 10-K
21	Subsidiaries of the Registrant	Exhibit volume, 2000 10-K
23	Consent of Independent Accountants	Exhibit volume, 2000 10-K
27	Financial Data Schedule	Exhibit volume, 2000 10-K

Exhibits other than those listed above are omitted for the reason that they are either not applicable or not material.

The foregoing Exhibits are available from the Secretary of the Company upon receipt of a fee of \$10 to cover the Company's reasonable cost of providing copies of such Exhibits.

## (b) Reports on Form 8-K:

No reports on Form 8-K were filed during the quarter ended December 31, 2000.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HARSCO CORPORATION

Date 3-15-01  
-----

By /S/ Salvatore D. Fazzolari  
-----

Salvatore D. Fazzolari  
Senior Vice President, Chief Financial  
Officer and Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	CAPACITY	DATE
/S/ Derek C. Hathaway ----- (Derek C. Hathaway)	Chairman, President and Chief Executive Officer	3-15-01 -----
/S/ Salvatore D. Fazzolari ----- (Salvatore D. Fazzolari)	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)	3-15-01 -----
/S/ Stephen J. Schnoor ----- (Stephen J. Schnoor)	Vice President and Controller (Principal Accounting Officer)	3-15-01 -----
/S/ Jerry J. Jasinowski ----- (Jerry J. Jasinowski)	Director	3-15-01 -----
/S/ Robert F. Nation ----- (Robert F. Nation)	Director	3-15-01 -----
/S/ Carolyn F. Scanlan ----- (Carolyn F. Scanlan)	Director	3-15-01 -----
/S/ James I. Scheiner ----- (James I. Scheiner)	Director	3-15-01 -----
/S/ Andrew J. Sordoni III ----- (Andrew J. Sordoni III)	Director	3-15-01 -----
/S/ Joseph P. Viviano ----- (Joseph P. Viviano)	Director	3-15-01 -----
/S/ Dr. Robert C. Wilburn ----- (Dr. Robert C. Wilburn)	Director	3-15-01 -----

## Item 14(a) 3. Exhibits

Exhibit Number		Document Pages
10(a)	\$50,000,000 Facility Agreement dated 15 December 2000	1 - 60
10(b)	\$50,000,000 Facility Agreement dated 12th January 2001	1 - 58
10(c)	Commercial Paper Payment Agency Agreement dated October 1, 2000, Between Salomon Smith Barney Inc. and Harsco Corporation	1 - 16
10(p)	Authorization, Terms and Conditions of The Annual Incentive Awards, as Amended and Restated January 1, 2001, Under the 1995 Executive Incentive Compensation Plan	1 - 10
10(u)	Harsco Corporation Deferred Compensation Plan for Non-Employee Directors, as Amended and Restated June 27, 2000	1 - 12
12	Computation of Ratios of Earnings to Fixed Charges	1
21	Subsidiaries of the Registrant	1 - 5
23	Consent of Independent Accountants	1

\$50,000,000 FACILITY AGREEMENT

dated 15 December 2000

for

HARSCO FINANCE B.V.

and

HARSCO INVESTMENT LIMITED

as Borrowers

and

HARSCO CORPORATION

as Guarantor

with

NATIONAL WESTMINSTER BANK PLC  
acting as Lender

LINKLATERS  
& ALLIANCE

LINKLATERS

Ref: JOBS/PHPS

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THIS AGREEMENT is dated 15 December 2000 between:

- (1) HARSCO FINANCE B.V. (a private limited liability company with its corporate seat in Amsterdam) and HARSCO INVESTMENT LIMITED (a private limited company incorporated in England and Wales with company number 03985379) (the "BORROWERS" and each a "BORROWER");
- (2) HARSCO CORPORATION (a corporation incorporated in the State of Delaware) (the "GUARANTOR"); and
- (3) NATIONAL WESTMINSTER BANK Plc as lender (the "LENDER").

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 DEFINITIONS

In this Agreement:

"AFFILIATE" means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

"AUTHORISATION" means an authorisation, consent, approval, resolution, licence, exemption, filing or registration.

"AVAILABILITY PERIOD" means the period from and including the date of this Agreement to and including the Business Day before the Final Maturity Date specified in paragraph (a) of that definition.

"AVAILABLE COMMITMENT" means the Lender's Commitment minus:

- (a) the Base Currency Amount of any outstanding Loans; and
- (b) in relation to any proposed Utilisation, the Base Currency Amount of any Loans that are due to be made on or before the proposed Utilisation Date other than any Loans that are due to be repaid or prepaid on or before the proposed Utilisation Date.

"BASE CURRENCY" or "\$" means Dollars.

"BASE CURRENCY AMOUNT" means, in relation to a Loan, the amount specified in the Utilisation Request delivered by a Borrower for that Loan (or, if the amount requested is not denominated in the Base Currency, that amount converted into the Base Currency at the Lender's Spot Rate of Exchange on the date which is three Business Days before the Utilisation Date or, if later, on the date the Lender receives the Utilisation Request) adjusted to reflect any repayment.

"BOARD" means the Board of Governors of the Federal Reserve System of the USA (or any successor).

"BREAK COSTS" means the amount (if any) by which:

- (a) the interest which the Lender should have received for the period from the date of receipt of all or any part of a Loan or Unpaid Sum to the last day of the current Interest

Period in respect of that Loan or Unpaid Sum had the principal amount or Unpaid Sum received been paid on the last day of that Interest Period;

exceeds:

- (b) the amount which the Lender would be able to obtain by placing an amount equal to the principal amount or Unpaid Sum received by it on deposit with a leading bank in the Relevant Interbank Market for a period starting on the Business Day following receipt or recovery and ending on the last day of the current Interest Period.

"BUSINESS DAY" means a day (other than a Saturday or Sunday) on which banks are open for general business in London and:

- (a) (in relation to any date for payment or purchase of a currency other than euro) the principal financial centre of the country of that currency; or
- (b) (in relation to any date for payment or purchase of euro) any TARGET Day.

"CAPITAL LEASE OBLIGATIONS" of any person means the obligations of such person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such person under GAAP and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalised amount thereof at such time determined in accordance with GAAP.

"CODE" means the Internal Revenue Code of 1986, as amended from time to time.

"COMMITMENT" means \$50,000,000, to the extent not cancelled, reduced or transferred by the Lender under this Agreement.

"COMPLIANCE CERTIFICATE" means a certificate in form and substance satisfactory to the Lender.

"DEFAULT" means an Event of Default or any event or circumstance specified in Clause 23 (Events of Default) which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event of Default.

"DOLLARS" and "\$" mean the lawful currency of the USA.

"DOMESTIC SUBSIDIARIES" means any Subsidiary organised or incorporated under the laws of one of the States of the United States, the laws of the District of Columbia or the Federal laws of the United States.

"ENVIRONMENT" means living organisms including the ecological systems of which they form part and the following media:

- (a) air (including air within natural or man-made structures, whether above or below ground);
- (b) water (including territorial, coastal and inland waters, water under or within land and water in drains and sewers); and
- (c) land (including land under water).

"ENVIRONMENTAL LAW" means all laws and regulations of any relevant jurisdiction which:

- (a) have as a purpose or effect the protection of, and/or prevention of harm or damage to, the Environment;
- (b) provide remedies or compensation for harm or damage to the Environment; or
- (c) relate to Hazardous Substances or health and safety matters.

"ENVIRONMENTAL LICENCE" means any Authorisation required at any time under Environmental Law.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA AFFILIATE" means any trade or business (whether or not incorporated) that is a member of a group of which the US Obligor is a member and which is treated as a single employer under Section 414 of the Code.

"EVENT OF DEFAULT" means any event or circumstance specified as such in Clause 23 (Events of Default).

"FACILITY" means the revolving or, after the Term-Out Date, the term loan facility made available under this Agreement as described in Clause 2 (The Facility).

"FACILITY OFFICE" means the office or offices notified by the Lender to the Guarantor and the Borrowers in writing as the office or offices through which it will perform its obligations under this Agreement.

"FEE LETTER" means any letter or letters dated on or about the date of this Agreement between the Lender and the Guarantor setting out fees payable in relation to the Facility.

"FINAL MATURITY DATE" means:

- (a) in relation to a Revolving Loan not converted into a Term Loan pursuant to Clause 7.2 (Term-Out), the date which is 364 days from the date of this Agreement or, if extended in accordance with Clause 7.3 (Extension), the date provided for in Clause 7.3 (Extension); or
- (b) in relation to a Term Loan, the date provided for in Clause 7.2 (Term-Out).

"FINANCE DOCUMENT" means this Agreement, any Fee Letter and any other document designated as such by the Lender and the Guarantor.

"FINANCIAL OFFICER" of any person means the Chief Financial Officer, principal accounting officer, Treasurer or Controller of such person.

"GAAP" means the generally accepted accounting principles, standards and practices in the United States.

"GOVERNMENTAL AUTHORITY" means any Federal, state, local or foreign court or governmental agency, authority, instrumentality or regulatory body.

"GROUP" means the Guarantor and its consolidated Subsidiaries for the time being.

"GUARANTOR'S AUDITORS" means PricewaterhouseCoopers or such other auditors as may be appointed to the Group in accordance with Clause 22.11 (Guarantor's Auditors).

"HAZARDOUS SUBSTANCE" means any waste, pollutant, contaminant or other substance (including any liquid, solid, gas, ion, living organism or noise) that may be harmful to human health or other life or the Environment or a nuisance to any person or that may make the use or ownership of any affected land or property more costly.

"HOLDING COMPANY" means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary.

"INDEBTEDNESS" of any person means, without duplication:

- (a) all obligations of such person for borrowed money or with respect to deposits or advances of any kind;
- (b) all obligations of such person evidenced by bonds, debentures, notes or similar instruments;
- (c) all obligations of such person upon which interest charges are customarily paid;
- (d) all obligations of such person under conditional sale or other title retention agreements relating to property or assets purchased by such person;
- (e) all obligations of such person issued or assumed as the deferred purchase price of property or services;
- (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such person, whether or not the obligations secured thereby have been assumed;
- (g) all guarantees by such person of Indebtedness of others;
- (h) all Capital Lease Obligations of such person;
- (i) all obligations of such person in respect of interest rate protection agreements, foreign currency exchange agreements or other interest or exchange rate hedging arrangements; and
- (j) all obligations of such person as an account party in respect of letters of credit and bankers' acceptances,

provided, however, that Indebtedness shall not include trade accounts payable in the ordinary course of business. The Indebtedness of any person shall include the Indebtedness of any partnership in which such person is a general partner.

"INTEREST PERIOD" means, in relation to a Loan, each period determined in accordance with Clause 10 (Interest Periods) and, in relation to an Unpaid Sum, each period determined in accordance with Clause 9.3 (Default interest).

"LENDER'S SPOT RATE OF EXCHANGE" means the Lender's spot rate of exchange for the purchase of the relevant currency with the Base Currency in the London foreign exchange market at or about 11:00 a.m. on a particular day.

"LIBOR" means, in relation to any Loan:

- (a) the applicable Screen Rate; or
- (b) (if no Screen Rate is available for the currency or period of that Loan) the rate quoted by the Lender to leading banks in the London interbank market,

as of 11:00 a.m. on the Quotation Day for the offering of deposits in the currency of that Loan and for a period comparable to the Interest Period for that Loan.

"LIEN" means, with respect to any asset:

- (a) any mortgage, deed of trust, lien, pledge, encumbrance, charge or security interest in or on such asset;
- (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement relating to such asset; and
- (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"LOAN" means a Revolving Loan or a Term Loan or the principal amount outstanding for the time being of that Revolving Loan or, as the case may be, Term Loan.

"MANDATORY COST" means the percentage rate per annum calculated by the Lender in accordance with Schedule 3 (Mandatory Cost Formulae).

"MARGIN" means:

- (a) during any period on or before the first anniversary of the date of this Agreement, 0.425 per cent. per annum; and
- (b) to the extent the Facility continues in accordance with this Agreement, during any period after the first anniversary of the date of this Agreement, 0.525 per cent. per annum.

"MARGIN STOCK" means margin stock or "Margin Security" within the meaning of Regulations T, U and X.

"MATERIAL ADVERSE EFFECT" means:

- (a) a materially adverse effect on the business, assets, operations, prospects or condition, financial or otherwise, of the Group taken as a whole; or
- (b) a material impairment of the ability of any Obligor to perform any of its respective obligations under any Finance Document to which it is or becomes a party.

"MONTH" means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

- (a) if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day; and
- (b) if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month.

The above rules will only apply to the last Month of any period.

"MULTIEMPLOYER PLAN" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA to which the US Obligor or any ERISA Affiliate (other than one considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Section 414 of the Code) is making or accruing an obligation to make contributions, or has within any of the preceding five years made or accrued an obligation to make contributions.

"NET WORTH" has the meaning given to it in Clause 21 (Financial covenants).

"OBLIGOR" means a Borrower or the Guarantor.

"OPTIONAL CURRENCY" means a currency (other than the Base Currency) which complies with the conditions set out in Clause 4.3 (Conditions relating to Optional Currencies).

"ORIGINAL FINANCIAL STATEMENTS" means:

- (a) in relation to the Guarantor, the consolidated balance sheet of the Group as at 31 December 1999 and the related consolidated statements of income, cash flows and changes in shareholders' equity of the Group for the fiscal year ended on such date, with the opinion thereon of the Guarantor's Auditors;
- (b) in relation to the Guarantor, the unaudited consolidated balance sheet of the Group as at 30 September 2000 and the related consolidated statements of income and cash flows of the Group for the nine-month period ended on such date; and
- (c) in relation to each Borrower, its unaudited financial statements for the nine-month period ended 30 September 2000.

"PARTICIPATING MEMBER STATE" means any member state of the European Communities that adopts or has adopted the euro as its lawful currency in accordance with legislation of the European Union relating to European Monetary Union.

"PARTY" means a party to this Agreement and includes its successors in title, permitted assigns and permitted transferees.

"PBGC" means the Pension Benefit Guaranty Corporation of the USA established pursuant to Section 4002 of the ERISA or any entity succeeding to all or any of its functions under ERISA.

"PLAN" means any employee pension benefit plan as defined in Section 3(2) of ERISA (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code which is maintained for current or former employees, or any beneficiary thereof, of the US Obligor or any ERISA Affiliate.

"QUALIFYING LENDER" has the meaning given to it in Clause 13 (Tax gross-up and indemnities).

"QUOTATION DAY" means, in relation to any period for which an interest rate is to be determined:

- (a) (if the currency is Sterling or Dollars) the first day of that period;
- (b) (if the currency is euro) two TARGET Days before the first day of that period; or
- (c) (for any other currency) two Business Days before the first day of that period,

unless market practice differs in the London interbank market for a currency, in which case the Quotation Day will be determined by the Lender in accordance with market practice in the Relevant Interbank Market (and if quotations for that currency and that period would normally be given by leading banks in the Relevant Interbank Market on more than one day, the Quotation Day will be the last of those days).

"REGULATION T" means Regulation T of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"REGULATION U" means Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"REGULATION X" means Regulation X of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"RELEVANT AGREEMENT" means the \$50,000,000 facility agreement dated on or about the date of this Agreement between the Borrowers, the Guarantor and Citibank, N.A.

"RELEVANT INTERBANK MARKET" means, in relation to euro, the European interbank market and, in relation to any other currency, the London interbank market.

"REPEATING REPRESENTATIONS" means each of the representations set out in Clauses 19.1 (Status) to 19.4 (Power and authority), 19.6 (Dutch provisions), 19.9 (No default), 19.10(b) (True and complete disclosure), 19.11 (a) and (b) (Financial statements), 19.12 (Pari passu ranking), 19.14 (Environment laws and licences) to 19.18 (Investment Company Act and Public Utility Holding Company Act).

"REPORTABLE EVENT" means any reportable event as defined in Section 4043(c) of ERISA or the regulations issued thereunder with respect to a Plan (other than a Plan maintained by an ERISA Affiliate that is considered an ERISA Affiliate only pursuant to a subsection (m) or (o) of Section 414 of the Code).

"REVOLVING LOAN" means a revolving loan made or to be made under the Facility and which has not been converted into a Term Loan or the principal amount outstanding for the time being of that loan.

"ROLLOVER LOAN" means one or more Loans:

- (a) made or to be made on the same day that one or more maturing Loans is or are due to be repaid;
- (b) the aggregate amount of which is equal to or less than the maturing Loan(s) (unless it is more than the maturing Loan(s) solely because it arose as a result of the operation of Clause 6.2 (Unavailability of a currency));
- (c) in the same currency as the maturing Loan(s) (unless it arose as a result of the operation of Clause 6.2 (Unavailability of a currency)); and
- (d) made or to be made to the same Borrower for the purpose of refinancing the maturing Loan(s).



"SCREEN RATE" means the British Bankers' Association Interest Settlement Rate for the relevant currency and period displayed on the appropriate page of the Telerate screen. If the agreed page is replaced or service ceases to be available, the Lender may specify another page or service displaying the appropriate rate after consultation with the Guarantor.

"SELECTION NOTICE" means a notice substantially in the form set out in Part II of Schedule 2 (Requests) given in accordance with Clause 10 (Interest Periods) in relation to the Facility after the Term-Out Date.

"STERLING" means the lawful currency of the United Kingdom.

"SUBSIDIARY" means, in relation to any person (referred to in this definition as the "PARENT"), any corporation, partnership, association or other business entity:

- (a) of which securities or other ownership interests representing more than 50 per cent. of the equity or more than 50 per cent. of the ordinary voting power or more than 50 per cent. of the general partnership interests are, at the time any determination is being made, owned, controlled or held; or
- (b) which is, at the time any determination is made, otherwise controlled by the parent or one or more Subsidiaries of the parent or by the parent and one or more Subsidiaries of the parent.

In this definition, one person being controlled by another means that the other (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) has the power to appoint and/or remove all or the majority of the members of the Board of Directors or the other governing body of that person or otherwise controls or has the power to control the affairs and policies of that person.

"TARGET" means Trans-European Automated Real-time Gross Settlement Express Transfer payment system.

"TARGET DAY" means any day on which TARGET is open for the settlement of payments in euro.

"TAX" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

"TAXES ACT" means the Income and Corporation Taxes Act 1988.

"TERM LOAN" means a Revolving Loan which has been converted into a term loan on the Term-Out Date pursuant to Clause 7.2 (Term-Out), a loan made or to be made on the Term-Out Date or the principal amount outstanding for the time being of that loan.

"TERM-OUT DATE" has the meaning given to it in Clause 7.2(a) (Term-Out).

"TERM-OUT NOTICE" means a notice substantially in the form set out in Part III of Schedule 2 (Requests).

"TERM-OUT OPTION" has the meaning given to it in Clause 7.2(a) (Term-Out).

"TOTAL CAPITAL" has the meaning given to it in Clause 21 (Financial covenants).

"TOTAL DEBT" has the meaning given to it in Clause 21 (Financial covenants).

"UNPAID SUM" means any sum due and payable but unpaid by an Obligor under the Finance Documents.

"USA" or "US" or "UNITED STATES" means the United States of America.

"US OBLIGOR" means the Guarantor to the extent incorporated in any state of the USA.

"UTILISATION" means a utilisation of the Facility.

"UTILISATION DATE" means the date of a Utilisation, being the date on which the relevant Loan is to be made.

"UTILISATION REQUEST" means a notice substantially in the form set out in Part I of Schedule 2 (Requests).

"VAT" means value added tax as provided for in the Value Added Tax Act 1994 and any other tax of a similar nature.

## 1.2 CONSTRUCTION

(a) Any reference in this Agreement to:

- (i) "ASSETS" includes present and future properties, revenues and rights of every description;
- (ii) a "CHANGE OF CONTROL" shall be deemed to have occurred if (a) any person or group (within the meaning of Rule 13d-5 of the Securities and Exchange Commission as in effect on the date of this Agreement) shall own directly or indirectly, beneficially or of record, shares representing more than 20 per cent. of the aggregate ordinary voting power represented by the issued and outstanding capital stock of the Guarantor; or (b) a majority of the seats (other than vacant seats) on the board of directors of the Guarantor shall at any time have been occupied by persons who were neither (i) nominated by the board of directors of the Guarantor, nor (ii) appointed by directors so nominated; or (c) any person or group shall otherwise directly or indirectly control the Guarantor.
- (iii) the "EUROPEAN INTERBANK MARKET" means the interbank market for euro operating in Participating Member States;
- (iv) a "FINANCE DOCUMENT" or any other agreement or instrument is a reference to that Finance Document or other agreement or instrument as amended or novated;
- (v) a "GUARANTEE" of or by any person means any obligation, contingent or otherwise, of such person guaranteeing or having the economic effect of guaranteeing any Indebtedness of any other person (the "PRIMARY OBLIGOR") in any manner, whether directly or indirectly, and including any obligation of such person, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Indebtedness, (b) to purchase property, securities or services for the purpose of assuring the owner of such Indebtedness of the payment of such Indebtedness or (c) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor

to pay such Indebtedness; provided, however, that the term guarantee shall not include endorsements for collection or deposit, in either case in the ordinary course of business;

- (vi) a "PERSON" includes any person, firm, company, corporation, government, state or agency of a state or any association, trust or partnership (whether or not having separate legal personality) or two or more of the foregoing;
- (vii) a "REGULATION" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
- (viii) a provision of law is a reference to that provision as amended or re-enacted; and
- (ix) unless a contrary indication appears, a time of day is a reference to London time.

(b) Section, Clause and Schedule headings are for ease of reference only.

(c) Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.

(d) A Default (other than an Event of Default) is "CONTINUING" if it has not been remedied or waived and an Event of Default is "CONTINUING" if it has not been waived or otherwise cured.

### 1.3 THIRD PARTY RIGHTS

A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or enjoy the benefit of any term of this Agreement.

## 2. THE FACILITY

Subject to the terms of this Agreement, the Lender makes available to the Borrowers a multicurrency 364-day renewable revolving loan facility with a term-out option in an aggregate amount equal to the Commitment.

## 3. PURPOSE

### 3.1 PURPOSE

Each Borrower shall apply all amounts borrowed by it under the Facility towards (i) the financing of the Group's working capital requirements or (ii) supporting issues by the Group of commercial paper.

### 3.2 MONITORING

The Lender is not bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

## 4. CONDITIONS OF UTILISATION

### 4.1 INITIAL CONDITIONS PRECEDENT

No Borrower may deliver a Utilisation Request unless the Lender has received all of the documents and other evidence listed in Schedule 1 (Conditions Precedent) in form and

substance satisfactory to the Lender. The Lender shall notify the Guarantor promptly upon being so satisfied.

#### 4.2 FURTHER CONDITIONS PRECEDENT

The Lender will only be obliged to comply with Clause 5.4 (Availability of Loans) if on the date of the Utilisation Request and on the proposed Utilisation Date:

- (a) in the case of a Rollover Loan, no Event of Default is continuing or would result from the proposed Loan and, in the case of any other Loan, no Default is continuing or would result from the proposed Loan; and
- (b) the Repeating Representations to be made by each Obligor are true in all material respects.

#### 4.3 CONDITIONS RELATING TO OPTIONAL CURRENCIES

(a) A currency will constitute an Optional Currency in relation to a Loan if:

- (i) it is readily available in the amount required and freely convertible into the Base Currency in the Relevant Interbank Market on the Quotation Day and the Utilisation Date for that Loan; and
- (ii) it has been approved by the Lender on or prior to receipt by the Lender of the relevant Utilisation Request for that Loan.

(b) If the euro constitutes an Optional Currency at any time, a Loan will only be made available in the euro unit or any other units of the euro agreed by the Lender.

#### 4.4 MAXIMUM NUMBER OF LOANS/CURRENCIES

A Borrower may not deliver a Utilisation Request if as a result of the proposed Utilisation more than six Loans would be outstanding. Loans may not be outstanding in more than three currencies at any one time.

### 5. UTILISATION

#### 5.1 DELIVERY OF A UTILISATION REQUEST

A Borrower may utilise the Facility by delivery to the Lender of a duly completed Utilisation Request not later than 3:00 p.m. one Business Day before the Utilisation Date, in the case of Loans in Sterling or Dollars, and not later than 3:00 p.m. three Business Days before the Utilisation Date, in any other case.

#### 5.2 COMPLETION OF A UTILISATION REQUEST

(a) Each Utilisation Request is irrevocable and will not be regarded as having been duly completed unless:

- (i) the proposed Utilisation Date is a Business Day within the Availability Period;
- (ii) the currency and amount of the Utilisation comply with Clause 5.3 (Currency and amount);
- (iii) the proposed Interest Period complies with Clause 10 (Interest Periods); and

- (iv) it specifies the account and bank (which must be in the principal financial centre of the country of the currency of the Utilisation or, in the case of euro, the principal financial centre of a Participating Member State in which banks are open for general business on that day or London) to which the proceeds of the Utilisation are to be credited.

(b) Only one Loan may be requested in each Utilisation Request.

### 5.3 CURRENCY AND AMOUNT

- (a) The currency specified in a Utilisation Request must be the Base Currency or an Optional Currency.
- (b) The amount of the proposed Loan must be an amount which is not more than the Available Commitment and which is a minimum of \$5,000,000 (and integral multiples of \$1,000,000) or, if less, the Available Commitment.

### 5.4 AVAILABILITY OF LOANS

If the conditions set out in this Agreement have been met, the Lender shall make each Loan available through its Facility Office.

## 6. OPTIONAL CURRENCIES

### 6.1 SELECTION OF CURRENCY

A Borrower shall select the currency of a Loan in the Utilisation Request.

### 6.2 UNAVAILABILITY OF A CURRENCY

If before 3.00 p.m. on any Quotation Day:

- (a) the Optional Currency requested is not readily available to the Lender in the amount required; or
- (b) compliance with the Lender's obligation to make available a Loan in the proposed Optional Currency would contravene a law or regulation applicable to it;

the Lender will give notice to the relevant Borrower to that effect by 5.00 p.m. on that day. In this event, the Lender will be required to make the Loan available in the Base Currency (in an amount equal to the Base Currency Amount or, in respect of a Rollover Loan, an amount equal to the Base Currency Amount of the maturing Loan that is due to be repaid).

### 6.3 EXCHANGE RATE MOVEMENTS

- (a) In respect of successive Interest Periods of a Term Loan denominated in a currency (other than the Base Currency), the Lender shall calculate the amount of the Term Loan in that currency for the next following Interest Period (by calculating the amount of that currency equal to the Base Currency Amount of that Term Loan at the Lender's Spot Rate of Exchange three Business Days before the next following Interest Period and (subject to paragraph (b) below):
  - (i) if the amount calculated is less than the existing amount of that Term Loan in the relevant currency during the then current Interest Period, promptly notify the relevant Borrower that the Borrower shall pay, on the last day of that Interest Period, an amount equal to the difference; or

(ii) if the amount calculated is more than the existing amount of that Term Loan in the relevant currency during the then current Interest Period, the Lender shall, if no Event of Default is continuing, on the last day of that Interest Period, pay an amount equal to the difference.

(b) If the calculation made by the Lender pursuant to paragraph (a) above shows that the amount of the Term Loan in the relevant currency has increased or decreased by less than 5 per cent. compared to its Base Currency Amount, no notification shall be made by the Lender and no payment shall be required under paragraph (a) above.

## 7. REPAYMENT

### 7.1 REPAYMENT OF LOANS

(a) Subject to Clause 7.2 (Term-Out), each Loan drawn by a Borrower shall be repaid on the last day of its Interest Period.

(b) Each Term Loan that a Borrower has drawn following an exercise of the Term-Out Option shall be repaid on the Final Maturity Date (as determined in accordance with Clause 7.2 (Term-Out)).

(c) Any Term Loan which is repaid may not be reborrowed.

### 7.2 TERM-OUT

(a) A Borrower may on or prior to the Final Maturity Date specified in paragraph (a) of that definition (the "TERM-OUT Date") convert all or part of the Revolving Loans advanced to it and outstanding at the close of business on the Term-Out Date into Term Loans (in the same currency as the Revolving Loan from which they are being converted) and/or draw further Term Loans (the "TERM-OUT OPTION") by delivery to the Lender of:

(i) a Term-Out Notice at least 5 days' prior to the Term-Out Date; and

(ii) a duly completed Utilisation Request in relation to each Loan being converted pursuant to this Clause 7.2 and any further Term Loan the Borrower may request, in each case in accordance with Clause 5.1 (Delivery of a Utilisation Request).

(b) In the Term-Out Notice, the relevant Borrower shall specify:

(i) the date to which the Final Maturity Date for each Term Loan converted from a Revolving Loan is to be extended, which date shall be no later than the date falling 5 years after the date of this Agreement;

(ii) the extent to which the Revolving Loans are to be converted, if the Borrower does not intend to convert all Revolving Loans;

(iii) any further Term Loan to be requested; and

(iv) the Final Maturity Date for any further Term Loan requested, which date shall be no later than the date falling 5 years after the date of this Agreement.

(c) If a Borrower has exercised the Term-Out Option, on the Term-Out Date:

(i) any part of Revolving Facility which remains undrawn at close of business on that date shall be cancelled;

- (ii) to the extent that it is not to be converted into a Term Loan, the Borrower shall repay each Revolving Loan;
- (iii) save as provided in paragraph (c) (ii) above, each Revolving Loan shall be converted into a Term Loan; and
- (iv) the then Final Maturity Date shall be extended as provided in Clause 7.2(b)(i) and, if applicable, (iv).

### 7.3 EXTENSION

- (a) The Guarantor may, not earlier than 30 and not later than 15 days prior to the end of the Availability Period by notice to the Lender request an extension to the Availability Period subject to the provisions of this Clause 7.3.
- (b) Upon receipt of any such request, the Lender shall undertake a full credit assessment of the Obligors. The Lender shall not be under any obligation to extend the Availability Period.
- (c) If the Guarantor requests an extension of the Availability Period the Lender shall, at its absolute discretion, have the option to:
  - (i) subject to paragraph (d) below, extend the Availability Period for a further period of 364 days from the date on which the Availability Period is then due to expire; or
  - (ii) decline such request, in which event the Commitment shall be cancelled on the date the Availability Period is then due to expire.
- (d) The Availability Period may be extended more than once pursuant to this Clause 7.3 provided that no extension of the Availability Period shall be made if the Term-Out Option has been exercised.

## 8. PREPAYMENT AND CANCELLATION

### 8.1 ILLEGALITY

If it becomes unlawful in any jurisdiction for the Lender to perform any of its obligations as contemplated by this Agreement or to fund any Loan:

- (a) the Lender shall promptly notify the Guarantor upon becoming aware of that event;
- (b) upon the Lender notifying the Guarantor, the Commitment will be immediately cancelled; and
- (c) each Borrower shall repay the Loans made to that Borrower on the last day of the Interest Period for each Loan occurring after the Lender has notified the Guarantor or, if earlier, the date specified by the Lender in the notice delivered to the Guarantor (being no earlier than the last day of any applicable grace period permitted by law).

### 8.2 VOLUNTARY CANCELLATION

The Guarantor may, if it gives the Lender not less than 10 Business Days' prior notice, cancel the whole or any part (being a minimum amount of \$10,000,000 and integral multiples thereof) of the Available Commitment.

## 8.3 VOLUNTARY PREPAYMENT OF LOANS

The relevant Borrower to which a Loan has been made may, if it gives the Lender not less than 10 Business Days' prior notice, prepay the whole or any part of a Loan (but, if in part, being an amount that reduces the Base Currency Amount of the Loan by a minimum amount of \$5,000,000 and integral multiples thereof).

## 8.4 RESTRICTIONS

- (a) Any notice of cancellation or prepayment given by any Party under this Clause 8 shall be irrevocable and, unless a contrary indication appears in this Agreement, shall specify the date or dates upon which the relevant cancellation or prepayment is to be made and the amount of that cancellation or prepayment.
- (b) Any prepayment under this Agreement shall be made together with accrued interest on the amount prepaid and, subject to any Break Costs, without premium or penalty.
- (c) Unless a contrary indication appears in this Agreement, any part of the Facility which is prepaid may be reborrowed in accordance with the terms of this Agreement.
- (d) The Borrowers shall not repay or prepay all or any part of the Loans and the Guarantor shall not cancel all or any part of the Commitment except at the times and in the manner expressly provided for in this Agreement.
- (e) No amount of the Commitment cancelled under this Agreement may be subsequently reinstated.

## 9. INTEREST

## 9.1 CALCULATION OF INTEREST

The rate of interest on each Loan for each Interest Period is the percentage rate per annum which is the aggregate of the applicable:

- (a) Margin;
- (b) LIBOR; and
- (c) Mandatory Cost, if any.

## 9.2 PAYMENT OF INTEREST

The Borrower to which a Loan has been made shall pay accrued interest on each Loan on the last day of each Interest Period (and, if the Interest Period is longer than three Months, on the dates falling at three monthly intervals after the first day of the Interest Period).

## 9.3 DEFAULT INTEREST

- (a) If an Obligor fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which is the sum of one per cent. and the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted a Loan in the currency of the overdue amount for successive Interest Periods, each of a duration selected by the Lender (acting reasonably).
- (b) However if the overdue amount is principal of a Loan and became due on a day other than the last day of an Interest Period relating to that Loan, the first Interest Period applicable to that



overdue amount shall be of a duration equal to the unexpired portion of that Interest Period and the rate of interest on that overdue amount for that Interest Period shall be the sum of one per cent. and the rate applicable to it immediately before it became due.

- (c) Any interest accruing under this Clause 9.3 shall be immediately payable by the relevant Obligor on demand by the Lender.
- (d) Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each Interest Period applicable to that overdue amount but will remain immediately due and payable.

#### 9.4 NOTIFICATION OF RATES OF INTEREST

The Lender shall promptly notify the relevant Borrower of the determination of a rate of interest under this Agreement.

### 10. INTEREST PERIODS

#### 10.1 SELECTION OF INTEREST PERIODS

- (a) A Borrower (or the Guarantor on behalf of a Borrower) may select an Interest Period for a Loan in the Utilisation Request for that Loan or (in relation to a Term Loan that has already been borrowed) in a Selection Notice.
- (b) Each Selection Notice for a Term Loan is irrevocable and must be delivered to the Lender by a Borrower (or the Guarantor on behalf of a Borrower) not later than 3:00 p.m. one Business Day before the first day of the relevant Interest Period, in the case of Loans in Sterling or Dollars, and not later than 3:00 p.m. three Business Days before the first day of the relevant Interest Period, in any other case.
- (c) If the Borrower (or the Guarantor on behalf of a Borrower) does not deliver a Selection Notice to the Lender in accordance with paragraph (b) above, the relevant Interest Period will be three Months.
- (d) Subject to this Clause 10, a Borrower (or the Guarantor) may select an Interest Period of one, two or three Months other period not exceeding 12 months agreed between the Borrower and the Lender.
- (e) An Interest Period for a Loan shall not extend beyond the Final Maturity Date.
- (f) A Revolving Loan has one Interest Period only.
- (g) Each Interest Period for a Term Loan shall start on the Term-Out Date or (if already made) the last day of its preceding Interest Period.

#### 10.2 NON-BUSINESS DAYS

If an Interest Period would otherwise end on a day which is not a Business Day, that Interest Period will instead end on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).

## 11. CHANGES TO THE CALCULATION OF INTEREST

## 11.1 MARKET DISRUPTION

- (a) If a Market Disruption Event occurs in relation to a Loan for any Interest Period, then the rate of interest on that Loan for the Interest Period shall be the rate per annum which is the sum of:
- (i) the Margin;
  - (ii) the rate notified to the relevant Borrower by the Lender as soon as practicable and in any event before interest is due to be paid in respect of that Interest Period, to be that which expresses as a percentage rate per annum the cost to the Lender of funding that Loan from whatever source it may reasonably select; and
  - (iii) the Mandatory Cost, if any, applicable to that Loan.
- (b) In this Agreement "MARKET DISRUPTION EVENT" means:
- (i) at or about noon on the Quotation Day for the relevant Interest Period the Screen Rate is not available and the Lender is unable to provide a quotation to determine LIBOR for the relevant currency and period; or
  - (ii) before close of business in London on the Quotation Day for the relevant Interest Period, the relevant Borrower receives notification from the Lender that the cost to it of obtaining matching deposits in the Relevant Interbank Market would be in excess of LIBOR.

## 11.2 ALTERNATIVE BASIS OF INTEREST OR FUNDING

- (a) If a Market Disruption Event occurs and the Lender or the relevant Borrower so requires, the Lender and the relevant Borrower shall enter into negotiations (for a period of not more than 30 days) with a view to agreeing a substitute basis for determining the rate of interest.
- (b) Any alternative basis agreed pursuant to paragraph (a) above shall, with the prior consent of the Lender and the relevant Borrower, be binding on all Parties.

## 11.3 BREAK COSTS

- (a) Each Borrower shall, within three Business Days of demand by the Lender, pay to the Lender its Break Costs attributable to all or any part of a Loan or Unpaid Sum being paid by that Borrower on a day other than the last day of an Interest Period for that Loan or Unpaid Sum.
- (b) The Lender shall, as soon as reasonably practicable after a demand by the relevant Borrower, provide a certificate confirming the amount of its Break Costs for any Interest Period in which they accrue.

## 12. FEES

## 12.1 COMMITMENT FEE

- (a) The Guarantor shall pay to the Lender a commitment fee in Dollars computed at the rate of 0.15 per cent. per annum on the Available Commitment from day to day during the Availability Period.
- (b) The accrued commitment fee is payable in arrears quarterly from the date of this Agreement and on the Final Maturity Date in respect of the Revolving Loan or any earlier date on which the Lender's Commitment is reduced to zero.

