UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2000

OR

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

Commission File Number 1-3970

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

Delaware	23-1483991
(State of incorporation)	(I.R.S. Employer Identification No.)
Camp Hill, Pennsylvania	17001-8888
(Address of principal executive offices)	(Zip Code)
Registrant's Telephone Number	(717) 763-7064

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 /X/ NO / /

Title of Each Class	Outstanding Shares at July 31, 2000
Common Stock Par Value $1.25	39,972,150
Preferred Stock Purchase Rights	39,972,150

HARSCO CORPORATION AND SUBSIDIARY COMPANIES
PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	Three Months Ended June 30 2000	Three Months Ended June 30 1999	Six Months Ended June 30 2000	Six Months Ended June 30 1999
REVENUES:				
Service sales	$ 255,854	$ 217,776	$ 486,713	$ 417,997
Product sales	201,184	212,902	419,460	417,312
Other	236	147	439	258
TOTAL REVENUES	457,274	430,825	906,612	835,567
COSTS AND EXPENSES:				
Cost of services sold	189,979	167,947	368,683	323,242
Cost of products sold	157,571	165,226	333,367	328,691
Selling, general, and administrative expenses	56,265	51,022	110,059	103,817
Research and development expenses	1,441	1,478	3,088	3,128
Other expense (income)	(650)	1,309	(276)	2,721
TOTAL COSTS AND EXPENSES	404,606	386,982	814,921	761,599
OPERATING INCOME	52,668	43,843	91,691	73,968
Equity in income (loss) of affiliates, net (1)	(588)	610	(438)	960
Interest income	1,262	1,147	2,450	2,236
Interest expense	(8,727)	(6,865)	(16,217)	(13,078)
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	44,615	38,735	77,486	64,086
Provision for income taxes	15,615	13,818	27,120	23,071
INCOME BEFORE MINORITY INTEREST	29,000	24,917	50,366	41,015
Minority interest in net income	769	1,094	1,933	2,393
NET INCOME	$ 28,231	$ 23,823	$ 48,433	$ 38,622
Average shares of common stock outstanding	39,964	41,125	39,989	41,376
BASIC EARNINGS PER COMMON SHARE	$ .71	$ .58	$ 1.21	$ .93
Diluted average shares of common shares outstanding	40,048	41,308	40,067	41,525
DILUTED EARNINGS PER COMMON SHARE	$ .70	$ .58	$ 1.21	$ .93
CASH DIVIDENDS DECLARED PER COMMON SHARE	$ .235	$ .225	$ .47	$ .45

(1) 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 three months and six months ended June 30, 1999 were $44,453 and $74,928, respectively.

See accompanying notes to consolidated financial statements.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES
PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited)

(IN THOUSANDS)	JUNE 30 2000	December 31 1999
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 68,182	$ 51,266
Receivables, less allowance for doubtful accounts of $26,027 in 2000 and $13,339 in 1999	435,609	331,123
Inventories	231,052	172,198
Other current assets	63,056	58,368
TOTAL CURRENT ASSETS	797,899	612,955
Property, plant and equipment, at cost	1,744,625	1,499,823
Allowance for depreciation	854,873	828,277
	889,752	671,546
Cost in excess of net assets of businesses acquired, net	339,400	258,698
Other assets	203,983	116,624
TOTAL ASSETS	$ 2,231,034	$ 1,659,823
LIABILITIES		
CURRENT LIABILITIES:		
Notes payable and current maturities	$ 260,016	$ 36,607
Accounts payable	229,863	132,394
Accrued compensation	42,810	46,615
Income taxes	48,090	44,154
Other current liabilities	183,498	170,746
TOTAL CURRENT LIABILITIES	764,277	430,516
Long-term debt	600,071	418,504
Deferred income taxes	91,113	52,932
Other liabilities	117,625	107,750
TOTAL LIABILITIES	1,573,086	1,009,702
SHAREHOLDERS' EQUITY		
Common stock and additional paid-in capital	171,899	170,878
Accumulated other comprehensive income (expense)	(99,483)	(80,538)
Retained earnings	1,185,234	1,155,586
Treasury stock	(599,702)	(595,805)
TOTAL SHAREHOLDERS' EQUITY	657,948	650,121
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 2,231,034	$ 1,659,823

See accompanying notes to consolidated financial statements.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES
PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

(IN THOUSANDS)	SIX MONTHS ENDED JUNE 30 2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 48,433	$ 38,622
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	64,651	59,501
Amortization	6,753	6,448
Equity in (income) loss of affiliates, net	438	(960)
Dividends or distributions from affiliates	587	766
Deferred income taxes	9,194	1,588
Other, net	(551)	509
Changes in assets and liabilities, net of acquisitions and dispositions of businesses:		
Accounts receivable	4,968	(22,200)
Inventories	(18,332)	2,005
Accounts payable	(4,976)	(10,150)
Disbursements related to discontinued defense business	(617)	(13,249)
Other assets and liabilities	(18,869)	(13,786)
NET CASH PROVIDED BY OPERATING ACTIVITIES	91,679	49,094
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(78,046)	(73,837)
Purchase of business, net of cash acquired	(263,711)	(2,378)
Proceeds from sale of business	9,745	8,502
Other investing activities	2,503	3,607
NET CASH (USED) BY INVESTING ACTIVITIES	(329,509)	(64,106)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short-term borrowings, net	268,561	(11,530)
Current maturities and long-term debt:		
Additions	59,971	121,956
Reductions	(46,212)	(21,757)
Cash dividends paid on common stock	(18,808)	(18,752)
Common stock issued-options	853	1,296
Common stock acquired for treasury	(3,768)	(42,831)
Other financing activities	(3,114)	(1,767)
NET CASH PROVIDED BY FINANCING ACTIVITIES	257,483	26,615
Effect of exchange rate changes on cash	(2,737)	(980)
Net increase in cash and cash equivalents	16,916	10,623
Cash and cash equivalents at beginning of period	51,266	41,562
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 68,182	$ 52,185

See accompanying notes to consolidated financial statements.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES
PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (Continued)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Unaudited)

(IN THOUSANDS)	THREE MONTHS ENDED JUNE 30 2000	1999	SIX MONTHS ENDED JUNE 30 2000	1999
Net income	$ 28,231	$ 23,823	$ 48,433	$ 38,622
Other comprehensive income (expense):				
Foreign currency translation adjustments	(11,318)	(5,517)	(18,945)	(29,062)
TOTAL COMPREHENSIVE INCOME	$ 16,913	$ 18,306	$ 29,488	$ 9,560

See accompanying notes to consolidated financial statements.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES
PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (Continued)

REVIEW OF OPERATIONS BY SEGMENT
(Unaudited)

THREE MONTHS ENDED JUNE 30, 2000	HARSCO MILL SERVICES	HARSCO GAS AND FLUID CONTROL	HARSCO INFRASTRUCTURE	S3NETWORKS LLC	GENERAL CORPORATE	CONSOLIDATED TOTALS
NET SALES TO UNAFFILIATED CUSTOMERS	$195.2	$125.4	$136.4	$ --	$ --	$457.0
OPERATING INCOME	$ 27.2	$ 10.7	$ 14.5	$ --	$ 0.3	$ 52.7
EQUITY IN INCOME (LOSS) OF AFFILIATES, NET	0.3	--	--	(0.9)	--	(0.6)
INTEREST INCOME	1.0	--	0.2	--	--	1.2
INTEREST EXPENSE	(2.3)	(1.0)	(2.3)	--	(3.1)	(8.7)
INCOME TAX (EXPENSE) BENEFIT	(8.7)	(3.5)	(4.5)	0.3	0.8	(15.6)
MINORITY INTEREST IN NET INCOME	(0.7)	--	(0.1)	--	--	(0.8)
SEGMENT NET INCOME (LOSS)	$ 16.8	$ 6.2	$ 7.8	$ (0.6)	$ (2.0)	$ 28.2

THREE MONTHS ENDED JUNE 30, 1999	HARSCO MILL SERVICES	HARSCO GAS AND FLUID CONTROL	HARSCO INFRASTRUCTURE	S3NETWORKS LLC	GENERAL CORPORATE	CONSOLIDATED TOTALS
Net sales to unaffiliated customers	$182.3	$139.1	$109.3	$ --	$ --	$430.7
Operating income	$ 19.0	$ 10.5	$ 13.8	$ --	$ 0.5	$ 43.8
Equity in income of affiliates, net (1)	0.6	--	--	--	--	0.6
Interest income	1.1	0.1	--	--	--	1.2
Interest expense	(2.9)	(1.3)	(1.6)	--	(1.1)	(6.9)
Income tax (expense) benefit	(5.6)	(3.8)	(4.5)	--	0.1	(13.8)
Minority interest in net income	(1.1)	--	--	--	--	(1.1)
Segment net income (loss)	$ 11.1	$ 5.5	$ 7.7	$ --	$ (0.5)	$ 23.8

(1) Equity in income (loss) of affiliates is now separately reported. Previously, these amounts were included in operating income. Amounts previously reported as operating income for the three months ended June 30, 1999 were $19.6 million for Harsco Mill Services Segment and a consolidated total of $44.4 million. Reported operating income amounts for the other segments are unchanged.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES
PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (Continued)

REVIEW OF OPERATIONS BY SEGMENT
(Unaudited)

SIX MONTHS ENDED JUNE 30, 2000	HARSCO MILL SERVICES	HARSCO GAS AND FLUID CONTROL	HARSCO INFRASTRUCTURE	S3NETWORKS LLC	GENERAL CORPORATE	CONSOLIDATED TOTALS
NET SALES TO UNAFFILIATED CUSTOMERS	$386.8	$260.8	$258.6	$ --	$ --	$906.2
OPERATING INCOME (LOSS)	$ 47.0	$ 21.8	$ 23.3	$ --	$ (0.5)	$ 91.6
EQUITY IN INCOME (LOSS) OF AFFILIATES, NET	0.5	--	--	(0.9)	--	(0.4)
INTEREST INCOME	2.1	0.1	0.2	--	--	2.4
INTEREST EXPENSE	(4.4)	(2.0)	(4.1)	--	(5.7)	(16.2)
INCOME TAX (EXPENSE) BENEFIT	(15.4)	(7.3)	(6.9)	0.3	2.2	(27.1)
MINORITY INTEREST IN NET INCOME	(1.8)	--	(0.1)	--	--	(1.9)
SEGMENT NET INCOME (LOSS)	$ 28.0	$ 12.6	$ 12.4	$ (0.6)	$ (4.0)	$ 48.4

SIX MONTHS ENDED JUNE 30, 1999	HARSCO MILL SERVICES	HARSCO GAS AND FLUID CONTROL	HARSCO INFRASTRUCTURE	S3NETWORKS LLC	GENERAL CORPORATE	CONSOLIDATED TOTALS
Net sales to unaffiliated customers	$355.4	$273.2	$206.7	$ --	$ --	$835.3
Operating income	$ 35.1	$ 18.5	$ 20.1	$ --	$ 0.2	$ 73.9
Equity in income of affiliates, net (1)	1.0	--	--	--	--	1.0
Interest income	2.0	0.1	0.1	--	0.1	2.3
Interest expense	(5.7)	(2.7)	(3.0)	--	(1.7)	(13.1)
Income tax (expense) benefit	(10.3)	(6.0)	(6.3)	--	(0.5)	(23.1)
Minority interest in net income	(2.5)	0.1	--	--	--	(2.4)
Segment net income (loss)	$ 19.6	$ 10.0	$ 10.9	$ --	$ (1.9)	$ 38.6

(1) Equity in income (loss) of affiliates is now separately reported. Previously, these amounts were included in operating income. Amounts previously reported as operating income for the six months ended June 30, 1999 were $36.1 million for Harsco Mill Services Segment and a consolidated total of $74.9 million. Reported operating income amounts for the other segments are unchanged.

ITEM 1. FINANCIAL STATEMENTS (Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Inventories

Inventories consist of:

(in thousands)	JUNE 30 2000	December 31 1999
Finished goods	$ 91,057	$ 37,715
Work-in-process	40,270	37,198
Raw materials and purchased parts	79,511	76,911
Stores and supplies	20,214	20,374
	$231,052	$172,198

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 $10.4 million and applicable interest currently estimated to be $49.5 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

ITEM 1. FINANCIAL STATEMENTS (Continued)

COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 $44.8 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. The Company plans to vigorously contest the IRS assessment in the U.S. Court of Federal Claims. 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.

The settlement agreement with the Army preserves 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 limits 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.

Under the settlement, the Army agreed that if the cargo trucks are determined to be taxable, the 1993 decision of the Armed Services Board of Contract Appeals (which ruled that the Company is entitled to a price adjustment to the contract for reimbursement of FET paid on vehicles that were to be delivered after October 1, 1988) will apply to the question of the Company's right to reimbursement from the Army for after-imposed taxes on the cargo trucks. In the Company's view, application of the 1993 decision will favorably resolve the principal issues regarding any such future claim by the Company. Therefore, the Company believes that even if the cargo trucks are ultimately held to be taxable, the Army would be obligated to reimburse the Company for a majority of the tax, (but not interest or penalty, if any), resulting in a net maximum liability for the Company of $5.8 million plus penalties and applicable interest currently estimated to be $10.4 million and $49.5 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. In September 1994, the Company received a subpoena issued by the Department of Defense Inspector General seeking various documents relating to issues raised in the audit.

ITEM 1. FINANCIAL STATEMENTS (Continued)

COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Government subsequently subpoenaed a number of former employees of the Company's divested defense business to testify before a grand jury and issued grand jury subpoenas to the Company for additional documents. On December 22, 1999, the Company announced that it reached agreement with the U.S. Government on behalf of its former BMY Combat Systems Division to settle the matter. Under the agreement, BMY Combat Systems 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 June 2000, the US District Court gave final approval to the settlement. 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 reserve, resulting in no charge to the Company's earnings.

CONTINUING OPERATIONS - CONTINGENCIES

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 June 30, 2000, and December 31, 1999 includes an accrual of $4.7 million and $3.0 million, respectively, for environmental matters. The increase from December 31, 1999 principally relates to environmental liabilities of acquired companies. The amounts affecting pre-tax earnings related to environmental matters totaled $1.2 million of expense for the first six months of 2000, and $0.4 million of income for the first six months of 1999.

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.

ITEM 1. FINANCIAL STATEMENTS (Continued)

COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

FINANCIAL INSTRUMENTS AND HEDGING

OFF BALANCE SHEET RISK

The Company has subsidiaries principally operating in North America, Latin 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 enters into forward foreign exchange contracts to hedge transactions of its non-U.S. subsidiaries, for firm commitments to purchase equipment 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 transactions. The cash flows from these contracts are classified consistent with the cash flows from the transaction being hedged. The Company also enters into forward exchange contracts for intercompany foreign currency commitments. These foreign exchange contracts do not qualify as hedges, therefore, gains and losses are recognized in income based on fair market value. As of June 30, 2000, the total of all forward exchange contracts amounted to $5.0 million with an unfavorable mark-to-market fluctuation of $56,000.

ITEM 1. FINANCIAL STATEMENTS (Continued)

Reconciliation of Basic and Diluted Shares

	Three Months Ended June 30		Six Months Ended June 30	
(In thousands, except amounts per share)	2000	1999	2000	1999
Net income	$28,231	$23,823	$48,433	$38,622
Average shares of common stock outstanding used to compute basic earnings per common share	39,964	41,125	39,989	41,376
Additional common shares to be issued assuming exercise of stock options, net of shares assumed reacquired	84	183	78	149
Shares used to compute dilutive effect of stock options	40,048	41,308	40,067	41,525
Basic earnings per common share	$ .71	$ .58	$ 1.21	$ .93
Diluted earnings per common share	$ .70	$ .58	$ 1.21	$ .93

New Financial Accounting Standard Issued

In June 1998, the Financial Accounting Standard 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 further amended by SFAS No. 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 will adopt SFAS 133 by the first quarter of 2001. Due to the Company's limited use of derivative instruments, SFAS 133 is not expected to have a material effect on the financial position or results of operations of the Company.

New Staff Accounting Bulletin Issued

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements," which provides guidance on the recognition, presentation, and disclosure of revenue in financial statements filed with the Commission. In June 2000, the SEC issued SAB No. 101B, "Second Amendment: Revenue Recognition in Financial Statements". SAB 101B delays the implementation of SAB 101 until no later than the fourth fiscal quarter of fiscal years beginning after December 15, 1999. Based on a review of the Company's policies and practices and current interpretations of SAB 101, the Company believes it is in general compliance with SAB 101.

ITEM 1. FINANCIAL STATEMENTS (Continued)

Acquisitions

In June 2000, the Company made its tender offer for SGB Group PLC (SGB) unconditional and by June 30 had received acceptances for 94.8 percent of the shares of SGB. The Company plans to compulsorily acquire the remaining shares in the third quarter of 2000. 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 [pound sterling] 283 million (approximately $426 million U.S. dollars). Through June 30, 2000 the Company had borrowed $255.1 million to finance the acquisition. Approximately $32 million of additional funds will be borrowed in the third quarter to complete the purchase of SGB's outstanding stock.

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 from June 16, 2000, the date of acquisition. The purchase price allocation is based upon preliminary appraisal values and management estimates and is subject to reclassifications and adjustments in the future. The purchase price has been allocated as follows:

(in millions)	
Working capital, other than cash	$(54.4)
Property, plant and equipment	221.0
Other assets	64.2
Goodwill	85.0
Noncurrent liabilities	(58.8)
Purchase price, net of cash received	$257.0

Harsco management is in the process of finalizing fair value adjustments, asset write downs, and its plan to exit certain activities of SGB. Estimates of the associated costs have been included in the opening balance sheet. Management expects to finalize the plan and the associated estimates by September 30, 2000.

In May 2000, the Company completed the acquisitions of Bergslagen Steelservice AB and Bergslagen Suomi Oy (collectively Bergslagen). 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 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 $8 million has been invested through June 30, 2000 with an additional $12 million 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 will record 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.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES
PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (Continued)

Opinion of Management

Financial information furnished herein, which is unaudited, reflects in the opinion of management all adjustments (all of which are of a recurring nature) that are necessary to present a fair statement of the interim period.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES
PART I - FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

FINANCIAL CONDITION AND LIQUIDITY

Changes in the Company's financial position and liquidity are summarized as follows:

(DOLLARS ARE IN MILLIONS)	JUNE 30 2000	DECEMBER 31 1999	INCREASE/ (DECREASE)
Current assets	$ 797.9	$ 612.9	$ 185.0
Current liabilities	764.3	430.5	333.8
Working capital	$ 33.6	$ 182.4	$ (148.8)
Current ratio	1.0:1	1.4:1	
Notes payable and current maturities	$ 260.0	$ 36.6	$ 223.4
Long-term debt	600.1	418.5	181.6
Total debt	860.1	455.1	$ 405.0
Total equity	657.9	650.1	7.8
Total capital	$1,518.0	$1,105.2	$ 412.8
Total debt to total capital	56.7%	41.2%	

The change in the Company's working capital position and current ratio during the first six months of 2000 was due principally to the acquisition of SGB Group PLC (SGB) in June 2000. The increase in current assets was due to the addition of SGB's current assets of $189.2 million, which consisted of $24.0 million in cash, $110.7 million in receivables, $43.8 million of inventories and $10.7 million of other current assets. The $333.8 million increase in current liabilities is due principally to the $222.7 million current liabilities acquired from SGB, and short-term bridge loan financing of $88.5 million used to finance the purchase of SGB. The total bridge loan including long-term portion is $255.1 million. SGB current liabilities are principally short-term borrowings of $123.0 million and accounts payable of $73.0 million.

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 the recent SGB acquisition, the Company improved its inventory and accounts receivable turnover ratios from 9.7 to 9.8 and 5.4 to 5.5, respectively, from the first six months of 1999 to the first six months of 2000.

Long-term debt increased in the first six months of 2000 principally as a result of financing the acquisitions of SGB, Bergslagen Steelservice AB and Bergslagen Suomi Oy (collectively Bergslagen), and to a lesser extent, capital investments. SGB was financed with a $255.1 million bridge loan, $166.6 million of which is classified as long-term as of June 30, 2000. The Bergslagen acquisition was financed through a bridge loan which was refinanced by a Swedish private placement bond issued in June, also classified as long-term. Capital investments for the first six months of 2000 were $78.0 million. Capital investments were made for new mill

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

services contracts and other business growth initiatives, new processes, and for productivity improvements. The capital investments, acquisitions, share repurchases, and cash dividends paid at the same or increased rates for the 200th consecutive quarter in May 2000, demonstrate the Company's continued commitment to creating value through strategic investments and return of capital to shareholders.

Cash Utilization: (In millions)	FOR THE PERIOD ENDED JUNE 30 2000	FOR THE YEAR ENDED DECEMBER 31 1999	1998	1997	1996	1995
Capital investments	$ 78.0	$ 175.2	$ 159.8	$ 143.4	$ 150.3	$ 113.9
Strategic acquisitions	263.7	48.9	158.3	8.5	21.1	4.1
Share repurchases	3.8	71.9	169.3	113.2	30.7	14.1
Cash dividends	18.8	37.0	40.3	39.1	37.9	37.4
Total	$ 364.3	$ 333.0	$ 527.7	$ 304.2	$ 240.0	$ 169.5

The Company's debt as a percent of total capital increased as a result of greater debt. Also contributing to the increase in the debt to total capital is an $18.9 million decrease in equity from foreign currency translation adjustments. The foreign currency translation adjustments are principally due to a 5% decrease in the translated value of the euro, a 6% decrease in the British pound and a 10% decrease in the South African rand from December 31, 1999 to June 30, 2000.

Six Month Financial Statistics	FOR THE PERIOD ENDED JUNE 30 2000	FOR THE PERIOD ENDED JUNE 30 1999
Harsco stock price high-low	$31.63 - $24.00	$34.375 - $23.06
Annualized return on average equity	14.9%	12.0%
Annualized return on average assets	10.7%	9.6%
Annualized return on average capital	9.8%	8.7%

Higher annualized returns on average equity, assets, and capital are due principally to increased income in the first six months of 2000 compared with the first six months of 1999. The company's book value per share increased to $16.46 per share at June 30, 2000 from $16.22 at December 31, 1999 due principally to an increase in retained earnings partially offset by foreign currency translation adjustments recorded as part of other comprehensive income (expense).

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

(In millions)	FOR THE PERIOD ENDED JUNE 30 2000	FOR THE PERIOD ENDED JUNE 30 1999
Net cash provided by operations:	$91.7	$49.1

Operating cash flows were $42.6 million greater in the first six months of 2000 than the first six months of 1999. The increase in cash from operating activities was due principally to greater income in the first six months of 2000 compared with the first six months of 1999, the timing of cash receipts from receivables, and an increase in deferred taxes. Cash from operations also benefited from lower disbursements related to the discontinued defense business in the first six months of 2000 compared with the first six months of 1999. These benefits were partially offset by the timing of payments for inventories.

The Company has a U.S. commercial paper borrowing program under which it can issue up to $400 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. $71 million at June 30, 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 $400 million. At June 30, 2000, the Company had $224.9 million of U.S. commercial paper debt outstanding, and $8.5 million of commercial paper debt outstanding under the Belgian program.

The Company financed the purchase of SGB with bridge loan financing from Chase Manhattan Bank. The bridge loan was $255.1 million as of June 30, 2000. Amounts remaining to be paid for SGB at June 30, 2000 are $12.8 million in accounts payable principally for SGB shares tendered but not paid at June 30, 2000, share options buyouts of approximately $4.0 million, and approximately $15.0 million for the remaining 5.2 percent of total shares of SGB that had not yet been tendered but will be compulsorily acquired by the Company in the third quarter of 2000.

The Company has available through a syndicate of banks a $400 million multi-currency five-year revolving credit facility extending through July 2001. This facility serves as back-up to the Company's U.S. commercial paper program. The Company is currently renegotiating this multi-year credit facility and expects to execute a new agreement by September 30, 2000. As of June 30, 2000 there were no borrowings outstanding under this facility. 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. 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's commercial paper is rated A-2 by Standard & Poor's, F-2 by Fitch and P-2 by Moody's. In order to restore the prior credit ratings, the Company has implemented a debt reduction plan. The plan includes selling non-core assets, improving cash from operations, and lowering capital spending.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The Company's financial position and debt capacity should enable it to meet its 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 to pay cash dividends as a means to enhance shareholder value. The Company intends to use future discretionary cash flow principally for debt reduction.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES
PART I - FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

RESULTS OF OPERATIONS
SECOND QUARTER OF 2000 COMPARED WITH SECOND QUARTER OF 1999

(DOLLARS ARE IN MILLIONS, EXCEPT PER SHARE)	2000	1999	AMOUNT INCREASE	PERCENT INCREASE
Revenues	$457.3	$430.8	$26.5	6%
Operating income	52.7	43.8	8.9	20%
Net income	28.2	23.8	4.4	18%
Basic earnings per common share	.71	.58	.13	22%
Diluted earnings per common share	.70	.58	.12	21%

SUMMARY ANALYSIS OF RESULTS

Second quarter 2000 revenues were $457.3 million, a 6% increase from last year's comparable period. All three operating segments contributed to the 20% increase in operating income and the 18% increase in net income. Adjusting for the unfavorable effect of foreign currency translation, sales would have increased 8% and earnings would have increased approximately $0.15 per share.

Increased income resulted principally from strong demand for mill services resulting from improved conditions in the steel industry. This is evidenced by increased steel production and capacity utilization for many mills in the United States and certain other countries.

Sales and income for the second quarter of 2000 also benefited significantly from the results of the Pandrol Jackson acquisition in the fourth quarter of 1999 and the SGB Group PLC acquisition in the second quarter of 2000. Results of these acquired companies are included in the Harsco Infrastructure Segment.

COMPARATIVE ANALYSIS OF CONSOLIDATED RESULTS

REVENUES

As noted above, revenues for 2000 increased from last year's comparable period. The improvement results from increased volume for the Harsco Mill Services Segment. The incremental sales of acquired companies also contributed to improved revenues more than offsetting the divestiture of non-core businesses. Sales of grating products and pipe fittings increased, while sales for certain product lines of the Harsco Gas and Fluid Control Segment decreased.

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 total revenues. Selling, general and administrative expenses increased due to the costs related to acquired companies and employee annual salary increases. In total, the Company's continuing cost reduction, process improvement and reorganization efforts contributed towards slowing the rate of growth of these costs.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

OPERATING INCOME

As a result of factors disclosed in previous sections, operating income increased 20%.