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12.2 UTILISATION FEE
- (a) The Guarantor shall pay to the Lender a utilisation fee in Dollars computed at the rate of 0.10 per cent. per annum on the aggregate amount of the Loans outstanding payable in respect of each day that the Base Currency Amount of all Loans exceeds 33 per cent. of the Commitment on that day.
- (b) The accrued utilisation fee is payable on the last day of each successive period of three Months commencing on the date of this Agreement and on the Final Maturity Date.
13. TAX GROSS UP AND INDEMNITIES
- 13.1 DEFINITIONS
- (a) In this Clause 13:
- "QUALIFYING LENDER" means a person which is (on the date a payment falls due) within the charge to United Kingdom corporation tax as respects that payment and was a bank (as defined for the purpose of section 349 of the Taxes Act in section 840A of the Taxes Act) at the time the relevant Loan was made.
- "TAX CREDIT" means a credit against, relief or remission for, or repayment of any Tax.
- "TAX DEDUCTION" means a deduction or withholding for or on account of Tax from a payment under a Finance Document.
- "TAX PAYMENT" means an increased payment made by an Obligor to the Lender under Clause 13.2 (Tax gross-up) or a payment under Clause 13.3 (Tax indemnity).
- "TREATY LENDER" means a person which is (on the date a payment falls due) entitled to that payment under a double Taxation agreement in force on that date (subject to the completion of any necessary procedural formalities) without a Tax Deduction.
- (b) In this Clause 13 a reference to "DETERMINES" or "DETERMINED" means a determination made in the absolute discretion of the person making the determination.
- 13.2 TAX GROSS-UP
- (a) Each Obligor shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.
- (b) The Guarantor or the Lender shall promptly upon becoming aware that an Obligor must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the other party accordingly.
- (c) If a Tax Deduction is required by law to be made by an Obligor the amount of the payment due from that Obligor shall, subject to paragraphs (d) and (e) below, be increased to an amount which (on a net after Tax basis) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.
- (d) In the case of a Tax Deduction required by law to be made by Harsco Investment Limited, paragraph (c) shall only apply if the Lender:

- (i) is a Qualifying Lender or a Treaty Lender, unless Harsco Investment Limited is able to demonstrate the Tax Deduction is required to be made as a result of the Lender (as a Treaty Lender) failing to comply with paragraph (h) below; or
- (ii) is not or has ceased to be a Qualifying Lender or, as the case may be, Treaty Lender to the extent that this altered status results from any change after the date of this Agreement in (or in the interpretation, administration, or application of) any law or double Taxation agreement or any published practice or published concession of any relevant Taxing authority.

(e) In the case of a Tax Deduction for or on account of US Federal withholding tax required by law to be made by the US Obligor, paragraph (c) shall only apply if the Lender is:

- (i) a Treaty Lender unless the US Obligor is able to demonstrate the Tax Deduction is required to be made as a result of the Lender failing to comply with paragraph (h) below; or
- (ii) is not or has ceased to be a Treaty Lender to the extent that this altered status results from any change after the date of this Agreement in (or in the interpretation, administration or application of) any law or double Taxation agreement or any published practice or published concession of any relevant Tax authority.

(f) If an Obligor is required to make a Tax Deduction, that Obligor shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.

(g) Within 30 days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Obligor making that Tax Deduction shall deliver to the Lender evidence reasonably satisfactory to the Lender that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

(h) The Lender as a Treaty Lender and each Obligor which makes a payment to which the Lender as a Treaty Lender is entitled shall co-operate in completing any procedural formalities necessary for that Obligor to obtain authorisation to make that payment without a Tax Deduction.

### 13.3 TAX INDEMNITY

(a) If the Lender is or will be, for or on account of Tax, subject to any liability or required to make any payment in relation to a sum received or receivable (or any sum deemed for the purposes of Tax to be received or receivable) under a Finance Document, then the Guarantor shall (within three Business Days of demand by the Lender) pay to the Lender an amount equal to the loss, liability or cost which the Lender determines will be or has been (directly or indirectly) suffered by it for or on account of Tax.

(b) Paragraph (a) above shall not apply with respect to any Tax assessed on the Lender:

- (i) under the law of the jurisdiction in which the Lender is incorporated or, if different, the jurisdiction (or jurisdictions) in which the Lender is treated as resident for tax purposes; or

- (ii) under the law of the jurisdiction in which the Lender's Facility Office is located in respect of amounts received or receivable in that jurisdiction,

if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by the Lender.

- (c) If the Lender makes, or intends to make, a claim pursuant to paragraph (a) above, it shall promptly notify the Guarantor of the event which will give, or has given, rise to the claim.

#### 13.4 TAX CREDIT

If an Obligor makes a Tax Payment and the Lender determines that:

- (i) a Tax Credit is attributable to that Tax Payment; and
- (ii) the Lender has obtained, utilised and retained that Tax Credit,

the Lender shall pay an amount to the Obligor which the Lender determines will leave it (after that payment) in the same after-Tax position as it would have been in had the Tax Payment not been made by the Obligor.

#### 13.5 STAMP TAXES

The Guarantor shall pay and, within three Business Days of demand, indemnify the Lender against any cost, loss or liability the Lender incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of any Finance Document.

#### 13.6 VALUE ADDED TAX

- (a) All consideration payable under a Finance Document by an Obligor to the Lender shall be deemed to be exclusive of any VAT. If VAT is chargeable, the Obligor shall pay to the Lender (in addition to and at the same time as paying the consideration) an amount equal to the amount of the VAT.
- (b) Where a Finance Document requires an Obligor to reimburse the Lender for any costs or expenses, that Obligor shall also at the same time pay and indemnify the Lender against all VAT incurred by the Lender in respect of the costs or expenses.

#### 14. INCREASED COSTS

##### 14.1 INCREASED COSTS

- (a) Subject to Clause 14.3 (Exceptions) the Guarantor shall, within three Business Days of a demand by the Lender, pay the Lender the amount of any Increased Costs incurred by the Lender or any of its Affiliates as a result of (i) the introduction of or any change in (or in the interpretation or application of) any law or regulation or (ii) compliance with any law or regulation made after the date of this Agreement.
- (b) In this Agreement "INCREASED COSTS" means:
  - (i) a reduction in the rate of return from the Facility or on the Lender's (or its Affiliate's) overall capital;
  - (ii) an additional or increased cost; or
  - (iii) a reduction of any amount due and payable under any Finance Document,

which is incurred or suffered by the Lender or any of its Affiliates to the extent that it is attributable to the Lender having entered into its Commitment or funding or performing its obligations under any Finance Document.

#### 14.2 INCREASED COST CLAIMS

- (a) If the Lender intends to make a claim pursuant to Clause 14 .1 (Increased costs) it shall notify the Guarantor of the event giving rise to the claim.
- (b) The Lender shall, as soon as practicable after a demand by the Guarantor, provide a certificate confirming the amount of its Increased Costs.

#### 14.3 EXCEPTIONS

- (a) Clause 14.1 (Increased costs) does not apply to the extent any Increased Cost is:
- (i) attributable to a Tax Deduction required by law to be made by an Obligor;
  - (ii) compensated for by Clause 13.3 (Tax indemnity) (or would have been compensated for under Clause 13.3 (Tax indemnity) but was not so compensated solely because one of the exclusions in paragraph (b) of Clause 13.3 (Tax indemnity) applied);
  - (iii) compensated for by the payment of the Mandatory Cost; or
  - (iv) attributable to the wilful breach, or breach resulting from gross negligence, by the Lender or its Affiliates of any law or regulation.
- (b) In this Clause 14.3, a reference to a "TAX DEDUCTION" has the same meaning given to the term in Clause 13.1 (Definitions).

#### 15. OTHER INDEMNITIES

##### 15.1 CURRENCY INDEMNITY

- (a) If any sum due from an Obligor under the Finance Documents (a "SUM"), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the "FIRST CURRENCY") in which that Sum is payable into another currency (the "SECOND CURRENCY") for the purpose of:
- (i) making or filing a claim or proof against that Obligor;
  - (ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,
- that Obligor shall as an independent obligation, within three Business Days of demand, indemnify the Lender against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (B) the rate or rates of exchange available to that person at the time of its receipt of that Sum.
- (b) Each Obligor waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.

## 15.2 OTHER INDEMNITIES

The Guarantor shall, within three Business Days of demand, indemnify the Lender against any cost, loss or liability incurred by the Lender as a result of:

- (a) the occurrence of any Event of Default;
- (b) a failure by an Obligor to pay any amount due under a Finance Document on its due date;
- (c) funding, or making arrangements to fund, a Loan requested by a Borrower in a Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by the Lender alone); or
- (d) a Loan (or part of a Loan) not being prepaid in accordance with a notice of prepayment given by a Borrower or the Guarantor.

## 15.3 INDEMNITY TO THE LENDER

The Guarantor shall promptly indemnify the Lender against any cost, loss or liability incurred by the Lender (acting reasonably) as a result of:

- (a) investigating any event which it reasonably believes is a Default;
- (b) entering into or performing any foreign exchange contract for the purposes of Clause 6 (Optional Currencies); or
- (c) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised.

## 16. MITIGATION BY THE LENDER

## 16.1 MITIGATION

- (a) The Lender shall, in consultation with the Guarantor, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under, or cancelled pursuant to, any of Clause 8.1 (Illegality), Clause 13 (Tax gross-up and indemnities) or Clause 14 (Increased costs) including (but not limited to) transferring its rights and obligations under the Finance Documents to another Affiliate or Facility Office.
- (b) Paragraph (a) above does not in any way limit the obligations of any Obligor under the Finance Documents.

## 16.2 LIMITATION OF LIABILITY

- (a) The Guarantor shall indemnify the Lender for all costs and expenses reasonably incurred by the Lender as a result of steps taken by it under Clause 16.1 (Mitigation).
- (b) The Lender is not obliged to take any steps under Clause 16.1 (Mitigation) if, in its opinion (acting reasonably), to do so might be prejudicial to it.

## 17. COSTS AND EXPENSES

## 17.1 TRANSACTION EXPENSES

The Guarantor shall promptly on demand pay the Lender the amount of all costs and expenses (including legal fees) reasonably incurred by it in connection with the negotiation, preparation, printing and execution of:

- (a) this Agreement and any other documents referred to in this Agreement; and
- (b) any other Finance Documents executed after the date of this Agreement.

## 17.2 AMENDMENT COSTS

If (a) an Obligor requests an amendment, waiver or consent or (b) an amendment is required pursuant to Clause 28.8 (Change of currency), the Guarantor shall, within three Business Days of demand, reimburse the Lender for the amount of all costs and expenses (including legal fees) reasonably incurred by the Lender in responding to, evaluating, negotiating or complying with that request or requirement.

## 17.3 ENFORCEMENT COSTS

The Guarantor shall, within three Business Days of demand, pay to the Lender the amount of all costs and expenses (including legal fees) incurred by the Lender in connection with the enforcement of, or the preservation of any rights under, any Finance Document.

## 18. GUARANTEE AND INDEMNITY

## 18.1 GUARANTEE AND INDEMNITY

The Guarantor irrevocably and unconditionally:

- (a) guarantees to the Lender punctual performance by each Borrower of all that Borrower's obligations under the Finance Documents;
- (b) undertakes with the Lender that whenever a Borrower does not pay any amount when due under or in connection with any Finance Document, the Guarantor shall immediately on demand pay that amount as if it was the principal obligor; and
- (c) indemnifies the Lender immediately on demand against any cost, loss or liability suffered by the Lender if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal. The amount of the cost, loss or liability shall be equal to the amount which the Lender would otherwise have been entitled to recover.

## 18.2 CONTINUING GUARANTEE

This guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by any Obligor under the Finance Documents, regardless of any intermediate payment or discharge in whole or in part.

## 18.3 REINSTATEMENT

If any payment by an Obligor or any discharge given by the Lender (whether in respect of the obligations of any Obligor or any security for those obligations or otherwise) is avoided or reduced as a result of insolvency or any similar event:



- (a) the liability of each Obligor shall continue as if the payment, discharge, avoidance or reduction had not occurred; and
- (b) the Lender shall be entitled to recover the value or amount of that security or payment from each Obligor, as if the payment, discharge, avoidance or reduction had not occurred.

#### 18.4 WAIVER OF DEFENCES

The obligations of the Guarantor under this Clause 18 will not be affected by an act, omission, matter or thing which, but for this Clause, would reduce, release or prejudice any of its obligations under this Clause 18 (without limitation and whether or not known to it or the Lender) including:

- (a) any time, waiver or consent granted to, or composition with, any Obligor or other person;
- (b) the release of the Guarantor or any other person under the terms of any composition or arrangement with any creditor of any member of the Group;
- (c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Obligor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
- (d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of an Obligor or any other person;
- (e) any amendment (however fundamental) or replacement of a Finance Document or any other document or security;
- (f) any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document or any other document or security; or
- (g) any insolvency or similar proceedings.

#### 18.5 IMMEDIATE RECOURSE

The Guarantor waives any right it may have of first requiring the Lender (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from the Guarantor under this Clause 18. This waiver applies irrespective of any law or any provision of a Finance Document to the contrary.

#### 18.6 APPROPRIATIONS

Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full, the Lender (or any trustee or agent on its behalf) may:

- (a) refrain from applying or enforcing any other moneys, security or rights held or received by the Lender (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and the Guarantor shall not be entitled to the benefit of the same; and

- (b) hold in an interest-bearing suspense account any moneys received from the Guarantor or on account of the Guarantor's liability under this Clause 18.

#### 18.7 DEFERRAL OF GUARANTOR'S RIGHTS

Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full and unless the Lender otherwise directs, the Guarantor will not exercise any rights which it may have by reason of performance by it of its obligations under the Finance Documents:

- (a) to be indemnified by a Borrower;
- (b) to claim any contribution from any other guarantor of the Borrowers' obligations under the Finance Documents; and/or
- (c) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Lender under the Finance Documents or of any other guarantee or security taken pursuant to, or in connection with, the Finance Documents by the Lender.

#### 18.8 ADDITIONAL SECURITY

This guarantee is in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by the Lender.

#### 19. REPRESENTATIONS

Each Obligor makes the representations and warranties set out in this Clause 19 to the Lender on the date of this Agreement.

##### 19.1 STATUS

- (a) It is a company or corporation, duly organised, validly existing and in good standing under the law of its jurisdiction of incorporation.
- (b) It and each of its Subsidiaries has the power to own its assets and carry on its business as it is being conducted.

##### 19.2 BINDING OBLIGATIONS

The obligations expressed to be assumed by it in each Finance Document are, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganisation, moratorium or similar laws of general applicability affecting the enforcement of creditors' rights and (b) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law), legal, valid, binding and enforceable obligations.

##### 19.3 NON-CONFLICT WITH OTHER OBLIGATIONS

The entry into and performance by it of, and the transactions contemplated by, the Finance Documents do not and will not conflict with:

- (a) any law or regulation applicable to it;
- (b) the constitutional documents of any member of the Group; or
- (c) any agreement or instrument binding upon it or any member of the Group or any of its or any member of the Group's assets.

## 19.4 POWER AND AUTHORITY

It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Finance Documents to which it is a party and the transactions contemplated by those Finance Documents.

## 19.5 VALIDITY AND ADMISSIBILITY IN EVIDENCE All Authorisations required or desirable:

- (a) to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents to which it is a party; and
- (b) to make the Finance Documents to which it is a party admissible in evidence in its jurisdiction of incorporation, have been obtained or effected and are in full force and effect.

## 19.6 DUTCH PROVISIONS

Harsco Finance B.V. meets the criteria set out in the Regulation of the Dutch Minister of Finance of 4 February 1993 (Stcrt. 1993, 29) and will not therefore qualify as a credit institution (kredietinstelling) within the meaning of the Dutch 1992 Act on the Supervision of the Credit System (Wet toezicht kredietwezen 1992).

## 19.7 DEDUCTION OF TAX

It is not required under the law of its jurisdiction of incorporation or organisation (as the case may be) (or, in the case of the US Obligor, under the law of the USA or any state thereof) to make any deduction for or on account of Tax from any payment it may make under any Finance Document.

## 19.8 TAXES

- (a) As of the date of this Agreement, the Guarantor and its Domestic Subsidiaries are members of an affiliated group of corporations filing consolidated returns for Federal income tax purposes, of which the Guarantor is the "common parent" (within the meaning of Section 1504 of the Code) of such group. The Guarantor and its Subsidiaries have filed all Federal income tax returns and all other material tax returns that are required to be filed by them and have paid all Taxes due pursuant to such returns or pursuant to any assessment received by the Guarantor or any of its Subsidiaries. The charges, accruals and reserves on the books of the Guarantor and its Subsidiaries in respect of Taxes and other governmental charges are, in the opinion of the Guarantor, adequate. The Guarantor has not been given or been requested to give a waiver of the statute of limitations relating to the payment of Federal, state, local and foreign Taxes or other impositions.
- (b) Under the law of its jurisdiction of incorporation or organisation (as the case may be) (or, in the case of the US Obligor, under the law of the USA or any state thereof) it is not necessary that the Finance Documents be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration or similar tax be paid on or in relation to the Finance Documents or the transactions contemplated by the Finance Documents.

## 19.9 NO DEFAULT

- (a) No Event of Default is continuing or might reasonably be expected to result from the making of any Utilisation.
- (b) No other event or circumstance is outstanding which constitutes a default under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which its (or its Subsidiaries') assets are subject which might have a Material Adverse Effect.

## 19.10 TRUE AND COMPLETE DISCLOSURE

- (a) The information, reports, financial statements, exhibits and schedules furnished in writing by or on behalf of the Guarantor to the Lender in connection with the negotiation, preparation or delivery of the Finance Documents or included therein or delivered pursuant thereto, when taken as a whole, do not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements herein or therein, in light of the circumstances under which they were made, not misleading.
- (b) All written information furnished after the date of this Agreement by the Guarantor and its Subsidiaries to the Lender in connection with the Finance Documents and the transactions contemplated thereby will be true, complete and accurate in every material respect, or (in the case of projections) based on reasonable estimates, on the date as of which such information is stated or certified. There is no fact known to the Guarantor that could have a Material Adverse Effect that has not been disclosed herein or in a report, financial statement, exhibit, schedule, disclosure letter or other writing furnished to the Lender for use in connection with the transactions contemplated hereby.

## 19.11 FINANCIAL STATEMENTS

- (a) Its Original Financial Statements were prepared in accordance with GAAP consistently applied.
- (b) Its Original Financial Statements fairly represent, in all material respects, its financial condition (consolidated in the case of the Guarantor) as at such dates and the results of its operations for the fiscal year and three-month period ended on such dates (subject, in the case of the financial statements as at 30 September 2000 to normal year-end audit adjustments) unless expressly disclosed to the contrary in those financial statements or in writing by the Guarantor to the Lender before the date of this Agreement.
- (c) There has been no material adverse change in its business or financial condition (or the business or consolidated financial condition of the Group, in the case of the Guarantor) since 31 December 1999.

## 19.12 PARI PASSU RANKING

Its payment obligations under the Finance Documents rank at least pari passu with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

## 19.13 NO PROCEEDINGS PENDING OR THREATENED

Except as disclosed in note 10 of the audited annual consolidated financial statements of the Guarantor included in the Guarantor's Form 10-K dated 16 March 2000 and in the notes to the unaudited quarterly consolidated financial statements of the Guarantor included in the

Guarantor's Form 10-Q dated 14 November 2000 and filed with the Securities and Exchange Commission, there are no legal or arbitral proceedings, or any proceedings by or before any Governmental Authority, now pending or (to the knowledge of the Guarantor) threatened against it or any of its Subsidiaries that, if adversely determined, could (either individually or in the aggregate) have a Material Adverse Effect.

19.14 ENVIRONMENTAL LAWS AND LICENCES

- (a) Except as disclosed in the notes to the unaudited quarterly consolidated financial statements of the Guarantor included in the Guarantor's Form 10-Q dated 14 November 2000 and filed with the Securities and Exchange Commission, it and each of its Subsidiaries has:
- (i) complied with all Environmental Laws to which it is subject;
  - (ii) obtained all Environmental Licences required in connection with its business; and
  - (iii) complied with the terms of those Environmental Licences, in each case where failure to do so might have a Material Adverse Effect.
- (b) Since the date of this Agreement, there has been no change in the status of the matters disclosed in the notes to the unaudited quarterly consolidated financial statements of the Guarantor included in the Guarantor's Form 10-Q dated 14 November 2000 and filed with the Securities and Exchange Commission that, individually or in the aggregate, has resulted in, or materially increased the likelihood of, a Material Adverse Effect.

19.15 ENVIRONMENTAL RELEASES

Except as disclosed in the notes to the audited annual and unaudited quarterly consolidated financial statements of the Guarantor included in the Guarantor's Form 10-K dated 16 March 2000 and 10-Q dated 14 November 2000 and filed with the Securities and Exchange Commission, no:

- (a) property currently or previously owned, leased, occupied or controlled by it or any of its Subsidiaries (including any offsite waste management or disposal location utilised by it or any of its Subsidiaries) is contaminated with any Hazardous Substance; and
- (b) discharge, release, leaching, migration or escape of any Hazardous Substance into the Environment has occurred or is occurring on, under or from that property,

in each case in circumstances where this might have a Material Adverse Effect.

19.16 PLANS

- (a) Each Plan, and, to the knowledge of the US Obligor, each Multiemployer Plan, is in compliance in all material respects with, and has been administered in all material respects in compliance with, the applicable provisions of ERISA, the Code and any other Federal or state law of the United States, and no event or condition has occurred and is continuing as to which the US Obligor would be under an obligation to furnish a report to the Lender under Clause 20.5 (Information: ERISA).
- (b) Except as do not have and could not be reasonably expected to have a Material Adverse Effect, the US Obligor has not and no ERISA Affiliate has incurred any liability

to or could be reasonably expected to incur any liability to, or on account of, a Multiemployer Plan as a result of violation of Section 515 of ERISA or otherwise pursuant to Section 4201, 4204 or 4212(c) of ERISA.

- (c) There are no actions, suits or claims pending against or with respect to any Plan or Multiemployer Plan (other than routine claims for benefits) or, to its knowledge or the knowledge of any ERISA Affiliate (in each case after due inquiry), threatened against or with respect to any Plan or Multiemployer Plan which has or could reasonably be expected to have a Material Adverse Effect.
- (d) Except as could not reasonably be expected to have a Material Adverse Effect, the US Obligor has not and no ERISA Affiliate has ceased operations at a facility so as to become subject to the provisions of Section 4063 of ERISA, withdrawn as a substantial employer so as to become subject to the provisions of Section 4062 of ERISA or ceased making contributions to any Plan subject to Section 4064(a) of ERISA to which it made contributions.

19.17 U.S. FEDERAL RESERVE REGULATION

- (a) The proceeds of the Loan will not be used, directly or indirectly, in whole or in part, for any purpose which might (whether immediately, incidentally or ultimately) cause the Loan (or any part thereof) to be a "purpose credit" within the meaning of Regulation T, Regulation U or Regulation X. Following the application of the proceeds of the Loan, not more than 25 per cent. of the value of the assets of the Group (on a consolidated basis) will be Margin Stock.
- (b) Neither any Obligor nor any agent acting on its behalf has taken or will take any action which could cause any of the Finance Documents or any of the documents or instruments delivered pursuant thereto to violate any regulation of the Board (including Regulations T, U and X) or to violate the US Securities Exchange Act of 1934 or any applicable US federal or state securities laws.

19.18 INVESTMENT COMPANY ACT AND PUBLIC UTILITY HOLDING COMPANY ACT

- (a) The US Obligor has not and none of its Subsidiaries is subject to regulation under the US Public Utility Holding Company Act of 1935, the US Federal Power Act or the US Investment Company Act of 1940 or to any US federal or state statute or regulation limiting its ability to incur Indebtedness.
- (b) It is not an "investment company", or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company", as such terms are defined in the US Investment Company Act of 1940.
- (c) None of the transactions contemplated by the Finance Documents does or will violate any of such Acts, any applicable US federal or state laws and regulations.

19.19 LIENS AND EXISTING INDEBTEDNESS

- (a) Schedule 4 (Existing Liens) is a complete and correct list, as of the date of this Agreement, of each Lien securing Indebtedness of any person, the aggregate principal or face amount of which equals or exceeds (or may equal or exceed) \$5,000,000 (or its

equivalent) and covering any property of the Guarantor or any of its Subsidiaries, and the aggregate Indebtedness secured (or that may be secured) by each such Lien and the property covered by each such Lien is correctly described in Schedule 4 (Existing Liens); and

- (b) Schedule 5 (Existing Indebtedness) is a complete and correct list, as of the date of this Agreement, of each credit agreement, loan agreement, indenture, guarantee, letter of credit or other arrangement providing for or otherwise relating to any Indebtedness or any extension of credit (or commitment for any extension of credit) to, or guarantee by, the Guarantor or any of its Subsidiaries, the aggregate principal or face amount of which equals or exceeds (or may equal or exceed) \$5,000,000 (or its equivalent), and the aggregate principal or face amount outstanding or that may become outstanding under each such arrangement is correctly described in Schedule 5 (Existing Indebtedness).

#### 19.20 REPETITION

The Repeating Representations are deemed to be made by each Obligor by reference to the facts and circumstances then existing on the date of each Utilisation Request and the date of the Term-Out Notice, on each date on which a Loan is made and the first day of each Interest Period.

#### 20. INFORMATION UNDERTAKINGS

The undertakings in this Clause 20 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

#### 20.1 FINANCIAL STATEMENTS

The Guarantor shall supply to the Lender:

- (a) as soon as the same become available, but in any event within 90 days after the end of each of its fiscal years:
- (i) its consolidated balance sheets and related statements of income, changes in stockholders' equity and cash flows, showing the financial condition of the Guarantor and its Subsidiaries as of the close of such fiscal year and the results of its operations and the operations of its Subsidiaries during such year, all audited by the Guarantor's Auditors and accompanied by an opinion of such auditors (which shall not be qualified in any material respect) to the effect that such consolidated financial statements fairly present the financial condition and results of operations of the Guarantor on a consolidated basis in accordance with GAAP consistently applied; and
  - (ii) the unaudited financial statements of each Borrower for that fiscal year; and
- (b) as soon as the same become available, but in any event within 45 days after the end of each of the first three fiscal quarters of each of its fiscal years, its consolidated balance sheets and related statements of income, changes in stockholders' equity and cash flows, showing the financial condition of the Guarantor and its Subsidiaries as of the close of such fiscal quarter and the results of its operations and the operations of its

Subsidiaries during such fiscal quarter and the then elapsed portion of such fiscal year, all certified by one of its Financial Officers as fairly presenting the financial condition and results of operations of the Guarantor on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments.

#### 20.2 COMPLIANCE CERTIFICATE

- (a) The Guarantor shall supply to the Lender, with each set of financial statements delivered pursuant to paragraph (a)(i) or (b) of Clause 20.1 (Financial statements), a Compliance Certificate setting out (in reasonable detail) computations as to compliance with Clause 21 (Financial covenants) as at the date as at which those financial statements were drawn up.
- (b) Each Compliance Certificate shall be signed by a Financial Officer of the Guarantor or, if required to be delivered with the financial statements delivered pursuant to paragraph (a) of Clause 20.1 (Financial statements), by the Guarantor's Auditors (which certificate, when furnished by the Guarantor's Auditors, may be limited to accounting matters and disclaim responsibility for legal interpretations).

#### 20.3 REQUIREMENTS AS TO FINANCIAL STATEMENTS

Each set of financial statements delivered by the Guarantor pursuant to Clause 20.1 (Financial statements) shall be certified by a Financial Officer of the relevant company as fairly representing its (or, as the case may be, its consolidated) financial condition and operations as at the end of and for the period in relation to which those financial statements were drawn up.

#### 20.4 INFORMATION: MISCELLANEOUS

The Guarantor shall supply to the Lender:

- (a) promptly after the same becoming publicly available, copies of all periodic and other reports, proxy statements and other materials filed by it with the Securities and Exchange Commission, or any Governmental Authority succeeding to any of or all the functions of such Commission, or with any national securities exchange, or distributed to its shareholders or creditors generally, as the case may be;
- (b) promptly upon becoming aware of such, the filing or commencement of, or any threat or notice of intention of any person to file or commence, any action, suit or proceeding, whether at law or in equity or by or before any Governmental Authority, against the Guarantor or any Affiliate thereof which, if adversely determined, could have a Material Adverse Effect; and
- (c) promptly, from time to time, such other information regarding the operations, business affairs and financial condition of the Guarantor or any Subsidiary, or compliance with the terms of any Finance Document, as the Lender may reasonably request.

#### 20.5 INFORMATION: ERISA

The Guarantor shall supply to the Lender:

- (a) as soon as possible, and in any event within 30 days after the US Obligor or any ERISA Affiliate either knows or has reason to know that any Reportable Event has occurred that alone or together with any other Reportable Event could reasonably be expected to result in liability of the US Obligor to the PGBC in an aggregate amount exceeding



\$5,000,000, a statement of a Financial Officer setting forth details as to such Reportable Event and the action proposed to be taken with respect thereto, together with a copy of the notice, if any, of such Reportable Event given to or received from the PGBC;

- (b) promptly after receipt thereof, a copy of any notice the US Obligor or any ERISA Affiliate may receive from the PGBC relating to the intention of the PGBC to terminate any Plan or Multiemployer Plan (other than a Plan maintained by an ERISA Affiliate which is considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Section 414 of the Code) or to appoint a trustee to administer any Plan or Multiemployer Plan; and
- (c) within 10 days after the due date for filing with the PGBC pursuant to Section 412(n) of the Code of a notice of failure to make a required instalment or other payment with respect to a Plan, a statement of a Financial Officer setting forth details as to such failure and the action proposed to be taken with respect thereto, together with a copy of such notice given to the PGBC.

## 20.6 NOTIFICATION OF DEFAULT

- (a) Each Obligor shall notify the Lender of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence (unless that Obligor is aware that a notification has already been provided by another Obligor).
- (b) Promptly upon a request by the Lender, the Guarantor shall supply to the Lender a certificate signed by one of its Financial Officers or directors on its behalf certifying that no Default is continuing (or if a Default is continuing, specifying the Default and the steps, if any, being taken to remedy it).

## 21. FINANCIAL COVENANTS

### 21.1 FINANCIAL CONDITION

The Guarantor shall ensure that:

- (a) Net Worth will not at any time be less than \$475,000,000; and
- (b) the ratio of Total Debt to Total Capital will not at any time be greater than 0.60 to 1.00.

### 21.2 FINANCIAL COVENANT CALCULATIONS

- (a) Net Worth, Total Capital and Total Debt shall be calculated and interpreted on a consolidated basis in accordance with GAAP and shall be expressed in Dollars.

### 21.3 DEFINITIONS

In this Agreement:

"NET WORTH" means, as at any date, the sum for the Group (determined on a consolidated basis without duplication in accordance with GAAP) of the following:

- (a) the amount of common stock; plus
- (b) the amount of any preferred stock that does not have any requirement for the Guarantor to purchase, redeem, retire or otherwise acquire the same; plus

- (c) the amount of additional paid-in capital and retained earnings (or, in the case of an additional paid-in capital or retained earnings deficit, minus the amount of such deficit); plus
- (d) cumulative translation adjustments (or, in the case of negative adjustments, minus the amount of such adjustments); plus
- (e) cumulative pension liability adjustments (or, in the case of negative adjustments, minus the amount of such adjustments); minus
- (f) the cost of treasury stock.

"TOTAL CAPITAL" means, at any time, Net Worth plus Total Debt.

"TOTAL DEBT" means, at any time, the aggregate outstanding principal amount of all Indebtedness of the Group at such time (other than Indebtedness described in paragraphs (i) or (j) of the definition of the term "Indebtedness") determined on a consolidated basis (without duplication) in accordance with GAAP provided that the term "Total Debt" shall include any preferred stock that provides for the mandatory purchase, retirement, redemption or other acquisition of the same by the Guarantor or any Subsidiary (other than preferred stock held by the Guarantor or any Subsidiary).

## 22. GENERAL UNDERTAKINGS

The undertakings in this Clause 22 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

### 22.1 AUTHORISATIONS

Each Obligor shall promptly:

- (a) obtain, comply with and do all that is necessary to maintain in full force and effect; and
- (b) supply certified copies to the Lender of,

any Authorisation required under any law or regulation of its jurisdiction of incorporation or organisation (as the case may be) to enable it to perform its obligations under the Finance Documents and to ensure the legality, validity, enforceability or admissibility in evidence in its jurisdiction of incorporation of any Finance Document.

### 22.2 EXISTENCE AND COMPLIANCE WITH LAWS

- (a) Each Obligor shall (and the Guarantor shall ensure that each other member of the Group will) preserve and maintain its corporate existence, rights (charter and statute) and material franchises, except as otherwise permitted by Clause 22.5 (Merger), provided, however, that the Guarantor shall not be required to preserve any such right or franchise if (i) the Guarantor shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Guarantor and (ii) the loss of any such right or franchise is not disadvantageous in any material respect to the Lender.
- (b) Each Obligor shall comply in all respects with all laws to which it may be subject, if failure so to comply would materially impair its ability to perform its obligations under the Finance Documents.

NEGATIVE PLEDGE

- (a) No Obligor shall (and the Guarantor shall ensure that no other member of the Group will) create incur, assume or suffer to exist any Lien upon any of its property, whether now owned or hereafter acquired, except:
- (i) Liens in existence on the date of this Agreement which are listed in Schedule 4 (Existing Liens);
  - (ii) Liens imposed by any Governmental Authority for Taxes, assessments or charges not yet due or that are being contested in good faith and by appropriate proceedings if adequate reserves with respect thereto are maintained on the books of the Guarantor or the affected Subsidiaries, as the case may be, in accordance with GAAP;
  - (iii) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business that are not overdue for a period of more than 30 days or that are being contested in good faith and by appropriate proceedings and Liens securing judgements but only to the extent for an amount and for a period not resulting in an Event of Default under Clause 23.6(c) (Insolvency and Insolvency Proceedings);
  - (iv) pledges or deposits under worker's compensation, unemployment insurance and other social security legislation;
  - (v) deposits to secure the performance of bids, trade contracts (other than for Indebtedness), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;
  - (vi) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business and encumbrances consisting of zoning restrictions, easements, licenses, restrictions on the use of property or minor imperfections in title thereto that, in the aggregate, are not material in amount, and that do not in any case materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the business of the Guarantor or any of its Subsidiaries;
  - (vii) Liens on property of any corporation that becomes a Subsidiary of the Guarantor after the date of this Agreement, provided that such Liens are in existence at the time such corporation becomes a Subsidiary of the Guarantor and were not created in anticipation thereof;
  - (viii) Liens upon real and/or tangible personal property acquired after the date of this Agreement (by purchase, construction or otherwise) by the Guarantor or any of its Subsidiaries, each of which Liens either (A) existed on such property before the time of its acquisition and was not created in anticipation thereof or (B) was created solely for the purpose of securing Indebtedness representing, or incurred to finance, refinance or refund, the cost (including the cost of construction) of such property, provided that no such Lien shall extend to or cover any property of the Guarantor or such Subsidiary other than the property so acquired and improvements thereon;

- (ix) additional Liens upon real and/or personal property created after the date of this Agreement, provided that the aggregate Indebtedness secured thereby and incurred on and after the date hereof shall not exceed \$25,000,000 (or its equivalent as reasonably determined by the Lender) in the aggregate at any one time outstanding; and
- (x) any extension, renewal or replacement of the foregoing, provided that the Liens permitted hereunder shall not be spread to cover any additional Indebtedness or property (other than a substitution of like property).

#### 22.4 SALE AND LEASE-BACK TRANSACTIONS

No Obligor shall (and the Guarantor shall ensure that no other member of the Group will) enter into any arrangement, directly or indirectly, with any person whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property which it intends to use for substantially the same purpose or purposes as the property being sold or transferred (such an arrangement being a "SALE AND LEASE-BACK TRANSACTION"), other than:

- (i) Sale and Lease-Back Transactions capitalised on the books of the Guarantor in an aggregate capitalised amount not in excess of \$25,000,000 entered into in connection with the financing of an aircraft to be used in connection with the Guarantor's business; and
- (ii) Sale and Lease-Back Transactions capitalised on the books of the Guarantor (other than a Sale and Lease-Back Transaction permitted by Clause 22.4(i)) if the capitalised amount of all such Sale and Lease-Back Transactions shall not exceed \$20,000,000 in aggregate amount at any time outstanding.

#### 22.5 MERGER

- (a) No Obligor shall consolidate or merge with or into any other person or sell, convey, transfer or lease its properties and assets substantially as an entirety to any person, unless;
  - (i) the company or corporation formed by such consolidation or merger or the person which acquires by sale, conveyance or transfer, or which leases, the properties and assets of such Obligor substantially as an entirety shall be a company or corporation organised and existing under the laws of a jurisdiction acceptable to the Lender and shall expressly assume, by an agreement supplemental hereto, executed and delivered in favour of the Lender, in form satisfactory to the Lender, the due and punctual payment of the principal of and interest on the Loans and all other obligations of such Obligor under the Finance Documents and the performance or observance of every covenant of this Agreement on the part of such Obligor to be performed or observed;
  - (ii) immediately after giving effect to such transaction, no Default shall have occurred and be continuing; and
  - (iii) the Guarantor shall have delivered to the Lender an officers' certificate and an opinion or, as may be required by the Lender, opinions of counsel, each stating

that such consolidation, merger, sale, conveyance, transfer or lease and such supplemental agreement comply with this Clause 22.5(a) and that all conditions precedent in this Agreement provided for relating to such transaction and any other documents which the Lender requests to be delivered at such time have been complied with.

- (b) Upon any consolidation by any Obligor with or merger by any Obligor into any other corporation or any sale, conveyance, transfer or lease of the properties and assets of any Obligor substantially as an entirety in accordance with Clause 22.5(a), the successor corporation formed by such consolidation or into which such Obligor is merged or to which such sale, conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the applicable Obligor under the Finance Documents with the same effect as if such successor corporation had been named as an Obligor herein, and thereafter, the predecessor corporation shall be relieved of all obligations and covenants under the Finance Documents.
- (c) This Clause 22.5 is without prejudice to the provisions of Clause 23.14 (Change of Control).

#### 22.6 LINES OF BUSINESS; FISCAL YEAR

The Guarantor shall not (and the Guarantor shall ensure that no other member of the Group will) engage or invest in operations engaging to any substantial extent in any line or lines of business activity other than the business of manufacturing, providing, distributing and selling such diverse goods and industrial services, principally for industrial, commercial, construction and defence applications, the same or similar to those goods and services as are manufactured, provided, distributed and sold by the Guarantor on the date of this Agreement. In the case of the Guarantor, the Guarantor shall not change its fiscal year end from that in effect at 31 December 1999.

#### 22.7 TRANSACTIONS WITH AFFILIATES

The Guarantor shall not (and the Guarantor shall ensure that no other member of the Group will) sell or transfer any property or assets to, or purchase or acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except that as long as no Default shall have occurred and be continuing, the Guarantor or any Subsidiary may engage in any of the foregoing transactions in the ordinary course of business at prices and on terms and conditions not less favourable to the Guarantor or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties.