EQUITY IN INCOME (LOSS) OF AFFILIATES

Equity in income of affiliates decreased from $0.6 million in income in the second quarter of 1999 to a loss of $0.6 million in the comparable period of 2000. This is due to the losses being incurred by S3 Networks, an Internet infrastructure services company in which Harsco is investing some $20 million in start-up capital for a 49% ownership interest.

INTEREST EXPENSE

Interest expense was higher than last year's comparable period due to additional borrowings as a result of increased capital expenditures (investments), the acquisition of Pandrol Jackson in October 1999 and, to a lesser extent, share repurchases. Also affecting interest expense was an interest rate increase of approximately 1.25% from the second quarter of 1999. The funds borrowed for the acquisition of SGB Group, PLC in late June 2000 did not materially affect the second quarter's interest expense but will increase interest expense in the third quarter of 2000.

PROVISION FOR INCOME TAXES

The effective income tax rate for the second quarter of 2000 was 35% versus 35.7% for the comparable period in 1999. The reduction in the income tax rate is due principally to lower effective income tax rates on international earnings.

NET INCOME AND EARNINGS PER SHARE

Net income of $28.2 million was 18% above 1999 due to the factors previously disclosed. Basic earnings per common share were $.71, significantly above the $.58 in 1999. Diluted earnings per common share were $.70, 21% above the $.58 reported in 1999.

SEGMENT ANALYSIS

HARSCO MILL SERVICES SEGMENT

(DOLLARS ARE IN MILLIONS)	2000	1999	AMOUNT INCREASE	PERCENT INCREASE
Sales	$ 195.2	$ 182.3	$12.9	7%
Operating income	27.2	19.0	8.2	43%
Segment net income	16.8	11.1	5.7	51%

Second quarter sales of the Harsco Mill Services Segment were 7% above last year's comparable period. Sales increases resulted from new contracts and additional services on existing contracts particularly for United States operations. Sales reductions resulting from the divestitures of non-core businesses in September 1999 and June 2000 were partially offset by the Bergslagen acquisition in Scandinavia. Excluding the unfavorable effect of foreign currency translation, sales would have increased 12% on a comparable basis.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Operating income of the Harsco Mill Services Segment was significantly above 1999. The increase reflects the improved operating and economic environment for mill services, as well as the favorable effects of continuous process improvement programs and reorganization efforts. On a comparative basis, second quarter 1999 included provisions for doubtful accounts of $.6 million while the second quarter of 2000 had income of $.4 million.

Net income of the Harsco Mill Services Segment was also significantly above 1999.

HARSCO GAS AND FLUID CONTROL SEGMENT (DOLLARS ARE IN MILLIONS)	2000	1999	AMOUNT INCREASE (DECREASE)	PERCENT INCREASE (DECREASE)
Sales	$125.4	$139.1	$(13.7)	(10%)
Operating income	10.7	10.5	0.2	2%
Segment net income	6.2	5.5	0.7	13%

Sales of the Harsco Gas and Fluid Control Segment were adversely affected by soft market conditions affecting gas control and containment equipment. The divestitures of two non-core businesses partially contributed to the sales decline.

Operating income of the Harsco Gas and Fluid Control Segment was slightly above 1999 due to cost containment. Additionally, on a comparative basis, 1999 included a valuation provision of $.9 million related to the write-down of assets available for sale while 2000 included $.3 million for such write-downs.

Net income of the Harsco Gas and Fluid Control Segment increased by 13%.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

HARSCO INFRASTRUCTURE SEGMENT

(DOLLARS ARE IN MILLIONS)	2000	1999	AMOUNT INCREASE	PERCENT INCREASE
Sales	$ 136.4	$ 109.3	$ 27.1	25%
Operating income	14.5	13.8	0.7	5%
Segment net income	7.8	7.7	0.1	1%

Second quarter 2000 sales of the Harsco Infrastructure Segment increased 25% from last year's comparable period. The increase is principally due to the June acquisition of SGB Group, PLC (SGB). Sales of railway maintenance-of-way services and equipment resulting from the fourth quarter 1999 acquisition of Pandrol Jackson also contributed to the increase.

Operating income of the Harsco Infrastructure Segment increased 5% due to the acquisitions of SGB and Pandrol Jackson. These operating income improvements were partially offset by lower income for the grating product line caused by increased material costs.

Segment net income increased slightly from the second quarter of 1999.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

SERVICES AND ENGINEERED PRODUCTS ANALYSIS

In addition to the segment reporting previously presented, the Company is a diversified industrial services and engineered products company. The company is committed towards increasing its presence and strategic growth in services-related businesses. This is evidenced by the June 2000 acquisition of SGB, which is principally a services business. The acquisitions of Bergslagen and Pandrol Jackson have also increased the Company's service revenue base. The company has committed substantial capital investments in service businesses. These investments, principally in scaffolding, forming and shoring services; mill services; and railway maintenance-of-way services have contributed to higher levels of sales and income. Sales and operating income for the second quarter of 2000 and 1999 are presented in the following table:

(DOLLARS ARE IN MILLIONS)	THREE MONTHS ENDED JUNE 30, 2000		THREE MONTHS ENDED JUNE 30, 1999	
	AMOUNT	PERCENT	AMOUNT	PERCENT
SALES				
Services	$255.8	56%	$217.8	51%
Engineered products	201.2	44	212.9	49
Total sales	$457.0	100%	$430.7	100%
OPERATING INCOME				
Services	$ 33.6	64%	$ 21.8	50%
Engineered products	18.8	36	21.5	50
Total segment operating income	$ 52.4	100%	$ 43.3	100%
EBITDA*				
Services	$ 61.4	70%	$ 48.6	63%
Engineered products	26.2	30	28.6	37
Total segment EBITDA	$ 87.6	100%	$ 77.2	100%

* Earnings before interest, income taxes, minority interest, 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.

Second quarter 2000 sales, operating income and EBITDA for services increased substantially from the comparable period in 1999. The increases reflect improved economic conditions in markets served by the company and the favorable effects of cost reductions, process improvements and reorganization efforts.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

RESULTS OF OPERATIONS
SIX MONTHS OF 2000 COMPARED WITH SIX MONTHS OF 1999

(DOLLARS ARE IN MILLIONS, EXCEPT PER SHARE)	2000	1999	AMOUNT INCREASE	PERCENT INCREASE
Revenues	$906.6	$835.6	$71.0	8%
Operating income	91.7	74.0	17.7	24%
Net income	48.4	38.6	9.8	25%
Basic earnings per common share	1.21	.93	.28	30%
Diluted earnings per common share	1.21	.93	.28	30%

SUMMARY ANALYSIS OF RESULTS

The Company's revenues, operating income, net income and operating income margins for the first six months of 2000 compared with the first six months of 1999 improved significantly despite the negative impact on sales and earnings of the foreign currency translation effect of the strong U.S. dollar, as well as the sale of five non-core businesses in 1999 and 2000.

Increased sales and income were due in part to increased demand for mill services resulting from improved conditions in the steel industry. This is evidenced by increased steel production and capacity utilization for many mills in the United States. Steel production also increased in several other countries where the Company conducts business. In addition, increased demand for services and products in the non-residential construction market as well as the industrial gas and oil markets favorably affected sales and income.

Sales and income for the Infrastructure Segment for the first six months of 2000 benefited significantly from the results of the Pandrol Jackson acquisition in the fourth quarter of 1999 and the SGB Group PLC acquisition in the second quarter of 2000.

COMPARATIVE ANALYSIS OF CONSOLIDATED RESULTS

REVENUES

Revenues for the first six months of 2000 were significantly above the comparable period in 1999. The improvement results from increased demand for services and products in principally the steel, oil and gas and non-residential construction markets. Sales of acquired companies, net of dispositions of non-core businesses, also contributed to the increase in sales. Excluding the unfavorable foreign exchange translation effect of the strengthening U.S. dollar, particularly relative to the euro, revenues increased by more than 10%.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

COST OF SALES AND SELLING, GENERAL AND ADMINISTRATIVE EXPENSES
Cost of services and products sold, as well as selling, general and administrative expenses increased but at lower rates than the increase in total revenues. The Company's continuing cost reduction, process improvement and reorganization efforts contributed to slowing the rate of growth of these costs. The increase in selling, general and administrative expenses was due principally to costs related to acquired companies and employee annual salary increases.

INTEREST EXPENSE

Interest expense was higher than last year's comparable period due to additional borrowings as a result of increased capital expenditures (investments), share repurchases and acquisitions.

OPERATING INCOME

As a result of factors disclosed in previous sections, operating income increased.

PROVISION FOR INCOME TAXES

The effective income tax rate for the first six months of 2000 was 35% versus 36% for the comparable period in 1999. The reduction in the income tax rate is due principally to lower effective income tax rates on international earnings.

NET INCOME AND EARNINGS PER SHARE

Net income of $48.4 million was significantly above 1999 due to the factors previously disclosed. Basic earnings per common share were $1.21, significantly above $.93 in 1999. Diluted earnings per common share were $1.21, significantly above $.93 in 1999.

SEGMENT ANALYSIS

HARSCO MILL SERVICES SEGMENT

(DOLLARS ARE IN MILLIONS)	2000	1999	AMOUNT INCREASE	PERCENT INCREASE
Sales	$386.8	$355.4	$31.4	9%
Operating income	47.0	35.1	11.9	34%
Segment net income	28.0	19.6	8.4	43%

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Sales of the Harsco Mill Services Segment were significantly above 1999's first six months despite the unfavorable effect of foreign exchange translation and the disposition of two non-core businesses. Increased demand for services resulted from improved domestic steel production levels and capacity utilization. Additionally, steel production levels and the demand for mill services increased at certain international locations. Excluding the unfavorable foreign exchange translation effect of the strengthening U.S. dollar, particularly relative to the euro, and the disposition of two non-core businesses net of a small acquisition, sales increased by 16%.

Operating income of the Harsco Mill Services Segment was significantly above 1999. The increase reflected the improved operating and economic environment for mill services, as well as the favorable effects of continuous process improvement programs and reorganization efforts. On a comparative basis, 1999 included a foreign currency translation pre-tax gain in Brazil of $1.4 million.

Net income of the Harsco Mill Services Segment was also significantly above 1999. The increase reflects the conditions previously discussed.

HARSCO GAS AND FLUID CONTROL SEGMENT (DOLLARS ARE IN MILLIONS)	2000	1999	AMOUNT INCREASE (DECREASE)	PERCENT INCREASE (DECREASE)
Sales	$260.8	$273.2	$(12.4)	(5)%
Operating income	21.8	18.5	3.3	18%
Segment net income	12.6	10.0	2.6	26%

Sales of the Harsco Gas and Fluid Control Segment were below 1999's first six months. This included the unfavorable effect of lower sales due to the disposition of three non-core businesses. Increased sales of industrial fittings reflected improved demand in the industrial gas and oil markets which was more than offset by reduced demand for other product lines. Excluding the unfavorable effect of dispositions of three non-core businesses, sales decreased by only 1%.

Operating income of the Harsco Gas and Fluid Control Segment was significantly above 1999 due to the inclusion of a $1.3 million pre-tax gain on the sale of a non-core business, as well as strong cost controls and improved efficiencies.

Net income of the Harsco Gas and Fluid Control Segment was also significantly above 1999. The increase reflects the conditions previously discussed.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

HARSCO INFRASTRUCTURE SEGMENT

(DOLLARS ARE IN MILLIONS)	2000	1999	AMOUNT INCREASE	PERCENT INCREASE
Sales	$258.6	$206.7	$51.9	25%
Operating income	23.3	20.1	3.2	16%
Segment net income	12.4	10.9	1.5	14%

Sales of the Harsco Infrastructure Segment were significantly above last year's comparable period due to increased sales of railway maintenance-of-way contract services and equipment; scaffolding, shoring, and forming services; and grating products. The significant increase in sales of railway maintenance-of-way services and equipment includes the effect of the Pandrol Jackson acquisition in the fourth quarter of 1999. Additionally, higher sales of scaffolding, shoring and forming services was due principally to the SGB Group PLC acquisition late in the second quarter of 2000.

Operating income of the Harsco Infrastructure Segment increased significantly. The improvement reflects the inclusion of two acquisitions and the favorable effects of reorganization efforts.

Net income of the Harsco Infrastructure Segment also increased significantly reflecting the conditions previously discussed.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

In addition to the segment reporting previously presented, the Company is a diversified industrial services and engineered products company. Sales and operating income for the six months of 2000 and 1999 are presented in the following table:

SERVICES AND ENGINEERED PRODUCTS ANALYSIS

(DOLLARS ARE IN MILLIONS)	SIX MONTHS ENDED JUNE 30, 2000		SIX MONTHS ENDED JUNE 30, 1999	
	AMOUNT	PERCENT	AMOUNT	PERCENT
SALES				
Services	$486.7	54%	$418.0	50%
Engineered products	419.5	46	417.3	50
Total sales	$906.2	100%	$835.3	100%
OPERATING INCOME				
Services	$ 56.5	61%	$ 39.0	53%
Engineered products	35.7	39	34.7	47
Total segment operating income	$ 92.2	100%	$ 73.7	100%
EBITDA*				
Services	$111.5	69%	$ 91.2	65%
Engineered products	51.0	31	48.8	35
Total segment EBITDA	$162.5	100%	$140.0	100%

* Earnings before interest, income taxes, minority interest, 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.

Sales, operating income and EBITDA for both services and engineered products increased from the first six months of 1999. The increases reflect the effects of acquisitions as well as improved economic conditions in certain markets served by the company. Additionally, results benefited from the favorable effects of cost reductions, process improvements and reorganization efforts.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

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, and earnings.

These factors include, but are not limited to: (1) changes in the worldwide business environment in which the Company operates, including import, licensing and trade restrictions, currency exchange rates, interest rates, and capital costs; (2) changes in governmental laws and regulations, including taxes; (3) market and competitive changes, including 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 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to foreign currency risk in its international operations. The Company conducts business in over thirty foreign countries and approximately 36%, 37% and 36% of the Company's net revenues for the years ended December 31, 1999, 1998 and 1997, respectively, were derived from the Company's operations outside the United States. The June 2000 SGB acquisition has increased foreign currency exposures. Foreign currency exposure increases the risk of income statement, balance sheet and cash flow volatility. As an example in 1999 foreign exchange fluctuations were experienced as the Brazilian real and the euro declined in relation to the US dollar. The situations in Brazil and Europe 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.

To illustrate the recent effect of foreign currency exchange rate changes due to the strengthening of the US dollar, in the first six months of 2000 sales would have been 1.7 percent greater using the average exchange rates for the first six months of 1999. A similar comparison for the year 1999, shows that sales would have increased 2.5 percent, if the average exchange rates for 1999 would have been the same as in 1998.

The Company seeks to reduce exposures to foreign currency fluctuations, through the use of forward exchange contracts. At June 30, 2000, these contracts amounted to $5.0 million and 91% of the amount will mature within 2000. 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.

Also, the Company's cash flows and earnings are subject to changes in interest rates. Total debt was $860.1 million as of June 30, 2000. The weighted average interest rate of total debt was approximately 6.2%. At current debt levels, a one percentage increase in interest rates would increase interest expense by approximately $7.0 million per year on variable interest rate debt.

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. As an example, in 1998 and early 1999 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. Additionally, certain steel producers were forced to file for bankruptcy protection. The situation improved in the second half of 1999. 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 recur. Harsco Mill Services Segment provides services at steel mills worldwide. The future financial impact on the Company associated with the risks cannot be estimated.

On April 6, 2000, the Company agreed to invest $20 million in S3Networks, LLC, a start-up company providing internet and e-business 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.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES
PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information on legal proceedings is included under Part I, Item 1., the section labeled "Commitments and Contingencies."

ITEM 5. OTHER INFORMATION

DIVIDEND INFORMATION

On June 27, 2000, the Board of Directors declared a quarterly cash dividend of 23.5 cents per share, payable August 15, 2000, to shareholders of record on July 14, 2000.

SUBSEQUENT EVENT

On July 26, 2000, the Company announced the resignation of its President and Chief Operating Officer, Leonard A. Campanaro on mutually agreed terms. Mr. Campanaro agreed to step down in order to facilitate the Company's realignment to put more responsibility with the Company's operations. The Company's Chairman and CEO, Derek C. Hathaway has been appointed by the Board of Directors to the additional duties of President of the Company. Mr. Campanaro also resigned from the Board of Directors.

ITEM 6(a). EXHIBITS

The following exhibits are attached:

Exhibit No. 2 Cash Offer for SGB Group PLC

Exhibit No. 10 Settlement agreement with Leonard A. Campanaro

Exhibit No. 12 Computation of Ratios of Earnings to Fixed Charges.

Exhibit No. 27 Financial Data Schedule

ITEM 6(b). REPORTS ON FORM 8-K

A report on Form 8-K dated June 16, 2000 was filed on June 30, 2000 relating to the acquisition of SGB Group PLC.

A report on Form 8-K dated May 16, 2000 was filed on May 26, 2000 relating to the acquisition of SGB Group PLC.

SIGNATURES

Pursuant to the requirements 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
(Registrant)

DATE August 18, 2000 /S/ Salvatore D. Fazzolari

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

DATE August 18, 2000 /S/ Stephen J. Schnoor

Stephen J. Schnoor
Vice President and Controller

Exhibit 2

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU ARE RECOMMENDED TO SEEK YOUR OWN FINANCIAL ADVICE FROM YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT FINANCIAL ADVISER, DULY AUTHORISED UNDER THE FINANCIAL SERVICES ACT 1986, IMMEDIATELY.

If you have sold or otherwise transferred all your SGB Shares, please send this document, the accompanying Form of Acceptance and the reply-paid envelope at once to the purchaser or transferee, or to the stockbroker, bank or other agent through or to whom the sale or transfer was effected for delivery to the purchaser or transferee. HOWEVER, SUCH DOCUMENTS SHOULD NOT BE FORWARDED OR TRANSMITTED IN OR INTO THE UNITED STATES, CANADA, JAPAN OR AUSTRALIA.

Lazard, which is regulated in the UK by the Securities and Futures Authority Limited, is acting exclusively for Harsco and Harsco Investment and no one else in connection with the Offer and will not be responsible to anyone other than Harsco and Harsco Investment for providing the protections afforded to customers of Lazard nor for providing advice in relation to the Offer or any other matter referred to herein.

This document should be read in conjunction with the accompanying Form of Acceptance.

CASH OFFER
BY
LAZARD
ON BEHALF OF
HARSCO INVESTMENT LIMITED
A WHOLLY OWNED UK SUBSIDIARY OF
HARSCO CORPORATION
FOR
SGB GROUP PLC

ACCEPTANCES SHOULD BE DESPATCHED AS SOON AS POSSIBLE AND, IN ANY EVENT, SO AS TO BE RECEIVED BY POST OR BY HAND BY COMPUTERSHARE SERVICES PLC AT P.O. BOX 859, THE PAVILIONS, BRIDGWATER ROAD, BRISTOL BS99 1XZ OR BY HAND ONLY DURING NORMAL WORKING HOURS TO COMPUTERSHARE AT 7TH FLOOR, JUPITER HOUSE, TRITON COURT, 14 FINSBURY SQUARE, LONDON EC2A 1BR NOT LATER THAN 3.00 P.M. ON 10 JUNE 2000. THE PROCEDURE FOR ACCEPTANCE OF THE OFFER IS SET OUT ON PAGES 6 TO 9 OF THIS DOCUMENT AND IN THE ACCOMPANYING FORM OF ACCEPTANCE.

The Offer is not being made, directly or indirectly, in or into, or by use of the mails or any means or instrumentality (including, without limitation, facsimile transmission, telex or telephone) of interstate or foreign commerce of, or any facilities of a national securities exchange of, the United States, nor is it being made in Canada, Japan or Australia and the Offer should not be accepted by any such use, means, instrumentality or facilities or from within the United States, Canada, Japan or Australia. Doing so may render invalid any purported acceptance. Accordingly, all persons (including nominees, trustees and custodians) who would, or otherwise intend to, forward this document and the accompanying Form of Acceptance must not distribute or send them in, into or from the United States, Canada, Japan or Australia, and doing so may render invalid any related purported acceptance of the Offer.

CONTENTS

[Harsco Corporation Letterhead]

20 May 2000

To SGB Shareholders and, for information only, to participants in the SGB Share Option Schemes

Dear Shareholder,

CASH OFFER FOR SGB GROUP PLC

On 16 May 2000, Harsco announced the terms of a cash Offer for SGB Group PLC. The Offer values the entire issued share capital of SGB at approximately pound sterling188 million. Full details of the Offer are set out in the letter from Lazard on pages 4 to 10 of this document.

Harsco is a diversified provider of industrial services and products to major customers in strategic worldwide industries, including steel, gas and energy, and infrastructure development. In the year ended 31 December 1999, Harsco had sales of USD1,717 million (pound sterling1,133 million) and currently has a market capitalisation of approximately US$1,146 million (pound sterling756 million). Our Patent Construction Systems business is a North American market leader in access equipment and services. A combination with SGB, which also holds a significant position in its geographic markets, would be capable of serving major customers on a global basis.

We believe Harsco is capable of providing the best possible environment to assist in the enhancement of SGB's business. Harsco looks forward to working with SGB in building a strong, mutually beneficial future.

Prior to the announcement of the Offer, we were able to secure an irrevocable undertaking to accept the Offer from Mowlem in respect of the 38,250,000 SGB Shares held by it, representing 50.96 per cent. of SGB's issued share capital, subject only to Mowlem shareholders' approval. Mowlem has also agreed to recommend that Mowlem shareholders vote in favour of a resolution to approve such acceptance at a forthcoming EGM of Mowlem.

We believe our Offer of 250p per SGB share in cash represents fair value for your SGB Shares. It gives you, the SGB Shareholder:

- - certain value now;

- - a premium of 56.7 per cent. to the pre-announcement price;

- - an exit multiple of 10.1 times earnings per share for the last financial year.

Having reached agreement with Mowlem, we remain hopeful that the Board of SGB will recommend this Offer, which we believe is in the interest of both shareholders and employees.

WE STRONGLY URGE YOU TO ACCEPT OUR CASH OFFER AS SOON AS POSSIBLE AND, IN ANY EVENT, BY NOT LATER THAN 3.00 P.M. ON 10 JUNE 2000.

Yours faithfully,

Derek Hathaway
Chairman and Chief Executive Officer

[Lazard Letterhead]

20 May 2000

To SGB Shareholders and, for information only, to participants in the SGB Share Option Schemes

Dear Shareholder,

CASH OFFER FOR SGB GROUP PLC

1. INTRODUCTION

Harsco announced on 16 May 2000 the terms of a cash Offer, to be made by Lazard on behalf of Harsco Investment, a wholly-owned UK subsidiary of Harsco, to acquire the whole of the issued and to be issued share capital of SGB.

The Offer is 250p in cash for each SGB Share, valuing the entire issued share capital of SGB at approximately pound sterling188 million. Assuming the exercise of all outstanding options, the Offer values SGB at approximately pound sterling195.9 million.

ACCEPTANCES OF THE OFFER SHOULD BE RECEIVED AS SOON AS POSSIBLE AND IN ANY EVENT NOT LATER THAN 3.00 P.M. ON 10 JUNE 2000.

The conditions and terms of the Offer are set out in Appendix I and in the Form of Acceptance.

2. IRREVOCABLE UNDERTAKING

Harsco Investment has received an irrevocable undertaking to accept the Offer from Mowlem, in respect of 38,250,000 SGB Shares (representing 50.96 per cent. of SGB's issued share capital). This undertaking is subject only to Mowlem obtaining its shareholders' approval and otherwise will lapse only in the event of the Offer lapsing or being withdrawn.

3. THE OFFER

Lazard hereby offers to acquire, on behalf of Harsco Investment, on the terms and conditions set out or referred to in this document and in the accompanying Form of Acceptance, all of the SGB Shares on the following basis:

FOR EACH SGB SHARE   250P IN CASH.

The Offer represents a premium of 56.7 per cent. to the closing middle market price of 159.5p per SGB Share on 15 May 2000, the last business day prior to the announcement of the Offer.

The Offer value of 250p per SGB Share represents a multiple of 10.1 times SGB's basic pre-exceptional earnings per share of 24.8p for the 12 months ended 31 December 1999.

This letter contains the formal Offer by Lazard, on behalf of Harsco Investment, for your SGB Shares. The procedure for acceptance of the Offer is set out below and detailed on the accompanying Form of Acceptance to which your attention is drawn.

4. INFORMATION ON HARSCO

Harsco is a diversified provider of industrial services and products to major customers in strategic worldwide industries, including steel, gas and energy, and infrastructure development.

Harsco's operations are organised in three core business segments: (i) Mill Services; (ii) Gas and Fluid Control; and (iii) Infrastructure. Harsco operates out of more than 300 service, manufacturing, sales and distribution locations in 32 countries.

The Mill Services Group is the world's leading provider of outsourced services to the steel industry and other metal producers and is a leading manufacturer of high quality industrial abrasives and roofing granules. For the year ended 31 December 1999, Mill Services accounted for approximately 42 per cent. of Harsco's net sales.

The Gas and Fluid Control Group is the premier supplier of technology, products and services to the global gas production and energy industries. Products include gas containment products, gas control products, liquid petroleum gas tanks, industrial pipe fittings and conduit pipe products and cylinders, pressure vessels and structures for gas storage. It also provides custom-designed and manufactured air-cooled heat exchangers. For the year ended 31 December 1999, Gas and Fluid Control accounted for approximately 33 per cent. of Harsco's net sales.

The Infrastructure Group serves the worldwide railroad maintenance-of-way and non-residential construction industries. Services include scaffolding, concrete forming and shoring products, industrial grating products and highway bridge decking. The Infrastructure Group also includes a manufacturer of water heaters and boilers for commercial, institutional and industrial buildings and a producer of blenders, dryers and mixers for the chemical and food processing industries. For the year ended 31 December 1999, Infrastructure accounted for approximately 25 per cent. of Harsco's net sales.

For the year ended 31 December 1999, Harsco had sales of US$1,717 million (pound sterling1,133 million), net income from continuing operations of US$91 million (pound sterling60 million) and basic earnings per share of US$2.22 (pound sterling1.46). Total assets as at 31 December 1999 were US$1,660 million (pound sterling1,095 million) with shareholders' equity of US$650 million (pound sterling429 million).

Harsco is quoted on the New York, Pacific, Boston and Philadelphia stock exchanges under the ticker symbol "HSC" and has a stock market capitalisation of approximately US$1,146 million
(pound sterling756 million).

5. INFORMATION ON SGB

SGB is a holding company of a group of companies whose principal activities are the manufacture, supply and hire of a wide range of access and access related products and services. SGB's operations are organised as four business units: SGB UK's operations, SGB International, SGB North Europe and SGB South Europe.

SGB UK's operations, the largest in the Group, comprise seven businesses: Contracts, Branch Operations, Manufacturing, Rovacabin, Youngman, Powered Access and Channel Islands. For the year ended 31 December 1999, SGB UK's operations accounted for approximately 61 per cent. of SGB's consolidated sales (including joint ventures).

SGB International includes SGB's U.S., Middle East, Far East and Eastern European operations. For the year ended 31 December 1999, SGB International accounted for approximately 16 per cent. of SGB's consolidated sales (including joint ventures).

SGB North Europe covers Northern Europe including Austria, Denmark, Germany and Holland but excluding the UK. The core activity of this division is the provision of contract scaffolding services in oil and petrochemical plants. For the year ended 31 December 1999, SGB North Europe accounted for approximately 16 per cent. of SGB's consolidated sales (including joint ventures).

SGB South Europe serves France and Belgium and for the year ended 31 December 1999, SGB South Europe accounted for approximately 7 per cent. of SGB's consolidated sales (including joint ventures).

For the year ended 31 December 1999, SGB reported turnover (including joint ventures) of pound sterling282.9 million, profit before taxation and exceptional items of pound sterling26.6 million and basic earnings per SGB Share of 24.8p. As at 31 December 1999, SGB reported net assets of pound sterling126.6 million.

6. BACKGROUND TO AND REASONS FOR THE OFFER

In recent years, Harsco has sought to transform itself into a diversified provider of industrial services to global customers in the strategic industrial sectors of steel, gas, energy and infrastructure development.

Harsco's Infrastructure Group has continued to benefit from the increasing trend towards services outsourcing by its major customers, and has improved its market penetration by building on its excellent record of safety, customer service and innovation.

The Board of Harsco believes that the acquisition of SGB provides an excellent opportunity to implement this strategy further by capitalising on the increasing globalisation of the major markets it serves.

7. COMPULSORY ACQUISITION AND DE-LISTING

If sufficient acceptances are received and/or sufficient SGB Shares are otherwise acquired, Harsco intends to apply the provisions of sections 428 to 430F of the Companies Act to acquire compulsorily any other outstanding SGB Shares. After the Offer becomes or is declared unconditional in all respects, Harsco intends to procure the making of an application by SGB for the cancellation of the listing of the SGB Shares on the London Stock Exchange as soon as practicable and in any event by the time outstanding SGB Shares are acquired pursuant to the relevant provisions of the Companies Act referred to above. It is anticipated that such cancellation will take effect no earlier than 20 business days after the Offer becomes or is declared unconditional in all aspects.

8. MANAGEMENT AND EMPLOYEES

Harsco confirms that the existing employment rights, including pension rights, of the employees of the SGB Group will be fully safeguarded.

9. FURTHER DETAILS OF THE OFFER

The SGB Shares will be acquired by Harsco Investment free from all liens, equities, charges, encumbrances and other third party rights or interests and together with all rights now or hereafter attaching thereto, including voting rights and the right to receive and retain all dividends and other distributions (if any) declared, made or paid after 15 May 2000.

The Offer is subject to the conditions and further terms set out in Appendix I of this document and in the Form of Acceptance.

10. SGB SHARE OPTION SCHEMES

The Offer will extend to any SGB Shares unconditionally allotted or issued whilst the Offer remains open for acceptance (or before such earlier date as the Offeror may, subject to the City Code, determine, not (without the consent of the Panel) being earlier than the date on which the Offer becomes unconditional as to acceptances or, if later, the first closing date of the Offer), as a result of the exercise of options granted under the SGB Share Option Schemes. Harsco will make appropriate proposals to option holders under the SGB Share Option Schemes in due course once the Offer becomes or is declared unconditional in all respects.

11. PROCEDURE FOR ACCEPTANCE OF THE OFFER

THIS SECTION SHOULD BE READ TOGETHER WITH THE INSTRUCTIONS AND NOTES ON THE FORM OF ACCEPTANCE.

(a) Completion of Form of Acceptance

You should note that if you hold SGB Shares in both certificated and uncertificated form (that is, in CREST), you should complete a separate Form of Acceptance for each holding. In addition, you should complete a separate Form of Acceptance for SGB Shares held in uncertificated form, but under different member account IDs, and for SGB Shares held in certificated form but under different designations. If you hold SGB Shares in CREST you should also refer to paragraphs (d) and (e) below. Additional Forms of Acceptance are available from Computershare Services PLC, PO Box 859, The Pavilions, Bridgwater Road, Bristol BS99 1XZ (telephone number: 0870 702 0100).

To accept the Offer in respect of all or any of your SGB Shares, you must complete Boxes 1 and 3 and, if appropriate, Boxes 5 and 6 and, if your SGB Shares are in CREST, Box 4. In all cases you must sign Box 2 of the enclosed Form of Acceptance IN THE PRESENCE OF A WITNESS, WHO SHOULD ALSO SIGN IN ACCORDANCE WITH THE INSTRUCTIONS PRINTED THEREON.

IF YOU HAVE ANY QUESTIONS AS TO HOW TO COMPLETE THE FORM OF ACCEPTANCE, PLEASE TELEPHONE COMPUTERSHARE (TELEPHONE NUMBER: 0870 702 0100).

(b) Return of Form of Acceptance
TO ACCEPT THE OFFER, THE COMPLETED FORM(S) OF ACCEPTANCE SHOULD BE RETURNED WHETHER OR NOT YOUR SGB SHARES ARE IN CREST. THE COMPLETED FORM(S) OF ACCEPTANCE SHOULD BE RETURNED BY POST TO COMPUTERSHARE SERVICES PLC, P.O. BOX 859, THE PAVILIONS, BRIDGWATER ROAD, BRISTOL BS99 1XZ OR BY HAND TO COMPUTERSHARE SERVICES PLC, 7TH FLOOR, JUPITER HOUSE, TRITON COURT, 14 FINSBURY SQUARE, LONDON, EC2A 1BR, TOGETHER (SUBJECT TO PARAGRAPH (D) BELOW) WITH THE RELEVANT SHARE CERTIFICATE(S) AND/OR OTHER DOCUMENT(S) OF TITLE AS SOON AS POSSIBLE BUT IN ANY EVENT SO AS TO ARRIVE NO LATER THAN 3.00 P.M. ON 10 JUNE 2000. A reply-paid envelope for use in the UK only is enclosed for your convenience. No acknowledgement of the receipt of documents will be given by or on behalf of Harsco Investment. The instructions printed on Forms of Acceptance are deemed to form part of the terms of the Offer.

(c) Documents of title
If your SGB Shares are in certificated form, a completed and signed Form of Acceptance should be accompanied by the relevant share certificate(s) and/or other document(s) of title. If for any reason the relevant share certificate(s) and/or the other document(s) of title is/are lost or not readily available, you should nevertheless complete, sign and lodge the Form of Acceptance as stated above so as to be received by Computershare, by no later than 3.00 p.m. on 10 June 2000. You should send, with the completed Form of Acceptance, any share certificate(s) and/or other document(s) of title which you may have available and a letter stating that the remaining documents will follow as soon as possible or that you have lost one or more of your share certificate(s) and/or documents of title. No acknowledgement of receipt of documents will be given. If you have lost your share certificate(s) and/or other document(s) of title, you should contact SGB's registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA (telephone number: 01903 502 541), for a letter of indemnity for the lost share certificate(s) and/or other document(s) of title which, when completed in accordance with the instructions given, should be returned by post or by hand to Computershare, as above.

(d) Additional Procedures for SGB Shares in uncertificated form (that is, in CREST)
If your SGB Shares are in uncertificated form, you should insert in Box 4 of the enclosed Form(s) of Acceptance the participant ID and member account ID under which such SGB Shares are held by you in CREST and otherwise complete and return the Form(s) of Acceptance as described above. In addition, you should take (or procure to be taken) the action set out below to transfer the SGB Shares in respect of which you wish to accept the Offer to an escrow balance (that is, a TTE instruction) specifying Computershare Services PLC (in its capacity as a CREST participant under its participant ID referred to below) as the Escrow Agent, as soon as possible AND IN ANY EVENT SO THAT THE TRANSFER TO ESCROW SETTLES NO LATER THAN 3.00 P.M. ON 10 JUNE 2000.

IF YOU ARE A CREST PERSONAL MEMBER, YOU SHOULD REFER TO YOUR CREST SPONSOR BEFORE TAKING ANY ACTION. Your CREST sponsor will be able to confirm details of your participant ID and the member account ID under which your SGB Shares are held. In addition, only your CREST sponsor will be able to sent the TTE instruction to CRESTCo in relation to your SGB Shares.

You should send (or, if you are a CREST personal member, procure that your CREST sponsor sends) a TTE instruction to CRESTCo which must be properly authenticated in accordance with CRESTCo's specifications and which must contain, in addition to the information that is required for a TTE instruction to settle in CREST, the following details:

(i) the number of SGB Shares to be transferred to an escrow balance;

(ii) your member account ID. This must be the same member account ID as that inserted in Box 4 of the Form of Acceptance;

(iii) your participant ID. This must be the same participant ID as the participant ID that is inserted in Box 4 of the Form of Acceptance;

(iv) the participant ID of the Escrow Agent which is, for the purposes of the Offer, 3RAO9;

(v) the member account ID of the Escrow Agent which is, for the purposes of the Offer, HARSCO;

(vi) the Form of Acceptance reference number. This is the reference number that appears at the top of page three of the Form of Acceptance. This reference number should be inserted in the first eight characters of the shared note field on the TTE instruction. Such insertion will enable Computershare to match the transfer to escrow to your Form of Acceptance. You should keep a separate record of this reference number for future reference;

(vii) the intended settlement date. This should be as soon as possible and in any event no later than 3.00 p.m. on 10 June 2000; and

(viii) the Corporate Action Number for the Offer is allocated by CRESTCo and can be found by viewing the relevant Corporate Action details in CREST.

After settlement of the TTE instruction, you will not be able to access the SGB Shares concerned in CREST for any transaction or charging purposes. If the Offer becomes or is declared unconditional in all respects, the Escrow Agent will transfer the SGB Shares concerned to itself in accordance with paragraph (e) of Part C of Appendix I to this document.

You are recommended to refer to the CREST manual published by CRESTCo for further information on the CREST procedures outlined above. For ease of processing, you are requested, wherever possible, to ensure that a Form of Acceptance relates to only one transfer to escrow.

If no Form of Acceptance reference number, or an incorrect Form of Acceptance reference number is included in the TTE instruction Harsco Investment may treat any number of SGB Shares transferred to an escrow balance in favour of the Escrow Agent specified above from the participant ID and member account ID identified in the TTE instruction as relating to any Form(s) of Acceptance which relate(s) to the same member account ID and participant ID (up to the amount of SGB Shares inserted or deemed to be inserted on the Form(s) of Acceptance concerned).

YOU SHOULD NOTE THAT CRESTCO DOES NOT MAKE AVAILABLE SPECIAL PROCEDURES IN CREST FOR ANY PARTICULAR CORPORATE ACTION. NORMAL SYSTEM TIMINGS AND LIMITATIONS WILL THEREFORE APPLY IN CONNECTION WITH A TTE INSTRUCTION AND ITS SETTLEMENT. YOU SHOULD THEREFORE ENSURE THAT ALL NECESSARY ACTION IS TAKEN BY YOU (OR BY YOUR CREST SPONSOR) TO ENABLE A TTE INSTRUCTION RELATING TO YOUR SGB SHARES TO SETTLE PRIOR TO 3.00 P.M. ON 10 JUNE 2000. IN THIS REGARD, YOU ARE REFERRED IN PARTICULAR TO THOSE SECTIONS OF THE CREST MANUAL CONCERNING PRACTICAL LIMITATIONS OF THE CREST SYSTEM AND TIMINGS.

Harsco Investment will make an appropriate announcement if any of the details contained in this paragraph (d) alter for any reason.

(e) Deposits of SGB Shares into, and withdrawals of SGB Shares from, CREST

Normal CREST procedures (including timings) apply in relation to any SGB Shares that are, or are to be, converted from uncertificated to certificated form, or from certificated to uncertificated form during the course of the Offer (whether any such conversion arises as a result of a transfer of SGB Shares or otherwise). Holders of SGB Shares who are proposing so to convert any such SGB shares are recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the SGB Shares as a result of the conversion to take all necessary steps in connection with an acceptance of the Offer (in particular, as regards delivery of share certificate(s) or other document(s) of title or transfers to an escrow balance as described above) prior to 3.00 p.m. on 10 June 2000.

(f) Validity of acceptance
Without prejudice to Parts B and C of Appendix I of this document, Harsco Investment and Lazard reserve the right to treat as valid in whole or in part any acceptance of the Offer which is not entirely in order or which is not accompanied by the relevant TTE instruction or (as applicable) the relevant share certificate(s) and/or other document(s) of title. In that event, no payment of cash under the Offer will be made until after the relevant TTE instruction has settled or (as applicable) the relevant share certificate(s) and/or other document(s) of title or indemnities satisfactory to Harsco Investment have been received.

(g) Overseas shareholders
The attention of SGB Shareholders who are citizens or residents of jurisdictions outside the UK is drawn to paragraph 6 of Part B and paragraph (b) of Part C of Appendix I of this document, and to the relevant provisions of the Form of Acceptance. The availability of the Offer to persons not resident in the UK may be affected by the laws of the relevant jurisdictions. Persons not resident in the UK should inform themselves about and observe any applicable requirements.

The Offer is not being made, directly or indirectly, in or into, the United States, Canada, Australia or Japan. Accordingly, any accepting SGB Shareholder who is unable to give the warranties set out in paragraph (b) of Part C of Appendix I to this document will be deemed not to have accepted the Offer.

IF YOU ARE IN ANY DOUBT AS TO THE PROCEDURE FOR ACCEPTANCE, PLEASE CONTACT COMPUTERSHARE BY TELEPHONE ON 0870 702 0100. YOU ARE REMINDED THAT, IF YOU ARE A CREST PERSONAL MEMBER, YOU SHOULD CONTACT YOUR CREST SPONSOR BEFORE TAKING ANY ACTION.

12. SETTLEMENT
Subject to the Offer becoming or being declared unconditional in all respects (except as provided in paragraph 6 of Part B of Appendix I in the case of certain SGB Shareholders who are not resident in the UK), settlement of the consideration to which any SGB Shareholder is entitled under the Offer will be effected (i) in the case of acceptances received, complete in all respects, by the date on which the Offer becomes or is declared unconditional in all respects, within 14 days of such date, or (ii) in the case of acceptances of the Offer received, complete in all respects, after the date on which the Offer becomes or is declared unconditional in all respects but while it remains open for acceptance, within 14 days of such receipts in the following manner:

(a) SGB Shares in uncertificated form (that is, in CREST)
Where an acceptance relates to SGB Shares in uncertificated form, settlement of any cash consideration to which the accepting SGB Shareholder is entitled will be paid by means of CREST by Harsco Investment procuring the creation of an assured payment obligation in favour of the accepting SGB Shareholder's payment bank in respect of the cash consideration due, in accordance with the CREST assured payment arrangements.

Harsco Investment reserves the right to settle all or any part of the consideration referred to this paragraph (a), for all or any accepting SGB Shareholder(s), in the manner referred to in paragraph (b) below, if, for any reason, it wishes to do so.

(b) SGB Shares in certificated form
Where an acceptance relates to SGB Shares in certificated form, settlement of any cash due will be despatched by first class post (or by such other method as the Panel may approve). All such payments will be made in pounds sterling by cheque drawn on a branch of a UK clearing bank.

(c) General
If the Offer does not become or is not declared unconditional in all respects (i) share certificate(s) and/or other document(s) of title will be returned by post (or such other method as may be approved by the Panel), within 14 days of the Offer lapsing, to the person or agent whose name and address (outside the United States, Canada, Australia or Japan) is set out in Box 6 of the Form of Acceptance or, if none is set out, to the first named holder at his registered address (outside the United States, Canada, Australia or Japan) and (ii) the Escrow Agent will, immediately after the lapsing of the Offer

(or within such longer period, not exceeding 14 days after the Offer lapsing, as the Panel may approve), give TFE instructions to CRESTCo to transfer all SGB Shares held in escrow balances and in relation to which it is the Escrow Agent to the original available balances of the SGB Shareholders concerned. ALL DOCUMENTS AND REMITTANCES SENT BY, TO OR FROM SGB SHAREHOLDERS OR THEIR APPOINTED AGENTS WILL BE SENT AT THEIR OWN RISK.

13. UNITED KINGDOM TAXATION

THE FOLLOWING PARAGRAPHS, WHICH ARE INTENDED AS A GENERAL GUIDE ONLY, ARE BASED ON CURRENT UNITED KINGDOM LEGISLATION AND INLAND REVENUE PRACTICE AND ARE SUBJECT TO CHANGES THEREIN. THEY SUMMARISE CERTAIN LIMITED ASPECTS OF THE UK TAXATION TREATMENT OF THE ACCEPTANCE OF THE OFFER, AND THEY RELATE ONLY TO THE POSITION OF CERTAIN CLASSES OF TAXPAYERS AND ONLY THOSE SGB SHAREHOLDERS WHO ARE RESIDENT OR ORDINARILY RESIDENT IN THE UK FOR TAXATION PURPOSES AND WHO HOLD THEIR SGB SHARES BENEFICIALLY AS AN INVESTMENT (OTHERWISE THAN UNDER A PERSONAL EQUITY PLAN OR AN INDIVIDUAL SAVINGS ACCOUNT) AND NOT AS AN ASSET OF A FINANCIAL TRADER OR AS A BUSINESS ASSET. THE TAXATION POSITION OF SPECIAL CLASSES OF TAXPAYERS SUCH AS BANKS, INSURANCE COMPANIES AND COLLECTIVE INVESTMENT SCHEMES IS NOT CONSIDERED BELOW.

ANY SGB SHAREHOLDER OR OPTIONHOLDER WHO IS IN ANY DOUBT AS TO HIS TAXATION POSITION OR WHO IS SUBJECT TO TAXATION IN ANY JURISDICTION OTHER THAN THE UK, SHOULD CONSULT AN APPROPRIATE PROFESSIONAL ADVISER IMMEDIATELY.

(a) UK taxation of chargeable gains

Liability to UK taxation of chargeable gains will depend on the individual circumstances of SGB Shareholders. Acceptance of the Offer will, if it becomes wholly unconditional, constitute a disposal or part disposal by the SGB Shareholder of his SGB Shares for the purposes of UK taxation of chargeable gains. Such a disposal or part disposal may, depending upon the individual circumstances of the SGB Shareholder (including the availability of any allowances, reliefs, exemptions or allowable losses), give rise to a liability to UK taxation on chargeable gains.

(b) SGB Share Option Schemes

Special tax provisions may apply to SGB Shareholders who have acquired or acquire their SGB Shares by exercising options under the SGB Share Option Schemes including provisions imposing a charge to income tax when such an option is exercised or on any disposal of SGB Shares acquired on exercise. Further details will be provided to participants in these Schemes in due course if appropriate.

(c) Stamp duty and stamp duty reserve tax (SDRT)

No stamp duty or SDRT will be payable by SGB Shareholders as a result of accepting the Offer.

14. FURTHER INFORMATION

Your attention is drawn to the further information contained in the Appendices to this document.

15. ACTION TO BE TAKEN

TO ACCEPT THE OFFER, THE FORM OF ACCEPTANCE MUST BE COMPLETED, SIGNED AND RETURNED IN ACCORDANCE WITH THE INSTRUCTIONS THEREON, WHETHER OR NOT YOUR SGB SHARES ARE IN CREST, TOGETHER WITH SHARE CERTIFICATES AND/OR OTHER DOCUMENTS OF TITLE, AS APPROPRIATE. FORMS OF ACCEPTANCE SHOULD BE RETURNED AS SOON AS POSSIBLE BY POST OR BY HAND AND, IN ANY EVENT, SO AS TO BE RECEIVED BY COMPUTERSHARE AT THE ADDRESSES SPECIFIED IN PARAGRAPH 11(B) OF THIS LETTER AS SOON AS POSSIBLE AND IN ANY EVENT NOT LATER THAN 3.00 P.M. ON 10 JUNE 2000.

Yours faithfully,
for and on behalf of
Lazard Brothers & Co., Limited

William Buist-Wells	Richard Stables
Director	Director

APPENDIX I

CONDITIONS AND FURTHER TERMS OF THE OFFER

PART A CONDITIONS OF THE OFFER

The Offer is subject to the following conditions:

(a) valid acceptances being received (and not, where permitted, withdrawn) by not later than 3.00 p.m. (London time) on 10 June 2000 (or such later time(s) and/or date(s) as Harsco Investment may, subject to the rules of the City Code, decide) in respect of not less than 90 per cent. (or such lower percentage as Harsco Investment may decide) in nominal value of the SGB Shares to which the Offer relates, provided that this condition will not be satisfied unless Harsco and/or its wholly owned subsidiaries shall have acquired or agreed to acquire (whether pursuant to the Offer or otherwise) SGB Shares carrying in aggregate more than 50 per cent of the voting rights then normally exercisable at a general meeting of SGB, including for this purpose (except to the extent otherwise agreed by the Panel) any such voting rights attaching to any SGB Shares that are unconditionally allotted or issued before the Offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise; and for this purpose:

(i) the expression "SGB Shares to which the Offer relates" shall be construed in accordance with sections 428 to 430F of the Companies Act 1985, and

(ii) SGB Shares which have been unconditionally allotted shall be deemed to carry the voting rights which they will carry upon issue;

(b) the passing at an Extraordinary General Meeting of Mowlem (or at any adjournment thereof) of an ordinary resolution to approve the disposal by Mowlem of its entire shareholding in the ordinary issued share capital of SGB:

(c) no Third Party having intervened and there not continuing to be outstanding any statute, regulation or order of any Third Party in each case which would or might reasonably be expected (in any case to an extent which is material in the context of the Wider Harsco Group or the Wider SGB Group, as the case may be, taken as a whole) to:

(i) make the Offer, its implementation or the acquisition or proposed acquisition by Harsco or any member of the Wider Harsco Group of any shares or other securities in, or control or management of, SGB or any member of the Wider SGB Group void, illegal or unenforceable in any jurisdiction, or otherwise directly or indirectly restrain, prevent, prohibit, restrict or delay the same or impose additional conditions or obligations with respect to the Offer or such acquisition, or otherwise impede, challenge or interfere with the Offer or such acquisition, or require amendment to the terms of the Offer or the acquisition or proposed acquisition of any SGB Shares or the acquisition of control of SGB or the Wider SGB Group by Harsco Investment;

(ii) limit or delay the ability of any member of the Wider Harsco Group or any member of the Wider SGB Group to acquire or to hold or to exercise effectively, directly or indirectly, all or any rights of ownership in respect of shares or other securities in, or to exercise voting or management control over, any member of the Wider SGB Group or any member of the Wider Harsco Group;

(iii) require, prevent or delay the divestiture or alter the terms envisaged for any proposed divestiture by any member of the Wider Harsco Group of any shares or other securities in SGB;

(iv) require, prevent or delay the divestiture or alter the terms envisaged for any proposed divestiture by any member of the Wider Harsco Group or by any member of the Wider SGB Group of all or any portion of their respective businesses, assets or properties or impose any limitation on the ability of any of them to conduct any of their respective businesses or to own or control any of their respective assets or properties or any part thereof;

(v) except pursuant to Part XIIIA of the Companies Act, require any member of the Wider Harsco Group or of the Wider SGB Group to acquire, or to offer to acquire, any shares or other securities (or the equivalent) in any member of either group owned by any third party;

(vi) limit the ability of any member of the Wider Harsco Group or of the Wider SGB Group to conduct or integrate or co-ordinate its business, or any part of it, with the businesses or any part of the businesses of any other member of the Wider Harsco Group or of the Wider SGB Group;

(vii) result in any member of the Wider SGB Group or the Wider Harsco Group ceasing to be able to carry on business under any name under which it presently does so; or

(viii) otherwise adversely affect the business, assets, profits, financial or trading position or prospects of any member of the Wider SGB Group or of the Wider Harsco Group,

and all applicable waiting and other time periods during which any Third Party could intervene under the laws of any relevant jurisdiction having expired, lapsed or been terminated;

(d) without limitation to condition (c) above.