#### 22.8 PROPERTIES AND INSURANCE

- (a) Each Obligor shall (and the Guarantor shall ensure that each other member of the Group will) maintain and preserve all of its properties which are used in the conduct of its business in good working order and condition, ordinary wear and tear excepted, to the extent that any failure to do so would result in a Material Adverse Effect and except for dispositions thereof permitted by Clause 22.4 (Sale and Lease-Back Transactions).
- (b) Each Obligor shall (and the Guarantor shall ensure that each other member of the Group will) maintain insurance with financially sound and reputable insurance

companies (which insurance companies shall, in any event, have an A.M. Best rating of "B+" or better), and with respect to property and risks of a character usually maintained by corporations engaged in the same or similar business similarly situated, against loss, damage and liability of the kinds and in the amounts customarily maintained by such corporations.

#### 22.9 ENVIRONMENTAL UNDERTAKINGS

Each Obligor shall (and the Guarantor shall ensure that each other member of the Group will):

- (a) comply with all Environmental Laws to which it is subject;
- (b) obtain all Environmental Licences required in connection with its business;
- (c) comply with the terms of all those Environmental Licences; and
- (d) promptly notify the Lender of any claim, notice or other communication received by it in respect of any actual or alleged breach of or liability under Environmental Law,

in each case where failure to do so might have a Material Adverse Effect.

#### 22.10 US MATTERS

Each Obligor shall:

- (a) comply in all material respects with the applicable provisions of ERISA and the Code;
- (b) ensure that neither it nor any of its ERISA Affiliates shall engage in a complete or partial withdrawal, within the meaning of Sections 4203 and 4205 of ERISA, from any Multiemployer Plan without the prior written consent of the Lender unless such withdrawal could not reasonably be expected to have a Material Adverse Effect; and
- (c) use the proceeds of, or made available by virtue of, the Facilities without violating any of Regulations U, T and X or any applicable US federal or state laws and regulations.

#### 22.11 GUARANTOR'S AUDITORS

The Company will retain a firm of recognised international standing as auditors to the Group as it shall notify to the Lender from time to time.

#### 23. EVENTS OF DEFAULT

Each of the events or circumstances set out in Clause 23 is an Event of Default.

##### 23.1 NON-PAYMENT

- (a) There is a default made in the payment of any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise; or
- (b) there is a default made in the payment of any interest on any Loan or any fee or any other amount (other than an amount referred to in Clause 23.1(a)) due under any Finance Document, when and as the same shall become due and payable, and such default shall continue unremedied for a period of five days.

##### 23.2 FINANCIAL COVENANTS

Any requirement of Clause 21 (Financial covenants) is not satisfied.

## 23.3 OTHER OBLIGATIONS

- (a) There is a default made in the due observance or performance by any Obligor or any Subsidiary of any covenant, condition or agreement contained in Clause 20.4(b) (Information: miscellaneous), 20.6 (Notification of Default), 22.2(a) (Existence and Compliance with laws), 22.3 (Negative Pledge), 22.4 (Sale and Lease-Back Transactions), 22.5 (Merger), 22.6 (Lines of business; Fiscal Year) or 22.7 (Transactions with Affiliates); or
- (b) there is a default made in the due observance or performance by any Obligor or any Subsidiary of any covenant, condition or agreement contained in any Finance Document (other than those specified in Clauses 23.1 (Non-payment), 23.2 (Financial covenants), or 23.3(a) (Other obligations)) and such default shall continue unremedied for a period of 30 days after notice thereof from the Lender to the Guarantor.

## 23.4 MISREPRESENTATION

Any representation or warranty made or deemed made in or in connection with any Finance Document or the borrowings hereunder, or any representation, warranty, statement or information contained in any report, certificate, financial statement or other instrument furnished in connection with or pursuant to any Finance Document, shall prove to have been false or misleading in any material respect when so made, deemed made or furnished.

## 23.5 CROSS DEFAULT

- (a) The Guarantor or any Subsidiary shall (A) fail to pay any principal or interest, regardless of amount, due in respect of any Indebtedness in a principal amount in excess of (I) \$20,000,000 (or its equivalent in any other currency or currencies), in the case of any single obligation, or (II) \$20,000,000 (or its equivalent in any other currency or currencies), in the case of all obligations in the aggregate, in each case, when and as the same shall become due and payable; or (B) fail to observe or perform any other term, covenant, condition or agreement contained in any agreement or instrument evidencing or governing any Indebtedness in an aggregate principal amount in excess of \$20,000,000 (or its equivalent in any other currency or currencies) and such failure shall continue beyond any applicable grace period; or
- (b) Indebtedness of the Guarantor and its Subsidiaries, or any of them, in a principal amount in excess of (A) \$20,000,000 (or its equivalent in any other currency or currencies), in the case of any single obligation, or (B) \$20,000,000 (or its equivalent in any other currency or currencies), in the case of all obligations in the aggregate, shall be declared due and payable or required to be prepaid prior to its stated maturity.

## 23.6 INSOLVENCY AND INSOLVENCY PROCEEDINGS

- (a) An involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of any Obligor or any Subsidiary, or of a substantial part of the property or assets of any Obligor or a Subsidiary, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal or state bankruptcy, insolvency, receivership or similar law (or similar statute or law in any other jurisdiction), (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for any Obligor or any Subsidiary or for a substantial part of the property or assets of any Obligor or a Subsidiary or (iii) the winding-up or liquidation of any Obligor or any

Subsidiary; and such proceeding or petition shall continue undismissed for 30 days or an order or decree approving or ordering any of the foregoing shall be entered;

(b) any Obligor or any Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal or state bankruptcy, insolvency, receivership or similar law (or similar statute or law in any other jurisdiction), (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in Clause 23.6(a), (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official of any Obligor or any Subsidiary or of a substantial part of the property or assets of any Obligor or any Subsidiary, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing; or

(c) one or more judgments for the payment of money in an aggregate amount in excess of \$10,000,000 (or its equivalent in any other currency or currencies) (exclusive of amounts fully covered by insurance where the insurer has admitted liability in respect of such judgment) or in excess of \$20,000,000 (or its equivalent in any other currency or currencies) (regardless of insurance coverage) shall be rendered against any Obligor, any Subsidiary or any combination thereof and the same shall remain undischarged for a period of 60 consecutive days during which 60 days execution shall not be effectively stayed, or otherwise being appropriately contested in good faith, or any action shall be legally taken by a judgment creditor to levy upon assets or properties of any Obligor or any Subsidiary to enforce any such judgment.

#### 23.7 RELEVANT AGREEMENT

An "Event of Default" shall have occurred as defined under the Relevant Agreement.

#### 23.8 CREDITORS' PROCESS

Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of a member of the Group which the Lender determines could have a Material Adverse Effect and is not discharged within 5 Business Days.

#### 23.9 OWNERSHIP OF THE BORROWERS

A Borrower is not or ceases to be a Subsidiary of the Guarantor.

#### 23.10 UNLAWFULNESS

It is or becomes unlawful for an Obligor to perform any of its material obligations under the Finance Documents.

#### 23.11 REPUDIATION

An Obligor repudiates a Finance Document or evidences in writing an intention to repudiate a Finance Document.

#### 23.12 INVALIDITY OF GUARANTEE

The obligations of the Guarantor under this Agreement become ineffective, invalid, unenforceable or unlawful for any reason.



## 23.13 ERISA MATTERS

A Reportable Event or Reportable Events, or a failure to make a required instalment or other payment (within the meaning of Section 412(n)(1) of the Code), shall have occurred with respect to any Plan or Multiemployer Plan that reasonably could be expected to result in liability of any Obligor to the PBGC or to a Plan or Multiemployer Plan in an aggregate amount exceeding \$5,000,000 and, within 30 days after the reporting of any such Reportable Event to the Lender or after the receipt by the Lender of the statement required pursuant to Clause 20.5 (Information: ERISA), the Lender shall have notified such Obligor in writing that (a) it has made a determination that, on the basis of such Reportable Event or Reportable Events or the failure to make a required payment, there are reasonable grounds (i) for the termination of such Plans or Multiemployer Plans by the PBGC, (ii) for the appointment by the appropriate United States District Court of a trustee to administer such Plans or Multiemployer Plan(s) or (iii) for the imposition of a Lien in favour of a Plan or Multiemployer Plan and (b) as a result thereof an Event of Default exists or a trustee shall be appointed by a United States District Court to administer any such Plan or Multiemployer Plan or the PBGC shall institute proceedings to terminate any Plan or Multiemployer Plan.

## 23.14 CHANGE OF CONTROL

There shall have been a Change of Control.

## 23.15 ACCELERATION

On and at any time after the occurrence of an Event of Default the Lender may, by notice to the Guarantor:

- (a) cancel the Commitment whereupon it shall immediately be cancelled;
- (b) declare that all or part of the Loans, together with accrued interest, and all other amounts accrued under the Finance Documents be immediately due and payable, whereupon they shall become immediately due and payable; and/or
- (c) declare that all or part of the Loans be payable on demand, whereupon they shall immediately become payable on demand by the Lender.

Notwithstanding the foregoing, if an Event of Default specified in Clauses 23.6 (Insolvency and Insolvency proceedings), or 23.8 (Creditors' process) occurs with respect to the US Obligor, then notwithstanding anything to the contrary in Clause 18 (Guarantee and indemnity), each amount expressed by that Clause 18 (Guarantee and indemnity) to be payable by the US Obligor upon demand shall be immediately due and payable by the Guarantor without need for any demand or other claim on the US Obligor and notwithstanding that the obligations of the Borrowers payable by the US Obligor under Clause 18 (Guarantee and indemnity) are not then due and payable.

## 24. CHANGES TO THE LENDER

## 24.1 ASSIGNMENTS AND TRANSFERS BY THE LENDER

Subject to this Clause 24, the Lender (the "EXISTING LENDER") may:

- (a) assign any of its rights; or

- (b) transfer by novation any of its rights and obligations, to another bank or financial institution (the "NEW LENDER").

#### 24.2 CONDITIONS OF ASSIGNMENT OR TRANSFER

- (a) The consent of the Guarantor is required for an assignment or transfer by the Lender, unless the assignment or transfer is to an Affiliate of the Lender or an Event of Default is continuing.
- (b) The consent of the Guarantor to an assignment or transfer must not be unreasonably withheld or delayed. The Guarantor will be deemed to have given its consent five Business Days after the Lender has requested it unless consent is expressly refused by the Guarantor within that time.
- (c) The consent of the Guarantor to an assignment or transfer must not be withheld solely because the assignment or transfer may result in an increase to the Mandatory Cost.
- (d) If:
  - (i) the Lender assigns or transfers any of its rights or obligations under the Finance Documents or changes its Facility Office; and
  - (ii) as a result of circumstances existing at the date the assignment, transfer or change occurs, an Obligor would be obliged to make a payment to the New Lender or the Lender acting through its new Facility Office under Clause 13 (Tax gross-up and indemnities) or Clause 14 (Increased costs), then the New Lender or the Lender acting through its new Facility Office is only entitled to receive payment under those Clauses to the same extent as the Existing Lender or the Lender acting through its previous Facility Office would have been if the assignment, transfer or change had not occurred.

#### 24.3 DISCLOSURE OF INFORMATION

The Lender may disclose to any of its Affiliates and any other person:

- (a) to (or through) whom the Lender assigns or transfers (or may potentially assign or transfer) all or any of its rights and obligations under this Agreement;
- (b) with (or through) whom the Lender enters into (or may potentially enter into) any sub-participation in relation to, or any other transaction under which payments are to be made by reference to, this Agreement or any Obligor; or
- (c) to whom, and to the extent that, information is required to be disclosed by any applicable law or regulation, any information about any Obligor, the Group and the Finance Documents as the Lender shall consider appropriate if, in relation to paragraphs (a) and (b) above, the person to whom the information is to be given has entered into a confidentiality undertaking substantially in a recommended form of the Loan Market Association or in any other form agreed between the Guarantor and the Lender.

## 25. CHANGES TO THE OBLIGORS

No Obligor may assign any of its rights or transfer any of its rights or obligations under the Finance Documents.

## 26. CONDUCT OF BUSINESS BY THE LENDER

No provision of this Agreement will:

- (a) interfere with the right of the Lender to arrange its affairs (tax or otherwise) in whatever manner it thinks fit;
- (b) oblige the Lender to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim; or
- (c) oblige the Lender to disclose any information relating to its affairs (tax or otherwise) or any computations in respect of Tax.

## 27. LENDER'S MANAGEMENT TIME

Any amount payable to the Lender under Clause 15.3 (Indemnity to the Lender) and Clause 17 (Costs and expenses) shall include the cost of utilising the Lender's management time or other resources and will be calculated on the basis of such reasonable daily or hourly rates as the Lender may notify to the Guarantor.

## 28. PAYMENT MECHANICS

## 28.1 PAYMENTS TO THE LENDER

- (a) On each date on which an Obligor is required to make a payment under a Finance Document, that Obligor shall make the same available to the Lender for value on the due date at the time and in such funds specified by the Lender as being customary at the time for settlement of transactions in the relevant currency in the place of payment.
- (b) Payment shall be made to such account in the principal financial centre of the country of that currency (or, in relation to euro, in the principal financial centre in a Participating Member State or London) with such bank as the Lender may notify to that Obligor by not less than five Business Days' notice.

## 28.2 PAYMENTS BY THE LENDER

- (a) On each date on which the Lender is required to make a payment under a Finance Document, the Lender shall make the same available to the relevant Borrower for value on the due date at the time and in such funds specified by the Lender as being customary at the time for settlement of transactions in the relevant currency in the place of payment.
- (b) Payment shall be made to such account in the principal financial centre of the country of that currency (or, in relation to euro, in the principal financial centre in a Participating Member State or London) with such bank as the relevant Borrower may notify to the Lender in the relevant Utilisation Request.

## 28.3 DISTRIBUTIONS TO AN OBLIGOR

The Lender may (with the consent of the Obligor or in accordance with Clause 29 (Set-off)) apply any amount received by it for that Obligor in or towards payment (on the date and in the currency and funds of receipt) of any amount due from that Obligor under the Finance Documents or in or towards purchase of any amount of any currency to be so applied.

## 28.4 PARTIAL PAYMENTS

- (a) If the Lender receives a payment that is insufficient to discharge all the amounts then due and payable by an Obligor under the Finance Documents, the Lender shall apply that payment towards the obligations of that Obligor under the Finance Documents in any order selected by the Lender.
- (b) Paragraph (a) above will override any appropriation made by an Obligor.

## 28.5 NO SET-OFF BY OBLIGORS

All payments to be made by an Obligor under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

## 28.6 BUSINESS DAYS

- (a) Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).
- (b) During any extension of the due date for payment of any principal or an Unpaid Sum under this Agreement interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

## 28.7 CURRENCY OF ACCOUNT

- (a) Subject to paragraphs (b) to (e) below, the Base Currency is the currency of account and payment for any sum due from an Obligor under any Finance Document.
- (b) A repayment of a Loan or Unpaid Sum or a part of a Loan or Unpaid Sum shall be made in the currency in which that Loan or Unpaid Sum is denominated on its due date.
- (c) Each payment of interest shall be made in the currency in which the sum in respect of which the interest is payable was denominated when that interest accrued.
- (d) Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.
- (e) Any amount expressed to be payable in a currency other than the Base Currency shall be paid in that other currency.

## 28.8 CHANGE OF CURRENCY

- (a) Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognised by the central bank of any country as the lawful currency of that country, then:
- (i) any reference in the Finance Documents to, and any obligations arising under the Finance Documents in, the currency of that country shall be translated into, or paid in, the currency or currency unit of that country designated by the Lender (after consultation with the Guarantor); and

(ii) any translation from one currency or currency unit to another shall be at the official rate of exchange recognised by the central bank for the conversion of that currency or currency unit into the other, rounded up or down by the Lender (acting reasonably).

(b) If a change in any currency of a country occurs, this Agreement will, to the extent the Lender (acting reasonably and after consultation with the Guarantor) specifies to be necessary, be amended to comply with any generally accepted conventions and market practice in the Relevant Interbank Market and otherwise to reflect the change in currency.

## 29. SET-OFF

Following an Event of Default which is continuing, the Lender may set off any matured obligation due from an Obligor under the Finance Documents (to the extent beneficially owned by the Lender) against any matured obligation owed by the Lender to that Obligor, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Lender may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

## 30. NOTICES

### 30.1 COMMUNICATIONS IN WRITING

Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax or letter.

### 30.2 ADDRESSES

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents is that identified with its name below or any substitute address, fax number or department or officer as the Party may notify to the other Parties by not less than five Business Days' notice.

### 30.3 DELIVERY

(a) Any communication or document made or delivered by the Lender to another Party under or in connection with the Finance Documents will only be effective:

- (i) if by way of fax, when received in legible form; or
- (ii) if by way of letter, when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address, and, if a particular department or officer is specified as part of its address details provided under Clause 30.2 (Addresses), if addressed to that department or officer.

(b) Any communication or document to be made or delivered to the Lender will be effective only when actually received by the Lender and then only if it is expressly marked for the attention of the department or officer identified with the Lender's signature below (or any substitute department or officer as the Lender shall specify for this purpose).

- (c) Any communication or document made or delivered to the Guarantor in accordance with this Clause will be deemed to have been made or delivered to each of the Obligor.

#### 30.4 ENGLISH LANGUAGE

- (a) Any notice given under or in connection with any Finance Document must be in English.
- (b) All other documents provided under or in connection with any Finance Document must be:
- (i) in English; or
  - (ii) if not in English, and if so required by the Lender, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

#### 31. CALCULATIONS AND CERTIFICATES

##### 31.1 ACCOUNTS

In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by the Lender are, in the absence of manifest error, prima facie evidence of the matters to which they relate.

##### 31.2 CERTIFICATES AND DETERMINATIONS

Any certification or determination by the Lender of a rate or amount under any Finance Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

##### 31.3 DAY COUNT CONVENTION

Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 days or, in any case where the practice in the Relevant Interbank Market differs, in accordance with that market practice.

#### 32. PARTIAL INVALIDITY

If, at any time, any provision of the Finance Documents is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

#### 33. REMEDIES AND WAIVERS

No failure to exercise, nor any delay in exercising, on the part of the Lender, any right or remedy under the Finance Documents shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

## 34. AMENDMENTS AND WAIVERS

No term of any of the Finance Documents may be amended or waived without the prior consent of the Lender and the Obligors and any such amendment or waiver will be binding on all Parties.

## 35. COUNTERPARTS

Each Finance Document may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.

## 36. GOVERNING LAW

This Agreement is governed by English law.

## 37. ENFORCEMENT

## 37.1 JURISDICTION OF ENGLISH COURTS

- (a) The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute regarding the existence, validity or termination of this Agreement) (a "DISPUTE").
- (b) The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.
- (c) This Clause 37.1 is for the benefit of the Lender only. As a result, the Lender shall not be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Lender may take concurrent proceedings in any number of jurisdictions.

## 37.2 SERVICE OF PROCESS

- (a) Without prejudice to any other mode of service allowed under any relevant law, each Obligor (other than Harsco Investment Limited):
  - (i) irrevocably appoints Harsco Investment Limited as its agent for service of process in relation to any proceedings before the English courts in connection with any Finance Document; and
  - (ii) agrees that failure by a process agent to notify the relevant Obligor of the process will not invalidate the proceedings concerned.
- (b) Harsco Investment Limited hereby accepts its appointment as agent for service of process of each Obligor not incorporated in England and Wales.

THIS AGREEMENT HAS BEEN ENTERED INTO ON THE DATE STATED AT THE BEGINNING OF THIS AGREEMENT.

## SCHEDULE 1

## CONDITIONS PRECEDENT

## 1. OBLIGORS

- (a) A copy of the constitutional documents of each Obligor.
- (b) A copy of a resolution of the board of directors of each Obligor:
  - (i) approving the terms of, and the transactions contemplated by, the Finance Documents to which it is a party and resolving that it execute the Finance Documents to which it is a party;
  - (ii) authorising a specified person or persons to execute the Finance Documents to which it is a party on its behalf; and
  - (iii) authorising a specified person or persons, on its behalf, to sign and/or despatch all documents and notices (including, if relevant, any Utilisation Request) to be signed and/or despatched by it under or in connection with the Finance Documents to which it is a party.
- (c) A specimen of the signature of each person authorised by the resolution referred to in paragraph (b) above.
- (d) A certificate of the Guarantor (signed by the Guarantor's Senior Vice President, Chief Financial Officer and Treasurer) confirming that borrowing or guaranteeing, as appropriate, the Commitment would not cause any borrowing, guaranteeing or similar limit binding on any Obligor to be exceeded.
- (e) A certificate of an authorised signatory of the relevant Obligor certifying that each copy document relating to it specified in this Schedule 1 is correct, complete and in full force and effect as at a date no earlier than the date of this Agreement.

## 2. LEGAL OPINIONS

- (a) A legal of Paul C. Coppock, Esq., Senior Vice President, Chief Administrative Officer, General Counsel and Secretary of the Guarantor, substantially in the form agreed by the Lender prior to signing this Agreement.
- (b) A legal opinion of Kirkpatrick & Lockhart LLP, legal advisers to the Guarantor, substantially in the form agreed by the Lender prior to signing this Agreement.
- (c) A legal opinion of Boekel De Neree, legal advisers to Harsco Finance B.V. in The Netherlands, substantially in the form agreed by the Lender prior to signing this Agreement.

## 3. OTHER DOCUMENTS AND EVIDENCE

- (a) A copy of any other Authorisation or other document, opinion or assurance which the Lender considers to be necessary or desirable (if it has notified the Guarantor accordingly) in connection with the entry into and performance of the transactions contemplated by any Finance Document or for the validity and enforceability of any Finance Document.
- (b) The Original Financial Statements of each Obligor.



- (c) Evidence that the fees, costs and expenses then due from the Guarantor pursuant to the Fee Letter and Clause 17 (Costs and expenses) have been paid or will be paid by the first Utilisation Date.
- (d) The Fee Letter duly signed by the Guarantor.

SCHEDULE 2  
REQUESTS

PART I

UTILISATION REQUEST

From: [Borrower]

To: [Lender]

Dated:

Dear Sirs

\$50,000,000 FACILITY AGREEMENT

DATED 15 DECEMBER 2000 (THE "FACILITY AGREEMENT")

1. We wish to borrow a Loan on the following terms:

Proposed Utilisation Date: [                    ] (or, if that is not a Business  
----- Day, the next Business Day)

Currency of Loan: [                    ]  
-----

[Amount:] \* [                    ] or, if less, the Available  
----- Commitment

Interest Period: [                    ]  
-----

[Amount of Revolving  
Loan to be converted:] \* [                    ]  
-----

2. We confirm that each condition specified in Clause 4.2 (Further conditions precedent) is satisfied on the date of this Utilisation Request.

3. The proceeds of this Loan should be credited to [account].

4. This Utilisation Request is irrevocable.

5. Terms defined in the Facility Agreement shall have the same meanings when used in this Utilisation Request.

Yours faithfully

-----  
authorised signatory for

[ name of Borrower ]

-----  
\* Delete as appropriate

PART II  
SELECTION NOTICE  
APPLICABLE TO A TERM LOAN

From: [Borrower]

To: [Lender]

Dated:

Dear Sirs

\$50,000,000 FACILITY AGREEMENT

DATED 15 DECEMBER 2000 (THE "FACILITY AGREEMENT")

- 1. We refer to the following Term Loan(s) in [identify currency] with an Interest Period ending on [ ..... ].\*
- 2. We request that the next Interest Period for the above Term Loan(s) is [ ..... ]
- 3. This Selection Notice is irrevocable.
- 4. Terms defined in the Facility Agreement shall have the same meanings when used in this Selection Notice.

Yours faithfully

-----

authorised signatory for

[name of Borrower]

-----

\* Insert details of all Term-Out Loans in the same currency which have an Interest Period ending on the same date.

PART III  
TERM-OUT NOTICE

From: [Borrower]

To: [Lender]

Dated:

Dear Sirs

US\$50,000,000 FACILITY AGREEMENT

DATED 15 DECEMBER 2000 (THE "FACILITY AGREEMENT")

1. We wish to exercise the Term-Out Option under the Facility Agreement with effect from the Term-Out Date being [            ].
2. We wish the following Revolving Loan(s) to be converted to Term Loans in the same currency as the Revolving Loan to be converted and in the amount(s) stated below and to have the following revised Final Maturity Date(s):
 

LOAN	AMOUNT CONVERTED	FINAL MATURITY DATE
[            ]	[            ]	[            ]
3. [In addition, we wish to make [a] further Term Loan(s) in the following amounts with the following Final Maturity Date(s):
 

LOAN	FINAL MATURITY DATE
[            ]	[            ]]*
4. A Utilisation Request in respect of [each of] the above Loan(s) shall be delivered in due course.
5. Terms defined in the Facility Agreement shall have the same meanings when used in this Term-Out Notice.

Yours faithfully

-----  
authorised signatory for

[Name of Borrower]  
-----

\* Delete as appropriate

## SCHEDULE 3

## MANDATORY COST FORMULAE

1. The Mandatory Cost is an addition to the interest rate to compensate the Lender for the cost of compliance with (a) the requirements of the Bank of England and/or the Financial Services Authority (or, in either case, any other authority which replaces all or any of its functions) or (b) the requirements of the European Central Bank.
2. On the first day of each Interest Period (or as soon as possible thereafter) the Lender shall calculate, as a percentage rate, the Mandatory Cost, in accordance with the paragraphs set out below.
3. If the Lender is lending from a Facility Office in a Participating Member State, the Mandatory Cost will be the percentage notified by the Lender to the Guarantor as the cost of complying with the minimum reserve requirements of the European Central Bank.
4. If the Lender is lending from a Facility Office in the United Kingdom, the Mandatory Cost will be calculated by the Lender as follows:

- (a) in relation to a Sterling Loan:

$$\frac{AB + C(B-D) + E \times 0.01}{100 - (A + C)} \text{ per cent. per annum.}$$

- (b) in relation to a Loan in any currency other than Sterling:

$$\frac{E \times 0.01}{300} \text{ per cent. per annum.}$$

Where:

- A is the percentage of Eligible Liabilities (assuming these to be in excess of any stated minimum) which the Lender is from time to time required to maintain as an interest free cash ratio deposit with the Bank of England to comply with cash ratio requirements.
- B is the percentage rate of interest (excluding the Margin and the Mandatory Cost) payable for the relevant Interest Period on the Loan.
- C is the percentage (if any) of Eligible Liabilities which the Lender is required from time to time to maintain as interest bearing Special Deposits with the Bank of England.
- D is the percentage rate per annum payable by the Bank of England to the Lender on interest bearing Special Deposits.
- E is the rate of charge payable by the Lender to the Financial Services Authority pursuant to the Fees Regulations (but, for this purpose, ignoring any minimum fee required pursuant to the Fees Regulations) and expressed in pounds per L1,000,000 of the Fee Base of the Lender.

5. For the purposes of this Schedule:

- (a) "ELIGIBLE LIABILITIES" and "SPECIAL DEPOSITS" have the meanings given to them from time to time under or pursuant to the Bank of England Act 1998 or (as may be appropriate) by the Bank of England;
- (b) "FEES REGULATIONS" means the Banking Supervision (Fees) Regulations 2000 or such other law or regulation as may be in force from time to time in respect of the payment of fees for banking supervision; and
- (c) "FEE BASE" has the meaning given to it in, and will be calculated in accordance with, the Fees Regulations.

6. In application of the above formulae, A, B, C and D will be included in the formulae as percentages (i.e. 5 per cent. will be included in the formula as 5 and not as 0.05). A negative result obtained by subtracting D from B shall be taken as zero. The resulting figures shall be rounded to four decimal places.

7. Any determination by the Lender pursuant to this Schedule in relation to a formula, the Mandatory Cost or any amount payable to the Lender shall, in the absence of manifest error, be conclusive and binding on all Parties.

8. The Lender may from time to time, after consultation with the Guarantor, determine and notify to all Parties any amendments which are required to be made to this Schedule in order to comply with any change in law, regulation or any requirements from time to time imposed by the Bank of England, the Financial Services Authority or the European Central Bank (or, in any case, any other authority which replaces all or any of its functions) and any such determination shall, in the absence of manifest error, be conclusive and binding on all Parties.

SCHEDULE 4  
EXISTING LIENS

1. Lien on the property and assets of Harsco Corporation's facility in Drakesboro, Kentucky securing \$6,500,000 indebtedness from a loan agreement dated 15 September 1987, between Harsco Corporation and the County of Muhlenberg, Kentucky due 1 September 2001.
2. Lien on Falcon 50 aircraft pursuant to a lease between Harsco Corporation and General Electric Credit Corporation dated 22 December 1994.
3. Lien on Hawker 800XP aircraft pursuant to a lease between Harsco Corporation and Mellon Leasing Corporation dated 9 November 1999.
4. Liens on various power access equipment pursuant to a master rental agreement dated 30 May 1998 between SGB Services PLC and Genie Financial Services Europe Limited.

## SCHEDULE 5

## EXISTING INDEBTEDNESS

1. CREDIT AGREEMENTS
  - 1.1 \$6,500,000 loan agreement dated 15 September 1987 between Harsco Corporation and the County of Muhlenberg, Kentucky, due 1 September 2001. Payments of both principal and interest under the Note are irrevocably assigned to Norwest Bank Minnesota, N.A. pursuant to an indenture of trust dated 13 September 1987 between the County of Muhlenberg, Kentucky, and Norwest Bank Minnesota N.A.
  - 1.2 L20,000,000 master credit facility agreement effective 10 May 1998 between the National Westminster Bank PLC and the following Subsidiaries: Heckett Limited, Heckett MultiServ PLC, Heckett MultiServ (UK) Limited, Harsco Europa BV, Heckett International Services Limited, Quipco Limited, Harsco (UK) Limited, The Permanent Way Equipment Company Limited, Heckett MultiServ Investment Limited, Faber Prest Limited, Faber Prest Distribution Limited, Faber Prest (Australia) Limited, Faber Prest (Overseas) Limited, Faber Prest (Pacific) Limited, Flixborough Warf Limited, Slag Reduction Overseas Limited and Otis Transport Services Limited.
  - 1.3 CAD 12,000,000 Harsco Canada Limited short-term credit facility agreement with the Canadian Imperial Bank of Commerce dated 24 April 1992.
  - 1.4 DEM 15,000,000 Harsco G.m.b.H. short-term credit facility agreement with Commerzbank AG dated 1 July 1994.
  - 1.5 \$15,000,000 multicurrency credit facility agreement dated 4 February 1999 between Svenska Handelsbanken, Harsco Europa B.V. and Heckett MultiServ PLC.
  - 1.6 \$20,000,000 multicurrency credit facility agreement dated 8 July 1998 between Harsco Europa B.V. and Bank Brussels Lambert.
  - 1.7 ZAR 39,000,000 overdraft and other credit facilities agreement between Heckett MultiServ (Pty.) Ltd, Heckett MultiServ (SR) (Pty.) Ltd., SRV Mill Services (Pty.) Ltd., Heckett MultiServ (FS) (Pty.) Ltd., SteelServ (Pty.) Ltd. and Standard Bank of South Africa Limited.
  - 1.8 \$11,000,000 multicurrency credit facility agreement dated 8 May 2000 between Heckett MultiServ (Sweden) A.B. and Svenska Handelsbanken.
  - 1.9 NLG 18,000,000 multicurrency credit facility dated 13 August 1997 between Harsco Europa B.V., Heckett MultiServ (Holland) B.V., Heckett MultiServ International B.V., Heckett MultiServ Far East B.V., Heckett MultiServ China B.V. and ING Bank N.V.
  - 1.10 NLG 14,000,000 credit facility dated 1 September 1997 between Bologginsmaatschappij Bouwtmatorieel Europe B.V., Stalen Steigers Holland/Handep B.V. and SGB North Europe Central Sales B.V. and ABN Amro Bank N.V.
  - 1.11 \$218,750,000 five-year credit facility dated 29 September 2000 between Harsco Corporation, the banks named therein and The Chase Manhattan Bank.



- 1.12 \$131,250,000 364-day facility dated 29 September 2000 between Harsco Corporation, the banks named therein and The Chase Manhattan Bank.
- 1.13 The Relevant Agreement.
2. LOAN AGREEMENTS
- Dealer agreement dated June 2000 between Heckett MultiServ (Sweden) AB and Svenska Handelsbanken for the distribution of up to SEK 100,000,000 of bond loans (private placement Swedish Kroner bonds).
3. INDENTURES
- 3.1 \$150,000,000 Notes issued under an Indenture dated 1 May 1985 between Harsco Corporation and The Chase Manhattan Bank and due 15 September 2003.
- 3.2 L200,000,000 Guaranteed Notes issued under a Trust Indenture dated 27 October 2000 between Harsco Finance B.V., Harsco Corporation and The Chase Manhattan Trustees Limited and due 27 October 2010.
4. GUARANTEES
- 4.1 Guarantee dated 5 May 1998 by Harsco Corporation in favour of the National Westminster Bank PLC in respect of the bank's GBP 20,000,000 master credit facility extended to certain Subsidiaries (see 1.2 above).
- 4.2 Guarantee dated 1 May 1992 by Harsco Corporation in favour of Canadian Imperial Bank of Commerce in respect of the bank's CAD 12,000,000 short-term credit facility extended to Harsco Canada Limited (see 1.3 above).
- 4.3 Guarantee dated 30 June 1994 by Harsco Corporation in favor of Commerzbank AG in respect of the bank's DEM 15,000,000 short-term credit facility extended to Harsco G.m.b.H. (see 1.4 above).
- 4.4 Guarantee dated 22 February 1999 by Harsco Corporation in favour of Svenska Handelsbanken in respect of the bank's \$15,000,000 multicurrency credit facility extended to Harsco Europa B.V. and Heckett MultiServ PLC (see 1.5 above).
- 4.5 Guarantee dated 8 February 1999 by Harsco Corporation in favour of Bank Brussels Lambert in respect of the bank's \$20,000,000 multicurrency credit facility extended to Harsco Europa B.V. (see 1.6 above).
- 4.6 Suretyship dated 23 November 1999 by Harsco Corporation in favour of Standard Bank of South Africa Limited in respect of the bank's ZAR 39,000,000 overdraft and other credit facilities extended to certain Subsidiaries (see 1.7 above).
- 4.7 Guarantee dated 9 May 2000 by Harsco Corporation in favour of Svenska Handelsbanken for \$11,000,000 in respect of the bank's multicurrency credit facility extended to Heckett MultiServ (Sweden) AB (see 1.8 above).
- 4.8 Guarantee dated 23 December 1997 by Harsco Corporation in favour of ING Bank N.V for NLG 18,000,000 in respect of the bank's multicurrency credit facility extended to certain Subsidiaries (see 1.9 above).

- 4.9 Guarantee dated 11 November 1997 by Harsco Corporation in favour of Svenska Handelsbanken for up to \$27,240,736.50 in respect of the bank's issuing letters of credit for the account of Fortuna Insurance Limited (see 5.2 below).
- 4.10 Guarantee dated 13 June 2000, by Harsco Corporation in favour of Svenska Handelsbanken as representative for the bondholders in conjunction with the issuance of up to SEK 100,000.000 bond loans up (private placement Swedish Kroner bonds) by Heckett MultiServ (Sweden) AB (see 2 above).
- 4.11 Guarantee dated 25 September 1996 by Harsco Corporation in favour of Banque Brussels Lambert for up to BEF 3,000,000,000 in respect of the bank's placement of commercial paper for the account of Harsco Europa B.V. (see 6.4 below).
5. LETTERS OF CREDIT
- 5.1 \$19,271,859 standby letter of credit dated 8 December 1997, issued by Svenska Handelsbanken in favour of ACE Property & Casualty Insurance Company and certain of its subsidiaries and for the account of Harsco Corporation expiring on 31 December 2000.
- 5.2 \$11,355,027 standby letter of credit dated 9 April 1997, issued by Svenska Handelsbanken in favor of ACE Property & Casualty Insurance Company and certain of its subsidiaries and for the account of Fortuna Insurance Limited expiring on 31 December 2000.
6. OTHER ARRANGEMENTS
- 6.1 Commercial paper placement agency agreement dated 6 November 1998 between Chase Securities, Inc. and Harsco Corporation for the issuance of Harsco Corporation's commercial paper under its \$350,000,000 commercial paper programme.
- 6.2 Commercial paper placement agency agreement dated 1 October 2000 between Salomon Smith Barney, Inc. and Harsco Corporation under its \$350,000,000 commercial paper programme.
- 6.3 Commercial paper placement agency agreement dated 11 October 1994 between Lehman Brothers, Inc. and Harsco Corporation for the issuance of Harsco Corporation's commercial paper under its \$350,000,000 commercial paper programme.
- 6.4 Commercial paper placement agency agreement dated 25 September 1996 between Banque Brussels Lambert and Harsco Europa B.V. for the placement of Harsco Europa B.V.'s commercial paper up to BEF 3,000,000,000 or the equivalent in another currency.
- 6.5 \$80,000,000.00 performance surety bond dated 29 October 1999, issued by CNA Insurance Company in favour of the United States Treasury and for the account of Harsco Corporation expiring on 25 October 2000.
- 6.6 Lease dated 22 December 1994, originally valued at \$13,897,000 between Harsco Corporation and General Electric Credit Corporation for the lease of a Falcon 50 aircraft expiring 22 December 2004.
- 6.7 Lease dated 9 November 1999, originally valued at \$12,122,784 between Harsco Corporation and Mellon Leasing Corporation for the lease of Hawker 800XP aircraft expiring 22 November 2014.

6.8 Master rental agreement dated 30 May 1998 between SGB Services PLC and Genie Financial Services Europe Limited for the lease of certain power access equipment whose principal value is presently £18,058,000.

## THE GUARANTOR

## HARSCO CORPORATION

Address: P.O. Box 8888,  
Camp Hill,  
Pennsylvania 17001-8888

Fax No: 001 717 763 6424

Attention: Salvatore D. Fazzolari

By: SALVATORE D. FAZZOLARI  
Senior Vice President  
Chief Financial Officer & Treasurer

## THE BORROWERS

## HARSCO FINANCE B.V.

Address: Wenckebachstraat 1  
1951 JZ Velsen-Noord  
Postbus 83  
1970 AB Ijmuiden

Fax No: +31 251 22 83 12

Attention: Financial Manager

and

Fax No: +44 207 314 1491

Attention: Graham T. Goulding

By: DEREK C. HATHAWAY  
Director

By: SALVATORE D. FAZZOLARI  
Director

## HARSCO INVESTMENT LIMITED

Address: Commonwealth House  
2 Chalkhill Road  
London W6 8DW

Fax No: + 44 20 7314 1491

Attention: Graham T. Goulding

By: SALVATORE D. FAZZOLARI  
Director

THE LENDER

NATIONAL WESTMINSTER BANK PLC

Address: Level 8  
135 Bishopsgate  
London EC2M 3UR

Fax No: + 44 20 7375 8745

Attention: Douglas I. Kerr

By: DOUGLAS I. KERR

\$50,000,000 FACILITY AGREEMENT

dated 12th January 2001

for

HARSCO FINANCE B.V.

and

HARSCO INVESTMENT LIMITED

as Borrowers

and

HARSCO CORPORATION

as Guarantor

with

CITIBANK, N.A.  
acting as Lender

LINKLATERS  
& ALLIANCE

LINKLATERS

Ref: JOBS/PHPS

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THIS AGREEMENT is dated 12th January 2001 between:

- (1) HARSCO FINANCE B.V. (a private limited liability company with its corporate seat in Amsterdam) and HARSCO INVESTMENT LIMITED (a private limited company incorporated in England and Wales with company number 03985379) (the "BORROWERS" and each a "BORROWER");
- (2) HARSCO CORPORATION (a corporation incorporated in the State of Delaware) (the "GUARANTOR"); and
- (3) CITIBANK, N.A. as lender (the "LENDER").

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 DEFINITIONS

In this Agreement:

"AFFILIATE" means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

"AUTHORISATION" means an authorisation, consent, approval, resolution, licence, exemption, filing or registration.

"AVAILABILITY PERIOD" means the period from and including the date of this Agreement to and including the Business Day before the Final Maturity Date specified in paragraph (a) of that definition.

"AVAILABLE COMMITMENT" means the Lender's Commitment minus:

- (a) the Base Currency Amount of any outstanding Loans; and
- (b) in relation to any proposed Utilisation, the Base Currency Amount of any Loans that are due to be made on or before the proposed Utilisation Date other than any Loans that are due to be repaid or prepaid on or before the proposed Utilisation Date.

"BASE CURRENCY" or "\$" means Dollars.

"BASE CURRENCY AMOUNT" means, in relation to a Loan, the amount specified in the Utilisation Request delivered by a Borrower for that Loan (or, if the amount requested is not denominated in the Base Currency, that amount converted into the Base Currency at the Lender's Spot Rate of Exchange on the date which is three Business Days before the Utilisation Date or, if later, on the date the Lender receives the Utilisation Request) adjusted to reflect any repayment.

"BOARD" means the Board of Governors of the Federal Reserve System of the USA (or any successor).

"BREAK COSTS" means the amount (if any) by which:

- (a) the interest which the Lender should have received for the period from the date of receipt of all or any part of a Loan or Unpaid Sum to the last day of the current Interest Period in respect of that Loan or Unpaid Sum had the principal amount or Unpaid Sum received been paid on the last day of that Interest Period;



exceeds:

- (b) the amount which the Lender would be able to obtain by placing an amount equal to the principal amount or Unpaid Sum received by it on deposit with a leading bank in the Relevant Interbank Market for a period starting on the Business Day following receipt or recovery and ending on the last day of the current Interest Period.

"BUSINESS DAY" means a day (other than a Saturday or Sunday) on which banks are open for general business in London and:

- (a) (in relation to any date for payment or purchase of a currency other than euro) the principal financial centre of the country of that currency; or
- (b) (in relation to any date for payment or purchase of euro) any TARGET Day.

"CAPITAL LEASE OBLIGATIONS" of any person means the obligations of such person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such person under GAAP and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalised amount thereof at such time determined in accordance with GAAP.

"CODE" means the Internal Revenue Code of 1986, as amended from time to time.

"COMMITMENT" means \$50,000,000, to the extent not cancelled, reduced or transferred by the Lender under this Agreement.

"COMPLIANCE CERTIFICATE" means a certificate in form and substance satisfactory to the Lender.

"DEFAULT" means an Event of Default or any event or circumstance specified in Clause 23 (Events of Default) which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event of Default.

"DOLLARS" and "\$" mean the lawful currency of the USA.

"DOMESTIC SUBSIDIARIES" means any Subsidiary organised or incorporated under the laws of one of the States of the United States, the laws of the District of Columbia or the Federal laws of the United States.

"ENVIRONMENT" means living organisms including the ecological systems of which they form part and the following media:

- (a) air (including air within natural or man-made structures, whether above or below ground);
- (b) water (including territorial, coastal and inland waters, water under or within land and water in drains and sewers); and
- (c) land (including land under water).

"ENVIRONMENTAL LAW" means all laws and regulations of any relevant jurisdiction which:

- (a) have as a purpose or effect the protection of, and/or prevention of harm or damage to, the Environment;
- (b) provide remedies or compensation for harm or damage to the Environment; or

(c) relate to Hazardous Substances or health and safety matters.

"ENVIRONMENTAL LICENCE" means any Authorisation required at any time under Environmental Law.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA AFFILIATE" means any trade or business (whether or not incorporated) that is a member of a group of which the US Obligor is a member and which is treated as a single employer under Section 414 of the Code.

"EVENT OF DEFAULT" means any event or circumstance specified as such in Clause 23 (Events of Default).

"FACILITY" means the revolving or, after the Term-Out Date, the term loan facility made available under this Agreement as described in Clause 2 (The Facility).

"FACILITY OFFICE" means the office or offices notified by the Lender to the Guarantor and the Borrowers in writing as the office or offices through which it will perform its obligations under this Agreement.

"FEE LETTER" means the letter dated 8th January 2001 from the Lender, accepted and agreed by the Guarantor on 12th January 2001, setting out fees payable in relation to the Facility.

"FINAL MATURITY DATE" means:

- (a) in relation to a Revolving Loan not converted into a Term Loan pursuant to Clause 7.2 (Term-Out), the date which is 364 days from the date of this Agreement or, if extended in accordance with Clause 7.3 (Extension), the date provided for in Clause 7.3 (Extension); or
- (b) in relation to a Term Loan, the date provided for in Clause 7.2 (Term-Out).

"FINANCE DOCUMENT" means this Agreement, any Fee Letter and any other document designated as such by the Lender and the Guarantor.

"FINANCIAL OFFICER" of any person means the Chief Financial Officer, principal accounting officer, Treasurer or Controller of such person.

"GAAP" means the generally accepted accounting principles, standards and practices in the United States.

"GOVERNMENTAL AUTHORITY" means any Federal, state, local or foreign court or governmental agency, authority, instrumentality or regulatory body.

"GROUP" means the Guarantor and its consolidated Subsidiaries for the time being.

"GUARANTOR'S AUDITORS" means PricewaterhouseCoopers or such other auditors as may be appointed to the Group in accordance with Clause 22.11 (Guarantor's Auditors).

"HAZARDOUS SUBSTANCE" means any waste, pollutant, contaminant or other substance (including any liquid, solid, gas, ion, living organism or noise) that may be harmful to human health or other life or the Environment or a nuisance to any person or that may make the use or ownership of any affected land or property more costly.

"HOLDING COMPANY" means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary.

"INDEBTEDNESS" of any person means, without duplication:

- (a) all obligations of such person for borrowed money or with respect to deposits or advances of any kind;
- (b) all obligations of such person evidenced by bonds, debentures, notes or similar instruments;
- (c) all obligations of such person upon which interest charges are customarily paid;
- (d) all obligations of such person under conditional sale or other title retention agreements relating to property or assets purchased by such person;
- (e) all obligations of such person issued or assumed as the deferred purchase price of property or services;
- (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such person, whether or not the obligations secured thereby have been assumed;
- (g) all guarantees by such person of Indebtedness of others;
- (h) all Capital Lease Obligations of such person;
- (i) all obligations of such person in respect of interest rate protection agreements, foreign currency exchange agreements or other interest or exchange rate hedging arrangements; and
- (j) all obligations of such person as an account party in respect of letters of credit and bankers' acceptances,

provided, however, that Indebtedness shall not include trade accounts payable in the ordinary course of business. The Indebtedness of any person shall include the Indebtedness of any partnership in which such person is a general partner.

"INTEREST PERIOD" means, in relation to a Loan, each period determined in accordance with Clause 10 (Interest Periods) and, in relation to an Unpaid Sum, each period determined in accordance with Clause 9.3 (Default interest).

"LENDER'S SPOT RATE OF EXCHANGE" means the Lender's spot rate of exchange for the purchase of the relevant currency with the Base Currency in the London foreign exchange market at or about 11:00 a.m. on a particular day.

"LIBOR" means, in relation to any Loan:

- (a) the applicable Screen Rate; or
- (b) (if no Screen Rate is available for the currency or period of that Loan) the rate quoted by the Lender to leading banks in the London interbank market,

as of 11:00 a.m. on the Quotation Day for the offering of deposits in the currency of that Loan and for a period comparable to the Interest Period for that Loan.

"LIEN" means, with respect to any asset:

- (a) any mortgage, deed of trust, lien, pledge, encumbrance, charge or security interest in or on such asset;
- (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement relating to such asset; and
- (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"LOAN" means a Revolving Loan or a Term Loan or the principal amount outstanding for the time being of that Revolving Loan or, as the case may be, Term Loan.

"MANDATORY COST" means the percentage rate per annum calculated by the Lender in accordance with Schedule 3 (Mandatory Cost Formulae).

"MARGIN" means:

- (a) during any period on or before the first anniversary of the date of this Agreement, 0.425 per cent. per annum; and
- (b) to the extent the Facility continues in accordance with this Agreement, during any period after the first anniversary of the date of this Agreement, 0.525 per cent. per annum.

"MARGIN STOCK" means margin stock or "Margin Security" within the meaning of Regulations T, U and X.

"MATERIAL ADVERSE EFFECT" means:

- (a) a materially adverse effect on the business, assets, operations, prospects or condition, financial or otherwise, of the Group taken as a whole; or
- (b) a material impairment of the ability of any Obligor to perform any of its respective obligations under any Finance Document to which it is or becomes a party.

"MONTH" means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

- (a) if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day; and
- (b) if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month.

The above rules will only apply to the last Month of any period.

"MULTIEMPLOYER PLAN" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA to which the US Obligor or any ERISA Affiliate (other than one considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Section 414 of the Code) is making or accruing an obligation to make contributions, or has within any of the preceding five years made or accrued an obligation to make contributions.

"NET WORTH" has the meaning given to it in Clause 21 (Financial covenants).

"OBLIGOR" means a Borrower or the Guarantor.

"OPTIONAL CURRENCY" means a currency (other than the Base Currency) which complies with the conditions set out in Clause 4.3 (Conditions relating to Optional Currencies).

"ORIGINAL FINANCIAL STATEMENTS" means:

- (a) in relation to the Guarantor, the consolidated balance sheet of the Group as at 31 December 1999 and the related consolidated statements of income, cash flows and changes in shareholders' equity of the Group for the fiscal year ended on such date, with the opinion thereon of the Guarantor's Auditors;
- (b) in relation to the Guarantor, the unaudited consolidated balance sheet of the Group as at 30 September 2000 and the related consolidated statements of income and cash flows of the Group for the nine-month period ended on such date; and
- (c) in relation to each Borrower, its unaudited financial statements for the nine-month period ended 30 September 2000.

"PARTICIPATING MEMBER STATE" means any member state of the European Communities that adopts or has adopted the euro as its lawful currency in accordance with legislation of the European Union relating to European Monetary Union.

"PARTY" means a party to this Agreement and includes its successors in title, permitted assigns and permitted transferees.

"PBGC" means the Pension Benefit Guaranty Corporation of the USA established pursuant to Section 4002 of the ERISA or any entity succeeding to all or any of its functions under ERISA.

"PLAN" means any employee pension benefit plan as defined in Section 3(2) of ERISA (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code which is maintained for current or former employees, or any beneficiary thereof, of the US Obligor or any ERISA Affiliate.

"QUALIFYING LENDER" has the meaning given to it in Clause 13 (Tax gross-up and indemnities).

"QUOTATION DAY" means, in relation to any period for which an interest rate is to be determined:

- (a) (if the currency is Sterling or Dollars) the first day of that period;
- (b) (if the currency is euro) two TARGET Days before the first day of that period; or
- (c) (for any other currency) two Business Days before the first day of that period,

unless market practice differs in the London interbank market for a currency, in which case the Quotation Day will be determined by the Lender in accordance with market practice in the Relevant Interbank Market (and if quotations for that currency and that period would normally be given by leading banks in the Relevant Interbank Market on more than one day, the Quotation Day will be the last of those days).

"REGULATION T" means Regulation T of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"REGULATION U" means Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"REGULATION X" means Regulation X of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"RELEVANT AGREEMENT" means the \$50,000,000 facility agreement dated 15 December 2000 between the Borrowers, the Guarantor and National Westminster Bank Plc.

"RELEVANT INTERBANK MARKET" means, in relation to euro, the European interbank market and, in relation to any other currency, the London interbank market.

"REPEATING REPRESENTATIONS" means each of the representations set out in Clauses 19.1 (Status) to 19.4 (Power and authority), 19.6 (Dutch provisions), 19.9 (No default), 19.10(b) (True and complete disclosure), 19.11 (a) and (b) (Financial statements), 19.12 (Pari passu ranking), 19.14 (Environment laws and licences) to 19.18 (Investment Company Act and Public Utility Holding Company Act).

"REPORTABLE EVENT" means any reportable event as defined in Section 4043(c) of ERISA or the regulations issued thereunder with respect to a Plan (other than a Plan maintained by an ERISA Affiliate that is considered an ERISA Affiliate only pursuant to a subsection (m) or (o) of Section 414 of the Code).

"REVOLVING LOAN" means a revolving loan made or to be made under the Facility and which has not been converted into a Term Loan or the principal amount outstanding for the time being of that loan.

"ROLLOVER LOAN" means one or more Loans:

- (a) made or to be made on the same day that one or more maturing Loans is or are due to be repaid;
- (b) the aggregate amount of which is equal to or less than the maturing Loan(s) (unless it is more than the maturing Loan(s) solely because it arose as a result of the operation of Clause 6.2 (Unavailability of a currency));
- (c) in the same currency as the maturing Loan(s) (unless it arose as a result of the operation of Clause 6.2 (Unavailability of a currency)); and
- (d) made or to be made to the same Borrower for the purpose of refinancing the maturing Loan(s).

"SCREEN RATE" means the British Bankers' Association Interest Settlement Rate for the relevant currency and period displayed on the appropriate page of the Telerate screen. If the agreed page is replaced or service ceases to be available, the Lender may specify another page or service displaying the appropriate rate after consultation with the Guarantor.

"SELECTION NOTICE" means a notice substantially in the form set out in Part II of Schedule 2 (Requests) given in accordance with Clause 10 (Interest Periods) in relation to the Facility after the Term-Out Date.

"STERLING" means the lawful currency of the United Kingdom.

"SUBSIDIARY" means, in relation to any person (referred to in this definition as the "parent"), any corporation, partnership, association or other business entity:

- (a) of which securities or other ownership interests representing more than 50 per cent. of the equity or more than 50 per cent. of the ordinary voting power or more than 50 per cent. of the general partnership interests are, at the time any determination is being made, owned, controlled or held; or

(b) which is, at the time any determination is made, otherwise controlled by the parent or one or more Subsidiaries of the parent or by the parent and one or more Subsidiaries of the parent.

In this definition, one person being controlled by another means that the other (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) has the power to appoint and/or remove all or the majority of the members of the Board of Directors or other governing body of that person or otherwise controls or has the power to control the affairs and policies of that person.

"TARGET" means Trans-European Automated Real-time Gross Settlement Express Transfer payment system.

"TARGET DAY" means any day on which TARGET is open for the settlement of payments in euro.

"TAX" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

"TAXES ACT" means the Income and Corporation Taxes Act 1988.

"TERM LOAN" means a Revolving Loan which has been converted into a term loan on the Term-Out Date pursuant to Clause 7.2 (Term-Out), a loan made or to be made on the Term-Out Date or the principal amount outstanding for the time being of that loan.

"TERM-OUT DATE" has the meaning given to it in Clause 7.2(a) (Term-Out).

"TERM-OUT NOTICE" means a notice substantially in the form set out in Part III of Schedule 2 (Requests).

"TERM-OUT OPTION" has the meaning given to it in Clause 7.2(a) (Term-Out).

"TOTAL CAPITAL" has the meaning given to it in Clause 21 (Financial covenants).

"TOTAL DEBT" has the meaning given to it in Clause 21 (Financial covenants).

"UNPAID SUM" means any sum due and payable but unpaid by an Obligor under the Finance Documents.

"USA" or "US" or "UNITED STATES" means the United States of America.

"US OBLIGOR" means the Guarantor to the extent incorporated in any state of the USA.

"UTILISATION" means a utilisation of the Facility.

"UTILISATION DATE" means the date of a Utilisation, being the date on which the relevant Loan is to be made.

"UTILISATION REQUEST" means a notice substantially in the form set out in Part I of Schedule 2 (Requests).

"VAT" means value added tax as provided for in the Value Added Tax Act 1994 and any other tax of a similar nature.

## 1.2 CONSTRUCTION

- (a) Any reference in this Agreement to:
- (i) "ASSETS" includes present and future properties, revenues and rights of every description;
  - (ii) a "CHANGE OF CONTROL" shall be deemed to have occurred if (a) any person or group (within the meaning of Rule 13d-5 of the Securities and Exchange Commission as in effect on the date of this Agreement) shall own directly or indirectly, beneficially or of record, shares representing more than 20 per cent. of the aggregate ordinary voting power represented by the issued and outstanding capital stock of the Guarantor; or (b) a majority of the seats (other than vacant seats) on the board of directors of the Guarantor shall at any time have been occupied by persons who were neither (i) nominated by the board of directors of the Guarantor, nor (ii) appointed by directors so nominated; or (c) any person or group shall otherwise directly or indirectly control the Guarantor.
  - (iii) the "EUROPEAN INTERBANK MARKET" means the interbank market for euro operating in Participating Member States;
  - (iv) a "FINANCE DOCUMENT" or any other agreement or instrument is a reference to that Finance Document or other agreement or instrument as amended or novated;
  - (v) a "GUARANTEE" of or by any person means any obligation, contingent or otherwise, of such person guaranteeing or having the economic effect of guaranteeing any Indebtedness of any other person (the "PRIMARY OBLIGOR") in any manner, whether directly or indirectly, and including any obligation of such person, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Indebtedness, (b) to purchase property, securities or services for the purpose of assuring the owner of such Indebtedness of the payment of such Indebtedness or (c) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness; provided, however, that the term guarantee shall not include endorsements for collection or deposit, in either case in the ordinary course of business;
  - (vi) a "PERSON" includes any person, firm, company, corporation, government, state or agency of a state or any association, trust or partnership (whether or not having separate legal personality) or two or more of the foregoing;
  - (vii) a "REGULATION" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
  - (viii) a provision of law is a reference to that provision as amended or re-enacted; and
  - (ix) unless a contrary indication appears, a time of day is a reference to London time.
- (b) Section, Clause and Schedule headings are for ease of reference only.
- (c) Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.



- (d) A Default (other than an Event of Default) is "CONTINUING" if it has not been remedied or waived and an Event of Default is "CONTINUING" if it has not been waived or otherwise cured.

### 1.3 THIRD PARTY RIGHTS

A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or enjoy the benefit of any term of this Agreement.

## 2. THE FACILITY

Subject to the terms of this Agreement, the Lender makes available to the Borrowers a multicurrency 364-day renewable revolving loan facility with a term-out option in an aggregate amount equal to the Commitment.

## 3. PURPOSE

### 3.1 PURPOSE

Each Borrower shall apply all amounts borrowed by it under the Facility towards (i) the financing of the Group's working capital requirements (which, for the avoidance of doubt, shall exclude an acquisition by a member of the Group which is not recommended by the relevant acquiree or its shareholders) or (ii) supporting issues by the Group of commercial paper.

### 3.2 MONITORING

The Lender is not bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

## 4. CONDITIONS OF UTILISATION

### 4.1 INITIAL CONDITIONS PRECEDENT

No Borrower may deliver a Utilisation Request unless the Lender has received all of the documents and other evidence listed in Schedule 1 (Conditions Precedent) in form and substance satisfactory to the Lender. The Lender shall notify the Guarantor promptly upon being so satisfied.

### 4.2 FURTHER CONDITIONS PRECEDENT

The Lender will only be obliged to comply with Clause 5.4 (Availability of Loans) if on the date of the Utilisation Request and on the proposed Utilisation Date:

- (a) in the case of a Rollover Loan, no Event of Default is continuing or would result from the proposed Loan and, in the case of any other Loan, no Default is continuing or would result from the proposed Loan; and
- (b) the Repeating Representations to be made by each Obligor are true in all material respects.

### 4.3 CONDITIONS RELATING TO OPTIONAL CURRENCIES

- (a) A currency will constitute an Optional Currency in relation to a Loan if:
  - (i) it is readily available in the amount required and freely convertible into the Base Currency in the Relevant Interbank Market on the Quotation Day and the Utilisation Date for that Loan; and

(ii) it has been approved by the Lender on or prior to receipt by the Lender of the relevant Utilisation Request for that Loan.

(b) If the euro constitutes an Optional Currency at any time, a Loan will only be made available in the euro unit or any other units of the euro agreed by the Lender.

#### 4.4 MAXIMUM NUMBER OF LOANS/CURRENCIES

A Borrower may not deliver a Utilisation Request if as a result of the proposed Utilisation more than six Loans would be outstanding. Loans may not be outstanding in more than three currencies at any one time.

### 5. UTILISATION

#### 5.1 DELIVERY OF A UTILISATION REQUEST

A Borrower may utilise the Facility by delivery to the Lender of a duly completed Utilisation Request not later than 3:00 p.m. one Business Day before the Utilisation Date, in the case of Loans in Sterling or Dollars, and not later than 3:00 p.m. three Business Days before the Utilisation Date, in any other case.

#### 5.2 COMPLETION OF A UTILISATION REQUEST

(a) Each Utilisation Request is irrevocable and will not be regarded as having been duly completed unless:

- (i) the proposed Utilisation Date is a Business Day within the Availability Period;
- (ii) the currency and amount of the Utilisation comply with Clause 5.3 (Currency and amount);
- (iii) the proposed Interest Period complies with Clause 10 (Interest Periods); and
- (iv) it specifies the account and bank (which must be in the principal financial centre of the country of the currency of the Utilisation or, in the case of euro, the principal financial centre of a Participating Member State in which banks are open for general business on that day or London) to which the proceeds of the Utilisation are to be credited.

(b) Only one Loan may be requested in each Utilisation Request.

#### 5.3 CURRENCY AND AMOUNT

(a) The currency specified in a Utilisation Request must be the Base Currency or an Optional Currency.

(b) The amount of the proposed Loan must be an amount which is not more than the Available Commitment and which is a minimum of \$5,000,000 (and integral multiples of \$1,000,000) or, if less, the Available Commitment.

#### 5.4 AVAILABILITY OF LOANS

If the conditions set out in this Agreement have been met, the Lender shall make each Loan available through its Facility Office.

### 6. OPTIONAL CURRENCIES

#### 6.1 SELECTION OF CURRENCY

A Borrower shall select the currency of a Loan in the Utilisation Request.

## 6.2 UNAVAILABILITY OF A CURRENCY

If before 3.00 p.m. on any Quotation Day:

- (a) the Optional Currency requested is not readily available to the Lender in the amount required; or
- (b) compliance with the Lender's obligation to make available a Loan in the proposed Optional Currency would contravene a law or regulation applicable to it;

the Lender will give notice to the relevant Borrower to that effect by 5.00 p.m. on that day. In this event, the Lender will be required to make the Loan available in the Base Currency (in an amount equal to the Base Currency Amount or, in respect of a Rollover Loan, an amount equal to the Base Currency Amount of the maturing Loan that is due to be repaid).

## 6.3 EXCHANGE RATE MOVEMENTS

- (a) In respect of successive Interest Periods of a Term Loan denominated in a currency (other than the Base Currency), the Lender shall calculate the amount of the Term Loan in that currency for the next following Interest Period (by calculating the amount of that currency equal to the Base Currency Amount of that Term Loan at the Lender's Spot Rate of Exchange three Business Days before the next following Interest Period and (subject to paragraph (b) below):

- (i) if the amount calculated is less than the existing amount of that Term Loan in the relevant currency during the then current Interest Period, promptly notify the relevant Borrower that the Borrower shall pay, on the last day of that Interest Period, an amount equal to the difference; or
- (ii) if the amount calculated is more than the existing amount of that Term Loan in the relevant currency during the then current Interest Period, the Lender shall, if no Event of Default is continuing, on the last day of that Interest Period, pay an amount equal to the difference.

- (b) If the calculation made by the Lender pursuant to paragraph (a) above shows that the amount of the Term Loan in the relevant currency has increased or decreased by less than 5 per cent. compared to its Base Currency Amount, no notification shall be made by the Lender and no payment shall be required under paragraph (a) above.

## 7. REPAYMENT

## 7.1 REPAYMENT OF LOANS

- (a) Subject to Clause 7.2 (Term-Out), each Loan drawn by a Borrower shall be repaid on the last day of its Interest Period.
- (b) Each Term Loan that a Borrower has drawn following an exercise of the Term-Out Option shall be repaid on the Final Maturity Date (as determined in accordance with Clause 7.2 (Term-Out)).
- (c) Any Term Loan which is repaid may not be reborrowed.

## 7.2 TERM-OUT

- (a) A Borrower may on or prior to the Final Maturity Date specified in paragraph (a) of that definition (the "TERM-OUT DATE") convert all or part of the Revolving Loans advanced to it and outstanding at the close of business on the Term-Out Date into Term Loans (in the same currency as the

Revolving Loan from which they are being converted) and/or draw further Term Loans (the "TERM-OUT OPTION") by delivery to the Lender of:

- (i) a Term-Out Notice at least 5 days' prior to the Term-Out Date; and
- (ii) a duly completed Utilisation Request in relation to each Loan being converted pursuant to this Clause 7.2 and any further Term Loan the Borrower may request, in each case in accordance with Clause 5.1 (Delivery of a Utilisation Request).

(b) In the Term-Out Notice, the relevant Borrower shall specify:

- (i) the date to which the Final Maturity Date for each Term Loan converted from a Revolving Loan is to be extended, which date shall be no later than the date falling 5 years after the date of this Agreement;
- (ii) the extent to which the Revolving Loans are to be converted, if the Borrower does not intend to convert all Revolving Loans;
- (iii) any further Term Loan to be requested; and
- (iv) the Final Maturity Date for any further Term Loan requested, which date shall be no later than the date falling 5 years after the date of this Agreement.

(c) If a Borrower has exercised the Term-Out Option, on the Term-Out Date:

- (i) any part of Revolving Facility which remains undrawn at close of business on that date shall be cancelled;
- (ii) to the extent that it is not to be converted into a Term Loan, the Borrower shall repay each Revolving Loan;
- (iii) save as provided in paragraph (c) (ii) above, each Revolving Loan shall be converted into a Term Loan; and
- (iv) the then Final Maturity Date shall be extended as provided in Clause 7.2(b)(i) and, if applicable, (iv).

### 7.3 EXTENSION

(a) The Guarantor may, not earlier than 30 and not later than 15 days prior to the end of the Availability Period by notice to the Lender request an extension to the Availability Period subject to the provisions of this Clause 7.3.

(b) Upon receipt of any such request, the Lender shall undertake a full credit assessment of the Obligors. The Lender shall not be under any obligation to extend the Availability Period.

(c) If the Guarantor requests an extension of the Availability Period the Lender shall, at its absolute discretion, have the option to:

- (i) subject to paragraph (d) below, extend the Availability Period for a further period of 364 days from the date on which the Availability Period is then due to expire; or
- (ii) decline such request, in which event the Commitment shall be cancelled on the date the Availability Period is then due to expire.

(d) The Availability Period may be extended more than once pursuant to this Clause 7.3 provided that no extension of the Availability Period shall be made if the Term-Out Option has been exercised.

## 8. PREPAYMENT AND CANCELLATION

## 8.1 ILLEGALITY

If it becomes unlawful in any jurisdiction for the Lender to perform any of its obligations as contemplated by this Agreement or to fund any Loan:

- (a) the Lender shall promptly notify the Guarantor upon becoming aware of that event;
- (b) upon the Lender notifying the Guarantor, the Commitment will be immediately cancelled; and
- (c) each Borrower shall repay the Loans made to that Borrower on the last day of the Interest Period for each Loan occurring after the Lender has notified the Guarantor or, if earlier, the date specified by the Lender in the notice delivered to the Guarantor (being no earlier than the last day of any applicable grace period permitted by law).

## 8.2 VOLUNTARY CANCELLATION

The Guarantor may, if it gives the Lender not less than 10 Business Days' prior notice, cancel the whole or any part (being a minimum amount of \$10,000,000 and integral multiples thereof) of the Available Commitment.

## 8.3 VOLUNTARY PREPAYMENT OF LOANS

The relevant Borrower to which a Loan has been made may, if it gives the Lender not less than 10 Business Days' prior notice, prepay the whole or any part of a Loan (but, if in part, being an amount that reduces the Base Currency Amount of the Loan by a minimum amount of \$5,000,000 and integral multiples thereof).

## 8.4 RESTRICTIONS

- (a) Any notice of cancellation or prepayment given by any Party under this Clause 8 shall be irrevocable and, unless a contrary indication appears in this Agreement, shall specify the date or dates upon which the relevant cancellation or prepayment is to be made and the amount of that cancellation or prepayment.
- (b) Any prepayment under this Agreement shall be made together with accrued interest on the amount prepaid and, subject to any Break Costs, without premium or penalty.
- (c) Unless a contrary indication appears in this Agreement, any part of the Facility which is prepaid may be reborrowed in accordance with the terms of this Agreement.
- (d) The Borrowers shall not repay or prepay all or any part of the Loans and the Guarantor shall not cancel all or any part of the Commitment except at the times and in the manner expressly provided for in this Agreement.
- (e) No amount of the Commitment cancelled under this Agreement may be subsequently reinstated.

## 9. INTEREST

## 9.1 CALCULATION OF INTEREST

The rate of interest on each Loan for each Interest Period is the percentage rate per annum which is the aggregate of the applicable:

- (a) Margin;
- (b) LIBOR; and

(c) Mandatory Cost, if any.

## 9.2 PAYMENT OF INTEREST

The Borrower to which a Loan has been made shall pay accrued interest on each Loan on the last day of each Interest Period (and, if the Interest Period is longer than three Months, on the dates falling at three monthly intervals after the first day of the Interest Period).

## 9.3 DEFAULT INTEREST

- (a) If an Obligor fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which is the sum of one per cent. and the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted a Loan in the currency of the overdue amount for successive Interest Periods, each of a duration selected by the Lender (acting reasonably).
- (b) However if the overdue amount is principal of a Loan and became due on a day other than the last day of an Interest Period relating to that Loan, the first Interest Period applicable to that overdue amount shall be of a duration equal to the unexpired portion of that Interest Period and the rate of interest on that overdue amount for that Interest Period shall be the sum of one per cent. and the rate applicable to it immediately before it became due.
- (c) Any interest accruing under this Clause 9.3 shall be immediately payable by the relevant Obligor on demand by the Lender.
- (d) Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each Interest Period applicable to that overdue amount but will remain immediately due and payable.

## 9.4 NOTIFICATION OF RATES OF INTEREST

The Lender shall promptly notify the relevant Borrower of the determination of a rate of interest under this Agreement.

## 10. INTEREST PERIODS

### 10.1 SELECTION OF INTEREST PERIODS

- (a) A Borrower (or the Guarantor on behalf of a Borrower) may select an Interest Period for a Loan in the Utilisation Request for that Loan or (in relation to a Term Loan that has already been borrowed) in a Selection Notice.
- (b) Each Selection Notice for a Term Loan is irrevocable and must be delivered to the Lender by a Borrower (or the Guarantor on behalf of a Borrower) not later than 3:00 p.m. one Business Day before the first day of the relevant Interest Period, in the case of Loans in Sterling or Dollars, and not later than 3:00 p.m. three Business Days before the first day of the relevant Interest Period, in any other case.
- (c) If the Borrower (or the Guarantor on behalf of a Borrower) does not deliver a Selection Notice to the Lender in accordance with paragraph (b) above, the relevant Interest Period will be three Months.
- (d) Subject to this Clause 10, a Borrower (or the Guarantor) may select an Interest Period of one, two, three or six Months or such other period not exceeding 12 months agreed between the Borrower and the Lender.

- (e) An Interest Period for a Loan shall not extend beyond the Final Maturity Date.
- (f) A Revolving Loan has one Interest Period only.
- (g) Each Interest Period for a Term Loan shall start on the Term-Out Date or (if already made) the last day of its preceding Interest Period.

#### 10.2 NON-BUSINESS DAYS

If an Interest Period would otherwise end on a day which is not a Business Day, that Interest Period will instead end on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).

### 11. CHANGES TO THE CALCULATION OF INTEREST

#### 11.1 MARKET DISRUPTION

- (a) If a Market Disruption Event occurs in relation to a Loan for any Interest Period, then the rate of interest on that Loan for the Interest Period shall be the rate per annum which is the sum of:
  - (i) the Margin;
  - (ii) the rate notified to the relevant Borrower by the Lender as soon as practicable and in any event before interest is due to be paid in respect of that Interest Period, to be that which expresses as a percentage rate per annum the cost to the Lender of funding that Loan from whatever source it may reasonably select; and
  - (iii) the Mandatory Cost, if any, applicable to that Loan.
- (b) In this Agreement "MARKET DISRUPTION EVENT" means:
  - (i) at or about noon on the Quotation Day for the relevant Interest Period the Screen Rate is not available and the Lender is unable to provide a quotation to determine LIBOR for the relevant currency and period; or
  - (ii) before close of business in London on the Quotation Day for the relevant Interest Period, the relevant Borrower receives notification from the Lender that the cost to it of obtaining matching deposits in the Relevant Interbank Market would be in excess of LIBOR.

#### 11.2 ALTERNATIVE BASIS OF INTEREST OR FUNDING

- (a) If a Market Disruption Event occurs and the Lender or the relevant Borrower so requires, the Lender and the relevant Borrower shall enter into negotiations (for a period of not more than 30 days) with a view to agreeing a substitute basis for determining the rate of interest.
- (b) Any alternative basis agreed pursuant to paragraph (a) above shall, with the prior consent of the Lender and the relevant Borrower, be binding on all Parties.

#### 11.3 BREAK COSTS

- (a) Each Borrower shall, within three Business Days of demand by the Lender, pay to the Lender its Break Costs attributable to all or any part of a Loan or Unpaid Sum being paid by that Borrower on a day other than the last day of an Interest Period for that Loan or Unpaid Sum.
- (b) The Lender shall, as soon as reasonably practicable after a demand by the relevant Borrower, provide a certificate confirming the amount of its Break Costs for any Interest Period in which they accrue.

## 12. FEES

## 12.1 COMMITMENT FEE

- (a) The Guarantor shall pay to the Lender a commitment fee in Dollars computed at the rate of 0.15 per cent. per annum on the Available Commitment from day to day during the Availability Period.
- (b) The accrued commitment fee is payable in arrears quarterly from the date of this Agreement and on the Final Maturity Date in respect of the Revolving Loan or any earlier date on which the Lender's Commitment is reduced to zero.

## 12.2 UTILISATION FEE

- (a) The Guarantor shall pay to the Lender a utilisation fee in Dollars computed at the rate of 0.10 per cent. per annum on the aggregate amount of the Loans outstanding payable in respect of each day that the Base Currency Amount of all Loans exceeds 33 per cent. of the Commitment on that day.
- (b) The accrued utilisation fee is payable on the last day of each successive period of three Months commencing on the date of this Agreement and on the Final Maturity Date.

## 13. TAX GROSS UP AND INDEMNITIES

## 13.1 DEFINITIONS

- (a) In this Clause 13:

"QUALIFYING LENDER" means a person which is (on the date a payment falls due) within the charge to United Kingdom corporation tax as respects that payment and was a bank (as defined for the purpose of section 349 of the Taxes Act in section 840A of the Taxes Act) at the time the relevant Loan was made.

"TAX CREDIT" means a credit against, relief or remission for, or repayment of any Tax.

"TAX DEDUCTION" means a deduction or withholding for or on account of Tax from a payment under a Finance Document.

"TAX PAYMENT" means an increased payment made by an Obligor to the Lender under Clause 13.2 (Tax gross-up) or a payment under Clause 13.3 (Tax indemnity).

"TREATY LENDER" means a person which is (on the date a payment falls due) entitled to that payment under a double Taxation agreement in force on that date (subject to the completion of any necessary procedural formalities) without a Tax Deduction.

- (b) In this Clause 13 a reference to "DETERMINES" or "DETERMINED" means a determination made in the absolute discretion of the person making the determination.

## 13.2 TAX GROSS-UP

- (a) Each Obligor shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.
- (b) The Guarantor or the Lender shall promptly upon becoming aware that an Obligor must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the other party accordingly.
- (c) If a Tax Deduction is required by law to be made by an Obligor the amount of the payment due from that Obligor shall, subject to paragraphs (d) and (e) below, be increased to an amount



which (on a net after Tax basis) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.

- (d) In the case of a Tax Deduction required by law to be made by Harsco Investment Limited, paragraph (c) shall only apply if the Lender:
- (i) is a Qualifying Lender or a Treaty Lender, unless Harsco Investment Limited is able to demonstrate the Tax Deduction is required to be made as a result of the Lender (as a Treaty Lender) failing to comply with paragraph (h) below; or
  - (ii) is not or has ceased to be a Qualifying Lender or, as the case may be, Treaty Lender to the extent that this altered status results from any change after the date of this Agreement in (or in the interpretation, administration, or application of) any law or double Taxation agreement or any published practice or published concession of any relevant Taxing authority.
- (e) In the case of a Tax Deduction for or on account of US Federal withholding tax required by law to be made by the US Obligor, paragraph (c) shall only apply if the Lender is:
- (i) a Treaty Lender unless the US Obligor is able to demonstrate the Tax Deduction is required to be made as a result of the Lender failing to comply with paragraph (h) below; or
  - (ii) is not or has ceased to be a Treaty Lender to the extent that this altered status results from any change after the date of this Agreement in (or in the interpretation, administration or application of) any law or double Taxation agreement or any published practice or published concession of any relevant Tax authority.
- (f) If an Obligor is required to make a Tax Deduction, that Obligor shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.
- (g) Within 30 days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Obligor making that Tax Deduction shall deliver to the Lender evidence reasonably satisfactory to the Lender that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.
- (h) The Lender as a Treaty Lender and each Obligor which makes a payment to which the Lender as a Treaty Lender is entitled shall co-operate in completing any procedural formalities necessary for that Obligor to obtain authorisation to make that payment without a Tax Deduction.