(i) the Office of Fair Trading having indicated, in terms satisfactory to Harsco Investment, that it is not the intention of the Secretary of State for Trade and Industry to refer the proposed acquisition of SGB by Harsco Investment, or any matters arising from that proposed acquisition, to the Competition Commission; and

(ii) if required, all filings having been made and all or any applicable waiting periods (including any extensions thereof) under the United States Hart-Scott-Rodino Antitrust Improvements Act of 1976 and the regulations thereunder having expired, lapsed or been terminated as appropriate in each case in respect of the proposed acquisition of SGB by Harsco Investment, or any matters arising from that proposed acquisition;

(e) all notifications and filings which are necessary or are reasonably considered appropriate by Harsco Investment having been made, all appropriate waiting and other time periods (including any extensions of such waiting and other time periods) under any applicable legislation or regulation of any relevant jurisdiction having expired, lapsed or been terminated (as appropriate) and all statutory or regulatory obligations in any relevant jurisdiction having been complied with in each case in connection with the Offer or the acquisition or proposed acquisition of any shares or other securities in, or control of, SGB or any other member of the Wider SGB Group by any member of the Wider Harsco Group or the carrying on by any member of the Wider SGB Group of its business;

(f) all Authorisations which are necessary or are reasonably considered necessary or appropriate by Harsco Investment in any relevant jurisdiction for or in respect of the Offer or the acquisition or proposed acquisition of any shares or other securities in, or control of, SGB or any other member of the Wider SGB Group by any member of the Wider Harsco Group or the carrying on by any member of the Wider SGB Group of its business having been obtained, in terms and in a form satisfactory to Harsco Investment, from all appropriate Third Parties or from any persons or bodies with whom any member of the Wider SGB Group has entered into contractual arrangements in each case where the absence of such Authorisation would have a material adverse effect on the Wider SGB Group taken as a whole and all such Authorisations remaining in full force and effect and there being no notice or intimation of any intention to revoke, suspend, restrict, modify or not to renew any of the same at the time at which the Offer becomes otherwise unconditional;

(g) except as otherwise publicly announced by SGB (by the delivery of an announcement to the Company Announcements Office in accordance with the rules governing the admission of securities to the official list of the UK Listing Authority or as included herein (publicly announced)) prior to 15 May 2000, there being no provision of any arrangement, agreement, licence, permit, franchise or other instrument to which any member of the Wider SGB Group is a party, or by or to which any such member or any of its assets is or are or may be bound, entitled or subject or any circumstance, which, in each case as a consequence of the Offer or the acquisition or proposed acquisition of any shares or other securities in, or control of, SGB or any other member of the Wider SGB Group by any member of the Wider Harsco Group or otherwise, could or might reasonably be expected to result in, (in any case to an extent which would be material in the context of the Wider SGB Group taken as a whole):

(i) any monies borrowed by or any other indebtedness or liabilities (actual or contingent) of, or any grant available to, any member of the Wider SGB Group being or becoming repayable or capable of being declared repayable immediately or prior to its stated repayment date or the ability of any member of the Wider SGB Group to borrow monies or incur any indebtedness being withdrawn or inhibited or becoming capable of being withdrawn;

(ii) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property, assets or interests of any member of the Wider SGB Group or any such mortgage, charge or other security interest (wherever created, arising or having arisen) becoming enforceable;

(iii) any such arrangement, agreement, licence, permit, franchise or instrument, or the rights, liabilities, obligations or interests of any member of the Wider SGB Group thereunder, being, or becoming capable of being, terminated or adversely modified or affected or any adverse action being taken or any obligation or liability arising thereunder;

(iv) any asset or interest of any member of the Wider SGB Group being or falling to be disposed of or ceasing to be available to any member of the Wider SGB Group or any right arising under which any such asset or interest could be required to be disposed of or could cease to be available to any member of the Wider SGB Group otherwise than in the ordinary course of business;

(v) the creation of liabilities (actual or contingent) by any member of the Wider SGB Group;

(vi) the rights, liabilities, obligations or interests of any member of the Wider SGB Group under any such arrangement, agreement, licence, permit, franchise or other instrument or the interests or business of any such member in or with any other person, firm, company or body (or any arrangement or arrangements relating to any such interests or business) being terminated adversely modified or affected; or

(vii) the financial or trading position or the prospects or the value of any member of the Wider SGB Group being prejudiced or adversely affected,

and no event having occurred which, under any provision of any such arrangement, agreement, licence, permit or other instrument, could result in any of the events or circumstances which are referred to in paragraphs (i) to (vii) of this condition (g);

(h) since 31 December 1999 and except as disclosed in SGB's annual report and accounts for the year then ended or as otherwise publicly announced by SGB prior to 15 May 2000 no member of the Wider SGB Group having:

(i) issued or agreed to issue, or authorised or proposed the issue of, additional shares of any class, or securities convertible into or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares or convertible securities other than as between SGB and wholly-owned subsidiaries of SGB and other than any options granted and any shares issued upon the exercise of any options granted under any of the SGB Share Option Schemes;

(ii) purchased or redeemed or repaid any of its own shares or other securities or reduced or made any other change to any part of its share capital;

(iii) recommended, declared, paid or made any bonus, dividend or other distribution whether payable in cash or otherwise (other than to SGB or a wholly-owned subsidiary of SGB);

(iv) made or authorised or proposed or announced any change in its loan capital;

(v) other than any acquisition or disposal in the ordinary course of business (or a transaction between SGB and a wholly-owned subsidiary of SGB) merged with, demerged (or acquired any body corporate, partnership or business or acquired or disposed of or transferred, mortgaged or charged or created any security interest over any assets or any right, title or interest in any assets (including shares in any undertaking and trade investments) or authorised the same (which in any case is material in the context of the Wider SGB Group taken as a whole);

(vi) issued or authorised the issue of, or made any change in or to, any debentures or (except in the ordinary course of business) incurred or increased any indebtedness or liability (actual or contingent);

(vii) entered into, varied, or authorised any agreement, transaction, arrangement or commitment (whether in respect of capital expenditure or otherwise) which:

(A) is of a long term, onerous or unusual nature or magnitude or which is or could involve an obligation of such nature or magnitude; or

(B) could restrict the business of any member of the Wider SGB Group; or

(C) is other than in the ordinary course of business,

in each case to an extent which is material in the context of the Wider SGB Group taken as a whole;

(viii) entered into or changed the terms of, or made any offer (which remains open for acceptance) to enter into or change the terms of, any contract, agreement or arrangement with any of the directors or senior executives of any member of the Wider SGB Group;

(ix) taken any corporate action or had any legal proceedings instituted or threatened against it or petition presented or order made for its winding-up (voluntarily or otherwise), dissolution or reorganisation or for the appointment of a receiver, administrator, administrative receiver, trustee or similar officer of all or any of its assets and revenues or any analogous proceedings in any jurisdiction or appointed any analogous person in any jurisdiction (in each case with a material adverse effect on the Wider SGB Group taken as a whole);

(x) been unable, or admitted in writing that it is unable, to pay its debts or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business;

(xi) waived or compromised any claim with a material adverse effect on the Wider SGB Group taken as a whole;

(xii) made any alteration to its memorandum or articles of association;

(xiii) entered into any agreement, commitment or arrangement or passed any resolution or made any offer (which remains open for acceptance) or proposed or announced any intention with respect to any of the transactions, matters or events referred to in this condition (h);

(i) since 31 December 1999 and except as disclosed in SGB's annual report and accounts for the year then ended or as otherwise publicly announced by SGB prior to 15 May 2000:

(i) there having been no adverse change or deterioration in the business, assets, financial or trading positions or profits or prospects of any member of the Wider SGB Group which is material in the context of the Wider SGB Group taken as a whole;

(ii) no litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Wider SGB Group is or may become a party (whether as plaintiff, defendant or otherwise) having been threatened, announced, implemented or instituted by or against or remaining outstanding against or in respect of any member of the Wider SGB Group which, in any such case, is material in the context of the Wider SGB Group taken as a whole;

(iii) no contingent or other liability of any member of the Wider SGB Group having arisen or become apparent or increased which would or could reasonably be expected materially and adversely to affect the Wider SGB Group taken as a whole; and

(iv) no enquiry or investigation (save as a result of the Offer) by, or complaint or reference to, any Third Party having been threatened, announced, implemented, instituted by or against or remaining outstanding against or in respect of any member of the Wider SGB Group which, in any such case, is material in the context of the Wider SGB Group taken as a whole;

(j) Harsco Investment not having discovered:

(i) that any financial or business or other information concerning the Wider SGB Group disclosed at any time by or on behalf of any member of the Wider SGB Group, whether publicly, to any member of the Wider Harsco Group or otherwise, is misleading or contains any misrepresentation of fact or omits to state a fact necessary to make any information contained therein not misleading and which was not subsequently corrected before 15 May 2000 by disclosure either publicly or otherwise to Harsco Investment and, in any such case, to an extent which is material in the context of the Wider SGB Group;

(ii) that any member of the Wider SGB Group or partnership, company or other entity in which any member of the Wider SGB Group has an interest and which is not a subsidiary undertaking of SGB is subject to any liability (actual or contingent) which is not disclosed in SGB's annual report and accounts for the financial year ended 31 December 1999 except as publicly announced prior to the date hereof and which is material in the context of the Wider SGB Group taken as a whole; or

(iii) any information which affects the import of any information disclosed at any time by or on behalf of any member of the Wider SGB Group to an extent which is material in the context of the Wider SGB Group taken as a whole;

(k) Harsco Investment not having discovered:

(i) that any past or present member of the Wider SGB Group has not complied with any applicable legislation or regulations of any jurisdiction with regard to the use, treatment, handling, storage, transport, release, disposal, discharge, spillage, leak or emission of any waste or hazardous substance or any substance likely to impair the environment or harm human health, or otherwise relating to environmental matters or the health and safety of any person, or that there has otherwise been any such use, treatment, handling, storage, transport, release, disposal, discharge, spillage, leak or emission (whether or not this constituted a non-compliance by any person with any legislation or regulations and wherever the same may have taken place) which, in any such case, would be likely to give rise to any liability (whether actual or contingent) or cost on the part of any member of the Wider SGB Group and which is material in the context of the Wider SGB Group taken as a whole;

(ii) that there is, or is likely to be, any liability, whether actual or contingent, to make good, repair, reinstate or clean up any property now or previously owned, occupied or made use of by any past or present member of the Wider SGB Group or any other property or any controlled waters under any environmental legislation, regulation, notice, circular, order or other lawful requirement of any relevant authority or third party or otherwise and which, in any such case, is material in the context of the Wider SGB Group taken as a whole; or

(iii) that circumstances exist whereby a person or class of persons would be likely to have a claim in respect of any product or process of manufacture or materials used therein now or previously manufactured, sold or carried out by any past or present member of the Wider SGB Group which is or would be material in the context of the Wider SGB Group taken as a whole.

For the purpose of these conditions:

(a) "Third Party" means any government, government department or governmental, quasi-governmental, supranational, statutory, regulatory or investigative body, authority (including any national anti-trust or merger control authority), court, trade agency, association, institution or professional or environmental body or any other person or body whatsoever in any relevant jurisdiction;

(b) a Third Party shall be regarded as having "intervened" if it has decided to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference or made, proposed or enacted any statute, regulation, decision or order or taken any measures or other steps or required any action to be taken or information to be provided or otherwise having done anything and "intervene" shall be construed accordingly;

(c) "Authorisations" means authorisations, orders, grants, recognitions, determinations, certificates, confirmations, consents, licences, clearances, provisions and approvals.

Subject to the requirements of the Panel, Harsco Investment reserves the right to waive all or any of the above conditions, in whole or in part, except condition (a).

Conditions (b) to (k) (inclusive) must be fulfilled, be determined by Harsco Investment to be or remain satisfied or (if capable of waiver) be waived by midnight on the 21st day after the later of 10 June 2000 and the date on which condition (a) is fulfilled (or in each case such later date as Harsco Investment may, with the consent of the Panel, decide), failing which the Offer will lapse. Harsco Investment shall be under no obligation to waive (if capable of waiver), to determine to be or remain satisfied or to treat as fulfilled any of conditions (b) to (k) (inclusive) by a date earlier than the latest date specified above for the fulfilment of that condition.

If Harsco Investment is required by the Panel to make an offer for SGB Shares under the provisions of Rule 9 of the City Code, Harsco Investment may make such alterations to the conditions of the Offer, including to condition (a), as are necessary to comply with the provisions of that Rule.

The Offer will lapse if the acquisition of SGB by Harsco Investment is referred to the Competition Commission before the later of 3.00 p.m. on 10 June 2000 and the date when the Offer becomes or is declared unconditional as to acceptances.

If the Offer lapses it will cease to be capable of further acceptance. SGB Shareholders who have accepted the Offer and Harsco Investment shall then cease to be bound by acceptances delivered on or before the date on which the Offer lapses.

PART B FURTHER TERMS OF THE OFFER

The following further terms apply to the Offer. Except where the context otherwise requires, any reference in Parts B or C of this Appendix I and in the Form of Acceptance:

(i) to the "Offer" shall include any revision, variation or renewal thereof or extension of the Offer (as the case may be);

(ii) to the "Offer becoming unconditional" shall include references to the Offer being or being declared unconditional;

(iii) to the "acceptance condition" means the condition set out in paragraph (a) of Part A of this Appendix I;

(iv) to the "Offer becoming unconditional" means the acceptance condition being or becoming or being declared satisfied whether or not any other condition of the Offer remains to be fulfilled and references to the Offer having become or not becoming unconditional shall be construed accordingly;

(v) to "acceptances of the Offer" shall include deemed acceptances of the Offer.

1. ACCEPTANCE PERIOD

(a) The Offer will initially be open for acceptance until 3.00 p.m. on 10 June 2000. Although no revision is envisaged, if the Offer is revised it will remain open for acceptance for a period of at least 14 days (or such other period as may be permitted by the Panel) from the date of despatching written notification of the revision to SGB Shareholders. Except with the consent of the Panel, no revision of the Offer may be posted to SGB Shareholders after 5 July 2000 or, if later, the date falling 14 days prior to the last date on which the Offer is capable of becoming unconditional.

(b) The Offer, whether revised or not, shall not (except with the consent of the Panel) be capable of becoming unconditional after midnight on 19 July 2000 (or any earlier time and/or date announced (and not withdrawn) by Harsco Investment as the date beyond which the Offer will not be extended) nor of being kept open for acceptance after that time and date, unless it has previously become unconditional, provided that Harsco Investment reserves the right, with the permission of the Panel, to extend the Offer to (a) later time(s) and/or date(s). Except with the consent of the Panel, Harsco Investment may not, for the purpose of determining whether the acceptance condition has been satisfied, take into account acceptances received or purchases of SGB Shares made after 1.00 p.m. on 19 July 2000 (or any earlier time and/or date announced (and not withdrawn) by Harsco Investment as the date beyond which the Offer will not be extended) or, if the Offer is so extended, any such later time and/or date as may be agreed with the Panel. If the latest time at which the Offer may become unconditional is extended beyond midnight on 19 July 2000, acceptances received and purchases of SGB Shares made in respect of which the relevant documents are received by Computershare after 1.00 p.m. on the relevant date may (except where the Code otherwise permits) only be taken into account with the agreement of the Panel.

(c) If the Offer becomes or is declared unconditional, it will remain open for acceptance for not less than 14 days from the date on which it would otherwise have expired. If the Offer has become unconditional and it is stated that the Offer will remain open until further notice, then not less than 14 days' notice in writing will be given prior to the closing of the Offer to those SGB Shareholders who have not accepted the Offer.

(d) If a competitive situation arises after a "no increase" and/or "no extension" statement has been made in relation to the Offer, Harsco Investment may, if it specifically reserves the right to do so at the time such statement is made, or otherwise with the consent of the Panel, withdraw such statement provided that it complies with the requirements of the Code and in particular that:

  (i) it announces such withdrawal within four business days after the announcement of' the competing offer and notifies SGB Shareholders in writing thereof at the earliest practicable opportunity or, in the case of SGB Shareholders with registered addresses outside the UK or whom Harsco Investment knows to be nominees, trustees or custodians holding SGB Shares for such persons, by announcement in the UK; and

(ii) any SGB Shareholders who accepted the Offer after the date of the "no extension" or "no increase" statement are given a right of withdrawal in accordance with paragraph 3(c) below.

Harsco Investment may, if it has reserved the right to do so, choose not to be bound by the terms of a "no increase" or "no extension" statement if it would otherwise prevent the posting of an increased or improved Offer which is recommended for acceptance by the board of directors of SGB, or in other circumstances permitted by the Panel.

(e) For the purpose of determining at any particular time whether the acceptance condition has been satisfied, Harsco Investment shall be entitled to take account only of those SGB Shares carrying voting rights which have been unconditionally allotted or issued before that time and written notice of the allotment or issue of which, containing all the relevant details, has been received by Computershare from SGB or its agents at either of the addresses specified in paragraph 3(a) below. Telex, e-mail or facsimile transmission will not be sufficient.

2. ANNOUNCEMENTS

(a) By 8.00 a.m. on the business day (the "relevant day") following the day on which the Offer is due to expire or becomes or is declared unconditional or is revised or extended, Harsco Investment will make an appropriate announcement and simultaneously inform the UK Listing Authority of the position. Such announcement will (unless otherwise permitted by the Panel) also state (as nearly as practicable) the total number of SGB Shares and rights over SGB Shares:

(i) for which acceptances of the Offer have been received (showing the extent, if any, to which such acceptances have been received from any person deemed to be acting in concert with Harsco Investment);

(ii) acquired or agreed to be acquired by or on behalf of Harsco Investment or any person deemed to be acting in concert with Harsco Investment during the course of the Offer Period;

(iii) held by or on behalf of Harsco Investment or any person deemed to be acting in concert with Harsco Investment prior to the Offer Period, and will specify the percentage of share capital represented by each of these figures.

(b) Any decision to extend the time and/or date by which the acceptance condition has to be fulfilled may be made at any time up to, and will be announced not later than, 8.00 a.m. on the relevant day (or such later time and/or date as the Panel may agree) and the announcement will state the next expiry date (unless the Offer is unconditional, in which case a statement may instead be made that the Offer will remain open until further notice). In computing the number of SGB Shares represented by acceptances and/or purchases, there may be included or excluded for announcement purposes acceptances and purchases not in all respects in order or subject to verification provided that such acceptances or purchases shall not be included unless they could be counted towards fulfilling the acceptance condition in accordance with paragraphs 5(e) and (f) below.

(c) In this Appendix I, references to the making of an announcement by or on behalf of Harsco Investment include the release of an announcement to the press by public relations consultants or by Lazard and the delivery by hand or telephone, telex or facsimile or other electronic transmission of an announcement to the Company Announcements Office. An announcement made otherwise than to the Company Announcements Office shall be notified simultaneously to the Company Announcements Office.

3. RIGHTS OF WITHDRAWAL

(a) If Harsco Investment, having announced the Offer to be unconditional, fails to comply by 3.30 p.m. on the relevant day (or such later time and/or date as the Panel may agree) with any of the other relevant requirements specified in paragraph 2(a) above, an accepting SGB Shareholder may immediately thereafter withdraw his acceptance of the Offer by written notice signed by such accepting SGB Shareholder (or his agent duly appointed in writing and evidence of whose appointment in a form reasonably satisfactory to Harsco Investment is produced with the notice) given by post or by hand to Computershare, P.O. Box 859, The Pavilions, Bridgwater Road, Bristol BS99 1XZ or by hand only during normal business hours to Computershare, 7th Floor, Jupiter House, Triton Court, 14 Finsbury Square, London EC2A 1BR on behalf of Harsco Investment. Subject to paragraph 1(b) above, this right of withdrawal may be terminated not less than eight days after the relevant day by Harsco Investment confirming, if such be the case, that the Offer is still unconditional, and complying with the other requirements specified in paragraph 2(a) above. If any such confirmation is given, the first period of 14 days referred to in paragraph 1(c) above will run from the date of such confirmation and compliance.

(b) If by 3.00p.m. on 1 July 2000 (or such later time and/or date as the Panel may agree) the Offer has not become unconditional, an accepting SGB Shareholder may withdraw his acceptance at any time thereafter by written notice received by Computershare on behalf of Harsco Investment at either of the address(es) and in the manner referred to in paragraph 3(a) above, before the earlier of (i) the time when the Offer becomes unconditional and (ii) the final time for lodgement of acceptances of the Offer which can be taken into account in accordance with paragraph 1(b) above.

(c) If a "no increase" and/or "no extension" statement has been withdrawn in accordance with paragraph 1(d) above, any SGB Shareholder who accepts the Offer after such statement is made may withdraw his acceptance thereafter in the manner referred to in paragraph 3(a) above not later than the eighth day after the date on which notice of the withdrawal of such statement is posted to SGB Shareholders.

(d) Except as provided by this paragraph 3, acceptances shall be irrevocable.

(e) In this paragraph 3, "written notice" (including any letter of appointment, direction or authority) means notice in writing bearing the original signature(s) of the relevant accepting SGB Shareholder(s) or his/their agent(s) duly appointed in writing (evidence of whose appointment in a form reasonably satisfactory to Harsco Investment is produced with the notice). Telex, e-mail or facsimile transmission or copies will not be sufficient to constitute written notice. No notice which is postmarked in, or otherwise appears to Harsco Investment or its agents to have been sent from, the United States, Canada, Japan or Australia will be treated as valid.

4. REVISED OFFER

(a) Although no such revision of the Offer is envisaged, if the Offer (in its original or any previously revised form(s)) is revised (either in its terms and conditions or in the value or nature of the consideration offered or otherwise) and such revision represents, on the date on which such revision is announced, (on such basis as Lazard may consider appropriate) an improvement (or no diminution) in the value of the Offer as so revised compared with the consideration or terms previously offered or in the overall value received and/or retained by a SGB Shareholder (under the Offer or otherwise), the benefit of the revised Offer will, subject as provided in paragraphs 4(b), (c) and 6 below, be made available to SGB Shareholders who have accepted the Offer in its original or previously revised form(s) (hereinafter called "Previous Acceptors"). The acceptance by or on behalf of a Previous Acceptor of the Offer in its original or any previously revised form(s) shall, subject as provided in paragraphs 4(b), (c) and 6 below, be treated as an acceptance of the Offer as so revised and shall also constitute the separate appointment of any director of Harsco Investment and/or of Lazard as his attorney and/or agent with authority to accept any such revised Offer on behalf of such Previous Acceptor and, if such revised Offer includes alternative forms of consideration, to make elections and/or accept such alternative forms of consideration in such proportions as such attorney and/or agent in his absolute discretion thinks fit and to execute on behalf of and in the name of such Previous Acceptor all such further documents (if any) as may be required to give effect to such acceptances and/or elections. In making any such election and/or acceptance, such attorney and/or agent shall take into account the nature of any previous acceptances made by or on behalf of the Previous Acceptor and such other facts or matters as he may reasonably consider relevant.

(b) The deemed acceptance referred to in paragraph 4(a) above shall not apply and the authority conferred by paragraph 4(a) above shall not be exercised by any director of Harsco Investment or any director of Lazard if, as a result thereof, the Previous Acceptor would (on such basis as Lazard may consider appropriate) thereby receive and/or retain (as appropriate) less in aggregate under the Offer or otherwise than he would have received in aggregate as a result of acceptance of the Offer in the form in which it was previously accepted by him. The authorities conferred by paragraph 4(a) above shall not be exercised in respect of any election available under the revised Offer save in accordance with this paragraph.

(c) The deemed acceptance referred to in paragraph 4(a) above shall not apply and the authority conferred by paragraph 4(a) above shall be ineffective to the extent that a Previous Acceptor shall lodge with Computershare, within 14 days of the posting of the document pursuant to which the revision of the Offer is made available to SGB Shareholders, a Form of Acceptance or some other form issued by or on behalf of Harsco Investment in which he validly elects to receive the consideration receivable by him under such revised Offer in some other manner.

(d) The authorities conferred by this paragraph 4 and any acceptance of a revised Offer and any election pursuant thereto shall be irrevocable unless and until the Previous Acceptor becomes entitled to withdraw his acceptance under paragraph 3 above and duly does so.

(e) Harsco Investment reserves the right to treat an executed Form of Acceptance relating to the Offer (in its original or any previously revised form (s)) which is received after the announcement or issue of the Offer in any revised form as a valid acceptance of the revised Offer and such acceptance shall constitute an authority in the terms of paragraph 4(a) above mutatis mutandis on behalf of the relevant SGB Shareholder.

5. GENERAL

(a) Save with the consent of the Panel, the Offer will lapse unless all the conditions have been fulfilled or (if capable of waiver) waived or, where appropriate, have been determined by Harsco Investment in its reasonable opinion to be or remain satisfied by 10 June 2000 or within 21 days after the date on which the Offer becomes unconditional, whichever is the later, or such later date as Harsco Investment may, with the consent of the Panel, decide. If the Offer lapses for any reason, the Offer shall cease to be capable of further acceptance and Harsco Investment and SGB Shareholders shall cease to be bound by prior acceptances.

(b) The expression "Offer Period" when used in this document means, in relation to the Offer, the period commencing on 16 May 2000 until whichever of the following dates shall be the latest: (i) 3.00 p.m. on 10 June 2000, (ii) the time and date on which the Offer becomes unconditional and (iii) the time and date on which the Offer lapses.

(c) Except with the consent of the Panel, settlement of the consideration to which any SGB Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which Harsco Investment or Lazard may otherwise be, or claim to be, entitled as against such SGB Shareholder and will be posted not later than 14 days after the date on which the Offer becomes unconditional in all respects or 14 days after receipt of a valid and complete acceptance, whichever is the later.

(d) The terms, provisions, instructions and authorities contained in or deemed to be incorporated in the Form of Acceptance constitute part of the terms of the Offer. Words and expressions defined in this document will have the same meanings when used in the Form of Acceptance unless the context otherwise requires.

(e) Notwithstanding the right reserved by Harsco Investment to treat a Form of Acceptance as valid even though not entirely in order or not accompanied by the relevant share certificate(s) and/or other documents of title or not accompanied by the relevant TTE instructions, except as otherwise agreed with the Panel, an acceptance of the Offer will only be counted towards fulfilling the acceptance condition if the requirements of Note 4 and, if applicable, Note 6 on Rule 10 of the City Code are satisfied in respect of it.

(f) Except as otherwise agreed with the Panel, a purchase of SGB Shares by Harsco Investment or persons acting in concert with it or its nominee(s) will only be counted towards fulfilling the acceptance condition if the requirements of Note 5 and, if applicable, Note 6 on Rule 10 of the City Code are satisfied in respect of it.

(g) Except with the consent of the Panel, the Offer will not become or be declared unconditional unless Computershare has issued a certificate to Harsco Investment or Lazard which states the number of SGB Shares in respect of which acceptances have been received which comply with paragraph 5(e) above and the number of SGB Shares otherwise acquired, whether before or during the Offer Period, which comply with the requirements of paragraph 5(f) above. Copies of such certificate will be sent to the Panel and to SGB's financial adviser as soon as possible after it is issued.

(h) The Offer and all acceptances of it and the relevant Form of Acceptance and all contracts made pursuant to the Offer and action taken or made or deemed to be taken or made under any of the foregoing shall be governed by and construed in accordance with English law. Execution by or on behalf of a SGB Shareholder of a Form of Acceptance will constitute his submission, in relation to all matters arising out of or in connection with the Offer and the Form of Acceptance, to the jurisdiction of the Courts of England and his agreement that nothing shall limit the right of Harsco Investment or Lazard to bring any action, suit or proceeding arising out of or in connection with the Offer and the Form of Acceptance in any other manner permitted by law or in any court of competent jurisdiction.

(i) Any reference in this document and in the Form of Acceptance to 10 June 2000 shall, except in the final paragraph of Part A of this Appendix I and paragraphs 1(a) and 5(b) of this Part B of Appendix I and except where the context otherwise requires, be deemed, if the expiry date of the Offer be extended, to refer to the expiry date of the Offer as so extended.

(j) Any omission to despatch this document or the Form of Acceptance or any notice required to be despatched under the terms of the Offer to, or any failure to receive the same by, any person to whom the Offer is made, or should be made, shall not invalidate the Offer in any way or create any implication that the Offer has not been made to any such person. The Offer extends to any such person and to all SGB Shareholders to whom this document, the Form of Acceptance and any related documents may not be despatched or who may not receive such documents, and such persons may collect copies of those documents from Computershare at the address set out in paragraph 3(a) above.

(k) Without prejudice to any other provision in this Part B of Appendix I, Harsco Investment and Lazard reserve the right to treat acceptances of the Offer as valid if received by or on behalf of either of them at any place or places determined by them otherwise than as set out herein or in the Form of Acceptance.

(l) All powers of attorney, appointments of agents and authorities on the terms conferred by or referred to in this Appendix I or in the Form of Acceptance are given by way of security for the performance of the obligations of the SGB Shareholder concerned and are irrevocable (in respect of powers of attorney in accordance with section 4 of the Powers of Attorney Act 1971) except in the circumstances where the donor of such power of attorney, appointment or authority is entitled to withdraw his acceptance in accordance with paragraph 3 above and duly does so.

(m) No acknowledgement of receipt of any Form of Acceptance, transfer by means of CREST, share certificate(s) and/or other document(s) of title will be given. All communications, notices, certificates, documents of title and remittances to be delivered by or sent to or from SGB Shareholders (or their designated agent(s)) will be delivered by or sent to or from such SGB Shareholders (or their designated agent(s)) at their risk.

(n) If the Offer does not become unconditional in all respects:

  (i) the Form of Acceptance and any share certificate(s) and/or other document(s) of title will be returned by post (or by such other method as may be approved by the Panel) within 14 days of the Offer lapsing, at the risk of the person entitled thereto, to the person or agent whose name and address outside the United States, Canada, Japan or Australia is set out in the relevant box on the form of Acceptance or, if none is set out, to the first-named holder at his/her registered address outside the United States, Canada, Japan or Australia. No such documents will be sent to an address in the United States, Canada, Japan or Australia.

(ii) Computershare will, immediately after the lapsing of the Offer (or within such longer period as the Panel may permit, not exceeding 14 days of the lapsing of the Offer), give instructions to CRESTCo to transfer all SGB Shares held in escrow balances and in relation to which it is the escrow agent for the purposes of the Offer to the original available balances of the SGB Shareholders concerned.

(o) The Offer is made on 20 May 2000 and is capable of acceptance from and after that time. Copies of this document, the Form of Acceptance and any related documents are available from Computershare at the address(es) set out in paragraph 3(a) above from that time. The Offer is made by means of this document and by means of an advertisement inserted in the Financial Times dated 22 May 2000.

(p) If sufficient acceptances are received, Harsco Investment intends to apply the provisions of sections 428 to 430F of the Companies Act to acquire compulsorily any outstanding SGB Shares.

(q) After the Offer becomes or is declared unconditional in all respects, Harsco intends to procure the making of an application by SGB for the cancellation of the listing of the SGB Shares on the London Stock Exchange as soon as practicable and in any event by the time outstanding SGB Shares are acquired pursuant to the relevant provisions of the Companies Act;

(r) Harsco Investment and Lazard reserve the right to notify any matter (including the making of the Offer) to all or any SGB Shareholder(s) with (a) registered address(es) outside the UK or whom Harsco Investment or Lazard know to be nominees for such persons by announcement or paid advertisement in any daily newspaper published and circulated in the UK in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any such shareholders to receive such notice, and all references in this document to notice in writing (other than in paragraphs 3(a), 3(b) and 3(c) above) shall be construed accordingly.

(s) If Harsco Investment is required by the Panel to make an offer for SGB Shares under the provisions of Rule 9 of the City Code, Harsco Investment may make such alterations to the conditions of the Offer as are necessary to comply with the provisions of that Rule.

(t) All references in this Appendix to any statute or statutory provision shall include a statute or statutory provision which amends, consolidates or replaces the same (whether before or after the date hereof).

(u) In relation to any acceptance of the Offer in respect of a holding of SGB Shares which are in uncertificated form, Harsco Investment reserves the right to make such alterations, additions or modifications as may be necessary or desirable to give effect to any purported acceptance of the Offer, whether in order to comply with the facilities or requirements of CREST or otherwise, provided such alterations, additions or modifications are consistent with the requirements of the Code or are otherwise made with the consent of the Panel.

6. OVERSEAS SHAREHOLDERS

(a) The making of the Offer in, or to citizens, residents or nationals of jurisdictions outside the United Kingdom ("overseas shareholders"), may be affected by the laws of the relevant jurisdiction. Such overseas shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of any overseas shareholder wishing to accept the Offer to satisfy himself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes or other requisite payments due in such jurisdiction. Any such SGB Shareholder will be responsible for any such issue, transfer or other taxes or other requisite payments by whomsoever payable and Harsco Investment shall be fully indemnified and held harmless by such overseas shareholder for any such issue, transfer or other taxes as Harsco Investment may be required to pay.

(b) In particular, the Offer is not being made, directly or indirectly, in or into, or by the use of the mails of, or by any means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) of interstate or foreign commerce of, or any facility of a national securities exchange of, the United States, Canada, Australia or Japan. Harsco Investment will not (unless otherwise determined by Harsco Investment in its sole discretion and save as provided for in paragraph 6(c) below) mail or deliver, or authorise the mailing or delivery of, this document, the Form of Acceptance or any related offering document in or into the United States, Canada, Australia or Japan including to SGB Shareholders with registered addresses in the United States, Canada, Australia or Japan or to persons whom Harsco Investment knows to be trustees, nominees or custodians holding SGB Shares for such persons. Persons receiving such documents (including, without limitation, trustees, nominees or custodians) should not distribute or send them in or into the United States, Canada, Australia or Japan or use such mails or any such means or instrumentality for any purpose directly or indirectly in connection with the Offer and so doing may invalidate any purported acceptance. Persons wishing to accept the Offer should not use such mails or any such means or instrumentality for any purpose directly or indirectly related to acceptance of the Offer or such election. Envelopes containing the Form of Acceptance should not be postmarked in the United States, Canada, Australia or Japan or otherwise despatched from the United States, Canada, Australia or Japan and all acceptors must provide addresses outside the United States, Canada, Australia or Japan for the receipt of the remittance of cash or for the return of the Form of Acceptance, certificate(s) for SGB Shares and/or other document(s) of title.

(c) The provisions of this paragraph 6 and/or any other terms of the Offer relating to overseas shareholders may be waived, varied or modified as regards specific SGB Shareholder(s) or on a general basis by Harsco Investment in its absolute discretion. Subject to this, the provisions of this paragraph 6 supersede any terms of the Offer inconsistent therewith. References in this paragraph 6 to a SGB Shareholder shall include the person or persons executing a Form of Acceptance and, in the event or more than one person executing a Form of Acceptance, the provisions of this paragraph shall apply to them jointly and to each of them.

PART C FORM OF ACCEPTANCE

Each SGB Shareholder by whom, or on whose behalf, a Form of Acceptance is executed and received by Computershare or by or on behalf of Harsco Investment or Lazard irrevocably undertakes, represents, warrants and agrees to and with Harsco Investment and Lazard, (so as to bind him, his personal representatives, heirs, successors and assigns) to the following effect:

(a) that the execution of a Form of Acceptance, whether or not any other Boxes are completed, shall constitute:

(i) an acceptance of the Offer in respect of the relevant SGB Shareholder's entire holding of SGB Shares (or such lesser number as may have been inserted in Box 1 of the Form of Acceptance), provided that if a number is inserted in Box 1 which exceeds such shareholder's holding of SGB Shares, the acceptance will be deemed to have been made in respect of that shareholder's entire holding of SGB Shares; and

(ii) an undertaking to execute any further documents and give any further assurances which may be required to enable Harsco Investment to obtain the full benefit of this Part C and/or to perfect any of the authorities expressed to be given hereunder,

in each case on and subject to the terms and conditions set out or referred to in this document and the Form of Acceptance and that, subject only to the rights of withdrawal set out in paragraph 3 of Part B of this Appendix I, each such acceptance shall be irrevocable;

(b) that unless "No" has been inserted in Box 5 of the Form of Acceptance, such SGB Shareholder has not received or sent copies or originals of this document, the Form of Acceptance or any related documents in, into or from the United States, Canada, Japan or Australia and has not otherwise utilised in connection with the Offer, directly or indirectly, the mails of, or any means or instrumentality (including, without limitation, the post, facsimile transmission, telex and telephone) of interstate or foreign commerce or any facility of a national securities exchange of the United States, Canada, Japan or Australia; was outside the United States, Canada, Japan or Australia when the Form of Acceptance was delivered; and, in respect of the SGB Shares to which the Form of Acceptance relates, is not an agent or a fiduciary acting on a non-discretionary basis for a principal, unless such agent or fiduciary is an authorised employee of such principal or such principal has given any instructions with respect to the Offer from outside the United States, Canada, Japan or Australia;

(c) that the SGB Shares in respect of which the Offer is accepted or deemed to be accepted are sold free from all liens, equities, charges, encumbrances and other interests and together with all rights attaching thereto, including voting rights and the right to all dividends and other distributions declared, made or paid after 16 May 2000;

(d) that the execution of the Form of Acceptance and such receipt will constitute, subject to the Offer becoming unconditional in all respects and to the person accepting the Offer not having validly withdrawn his acceptance, the irrevocable appointment of each of Harsco Investment and Lazard and their respective directors and agents as such shareholder's attorney and/or agent (the "attorney"), and an irrevocable instruction to the attorney with the authority to complete and execute all or any form(s) of transfer and/or other document(s) at the discretion of the attorney in relation to the SGB Shares in respect of which the Offer has been accepted in favour of Harsco Investment or such other person or persons as Harsco Investment or its agents may direct and to deliver such form(s) of transfer and/or other document(s) at the discretion of the attorney and/or agent together with the share certificate(s) and/or other document(s) of title relating to such SGB Shares for registration within six months of the Offer becoming or being declared unconditional in all respects and to do all such other acts and things as may in the opinion of the attorney be necessary or expedient for the purposes of, or in connection with, the acceptance of the Offer and to vest in Harsco Investment or its nominee(s) the SGB Shares as aforesaid;

(e) that the execution of the Form of Acceptance and such receipt will constitute the irrevocable appointment of Computershare as such shareholder's attorney and/or agent and an irrevocable instruction and authority to the attorney and/or agent (i) subject to the Offer becoming unconditional in all respects in accordance with its terms and to an accepting SGB Shareholder not having validly withdrawn his acceptance, to transfer to itself (or to such other person or persons as Harsco Investment or its agents may direct) by means of CREST all or any of the Relevant SGB Shares (but not exceeding the number of SGB Shares in respect of which the Offer is accepted); and (ii), if the Offer does not become unconditional in all respects, to give instructions to CRESTCo, immediately after the lapsing of the Offer (or within such longer period as the Panel may permit, not exceeding 14 days of the lapsing of the Offer), to transfer all Relevant SGB Shares to the original available balance of the accepting SGB Shareholder. "Relevant SGB Shares" means SGB Shares in uncertificated form and in respect of which a transfer or transfers to escrow has or have been effected pursuant to the procedures described in paragraph 11(d) of the letter from Lazard contained in this document and where the transfer(s) to escrow was or were made in respect of SGB Shares held under the same member account ID and participant ID as the member account ID and participant ID relating to the Form of Acceptance concerned (but irrespective of whether or not any Form of Acceptance Reference Number, or a Form of Acceptance Reference Number corresponding to that appearing on the Form of Acceptance concerned, was included in the TTE instruction concerned);

(f) that the execution of the Form of Acceptance and such receipt will constitute, subject to the Offer becoming unconditional in all respects and to an accepting SGB Shareholder not having validly withdrawn his acceptance, an irrevocable authority and request:

  (i) to SGB or its agents to procure the registration of the transfer of the SGB Shares pursuant to the Offer and the delivery of the share certificate(s) and/or other document(s) of title in respect thereof to Harsco Investment or as it may direct;

  (ii) if the SGB Shares concerned are in certificated form, or if either of the provisos to sub-paragraph (iii) of this paragraph (f) apply to Harsco Investment or its agents, to procure the despatch by post (or by such other method as may be approved by the Panel) of a cheque drawn on a branch of a UK clearing bank for any cash consideration, to which an accepting SGB Shareholder becomes entitled pursuant to his acceptance of the Offer, at the risk of such SGB Shareholder to the person whose name and address is set out in Box 3 or, if applicable, Box 6 of the Form of Acceptance or, if none is set out, to the first named holder at his registered address (outside the United States, Canada, Japan and Australia);

  (iii) if the SGB Shares concerned are in uncertificated form, to Harsco Investment or its agents to procure the creation of an assured payment obligation in favour of the SGB Shareholder's payment bank in accordance with the CREST assured payment arrangements in respect of any cash consideration to which an accepting SGB Shareholder becomes entitled pursuant to his acceptance of the Offer, provided that (a) Harsco Investment may (if, for any reason, it wishes to do so) determine that all or any part of any such cash shall be paid by cheque despatched by post and (b) if the SGB Shareholder concerned is a CREST member whose registered address is in the United States, Canada, Japan or Australia, any cash to which such shareholder is entitled shall be paid by cheque despatched by post to the address set out in Box 6 of the Form of Acceptance or, if none is set out, to the first-named holder at his registered address outside the United States, Canada, Australia or Japan;

(g) that the execution of the relevant Form of Acceptance and such receipt will constitute the irrevocable appointment of each of Harsco Investment and Lazard and their respective directors and agents as such shareholder's attorney and/or agent (the "attorney") within the terms of paragraph 4 of Part B of this Appendix I and this Part C and with authority to execute any further documents and give any further assurances which may be required in connection with the matters referred to in Parts B and C of this Appendix I and an irrevocable undertaking to such attorney to execute any such further documents and/or give any such further assurances as may be required;

(h) that Harsco Investment shall be entitled after the Offer becomes or is declared wholly unconditional, to direct the exercise of any votes and any or all other rights and privileges (including the right to requisition the convening of a general or separate class meeting of SGB) attaching to any SGB Shares in respect of which the Offer has been accepted and not validly withdrawn, and the execution of the Form of Acceptance will constitute an authority to SGB from such shareholder to send any notice, circular, warrant or other document of communication which may be required to be sent to him as a member of SGB in respect of such shares (including any share certificate(s) or other document(s) of title issued as a result of conversion of such SGB Shares into certificated form) to Harsco Investment at its registered office, and an authority to Harsco Investment or any person nominated by Harsco Investment to sign any consent to short notice of a general or separate class meeting as his attorney and/or agent and on his behalf and/or to execute a form of proxy in respect of such SGB Shares appointing any person nominated by Harsco Investment to attend general and separate class meetings of SGB and to exercise the votes attaching to such shares on his behalf, where relevant, such votes to be cast so far as possible to satisfy any outstanding condition of the Offer, and will also constitute the agreement of such shareholder not to exercise any such rights without the consent of Harsco Investment and the irrevocable undertaking of such shareholder not to appoint a proxy for or to attend such general or separate class meeting. This authority will cease to be valid if the acceptance is withdrawn in accordance with paragraph 3 of Part B of this Appendix I;

(i) that he will deliver, or procure the delivery of, to Computershare, at the address(es) set out in paragraph 3(a) of Part B of this Appendix I, his share certificate(s) and/or other document(s) of title in respect of the SGB Shares in respect of which the Offer has been accepted and not validly withdrawn held by him in certificated form, or an indemnity acceptable to Harsco Investment in lieu thereof, as soon as possible and in any event within six months of the Offer becoming unconditional in all respects;

(j) that he will take (or procure to be taken) the action set out in paragraph 11(d) of the letter from Lazard contained in this document to transfer all SGB Shares in respect of which the Offer has been accepted held by him in uncertificated form to an escrow balance as soon as possible and in any event so that the transfer to escrow settles within 6 months of the Offer becoming unconditional in all respects;

(k) that if, for any reason, any SGB Shares in respect of which a transfer to an escrow balance has been effected in accordance with paragraph 11(d) of the letter from Lazard contained in this document are converted to certificated form, he will (without prejudice to paragraph (j) of this Part C) immediately deliver or procure the immediate delivery of the share certificate(s) or other document(s) of title in respect of all such SGB Shares as so converted to Computershare at either of the address(es) referred to in paragraph 3(a) of Part B of this Appendix I or to Harsco Investment at its registered office or as Harsco Investment or its agents may direct;

(l) that the creation of an assured payment obligation in favour of his payment bank in accordance with CREST assured payments arrangements as referred to in paragraph (f) (iii) of this Part C shall, to the extent of the obligation so created, discharge in full any obligation of Harsco Investment and/or Lazard to pay to him any cash consideration in respect of fractional entitlements to which he is entitled pursuant to the Offer;

(m) that he agrees to ratify each and every act or thing which may be done or effected by Harsco Investment or Lazard or any of their respective directors or agents or SGB or its agents, as the case may be, in the proper exercise of any of its or his powers and/or authorities hereunder;

(n) that he shall do all such acts and things as shall be necessary or expedient to vest in Harsco Investment or its nominee(s) the SGB Shares aforesaid and all such acts and things as may be necessary or expedient to enable Computershare to perform its function as Escrow Agent for the purposes of the Offer; and

(o) that if any provision of Part B of this Appendix I or this Part C shall be unenforceable or invalid or shall not operate so as to afford Harsco Investment or Lazard or any of their respective directors the benefit of the authority expressed to be given therein, he shall with all practicable speed do all such acts and things and execute all such documents that may be required to enable Harsco Investment and/or Lazard and/or any of their respective directors or agents to secure the full benefits of Part B of this Appendix I and this Part C.

References in this Part C to a SGB Shareholder shall include references to the person or persons executing a Form of Acceptance and in the event of more than one person executing a Form of Acceptance the provisions of this Part C shall apply to them jointly and to each of them.

APPENDIX II

FURTHER INFORMATION ON HARSCO AND HARSCO INVESTMENT

1. HARSCO INVESTMENT

Harsco Investment was incorporated on 4 May 2000 under the name Marksgood Limited (No. 3985379), changed its name to Harsco Investment Limited on 15 May 2000 and has its registered office at Commonwealth House, 2 Chalkhill Road, London, W6 8DW. Harsco Investment is a wholly owned subsidiary of Harsco and has been established for the purpose of making the Offer. It has an authorised share capital of pound sterling1,000 and an issued share capital of 1 ordinary share of pound sterling1.

2. FINANCIAL INFORMATION ON HARSCO

The information contained in Section 3 of this Appendix for each of the years ended 31 December 1997, 1998 and 1999 has been extracted from the published audited consolidated financial statements of Harsco.

The information contained in Section 4 of this Appendix for each of the three months ended 31 March 1999, 2000 has been extracted from the published unaudited financial statements of Harsco.

3. FINANCIAL INFORMATION FOR THE YEARS ENDED 31 DECEMBER 1999, 1998 AND 1997.

CONSOLIDATED STATEMENT OF INCOME OF HARSCO

The summarised consolidated profit and loss accounts of Harsco for the three years ended 31 December 1999 are set out below:

	Years ended 31 December		
	1999	1998	1997
	(In US$ thousands, except per share amounts)		
Revenues			
Service sales	$ 864,035	$ 866,404	$ 782,406
Product sales	852,653	867,054	845,072
Other	4,123	1,936	1,643
Total revenues	1,720,811	1,735,394	1,629,121
Costs and expenses			
Cost of services sold	666,560	666,806	584,290
Cost of products sold	662,972	660,536	645,044
Selling, general, and administrative expenses	207,765	213,438	211,231
Research and development expenses	7,759	6,977	6,090
Other (income) and expenses	6,019	(4,264)	2,578
Total costs and expenses	1,551,075	1,543,493	1,449,233
Income from continuing operations before interest, income taxes, and minority interest	169,736	191,901	179,888
Interest income	4,662	8,378	8,464
Interest expense	(26,968)	(20,504)	(16,741)
Income from continuing operations before income taxes and minority interest	147,430	179,775	171,611
Provision for income taxes	51,599	67,361	65,213
Income from continuing operations before minority interest	95,831	112,414	106,398
Minority interest in net income	5,118	4,901	5,998
Income from continuing operations	90,713	107,513	100,400
Discontinued operations:			
Equity in income of defense business (net of income taxes of US$14,082)	--	--	28,424
Gain on disposal of defense business (net of income taxes of US$100,006)	--	--	150,008
Net income	$ 90,713	$ 107,513	$ 278,832
Basic earnings per common share:			
Income from continuing operations	$ 2.22	$ 2.36	$ 2.06
Income from discontinued operations	--	--	.58
Gain on disposal of discontinued operations	--	--	3.08
Basic earnings per common share	$ 2.22	$ 2.36	$ 5.72
Average shares of common stock outstanding	40,882	45,568	48,754
Diluted earnings per common share:			
Income from continuing operations	$ 2.21	$ 2.34	$ 2.04
Income from discontinued operations	--	--	.58
Gain on disposal of discontinued operations	--	--	3.05
Diluted earnings per common share	$ 2.21	$ 2.34	$ 5.67
Diluted average shares of common stock outstanding	41,017	45,911	49,192

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET OF HARSCO

The consolidated balance sheet of Harsco as at 31 December 1999 is set out below:

	31 December 1999 (In US$ thousands, except share amounts)
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 51,266
Accounts receivable, net	331,123
Inventories	172,198
Other current assets	58,368
TOTAL CURRENT ASSETS	612,955
Property, plant and equipment, net	671,546
Cost in excess of net assets of businesses acquired, net	258,698
Other assets	116,624
TOTAL ASSETS	$ 1,659,823
LIABILITIES	
CURRENT LIABILITIES	
Short-term borrowings	$ 32,014
Current maturities of long-term debt	4,593
Accounts payable	132,394
Accured compensation	46,615
Income taxes	44,154
Dividends payable	9,417
Other current liabilities	161,329
TOTAL CURRENT LIABILITIES	430,516
Long-term debt	418,504
Deferred income taxes	52,932
Insurance liabilities	37,097
Other liabilities	70,653
TOTAL LIABILITIES	1,009,702
COMMITMENTS AND CONTINGENCIES	
SHAREHOLDERS' EQUITY	
Preferred stock, Series A junior participating cumulative preferred stock	
Common stock, par value $1.25, issued 66,221,544 as at 31 December 1999	82,777
Additional paid-in capital	88,101
Accumulated other comprehensive income (expense)	(80,538)
Retained earnings	1,155,586
	1,245,926
Treasury stock, at cost (26,149,759 Shares)	(595,805)
TOTAL SHAREHOLDERS' EQUITY	650,121
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,659, 823

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS OF HARSCO
The consolidated cash flow statement of Harsco for the year ended 31 December 1999 is set out below:

	Year ended 31 December 1999 (In US$ thousands)
CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	$ 90,713
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	122,777
Amortization	13,076
Equity in income of unconsolidated entities	(3,004)
Dividends or distributions from unconsolidated entities	3,369
Deferred income taxes	193
Other (income) and expenses	6,019
Other, net	5,205
Changes in assets and liabilities, net of acquisitions and dispositions of businesses:	
Accounts receivable	(28,157)
Inventories	15,934
Accounts payable	(1,238)
Disbursements related to discontinued defense business	(14,605)
Other assets and liabilities	3,671
NET CASH PROVIDED BY OPERATING ACTIVITIES	213,953
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property, plant and equipment	(175,248)
Purchase of businesses, net of cash acquired*	(48,907)
Proceeds from sale of businesses	17,718
Proceeds from sale of property, plant and equipment	14,381
Other investing activities	(2,618)
NET CASH USED BY INVESTING ACTIVITIES	(194,674)
CASH FLOWS FROM FINANCING ACTIVITIES	
Short-term borrowings, net	(10,546)
Current maturities and long-term debt: Additions	214,133
Reductions	(103,410)
Cash dividends paid on common stock	(37,022)
Common stock issued-options	2,272
Common stock acquired for treasury	(71,860)
Other financing activities	(2,495)
NET CASH (USED) BY FINANCING ACTIVITIES	(8,928)
Effect of exchange rate changes on cash	(647)
Net increase in cash and cash equivalents	9,704
Cash and cash equivalents at beginning of year	41,562
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 51,266
* Purchase of businesses, net of cash acquired	
Working capital, other than cash	$ 18,078
Property, plant and equipment	(36,417)
Other noncurrent assets and liabilities, net	(30,568)
Net cash used to acquire businesses	$ (48,907)

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(In US$ thousands, except share amounts)

	Common Stock Issued	Common Stock Treasury	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Expense) Translation	Accumulated Other Comprehensive Income (Expense) Net Unrealized Investment Gains/(losses)	Accumulated Other Comprehensive Income (Expense) Pension Liability
Balances, 31 December 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, 31 December 1999	$ 82,777	(595,805)	$ 88,101	$ (78,664)	$ -	$(1,874)

	Total	Retained Earnings
Balances, 31 December 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, 31 December 1999	$ (80,538)	1,155,586

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December 1999	1998	1997
	(In US$ thousands)		
Net income	$ 90,713	$ 107,513	$ 278,832
Other comprehensive income (expense):			
Foreign currency translation adjustments	(27,273)	(1,714)	(24,201)
Unrealized investment gains (losses), net of deferred income taxes	-	28	(28)
Pension liability adjustments, net of deferred income taxes	1,780	(2,385)	(650)
Other comprehensive income (expense)	(25,493)	(4,071)	(24,879)
Total comprehensive income	$ 65,220	$ 103,442	$ 253,953

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF HARSCO

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of Harsco Corporation and its majority-owned subsidiaries ("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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 $74.9 million at 31 December 1999.

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 recognised for product sales generally when title and risk of loss transfer. Service sales are recognised over the contractual period or as services are performed.

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.

Effective January 1997, the Company's operations in Mexico were accounted for as a highly inflationary economy since the three-year cumulative rate of inflation at 31 December 1996 exceeded 100 per cent. 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 per cent. As of 1 January 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 per cent. 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 forward foreign exchange contracts to hedge transactions of its non-U.S. subsidiaries for firm purchase commitments 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 flow from the transaction being hedged. The Company also enters into forward foreign exchange contracts for intercompany foreign currency commitments. These foreign 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 based method to account for options granted 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Financial Accounting Standards Not Yet Adopted

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133), with an amended effective date for fiscal years beginning after 15 June 2000. SFAS 133 requires that an entity recognize on its balance sheet all derivative instruments as either assets or liabilities 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 will adopt SFAS 133 as of 1 January 2001. Due to the Company's limited use of derivative instruments, SFAS 133 is not expected to have a material effect on the financial position or results of operations of the Company.

2. DISCONTINUED DEFENSE BUSINESS

On 25 August 1997, the Company and FMC Corporation signed an agreement to sell United Defense, L.P. for $850 million, and the sale was completed on 6 October 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.