### 13.3 TAX INDEMNITY

- (a) If the Lender is or will be, for or on account of Tax, subject to any liability or required to make any payment in relation to a sum received or receivable (or any sum deemed for the purposes of Tax to be received or receivable) under a Finance Document, then the Guarantor shall (within three Business Days of demand by the Lender) pay to the Lender an amount equal to the loss, liability or cost which the Lender determines will be or has been (directly or indirectly) suffered by it for or on account of Tax.
- (b) Paragraph (a) above shall not apply with respect to any Tax assessed on the Lender:

- (i) under the law of the jurisdiction in which the Lender is incorporated or, if different, the jurisdiction (or jurisdictions) in which the Lender is treated as resident for tax purposes; or
- (ii) under the law of the jurisdiction in which the Lender's Facility Office is located in respect of amounts received or receivable in that jurisdiction,

if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by the Lender.

- (c) If the Lender makes, or intends to make, a claim pursuant to paragraph (a) above, it shall promptly notify the Guarantor of the event which will give, or has given, rise to the claim.

#### 13.4 TAX CREDIT

If an Obligor makes a Tax Payment and the Lender determines that:

- (i) a Tax Credit is attributable to that Tax Payment; and
- (ii) the Lender has obtained, utilised and retained that Tax Credit,

the Lender shall pay an amount to the Obligor which the Lender determines will leave it (after that payment) in the same after-Tax position as it would have been in had the Tax Payment not been made by the Obligor.

#### 13.5 STAMP TAXES

The Guarantor shall pay and, within three Business Days of demand, indemnify the Lender against any cost, loss or liability the Lender incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of any Finance Document.

#### 13.6 VALUE ADDED TAX

- (a) All consideration payable under a Finance Document by an Obligor to the Lender shall be deemed to be exclusive of any VAT. If VAT is chargeable, the Obligor shall pay to the Lender (in addition to and at the same time as paying the consideration) an amount equal to the amount of the VAT.
- (b) Where a Finance Document requires an Obligor to reimburse the Lender for any costs or expenses, that Obligor shall also at the same time pay and indemnify the Lender against all VAT incurred by the Lender in respect of the costs or expenses.

#### 14. INCREASED COSTS

##### 14.1 INCREASED COSTS

- (a) Subject to Clause 14.3 (Exceptions) the Guarantor shall, within three Business Days of a demand by the Lender, pay the Lender the amount of any Increased Costs incurred by the Lender or any of its Affiliates as a result of (i) the introduction of or any change in (or in the interpretation or application of) any law or regulation or (ii) compliance with any law or regulation made after the date of this Agreement.
- (b) In this Agreement "INCREASED COSTS" means:
  - (i) a reduction in the rate of return from the Facility or on the Lender's (or its Affiliate's) overall capital;
  - (ii) an additional or increased cost; or

- (iii) a reduction of any amount due and payable under any Finance Document,

which is incurred or suffered by the Lender or any of its Affiliates to the extent that it is attributable to the Lender having entered into its Commitment or funding or performing its obligations under any Finance Document.

#### 14.2 INCREASED COST CLAIMS

- (a) If the Lender intends to make a claim pursuant to Clause 14 .1 (Increased costs) it shall notify the Guarantor of the event giving rise to the claim.
- (b) The Lender shall, as soon as practicable after a demand by the Guarantor, provide a certificate confirming the amount of its Increased Costs.

#### 14.3 EXCEPTIONS

- (a) Clause 14.1 (Increased costs) does not apply to the extent any Increased Cost is:
  - (i) attributable to a Tax Deduction required by law to be made by an Obligor;
  - (ii) compensated for by Clause 13.3 (Tax indemnity) (or would have been compensated for under Clause 13.3 (Tax indemnity) but was not so compensated solely because one of the exclusions in paragraph (b) of Clause 13.3 (Tax indemnity) applied);
  - (iii) compensated for by the payment of the Mandatory Cost; or
  - (iv) attributable to the wilful breach, or breach resulting from gross negligence, by the Lender or its Affiliates of any law or regulation.
- (b) In this Clause 14.3, a reference to a "TAX DEDUCTION" has the same meaning given to the term in Clause 13.1 (Definitions).

#### 15. OTHER INDEMNITIES

##### 15.1 CURRENCY INDEMNITY

- (a) If any sum due from an Obligor under the Finance Documents (a "SUM"), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the "FIRST CURRENCY") in which that Sum is payable into another currency (the "SECOND CURRENCY") for the purpose of:
  - (i) making or filing a claim or proof against that Obligor;
  - (ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

that Obligor shall as an independent obligation, within three Business Days of demand, indemnify the Lender against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (B) the rate or rates of exchange available to that person at the time of its receipt of that Sum.

- (b) Each Obligor waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.

## 15.2 OTHER INDEMNITIES

The Guarantor shall, within three Business Days of demand, indemnify the Lender against any cost, loss or liability incurred by the Lender as a result of:

- (a) the occurrence of any Event of Default;
- (b) a failure by an Obligor to pay any amount due under a Finance Document on its due date;
- (c) funding, or making arrangements to fund, a Loan requested by a Borrower in a Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by the Lender alone); or
- (d) a Loan (or part of a Loan) not being prepaid in accordance with a notice of prepayment given by a Borrower or the Guarantor.

## 15.3 INDEMNITY TO THE LENDER

The Guarantor shall promptly indemnify the Lender against any cost, loss or liability incurred by the Lender (acting reasonably) as a result of:

- (a) investigating any event which it reasonably believes is a Default;
- (b) entering into or performing any foreign exchange contract for the purposes of Clause 6 (Optional Currencies); or
- (c) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised.

## 16. MITIGATION BY THE LENDER

## 16.1 MITIGATION

- (a) The Lender shall, in consultation with the Guarantor, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under, or cancelled pursuant to, any of Clause 8.1 (Illegality), Clause 13 (Tax gross-up and indemnities) or Clause 14 (Increased costs) including (but not limited to) transferring its rights and obligations under the Finance Documents to another Affiliate or Facility Office.
- (b) Paragraph (a) above does not in any way limit the obligations of any Obligor under the Finance Documents.

## 16.2 LIMITATION OF LIABILITY

- (a) The Guarantor shall indemnify the Lender for all costs and expenses reasonably incurred by the Lender as a result of steps taken by it under Clause 16.1 (Mitigation).
- (b) The Lender is not obliged to take any steps under Clause 16.1 (Mitigation) if, in its opinion (acting reasonably), to do so might be prejudicial to it.

## 17. COSTS AND EXPENSES

## 17.1 TRANSACTION EXPENSES

The Guarantor shall promptly on demand pay the Lender the amount of all costs and expenses (including legal fees) reasonably incurred by it in connection with the negotiation, preparation, printing and execution of:

- (a) this Agreement and any other documents referred to in this Agreement; and
- (b) any other Finance Documents executed after the date of this Agreement.

#### 17.2 AMENDMENT COSTS

If (a) an Obligor requests an amendment, waiver or consent or (b) an amendment is required pursuant to Clause 28.8 (Change of currency), the Guarantor shall, within three Business Days of demand, reimburse the Lender for the amount of all costs and expenses (including legal fees) reasonably incurred by the Lender in responding to, evaluating, negotiating or complying with that request or requirement.

#### 17.3 ENFORCEMENT COSTS

The Guarantor shall, within three Business Days of demand, pay to the Lender the amount of all costs and expenses (including legal fees) incurred by the Lender in connection with the enforcement of, or the preservation of any rights under, any Finance Document.

#### 18. GUARANTEE AND INDEMNITY

##### 18.1 GUARANTEE AND INDEMNITY

The Guarantor irrevocably and unconditionally:

- (a) guarantees to the Lender punctual performance by each Borrower of all that Borrower's obligations under the Finance Documents;
- (b) undertakes with the Lender that whenever a Borrower does not pay any amount when due under or in connection with any Finance Document, the Guarantor shall immediately on demand pay that amount as if it was the principal obligor; and
- (c) indemnifies the Lender immediately on demand against any cost, loss or liability suffered by the Lender if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal. The amount of the cost, loss or liability shall be equal to the amount which the Lender would otherwise have been entitled to recover.

##### 18.2 CONTINUING GUARANTEE

This guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by any Obligor under the Finance Documents, regardless of any intermediate payment or discharge in whole or in part.

##### 18.3 REINSTATEMENT

If any payment by an Obligor or any discharge given by the Lender (whether in respect of the obligations of any Obligor or any security for those obligations or otherwise) is avoided or reduced as a result of insolvency or any similar event:

- (a) the liability of each Obligor shall continue as if the payment, discharge, avoidance or reduction had not occurred; and
- (b) the Lender shall be entitled to recover the value or amount of that security or payment from each Obligor, as if the payment, discharge, avoidance or reduction had not occurred.

##### 18.4 WAIVER OF DEFENCES

The obligations of the Guarantor under this Clause 18 will not be affected by an act, omission, matter or thing which, but for this Clause, would reduce, release or prejudice any of its

obligations under this Clause 18 (without limitation and whether or not known to it or the Lender) including:

- (a) any time, waiver or consent granted to, or composition with, any Obligor or other person;
- (b) the release of the Guarantor or any other person under the terms of any composition or arrangement with any creditor of any member of the Group;
- (c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Obligor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
- (d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of an Obligor or any other person;
- (e) any amendment (however fundamental) or replacement of a Finance Document or any other document or security;
- (f) any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document or any other document or security; or
- (g) any insolvency or similar proceedings.

#### 18.5 IMMEDIATE RECOURSE

The Guarantor waives any right it may have of first requiring the Lender (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from the Guarantor under this Clause 18. This waiver applies irrespective of any law or any provision of a Finance Document to the contrary.

#### 18.6 APPROPRIATIONS

Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full, the Lender (or any trustee or agent on its behalf) may:

- (a) refrain from applying or enforcing any other moneys, security or rights held or received by the Lender (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and the Guarantor shall not be entitled to the benefit of the same; and
- (b) hold in an interest-bearing suspense account any moneys received from the Guarantor or on account of the Guarantor's liability under this Clause 18.

#### 18.7 DEFERRAL OF GUARANTOR'S RIGHTS

Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full and unless the Lender otherwise directs, the Guarantor will not exercise any rights which it may have by reason of performance by it of its obligations under the Finance Documents:

- (a) to be indemnified by a Borrower;

- (b) to claim any contribution from any other guarantor of the Borrowers' obligations under the Finance Documents; and/or
- (c) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Lender under the Finance Documents or of any other guarantee or security taken pursuant to, or in connection with, the Finance Documents by the Lender.

#### 18.8 ADDITIONAL SECURITY

This guarantee is in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by the Lender.

#### 19. REPRESENTATIONS

Each Obligor makes the representations and warranties set out in this Clause 19 to the Lender on the date of this Agreement.

#### 19.1 STATUS

- (a) It is a company or corporation, duly organised, validly existing and in good standing under the law of its jurisdiction of incorporation.
- (b) It and each of its Subsidiaries has the power to own its assets and carry on its business as it is being conducted.

#### 19.2 BINDING OBLIGATIONS

The obligations expressed to be assumed by it in each Finance Document are, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganisation, moratorium or similar laws of general applicability affecting the enforcement of creditors' rights and (b) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law), legal, valid, binding and enforceable obligations.

#### 19.3 NON-CONFLICT WITH OTHER OBLIGATIONS

The entry into and performance by it of, and the transactions contemplated by, the Finance Documents do not and will not conflict with:

- (a) any law or regulation applicable to it;
- (b) the constitutional documents of any member of the Group; or
- (c) any agreement or instrument binding upon it or any member of the Group or any of its or any member of the Group's assets.

#### 19.4 POWER AND AUTHORITY

It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Finance Documents to which it is a party and the transactions contemplated by those Finance Documents.

#### 19.5 VALIDITY AND ADMISSIBILITY IN EVIDENCE

All Authorisations required or desirable:

- (a) to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents to which it is a party; and
- (b) to make the Finance Documents to which it is a party admissible in evidence in its jurisdiction of incorporation,

have been obtained or effected and are in full force and effect.

#### 19.6 DUTCH PROVISIONS

Harsco Finance B.V. meets the criteria set out in the Regulation of the Dutch Minister of Finance of 4 February 1993 (Stcrt. 1993, 29) and will not therefore qualify as a credit institution (kredietinstelling) within the meaning of the Dutch 1992 Act on the Supervision of the Credit System (Wet toezicht kredietwezen 1992).

#### 19.7 DEDUCTION OF TAX

It is not required under the law of its jurisdiction of incorporation or organisation (as the case may be) (or, in the case of the US Obligor, under the law of the USA or any state thereof) to make any deduction for or on account of Tax from any payment it may make under any Finance Document.

#### 19.8 TAXES

- (a) As of the date of this Agreement, the Guarantor and its Domestic Subsidiaries are members of an affiliated group of corporations filing consolidated returns for Federal income tax purposes, of which the Guarantor is the "common parent" (within the meaning of Section 1504 of the Code) of such group. The Guarantor and its Subsidiaries have filed all Federal income tax returns and all other material tax returns that are required to be filed by them and have paid all Taxes due pursuant to such returns or pursuant to any assessment received by the Guarantor or any of its Subsidiaries. The charges, accruals and reserves on the books of the Guarantor and its Subsidiaries in respect of Taxes and other governmental charges are, in the opinion of the Guarantor, adequate. The Guarantor has not been given or been requested to give a waiver of the statute of limitations relating to the payment of Federal, state, local and foreign Taxes or other impositions.
- (b) Under the law of its jurisdiction of incorporation or organisation (as the case may be) (or, in the case of the US Obligor, under the law of the USA or any state thereof) it is not necessary that the Finance Documents be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration or similar tax be paid on or in relation to the Finance Documents or the transactions contemplated by the Finance Documents.

#### 19.9 NO DEFAULT

- (a) No Event of Default is continuing or might reasonably be expected to result from the making of any Utilisation.
- (b) No other event or circumstance is outstanding which constitutes a default under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which its (or its Subsidiaries') assets are subject which might have a Material Adverse Effect.

#### 19.10 TRUE AND COMPLETE DISCLOSURE

- (a) The information, reports, financial statements, exhibits and schedules furnished in writing by or on behalf of the Guarantor to the Lender in connection with the negotiation, preparation or delivery of the Finance Documents or included therein or delivered pursuant thereto, when taken as a whole, do not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements herein or therein, in light of the circumstances under which they were made, not misleading.



- (b) All written information furnished after the date of this Agreement by the Guarantor and its Subsidiaries to the Lender in connection with the Finance Documents and the transactions contemplated hereby will be true, complete and accurate in every material respect, or (in the case of projections) based on reasonable estimates, on the date as of which such information is stated or certified. There is no fact known to the Guarantor that could have a Material Adverse Effect that has not been disclosed herein or in a report, financial statement, exhibit, schedule, disclosure letter or other writing furnished to the Lender for use in connection with the transactions contemplated hereby.

#### 19.11 FINANCIAL STATEMENTS

- (a) Its Original Financial Statements were prepared in accordance with GAAP consistently applied.
- (b) Its Original Financial Statements fairly represent, in all material respects, its financial condition (consolidated in the case of the Guarantor) as at such dates and the results of its operations for the fiscal year and three-month period ended on such dates (subject, in the case of the financial statements as at 30 September 2000 to normal year-end audit adjustments) unless expressly disclosed to the contrary in those financial statements or in writing by the Guarantor to the Lender before the date of this Agreement.
- (c) There has been no material adverse change in its business or financial condition (or the business or consolidated financial condition of the Group, in the case of the Guarantor) since 31 December 1999.

#### 19.12 PARI PASSU RANKING

Its payment obligations under the Finance Documents rank at least pari passu with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

#### 19.13 NO PROCEEDINGS PENDING OR THREATENED

Except as disclosed in note 10 of the audited annual consolidated financial statements of the Guarantor included in the Guarantor's Form 10-K dated 16 March 2000 and in the notes to the unaudited quarterly consolidated financial statements of the Guarantor included in the Guarantor's Form 10-Q dated 14 November 2000 and filed with the Securities and Exchange Commission, there are no legal or arbitral proceedings, or any proceedings by or before any Governmental Authority, now pending or (to the knowledge of the Guarantor) threatened against it or any of its Subsidiaries that, if adversely determined, could (either individually or in the aggregate) have a Material Adverse Effect.

#### 19.14 ENVIRONMENTAL LAWS AND LICENCES

- (a) Except as disclosed in the notes to the unaudited quarterly consolidated financial statements of the Guarantor included in the Guarantor's Form 10-Q dated 14 November 2000 and filed with the Securities and Exchange Commission, it and each of its Subsidiaries has:
- (i) complied with all Environmental Laws to which it is subject;
  - (ii) obtained all Environmental Licences required in connection with its business; and
  - (iii) complied with the terms of those Environmental Licences,
- in each case where failure to do so might have a Material Adverse Effect.

- (b) Since the date of this Agreement, there has been no change in the status of the matters disclosed in the notes to the unaudited quarterly consolidated financial statements of the Guarantor included in the Guarantor's Form 10-Q dated 14 November 2000 and filed with the Securities and Exchange Commission that, individually or in the aggregate, has resulted in, or materially increased the likelihood of, a Material Adverse Effect.

#### 19.15 ENVIRONMENTAL RELEASES

Except as disclosed in the notes to the audited annual and unaudited quarterly consolidated financial statements of the Guarantor included in the Guarantor's Form 10-K dated 16 March 2000 and 10-Q dated 14 November 2000 and filed with the Securities and Exchange Commission, no:

- (a) property currently or previously owned, leased, occupied or controlled by it or any of its Subsidiaries (including any offsite waste management or disposal location utilised by it or any of its Subsidiaries) is contaminated with any Hazardous Substance; and
- (b) discharge, release, leaching, migration or escape of any Hazardous Substance into the Environment has occurred or is occurring on, under or from that property,

in each case in circumstances where this might have a Material Adverse Effect.

#### 19.16 PLANS

- (a) Each Plan, and, to the knowledge of the US Obligor, each Multiemployer Plan, is in compliance in all material respects with, and has been administered in all material respects in compliance with, the applicable provisions of ERISA, the Code and any other Federal or state law of the United States, and no event or condition has occurred and is continuing as to which the US Obligor would be under an obligation to furnish a report to the Lender under Clause 20.5 (Information: ERISA).
- (b) Except as do not have and could not be reasonably expected to have a Material Adverse Effect, the US Obligor has not and no ERISA Affiliate has incurred any liability to or could be reasonably expected to incur any liability to, or on account of, a Multiemployer Plan as a result of violation of Section 515 of ERISA or otherwise pursuant to Section 4201, 4204 or 4212(c) of ERISA.
- (c) There are no actions, suits or claims pending against or with respect to any Plan or Multiemployer Plan (other than routine claims for benefits) or, to its knowledge or the knowledge of any ERISA Affiliate (in each case after due inquiry), threatened against or with respect to any Plan or Multiemployer Plan which has or could reasonably be expected to have a Material Adverse Effect.
- (d) Except as could not reasonably be expected to have a Material Adverse Effect, the US Obligor has not and no ERISA Affiliate has ceased operations at a facility so as to become subject to the provisions of Section 4063 of ERISA, withdrawn as a substantial employer so as to become subject to the provisions of Section 4062 of ERISA or ceased making contributions to any Plan subject to Section 4064(a) of ERISA to which it made contributions.

#### 19.17 U.S. FEDERAL RESERVE REGULATION

- (a) The proceeds of the Loan will not be used, directly or indirectly, in whole or in part, for any purpose which might (whether immediately, incidentally or ultimately) cause the

Loan (or any part thereof) to be a "purpose credit" within the meaning of Regulation T, Regulation U or Regulation X. Following the application of the proceeds of the Loan, not more than 25 per cent. of the value of the assets of the Group (on a consolidated basis) will be Margin Stock.

- (b) Neither any Obligor nor any agent acting on its behalf has taken or will take any action which could cause any of the Finance Documents or any of the documents or instruments delivered pursuant thereto to violate any regulation of the Board (including Regulations T, U and X) or to violate the US Securities Exchange Act of 1934 or any applicable US federal or state securities laws.

#### 19.18 INVESTMENT COMPANY ACT AND PUBLIC UTILITY HOLDING COMPANY ACT

- (a) The US Obligor has not and none of its Subsidiaries is subject to regulation under the US Public Utility Holding Company Act of 1935, the US Federal Power Act or the US Investment Company Act of 1940 or to any US federal or state statute or regulation limiting its ability to incur Indebtedness.
- (b) It is not an "investment company", or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company", as such terms are defined in the US Investment Company Act of 1940.
- (c) None of the transactions contemplated by the Finance Documents does or will violate any of such Acts, any applicable US federal or state laws and regulations.

#### 19.19 LIENS AND EXISTING INDEBTEDNESS

- (a) Schedule 4 (Existing Liens) is a complete and correct list, as of the date of this Agreement, of each Lien securing Indebtedness of any person, the aggregate principal or face amount of which equals or exceeds (or may equal or exceed) \$5,000,000 (or its equivalent) and covering any property of the Guarantor or any of its Subsidiaries, and the aggregate Indebtedness secured (or that may be secured) by each such Lien and the property covered by each such Lien is correctly described in Schedule 4 (Existing Liens); and
- (b) Schedule 5 (Existing Indebtedness) is a complete and correct list, as of the date of this Agreement, of each credit agreement, loan agreement, indenture, guarantee, letter of credit or other arrangement providing for or otherwise relating to any Indebtedness or any extension of credit (or commitment for any extension of credit) to, or guarantee by, the Guarantor or any of its Subsidiaries, the aggregate principal or face amount of which equals or exceeds (or may equal or exceed) \$5,000,000 (or its equivalent), and the aggregate principal or face amount outstanding or that may become outstanding under each such arrangement is correctly described in Schedule 5 (Existing Indebtedness).

#### 19.20 REPETITION

The Repeating Representations are deemed to be made by each Obligor by reference to the facts and circumstances then existing on the date of each Utilisation Request and the date of the Term-Out Notice, on each date on which a Loan is made and the first day of each Interest Period.

## 20. INFORMATION UNDERTAKINGS

The undertakings in this Clause 20 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

## 20.1 FINANCIAL STATEMENTS

The Guarantor shall supply to the Lender:

- (a) as soon as the same become available, but in any event within 90 days after the end of each of its fiscal years:
  - (i) its consolidated balance sheets and related statements of income, changes in stockholders' equity and cash flows, showing the financial condition of the Guarantor and its Subsidiaries as of the close of such fiscal year and the results of its operations and the operations of its Subsidiaries during such year, all audited by the Guarantor's Auditors and accompanied by an opinion of such auditors (which shall not be qualified in any material respect) to the effect that such consolidated financial statements fairly present the financial condition and results of operations of the Guarantor on a consolidated basis in accordance with GAAP consistently applied; and
  - (ii) the unaudited financial statements of each Borrower for that fiscal year; and
- (b) as soon as the same become available, but in any event within 45 days after the end of each of the first three fiscal quarters of each of its fiscal years, its consolidated balance sheets and related statements of income, changes in stockholders' equity and cash flows, showing the financial condition of the Guarantor and its Subsidiaries as of the close of such fiscal quarter and the results of its operations and the operations of its Subsidiaries during such fiscal quarter and the then elapsed portion of such fiscal year, all certified by one of its Financial Officers as fairly presenting the financial condition and results of operations of the Guarantor on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments.

## 20.2 COMPLIANCE CERTIFICATE

- (a) The Guarantor shall supply to the Lender, with each set of financial statements delivered pursuant to paragraph (a)(i) or (b) of Clause 20.1 (Financial statements), a Compliance Certificate setting out (in reasonable detail) computations as to compliance with Clause 21 (Financial covenants) as at the date as at which those financial statements were drawn up.
- (b) Each Compliance Certificate shall be signed by a Financial Officer of the Guarantor or, if required to be delivered with the financial statements delivered pursuant to paragraph (a) of Clause 20.1 (Financial statements), by the Guarantor's Auditors (which certificate, when furnished by the Guarantor's Auditors, may be limited to accounting matters and disclaim responsibility for legal interpretations).

## 20.3 REQUIREMENTS AS TO FINANCIAL STATEMENTS

Each set of financial statements delivered by the Guarantor pursuant to Clause 20.1 (Financial statements) shall be certified by a Financial Officer of the relevant company as fairly representing its (or, as the case may be, its consolidated) financial condition and operations as at the end of and for the period in relation to which those financial statements were drawn up.

20.4

## INFORMATION: MISCELLANEOUS

The Guarantor shall supply to the Lender:

- (a) promptly after the same becoming publicly available, copies of all periodic and other reports, proxy statements and other materials filed by it with the Securities and Exchange Commission, or any Governmental Authority succeeding to any of or all the functions of such Commission, or with any national securities exchange, or distributed to its shareholders or creditors generally, as the case may be;
- (b) promptly upon becoming aware of such, the filing or commencement of, or any threat or notice of intention of any person to file or commence, any action, suit or proceeding, whether at law or in equity or by or before any Governmental Authority, against the Guarantor or any Affiliate thereof which, if adversely determined, could have a Material Adverse Effect; and
- (c) promptly, from time to time, such other information regarding the operations, business affairs and financial condition of the Guarantor or any Subsidiary, or compliance with the terms of any Finance Document, as the Lender may reasonably request.

20.5

## INFORMATION: ERISA

The Guarantor shall supply to the Lender:

- (a) as soon as possible, and in any event within 30 days after the US Obligor or any ERISA Affiliate either knows or has reason to know that any Reportable Event has occurred that alone or together with any other Reportable Event could reasonably be expected to result in liability of the US Obligor to the PGBC in an aggregate amount exceeding \$5,000,000, a statement of a Financial Officer setting forth details as to such Reportable Event and the action proposed to be taken with respect thereto, together with a copy of the notice, if any, of such Reportable Event given to or received from the PGBC;
- (b) promptly after receipt thereof, a copy of any notice the US Obligor or any ERISA Affiliate may receive from the PGBC relating to the intention of the PGBC to terminate any Plan or Multiemployer Plan (other than a Plan maintained by an ERISA Affiliate which is considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Section 414 of the Code) or to appoint a trustee to administer any Plan or Multiemployer Plan; and
- (c) within 10 days after the due date for filing with the PGBC pursuant to Section 412(n) of the Code of a notice of failure to make a required instalment or other payment with respect to a Plan, a statement of a Financial Officer setting forth details as to such failure and the action proposed to be taken with respect thereto, together with a copy of such notice given to the PGBC.

20.6

## NOTIFICATION OF DEFAULT

- (a) Each Obligor shall notify the Lender of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence (unless that Obligor is aware that a notification has already been provided by another Obligor).
- (b) Promptly upon a request by the Lender, the Guarantor shall supply to the Lender a certificate signed by one of its Financial Officers or directors on its behalf certifying that no Default is continuing (or if a Default is continuing, specifying the Default and the steps, if any, being taken to remedy it).

## 21. FINANCIAL COVENANTS

## 21.1 FINANCIAL CONDITION

The Guarantor shall ensure that:

- (a) Net Worth will not at any time be less than \$475,000,000; and
- (b) the ratio of Total Debt to Total Capital will not at any time be greater than 0.60 to 1.00.

## 21.2 FINANCIAL COVENANT CALCULATIONS

- (a) Net Worth, Total Capital and Total Debt shall be calculated and interpreted on a consolidated basis in accordance with GAAP and shall be expressed in Dollars.

## 21.3 DEFINITIONS

In this Agreement:

"NET WORTH" means, as at any date, the sum for the Group (determined on a consolidated basis without duplication in accordance with GAAP) of the following:

- (a) the amount of common stock; plus
- (b) the amount of any preferred stock that does not have any requirement for the Guarantor to purchase, redeem, retire or otherwise acquire the same; plus
- (c) the amount of additional paid-in capital and retained earnings (or, in the case of an additional paid-in capital or retained earnings deficit, minus the amount of such deficit); plus
- (d) cumulative translation adjustments (or, in the case of negative adjustments, minus the amount of such adjustments); plus
- (e) cumulative pension liability adjustments (or, in the case of negative adjustments, minus the amount of such adjustments); minus
- (f) the cost of treasury stock.

"TOTAL CAPITAL" means, at any time, Net Worth plus Total Debt.

"TOTAL DEBT" means, at any time, the aggregate outstanding principal amount of all Indebtedness of the Group at such time (other than Indebtedness described in paragraphs (i) or (j) of the definition of the term "Indebtedness") determined on a consolidated basis (without duplication) in accordance with GAAP provided that the term "Total Debt" shall include any preferred stock that provides for the mandatory purchase, retirement, redemption or other acquisition of the same by the Guarantor or any Subsidiary (other than preferred stock held by the Guarantor or any Subsidiary).

## 22. GENERAL UNDERTAKINGS

The undertakings in this Clause 22 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

## 22.1 AUTHORISATIONS

Each Obligor shall promptly:

- (a) obtain, comply with and do all that is necessary to maintain in full force and effect; and
- (b) supply certified copies to the Lender of,

any Authorisation required under any law or regulation of its jurisdiction of incorporation or organisation (as the case may be) to enable it to perform its obligations under the Finance Documents and to ensure the legality, validity, enforceability or admissibility in evidence in its jurisdiction of incorporation of any Finance Document.

## 22.2 EXISTENCE AND COMPLIANCE WITH LAWS

- (a) Each Obligor shall (and the Guarantor shall ensure that each other member of the Group will) preserve and maintain its corporate existence, rights (charter and statute) and material franchises, except as otherwise permitted by Clause 22.5 (Merger), provided, however, that the Guarantor shall not be required to preserve any such right or franchise if (i) the Guarantor shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Guarantor and (ii) the loss of any such right or franchise is not disadvantageous in any material respect to the Lender.
- (b) Each Obligor shall comply in all respects with all laws to which it may be subject, if failure so to comply would materially impair its ability to perform its obligations under the Finance Documents.

## 22.3 NEGATIVE PLEDGE

- (a) No Obligor shall (and the Guarantor shall ensure that no other member of the Group will) create incur, assume or suffer to exist any Lien upon any of its property, whether now owned or hereafter acquired, except:
- (i) Liens in existence on the date of this Agreement which are listed in Schedule 4 (Existing Liens);
  - (ii) Liens imposed by any Governmental Authority for Taxes, assessments or charges not yet due or that are being contested in good faith and by appropriate proceedings if adequate reserves with respect thereto are maintained on the books of the Guarantor or the affected Subsidiaries, as the case may be, in accordance with GAAP;
  - (iii) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business that are not overdue for a period of more than 30 days or that are being contested in good faith and by appropriate proceedings and Liens securing judgements but only to the extent for an amount and for a period not resulting in an Event of Default under Clause 23.6(c) (Insolvency and Insolvency Proceedings);
  - (iv) pledges or deposits under worker's compensation, unemployment insurance and other social security legislation;
  - (v) deposits to secure the performance of bids, trade contracts (other than for Indebtedness), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;
  - (vi) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business and encumbrances consisting of zoning restrictions, easements, licenses, restrictions on the use of property or minor imperfections in title thereto that, in the aggregate, are not material in amount, and that do not in any case materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the business of the Guarantor or any of its Subsidiaries;

- (vii) Liens on property of any corporation that becomes a Subsidiary of the Guarantor after the date of this Agreement, provided that such Liens are in existence at the time such corporation becomes a Subsidiary of the Guarantor and were not created in anticipation thereof;
- (viii) Liens upon real and/or tangible personal property acquired after the date of this Agreement (by purchase, construction or otherwise) by the Guarantor or any of its Subsidiaries, each of which Liens either (A) existed on such property before the time of its acquisition and was not created in anticipation thereof or (B) was created solely for the purpose of securing Indebtedness representing, or incurred to finance, refinance or refund, the cost (including the cost of construction) of such property, provided that no such Lien shall extend to or cover any property of the Guarantor or such Subsidiary other than the property so acquired and improvements thereon;
- (ix) additional Liens upon real and/or personal property created after the date of this Agreement, provided that the aggregate Indebtedness secured thereby and incurred on and after the date hereof shall not exceed \$25,000,000 (or its equivalent as reasonably determined by the Lender) in the aggregate at any one time outstanding; and
- (x) any extension, renewal or replacement of the foregoing, provided that the Liens permitted hereunder shall not be spread to cover any additional Indebtedness or property (other than a substitution of like property).

#### 22.4 SALE AND LEASE-BACK TRANSACTIONS

No Obligor shall (and the Guarantor shall ensure that no other member of the Group will) enter into any arrangement, directly or indirectly, with any person whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property which it intends to use for substantially the same purpose or purposes as the property being sold or transferred (such an arrangement being a "SALE AND LEASE-BACK TRANSACTION"), other than:

- (i) Sale and Lease-Back Transactions capitalised on the books of the Guarantor in an aggregate capitalised amount not in excess of \$25,000,000 entered into in connection with the financing of an aircraft to be used in connection with the Guarantor's business; and
- (ii) Sale and Lease-Back Transactions capitalised on the books of the Guarantor (other than a Sale and Lease-Back Transaction permitted by Clause 22.4(i)) if the capitalised amount of all such Sale and Lease-Back Transactions shall not exceed \$20,000,000 in aggregate amount at any time outstanding.

#### 22.5 MERGER

(a) No Obligor shall consolidate or merge with or into any other person or sell, convey, transfer or lease its properties and assets substantially as an entirety to any person, unless;

- (i) the company or corporation formed by such consolidation or merger or the person which acquires by sale, conveyance or transfer, or which leases, the properties and assets of such Obligor substantially as an entirety shall be a company or corporation organised and existing under the laws of a jurisdiction acceptable to the Lender and shall expressly assume, by an agreement



supplemental hereto, executed and delivered in favour of the Lender, in form satisfactory to the Lender, the due and punctual payment of the principal of and interest on the Loans and all other obligations of such Obligor under the Finance Documents and the performance or observance of every covenant of this Agreement on the part of such Obligor to be performed or observed;

- (ii) immediately after giving effect to such transaction, no Default shall have occurred and be continuing; and
- (iii) the Guarantor shall have delivered to the Lender an officers' certificate and an opinion or, as may be required by the Lender, opinions of counsel, each stating that such consolidation, merger, sale, conveyance, transfer or lease and such supplemental agreement comply with this Clause 22.5(a) and that all conditions precedent in this Agreement provided for relating to such transaction and any other documents which the Lender requests to be delivered at such time have been complied with.

- (b) Upon any consolidation by any Obligor with or merger by any Obligor into any other corporation or any sale, conveyance, transfer or lease of the properties and assets of any Obligor substantially as an entirety in accordance with Clause 22.5(a), the successor corporation formed by such consolidation or into which such Obligor is merged or to which such sale, conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the applicable Obligor under the Finance Documents with the same effect as if such successor corporation had been named as an Obligor herein, and thereafter, the predecessor corporation shall be relieved of all obligations and covenants under the Finance Documents.

- (c) This Clause 22.5 is without prejudice to the provisions of Clause 23.14 (Change of Control).

#### 22.6 LINES OF BUSINESS; FISCAL YEAR

The Guarantor shall not (and the Guarantor shall ensure that no other member of the Group will) engage or invest in operations engaging to any substantial extent in any line or lines of business activity other than the business of manufacturing, providing, distributing and selling such diverse goods and industrial services, principally for industrial, commercial, construction and defence applications, the same or similar to those goods and services as are manufactured, provided, distributed and sold by the Guarantor on the date of this Agreement. In the case of the Guarantor, the Guarantor shall not change its fiscal year end from that in effect at 31 December 1999.

#### 22.7 TRANSACTIONS WITH AFFILIATES

The Guarantor shall not (and the Guarantor shall ensure that no other member of the Group will) sell or transfer any property or assets to, or purchase or acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except that as long as no Default shall have occurred and be continuing, the Guarantor or any Subsidiary may engage in any of the foregoing transactions in the ordinary course of business at prices and on terms and conditions not less favourable to the Guarantor or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties.

22.8

## PROPERTIES AND INSURANCE

- (a) Each Obligor shall (and the Guarantor shall ensure that each other member of the Group will) maintain and preserve all of its properties which are used in the conduct of its business in good working order and condition, ordinary wear and tear excepted, to the extent that any failure to do so would result in a Material Adverse Effect and except for dispositions thereof permitted by Clause 22.4 (Sale and Lease-Back Transactions).
- (b) Each Obligor shall (and the Guarantor shall ensure that each other member of the Group will) maintain insurance with financially sound and reputable insurance companies (which insurance companies shall, in any event, have an A.M. Best rating of "B+" or better), and with respect to property and risks of a character usually maintained by corporations engaged in the same or similar business similarly situated, against loss, damage and liability of the kinds and in the amounts customarily maintained by such corporations.

22.9

## ENVIRONMENTAL UNDERTAKINGS

Each Obligor shall (and the Guarantor shall ensure that each other member of the Group will):

- (a) comply with all Environmental Laws to which it is subject;
- (b) obtain all Environmental Licences required in connection with its business;
- (c) comply with the terms of all those Environmental Licences; and
- (d) promptly notify the Lender of any claim, notice or other communication received by it in respect of any actual or alleged breach of or liability under Environmental Law,

in each case where failure to do so might have a Material Adverse Effect.

22.10

## US MATTERS

Each Obligor shall:

- (a) comply in all material respects with the applicable provisions of ERISA and the Code;
- (b) ensure that neither it nor any of its ERISA Affiliates shall engage in a complete or partial withdrawal, within the meaning of Sections 4203 and 4205 of ERISA, from any Multiemployer Plan without the prior written consent of the Lender unless such withdrawal could not reasonably be expected to have a Material Adverse Effect; and
- (c) use the proceeds of, or made available by virtue of, the Facilities without violating any of Regulations U, T and X or any applicable US federal or state laws and regulations.

22.11

## GUARANTOR'S AUDITORS

The Company will retain a firm of recognised international standing as auditors to the Group as it shall notify to the Lender from time to time.

23.

## EVENTS OF DEFAULT

Each of the events or circumstances set out in Clause 23 is an Event of Default.

23.1

## NON-PAYMENT

(a)

There is a default made in the payment of any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise; or

- (b) there is a default made in the payment of any interest on any Loan or any fee or any other amount (other than an amount referred to in Clause 23.1(a)) due under any Finance Document, when and as the same shall become due and payable, and such default shall continue unremedied for a period of five days.
- 23.2 FINANCIAL COVENANTS  
Any requirement of Clause 21 (Financial covenants) is not satisfied.
- 23.3 OTHER OBLIGATIONS
- (a) There is a default made in the due observance or performance by any Obligor or any Subsidiary of any covenant, condition or agreement contained in Clause 20.4(b) (Information: miscellaneous), 20.6 (Notification of Default), 22.2(a) (Existence and Compliance with laws), 22.3 (Negative Pledge), 22.4 (Sale and Lease-Back Transactions), 22.5 (Merger), 22.6 (Lines of business; Fiscal Year) or 22.7 (Transactions with Affiliates); or
- (b) there is a default made in the due observance or performance by any Obligor or any Subsidiary of any covenant, condition or agreement contained in any Finance Document (other than those specified in Clauses 23.1 (Non-payment), 23.2 (Financial covenants), or 23.3(a) (Other obligations)) and such default shall continue unremedied for a period of 30 days after notice thereof from the Lender to the Guarantor.
- 23.4 MISREPRESENTATION  
Any representation or warranty made or deemed made in or in connection with any Finance Document or the borrowings hereunder, or any representation, warranty, statement or information contained in any report, certificate, financial statement or other instrument furnished in connection with or pursuant to any Finance Document, shall prove to have been false or misleading in any material respect when so made, deemed made or furnished.
- 23.5 CROSS DEFAULT
- (a) The Guarantor or any Subsidiary shall (A) fail to pay any principal or interest, regardless of amount, due in respect of any Indebtedness in a principal amount in excess of (I) \$20,000,000 (or its equivalent in any other currency or currencies), in the case of any single obligation, or (II) \$20,000,000 (or its equivalent in any other currency or currencies), in the case of all obligations in the aggregate, in each case, when and as the same shall become due and payable; or (B) fail to observe or perform any other term, covenant, condition or agreement contained in any agreement or instrument evidencing or governing any Indebtedness in an aggregate principal amount in excess of \$20,000,000 (or its equivalent in any other currency or currencies) and such failure shall continue beyond any applicable grace period; or
- (b) Indebtedness of the Guarantor and its Subsidiaries, or any of them, in a principal amount in excess of (A) \$20,000,000 (or its equivalent in any other currency or currencies), in the case of any single obligation, or (B) \$20,000,000 (or its equivalent in any other currency or currencies), in the case of all obligations in the aggregate, shall be declared due and payable or required to be prepaid prior to its stated maturity.
- 23.6 INSOLVENCY AND INSOLVENCY PROCEEDINGS
- (a) An involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of any Obligor or any Subsidiary, or of a substantial part of the property or assets of any Obligor or a Subsidiary, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal or state

bankruptcy, insolvency, receivership or similar law (or similar statute or law in any other jurisdiction), (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for any Obligor or any Subsidiary or for a substantial part of the property or assets of any Obligor or a Subsidiary or (iii) the winding-up or liquidation of any Obligor or any Subsidiary; and such proceeding or petition shall continue undismissed for 30 days or an order or decree approving or ordering any of the foregoing shall be entered;

- (b) any Obligor or any Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal or state bankruptcy, insolvency, receivership or similar law (or similar statute or law in any other jurisdiction), (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in Clause 23.6(a), (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official of any Obligor or any Subsidiary or of a substantial part of the property or assets of any Obligor or any Subsidiary, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing; or
- (c) one or more judgments for the payment of money in an aggregate amount in excess of \$10,000,000 (or its equivalent in any other currency or currencies) (exclusive of amounts fully covered by insurance where the insurer has admitted liability in respect of such judgment) or in excess of \$20,000,000 (or its equivalent in any other currency or currencies) (regardless of insurance coverage) shall be rendered against any Obligor, any Subsidiary or any combination thereof and the same shall remain undischarged for a period of 60 consecutive days during which 60 days execution shall not be effectively stayed, or otherwise being appropriately contested in good faith, or any action shall be legally taken by a judgment creditor to levy upon assets or properties of any Obligor or any Subsidiary to enforce any such judgment.

23.7 RELEVANT AGREEMENT  
An "Event of Default" shall have occurred as defined under the Relevant Agreement.

23.8 CREDITORS' PROCESS  
Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of a member of the Group which the Lender determines could have a Material Adverse Effect and is not discharged within 5 Business Days.

23.9 OWNERSHIP OF THE BORROWERS  
A Borrower is not or ceases to be a Subsidiary of the Guarantor.

23.10 UNLAWFULNESS  
It is or becomes unlawful for an Obligor to perform any of its material obligations under the Finance Documents.

23.11 REPUDIATION  
An Obligor repudiates a Finance Document or evidences in writing an intention to repudiate a Finance Document.

23.12 INVALIDITY OF GUARANTEE  
The obligations of the Guarantor under this Agreement become ineffective, invalid, unenforceable or unlawful for any reason.

23.13 ERISA MATTERS  
A Reportable Event or Reportable Events, or a failure to make a required instalment or other payment (within the meaning of Section 412(n)(1) of the Code), shall have occurred with respect to any Plan or Multiemployer Plan that reasonably could be expected to result in liability of any Obligor to the PBGC or to a Plan or Multiemployer Plan in an aggregate amount exceeding \$5,000,000 and, within 30 days after the reporting of any such Reportable Event to the Lender or after the receipt by the Lender of the statement required pursuant to Clause 20.5 (Information: ERISA), the Lender shall have notified such Obligor in writing that (a) it has made a determination that, on the basis of such Reportable Event or Reportable Events or the failure to make a required payment, there are reasonable grounds (i) for the termination of such Plans or Multiemployer Plans by the PBGC, (ii) for the appointment by the appropriate United States District Court of a trustee to administer such Plans or Multiemployer Plan(s) or (iii) for the imposition of a Lien in favour of a Plan or Multiemployer Plan and (b) as a result thereof an Event of Default exists or a trustee shall be appointed by a United States District Court to administer any such Plan or Multiemployer Plan or the PBGC shall institute proceedings to terminate any Plan or Multiemployer Plan.

23.14 CHANGE OF CONTROL  
There shall have been a Change of Control.

23.15 ACCELERATION  
On and at any time after the occurrence of an Event of Default the Lender may, by notice to the Guarantor:

- (a) cancel the Commitment whereupon it shall immediately be cancelled;
- (b) declare that all or part of the Loans, together with accrued interest, and all other amounts accrued under the Finance Documents be immediately due and payable, whereupon they shall become immediately due and payable; and/or
- (c) declare that all or part of the Loans be payable on demand, whereupon they shall immediately become payable on demand by the Lender.

Notwithstanding the foregoing, if an Event of Default specified in Clauses 23.6 (Insolvency and Insolvency proceedings) or 23.8 (Creditors' process) occurs with respect to the US Obligor, then notwithstanding anything to the contrary in Clause 18 (Guarantee and indemnity), each amount expressed by that Clause 18 (Guarantee and indemnity) to be payable by the US Obligor upon demand shall be immediately due and payable by the Guarantor without need for any demand or other claim on the US Obligor and notwithstanding that the obligations of the Borrowers payable by the US Obligor under Clause 18 (Guarantee and indemnity) are not then due and payable.

24. CHANGES TO THE LENDER

24.1 ASSIGNMENTS AND TRANSFERS BY THE LENDER  
Subject to this Clause 24, the Lender (the "EXISTING LENDER") may:

- (a) assign any of its rights; or

(b) transfer by novation any of its rights and obligations, to another bank or financial institution (the "NEW LENDER").

#### 24.2 CONDITIONS OF ASSIGNMENT OR TRANSFER

- (a) The consent of the Guarantor is required for an assignment or transfer by the Lender, unless the assignment or transfer is to an Affiliate of the Lender or an Event of Default is continuing.
- (b) The consent of the Guarantor to an assignment or transfer must not be unreasonably withheld or delayed. The Guarantor will be deemed to have given its consent five Business Days after the Lender has requested it unless consent is expressly refused by the Guarantor within that time.
- (c) The consent of the Guarantor to an assignment or transfer must not be withheld solely because the assignment or transfer may result in an increase to the Mandatory Cost.
- (d) If:
- (i) the Lender assigns or transfers any of its rights or obligations under the Finance Documents or changes its Facility Office; and
  - (ii) as a result of circumstances existing at the date the assignment, transfer or change occurs, an Obligor would be obliged to make a payment to the New Lender or the Lender acting through its new Facility Office under Clause 13 (Tax gross-up and indemnities) or Clause 14 (Increased costs),

then the New Lender or the Lender acting through its new Facility Office is only entitled to receive payment under those Clauses to the same extent as the Existing Lender or the Lender acting through its previous Facility Office would have been if the assignment, transfer or change had not occurred.

#### 24.3 DISCLOSURE OF INFORMATION

- (a) The Lender may disclose to any person:
- (i) to (or through) whom the Lender assigns or transfers (or may potentially assign or transfer) all or any of its rights and obligations under this Agreement;
  - (ii) with (or through) whom the Lender enters into (or may potentially enter into) any sub-participation in relation to, or any other transaction under which payments are to be made by reference to, this Agreement or any Obligor; or
  - (iii) to whom, and to the extent that, information is required to be disclosed by any applicable law or regulation,
- any information about any Obligor, the Group and the Finance Documents as the Lender shall consider appropriate if, in relation to paragraphs (i) and (ii) above, the person to whom the information is to be given has entered into a confidentiality undertaking substantially in a recommended form of the Loan Market Association or in any other form agreed between the Guarantor and the Lender.
- (b) The Lender may disclose to any of its Affiliates such information relating to the Group or any Obligor as it reasonably considers necessary in relation to the running of the Facility and the obligations of the Obligors under it.

## 25. CHANGES TO THE OBLIGORS

No Obligor may assign any of its rights or transfer any of its rights or obligations under the Finance Documents.

## 26. CONDUCT OF BUSINESS BY THE LENDER

No provision of this Agreement will:

- (a) interfere with the right of the Lender to arrange its affairs (tax or otherwise) in whatever manner it thinks fit;
- (b) oblige the Lender to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim; or
- (c) oblige the Lender to disclose any information relating to its affairs (tax or otherwise) or any computations in respect of Tax.

## 27. LENDER'S MANAGEMENT TIME

Any amount payable to the Lender under Clause 15.3 (Indemnity to the Lender) and Clause 17 (Costs and expenses) shall include the cost of utilising the Lender's management time or other resources and will be calculated on the basis of such reasonable daily or hourly rates as the Lender may notify to the Guarantor.

## 28. PAYMENT MECHANICS

## 28.1 PAYMENTS TO THE LENDER

- (a) On each date on which an Obligor is required to make a payment under a Finance Document, that Obligor shall make the same available to the Lender for value on the due date at the time and in such funds specified by the Lender as being customary at the time for settlement of transactions in the relevant currency in the place of payment.
- (b) Payment shall be made to such account in the principal financial centre of the country of that currency (or, in relation to euro, in the principal financial centre in a Participating Member State or London) with such bank as the Lender may notify to that Obligor by not less than five Business Days' notice.

## 28.2 PAYMENTS BY THE LENDER

- (a) On each date on which the Lender is required to make a payment under a Finance Document, the Lender shall make the same available to the relevant Borrower for value on the due date at the time and in such funds specified by the Lender as being customary at the time for settlement of transactions in the relevant currency in the place of payment.
- (b) Payment shall be made to such account in the principal financial centre of the country of that currency (or, in relation to euro, in the principal financial centre in a Participating Member State or London) with such bank as the relevant Borrower may notify to the Lender in the relevant Utilisation Request.

## 28.3 DISTRIBUTIONS TO AN OBLIGOR

The Lender may (with the consent of the Obligor or in accordance with Clause 29 (Set-off)) apply any amount received by it for that Obligor in or towards payment (on the date and in the

currency and funds of receipt) of any amount due from that Obligor under the Finance Documents or in or towards purchase of any amount of any currency to be so applied.

#### 28.4 PARTIAL PAYMENTS

- (a) If the Lender receives a payment that is insufficient to discharge all the amounts then due and payable by an Obligor under the Finance Documents, the Lender shall apply that payment towards the obligations of that Obligor under the Finance Documents in any order selected by the Lender.
- (b) Paragraph (a) above will override any appropriation made by an Obligor.

#### 28.5 NO SET-OFF BY OBLIGORS

All payments to be made by an Obligor under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

#### 28.6 BUSINESS DAYS

- (a) Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).
- (b) During any extension of the due date for payment of any principal or an Unpaid Sum under this Agreement interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

#### 28.7 CURRENCY OF ACCOUNT

- (a) Subject to paragraphs (b) to (e) below, the Base Currency is the currency of account and payment for any sum due from an Obligor under any Finance Document.
- (b) A repayment of a Loan or Unpaid Sum or a part of a Loan or Unpaid Sum shall be made in the currency in which that Loan or Unpaid Sum is denominated on its due date.
- (c) Each payment of interest shall be made in the currency in which the sum in respect of which the interest is payable was denominated when that interest accrued.
- (d) Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.
- (e) Any amount expressed to be payable in a currency other than the Base Currency shall be paid in that other currency.

#### 28.8 CHANGE OF CURRENCY

- (a) Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognised by the central bank of any country as the lawful currency of that country, then:
- (i) any reference in the Finance Documents to, and any obligations arising under the Finance Documents in, the currency of that country shall be translated into, or paid in, the currency or currency unit of that country designated by the Lender (after consultation with the Guarantor); and
- (ii) any translation from one currency or currency unit to another shall be at the official rate of exchange recognised by the central bank for the conversion of that currency or currency unit into the other, rounded up or down by the Lender (acting reasonably).



- (b) If a change in any currency of a country occurs, this Agreement will, to the extent the Lender (acting reasonably and after consultation with the Guarantor) specifies to be necessary, be amended to comply with any generally accepted conventions and market practice in the Relevant Interbank Market and otherwise to reflect the change in currency.

29. SET-OFF

Following an Event of Default which is continuing, the Lender may set off any matured obligation due from an Obligor under the Finance Documents (to the extent beneficially owned by the Lender) against any matured obligation owed by the Lender to that Obligor, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Lender may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

30. NOTICES

30.1 COMMUNICATIONS IN WRITING

Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax or letter.

30.2 ADDRESSES

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents is that identified with its name below or any substitute address, fax number or department or officer as the Party may notify to the other Parties by not less than five Business Days' notice.

30.3 DELIVERY

- (a) Any communication or document made or delivered by the Lender to another Party under or in connection with the Finance Documents will only be effective:

- (i) if by way of fax, when received in legible form; or
- (ii) if by way of letter, when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address,

and, if a particular department or officer is specified as part of its address details provided under Clause 30.2 (Addresses), if addressed to that department or officer.

- (b) Any communication or document to be made or delivered to the Lender will be effective only when actually received by the Lender and then only if it is expressly marked for the attention of the department or officer identified with the Lender's signature below (or any substitute department or officer as the Lender shall specify for this purpose).
- (c) Any communication or document made or delivered to the Guarantor in accordance with this Clause will be deemed to have been made or delivered to each of the Obligors.

30.4 ENGLISH LANGUAGE

- (a) Any notice given under or in connection with any Finance Document must be in English.
- (b) All other documents provided under or in connection with any Finance Document must be:

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- (i) in English; or
  - (ii) if not in English, and if so required by the Lender, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.
31. CALCULATIONS AND CERTIFICATES
- 31.1 ACCOUNTS  
In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by the Lender are, in the absence of manifest error, prima facie evidence of the matters to which they relate.
- 31.2 CERTIFICATES AND DETERMINATIONS  
Any certification or determination by the Lender of a rate or amount under any Finance Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates.
- 31.3 DAY COUNT CONVENTION  
Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 days or, in any case where the practice in the Relevant Interbank Market differs, in accordance with that market practice.
32. PARTIAL INVALIDITY  
If, at any time, any provision of the Finance Documents is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.
33. REMEDIES AND WAIVERS  
No failure to exercise, nor any delay in exercising, on the part of the Lender, any right or remedy under the Finance Documents shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.
34. AMENDMENTS AND WAIVERS  
No term of any of the Finance Documents may be amended or waived without the prior consent of the Lender and the Obligors and any such amendment or waiver will be binding on all Parties.
35. COUNTERPARTS  
Each Finance Document may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.

## 36. GOVERNING LAW

This Agreement is governed by English law.

## 37. ENFORCEMENT

## 37.1 JURISDICTION OF ENGLISH COURTS

(a) The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute regarding the existence, validity or termination of this Agreement) (a "DISPUTE").

(b) The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.

(c) This Clause 37.1 is for the benefit of the Lender only. As a result, the Lender shall not be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Lender may take concurrent proceedings in any number of jurisdictions.

## 37.2 SERVICE OF PROCESS

(a) Without prejudice to any other mode of service allowed under any relevant law, each Obligor (other than Harsco Investment Limited):

(i) irrevocably appoints Harsco Investment Limited as its agent for service of process in relation to any proceedings before the English courts in connection with any Finance Document; and

(ii) agrees that failure by a process agent to notify the relevant Obligor of the process will not invalidate the proceedings concerned.

(b) Harsco Investment Limited hereby accepts its appointment as agent for service of process of each Obligor not incorporated in England and Wales.

THIS AGREEMENT HAS BEEN ENTERED INTO ON THE DATE STATED AT THE BEGINNING OF THIS AGREEMENT.

SCHEDULE 1  
CONDITIONS PRECEDENT

1. OBLIGORS

- (a) A copy of the constitutional documents of each Obligor.
- (b) A copy of a resolution of the board of directors of each Obligor:
  - (i) approving the terms of, and the transactions contemplated by, the Finance Documents to which it is a party and resolving that it execute the Finance Documents to which it is a party;
  - (ii) authorising a specified person or persons to execute the Finance Documents to which it is a party on its behalf; and
  - (iii) authorising a specified person or persons, on its behalf, to sign and/or despatch all documents and notices (including, if relevant, any Utilisation Request) to be signed and/or despatched by it under or in connection with the Finance Documents to which it is a party.
- (c) A specimen of the signature of each person authorised by the resolution referred to in paragraph (b) above.
- (d) A certificate of the Guarantor (signed by the Guarantor's Senior Vice President, Chief Financial Officer and Treasurer) confirming that borrowing or guaranteeing, as appropriate, the Commitment would not cause any borrowing, guaranteeing or similar limit binding on any Obligor to be exceeded.
- (e) A certificate of an authorised signatory of the relevant Obligor certifying that each copy document relating to it specified in this Schedule 1 is correct, complete and in full force and effect as at a date no earlier than the date of this Agreement.

2. LEGAL OPINIONS

- (a) A legal of Paul C. Coppock, Esq., Senior Vice President, Chief Administrative Officer, General Counsel and Secretary of the Guarantor, substantially in the form agreed by the Lender prior to signing this Agreement.
- (b) A legal opinion of Kirkpatrick & Lockhart LLP, legal advisers to the Guarantor, substantially in the form agreed by the Lender prior to signing this Agreement.
- (c) A legal opinion of Boekel De Neree, legal advisers to Harsco Finance B.V. in The Netherlands, substantially in the form agreed by the Lender prior to signing this Agreement.

3. OTHER DOCUMENTS AND EVIDENCE

- (a) A copy of any other Authorisation or other document, opinion or assurance which the Lender considers to be necessary or desirable (if it has notified the Guarantor accordingly) in connection with the entry into and performance of the transactions contemplated by any Finance Document or for the validity and enforceability of any Finance Document.
- (b) The Original Financial Statements of each Obligor.

- (c) Evidence that the fees, costs and expenses then due from the Guarantor pursuant to the Fee Letter and Clause 17 (Costs and expenses) have been paid or will be paid by the first Utilisation Date.
- (d) Confirmation that the Relevant Agreement has been duly entered into by the parties thereto.
- (e) The Fee Letter duly signed by the Guarantor.

SCHEDULE 2  
REQUESTS

PART I  
UTILISATION REQUEST

From: [Borrower]

To: [Lender]

Dated:

Dear Sirs

\$50,000,000 FACILITY AGREEMENT  
DATED 12TH JANUARY 2001 (THE "FACILITY AGREEMENT")

1. We wish to borrow a Loan on the following terms:

Proposed Utilisation Date: [ \_\_\_\_\_ ] (or, if that is not  
a Business Day, the next Business Day)

Currency of Loan: [ \_\_\_\_\_ ]

[Amount:] \* [ \_\_\_\_\_ ] or, if less, the  
Available Commitment

Interest Period: [ \_\_\_\_\_ ]

[Amount of Revolving Loan to be converted:] \* [ \_\_\_\_\_ ]

2. We confirm that each condition specified in Clause 4.2 (Further conditions precedent) is satisfied on the date of this Utilisation Request.

3. The proceeds of this Loan should be credited to [account].

4. This Utilisation Request is irrevocable.

5. Terms defined in the Facility Agreement shall have the same meanings when used in this Utilisation Request.

Yours faithfully

authorised signatory for  
[ name of Borrower ]

- - - - -  
\* Delete as appropriate

PART II  
SELECTION NOTICE  
APPLICABLE TO A TERM LOAN

From: [Borrower]

To: [Lender]

Dated:

Dear Sirs

\$50,000,000 FACILITY AGREEMENT  
DATED 12TH JANUARY 2001 (THE "FACILITY AGREEMENT")

- 1. We refer to the following Term Loan(s) in [identify currency] with an Interest Period ending on [-----].\*
- 2. We request that the next Interest Period for the above Term Loan(s) is [-----]
- 3. This Selection Notice is irrevocable.
- 4. Terms defined in the Facility Agreement shall have the same meanings when used in this Selection Notice.

Yours faithfully

-----  
authorized signatory for  
[name of Borrower]

- - - - -  
\*Insert details of all Term-Out Loans in the same currency which have an Interest Period ending on the same date.

PART III  
TERM-OUT NOTICE

From: [Borrower]

To: [Lender]

Dated:

Dear Sirs

US\$50,000,000 FACILITY AGREEMENT  
DATED 12TH JANUARY 2001 (THE "FACILITY AGREEMENT")

1. We wish to exercise the Term-Out Option under the Facility Agreement with effect from the Term-Out Date being [ ].
2. We wish the following Revolving Loan(s) to be converted to Term Loans in the same currency as the Revolving Loan to be converted and in the amount(s) stated below and to have the following revised Final Maturity Date(s):

LOAN	AMOUNT CONVERTED	FINAL MATURITY DATE
[ ]	[ ]	[ ]

3. [In addition, we wish to make [a] further Term Loan(s) in the following amounts with the following Final Maturity Date(s):

LOAN	FINAL MATURITY DATE
[ ]	[ ]*

4. A Utilization Request in respect of [each of] the above Loan(s) shall be delivered in due course.
5. Terms defined in the Facility Agreement shall have the same meanings when used in this Term-Out Notice.

Yours faithfully

authorized signatory for  
[Name of Borrower]

- -----  
\*Delete as appropriate



SCHEDULE 3  
MANDATORY COST FORMULAE

1. The Mandatory Cost is an addition to the interest rate to compensate the Lender for the cost of compliance with (a) the requirements of the Bank of England and/or the Financial Services Authority (or, in either case, any other authority which replaces all or any of its functions) or (b) the requirements of the European Central Bank.
2. On the first day of each Interest Period (or as soon as possible thereafter) the Lender shall calculate, as a percentage rate, the Mandatory Cost, in accordance with the paragraphs set out below.
3. If the Lender is lending from a Facility Office in a Participating Member State, the Mandatory Cost will be the percentage notified by the Lender to the Guarantor as the cost of complying with the minimum reserve requirements of the European Central Bank.
4. If the Lender is lending from a Facility Office in the United Kingdom, the Mandatory Cost will be calculated by the Lender as follows:

(a) in relation to a Sterling Loan:

$$\frac{AB+C(B-D)+Ex0.01}{100-(A+C)} \text{ per cent. per annum.}$$

(b) in relation to a Loan in any currency other than Sterling:

$$\frac{Ex0.01}{300} \text{ per cent. per annum.}$$

Where:

- A is the percentage of Eligible Liabilities (assuming these to be in excess of any stated minimum) which the Lender is from time to time required to maintain as an interest free cash ratio deposit with the Bank of England to comply with cash ratio requirements.
- B is the percentage rate of interest (excluding the Margin and the Mandatory Cost) payable for the relevant Interest Period on the Loan.
- C is the percentage (if any) of Eligible Liabilities which the Lender is required from time to time to maintain as interest bearing Special Deposits with the Bank of England.
- D is the percentage rate per annum payable by the Bank of England to the Lender on interest bearing Special Deposits.
- E is the rate of charge payable by the Lender to the Financial Services Authority pursuant to the Fees Regulations (but, for this purpose, ignoring any minimum fee required pursuant to the Fees Regulations) and expressed in pounds per £1,000,000 of the Fee Base of the Lender.

5. For the purposes of this Schedule:

- (a) "ELIGIBLE LIABILITIES" and "SPECIAL DEPOSITS" have the meanings given to them from time to time under or pursuant to the Bank of England Act 1998 or (as may be appropriate) by the Bank of England;
- (b) "FEES REGULATIONS" means the Banking Supervision (Fees) Regulations 2000 or such other law or regulation as may be in force from time to time in respect of the payment of fees for banking supervision; and
- (c) "FEE BASE" has the meaning given to it in, and will be calculated in accordance with, the Fees Regulations.

6. In application of the above formulae, A, B, C and D will be included in the formulae as percentages (i.e. 5 per cent. will be included in the formula as 5 and not as 0.05). A negative result obtained by subtracting D from B shall be taken as zero. The resulting figures shall be rounded to four decimal places.

7. Any determination by the Lender pursuant to this Schedule in relation to a formula, the Mandatory Cost or any amount payable to the Lender shall, in the absence of manifest error, be conclusive and binding on all Parties.

8. The Lender may from time to time, after consultation with the Guarantor, determine and notify to all Parties any amendments which are required to be made to this Schedule in order to comply with any change in law, regulation or any requirements from time to time imposed by the Bank of England, the Financial Services Authority or the European Central Bank (or, in any case, any other authority which replaces all or any of its functions) and any such determination shall, in the absence of manifest error, be conclusive and binding on all Parties.

SCHEDULE 4  
EXISTING LIENS

1. Lien on the property and assets of Harsco Corporation's facility in Drakesboro, Kentucky securing \$6,500,000 indebtedness from a loan agreement dated 15 September 1987, between Harsco Corporation and the County of Muhlenberg, Kentucky due 1 September 2001.
2. Lien on Falcon 50 aircraft pursuant to a lease between Harsco Corporation and General Electric Credit Corporation dated 22 December 1994.
3. Lien on Hawker 800XP aircraft pursuant to a lease between Harsco Corporation and Mellon Leasing Corporation dated 9 November 1999.
4. Liens on various power access equipment pursuant to a master rental agreement dated 30 May 1998 between SGB Services PLC and Genie Financial Services Europe Limited.

SCHEDULE 5  
EXISTING INDEBTEDNESS

## 1. CREDIT AGREEMENTS

- 1.1 \$6,500,000 loan agreement dated 15 September 1987 between Harsco Corporation and the County of Muhlenberg, Kentucky, due 1 September 2001. Payments of both principal and interest under the Note are irrevocably assigned to Norwest Bank Minnesota, N.A. pursuant to an indenture of trust dated 13 September 1987 between the County of Muhlenberg, Kentucky, and Norwest Bank Minnesota N.A.
- 1.2 L20,000,000 master credit facility agreement effective 10 May 1998 between the National Westminster Bank PLC and the following Subsidiaries: Heckett Limited, Heckett MultiServ PLC, Heckett MultiServ (UK) Limited, Harsco Europa BV, Heckett International Services Limited, Quipco Limited, Harsco (UK) Limited, The Permanent Way Equipment Company Limited, Heckett MultiServ Investment Limited, Faber Prest Limited, Faber Prest Distribution Limited, Faber Prest (Australia) Limited, Faber Prest (Overseas) Limited, Faber Prest (Pacific) Limited, Flixborough Warf Limited, Slag Reduction Overseas Limited and Otis Transport Services Limited.
- 1.3 CAD 12,000,000 Harsco Canada Limited short-term credit facility agreement with the Canadian Imperial Bank of Commerce dated 24 April 1992.
- 1.4 DEM 15,000,000 Harsco G.m.b.H. short-term credit facility agreement with Commerzbank AG dated 1 July 1994.
- 1.5 \$15,000,000 multicurrency credit facility agreement dated 4 February 1999 between Svenska Handelsbanken, Harsco Europa B.V. and Heckett MultiServ PLC.
- 1.6 \$20,000,000 multicurrency credit facility agreement dated 8 July 1998 between Harsco Europa B.V. and Bank Brussels Lambert.
- 1.7 ZAR 39,000,000 overdraft and other credit facilities agreement between Heckett MultiServ (Pty.) Ltd, Heckett MultiServ (SR) (Pty.) Ltd., SRV Mill Services (Pty.) Ltd., Heckett MultiServ (FS) (Pty.) Ltd., SteelServ (Pty.) Ltd. and Standard Bank of South Africa Limited.
- 1.8 \$11,000,000 multicurrency credit facility agreement dated 8 May 2000 between Heckett MultiServ (Sweden) A.B. and Svenska Handelsbanken.
- 1.9 NLG 18,000,000 multicurrency credit facility dated 13 August 1997 between Harsco Europa B.V., Heckett MultiServ (Holland) B.V., Heckett MultiServ International B.V., Heckett MultiServ Far East B.V., Heckett MultiServ China B.V. and ING Bank N.V.
- 1.10 NLG 14,000,000 credit facility dated 1 September 1997 between Bologginsmaatschappij Bouwtmatorieel Europe B.V., Stalen Steigers Holland/Handep B.V. and SGB North Europe Central Sales B.V. and ABN Amro Bank N.V.
- 1.11 \$218,750,000 five-year credit facility dated 29 September 2000 between Harsco Corporation, the banks named therein and The Chase Manhattan Bank.
- 1.12 \$131,250,000 364-day facility dated 29 September 2000 between Harsco Corporation, the banks named therein and The Chase Manhattan Bank.

- 1.13 The Relevant Agreement.
2. LOAN AGREEMENTS
- Dealer agreement dated June 2000 between Heckett MultiServ (Sweden) AB and Svenska Handelsbanken for the distribution of up to SEK 100,000,000 of bond loans (private placement Swedish Kroner bonds).
3. INDENTURES
- 3.1 \$150,000,000 Notes issued under an Indenture dated 1 May 1985 between Harsco Corporation and The Chase Manhattan Bank and due 15 September 2003.
- 3.2 L200,000,000 Guaranteed Notes issued under a Trust Indenture dated 27 October 2000 between Harsco Finance B.V., Harsco Corporation and The Chase Manhattan Trustees Limited and due 27 October 2010.
4. GUARANTEES
- 4.1 Guarantee dated 5 May 1998 by Harsco Corporation in favour of the National Westminster Bank PLC in respect of the bank's GBP 20,000,000 master credit facility extended to certain Subsidiaries (see 1.2 above).
- 4.2 Guarantee dated 1 May 1992 by Harsco Corporation in favour of Canadian Imperial Bank of Commerce in respect of the bank's CAD 12,000,000 short-term credit facility extended to Harsco Canada Limited (see 1.3 above).
- 4.3 Guarantee dated 30 June 1994 by Harsco Corporation in favour of Commerzbank AG in respect of the bank's DEM 15,000,000 short-term credit facility extended to Harsco G.m.b.H. (see 1.4 above).
- 4.4 Guarantee dated 22 February 1999 by Harsco Corporation in favour of Svenska Handelsbanken in respect of the bank's \$15,000,000 multicurrency credit facility extended to Harsco Europa B.V. and Heckett MultiServ PLC (see 1.5 above).
- 4.5 Guarantee dated 8 February 1999 by Harsco Corporation in favour of Bank Brussels Lambert in respect of the bank's \$20,000,000 multicurrency credit facility extended to Harsco Europa B.V. (see 1.6 above).
- 4.6 Suretyship dated 23 November 1999 by Harsco Corporation in favour of Standard Bank of South Africa Limited in respect of the bank's ZAR 39,000,000 overdraft and other credit facilities extended to certain Subsidiaries (see 1.7 above).
- 4.7 Guarantee dated 9 May 2000 by Harsco Corporation in favour of Svenska Handelsbanken for \$11,000,000 in respect of the bank's multicurrency credit facility extended to Heckett MultiServ (Sweden) AB (see 1.8 above).
- 4.8 Guarantee dated 23 December 1997 by Harsco Corporation in favour of ING Bank N.V for NLG 18,000,000 in respect of the bank's multicurrency credit facility extended to certain Subsidiaries (see 1.9 above).
- 4.9 Guarantee dated 11 November 1997 by Harsco Corporation in favour of Svenska Handelsbanken for up to \$27,240,736.50 in respect of the bank's issuing letters of credit for the account of Fortuna Insurance Limited (see 5.2 below).

- 4.10 Guarantee dated 13 June 2000, by Harsco Corporation in favour of Svenska Handelsbanken as representative for the bondholders in conjunction with the issuance of up to SEK 100,000.000 bond loans up (private placement Swedish Kroner bonds) by Heckett MultiServ (Sweden) AB (see 2 above).
- 4.11 Guarantee dated 25 September 1996 by Harsco Corporation in favour of Banque Brussels Lambert for up to BEF 3,000,000,000 in respect of the bank's placement of commercial paper for the account of Harsco Europa B.V. (see 6.4 below).
5. LETTERS OF CREDIT
- 5.1 \$19,271,859 standby letter of credit dated 8 December 1997, issued by Svenska Handelsbanken in favour of ACE Property & Casualty Insurance Company and certain of its subsidiaries and for the account of Harsco Corporation expiring on 31 December 2001.
- 5.2 \$11,355,027 standby letter of credit dated 9 April 1997, issued by Svenska Handelsbanken in favour of ACE Property & Casualty Insurance Company and certain of its subsidiaries and for the account of Fortuna Insurance Limited expiring on 31 December 2001.
6. OTHER ARRANGEMENTS
- 6.1 Commercial paper placement agency agreement dated 6 November 1998 between Chase Securities, Inc. and Harsco Corporation for the issuance of Harsco Corporation's commercial paper under its \$350,000,000 commercial paper programme.
- 6.2 Commercial paper placement agency agreement dated 1 October 2000 between Salomon Smith Barney, Inc. and Harsco Corporation under its \$350,000,000 commercial paper programme.
- 6.3 Commercial paper placement agency agreement dated 11 October 1994 between Lehman Brothers, Inc. and Harsco Corporation for the issuance of Harsco Corporation's commercial paper under its \$350,000,000 commercial paper programme.
- 6.4 Commercial paper placement agency agreement dated 25 September 1996 between Banque Brussels Lambert and Harsco Europa B.V. for the placement of Harsco Europa B.V.'s commercial paper up to BEF 3,000,000,000 or the equivalent in another currency.
- 6.5 \$80,000,000.00 performance surety bond dated 29 October 1999, issued by CNA Insurance Company in favour of the United States Treasury and for the account of Harsco Corporation expiring on 25 October 2000.
- 6.6 Lease dated 22 December 1994, originally valued at \$13,897,000 between Harsco Corporation and General Electric Credit Corporation for the lease of a Falcon 50 aircraft expiring 22 December 2004.
- 6.7 Lease dated 9 November 1999, originally valued at \$12,122,784 between Harsco Corporation and Mellon Leasing Corporation for the lease of Hawker 800XP aircraft expiring 22 November 2014.
- 6.8 Master rental agreement dated 30 May 1998 between SGB Services PLC and Genie Financial Services Europe Limited for the lease of certain power access equipment whose principal value is presently L18,058,000.

THE GUARANTOR

HARSCO CORPORATION

Address: P.O. Box 8888,  
Camp Hill,  
Pennsylvania 17001-8888

Fax No: 001 717 763 6424

Attention: Salvatore D. Fazzolari

By: SALVATORE D. FAZZOLARI  
Senior Vice President  
Chief Financial Officer & Treasurer

THE BORROWERS

HARSCO FINANCE B.V.

Address: Wenckebachstraat 1  
1951 JZ Velsen-Noord  
Postbus 83  
1970 AB Ijmuiden

Fax No: +31 251 22 83 12

Attention: Financial Manager

and

Fax No: +44 207 314 1491

Attention: Graham T. Goulding

By: DEREK C. HATHAWAY  
Director

By: SALVATORE D. FAZZOLARI  
Director

HARSCO INVESTMENT LIMITED

Address: Commonwealth House  
2 Chalkhill Road  
London W6 8DW

Fax No: + 44 207 314 1491

Attention: Graham T. Goulding

By: SALVATORE D. FAZZOLARI  
Director

THE LENDER

CITIBANK, N.A.

Address: 399 Park Avenue  
8th Floor/Zone 11  
New York, NY 10043

Fax No: 212 793 0289

Attention: Hugo Arias

By: STUART G MILLER  
Vice President



COMMERCIAL PAPER PLACEMENT AGENCY AGREEMENT, dated as of October 1, 2000 between HARSCO CORPORATION, a Delaware corporation (the "Issuer"), and SALOMON SMITH BARNEY INC., a Delaware corporation (the "Placement Agent").

The Issuer intends to issue short-term notes pursuant to Section 4(2) of the Securities Act of 1933, as amended (the "1933 Act"), and Rule 506 thereunder.

The Issuer desires to enter into this Agreement with the Placement Agent in order to provide for the offer and sale of such notes in the manner described herein.

The parties hereto, in consideration of the premises and mutual covenants herein contained, agree as follows:

1. Definitions

"1933 Act" means the Securities Act of 1933, as amended.

"Business Day" shall mean any day other than a Saturday or Sunday or a day when banks are authorized or required by law to close in New York City.

"Company Information" shall mean the Private Placement Memorandum (defined below), together with, to the extent applicable, information provided by the Issuer pursuant to Section 7(b) hereof.

"DTC" shall mean The Depository Trust Company.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Institutional Accredited Investor" shall mean an institutional investor that is reasonably believed to qualify as an "accredited investor" as defined in Rule 501(a)(1), (2), (3) or (7) under the 1933 Act.

"Issuing and Paying Agent" shall mean The Chase Manhattan Bank, the issuing and paying agent under the Issuing and Paying Agency Agreement, or any successor thereto.

"Issuing and Paying Agency Agreement" shall mean the issuing and paying agency agreement, dated as of October 12, 1994 between Morgan Guaranty Trust Company of New York, as the Issuing and Paying Agent and the Issuer, the obligations under which were assumed by The Chase Manhattan Bank on September 1, 1995, as the same may from time to time be amended.