On the Consolidated Statement of Income under Discontinued Operations, "Equity in income of defense business" includes equity income through August 1997 (the measurement date) from the Company's 40% interest in United Defense, L.P. The sale resulted in pre-tax cash proceeds to the Company in 1997 of $344 million and resulted in an after tax gain on the sale of $150 million or $3.08 per share after taking into account certain retained liabilities from the partnership and estimated post-closing net worth adjustments, as well as pre-partnership formation contingencies and other defense business contingencies.

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

3. ACQUISITIONS AND DISPOSITIONS

Acquisitions

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.

In July 1999, the Company acquired certain assets and assumed certain liabilities of Structural Accessories, Inc. The total consideration was approximately $2 million. Structural accessories, Inc. manufactures and sells bridge bearings and expansion joints.

In February 1999, the Company acquired certain assets and assumed certain liabilities of Natural Gas Vehicle Systems, Inc. Total consideration was approximately $3 million. Natural Gas Vehicle Systems, Inc. manufactures cylinders used in vehicles which use natural gas.

In October 1998, the Company acquired Superior Valve Company from Amcast Industrial Corporation. Superior Valve designs, manufactures, and sells high pressure, precision valves for a range of commercial and industrial applications.

3. ACQUISITION AND DISPOSITION (CONTINUED)

In June 1998, the Company acquired Chemi-Trol Chemical Co. for approximately $46 million. Chemi-Trol's principal business is the production and distribution of steel pressure tanks for the storage of propane gas and anhydrous ammonia.

In April 1998, the Company acquired Faber Prest Plc for approximately $98 million. Faber Prest is a UK-based provider of mill services to worldwide steel producers and integrated logistics services to the steel industry and other market sectors.

In February 1998, the Company acquired EFI Corporation (EFIC) from Real Electronics Plc for approximately $7.2 million. EFIC produces lightweight composite cylinders used extensively in fire-fighter breathing apparatus as well as other industrial and commercial applications.

All acquisitions have been accounted for using the purchase method of accounting with cost in excess of net assets of businesses acquired totalling $9.4 million in 1999 and $94.6 million in 1998. 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.

	for Years Ended 31 December	
Proforma Information	1999	1998
	(In US$ millions, except per share data)	
Net sales	$ 1,767	$ 1,929
Net income	90	97
Basic earnings per share	2.20	2.13
Diluted earnings per share	2.19	2.12

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 pro-forma information includes the actual results of the acquired businesses prior to the acquisition dates. These results do not reflect the effect of reorganization actions, synergies, cost reductions and other benefits resulting from the combinations. Additionally, the 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.

Dispositions

In October 1998, the Company completed the sale of Nutter Engineering to the Sulzer Chemtech division of Swiss-based Sulzer Technology Corporation. Nutter had sales of approximately $25 million and $24 million in 1998 and 1997, respectively.

The sale of HydroServ SAS was completed in December 1998.

The Company completed the sales of Astralloy Wear Technology in March 1999; the pavement marking and vegetation control business of Chemi-Trol in August 1999; and the Manchester truck dealership in September 1999. Additionally, the Company plans to dispose of its investments in Bio-Oxidation Services Inc., Gunness Wharf Limited and Flixborough Wharf Limited.

4. ACCOUNTS RECEIVABLE AND INVENTORIES

Accounts receivable are net of an allowance for doubtful accounts of US$13.3 million at 31 December 1999.

	1999 (In US$ thousands)
Inventories consist of:	
Finished goods	$ 37,715
Work-in-process	37,198
Raw materials and purchased parts	76,911
Stores and supplies	20,374
	$172,198
Valued at lower of cost or market:	
LIFO basis	$132,366
FIFO basis	16,483
Average cost basis	23,349
	$172,198

Inventories valued on the LIFO basis at 31 December 1999 were approximately US$28.4 million 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 US$1.1 million.

5. PROPERTY, PLANT AND EQUIPMENT

	1999 (In US$ thousands)
Property, plant and equipment consists of:	
Land and improvements	$ 28,847
Buildings and improvements	147,742
Machinery and equipment	1,243,437
Uncompleted construction	79,797
	1,499,823
Less accumulated depreciation	828,277
	$ 671,546

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

Land improvements	10 years
Buildings and improvements	10 to 50 years
Certain plant, buildings and installations (principally Mill Services Segment)	3 to 15 years
Machinery and equipment	3 to 20 years

6. DEBT AND CREDIT AGREEMENTS

The Company has a $400 million Five-Year Competitive Advance and Revolving Credit Facility ("credit facility") maturing in July 2001. 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. 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 (0.08% per annum as of 31 December 1999) that varies based upon its credit ratings. At 31 December 1999 there were no borrowings outstanding.

The Company can also issue up to $400 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. $75 million at 31 December 1999) 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 $400 million. Commercial paper interest rates, which are based on market conditions, have been lower than on comparable borrowings under the credit facility. At 31 December 1999 $233.7 million of commercial paper was outstanding. Commercial paper is classified as long-term debt at 31 December 1999 because the Company has the ability and intent to refinance it on a long-term basis through existing long-term credit facilities.

Short-term debt amounted to $32.0 million at 31 December 1999. The weighted average interest rate for short-term borrowings at 31 December 1999 was 4.6%.

Long-term debt consists of:

	1999 (In US$ thousands)
6.0% notes due 15 September 2003	$150,000
Commercial paper borrowings, with a weighted average interest rate of 5.8% as of 31 December 1999	233,746
Faber Prest loan notes due 31 October 2008 with interest based on sterling LIBOR minus .75% (5.4% at 31 December 1999)	16,285
Industrial development bonds, payable in varying amounts from 2001 to 2005 with a weighted average interest rate of 6.4% as of 31 December 1999	11,400
Other financing payable in varying amounts to 2005 with a weighted average interest rate of 7.3% as of 31 December 1999	11,666
	423,097
Less current maturities	4,593
	$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 31 December 1999, the Company was in compliance with these covenants.

The maturities of long-term debt for the four years following 31 December 2000, are:

	(In US$ thousands)
2001	$242,927
2002	2,049
2003	150,967
2004	4,778

Cash payments for interest on all debt was $25.0 US$ millions in 1999. Capitalized interest was US$893 thousand in 1999.

6. DEBT AND CREDIT AGREEMENTS (CONTINUED)

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 US$200 million of new debt securities, preferred stock, or common stock.

7. LEASES

The Company leases certain property and equipment under non-cancelable operating leases. Rental expense under such operating leases was US$16.9 millions in 1999.

Future minimum payments under operating leases with non-cancelable terms are:

	(In US$ thousands)
2000	$15,703
2001	12,534
2002	9,399
2003	7,268
2004	13,309
After 2004	16,598

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.

	1999	1998	1997
		(In US$ thousands)	
PENSION EXPENSE			
Defined benefit plans:			
Service cost	$ 15,882	$ 13,785	$ 9,519
Interest cost	23,048	21,367	15,129
Expected return on plan assets	(36,848)	(39,859)	(27,604)
Recognized prior service costs	2,052	1,307	1,368
Recognized (gains) or losses	278	(4,034)	(3,517)
Amortization of transition asset	(2,447)	(2,453)	(2,457)
Curtailment (gains) or losses	--	542	(5,468)
	1,965	(9,345)	(13,030)
Multi-employer plans	4,922	4,054	4,457
Defined contribution plans	4,466	6,043	4,131
Pension (income) expenses	$ 11,353	$ 752	$ (4,442)

In 1997, the curtailment gain of $5.5 million was the result of a sizable reduction in the number of employees under a plan related to a discontinued facility. This gain, along with certain costs, was recorded under Other (income) and expenses in the Consolidated Statement of Income.

8. EMPLOYEE BENEFIT PLANS (CONTINUED)

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

Pension Benefits	1999 (In US$ thousands)
CHANGE IN BENEFIT OBLIGATION	
Benefit obligation at beginning of year	$ 371,454
Service cost	15,882
Interest cost	23,048
Plan participants' contributions	1,887
Amendments	5,416
Actuarial (gain) loss	(42,466)
Benefits paid	(15,229)
Obligations of acquired companies	8,574
Effect of foreign currency	(5,598)
Benefit obligation at end of year	$ 362,968
CHANGE IN PLAN ASSETS	
Fair value of plan assets at beginning of year	$ 458,241
Actual return on plan assets	67,692
Employer contributions	1,425
Plan participants' contributions	1,887
Benefits paid	(15,103)
Plan assets of acquired companies	8,057
Effect of foreign currency	(6,270)
Fair value of plan assets at end of year	$ 515,929
FUNDED STATUS	
Funded status at end of year	$ 152,961
Unrecognized net (gain) loss	(92,817)
Unrecognized transition (asset) obligation	(13,222)
Unrecognized prior service cost	25,534
Net amount recognized	$ 72,456
AMOUNTS RECOGNISED IN THE CONSOLIDATED BALANCE SHEET CONSIST OF	
Prepaid benefit cost	$ 85,914
Accrued benefit liability	(18,907)
Intangible asset	2,588
Accumulated other comprehensive income	2,861
Net amount recognized	$ 72,456

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

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

	1999
Weighted average assumed discount rates	6.9%
Weighted average expected long-term rates of return on plan assets	8.4%
Rates of compensation increase	4.2%

8. EMPLOYEE BENEFIT PLANS (CONTINUED)

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 $33.6 million, $32.4 million and $15.7 million respectively, as of 31 December 1999.

POSTRETIREMENT BENEFITS

The Company has postretirement life insurance benefits for a majority 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 $0.4 million in 1999, $0.3 million in 1998, and $0.2 million in 1997. 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	1999 (In US$ thousands)
CHANGE IN BENEFIT OBLIGATION	
Benefit obligation at beginning of year	$ 6,421
Service cost	129
Interest cost	466
Actuarial loss (gain)	319
Benefits paid	(325)
Obligation of acquired company	3,294
Benefit obligation at end of year	$ 10,304
FUNDED STATUS	
Funded status at end of year	$(10,304)
Unrecognized prior service cost	(39)
Unrecognized net actuarial (gain)	(1,328)
Net amount recognized as accrued benefit liability	$(11,671)

The actuarial assumptions used for postretirement benefit plans are:

	1999	1998 (In US$ thousands)	1997
Assumed discount rate	7.75%	6.75%	7.25%
Health care cost trend rate	7.50%	8.30%	8.70%
Decreasing to ultimate rate	6.50%	5.50%	5.50%
Effect of one percent increase in health care cost trend rate:			
On cost components	$ 21	$ 21	$ 47
On accumulated benefit obligation	$ 415	$ 185	$ 192

For 1999, a one percent decrease in the health care cost trend rate would decrease the cost component by $19 thousand and decrease the accumulated benefit obligation by $405 thousand.

It is anticipated that the health care cost trend rate will decrease from 7.5% in 2000 to 6.5% in the year 2003.

8. EMPLOYEE BENEFIT PLANS (CONTINUED)

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 million) $4.4, $4.8, and $4.5 for 1999, 1998, and 1997, respectively.

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 authorised 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) $3.8, $3.7, and $5.1 in 1999, 1998 and 1997, respectively.

Effective 1 January 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 6 January 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 6 January 1999.

9. INCOME TAXES

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

	1999	1998	1997
		(In US$ thousands)	
United States	$ 78,689	$ 121,091	$ 93,386
International	68,741	58,684	78,225
	$ 147,430	$ 179,775	$ 171,611
Provision for income taxes:			
Currently payable:			
Federal	$ 22,474	$ 37,297	$ 21,627
State	1,743	2,835	4,309
International	25,203	23,468	30,538
	49,420	63,600	56,474
Deferred federal and state	3,890	6,552	9,426
Deferred international	(1,711)	(2,791)	(687)
	$ 51,599	$ 67,361	$ 65,213

Cash payments for income taxes were (in US$ millions) $50.7, $38.8, and $167.0, for 1999, 1998, and 1997, respectively. Approximately $5.4 million of the taxes paid in 1998 and $100.0 million of the taxes paid in 1997 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 from continuing operations before income taxes and minority interest as reported in the Consolidated Statement of Income:

	1999	1998	1997
U.S. federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit	1.6	1.6	2.1
Export sales corporation benefit	(.5)	(.6)	(.4)
Losses for which no tax benefit was recorded	.3	1.3	.4
Difference in effective tax rates on international earnings and remittances	(1.9)	(1.3)	(.2)
Nondeductible acquisition costs	2.1	2.0	1.8
Other, net	(1.6)	(.5)	(.7)
Effective income tax rate	35.0%	37.5%	38.0%

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

	1999	
Deferred income taxes	Asset	Liability
	(In US$ thousands)	
Depreciation	$ --	$ 36,580
Expense accruals	34,975	--
Inventories	5,294	--
Provision for receivables	3,867	--
Postretirement benefits	4,221	--
Deferred revenue	--	4,196
Unrelieved foreign tax losses	6,694	--
Unrelieved domestic tax losses	2,424	--
Pensions	--	22,923
Other	--	1,913
	57,475	65,612
Valuation allowance	(4,045)	--
Total deferred income taxes	$ 53,430	$ 65,612

At 31 December, 1999, Other current assets included deferred income tax benefits of $35.0 million.

At 31 December, 1999, certain of the Company's subsidiaries had total available net operating loss carryforwards ("NOLs") of approximately $27.8 million, of which approximately $17.9 million may be carried forward indefinitely and $9.9 million have varying expiration dates. Included in the total are $8.7 million of preacquisition NOLs.

During 1999, $2.3 million of preacquisition NOLs were utilized by the Company, resulting in tax benefits of $0.8 million.

The valuation allowance of $4.0 million and $6.3 million at 31 December, 1999 and 1998, respectively, relates principally to cumulative unrelieved 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.

9. INCOME TAXES (CONTINUED)

The change in the valuation allowances for 1999 and 1998 results primarily from the utilization of international tax loss carryforwards and the release of valuation allowances in certain international jurisdictions based on the Company's reevaluation 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 $ 0.3 million in 1999. There was no reduction in 1998.

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 27 September, 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 $45.5 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 $41.7 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. The Company plans to vigorously contest the IRS assessment in the U.S. Court of Federal Claims. 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.

The settlement agreement with the Army preserves 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 limits 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.

10. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Under the settlement, the Army agreed that if the cargo trucks are determined to be taxable, the 1993 decision of the Armed Services Board of Contract Appeals (which ruled that the Company is entitled to a price adjustment to the contract for reimbursement of FET paid on vehicles that were to be delivered after 1 October 1988) will apply to the question of the Company's right to reimbursement from the Army for after-imposed taxes on the cargo trucks. In the Company's view application of the 1993 decision will favourably resolve the principal issues regarding any such future claim by the Company. Therefore, the Company believes that even if the cargo trucks are ultimately held to be taxable, the Army would be obligated to reimburse the Company for a majority of the tax, (but not interest or penalty, if any), resulting in a net maximum liability for the Company of $5.8 million plus penalties and applicable interest currently estimated to be $9.3 million and $45.5 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 U.S. Government filed a counterclaim against the Company in a civil suit alleging violations of the False Claims Act and breach of a contract to supply M109A2 Self-Propelled Howitzers. In May 1999, the Company and the U.S. Government settled. Under the settlement agreement, Harsco paid the U.S. Government $11 million and both parties released all claims in the case. The settlement payment was charged against an existing reserve in the second quarter of 1999.

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. In September 1994, the Company received a subpoena issued by the Department of Defense Inspector General seeking various documents relating to issues raised in the audit.

The Government subsequently subpoenaed a number of former employees of the Company's divested defense business to testify before a grand jury and issued grand jury subpoenas to the Company for additional documents. On 22 December 1999, the Company announced that it reached agreement with the U.S. Government on behalf of its former BMY Combat Systems Division to settle the matter. Under the agreement, BMY Combat Systems 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. Harsco will pay the Government a $200,000 fine plus $10.8 million in damages for a total of $11 million.

The settlement, which is subject to acceptance by the U.S. District Court, ends the Government's investigation and releases Harsco and BMY from further liability for the issues under investigation. Harsco will charge the payment against an existing reserve, resulting in no charge to the Company's earnings. Based on the terms of the settlement, the Company expects to pay the $11 million in the second quarter of 2000, following the Court's entry of judgement.

CONTINUING OPERATIONS - CONTINGENCIES

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 unfavourably 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 31 December 1999, and 1998 includes an accrual of $3.0 million and $4.9 million, respectively,

10. COMMITMENTS AND CONTINGENCIES (CONTINUED)

for environmental matters. The amounts affecting pre-tax earnings related to environmental matters totaled $0.7 million of income for the year 1999, $0.8 million of expense for the year 1998 and $1.7 million of expense for the year 1997.

The liability for future remediation costs is evaluated on a quarterly basis. Actual costs to be incurred at identified sites in future period 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.

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, that 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 24 June 1997, the Company adopted a revised Shareholder Rights Plan to replace the Company's 1987 Plan which expired on 28 September 1997. Under the new Plan, the Board declared a dividend to shareholders of record on 28 September 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 per cent. or more, or intends to commence a tender offer for 20 per cent. 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 per cent. 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 28 September 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 per cent. or more of the Company's common stock. At 31 December 1999, 750,000 shares of $1.25 par value preferred stock were reserved for issuance upon exercise of the rights.

In November 1998, the Board of Directors authorized the purchase, over a one-year period, of 2,000,000 shares of the Company's common stock. The Company purchased 877,500 shares of this authorization in 1998. The Board of Directors subsequently increased the authorization by 2,000,000 shares in January 1999. Through 31 December 1999, 3,143,646 shares of common stock were purchased under these authorizations. This leaves 856,354 shares remaining under the authorization. In January 2000, the Board of Directors extended the share purchase authorization through 25 January 2001.

In 1999, additional share repurchases of 58,155, net of issues, were made principally as part of the 1995 Executive Compensation Plan.

COMMON STOCK SUMMARY

Balances	Share Issued	Treasury Shares	Shares Outstanding
31 December 1999	66,221,544	26,149,759	40,071,785

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:

	1999	1998	1997
	(In US$ thousands, except per share data)		
Income from continuing operations	$ 90,713	$ 107,513	$ 100,400
Average shares of common stock outstanding used to compute basic earnings per common share	40,882,153	45,568,256	48,754,212
Additional common shares to be issued assuming exercise of stock options, net of shares assumed reacquired	134,914	342,275	437,660
Shares used to compute dilutive effect of stock options	41,017,067	45,910,531	49,191,872
Basic earnings per common share from continuing operations	$ 2.22	$ 2.36	$ 2.06
Diluted earnings per common share from continuing operations	$ 2.21	$ 2.34	$ 2.04

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.

	1999	1998	1997
	(In US$ thousands, except per share data)		
Net income:			
As reported	$ 90,713	$ 107,513	$ 278,832
Pro forma	89,113	105,736	277,101
Basic earnings per share:			
As reported	2.22	2.36	5.72
Pro forma	2.18	2.32	5.68
Diluted earnings per share:			
As reported	2.21	2.34	5.67
Pro forma	2.17	2.30	5.63

The fair value of the options granted during 1999, 1998 and 1997 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:

	1999	1998	1997
Expected term	4 years	4 years	4 years
Expected stock volatility	25.0%	16.0%	16.0%
Risk free interest rate	4.65%	5.65%	6.46%
Dividend	$ 0.91	$ 0.88	$ 0.80
Rate of dividend increase	5%	5%	5%
Fair value	$ 5.18	$ 6.68	$ 6.55

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 restricted stock and 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 31 December 1999, there were 2,729,158 and 220,000 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)

Changes during 1999, 1998, and 1997 in options outstanding were:

	Shares Under Option	Weighted Average Exercise Price
Outstanding, 1 January 1997	1,202,026	$ 22.24
Granted	294,600	34.41
Exercised	(395,885)	20.81
Terminated and expired	(15,280)	22.90
Outstanding, 31 December 1997	1,085,461	26.06
Granted	275,100	38.30
Exercised	(221,293)	24.93
Terminated and expired	(16,500)	35.73
Outstanding, 31 December 1998	1,122,768	29.14
Granted	428,400	26.92
Exercised	(146,164)	19.06
Terminated and expired	(68,400)	31.36
Outstanding, 31 December 1999	1,336,604	$ 28.97

Options to purchase 932,704 shares, 857,168 shares and 793,061 shares were exercisable at 31 December 1999, 1998, and 1997, respectively. The following table summarizes information concerning outstanding and exercisable options at 31 December 1999.

	Options Outstanding			Options Exercisable	
Range of Exercisable Prices	Number Outstanding	Remaining Contractual Life In Years	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$11.81 - $17.63	34,778	1.8	$15.39	34,778	$15.39
20.69 - 29.47	793,726	7.0	25.61	407,826	24.62
32.81 - 46.16	508,100	7.6	36.31	490,100	36.44
	1,336,604			932,704	

During 1999, 1998 and 1997, the Company had non-cash transactions related to stock option exercises of $0.5 million, $1.6 million and $2.3 million, respectively, whereby old shares were exchanged for new shares.

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

The following table summarizes the restricted stock activity for 1998 and 1997:

	1998	1997
Restricted shares awarded	40,702	57,622
Restricted shares forfeited	378	135
Weighted average market value of stock on grant date	$43.22	$36.69

During 1998 and 1997, the Company recorded $.1 million and $1.9 million respectively, 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 $165.9 million at 31 December 1999. These standby letters of credit and bonds are generally in force for up to four 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 per cent. per annum of their face value. If the Company were required to obtain replacement standby letters of credit and bonds as of 31 December 1999 for those currently outstanding, it is the Company's opinion that the replacement costs would not vary significantly from the present fee structure.

At 31 December 1999, the Company had $19.2 million of forward foreign currency 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 thirty-two countries. The Company's primary foreign currency exposures are in the United Kingdom, France, Canada, South Africa, Brazil, Germany, Australia, and Mexico.

Forward foreign currency 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.

The following table summarize by major currency the contractual amounts of the Company's forward exchange contracts in U.S. dollars as of 31 December 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.

	As of 31 December 1999				
	Type	U.S. Dollar Equivalent	Maturity	Recognized Gain (Loss)	Unrealized Gain (Loss)
			(in thousands)		
Forward exchange contracts:					
Euros	Buy	$ 17,339	18 January 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)

At 31 December 1999, the Company had entered into 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 do not qualify as hedges for financial reporting purposes. At 31 December 1999, the Company had recorded net losses of $0.6 million on these contracts. These losses were generally offset by gains on the hedged items. In January 2000, the euro contract was extended to 18 March 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 indentifiable foreign currency firm commitments. the losses were deferred and will be accounted for as part of the underlying transactions.

13. FINANCIAL INSTRUMENTS (CONTINUED)

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 31 December 1999 are:

	1999	
	Carrying Amount	Fair Value
	(in US$ thousands)	
Cash and cash equivalents	$ 51,266	$ 51,266
Long-term debt	423,097	416,925
Foreign currency exchange contracts	19,167	18,571

14. INFORMATION BY SEGMENT AND GEOGRAPHIC AREA

The Company reports information about its operating segments according to 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 Company's business units are aggregated into three reportable segments. The three reportable segments and the type of products and services offered include:

Harsco Mill Services
This segment provides metal reclamation and other mill services, principally for the global steel industry. Mill services include slag processing, marketing, and disposal; slab management systems; materials handling and scrap management programs; in-plant transportation; and a variety of environmental services. Similar services are provided to non-ferrous metallurgical industries, such as aluminium, 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.

Harsco 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.

Harsco Infrastructure
Major products and services include railway maintenance-of-way equipment and services; scaffolding, shoring, and concrete forming products and erection and dismantling services; bridge decking and industrial grating; process equipment, including industrial blenders, dryers, mixers, water heaters, boilers, and heat transfer equipment.

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

Other Information
The measurement basis of segment profit or loss is income after taxes from continuing operations. 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 an estimated weighted average interest rate 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. The operations of the Company in any one country, except the United States, do not account for more than 10 per cent of sales and no single customer represented 10 per cent or more of the Company's sales, during 1999, 1998, and 1997. There are no significant intersegment sales.

Corporate assets include principally cash investments prepaid pension costs, and United States deferred taxes. Assets in the United Kingdom represent 12 per cent of total segment assets as of 31 December 1999 and 1998 and are disclosed separately in the geographic area information.

14. INFORMATION BY SEGMENT AND GEOGRAPHIC AREA (CONTINUED)

SEGMENT INFORMATION(1)(2)

Segments	Net Sales to Unaffiliated Customers			Income from Continuing Operations		
	1999	1998	1997	1999	1998	1997
			(in US$ millions)			
Harsco Mill Services(3)(4)	$ 729.6	$ 751.9	$ 672.7	$ 45.1	$ 43.3	$ 50.3
Harsco Gas and Fluid Control	560.9	588.7	558.3	27.0	40.9	29.5
Harsco Infrastructure(5)	426.2	392.9	396.5	22.5	18.6	15.5
Segment totals	$ 1,716.7	$ 1,733.5	$ 1,627.5	94.6	102.8	95.3
General corporate income (expense)				(3.9)	4.7	5.1
Income from continuing operations				$ 90.7	$107.5	$100.4

Segments	Assets 1999	Depreciation and Amortization 1999	Capital Expenditure 1999
Harsco Mill Services(4)	$ 934.6	$ 99.5	$ 134.9
Harsco Gas and Fluid Control	347.9	18.1	21.4
Harsco Infrastructure(5)	325.7	17.0	17.9
Segment totals	1,608.2	134.6	174.2
Corporate	51.6	1.3	1.0
Total	$ 1,659.8	$ 135.9	$ 175.2

(1) The 1997 segment information has been restated in accordance with the Financial Accounting Standards Board SFAS No.131, "Disclosure about Segments of an Enterprise and Related Information."

(2) Segment information reflects the first quarter 1999 reorganization of the Patterson-Kelley division. Segment information for 1998 and 1997 has been restated to reflect this change. The reorganization resulted in the realignment of the heat transfer and industrial blending equipment product lines from the Harsco Gas and Fluid Control Segment to the Harsco Infrastructure Segment. Sales of these product lines were $ 26.9 million, $ 29.2 million, $ 28.2 million for the years 1999, 1998 and 1997, respectively.

(3) For the years ended 31 December 1999, 1998 and 1997 the Harsco Mill Services Segment included equity in income of unconsolidated entities of $ 3.0 million, $ 1.4 million, and $1.0 million, respectively.

(4) A non-cash amount of $ 26.6 million of loan notes was issued for the Faber Press acquisition related to the Harsco Mill Services Segment in 1998.

(5) The Pandrol Jackson railway maintenance-of-way business was acquired in October 1999 and is included as part of the Harsco Infrastructure Segment. Pandrol Jackson sales were $ 12.4 million in 1999, and assets were $ 69.2 million as of 31 December 1999.