"Notes" shall mean short-term promissory notes of the Issuer, represented by master notes substantially in the form of Annex A to the Issuing and Paying Agency Agreement, issued by the Issuer from time to time pursuant to the Issuing and Paying Agency Agreement.

"Offering Materials" shall mean the offering materials concerning the Issuer contemplated by Section 7 hereof (including the materials incorporated by reference therein), and such offering materials as from time to time revised or supplemented.

"Private Placement Memorandum" shall mean the private placement memorandum with respect to the offer and sale of the Notes (including materials referred to therein or incorporated by reference therein), prepared in accordance with Section 7 hereof and provided to purchasers or prospective purchasers of the Notes, and all amendments and supplements thereto which may be prepared from time to time in accordance with this Agreement.

"Person" shall mean an individual, a corporation, a partnership, a trust, an association or any other entity.

"Qualified Institutional Buyer" or "QIB" shall have the meaning assigned to that term in Rule 144A.

"Rule 144A" shall mean Rule 144A under the 1933 Act.

"SEC" shall mean the U.S. Securities and Exchange Commission, or any successor thereto.

## 2. Issuance and Placement of Commercial Paper Notes

(a) The Issuer hereby appoints the Placement Agent to act as the Issuer's placement agent in connection with the sale of the Notes in accordance with the terms hereof, and the Placement Agent hereby accepts such appointment. While (i) the Issuer has and shall have no obligation to permit the Placement Agent to purchase any Notes for its own account or to arrange for the sale of the Notes and (ii) the Placement Agent has and shall have no obligation to purchase any Notes for the Placement Agent's own account or to arrange for the sale of Notes, the parties agree that, as to any and all Notes which the Placement Agent may purchase or the sale of which the Placement Agent may arrange, such Notes, will be purchased or sold by the Placement Agent in reliance on, among other things, the agreement, representations, warranties and covenants of the Issuer contained herein and on the terms and conditions and in the manner provided for herein. Without limiting the generality of the foregoing, the Issuer agrees that the Issuer will not engage any person or party to assist in the placement of the Notes other than a placement agent that has executed a

placement agreement with the Issuer which agreement contains procedures and terms substantially in the form of those set forth in Section 6 hereof (each such placement agent, along with the Placement Agent, referred to herein as an "Approved Placement Agent" and together, the "Approved Placement Agents") and that it shall provide the Placement Agent with a copy thereof within five (5) Business Days of execution thereof.

(b) If the Issuer and the Placement Agent shall agree on the terms of the purchase of any Note by the Placement Agent or the sale of any Note arranged by the Placement Agent (including, but not limited to, agreement with respect to the date of issue, purchase price, face or principal amount, maturity and interest rate (in the case of interest-bearing Notes) or discount rate thereof (in the case of Notes issued on a discount basis), and appropriate compensation for the Placement Agent's services hereunder) pursuant to this Agreement, the Placement Agent shall confirm the terms of each such agreement promptly to the Issuer in the Placement Agent's customary form, the Issuer shall cause such Note to be issued and delivered in accordance with the terms of the Issuing and Paying Agency Agreement, and payment for such Note shall be made in accordance with such Agreement. The authentication and delivery of such Note by the Issuing and Paying Agent shall constitute the issuance of such Note by the Issuer. The Issuer shall deliver Notes signed by the Issuer to the Issuing and Paying Agent, and instructions shall be delivered to the Issuing and Paying Agent to complete, authenticate and deliver such Notes in the manner prescribed in the Issuing and Paying Agency Agreement. So long as incurred at the time with the prior approval of the Issuer, the Placement Agent shall be entitled to compensation at such rates and paid in such manner as the Issuer and the Placement Agent shall from time to time agree upon and to reimbursement for the Placement Agent's out-of-pocket costs and expenses, including, but not limited to, fees and disbursements of outside counsel, in connection with the transactions contemplated hereby.

(c) The Notes shall be issued in book-entry form only. Notes in book-entry form shall be represented by master notes registered in the name of a nominee of DTC and recorded in the book-entry system maintained by DTC. References to "Notes" in this Agreement shall refer to such book-entry Notes unless the context otherwise requires. The Notes may be issued either at a discount or as interest-bearing obligations with interest payable at maturity in a stated amount.

(d) Each Note purchased by, or the sale of which is arranged through, the Placement Agent hereunder shall (i) have a face amount of \$250,000, or an integral multiple of \$1,000 in excess thereof, (ii) have a maturity which is a Business Day not later than the 270th day next succeeding such Note's date of issuance and (iii) not contain any provision for extension, renewal or automatic "rollover."

3. Representations and Warranties of the Issuer.

(a) The Issuer represents and warrants as follows:

(i) The Issuer is a duly organized and validly existing corporation in good standing under the laws of the jurisdiction of its incorporation and has the corporate power and authority to own its property, to carry on its business as presently being conducted, to execute and deliver this Agreement, the Issuing and Paying Agency Agreement, and the Notes, and to perform and observe the conditions hereof and thereof.

(ii) Each of this Agreement and the Issuing and Paying Agency Agreement has been duly and validly authorized, executed and delivered by the Issuer and constitutes the legal, valid and binding agreement of the Issuer. The issuance and sale of Notes by the Issuer hereunder have been duly and validly authorized by the Issuer and, when delivered by the Issuing and Paying Agent as provided in the Issuing and Paying Agency Agreement, each Note will be the legal, valid and binding obligation of the Issuer.

(iii) Assuming that the Notes are offered and sold in the manner contemplated by Section 6 below, the offer and sale by the Issuer of such Notes will constitute exempt transactions under Section 4(2) of the 1933 Act and Rule 506 thereunder, and, accordingly, registration of the Notes under the 1933 Act will not be required. Qualification of an indenture with respect to the Notes under the Trust Indenture Act of 1939, as amended, will not be required in connection with the offer, issuance, sale or delivery of the Notes.

(iv) The Issuer is neither an "investment company" nor a "company controlled by an investment company" within the meaning of the Investment Company Act of 1940, as amended.

(v) No consent or action of, or filing or registration with, any governmental or public regulatory body or authority is required to authorize, or is otherwise required in connection with, the execution, delivery or performance of this Agreement, the Issuing and Paying Agency Agreement or the Notes.

(vi) Neither the execution and delivery by the Issuer of any of this Agreement, the Issuing and Paying Agency Agreement and the Notes, nor the fulfillment of or compliance with the terms and provisions hereof or thereof by the Issuer, will (x) result in the creation of imposition of any mortgage, lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Issuer or (y) violate any of the terms of the Issuer's charter documents or by-laws, any contract or instrument to which the Issuer is a party or by which it or its property is bound, or any law or regulation, or any order, writ, injunction or decree of any court or governmental instrumentality, to which the Issuer is subject or by which it or its property is bound.

(vii) There are no actions, suits, proceedings, claims or governmental investigations pending or, to the knowledge of the Issuer, threatened against the Issuer or any of its officers or directors or any persons who control the Issuer (within the meaning of Section 15 of the 1933 Act or Section 20 of the Exchange Act) or to which any property of the Issuer is subject, which could in any way result in a material adverse change in the condition (financial or otherwise) of the Issuer, or materially prevent or interfere with, or materially and adversely affect the Issuer's execution, delivery of performance of, any of this Agreement, the Issuing and Paying Agency Agreement and the Notes, of which the Placement Agent has not been notified in writing.

(viii) The initial Offering Materials do not, and any amendments or supplements thereto and any subsequent Offering Materials and any amendments or supplements thereto will not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they are made, not misleading.

(b) Each issuance of Notes by the Issuer shall be deemed a representation and warranty by the Issuer to the Placement Agent, as of the date thereof, that both before and after giving effect to such issuance, (i) the representations and warranties of the Issuer set forth in Section 3(a) hereof remain true and correct on and as of such date as if made on and as of such date (except to the extent such representations and warranties expressly relate solely to an earlier date); (ii) the corporate resolutions and certificate of incumbency referred to in Section 5 hereof remain accurate and in full force and effect; (iii) since the date of the most recent Offering Materials, there has been no material adverse change in the financial condition or operations of the Issuer which has not been disclosed to the Placement Agent in writing; and (iii) the Issuer is not in default of any of its obligations hereunder, under the Issuing and Paying Agency Agreement or under any Note.

#### 4. Covenants and Agreements of the Issuer.

(a) Without the prior written consent of the Placement Agent, the Issuer shall not permit to become effective any amendment, supplement, waiver or consent to or under the Issuing and Paying Agency Agreement. The Issuer shall give to the Placement Agent, at least 10 Business Days prior to the proposed effective date thereof, notice of any proposed amendment, supplement, waiver or consent under the Issuing and Paying Agency Agreement. The Issuer shall provide to the Placement Agent, promptly after the same is executed, a copy of any amendment, supplement or written waiver or consent covered by the notice requirements of this Section 4(a). The Issuer further agrees to finish prior written notice to the Placement Agent, as soon as possible and in any event at least 10 Business Days prior to the effective date

thereof, of any proposed resignation, termination or replacement of the Issuing and Paying Agent.

(b) The Issuer shall, whenever there shall occur any change in the Issuer's financial condition or any development or occurrence in relation to the Issuer that would be material to the holders of Notes or potential holders of Notes, promptly, and in any event prior to any subsequent issuance of Notes, notify the Placement Agent (by telephone, confirmed in writing) of such change, development or occurrence.

(c) The Issuer covenants and agrees with the Placement Agent that the Issuer will promptly furnish to the Placement Agent a copy of any notice, report or other information, relating to the Notes delivered to or from rating agencies then rating the Notes.

(d) The Issuer shall not use the proceeds of the sale of the Notes for the purpose of purchasing or carrying securities within the meaning of Regulation T of the Board of Governors of the Federal Reserve System, unless the Issuer gives not less than 10 days' prior written notice to the Placement Agent of the Issuer's intention to do so and prompt notice of the actual commencement of such use of proceeds. In the event that, after receipt of such a notice, the Placement Agent purchases Notes as principal and does not resell such Notes on the day of such purchase, the Placement Agent shall sell such Notes only to persons it reasonably believes to be Qualified Institutional Buyers or to Qualified Institutional Buyers it reasonably believes are acting for other Qualified Institutional Buyers, in each case pursuant to Rule 144A.

#### 5. Conditions Precedent.

At or promptly after the execution of this Agreement, and as conditions precedent to any obligations of the Placement Agent hereunder, there shall have been furnished to the Placement Agent, in form and substance satisfactory to the Placement Agent:

- (i) an original or photocopy of the executed Issuing and Paying Agency Agreement;
- (ii) a certified copy of resolutions duly adopted by the Board of Directors of the Issuer authorizing and approving the transactions contemplated hereby;
- (iii) a certificate of incumbency showing the officers and other representatives of the Issuer authorized to execute Notes and to give instructions concerning the issuance of Notes;

- (iv) an opinion of counsel to the Issuer addressed to the Placement Agent as to the matters set forth in subsections (i)-(vii) of Section 3(a) above and as to such other matters as the Placement Agent shall reasonably request;
- (v) a copy of each other opinion of counsel furnished to any Person that may be delivered in connection with the issuance of the Notes, including, but not limited to, any opinion delivered under or relating to the Issuing and Paying Agency Agreement, each of which shall be addressed to the Placement Agent;
- (vi) true and correct copies of the letters assigning ratings and of all other correspondence to the Issuer from the rating agencies that have assigned a rating to the Notes;
- (vii) a copy of the Offering Materials, including the Private Placement Memorandum, approved in writing by the Issuer;
- (viii) true and correct copies of any documents relating to the Notes executed by the Issuer and DTC; and
- (ix) in connection with issuance of Notes in book-entry form, a copy of the master note(s) evidencing such Notes.

6. Offers, Sales and Resales of Notes.

All offers and sales of the Notes by the Issuer shall be effected pursuant to the exemption from the registration requirement of the 1933 Act provided by Section 4(2) thereof, which exempts transactions by an issuer not involving any public offering. Offers and sales of the Notes by the Issuer through the Placement Agent acting as agent for the Issuer shall be made in accordance with Rule 506 under the 1933 Act. Notes may be resold or otherwise transferred by the holders thereof only if the Notes are registered under the 1933 Act or if any exemption (including, but not limited to, the exemption afforded by Rule 144A) from the registration requirement of the 1933 Act is available, provided, however, that the Issuer shall have no obligation to register the Notes under the 1933 Act and has no intention of doing so at any time in the future.

The Placement Agent (only with respect to offers and sales made by it as agent for the Issuer and reoffers and subsequent resales or other transfers made by or through the Placement Agent) and the Issuer hereby establish and agree to observe the following procedures in connection with offers, sales and subsequent resales or other transfer of the Notes:

(a) The Issuer hereby confirms to the Placement Agent that within the preceding six months neither the Issuer nor any person other than an Approved

Placement Agent acting on behalf of the Issuer has offered or sold any Notes, or any substantially similar security of the Issuer to, or solicited offers to buy any such security from, any person other than an Approved Placement Agent. The Issuer also agrees that, as long as the Notes are being offered for sale by the Approved Placement Agents as contemplated hereby and until at least six months after the offer of Notes hereunder has been terminated, neither the Issuer nor any person other than the Approved Placement Agents will offer the Notes or any substantially similar security of the Issuer for sale to, or solicit offers to buy any such security from, any person other than the Approved Placement Agents without the giving of prior written notice to the Placement Agent, it being understood that such agreement is made with a view to bringing the offer and sale of the Notes within the exemption provided by Section 4(2) of the 1933 Act and Rule 506 thereunder and shall survive any termination of this Agreement.

(b) Offers and sales of the Notes shall be made only to the following types of investors; (i) Institutional Accredited Investors (including, but not limited to, a bank, as defined in Section 3(a)(2) of the 1933 Act, or a savings and loan association or other institution, as defined in Section 3(a)(5)(A) of the 1933 Act, whether acting in its individual or fiduciary capacity, provided that, if it is acting in a fiduciary capacity, it has sole investment discretion with respect to any account for which it is purchasing a Note), (ii) fiduciaries or agents (other than U.S. banks or savings and loan associations of the type described in clause (i) of this sentence) that will be purchasing Notes for one or more accounts, each of which is an Institutional Accredited Investor, and (iii) Qualified Institutional Buyers.

(c) Resales and other transfers of the Notes by the holders thereof shall be made only to the Issuer or to Institutional Accredited Investors or, in the case of Notes resold or otherwise transferred pursuant to Rule 144A, to Qualified Institutional Buyers or, if the Rule 144A resale is made through the Placement Agent, to institutional investors that the Placement Agent reasonably believes to qualify as Qualified Institutional Buyers. The Placement Agent shall not be liable to any person or entity for any resales or other transfers made in violation of the foregoing conditions that are not made by or through the Placement Agent.

(d) The Notes shall be offered only by approaching prospective purchasers on an individual basis. No general solicitation or general advertising shall be used in connection with the offering of the Notes. Without limiting the generality of the foregoing, without the prior written approval of the Placement Agent, the Issuer shall not issue any press release, generate any publicity, allow any "tombstone" or other advertisement to be published, or hold any meeting with securities analysts to the extent that any of these actions relates to the Notes.

(e) No sale of Notes to any one purchaser shall be for less than \$250,000 principal amount, and no Note shall be issued in a smaller face amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each



person for whom such purchaser is acting must purchase at least \$250,000 face amount of Notes.

(f) Each Note, and the Private Placement Memorandum, shall contain the following legend:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY OTHER APPLICABLE SECURITIES LAW. BY ITS ACCEPTANCE OF THIS NOTE, THE PURCHASER REPRESENTS THAT (A) THE PURCHASER IS (1) AN INSTITUTIONAL INVESTOR THAT IS AN ACCREDITED INVESTOR WITHIN THE MEANING OF REGULATION D UNDER THE ACT (AN "INSTITUTIONAL ACCREDITED INVESTOR") INCLUDING, WITHOUT LIMITATION, A BANK, AS DEFINED IN SECTION 3(a)(2) OF THE ACT, OR A SAVINGS AND LOAN ASSOCIATION OR OTHER INSTITUTION, AS DEFINED IN SECTION 3(a)(5)(A) OF THE ACT, WHETHER ACTING IN ITS INDIVIDUAL OR FIDUCIARY CAPACITY, PROVIDED THAT, IF IT IS ACTING IN A FIDUCIARY CAPACITY, IT HAS SOLE INVESTMENT DISCRETION WITH RESPECT TO ANY ACCOUNT FOR WHICH IT IS PURCHASING A NOTE, OR (2) A FIDUCIARY OR AGENT (OTHER THAN A U.S. BANK OR SAVINGS AND LOAN ASSOCIATION OF THE TYPE DESCRIBED IN CLAUSE (A)(1) OF THIS SENTENCE) PURCHASING THIS NOTE FOR AN ACCOUNT WHICH IS AN INSTITUTIONAL ACCREDITED INVESTOR THAT IS PURCHASING AT LEAST \$250,000 OF NOTES OF THE TYPE REPRESENTED HEREBY, OR (3) A QUALIFIED INSTITUTIONAL BUYER ("QIB") WITHIN THE MEANING OF RULE 144A UNDER THE ACT; (B) THIS NOTE IS BEING ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO OR FOR SALE IN CONNECTION WITH ANY DISTRIBUTION HEREOF; (C) ANY RESALE OF THIS NOTE WILL BE MADE ONLY (1) TO THE ISSUER, SALOMON SMITH BARNEY INC. ("SSB"), OR ANOTHER PERSON DESIGNATED BY THE ISSUER AS A PLACEMENT AGENT FOR THIS NOTE (SSB, AND EACH SUCH PLACEMENT AGENT TO BE REFERRED TO HEREINAFTER AS A "PLACEMENT AGENT"), NONE OF WHICH SHALL HAVE ANY OBLIGATION TO ACQUIRE THIS NOTE, (2) THROUGH A PLACEMENT AGENT TO AN INSTITUTIONAL INVESTOR APPROVED AS AN ACCREDITED INVESTOR OR REASONABLY BELIEVED TO BE A QIB BY A PLACEMENT AGENT IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE ACT, OR (3) TO A QIB IN A TRANSACTION THAT MEETS THE REQUIREMENTS OF RULE 144A; AND (D) IN THE CASE OF SALES PURSUANT TO RULE 144A, IT IS A QIB AND THE PURCHASER UNDERSTANDS THAT THIS NOTE WAS SOLD TO THE PURCHASER PURSUANT TO ANY EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE ACT PURSUANT TO RULE 144A.

(g) The Placement Agent shall furnish to each purchaser of newly issued Notes a copy of the Private Placement Memorandum, and each amendment or supplement thereto (other than any amendment or supplement that has been completely superseded by a later amendment or supplement), and any additional Offering Materials approved by the Issuer and requested by such purchaser.

(h) For so long as any of the Notes is outstanding and is a "restricted security" within the meaning of Rule 144(a)(3) under the 1933 Act, (i) the Issuer shall cause to be provided to any holder of Notes and any prospective purchaser of the Notes designated by a holder of such Notes, upon the request of such holder or prospective purchaser, the information, if any, required to be provided to such holder or prospective purchaser by Rule 144A(d)(4) and (ii) the Issuer shall update such information from time to time in order to prevent such information from becoming false or misleading and the Issuer shall take such other actions as are necessary to ensure that the safe harbor exemption from the registration requirements of the 1933 Act under Rule 144A is and will be available for resale of the Notes conducted in accordance with Rule 144A.

(i) In the event that any Note offered or to be offered by the Placement Agent would be ineligible for resale under Rule 144A (because such Note is of the same class (within the meaning of Rule 144A) as any other securities of the Issuer which are at such time listed on a national securities exchange registered under Section 6 of the Exchange Act, or quoted in a U.S. automated inter-dealer quotation system), the Issuer shall immediately notify the Placement Agent (by telephone, confirmed in writing) of such fact and shall promptly prepare and deliver to the Placement Agent an amendment or supplement to the Offering Materials describing the Notes that are ineligible, the reason for such ineligibility and any other relevant information relating thereto.

(j) The Issuer agrees promptly from time to time to take such action as the Placement Agent may reasonably request to qualify the Notes for offering and sale under the securities laws of such jurisdictions as the Placement Agent may request and to comply with such laws so as to permit the continuance of sales and resales therein for as long as may be necessary to complete the transactions contemplated hereby, provided that in connection therewith the Issuer shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction other than consent to service of process under such state securities laws. The Issuer also agrees to reimburse the Placement Agent for any reasonable fees or costs incurred in so qualifying the Notes.

7. Disclosure.

(a) The Issuer understands that, in connection with the offer and sale of the Notes, from time to time offering materials, including a Private Placement

Memorandum and any other Company Information approved by the Company for dissemination to purchasers or potential purchasers of the Notes (the "Offering Materials"), will be prepared relating to the Issuer, which may be distributed to the Placement Agent's sales personnel and to purchasers and prospective purchasers of the Notes.

(b) To provide a basis for the preparation of the Offering Materials and to assist in the Placement Agent's ongoing credit review procedures and sale of the Notes, the Issuer agrees to furnish to the Placement Agent, as these items become available, (i) the Issuer's most recent report on form 10-K filed with the SEC and each report on Form 10-Q or 8-K filed by the Issuer with the SEC since the most recent Form 10-K, (ii) the Issuer's most recent annual audited financial statements and each interim financial statement or report prepared subsequent thereto, if not included in item (i) above, (iii) the Issuer's and its affiliates' other publicly available recent reports, including, but not limited to, any publicly available filings or reports provided to their respective shareholders, any national securities exchange or any rating agency, and any information generally supplied in writing to securities analysts, (iv) research reports with respect to the Company prepared by any brokerage house or rating agency, (v) any other information or disclosure prepared pursuant to Section 7(f) hereof, and (vi) any other information or document prepared or approved by the Issuer for dissemination to purchasers or potential purchasers of the Notes. In addition, the Issuer shall provide the Placement Agent with such other information as the Placement Agent may reasonably request for the purpose of its ongoing credit review of the Issuer.

(c) The issuer recognizes that the accuracy and completeness of the Offering Materials are dependent on the accuracy and completeness of the information obtained by the Placement Agent and, subject to Section 7(d) and Section 8 hereof, the Placement Agent shall not be responsible for any inaccuracy in any Offering Materials.

(d) The Placement Agent agrees that prior to the distribution of any Offering Materials the Placement Agent will provide the Issuer with a copy thereof for the Issuer's review and approval. The Issuer agrees to notify the Placement Agent in writing within 14 calendar days of receipt of such Offering Materials of the Issuer's approval or disapproval thereof. Any such approval by the Issuer shall be deemed to be a representation by the Issuer that the Offering Materials (excluding any information furnished by the Placement Agent expressly for inclusion therein, as set forth in the sections thereof entitled "Additional Information") so approved does not contain an untrue statement of a material fact nor omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

(e) The Issuer represents and warrants to the Placement Agent that the financial statements of the Issuer delivered or to be delivered to the

Placement Agent in accordance with this Section 7 are or will be in accordance with generally accepted accounting principles and practices in effect in the United States on the date such statements were or will be prepared and fairly do or will present the financial condition and operations of the Issuer at such date and the results of the Issuer's operations for the period then ended.

(f) The Issuer further agrees to notify the Placement Agent promptly upon the occurrence of (i) any event that would render any fact contained in the Issuer's most recent financial reports, as submitted to the Placement Agent, untrue or misleading, or (ii) any event relating to or affecting the Issuer that would cause the Offering Materials then in use to include an untrue statement of material fact or to omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading. In such event, the Issuer agrees to supply the Placement Agent promptly with such information as will correct such untrue or misleading statement or such omission.

#### 8. Indemnification.

(a) The Issuer agrees to indemnify the Placement Agent and its affiliates, their respective directors, officers, employees, and agents, and each person who controls the Placement Agent or its affiliates within the meaning of the 1933 Act or the Exchange Act and any successor thereto (the Placement Agent and each such person being an "Indemnified Person") from and against any and all losses, claims, damages and liabilities, joint or several, to which such Indemnified Person may become subject under any applicable federal or state law, or otherwise, related to or arising out of (i) any untrue statement or alleged untrue statement or a material fact contained in the Offering Materials or in any information (whether oral or written) or documents furnished or made available by the Issuer to offerees of the Notes or any of their representatives or the omission or the alleged omission to state therein a material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made, or (ii) any matter or transaction contemplated by this Agreement or by the engagement of the Placement Agent pursuant to, and the performance by the Placement Agent of the services contemplated by, this Agreement and shall promptly reimburse any Indemnified Person for all expenses (including, but not limited to, fees and disbursements of internal and external counsel), as they are incurred, in connection with the investigation of, preparation for or defense of any pending or threatened claims or any action or proceeding arising therefrom, whether or not such Indemnified Person is a party, provided, however, that, with respect to (ii) herein, the Issuer shall not be liable in any such case to the extent such loss, claim, damage or liability is finally judicially determined to have resulted primarily from an Indemnified Person's gross negligence or willful misconduct.

(b) Promptly after receipt by an Indemnified Person under this Section 8 of notice of any claim or the commencement of any action, the Indemnified Person shall, if a claim in respect thereof is to be made against the Issuer under this Section 8, notify the Issuer in writing of the claim or the commencement of that action; provided, however, that the failure to notify the Issuer shall not relieve it from any liability that the Issuer may have under this Section 8 except up to the extent of any factual and material prejudice suffered by the Issuer as a result of such failure; and, provided, further, that in no event shall the failure to notify the Issuer relieve it from any liability that the Issuer may have to an Indemnified Person otherwise than under this Section 8. If any such claim or action shall be brought against an Indemnified Person, and notifies the Issuer thereof, the Issuer shall be entitled to participate therein and, to the extent that the Issuer wishes, to assume the defense thereof with counsel reasonably satisfactory to the Indemnified Person. After notice from the Issuer to the Indemnified Person of the Issuer's election to assume the defense of such claim or action, the Issuer shall not be liable to the Indemnified Person under this Section 8 for any legal or other expenses subsequently incurred by the Indemnified Person in connection with the defense thereof other than reasonable costs of investigation. The Issuer shall not be liable for any settlement of any such action effected without the Issuer's written consent (which consent shall not be unreasonably withheld) but, if settled with the Issuer's written consent or if there is final judgment for the plaintiff in any such action, the Issuer agrees to indemnify and hold harmless any Indemnified Person from and against any loss or liability by reason of such settlement or judgment.

(c) In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in this Section 8 is for any reason unavailable or insufficient to hold harmless an Indemnified Person, other than as expressly provided above, the Issuer and the Placement Agent shall contribute to the aggregate costs of satisfying such liability (i) in such proportion as is appropriate to reflect the relative benefits received by the Issuer, on the one hand, and the Placement Agent, on the other hand, or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Issuer on the one hand and the Placement Agent on the other with respect to the statements or omissions which resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by the Issuer on the one hand and the Placement Agent on the other with respect to such offering shall be deemed to be in the same proportion as the aggregate proceeds to the Issuer of the Notes sold pursuant hereto (before deducting expenses) bear to the aggregate commissions and fees earned by the Placement Agent hereunder. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Issuer on the one hand or the Placement Agent on

the other, the intent of the parties, and their relative knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The Issuer and the Placement Agent agree that, it would not be just and equitable if contributions pursuant to this Section 8 were to be determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to herein. The amount paid or payable by an Indemnified Person as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this Section 8 shall be deemed to include, for purposes of this Section 8, but not be limited to, any fees and disbursement of internal and external counsel reasonably incurred by an Indemnified Person in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 8, the aggregate of all amounts paid by the Placement Agent pursuant to the foregoing shall not exceed the aggregate of such commissions and fees earned by the Placement Agent hereunder.

(d) The obligations of the Issuer in this Section 8 are in addition to any other liability that the Issuer may otherwise have.

(e) The provisions of this Section 8 shall survive the termination of this Agreement.

9. Choice of Forum.

The Issuer agrees that any suit, action or proceeding brought by the Issuer against the Placement Agent in connection with or arising out of this Agreement, any agreement, instrument or document entered into in connection with this Agreement, or the offer and sale of the Notes shall be brought solely in the Federal courts located in the Borough of Manhattan or the courts of the State of New York located in the Borough of Manhattan.

10. Notices.

All notices required under the terms and provisions hereof shall be in writing, delivered by hand, by mail (postage prepaid), or by telex, telecopier or telegram, and any such notice shall be effective when received at the address specified below.

If to the Issuer:

Harsco Corporation  
350 Poplar Church Road  
Camp Hill, PA 17011  
Attention: Director-Treasury  
Services  
Fax No.: 717-763-6424

If to the Placement Agent:

Salomon Smith Barney Inc.  
390 Greenwich Street, 4th Floor  
New York, New York 10013  
Attention: Money Markets Origination  
Fax No.: 212-723-8624

or, if to any of the foregoing parties or their successors, at such other address as such party or successor may designate from time to time by notice duly given in accordance with the terms of this Section 10 to the other party hereto.

11. Governing Law.

THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO ITS CONFLICT OF LAWS PROVISIONS.

12. Entire Agreement.

This Agreement constitutes the entire agreement between the parties hereto with respect to the matters covered hereby and supersedes all prior agreements and understandings between the parties.

13. Amendment and Termination: Successors: Counterparts.

(a) The terms of this Agreement shall not be waived, altered, modified, amended or supplemented in any manner whatsoever except by written instrument signed by both parties hereto. The Issuer or the Placement Agent may terminate this Agreement upon at least 30 days' written notice to the other, provided that such termination shall not affect the obligations of the parties hereunder with respect to Notes unpaid at the time of such termination or with respect to actions or events occurring prior to such termination.

(b) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that neither the Issuer nor the Placement Agent may assign, either in whole or in part, any of its rights or obligations under this Agreement without the prior written consent of the other party, and any such assignment without such consent shall be null and void, except that the Placement Agent may assign and transfer this Agreement to a successor in interest to the Placement Agent as a result of a merger of the Placement Agent with any of its affiliates, or the acquisition of the Placement Agent or Citigroup (c) This Agreement may be executed in several counterparts, each of which shall be deemed an original hereof.

14. Captions.

The captions in this Agreement are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

15. Severability of Provisions.

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be in effective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity of such provisions in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date and year first above written.

HARSCO CORPORATION

By: \_\_\_\_\_  
Name: Salvatore D. Fazzolari  
Title: Sr. Vice President, CFO & Treasurer

SALOMON SMITH BARNEY INC.

By: \_\_\_\_\_  
Name: James M. Hennessy  
Title: Director



## HARSCO CORPORATION

## 1995 EXECUTIVE INCENTIVE COMPENSATION PLAN

AUTHORIZATION, TERMS, AND CONDITIONS OF  
ANNUAL INCENTIVE AWARDS  
(AS AMENDED AND RESTATED JANUARY 1, 2001)

## 1. Purposes of Annual Incentive Awards

The grant of Annual Incentive Awards ("Awards") under the 1995 Executive Incentive Compensation Plan is intended to further the profitable growth of Harsco Corporation (the "Company") by offering a short-term incentive opportunity, in addition to base salary, to officers and key corporate and divisional employees of the Company and its subsidiaries who are largely responsible for such growth, to the benefit of the Company's stockholders. Such Awards are expected to encourage recipients to improve their performance and remain with the Company and its subsidiaries, and that the possibility of such awards will encourage other qualified persons to seek and accept employment with the Company and its subsidiaries.

## 2. Overview

This document (the "Authorization") sets forth the authorization, terms, and conditions of Awards under the Company's 1995 Executive Incentive Compensation Plan (the "1995 Plan"), as determined by the Management Development and Compensation Committee (the "Committee"). The terms of this Authorization are subject to, and qualified in their entirety by reference to, the 1995 Plan, including Section 6(h) of the 1995 Plan setting forth terms relating to Awards. If any terms of this Authorization are inconsistent with the terms of the 1995 Plan, the terms of the 1995 Plan shall control. Terms used in this Authorization but not otherwise defined herein shall have the meanings ascribed to such terms in the 1995 Plan.

## 3. Definitions

In addition to terms defined in Sections 1 and 2 hereof, the following terms shall be defined as set forth below:

- 3.1 Award Potential means the range of amounts, denominated in cash, that may be deemed to be earned upon achievement of Performance Objectives, as set forth in Section 4.1. The terms Maximum and Target Award Potential have the meanings set forth in Section 4.1, and the term Earned Award Potential has the meaning set forth in Section

- 5.1. Award Potentials are hypothetical amounts intended solely to provide a means of valuing Awards for purposes of settlement.
- 3.2 Base Salary means salary actually earned by a Participant during the Performance Year to which the Award relates (as distinct from the annual salary rate in effect at the end of such Performance Year). This amount excludes payments resulting from awards authorized under the Company's Annual and Long-Term Incentive Plans prior to 1995 and payments under the 1995 Plan, the Authorization, or Awards thereunder.
- 3.3 Cause means (i) the willful and continued failure by the Participant to perform substantially his or her duties with the Company or a subsidiary (other than such failure resulting from the Participant's incapacity due to physical or mental illness), or (ii) the willful engaging by the Participant in illegal conduct, or (iii) the willful engaging by the Participant in conduct in violation of any provision of the Code of Conduct or other published policies of the Company, or (iv) the willful engaging by the Participant in any act of serious dishonesty which adversely affects, or in the reasonable estimation of the Committee, could in the future adversely affect, the value, reliability or performance of the Participant to the Company. For purposes of this definition, no act, or failure to act, on the part of the Participant shall be considered "willful" unless done, or omitted to be done, by the Participant in bad faith and without reasonable belief that his or her action or omission was in, or not opposed to, the best interests of the Company.
- 3.4 Eligible Unit means the Company as a whole or any department, division, subsidiary, or other business unit or function of the Company for which separate operational results may be available to the Committee, as specified by the Committee.
- 3.5 Fair Market Value of Common Stock as of any given date means the average of the high and the low sale prices of a share of common stock reported in the table entitled "New York Stock Exchange Composite Transactions" contained in The Wall Street Journal (or an equivalent successor table) for such date or, if no such prices are reported for such date, on the most recent trading day prior to that date for which such prices were reported.
- 3.6 Normal Retirement means retirement at or after age 62 with at least 30 years of service, or at or after age 65.
- 3.7 Participant means an officer of the Company (including division officers).

- 3.8 Performance Objective means the business criteria and minimum, targeted, and maximum Performance Levels with respect to such business criteria required to be achieved during a Performance Year as conditions to the settlement of an Award, and other related terms, as set forth in Section 4.2.
- 3.9 Performance Level means a specified measure of achievement with respect to a business criteria, required in connection with a Performance Objective, as set forth in Section 4.2.
- 3.10 Performance Year means the fiscal year or other specified period during which the achievement of Performance Objectives with respect to a given Award shall be measured.
- 3.11 Restricted Stock means Restricted Stock granted in settlement of a specified portion of an Award, subject to the terms of the 1995 Plan and this Authorization. Common Stock issued or delivered as Restricted Stock may consist, in whole or in part, of authorized and unissued shares or treasury shares.
- 3.12 Restricted Period shall have the meaning set forth in Section 6.1 hereof.
- 3.13 Salary Level means the numbered category assigned to each Participant for purposes of determining annual salary rate under the Company's executive compensation program, as of the end of the Performance Year to which an Award relates.
- 3.14 Termination means a termination of employment immediately after which the Participant is not an employee of the Company or any subsidiary. Conversion from full-time or part-time employment or a leave of absence from employment, if approved by the Committee, shall not be deemed to be a Termination for purposes of this Authorization.

#### 4. Awards, Award Potentials, and Performance Objectives

The Committee may authorize Awards for a given Performance Year for eligible officers of the Company. The authorization of an Award for a Participant will confer upon such Participant a conditional right to receive cash upon achievement of Performance Objectives specified for the Participant. Each Award shall relate to a single Performance Year specified by the Committee.

- 4.1 Award Potential; Maximum and Target Award Potentials. The Award Potential for each Award shall range from zero to a maximum amount equal to the Participant's Base Salary multiplied by his or her Salary Level multiplied by 0.03(1), such maximum amount being designated the Maximum Award Potential. Within this range, the Award Potential equal to 67% of the Maximum Award Potential shall be designated as the Target Award Potential.
- 4.2 Performance Objectives. For each Award, the Committee shall specify Performance Objectives, which shall be set forth in one or more exhibits which may be from time to time appended to this Authorization. The Performance Objectives specified in a given exhibit may apply to one or more Participants, including groups of Participants working for an Eligible Unit. Each such exhibit shall set forth the following, in any format deemed appropriate by the Committee:
- (a) The Committee shall specify the business criteria for each Performance Objective, setting forth the nature of the performance to be measured. The Committee may limit the scope of any business criteria authorized under the 1995 Plan, and set forth in detail any terms relating to such business criteria as the Committee deems necessary or desirable to enable Performance Objectives to be unambiguous and subject to precise measurement.
  - (b) Because multiple Performance Objectives will be designated for each Award, the Committee shall specify the weighting to be given each Performance Objective. Such weighting will be expressed as a percentage, by which a Participant's Award Potential may be multiplied to determine the portion of the Award Potential that relates to a given Performance Objective.
  - (c) The Committee shall designate for each Performance Objective a Minimum, Target, and Maximum Performance Level. The Minimum Performance Level will represent the threshold level of performance required before any Award Potential will be deemed to be earned with respect to a given Performance Objective. The Target Performance Level will represent the level of performance required in order that the Target Award Potential will be deemed to be earned with respect to a given Performance Objective. The Maximum Performance Level will represent the level of performance required in order that the Maximum Award Potential

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(1) As approved by the Management Development and Compensation Committee on December 14, 2000.

will be deemed to be earned with respect to a given Performance Objective.

- (d) The Committee shall designate the Performance Year to which the Performance Objectives relate.

4.3 Guidelines for Establishing Performance Levels. In establishing Performance Levels, the Minimum Performance Level will represent less than desired performance, the Target Performance Level will represent superior, professional performance under existing circumstances rather than ordinary performance, and the Maximum Performance Level will represent distinguished performance expected to be achieved only rarely, e.g., something on the order of two out of ten times. Although the Target Award Potential represents 67% of the Maximum Award Potential, there is no requirement that Target Performance Levels bear any particular mathematical relationship to Maximum Performance Levels or Minimum Performance Levels.

4.4 Notification of Awards. The Company shall notify members of the class of eligible employees of their selection for participation, the authorization of Awards, and the applicable Performance Objectives as promptly as practicable. Such notification shall be accomplished in any reasonable manner, in the discretion of the Committee.