14. INFORMATION BY SEGMENT AND GEOGRAPHIC AREA (CONTINUED)

Reconciliation of reported income before interest, income taxes and minority interest to segment income.

(in US$ millions)	Harsco Mill Services	Harsco Gas and Fluid Control	Harsco Infrastructure	General Corporate	Consolidated Total
1999 (1)					
Income (loss) from continuing operations before interest, income taxes, and minority interest	$ 81.2	$ 47.5	$ 41.2	$ (0.2)	$ 169.7
Interest income	4.3	0.1	0.2	0.1	4.7
Interest expense	(10.8)	(4.8)	(6.3)	(5.1)	(27.0)
Income tax (expense) benefit	(24.4)	(15.9)	(12.6)	1.3	(51.6)
Minority interest in net (income) loss	(5.2)	0.1	--	--	(5.1)
Segment income (loss) from continuing operations	$ 45.1	$ 27.0	$ 22.5	$ (3.9)	$ 90.7
1998(2)					
Income from continuing operations before interest, income taxes, and minority interest	$ 84.3	$ 72.3	$ 32.9	$ 2.4	$ 191.9
Interest income	4.8	0.2	0.4	3.0	8.4
Interest expense	(11.0)	(4.1)	(5.4)	--	(20.5)
Income tax expense	(29.9)	(27.5)	(9.3)	(0.7)	(67.4)
Minority interest in net income	(4.9)	--	--	--	(4.9)
Segment income from continuing operations	$ 43.3	$ 40.9	$ 18.6	$ 4.7	$ 107.5
1997(3)					
Income (loss) from continuing operations before interest, income taxes, and minority interest	$ 99.1	$ 51.3	$ 29.7	$ (0.2)	$ 179.9
Interest income	2.0	0.1	0.2	6.1	8.4
Interest expense	(6.6)	(3.1)	(5.9)	(1.1)	(16.7)
Income tax (expense) benefit	(38.5)	(18.5)	(8.5)	0.3	(65.2)
Minority interest in net income	(5.7)	(0.3)	--	--	(6.0)
Segment income from continuing operations	$ 50.3	$ 29.5	$ 15.5	$ 5.1	$ 100.4

(1) For 1999, segment income includes pre-tax special charges of $3.4 million and $2.5 million for the Harsco Mill Services Segment and Harsco Gas and Fluid Control Segment, respectively.

(2) For 1998, segment income includes pre-tax special charges (gains) of $15.6 million, ($18.2) million, and $4.8 million for the Harsco Mill Services Segment, Harsco Gas and Fluid Control Segment and the Harsco Infrastructure Segment, respectively.

(3) For 1997, segment income includes pre-tax special charges (gains) of $0.4 million, $1.8 million, and $(0.3) million for the Harsco Mill Services Segment, Harsco Gas and Fluid Control Segment and the Harsco Infrastructure Segment, respectively.

See Note 15 for further information on special charges and gains.

By Geographic Area

(In US$ millions)	Net Sales to Unaffiliated Customers 1999	1998	1997	Segment Assets 1999
United States	$1,095.3	$1,085.6	$1,044.8	$ 797.1
United Kingdom	155.5	126.4	61.1	186.2
All other	465.9	521.5	521.6	624.9
Segment Totals	$1,716.7	$ 1733.5	$1,627.5	$1,608.2

(4) Revenues are attributed to individual countries based on the location of the facility generating the revenue.

15. OTHER (INCOME) AND EXPENSES AND SPECIAL CHARGES AND (GAINS)

In the years 1999, 1998, and 1997, the Company recorded Other (income) and expenses of $6.0 million, $(4.3) million, and $2.6 million, respectively:

	Other (Income) and Expenses		
	1999	1998	1997
	(In US$ thousands)		
Net gains	$ (560)	$(29,107)	$(1,620)
Impaired asset write-downs	2,878	14,410	1,592
Employee termination benefit costs	2,889	6,543	(810)
Costs to exit activities	502	2,792	3,313
Other	310	1,098	103
Total	$6,019	$ (4,264)	$ 2,578

Additionally, in 1998 the Company recorded $6.5 million of other special charges, of which $2.2 million is included in cost of products sold, $3.5 million in cost of services sold, and $.8 million in general and administrative expenses. For 1998 this resulted in net special charges of $2.2 million which includes Other (income) and expenses. The 1998 amounts were incurred principally in the fourth quarter in which results included $29.6 million of gains and other credits offset by $29.5 million of special charges. Other (income) and expenses and special charges and gains consist principally of gains on the sale of businesses, impaired asset write-downs, employee termination benefit costs, costs to exit activities, and other reorganization-related costs. Pre-tax amounts by operating segment include:

	Special Charges and (Gains)		
	1999	1998	1997
	(In US$ thousands)		
Harsco Mill Services	$3,350	$ 15,618	$ 441
Harsco Gas and Fluid Control	2,452	(18,232)	1,766
Harsco Infrastructure	(10)	4,826	(348)
Corporate	227	(11)	719
Total	$6,019	$ 2,201	$2,578

Net Gains

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 Harsco 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 1998 special gains were $42.9 million and are included in proceeds from the sale of business and property, plant and equipment in the investing activities section to the Consolidated Statement of Cash Flows. Other related information concerning dispositions is discussed in Note 3.

Impaired Asset Write-downs

Impaired asset write-downs for 1999 include a $1.9 million pre-tax, non-cash, write-down of the Company's investment in Bio-Oxidation Services Inc. which is included in the Harsco Gas and Fluid Control Segment. The Company's investment in Bio-Oxidation Services Inc. is being held for disposal. The write-down amount was measured on the basis of the lower of carrying amount or fair value less cost to sell.

15. OTHER (INCOME) AND EXPENSES AND SPECIAL CHARGES AND (GAINS) (CONTINUED)

Fair value was determined using available information based upon the estimated amount at which the assets could be sold in the current transaction between willing parties. The investment carrying value as of 31 December 1999 was $6.6 million. For the year ended 31 December 1999, Bio-Oxidation Services Inc. recorded a pre-tax loss of $2.3 million which includes the asset write-down of $1.9 million. The Company estimates that the disposal will occur during 2000.

Impaired asset write-downs for 1998 include a $6.1 million pre-tax, non-cash, write-down of the Company's investment in Bio-Oxidation Services Inc. The investment carrying value as of 31 December 1998 was $7.6 million. For the year ended 31 December 1998 Bio-Oxidation Services Inc. recorded a pre-tax loss of $9.8 million which includes the asset write-down of $6.1 million.

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 Harsco Mill Services Segment. The write-down became necessary as a result of significant adverse changes in the international economic environment and the steel industry. 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 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 1999, $2.9 million of reorganization expense related to employee termination benefits was incurred, principally in the Harsco Mill Services Segment, primarily in France and the United Kingdom. In 1999, 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. The payments are reflected as uses of operating cash in the Consolidated Statement of Cash Flows.

During 1998, $6.5 million of reorganization expense related to employee termination benefits was incurred, principally in the Harsco 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 $3.3 million was disbursed in 1999 for the 1998 reorganization actions.

15. OTHER (INCOME) AND EXPENSES AND SPECIAL CHARGES AND (GAINS) (CONTINUED)

EMPLOYEE TERMINATION BENEFITS, COSTS AND EXPENSES

Original reorganization action period	Summary of Activity 1999	1998
	(In US$ millions)	
Employee Termination Benefits expense	$ 2.9	$ 6.5
Payments:		
Disbursed in 1998	--	(2.4)
Disbursed in 1999(1)	(1.8)	(3.3)
Total payments	(1.8)	(5.7)
Other	--	(0.4)
Remaining payments as of 31 December 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). Cash severance payments in 1999 occurred principally in the Harsco 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 (1999 or 1998).

EMPLOYEE TERMINATIONS - NUMBER OF EMPLOYEES

Original reorganization action period	Summary of Activity 1999	1998
Employees affected by new reorganisation actions	220	670
Employee Terminations:		
Terminated in 1998	--	(349)
Terminated in 1999	(172)	(352)
Total terminations	(172)	(701)
Other	(9)	35
Remaining terminations as of 31 December 1999	39	4

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 Harsco Mill Services and Harsco Infrastructure Segments, respectively.

During 1997, $1.5 million of exit costs were included in the Harsco Mill Services Segment. These costs resulted principally from the expiration or termination of contracts at certain mill sites, as well as facility relocation costs.

4. FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2000 AND 31 MARCH 1999. CONDENSED CONSOLIDATED STATEMENTS ON INCOME

The following condensed consolidated statements of income of Harsco Corporation for the three months ended 31 March 1999 and 31 March 2000 have been extraced from the published unaudited consolidated financial statements at 31 March 2000

	Three months ended 31 March	
	2000	1999
	(In US$ thousands, except per share amount)	
Revenues		
Service sales	$ 230,859	$ 200,221
Product sales	218,276	204,410
Other	353	461
TOTAL REVENUES	449,488	405,092
COSTS AND EXPENSES:		
Cost of services sold	178,704	155,295
Cost of products sold	175,796	163,465
Selling, general, and administrative expenses	53,794	52,795
Research and development expenses	1,647	1,650
Other expenses	374	1,412
TOTAL COSTS AND EXPENSES	410,315	374,617
OPERATING INCOME	39,173	30,475
Interest income	1,188	1,089
Interest expense	(7,490)	(6,213)
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	32,871	25,351
Provision for income taxes	11,505	9,253
Income before minority interest	21,366	16,098
Minority interest in net income	1,164	1,299
Net income	$ 20,202	$ 14,799
Average shares of common stock outstanding	40,015	41,629
Basic earnings per common shares	$ .50	$ .36
Diluted average shares of common stock outstanding	40,085	41,745
Diluted earnings per common share	$ .50	$ .35
Cash dividends declared per common share	$ .235	$ .225

See accompanying notes to consolidated financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS OF HARSCO CORPORATION

The following condensed consolidated balance sheets of Harsco Corporation as of 31 March 1999 and 31 March 2000 have been extracted from the published unaudited consolidated financial statements as at 31 March 2000.

	31 March 2000	31 December 1999
	(In US$ thousands)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 45,848	$ 51,266
Receivables, less allowance for doubtful accounts of $12,035 in 2000 and $13,339 in 1999	335,221	331,123
Inventories	175,998	172,198
Other current assets	58,525	58,368
TOTAL CURRENT ASSETS	615,592	612,955
Property, plant and equipment, at cost	1,509,560	1,499,823
Allowance for depreciation	839,747	828,277
	669,813	671,546
Cost in excess of net assets of businesses acquired, net	252,063	258,698
Other assets	118,373	116,624
TOTAL ASSETS	$ 1,655,841	$ 1,659,823
LIABILITIES		
CURRENT LIABILITIES:		
Notes payable and current maturities	$ 39,520	$ 36,607
Accounts payable	120,033	132,394
Accrued compensation	40,429	46,615
Income taxes	46,527	44,154
Other current liabilities	155,873	170,746
TOTAL CURRENT LIABILITIES	402,382	430,516
Long-term debt	449,500	418,504
Deferred income taxes	55,255	52,932
Other liabilities	98,901	107,750
TOTAL LIABILITIES	1,006,038	1,009,702
SHAREHOLDERS' EQUITY		
Common stock and additional paid-in capital	171,286	170,878
Accumulated other comprehensive income (expense)	(88,165)	(80,538)
Retained earnings	1,166,397	1,155,586
Treasury stock	(599,715)	(595,805)
TOTAL SHAREHOLDERS' EQUITY	649,803	650,121
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,655,841	$ 1,659,823

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

The following condensed consolidated statements of cash flows of Harsco Corporation for the three months ended 31 March 2000 and 31 March 1999 have been extracted from the published unaudited consolidated financial statements as at 31 March 2000.

	Three months ended 31 march	
	2000	1999
	(In US$ thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 20,202	$ 14,799
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	31,883	29,219
Amortisation	3,350	3,163
Equity in income of unconsolidated entities	(150)	(350)
Dividends or distributions from unconsolidated entities	--	377
Deferred income taxes	1,859	(1,032)
Other, net	864	1,068
Changes in assets and liabilities, net of acquisitions and dispositions of businesses:		
Accounts receivable	(6,901)	(2,398)
Inventories	(6,117)	(2,565)
Accounts payable	(7,887)	(18,683)
Disbursements related to discontinued defense business	(227)	(982)
Other assets and liabilities	(19,393)	(11,273)
NET CASH PROVIDED BY OPERATING ACTIVITIES	17,483	11,343
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(39,207)	(34,195)
Purchase of business, net of cash acquired	(9,502)	(2,903)
Proceeds from sale of business	3,743	8,502
Other investing activities	915	519
NET CASH (USED) BY INVESTING ACTIVITIES	(44,051)	(28,077)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short-term borrowings, net	3,661	(7,148)
Current maturities and long-term debt:		
Additions	34,208	84,249
Reductions	(1,992)	(3,083)
Cash dividends paid on common stock	(9,421)	(9,479)
Common stock issued-options	265	870
Common stock acquired for treasury	(3,768)	(38,047)
Other financing activities	(748)	(1,767)
NET CASH PROVIDED BY FINANCING ACTIVITIES	22,205	25,595
Effect of exchange rate changes on cash	(1,055)	(1,045)
Net increase (decrease) in cash and cash equivalents	(5,418)	7,816
Cash and cash equivalents at beginning of period	51,266	41,562
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 45,848	$ 49,378

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 27 September 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 $9.9 million and applicable interest currently estimated to be $47.3 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 $43.1 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. The Company plans to vigorously contest the IRS assessment in the U.S. Court of Federal Claims. 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.

The settlement agreement with the Army preserves 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 limits 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.

Under the settlement, the Army agreed that if the cargo trucks are determined to be taxable, the 1993 decision of the Armed Services Board of Contract Appeals (which ruled that the Company is entitled to a price adjustment to the contract for reimbursement of FET paid on vehicles that were to be delivered after October 1, 1988) will apply to the question of the Company's right to reimbursement from the Army for after-imposed taxes on the cargo trucks. In the Company's view, application of the 1993 decision will favorably resolve the principal issues regarding any such future claim by the Company. Therefore, the Company believes that even if the cargo trucks are ultimately held to be taxable, the Army would be obligated to reimburse the Company for a majority of the tax, (but not interest or penalty, if any), resulting in a net maximum liability for the Company of $5.8 million plus penalties and applicable interest currently estimated to be $9.9 million and $47.3 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. In September 1994, the Company received a subpoena issued by the Department of Defense Inspector General seeking various documents relating to issues raised in the audit.

The Government subsequently subpoenaed a number of former employees of the Company's divested defense business to testify before a grand jury and issued grand jury subpoenas to the Company for additional documents. On 22 December 1999, the Company announced that it reached agreement with the U.S. Government on behalf of its former BMY Combat Systems Division to settle the matter. Under the agreement, BMY Combat Systems 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. Harsco will pay the Government a $200,000 fine plus $10.8 million in damages for a total of $11 million.

The settlement, which is subject to acceptance by the U.S. District Court, ends the Government's investigation and releases Harsco and BMY from further liability for the issues under investigation. Harsco will charge the payment against an existing reserve, resulting in no charge to the Company's earnings. Based on the terms of the settlement, the Company expects to pay the $11 million by the third quarter of 2000, following the Court's entry of judgment.

CONTINUING OPERATIONS - CONTINGENCIES

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 31 March 2000, and 31 December 1999 includes an accrual of $3.5 million and $3.0 million, respectively, for environmental matters. The amounts charged against pre-tax earnings related to environmental matters totaled $0.8 million for the first three months of 2000, and $0.1 million for the first three months of 1999.

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.

FINANCIAL INSTRUMENTS AND HEDGING

OFF BALANCE SHEET RISK

The Company has subsidiaries principally operating in North America, Latin 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 enters into forward foreign exchange contracts to hedge transactions of its non-U.S. subsidiaries, for firm commitments to purchase equipment 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 transactions. The cash flows from these contracts are classified consistent with the cash flows from the transaction being hedged. The Company also enters into forward exchange contracts for intercompany foreign currency commitments. These foreign exchange contracts do not qualify as hedges, therefore, gains and losses are recognised in income based on fair market value. As of 31 March 2000, the total of all forward exchange contracts amounted to $3.1 million with a favorable mark-to-market fluctuation of twelve thousand dollars.

NEW FINANCIAL ACCOUNTING STANDARD ISSUED

In June 1998, the Financial Accounting Standard Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133), with an amended effective date for fiscal years beginning after 15 June 2000. 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 will adopt SFAS 133 as of 1 January 2001. Due to the Company's limited use of derivative instruments, SFAS 133 is not expected to have a material effect on the financial position or results of operations of the Company.

OPINION OF MANAGEMENT

Financial information furnished herein, which is unaudited, reflects in the opinion of management all adjustments (all of which are of a recurring nature) that are necessary to present a fair statement of the interim period.

DIVIDEND INFORMATION

On 16 March 2000, the Company announced that the Board of Directors declared a quarterly cash dividend of 23.5 cents per share, payable 15 May 2000, to shareholders of record on 14 April 2000.

SUBSEQUENT EVENT

On 6 April 2000 the Company agreed to invest $20 million for a 49% ownership interest in S3Networks, LLC, a start-up company providing internet and e-business infrastructure consulting services to Fortune 1000 corporations. Cash of $6 million has been invested with an additional $14 million to be paid over a period not to exceed fifteen months from the initial investment date. The investment will be accounted for under the equity method. Since the Company is the principal provider of initial capital for S3Networks, LLC, the Company will record 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.

APPENDIX III

FURTHER INFORMATION ON SGB

NATURE OF FINANCIAL INFORMATION

The financial information contained in this Appendix does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The information for the three years ended 31 December 1999, 1998 and 1997 is summarised and extracted from the audited financial statements of SGB for each of the three years. SGB's auditors have made reports under Section 235 of the Companies Act 1985 on the financial statements for each of the three years ended 31 December 1999, 1998 and 1997 and statutory accounts have been delivered to the Registrar of Companies. These reports were unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	For the Year Ended 31 December 1999 After exceptional items 1999 pound sterling m	Exceptional Items 1999 pound sterling m	Before exceptional items 1999 pound sterling m	1998 pound sterling m	1997 pound sterling m
TURNOVER						
Group and share of joint venture	1	282.9	-	282.9	284.8	266.5
Less: Share of joint venture		(9.5)	-	(9.5)	(12.8)	(9.1)
Group turnover		273.4	-	273.4	272.0	257.4
GROUP OPERATING PROFIT		28.1	-	28.1	22.5	18.5
Share of operating profit of joint venture		0.4	-	0.4	0.9	0.9
Exceptional Items:						
Sale of French operation		0.5	0.5	-	-	-
Goodwill on French disposal previously written off		(5.6)	(5.6)	-	-	-
Net loss on sale of French operations		(5.1)	(5.1)	-	-	-
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST	2	23.4	(5.1)	28.5	23.4	19.4
Net interest payable	4	(1.9)	-	(1.9)	(1.5)	(2.5)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		21.5	(5.1)	26.6	21.9	16.9
Taxation	5	(8.1)	-	(8.1)	(6.7)	(5.1)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		13.4	(5.1)	18.5	15.2	11.8
Equity minority interests		(0.1)	-	(0.1)	(0.1)	(0.1)
PROFIT FOR THE FINANCIAL YEAR	7	13.3	(5.1)	18.4	15.1	11.7
Dividends paid and proposed	6	(6.6)	-	(6.6)	(5.5)	(2.6)
Retained profit for the year		6.7	(5.1)	11.8	9.6	9.1
DILUTED EARNINGS PER SHARE (PENCE)		17.7p	-	24.5p	20.1p	15.6p
BASIC EARNINGS PER SHARE (PENCE)		17.9p	-	24.8p	20.2p	15.6p
DILUTED WEIGHTED AVERAGE NUMBER OF SHARES	7	75.1m	-	75.1m	75.2m	75.1m
BASIC WEIGHTED AVERAGE NUMBER OF SHARES	7	74.1m	-	74.1m	74.8m	75.0m

CONSOLIDATED BALANCE SHEET
as at 31 December 1999

	Note	1999 pound sterling m
FIXED ASSETS		
Tangible fixed assets	8	141.9
Investment in joint venture:		
Share of gross assets		1.5
Share of gross liabilities		(0.9)
	8	0.6
Other Investments	8	1.6
		144.1
CURRENT ASSETS		
Stocks and work in progress	9	22.0
Debtors	10	80.8
Cash at bank and in hand	18(d)	15.0
		117.8
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR		
External borrowings	18(a)	(46.7)
Creditors	11	(72.0)
		(118.7)
NET CURRENT (LIABILITIES)/ASSETS		(0.9)
TOTAL ASSETS LESS CURRENT LIABILITIES		143.2
CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
External borrowings	18(a)	(2.1)
PROVISIONS FOR LIABILITIES AND CHARGES	12	(14.5)
NET ASSETS		126.6
CAPITAL AND RESERVES		
Share capital	13	30.0
Share premium account	14	47.8
Revaluation reserve	14	4.0
Other non-distributable reserves	14	-
Profit and loss account	14	44.7
EQUITY SHAREHOLDERS' FUNDS		126.5
EQUITY MINORITY INTERESTS	15	0.1
		126.6

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 1999

	Note	1999 pound sterling m
NET CASH INFLOW FROM OPERATING ACTIVITIES	16	35.3
Dividends received from Joint Venture		0.3
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received		0.4
Interest paid		(1.9)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(1.5)
TAXATION		(5.6)
CAPITAL EXPENDITURE		
Purchase of fixed assets		(57.6)
Sale of fixed assets - land and buildings		0.9
- other		14.4
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		(42.3)
ACQUISITIONS AND DISPOSALS		
Sale of businesses	17	6.1
NET CASH INFLOW/(OUTFLOW) FROM ACQUISITIONS AND DISPOSALS		6.1
Equity dividends paid - final		(3.3)
interim		(2.6)
NET CASH (OUTFLOW)/INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		(13.6)
NET CASH INFLOW/(OUTFLOW) FROM THE MANAGEMENT OF LIQUID RESOURCES	18a	18.3
NET CASH INFLOW FROM FINANCING	18b	1.6
NET INCREASE/(DECREASE) IN CASH		6.3

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 1999

	1999 pound sterling m	1998 pound sterling m	1997 pound sterling m
Profit for the financial year	13.3	15.1	11.7
Revaluation of land and buildings	-	2.9	-
Currency translation differences on foreign currency net investments taken directly to reserves	(0.9)	0.9	(1.6)
TOTAL GAINS AND LOSSES RECOGNISED IN THE YEAR	12.4	18.9	10.1

The actual recognised gains and losses in 1999 include a tax charge on currency translation differences arising on foreign currency borrowings of pound sterling0.1 million (1998 tax credit: pound sterling0.3 million). It is currently the Group's policy to hedge overseas assets by the use of currency borrowings which amounted to pound sterling40.0 million at 31 December 1999 (1998: pound sterling33.6 million).

There were no material differences between the results shown in the profit and loss account and the results calculated in the historical cost basis.

RECONCILIATION OF MOVEMENTS IN CONSOLIDATED EQUITY SHAREHOLDERS' FUNDS
for the year ended 31 December 1999

	1999 pound sterling m
Profit for the financial year	13.3
Dividends	(6.6)
	6.7
Fixed asset revaluation	-
Goodwill charged to the Profit and Loss Account	5.6
Foreign exchange movements	(0.9)
NET ADDITION TO SHAREHOLDERS' FUNDS	11.4
Opening shareholders' funds	115.1
Closing shareholders' funds	126.5

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The consolidated accounts of the Group are prepared under the historical cost convention (modified by the revaluation of certain land and buildings and investments in subsidiaries) and in accordance with applicable accounting standards.

BASIS OF PREPARATION

Unless otherwise stated, the acquisition method of accounting has been adopted. Where subsidiary undertakings are acquired or sold during the year the consolidated profit and loss account includes the results for the part of the year for which they were subsidiary undertakings. The Group's share of operating profits, net interest payable and taxation of joint ventures is separately included in the Group profit and loss account using the equity accounting method, based on the latest available audited accounts after appropriate adjustment to achieve uniformity of accounting policies.

The Company carries its investments in subsidiaries at a valuation equal to the underlying net asset value of the subsidiary.

FOREIGN CURRENCIES

Assets and liabilities denominated or recorded in foreign currencies are translated into Sterling at rates of exchange ruling at the balance sheet date. Trading results are translated at the average rates for the year. Exchange differences arising on foreign currency net investments are taken directly to reserves, whereas the exchange differences arising in the ordinary course of trading are included in the profit and loss account.

The main exchange rates used for translation purposes (other than those subject to hedging activities or fixed contractual rates) are as follows:

	Average rates		Year end rates	
	1999	1998	1999	1998
US Dollar	1.62	1.66	1.61	1.66
French Franc	9.97	9.78	10.55	9.29
Dutch Guilder	3.35	3.29	3.54	3.12
Hong Kong Dollar	12.56	12.86	12.53	12.89

ACCOUNTING POLICIES (CONTINUED)
TURNOVER

Turnover represents the invoiced value for goods and services supplied during the year and excludes sales taxes.

TANGIBLE FIXED ASSETS

At 31 December 1998 the Group's UK properties were revalued by Gooch Webster, Chartered Surveyors on the basis of open market value for existing use and in accordance with the Royal Institution of Chartered Surveyors' Statement of Asset Valuation Practice and Guidance Notes. Any impairment loss on revalued fixed assets caused by the consumption of economic benefits are recognised in the profit and loss account. Surpluses, and deficits to the extent that reserves already exist, are taken to non-distributable reserves.

DEPRECIATION OF TANGIBLE FIXED ASSETS

No depreciation is provided on land. Buildings are depreciated over the lower of 50 years or the life of the lease by equal annual instalments. Vehicles, plant and machinery are depreciated over a period ranging mainly between 3 and 7 years with weighting where appropriate to recognise the impact of obsolescence. Equipment for hire is depreciated to its residual value over a period of between 2 and 20 years by equal annual instalments depending on product type.

LEASES

Assets which are the subject of finance leases together with the corresponding lease obligations are capitalised. The assets are depreciated as described above and the finance charge element of each lease payment, representing a constant interest rate on the reducing obligation is charged to the profit and loss account. Payments under operating leases are charged to the profit and loss account in the period to which they refer.

TAXATION

Deferred taxation is accounted for by using the liability method in relation to timing differences in respect of which there is a reasonable probability that they will reverse in the foreseeable future without being replaced by similar differences. No provision is made for taxation arising on distribution of profits retained by overseas resident subsidiary undertakings.

STOCKS

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used.