5. Settlement of Awards in Cash and Restricted Stock

5.1 Determination of Earned Award Potential and Limitation Thereof. As promptly as practicable following the end of each Performance Year, the Committee shall determine whether and the extent to which Performance Objectives and other material terms and conditions relating to each Participant's Award for such Performance Year have been achieved and satisfied, and shall determine the Award Potential, if any, deemed to be earned with respect to each such Award (the "Earned Award Potential"). In the event that a Participant's Earned Award Potential exceeds \$2,000,000, the Earned Award Potential for such Participant's Award shall be reduced to that amount.

5.2 Payment of Cash and Grant of Restricted Stock. At the time the Committee determines a Participant's Earned Award Potential under Section 5.1, each Participant shall become entitled, subject to Sections 5.3 and 5.4, to receive a payment in cash equal to his or her Earned Award Potential. Such cash payment shall be made as promptly as practicable after the determination by the Committee of the Participant's Earned Award Potential. Participants may request that the Committee pay his or her award 60% in cash and the balance in a

number of shares of common stock of the Company, equal to 40% of his or her Earned Award Potential divided by the Fair Market Value of common stock on the last trading day of the performance year. Upon approval by the Committee, the award shall be paid to the requesting Participant in that manner. Such common stock may consist in whole or in part, of authorized and unissued shares or treasury stock.

- 5.3 Committee Discretion. The Committee may, at any time prior to the payment under Section 5.2, adjust or modify Performance Objectives, Award Potentials, or other Award terms (1) in recognition of unusual or nonrecurring events affecting the Company or any Eligible Unit, or the financial statements or results thereof, or in response to changes in applicable laws (including tax, disclosure, and other laws), regulations, accounting principles, or other circumstances deemed relevant by the Committee, (2) in view of the Committee's assessment of the business strategy of the Company and Eligible Units thereof, performance of comparable organizations, economic and business conditions, personal performance of the Participant, and other circumstances deemed relevant by the Committee, or (3) with respect to any Participant whose position or duties with the Company or any subsidiary has changed; provided, however, that no such adjustment or modification may be made with respect to an Award granted to a "covered employee" within the meaning of Code Section 162(m) and regulations thereunder if and to the extent that such adjustment or modification would increase the amount of compensation payable to such covered employee upon achievement of the existing Performance Objectives. Examples of considerations which might influence the Committee in exercising its discretion hereunder include:
- (a) Achievement of a rate of return on stockholders' equity which was either significantly more or significantly less than the Committee's estimate of the Company's competitive cost of equity.
  - (b) The existence of compensation restraints at an Eligible Unit.
  - (c) A substantial change in the established strategic performance objectives during the period.
  - (d) A substantial change in the composition of an Eligible Unit during the period.
- 5.4 Settlement of Award In the Event of Termination. In the event of a Participant's Termination, such Participant (or his or her beneficiary) shall receive, in lieu of payment of all amounts specified in Section 5.2, settlement of such Participant's Award as provided in this Section 5.4.

In the event of a Participant's Termination by reason of Normal Retirement, death, or full and permanent disability (as determined by the Committee) prior to the end of a Performance Year to which an Award relates, the Participant's Earned Award Potential shall be 100% of the Earned Award Potential otherwise determined under Section 5.1. (However, the definition of "Base Salary" will have the effect of prorating the Participant's Earned Award Potential according to the salary actually earned during the year to the date of retirement.) In the event of a Participant's Termination for any reason other than an involuntary Termination for Cause after the end of a Performance Year to which an Award relates but prior to settlement of an Award relating to such Performance Year, the Participant's Earned Award Potential shall equal 100% of the Earned Award Potential otherwise determined under Section 5.1. In any case, the Participant's Earned Award Potential shall be determined by the Committee at such time as determinations are otherwise made under Section 5.1, and settlement of his or her Award shall be made as promptly as practicable thereafter.

Any settlement under this Section 5.4 shall be made in the form of a payment in cash equal to 100% of the Participant's Earned Award Potential (as adjusted under this Section 5.4).

In the event of a Participant's Termination (i) for any reason other than Normal Retirement, death, or full and permanent disability (as determined by the Committee) prior to the end of a Performance Year to which an Award relates or (ii) which is an involuntary Termination for Cause after the end of a Performance Year to which an Award relates but prior to the Committee's determination of the Participant's Earned Award Potential with respect to such Award, any Award of such Participant for which such Earned Award Potential has not previously been determined shall be forfeited.

- 5.5 Certification. Determinations by the Committee under this Section 5 shall be set forth in a written certification, which may include for this purpose approved minutes of a meeting of the Committee at which such determinations were made.

6. Restricted Stock

- 6.1 Effective January 6, 1999, all restrictions against transfer and forfeiture conditions applicable to the outstanding Restricted Stock shall terminate and all such shares which had not previously been forfeited shall become transferable and nonforfeitable. In addition, on such

date, the Company shall repurchase from the Participants all outstanding Restricted Stock with respect to which the Fair Market Value on January 6, 1999 is more than 10% below the Fair Market Value which was used at the time of grant to calculate the number of shares awarded ("Original Grant Value"). Such repurchases shall be paid for by the Company as soon as practicable in cash (subject to necessary withholding) at a price per share equal to the Original Grant Value. With respect to awards made in the form of a deferred right to receive common stock of the Company (United Kingdom Participants only), the Company shall issue common stock with respect to those awards which are not being purchased for cash, and with respect to the awards which the Company is repurchasing, the Company shall pay cash to the Participants in an amount per share equal to the Original Grant Value (subject to necessary withholding) in satisfaction of its obligation to deliver those shares.

- 6.2 Delivery of Stock Certificates Upon Termination of Restricted Period. Following termination of the Restricted Period applicable to Restricted Stock, the Company shall upon Participant's request, promptly cause to be delivered to the Participant one or more certificates representing the shares granted as such Restricted Stock (which shares shall no longer be deemed to be Restricted Stock), with any legends no longer applicable to such shares removed from such certificate(s).

## 7. Tax Withholding

- 7.1 Upon the termination of the Restricted Period applicable to Restricted Stock, the Company will withhold from such Restricted Stock, whole shares of Common Stock which shall be sufficient in value to satisfy all or a portion of such tax withholding obligations.
- 7.2 Shares withheld or surrendered under this Section 7 shall be valued at their Fair Market Value on January 6, 1999. The Committee may, in its discretion, impose restrictions on any share withholding and surrender under this Section 7, including restrictions on Participants subject to Section 16 of the Exchange Act, in order to ensure that the grant of a right to elect such share withholding and provide the opportunity to such Participants to avail themselves of an exemption for the actual withholding or surrender of shares from short-swing profits liability under the Exchange Act.

## 8. Administration

Administrative details relating to Awards shall be handled by the Administrator, which shall be one or more individuals, employed in the Company's corporate office, designated by the Chief Executive Officer of the Company to serve in such capacity.



ANNUAL INCENTIVE AWARDS AUTHORIZED  
FOR 1995

The following sets forth the name of eligible officers for whom Annual Incentive Awards are authorized for the 1995 Performance Year. Opposite the name of each Participant is the Exhibit setting forth the Performance Objectives applicable to such Participant.

Name	Exhibit Setting Forth Performance Objective
-----	Exhibit 1995-II
-----	Exhibit 1995-III
-----	Exhibit 1995-III
-----	Exhibit 1995-IV
-----	Exhibit 1995-IV
-----	Exhibit 1995-IV
-----	Exhibit 1995-V

PERFORMANCE OBJECTIVES FOR 1995  
ANNUAL INCENTIVE AWARDS

[NAME OF ELIGIBLE UNIT:]

		Performance Level		
		-----		
Weight	Business Criteria	Minimum	Target	Maximum
Notes				

## HARSCO CORPORATION

DEFERRED COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS  
(AS AMENDED AND RESTATED JUNE 27, 2000)

Harsco Corporation (the "Corporation") hereby adopts this Deferred Compensation Plan for Non-Employee Directors (the "Plan") pursuant to which eligible members of its Board of Directors may elect to defer receipt of all or any portion of the compensation payable to them for services rendered to the Corporation as Directors.

1. Eligible Directors. The Directors of the Corporation eligible to make deferral elections under this Plan shall be those Directors who are not actively employed officers or employees of the Corporation or of any of its subsidiaries or affiliates (hereinafter referred to individually as a "Non-Employee Director" and collectively as the "Non-Employee Directors").

2. Deferrable Compensation. A Non-Employee Director may elect to defer receipt of all, any part or none of the aggregate compensation payable by the Corporation for services rendered as a Director, including the annual base retainer, Committee Chairman annual retainer increment, attendance fees for board and committee meetings, and other fees for special services (in the aggregate, the "Director's Fees").

3. Election to Defer. A Non-Employee Director who desires to defer receipt of all or a portion of his Director's Fees in any calendar year shall so notify the Corporation's Pension Committee in writing on or before December 31 of the prior calendar year, specifying on a form supplied by the Committee (a) the dollar amount or percentage of the Director's Fees to be deferred, (b) the deferral period, (c) the form of payment, and (d) the notional investment direction. Elections to take effect with respect to the initial year of this Plan may be made by Non-Employee Directors until the first regularly scheduled Board of Directors meeting in 1995. A newly-appointed Non-Employee Director shall be eligible to defer payment of future Director's Fees by so

notifying the Pension Committee on the appropriate form at any time within 30 days of his appointment to the Board of Directors. The elections made pursuant to this Paragraph shall be irrevocable with respect to those Director's Fees to which such elections pertain and shall also apply to Director's Fees payable in subsequent calendar years unless the Non-Employee Director notifies the Pension Committee in writing, on or before December 31, that different elections shall apply with respect to Director's Fees payable during the immediately following calendar year. Such new elections shall likewise continue in effect and apply to subsequent calendar years until similarly changed.

4. Non-Deferred Compensation. Any Director's Fees not deferred under this Plan shall be paid in accordance with normal Corporation policy.

5. Deferred Compensation Accounts and Notional Investment Directions.

(a) Accounts: At the time a Non-Employee Director elects to defer the receipt of compensation pursuant to Paragraph 3 above, he shall also direct the amount of the deferral to be notionally invested in an Interest-Bearing Account and the amount to be notionally invested in a Harsco Stock Account. Pursuant to such investment direction, the deferral amounts shall be credited to the appropriate accounts as set forth below:

(i) Interest-Bearing Account: To the extent that a Non-Employee Director elects a notional investment in an Interest-Bearing Account, the Corporation shall, on the business day the Director's Fees would have been paid absent the deferral election, credit an Interest-Bearing Account established in his name with the amount of the deferred Director's Fees to be so invested.

(ii) Harsco Stock Account: To the extent that a Non-Employee Director elects a notional investment in a Harsco Stock Account, the Corporation shall, on the business day the Director's Fees would have been paid absent the deferral

election, credit a Harsco Stock Account established in his name with units (including fractions), the number of which shall be obtained by dividing the amount of the deferred Director's Fees to be so invested by the Fair Market Value of the Corporation's common stock. These units, thus calculated, are hereinafter referred to as "Stock Equivalents." For purposes of the Plan, Fair Market Value of a share of the Corporation's common stock on any date shall be equal to the mean between the high and low prices at which such shares were traded on the New York Stock Exchange ("NYSE") on such date, or, if no sales were quoted on such date, on the most recent preceding date on which sales were quoted. In the event of any change in the common stock of the Corporation by reason of any stock dividend, recapitalization, reorganization, merger, consolidation, split-up, combination or exchange of shares, or a rights offering to purchase common stock at a price substantially below Fair Market Value, or of any similar change affecting the common stock, the value and attributes of each Stock Equivalent shall be appropriately adjusted consistent with such change to the same extent as if such Stock Equivalents were issued and outstanding shares of common stock of the Corporation.

(b) Earnings: The Corporation shall credit earnings to each account as follows:

(i) Interest-Bearing Account: As of the last day of each calendar month, the Corporation shall credit as earnings to each Interest-Bearing Account established on behalf of a Non-Employee Director an amount equal to the Five Year U.S. Treasury Note Percentage Rate multiplied by the average daily balance in such Interest-Bearing Account during such calendar month. Such Five Year U.S. Treasury Note Percentage Rate shall be equal to one twelfth (1/12) of the yield on U.S. Treasury Notes having a maturity date five (5) years hence as listed in The Wall Street Journal or any successor publication, as of market closing on the first day of the calendar quarter which includes that month.

(ii) Harsco Stock Account: As of each quarterly dividend payment date, the Corporation shall credit as earnings to each Harsco Stock Account an amount equal

to the cash dividends payable on such date with respect to that number of shares (including fractional shares) of its common stock equal to the number of Stock Equivalents credited to the Harsco Stock Account on the relevant dividend record date. The amount so credited shall then be converted into additional Stock Equivalents in the manner described earlier using the dividend payment date as the valuation date.

6. Deferral Period. At the time a Non-Employee Director elects to defer the receipt of compensation pursuant to Paragraph 3 above, he shall indicate the deferral period applicable to such deferred compensation by specifying the year (the "Payment Year") in which the deferred amounts are to be paid in a lump sum or in which installment payments shall commence; provided, however, that in no event shall the Payment Year be later than the year following the year in which the Non-Employee Director will attain age 72.

7. Form of Payment of Deferred Compensation. Initial payments made under the Plan shall be based upon the aggregate balance in a Non-Employee Director's account(s) determined on the first business day of the Payment Year. The balance in the Non-Employee Director's Interest-Bearing Account shall be the dollar amount credited to such account as of the first business day of the Payment Year. The balance in the Non-Employee Director's Stock Account shall be the dollar amount determined by multiplying the Stock Equivalents credited to such account on the first business day of the Payment Year by the Fair Market Value of a share of common stock of the Corporation on such date. The aggregate balance as thus determined shall be paid to him in cash either in a lump sum within 30 days following the first business day of the Payment Year or in up to ten (10) annual installments commencing with the Payment Year as specified in the election to defer made pursuant to Paragraph 3 above. If an election to receive installment payments is made, the Non-Employee Director shall receive the first installment within 30 days following the first business day of the Payment Year in an amount equal to the aggregate balance in his account(s) divided by the number of years in the installment payment period. Subsequent installments shall be computed and paid in similar fashion; provided, however, that

pending distributions in the second through final years of the installment payment period, the aggregate balance in the Non-Employee Director's account(s) shall be deemed to be invested in an Interest-Bearing Account and in a Harsco Stock Account, as applicable, in the same proportion as deferred amounts under the Plan were notionally invested on the first business day of the Payment Year, and increased by earnings accordingly. Exhibit A attached hereto presents an example illustrating how such a calculation is made.

8. Early Withdrawal.

(a) In the event of an "Early Withdrawal", all or part of the amounts credited to the account(s) of a Non-Employee Director under the Plan, net of the forfeited amount described in (c) below, shall be payable to the Non-Employee Director in a single lump sum notwithstanding the deferral period and form of payment specified pursuant to Paragraph 3 above.

(b) For purposes of the Plan, an "Early Withdrawal" shall have occurred if:

(i) Written Notice: A Non-Employee Director notifies the Corporation's Pension committee in writing at least 30 days in advance of the proposed withdrawal date that he wishes to make an Early Withdrawal.

(ii) Designation of Amounts: The notice described in (a) above shall be made on a form supplied by the Pension Committee which shall require, at minimum, that the Non-Employee Director specify the amount of the withdrawal (subject to the limitations in (iii) below) and whether the full amount of the withdrawal is to be taken from the Non-Employee Director's Interest-Bearing Account or Harsco Stock Account or apportioned between them.

(iii) Minimum Amount: The amount to be withdrawn shall equal at least fifty-percent (50%) of the aggregate balance of the Non-Employee Director's

account(s) determined as of the first business day of the calendar month immediately preceding the calendar month of the withdrawal date. Such minimum amount shall be determined without regard to the forfeited amount described in (c) below.

(c) In the event of an Early Withdrawal, the Non-Employee Director shall forfeit from the amount withdrawn an amount equal to ten-percent (10%) of the amount withdrawn. The Non-Employee Director and the Non-Employee Director's designated beneficiary shall not have any right or claim to the forfeited amount, and the Corporation shall have no obligation whatsoever to the Non-Employee Director, the Non-Employee Director's designated beneficiary or any other person with regard to the forfeited amount.

(d) If a Non-Employee Director seeks to make an Early Withdrawal at a time when the Non-Employee Director is subject to Section 16 of the Securities Exchange Act ("Exchange Act"), the Non-Employee Director shall be responsible for determining whether such Early Withdrawal may be considered a nonexempt sale under Section 16 of the Exchange Act and shall be subject to any liability which may result therefrom.

9. Change in Control.

(a) In the event of a "Change in Control" of the Corporation followed by a Non-Employee Director's cessation of service to the Corporation as a Director, all amounts credited to the account(s) of the Non-Employee Director under the Plan shall be immediately due and payable to the Non-Employee Director in a single lump sum notwithstanding the deferral period and form of payment specified pursuant to Paragraph 3 above.

(b) For purposes of this Plan, a "Change in Control" shall have occurred if:



(i) Stock Acquisition. Any "person" (as such term is used in Section 13(d) and 14(d) (2) of the Exchange Act), other than the Corporation or a corporation a majority of whose outstanding stock entitled to vote is owned, directly or indirectly, by the Corporation, is or becomes, other than by purchase from the Corporation or such a corporation, the "beneficial owner" (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing 20% or more of the combined voting power of the Corporation's then outstanding voting securities. Such a Change in Control shall be deemed to have occurred on the first to occur of the business day immediately preceding the date securities are first purchased by a tender or exchange offer, or the date on which the Corporation first learns of the acquisition of 20% of such securities, or the earlier of the business day immediately preceding the effective date of an agreement for the merger, consolidation or other reorganization of the Corporation or the date of approval thereof by the stockholder of the Corporation, as the case may be.

(ii) Change in Board. During any period of two consecutive years, individuals who at the beginning of such period were members of the Board of Directors, and any new director whose election by the Board or nomination for election by the Corporation's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board of Directors. Such a Change in Control shall be deemed to have occurred on the date upon which the requisite majority of directors fails to be elected by the stockholders of the Corporation.

(iii) Other Events. There occurs a change in control of the Corporation of a nature that would be required to be reported as such in response to Item 1(a) of the Current Report on Form 8-K pursuant to Section 13 of 15(d) of the Exchange Act, or any successor provision to such Item relating to a "change in control," or in any other filings under the Exchange Act.

10. Designation of Beneficiary. If a Non-Employee Director dies prior to receiving the entire balance of his account(s) under the Plan, any balance remaining in his account(s) shall be paid in a lump sum as soon as practicable to the Non-Employee Director's designated beneficiary or, if the Non-Employee Director has not designated a beneficiary or the designated beneficiary is dead, then to his estate. Any designation of a beneficiary may be revoked or modified at any time by the Non-Employee Director, except that no designation shall be recognized as valid unless properly filed with the Pension Committee during the lifetime of the Non-Employee Director while he is legally competent.

11. Withholding of Taxes. The rights of a Non-Employee Director to payments or credits under this Plan shall be subject to the Corporation's obligations, if any, to withhold income or other taxes from such payments.

12. Status of Plan. This Plan is a nonqualified deferred compensation plan covering no employees of the Corporation. As such, the Plan is exempt from the requirements of the Employee Retirement Income Security Act of 1974, as amended. The Corporation intends that the Plan shall at all times be maintained on an unfunded basis for federal income tax purposes. Hence, all payments from this Plan shall be made from the general assets of the Corporation. This Plan shall not require the Corporation to set aside, segregate, earmark, pay into a trust or special account or otherwise restrict the use of its assets in the operation of its business. A Non-Employee Director (or, if applicable, his designated beneficiary) shall have no greater right or status than as an unsecured general creditor of the Corporation with respect to any amounts owed hereunder.

13. Rights Nonassignable. All payments to persons entitled to benefits hereunder shall be made to such persons and shall not be grantable, transferable or otherwise assignable in anticipation of payment thereof, in whole or in part, by the voluntary or involuntary acts of any such persons or by operation of law subject to

garnishment, execution, attachment or any other similar legal process of creditors of such persons.

14. Administration. Full power and authority to construe, interpret and administer this Plan shall be vested in the Corporation's Pension Committee. The Pension Committee shall have full power and authority to make each determination provided for in this Plan. All determinations made by the Pension Committee shall be conclusive and binding upon the Company and any other party claiming rights hereunder.

15. Termination. The Board of Directors may, in its discretion, terminate this Plan at any time. Upon termination of the Plan, benefits shall be paid in accordance with the deferral elections made by the Non-Employee Director; provided, however, that the Pension Committee shall have the right to determine the total amount payable to each Non-Employee Director (or, if applicable, his beneficiary) and to cause the amount so determined to be paid in lump sum, thereby discharging the Corporation from any further liability or obligation under this Plan.

16. Amendment. The Board of Directors may, in its discretion, amend this Plan from time to time. In addition, the Pension Committee may from time to time amend this Plan to make such administrative changes as it may deem necessary or desirable. No such amendment shall divest any Non-Employee Director (or person claiming through him) of any rights to amounts previously credited to his accounts hereunder.

17. Incompetency. If a person to receive payment hereunder is deemed by the Pension Committee or is adjusted to be legally incompetent, the payments shall be made to the duly appointed guardian of such incompetent, or they may be made to such person or persons who the Pension Committee believes are caring for or supporting such incompetent; and the receipt thereof by such person or persons shall constitute complete satisfaction of the Company's obligations under this Plan.

18. Expenses. The expenses of administering this Plan shall be borne by the Corporation.

19. Gender. The masculine pronoun shall be deemed to include the feminine, and the singular to include the plural, unless a different meaning is plainly required by context.

20. Governing Law. This Plan shall be construed, administered and enforced according to the laws of the Commonwealth of Pennsylvania.

21. Effective Date. The effective date of this Plan is January 1, 1995 and shall apply with respect to the Director's Fees payable by the Corporation in respect of services performed on or after such date.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 2001.

ATTEST:

HARSCO CORPORATION

-----  
Paul C. Coppock  
Senior Vice President, Chief Administrative  
Officer, General Counsel and Secretary

-----  
Derek C. Hathaway  
Chairman, President and  
Chief Executive Officer

Deferred Compensation Plan  
for Non-Employee Directors

Example

This example, prepared for illustrative purposes only, describes the operation of the installment payout option set forth in Paragraph 7 of the Plan.

Director Green, age 62, elects to defer all of his Director Fees until the year following the year he attains age 72. During his service as a Director, Green directs 60% of his Fees to be invested in the Harsco Stock Account (HSA) and 40% to be invested in the Interest-Bearing Account (IBA). Pursuant to Green's prior direction, his accounts are to be paid out in three annual installments. If Green attains age 72 in 2004 his installment should be calculated and paid as follows:

1st Installment

- When paid - Within 30 days of the first business day (assume January 2) in 2005.

- How much - First installment equals one-third of the aggregate dollar value of Green's accounts as of January 2, 2005. Assume Green's HSA on January 2, 2005 is credited with 1,000 Stock Equivalents and the FMV of a share of Harsco common stock on such date is \$60, thus giving his HSA a value of \$60,000. Assume further, that as of January 2, 2005, Green's IBA is credited with \$30,000 (representing his prior deferrals plus interest). Accordingly, Green's first installment should equal \$30,000 (\$90,000 aggregate account balance value divided by 3).

- Balance in Account after 1st Installment - In order to continue the 60/40 proportionality going forward, the \$60,000 in remaining value under the Plan should result in the HSA holding 60% of that value and the IBA holding the remaining 40%. Thus, as of January 2, 2005, the HSA is debited 333.33 shares leaving 666.66 shares (which at \$60 FMV equal \$40,000) and the IBA is debited \$10,000, thus leaving \$20,000.

2nd Installment

- When paid - Within 30 days of January 2, 2006.

- How much - Second installment equals one-half of the aggregate dollar value of Green's accounts as of January 2, 2006. Assume that as of this date, Green's HSA was credited with 700 Stock Equivalents (666.66 from prior year plus 33.34 new units attributable to dividends in the interim) and that the FMV of a share of Harsco stock on that date was \$62. Thus, Green's HSA would be worth \$43,400 at

January 2, 2006. Assume further that Green's IBA was worth \$21,000 (\$20,000 from prior year plus interim interest of \$1,000). Green's second installment would thus equal \$32,200 (\$43,400 + \$21,000 + 2).

- Balance is Accounts after 2nd Installment - The same methodology would be used again to retain the 60/40 proportionality. As of January 2, 2006, the combined value of HSA and the IBA was worth \$64,400, and after the payout of half this amount, the combined value was \$32,200. This means that the HSA would have 60% of the total value (or \$19,320) and the IBA should have 40% (or \$12,880). Thus, the HSA should be debited 38.39 shares (representing \$24,080 or  $3888.39 \times \$62$  FMV/share) leaving 311.61 shares (or \$19,320 in value). The IBA should be debited \$8,120, leaving \$12,880.

#### 3rd and Last Installment

- When paid - Within 30 days of January 2, 2007.

- How much - Calculate value of both HSA and IBA as of January 2, 2007 (as described above) and pay out total.

## Computation of Ratios of Earnings to Fixed Charges

(In Thousands of Dollars)

	YEARS ENDED DECEMBER 31				
	2000	1999	1998	1997	1996
Pre-tax income from continuing operations (net of minority interest in net income)	\$ 143,608	\$ 142,312	\$ 174,874	\$ 165,613	\$ 145,984
Add fixed charges computed below	64,670	37,418	28,417	24,263	26,181
Net adjustments for equity companies	3,749	365	139	(694)	(181)
Net adjustments for capitalized interest	125	(535)	(10)	--	--
Consolidated Earnings Available for Fixed Charges	<u>\$ 212,152</u>	<u>\$ 179,560</u>	<u>\$ 203,420</u>	<u>\$ 189,182</u>	<u>\$ 171,984</u>
Consolidated Fixed Charges:					
Interest expense per financial statements (1)	\$ 50,104	\$ 26,968	\$ 20,504	\$ 16,741	\$ 21,483
Interest expense capitalized	2	893	128	128	131
Portion of rentals (1/3) representing an interest factor	14,564	9,557	7,785	7,394	4,567
Interest expense for equity companies whose debt is guaranteed (2)	--	--	--	--	--
Consolidated Fixed Charges	<u>\$ 64,670</u>	<u>\$ 37,418</u>	<u>\$ 28,417</u>	<u>\$ 24,263</u>	<u>\$ 26,181</u>
Consolidated Ratio of Earnings to Fixed Charges	<u>3.28</u>	<u>4.80</u>	<u>7.16</u>	<u>7.80</u>	<u>6.57</u>

(1) Includes amortization of debt discount and expense.

(2) No fixed charges were associated with debt of less than fifty percent owned companies guaranteed by the Company during the five year period 1996 through 2000.

## Subsidiaries of the Registrant

Name - - - - -	Country of Incorporation -----	Ownership Percentage -----
Heckett MultiServ S.A.I.C.	Argentina	100%
MetServ Holdings Pty. Limited	Australia	55%
MetServ Australasia Pty. Ltd.	Australia	70%
MetServ Victoria Pty. Ltd.	Australia	70%
MetServ Pty. Ltd.	Australia	55%
Harsco (Australia) Pty. Limited	Australia	100%
Harsco Track Technologies Pty. Ltd.	Australia	100%
Taylor-Wharton (Australia) Pty. Limited	Australia	100%
Heckett MultiServ (Australia) Pty. Ltd.	Australia	100%
AluServ Middle East W.L.L.	Bahrain	65%
Heckett MultiServ S.A.	Belgium	100%
Heckett MultiServ Russia S.A.	Belgium	100%
Loyquip Holdings S.A.	Belgium	100%
Societe D'Etudes et D'Administration des Entreprises S.A.	Belgium	100%
SGB Belgium Sarl	Belgium	100%
Fortuna Insurance Limited	Bermuda	100%
Harsco (Bermuda) Limited	Bermuda	100%
Sobremetal - Recuperacao de Metais Ltda.	Brazil	100%
Heckett MultiServ Limitada	Brazil	100%
Harsco Canada Limited	Canada	100%
Guernsey Plant Hire Ltd.	Channel Islands-Guernsey	100%
SGB (Channel Islands) Ltd.	Channel Islands-Jersey	100%
SGB Gulf Ltd.	Channel Islands-Jersey	100%
Heckett MultiServ S.A.	Chile	100%
Jiangxi Huanyou Resources Development Company Limited	China	55%
MultiServ Wuhan Co. Ltd.	China	100%
MultiServ Jiangxi Co. Ltd.	China	100%
Taylor-Wharton (Beijing) Cryogenic Equipment Co. Ltd.	China	51%
MultiServ spol. s.r.o.	Czech Republic	100%
Czech Slag - Nova Hut s.r.o.	Czech Republic	65%
Czech Slag Consulting s.r.o.	Czech Republic	100%
Czech Slag s.r.o.	Czech Republic	100%
Slag Reduction Vitkovice s.r.o.	Czech Republic	100%
SGB Cz a.s.	Czech Republic	100%
Witca SGB Stillads ApS	Denmark	100%
Alt Til Alt Undlejning A/S	Denmark	100%
Heckett MultiServ Bahna S.A.E.	Egypt	65%
Heckett Bahna Co. For Industrial Operations S.A.E.	Egypt	65%
Bergslagens Suomi Oy	Finland	100%
Heckett MultiServ France S.A.	France	100%



## HARSCO CORPORATION

## Subsidiaries of the Registrant

Name -----	Country of Incorporation -----	Ownership Percentage -----
Floyequip S.A.	France	100%
PyroServ	France	100%
Heckett MultiServ S.A.S.	France	100%
Heckett MultiServ Sud S.A.	France	100%
Heckett MultiServ Industries S.A.S.	France	100%
Heckett MultiServ Logistique et Services Specialises S.A.S.	France	100%
SGB France S.A.S.	France	100%
SCI Fetan S.A.	France	100%
SCI Branchy S.A.	France	100%
SGB S.A.S.	France	100%
Carbofer International GmbH	Germany	100%
MultiServ GmbH	Germany	100%
Harsco GmbH	Germany	100%
SGB Geruste Und Baugerate GmbH	Germany	100%
SGB Asia Pacific Ltd.	Hong Kong	100%
Pt Esgebe Bracindo Jaya	Indonesia	100%
IMS Servizi SpA	Italy	100%
MultiServ Srl	Italy	100%
IIServ Srl	Italy	65%
Luxequip Holding S.A.	Luxembourg	100%
Heckett MultiServ S.A.	Luxembourg	100%
Societe Luxembourgeoise D'Interim S.A.	Luxembourg	100%
Heckett MultiServ Kemaman Sdn. Bhd.	Malaysia	100%
Taylor-Wharon Gas Equipment Sdn. Bhd.	Malaysia	100%
Taylor-Wharton Asia (M) Sdn. Bhd.	Malaysia	100%
SGB Asia Pacific (M) Sdn Bhd.	Malaysia	100%
Irving, S.A. de C.V.	Mexico	100%
Heckett Mexicana, S.A. de C.V.	Mexico	100%
Andamios Patentados, S.A. de C.V.	Mexico	100%
Electroforjados Nacionales, S.A. de C.V.	Mexico	100%
Heckett MultiServ International B.V.	Netherlands	100%
Heckett MultiServ Finance B.V.	Netherlands	100%
Heckett MultiServ China B.V.	Netherlands	100%
Heckett MultiServ Far East B.V.	Netherlands	100%
Harsco Europa B.V.	Netherlands	100%
Heckett MultiServ (Holland) B.V.	Netherlands	100%
Slag Reductie (Pacific) B.V.	Netherlands	100%
Slag Reductie Nederland B.V.	Netherlands	100%
SGB North Europe B.V.	Netherlands	100%
Stalen Steigers Holland B.V.	Netherlands	100%

HARSCO CORPORATION  
Subsidiaries of the Registrant

Name	Country of Incorporation	Ownership Percentage
- - - - -	- - - - -	- - - - -
SGB Holland B.V.	Netherlands	100%
SGB Industrial Services B.V.	Netherlands	100%
SGB Events B.V.	Netherlands	100%
Harsco Finance B.V.	Netherlands	100%
Heckett MultiServ A.S.	Norway	100%
Slag Reduction Polska SP Z.0.0.	Poland	100%
Companhia de Tratamento de Sucatas, Limitada	Portugal	100%
Trenci-Engenharia Tecnicas Racuionalizadas de Construcao Civil Lda.	Portugal	100%
Heckett MultiServ Saudi Arabia Limited	Saudi Arabia	55%
SGB Asia Pacific (S) Pte. Ltd.	Singapore	100%
SGB Slovensko s.r.o.	Slovak Republic	100%
MultiServ Slovensko spol. s.r.o.	Slovak Republic	100%
Heckett MultiServ (FS) (Pty.) Limited	South Africa	100%
SteelServ (Pty.) Ltd.	South Africa	100%
Heckett MultiServ (Pty.) Limited	South Africa	100%
S.R.V. Mill Services (Pty.) Ltd.	South Africa	100%
Heckett MultiServ (SR) (Pty.) Ltd.	South Africa	100%
SRH Pty. Ltd.	South Africa	100%
Ihlanga Steelphalt	South Africa	51%
MultiServ Lycrete S.A.	Spain	100%
Serviequipo S.A.	Spain	100%
MultiServ Intermetal S.A.	Spain	100%
MultiServ Iberica S.A.	Spain	100%
Heckett MultiServ Reclamet, S.A.	Spain	100%
Gestion Materias Ferricas, S.A.	Spain	100%
Heckett MultiServ Nordiska A.B.	Sweden	100%
SGB Stallningar A.B.	Sweden	100%
Heckett MultiServ (Sweden) A.B.	Sweden	100%
Montanus Industrieforvaltning A.B.	Sweden	100%
Bergslagens Stalservice A.B.	Sweden	100%
Heckett MultiServ (Thailand) Company Limited	Thailand	70%
Heckett MultiServ Investment Limited	U.K.	100%
Heckett MultiServ plc	U.K.	100%
Heckett MultiServ (UK) Ltd.	U.K.	100%
MultiServ Overseas Ltd.	U.K.	100%
Quipco Ltd.	U.K.	100%
Harsco (U.K.) Ltd.	U.K.	100%
Heckett International Services Limited	U.K.	100%
Heckett Limited	U.K.	100%

HARSCO CORPORATION  
Subsidiaries of the Registrant

Name -----	Country of Incorporation -----	Ownership Percentage -----
Faber Prest (Australia) Limited	U.K.	100%
Faber Prest (Overseas) Limited	U.K.	100%
Faber Prest (Pacific) Limited	U.K.	100%
Faber Prest Distribution Limited	U.K.	100%
Faber Prest Limited	U.K.	100%
Heckett MultiServ (A.S.R.) Ltd.	U.K.	100%
Heckett MultiServ (Sheffield) Ltd.	U.K.	100%
Heckett MultiServ (S.R.) Ltd.	U.K.	100%
Otis Transport Services Limited	U.K.	100%
Slag Reduction Overseas Limited	U.K.	100%
Faber Prest (US) Ltd.	U.K.	100%
SGB Group Ltd.	U.K.	100%
SGB Services Ltd.	U.K.	100%
SGB Holdings Ltd.	U.K.	100%
SGB Investments Ltd.	U.K.	100%
Harsco Investment Ltd.	U.K.	100%
Harsco Track Technologies Ltd.	U.K.	100%
Harsco Foreign Sales Corporation	U.S. Virgin Islands	100%
Bio-Oxidation Services Inc.	U.S.A.	100%
Heckett MultiServ U.S. Corporation	U.S.A.	100%
Heckett MultiServ Inc.	U.S.A.	100%
Heckett MultiServ Operations Ltd.	U.S.A.	100%
Heckett MultiServ General Corp.	U.S.A.	100%
Heckett MultiServ Intermetal Inc.	U.S.A.	100%
Heckett Technology Services Inc.	U.S.A.	100%
Harsco Defense Holding, Inc.	U.S.A.	100%
Harsco Minnesota Corporation	U.S.A.	100%
Harsco UDLP Corporation	U.S.A.	100%
Heckett MultiServ Investment Corporation	U.S.A.	100%
T.J. Egan and Company Inc.	U.S.A.	100%
Faber Prest (U.S.), Inc.	U.S.A.	100%
Harsco Technologies Corporation	U.S.A.	100%
Bio-Oxidation, Inc.	U.S.A.	100%
SRA Mill Services, Inc.	U.S.A.	100%
SGB Holdings Inc.	U.S.A.	100%
SGB Construction Services, Inc.	U.S.A.	100%
Heckett MultiServ M.V. & M.S., C.A.	Venezuela	100%

Companies in which Harsco Corporation does not have majority ownership are not consolidated. These companies are listed below as unconsolidated entities

Name -----	Incorporation/ Organization -----	Country of Ownership Percentage -----
Steelstone Holdings (Pty.) Ltd.	Australia	50%
Steelstone Pty. Limited	Australia	50%
Phooltas Tamper Private Limited	India	40%
Ferro Scrap Nigam Ltd.	India	40%
p.t. Purna Baja Heckett	Indonesia	40%
IKG-Salcon Sdn. Bhd.	Malaysia	50%
The Slag Reduction Company (New Zealand) Limited	New Zealand	50%
SGB Al Darwish United WLL	Qatar	49%
Salamis / SGB Limited	Scotland	50%
Auxihech	Spain	50%
SGB Hertel Limited	U.K.	50%
S3Networks, LLC	U.S.A.	49%
Quebeisi SGB Ltd.	United Arab Emirates	49%

## CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the following Registration Statements of Harsco Corporation and Subsidiary Companies (the "Company") of our reports, dated January 30, 2001, relating to of the consolidated financial statements and financial statement schedule, appear in this Form 10-K:

- - Post Effective Amendment No. 6 to Form S-8 Registration Statement (Registration No. 2-57876), effective May 21, 1982.
- - Post Effective Amendment No. 2 to Form S-8 Registration Statement (Registration No. 33-5300), dated March 26, 1987.
- - Form S-8 Registration Statement (Registration No. 33-14064), dated May 6, 1987.
- - Amendment No. 2 to Form S-8 Registration Statement (Registration No. 33-24854), dated October 31, 1988.
- - Form S-3 Registration Statement (Registration No. 33-56885), dated December 15, 1994.
- - Form S-8 Registration Statement (Registration No. 333-13175), dated October 1, 1996.
- - Form S-8 Registration Statement (Registration No. 333-13173), dated October 1, 1996.

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania  
March 19, 2001