PENSION FUNDING

The Company and its subsidiary undertakings operate various pension schemes financed, with certain exceptions, through separate trustee administered funds. The expected costs of providing pensions are recognised on a systematic and rational basis over the expected service lives of current employees, in accordance with established actuarial practice.

RESEARCH AND DEVELOPMENT

Research and development expenditure is charged to the profit and loss account in the year in which it is incurred.

GOODWILL

Purchased goodwill (both positive and negative) arising on consolidation in respect of acquisitions before 1 January 1998, when FRS 10 Goodwill and Intangible Assets was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

ACCOUNTING POLICIES (CONTINUED)

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

Negative goodwill arising on consolidation in respect of acquisitions since 1 January 1998 is included with fixed assets and released to the profit and loss account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

NOTES TO THE ACCOUNTS
for the year ended 31 December 1999

1. SEGMENTAL INFORMATION

	1999 pound sterling m	1998 pound sterling m	1997 pound sterling m
TURNOVER(i)(ii)(iii)			
UK Operations	163.4	152.4	142.0
Joint Venture - UK Operations	9.5	12.8	9.1
SGB International	44.4	49.3	50.3
SGB North Europe	44.3	40.9	37.3
SGB South Europe	21.3	29.4	27.8
	282.9	284.8	266.5
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAX (PBIT)			
UK Operations	20.0	14.7	11.7
Joint Venture - UK Operations	0.4	0.9	0.9
SGB International	6.8	6.6	6.5
SGB North Europe	3.0	2.8	2.5
SGB South Europe	1.2	1.0	(0.1)
	31.4	26.0	21.5
Central costs	(2.9)	(2.6)	(2.1)
PBIT before exceptional items	28.5	23.4	19.4
Exceptional items (SGB South Europe)	(5.1)	-	-
PBIT after exceptional items	23.4	23.4	19.4
ASSETS EMPLOYED			
UK Operations	107.1	81.0	81.7
Joint Venture - UK Operations	0.6	0.6	0.5
SGB International	34.7	33.3	26.8
SGB North Europe	19.3	18.7	16.1
SGB South Europe	11.6	14.3	14.3
Centre	4.7	4.7	1.1
TOTAL ASSETS EMPLOYED	178.0	152.6	140.5
Net borrowings	(33.8)	(22.4)	(23.8)
Taxation and dividends	(17.6)	(15.0)	(14.0)
NET ASSETS	126.6	115.2	102.7

(i) The operations of the Group comprise only one segmental class of business being the supply of access and related products and services.

(ii) Turnover by geographical destination is not materially different from turnover by geographical origin.

(iii) SGB divisions are operated on a geographic basis. SGB Youngman serves the UK market, SGB North Europe serves Northern Europe (excluding the UK), SGB South Europe serves France and Belgium and SGB International serves the rest of the world. Central costs are attributable to the UK head office operations.

2. PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAX (PBIT)

	1999 pound sterling m	1998 pound sterling m	1997 pound sterling m
Group turnover	273.4	272.0	281.2
Change in stocks	4.1	(1.7)	11.3
Raw materials and consumables	(80.9)	(79.2)	(92.9)
Research and development	(0.9)	(0.7)	(0.7)
Staff costs (Note 3)	(90.4)	(89.7)	(85.6)
Depreciation	(18.1)	(17.5)	(16.4)
Auditors' remuneration:			
- audit fees (Company audit fee:pound sterling 5,000: 1998: pound sterling nil)	(0.5)	(0.4)	(0.3)

- non audit work - UK (fees paid to auditor and its	(1.2)	(0.2)	(0.1)

	1999	1998	1997
associates)			
Operating lease charges for plant and machinery	(4.7)	(4.0)	(3.6)
Operating lease charges for land and buildings	(4.6)	(4.6)	(3.6)
Other operating charges	(48.1)	(51.5)	(70.5)
Net flotation costs	-	-	(0.3)
Share of operating profit of joint venture	0.4	0.9	0.9
	-----	-----	-----
	(244.9)	(248.6)	(261.8)
	-----	-----	-----
PBIT before exceptional items	28.5	23.4	19.4
Exceptional items	(5.1)	-	-
	-----	-----	-----
PBIT after exceptional items	23.4	23.4	19.4
	=====	=====	=====

3. EMPLOYEES

	1999	1998	1997
The average weekly number of employees, including directors, was:	4,390	4,304	4,200

	1999 pound sterling	1998 pound sterling	1997 pound sterling
Payroll costs were:			
Wages and salaries	78.1	77.8	73.6
Social security costs	9.9	9.6	8.6
Other pension costs (Note 20)	2.4	2.3	2.2
	----	----	----
	90.4	89.7	84.4
	====	====	====

3. EMPLOYEES (CONTINUED)

DIRECTORS' EMOLUMENTS

	Basic salary/ fees 1999 pound sterling	Bonus 1999 pound sterling	Other benefits excl. pension) 1999 pound sterling	Total 1999 pound sterling	Total 1998 pound sterling	Total 1997 pound sterling
NON-EXECUTIVE DIRECTORS						
K J Minton	80,000	-	-	80,000	65,000	32,500
J C Gains	26,500	-	-	26,500(1)	25,000(1)	12,500
M R B Gatenby	26,500	-	-	26,500	25,000	25,000
P W Harrisson	26,500	-	-	26,500	25,000	16,122
A H Moore	26,500	-	-	26,500(1)	-	-
EXECUTIVE DIRECTORS						
R Stokell	190,000	32,820	12,465	235,285	288,415	279,141
K L Mansell	135,140	22,612	10,630	168,382	203,324	194,560
A J Scull	115,500	19,692	10,688	145,880	171,757	109,464
S Yapp	127,500	22,974	7,565	158,039	174,754	136,984
Total emoluments	754,140	98,098	41,348	893,586	978,250	806,271

(1) Fees paid to Mowlem & Company PLC ("Mowlem") in respect of Messrs J C Gains and A H Moore who are also Directors of Mowlem.

4. NET INTEREST PAYABLE

	1999 pound sterling	1998 pound sterling	1997 pound sterling
Interest payable on bank loans and overdrafts and other loans repayable within five years	(2.3)	(2.7)	(4.3)
Interest receivable	0.4	1.2	1.8
Net interest payable	(1.9)	(1.5)	(2.5)

5. TAXATION

	1999 pound sterling	1998 pound sterling	1997 pound sterling
United Kingdom:			
Corporation tax at 30.25% (1998: 31.0%)	3.6	3.1	2.1
Deferred taxation	1.3	0.3	0.5
	4.9	3.4	2.6
Overseas taxation	3.1	3.0	2.2
The Company and its subsidiary undertakings	8.0	6.4	4.8
Joint venture	0.1	0.3	0.3
	8.1	6.7	5.1

6. DIVIDENDS PAID AND PROPOSED

	1999 pound sterling	1998 pound sterling	1997 pound sterling
Interim dividend - 3.4p per share (1998: 2.9p per share)	2.6	2.2	6.8
Final proposed - 5.4p per share (1998: 4.4p per share)	4.0	3.3	2.6
	6.6	5.5	9.4

The final proposed dividend per share is calculated on 75,053,008 shares although it is recognised that the ESOT has waived its right to dividends on the 913,209 shares it holds.

7. EARNINGS PER SHARE

The calculation of earnings per share has been prepared in accordance with FRS14, Accounting for Earnings per Share, and is based on profit before exceptional items attributable to shareholders of pound sterling18.4 million (1998: pound sterling15.1 million). Earnings after exceptional items were pound sterling13.3 million (1998: pound sterling15.1 million).

The weighted average number of shares has been calculated as follows:

	1999	1998	1997
Weighted average shares in issue	75,028,374	75,001,870	75,000,000
Less weighted average ESOT shares not ranking for dividend	(913,209)	(214,183)	--
Weighted average shares used for basic earnings per share	74,115,165	74,787,687	75,000,000
Adjustment for share options granted but not yet exercised	979,963	432,744	107,276
Weighted average shares used for diluted earnings per share	75,095,128	75,220,431	75,107,276

8. TANGIBLE FIXED ASSETS

Group

	Land and buildings pound sterling	Owned vehicles, plant and machinery pound sterling	Leased vehicles, plant and machinery pound sterling	Equipment for hire pound sterling	Total pound sterling
COST OR VALUATION					
At 1 January 1999	28.4	33.0	4.5	149.6	215.5
Currency translation	(0.2)	0.2	(0.2)	(3.3)	(3.5)
Additions	6.3	3.3	1.8	46.2	57.6
Disposals	(4.3)	(5.8)	-	(18.8)	(28.9)
At 31 December 1999	30.2	30.7	6.1	173.7	240.7
DEPRECIATION					
At 1 January 1999	(5.3)	(22.1)	(2.3)	(69.0)	(98.7)
Currency translation	0.2	-	-	1.8	2.0
Reclassification	-	1.6	(1.6)	-	-
Disposals	1.7	4.5	-	9.8	16.0
Depreciation provided during the year	(0.7)	(2.7)	(0.2)	(14.5)	(18.1)
At 31 December 1999	(4.1)	(18.7)	(4.1)	(71.9)	(98.8)
NET BOOK VALUE					
31 DECEMBER 1999	26.1	12.0	2.0	101.8	141.9
31 December 1998	23.1	10.9	2.2	80.6	116.8

The capital value of powered access equipment held under operating leases at 31 December 1999 was pound sterling23.0 million (1998 pound sterling10.8 million).

The above analysis includes freehold land at cost or valuation not subject to depreciation of pound sterling13.8 million (1998: pound sterling12.8 million).

At 31 December 1998 the Group's UK properties were revalued by Gooch Webster, Chartered Surveyors on the basis of open market value for existing use and in accordance with the Royal Institution of Chartered Surveyors' Statement of Asset Valuation Practice and Guidance Notes.

The net book value of land and buildings comprises:

	1999 pound sterling
Freehold	22.8
Long leasehold	1.7
Short leasehold	1.6
	26.1

8. TANGIBLE FIXED ASSETS (CONTINUED) PARTICULARS RELATING TO REVALUED ASSETS ARE GIVEN BELOW:

	1999 pound sterling	1998 pound sterling
Analysis of land and buildings:		
Cost	10.8	8.1
1998 valuation	19.4	20.3
	30.2	28.4

If land and buildings had not been revalued, they would have been included at the following book values:

	1999 pound sterling	1998 pound sterling
Cost	27.4	22.7
Depreciation thereon	(4.8)	(4.3)
Historical cost net book value	22.6	18.4

GROUP
FIXED ASSET INVESTMENTS - JOINT VENTURE:

	1999 pound sterling	1998 pound sterling
SALAMIS SGB LIMITED		
At 1 January	0.6	0.5
Share of profit after tax	0.3	0.6
Dividends received	(0.3)	(0.5)
At 31 December	0.6	0.6

OTHER INVESTMENTS
During 1998 the Company established an Employee Share Ownership Trust (ESOT) details of which are given in note 14 to the accounts. As at 31 December 1999 the ESOT had purchased 913,209 SGB Group PLC ordinary shares with a cost of pound sterling1.6 million at prices ranging from 153p to 180 pence per share.

9. STOCKS AND WORK IN PROGRESS

	1999 pound sterling
Raw materials and consumables	2.9
Work in progress	2.8
Finished goods and goods for resale	16.3
	22.0

10. DEBTORS

	1999 pound sterling
FALLING DUE WITHIN ONE YEAR:	
Trade debtors	
- third parties	60.5
- John Mowlem & Company PLC	0.8
	61.3
Assets held for resale	8.2
Other debtors	2.5
Prepayments and accrued income	8.8
	80.8

Assets held for resale are powered access equipment acquired which had not been placed under operating leases by 31 December 1999.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 pound sterling
Trade creditors	
- third parties	(31.4)
- John Mowlem & Company PLC	(0.2)
	(31.6)
- Corporation tax	(4.0)
- Other taxation and social security	(6.5)
- Financial Instruments including bills of exchange	(0.7)
- Powered Access equipment creditors	(10.3)
- Other creditors	(5.5)
- Accruals and deferred income	(9.4)
- Dividends payable	(4.0)
	(72.0)

12. PROVISIONS FOR LIABILITIES AND CHARGES

	1999 pound sterling
DEFERRED TAXATION:	
Accelerated capital allowances	(6.0)
Other timing differences	0.3
Overseas deferred tax	(3.9)
	(9.6)
Pension provision (Note 20)	-
Other	(4.9)
	(14.5)

Movements on provisions during the year were as follows:

	Deferred tax pound sterling	Pensions pound sterling	Other pound sterling	Total pound sterling
At 1 January 1999	(7.3)	(1.8)	(5.7)	(14.8)
Net charge for the year	(2.3)	-	-	(2.3)
Utilised	-	1.8	0.8	2.6
At 31 December 1999	(9.6)	-	(4.9)	(14.5)

Other provisions include insurance and property dilapidation provisions.

The full potential liability to deferred tax is as follows:

	1999 pound sterling
Accelerated capital allowances (UK and Overseas)	(10.2)
Other timing differences (UK and Overseas)	(0.5)
	(10.7)

13. SHARE CAPITAL

	1999 Number	1999 pound sterling
Authorised:		
Ordinary shares of 40p each	100,000,000	40,000,000
Allotted, issued and fully paid	75,053,008	30,021,203

13. SHARE CAPITAL (CONTINUED)

Share option schemes

The Company operates a Sharesave Scheme (The SGB Group PLC Sharesave Scheme 1997) which is savings-related and enables those eligible to participate to invest up to a maximum permitted level of pound sterling250 per month. In addition, a Discretionary Share Option Scheme (The SGB Group PLC Discretionary Share Option Scheme 1997 (Parts I and II) provides share options for Executive Directors and other senior executives.

	Sharesave Scheme	Discretionary Scheme	Total
Outstanding at 31 December 1998	542,363	2,072,243	2,614,606
Granted	482,890	575,395	1,058,285
Exercised	(14,269)	(35,000)	(49,269)
Lapsed	(72,345)	(142,435)	(214,780)
Outstanding at 31 December 1999	938,639	2,470,203	3,408,842

Scheme	Date of grant	Option price	Exercise period	Total number of options outstanding at 31 December 1999
Sharesave	31/10/97	131.0p	1/1/01 - 30/6/01	461,346
	28/10/99	218.0p	1/12/02 - 31/5/03	477,293
				938,639
Discretionary part I (approved)	26/6/97	156.0p	26/6/00 - 25/6/07	38,460
	22/10/97	165.5p	22/10/00 - 21/10/07	95,000
	21/9/98	171.5p	21/9/01 - 20/9/08	134,984
	29/3/99	230.0p	29/3/02 - 28/3/09	46,086
	14/9/99	285.0p	14/9/02 - 13/9/09	135,526
Discretionary part II (unapproved)	26/6/97	156.0p	26/6/00 - 25/6/04	1,413,142
	22/10/97	165.5p	22/10/00 - 21/10/04	105,000
	21/9/98	171.5p	21/9/01 - 20/9/05	118,222
	29/3/99	230.0p	29/3/02 - 28/3/06	85,218
	14/9/99	285.0p	14/9/02 - 13/9/06	298,565
				2,470,203

EMPLOYEE SHARE OWNERSHIP TRUST (ESOT)

During 1998 the Company established an Employee Share Ownership Trust (ESOT) to acquire SGB Group PLC shares from the market to satisfy current and future requirements of the Company's share option schemes. Funding is provided to the ESOT by the Company. The ESOT's administrative costs are charged to the Profit and Loss Account of the Company. The assets of the ESOT are recognised as assets of the Company within these accounts. The ESOT has waived its rights to dividends but must be paid a minimum dividend of 0.01p per share. At 31 December 1999 the ESOT held 913,209 SGB Group PLC ordinary shares of which 818,601 shares were specifically under options to employees. The remaining 94,608 uncommitted shares had a market value at 31 December 1999 of pound sterling0.2 million. The 913,209 shares held by the ESOT were purchased at prices ranging from 153p per share to 180 pence per share.

14. Reserves

	Share Premium Account pound sterling	Revaluation reserve pound sterling	Other non distributabl reserves pound sterling	Profit and loss account pound sterling	Total pound sterling
GROUP					
At 1 January 1999	47.8	4.4	0.2	32.7	85.1
Retained profit for the year	-	-	-	6.7	6.7
Goodwill charged to the profit and loss account	-	-	-	5.6	5.6
Transfers between reserves	-	(0.4)	(0.2)	0.6	-
Currency translation and related tax charge	-	-	-	(0.9)	(0.9)
AT 31 DECEMBER 1999	47.8	4.0	-	44.7	96.5

The cumulative amount of goodwill written off to reserves at 31 December 1999, net of goodwill relating to subsidiary undertakings disposed of, amounts to pound sterling4.9 million (1998: pound sterling10.5 million).

15. MINORITY INTERESTS

	1999 pound sterling
Minority interests on 1 January 1999	0.1
Share of profits and losses	0.1
Dividends and other payments	(0.1)
Minority interests on 31 December 1999	0.1

16. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	1999 pound sterling
Group operating profit	28.1
Depreciation	18.1
Profit on disposal of fixed assets	(5.6)
Decrease/(increase) in stock	0.1
Increase in debtors	(11.3)
Increase in creditors	8.5
(Decrease)/increase in provisions	(2.6)
Net cash inflow from operating activities	35.3

17. BUSINESS DISPOSALS

	1999 pound sterling
DISPOSAL OF BUSINESS Net assets disposed of:	
Land and buildings	2.5
Other fixed assets	0.7
Stock	3.3
Creditors	(0.7)
Goodwill	5.6
Loss on disposal	(5.1)
	6.3
Satisfied by:	
Cash proceeds	6.1
Deferred consideration	0.2
	6.3

18. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

18(a) Analysis of net borrowings

	At 1 January 1999 pound sterling	Cash Flow pound sterling	Currency translation movement pound sterling	At 31 December 1999 pound sterling
Bank and cash balances	6.0	6.3	-	12.3
Overdrafts	(3.1)	-	-	(3.1)
	2.9	6.3	-	9.2
Debt due after one year	(45.9)	41.6	2.2	(2.1)
Debt due within one year	(0.4)	(43.2)	-	(43.6)
	(46.3)	(1.6)	2.2	(45.7)
Liquid resources	21.0	(18.3)	-	2.7
Net borrowings	(22.4)	(13.6)	2.2	(33.8)

Debt due after one year represents finance lease obligations.

18. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

18(b) Net cash inflow from financing

	1999 pound sterling
Drawdown underpound sterling 60 million multi-currency revolving facility	(0.4)
Other borrowing movements	
- under one year	43.2
- more than one year	(41.0)
Capital element of finance lease rental payments	(0.2)
As per consolidated cash flow statement	1.6

18(c) Reconciliation of net cash flow to movement in net funds and debt

Net (decrease)/increase in cash	6.3
Net cash (outflow)/inflow from decrease in debt and lease financing	(1.6)
Net cash (inflow)/outflow from increase in liquid resources	(18.3)
Change in net debt resulting from cash flows	(13.6)
Effect of currency translation changes on net debt	2.2
Movement in net funds and debt	(11.4)
Net borrowings at 1 January 1999	(22.4)
NET BORROWINGS AT 31 DECEMBER 1999	(33.8)

18(d) Cash and deposits

	1999 pound sterling
CASH AT BANK AND IN HAND	
Short term deposits	2.7
Bank and cash balances	12.3
	15.0
Sterling	7.7
Other currencies	7.3
	15.0

Cash at bank and in hand includes cash in hand and deposits repayable on demand with any financial institution.

Deposits are repayable on demand if they can be withdrawn at any time without notice and without penalty or if a maturity or period of notice of not more than 24 hours or one working day has been agreed.

Cash includes cash in hand and deposits denominated in foreign currencies.

The Group includes in liquid resources term bank deposits of less than one year.

19. FINANCIAL INSTRUMENTS

This is the first year of disclosure under FRS13 and no comparatives are disclosed as permitted by that Standard, Group operations are financed through a combination of shareholders funds and net borrowings, principally comprising bank and revolving credit facilities.

	1999 pound sterling
OTHER CURRENCIES Revolving credit facility:	
US Dollar	14.6
Euro	18.0
Hong Kong Dollar	2.9
Singapore Dollar	3.5
Swedish Kroner	0.6
Danish Kroner	1.4
	41.0
US Dollar short term borrowings	2.6
US Dollar overdrafts	0.4
French Franc finance lease obligations	1.7
Dutch Guilder finance lease obligations	0.4
Dutch Guilder overdrafts	2.3
Other overdrafts	0.4
	48.8
NET DEBT	
Gross borrowings	48.8
Cash and short term deposits	(15.0)
NET DEBT	33.8
REPAYMENT ANALYSIS	
Less than one year or on demand	46.7
In more than one year but less than two years	0.5
In more than two years but less than five years	1.6
	48.8
SECURITY ANALYSIS	
Secured	2.1
Unsecured	46.7
	48.8
INTEREST RATE PROFILE	
At fixed rates	2.1
At variable rates	46.7
	48.8

19. FINANCIAL INSTRUMENTS (CONTINUED)

The weighted average interest rate of the fixed rate financial liabilities is 4.8 per cent. fixed for an average of four years.

The floating rate financial liabilities are subject to interest rates referenced to LIBOR. The drawings under the Revolving Credit facility at 31 December 1999 are at a weighted average of 5.09 per cent. for a period of five months.

The group allows a degree of interest rate risk as long as the effects of changes in rates remain within acceptable parameters.

As at 31 December 1999 the Group had committed multi-currency facility of pound sterling 60.0 million of which pound sterling 41.0 million was utilised. In addition the Group has facilities in the UK of pound sterling 3.0 million and in its overseas operations of pound sterling 12.2 million.

Amounts drawn under the revolving credit facility are for periods of less than one year, and as the facility expires in June 2000, these amounts have been classified as falling due within one year. The Group has entered into a new three year pound sterling 72.0 million revolving credit facility in February 2000 to replace the facility existing at the year-end.

The Group operates a foreign exchange hedging policy, whereby 75 per cent. of foreign currency denominated assets are hedged through the use of foreign currency borrowings. As a result of this policy pound sterling 40.0 million of the revolving credit facility has been utilised for hedging purposes.

The Group continues to comply with all of its borrowing covenants, none of which represents a restriction on funding or investment policy in the foreseeable future.

There is no material difference between book value and the fair value of the Group's financial assets and financial liabilities as at 31 December 1999.

20. PENSION ARRANGEMENTS

20.1 The Group operates two defined benefit pension schemes. The SGB Group Staff Pension and Family Security Scheme ("the SGB Scheme") is the larger of the two. The other is the Youngman Group Limited Operatives Pension and Family Security Scheme ("the Youngman Scheme"). The Group also makes contributions to funded unapproved retirement benefits schemes (FURBS) in respect of three executive directors. The total pension charge in 1999 was pound sterling2.4 million (1998: pound sterling2.3 million).

20.2 The assets of the SGB Scheme and the Youngman Scheme are held under trust separately from those of the Group and invested directly on the advice of independent professional investment managers. Pension costs are assessed on the advice of an independent qualified actuary using the projected unit method.

	SGB Scheme	Youngman Scheme
Actuary	G Harman, FIA, William M Mercer Ltd	G Harman, FIA, William M Mercer Ltd
Date of last valuation/review	31 December 1999	31 December 1997
Date of next valuation	31 December 2000	31 December 1999
Market value of the schemes' assets	pound sterling165.8m	pound sterling10.3m
Level of funding	115%	100%
Key Assumptions:		
Investment return Pre-retirement	6.2%	8.5%
Post-retirement	5.2%	8.5%
General pensionable earnings increases	4.7%	6.5%
Increases in pensions in excess of GMP	3.2%*	4.5%
Increase in equity dividends	N/A	4.0%
Average future working lifetime of the active members	11 years	17 years

The surplus revealed by the valuations is being spread over the average future service lives of the active members.

* Certain members of the SGB Scheme are guaranteed increases in pensions in excess of GMP of 4.0%.

21. COMMITMENTS AND CONTINGENT LIABILITIES

	Land and buildings 1999 pound sterling	Powered access equipment 1999 pound sterling	Vehicles 1999 pound sterling
OPERATING LEASE ANNUAL COMMITMENTS			
Non-cancellable operating leases which expire:			
Within one year	0.3	-	0.5
In two to five years	0.6	3.6	4.1
Over five years	3.1	-	-
	4.0	3.6	4.6

	Powered access equipment pound sterling	Vehicles pound sterling
NOTIONAL CAPITAL VALUE OF OPERATING LEASES		
The movement in the notional capital value of leased assets not included in fixed assets is as follows:		
Brought forward on 1 January 1999	10.8	10.5
Net additions	15.3	4.7
Capital element of lease payments	(2.6)	(3.6)
Foreign exchange movement	(0.5)	(0.3)
CARRIED FORWARD ON 31 DECEMBER 1999	23.0	11.3
The interest element of operating lease payments charged to the Profit and Loss Account was:	0.8	1.1

The notional value of powered access equipment under operating leases at 31 December 1999 includes pound sterling7.5 million of equipment (1998: pound sterling3.3 million) where leases have not yet been incepted.

The Group has guaranteed pound sterling107.3 million of facilities (including leases facilities) for subsidiary undertakings (including the Revolving Credit Facility of pound sterling60 million).

The Group has contingent liabilities arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

The Group has also guaranteed borrowings of pound sterling1.8 million (1998: pound sterling 1.8 million) of certain of its overseas agents.

22. RELATED PARTY TRANSACTIONS

During the year the Group sold pound sterling 2.4 million (1998: pound sterling 3.6 million) of goods and services to Mowlem & Company PLC ("Mowlem"), the Group's parent company, on arm's length terms and on a normal commercial basis. In addition the Group paid pound sterling 0.1 million (1998: pound sterling 0.1 million) to Mowlem being the fees in respect of two non-executive directors who are also directors of Mowlem.

These fees are detailed in the Report of the Remuneration and Appointments Committee.

The Group supplied pound sterling 6.5 million (1998: pound sterling 10.8 million) of goods and services to Salamis SGB Limited, a joint venture company, on normal commercial terms.

At 31 December 1999 the Group had net debtor balances outstanding with Mowlem and Salamis SGB Limited of pound sterling 0.6 million and pound sterling nil million respectively.

AGM CHAIRMAN'S STATEMENT, 9 MAY 2000

"1999 was another year of substantial progress for the SGB Group. The main features of the Group's performance were:

- Sales at pound sterling 283 million, similar levels to 1998;

- Profits before interest and tax increased by 21.8% to pound sterling 28.5 million, moving operating margins into double figures - 10.1% compared with 8.2% in 1998;

- Pre-tax profits increased by 21.5% to pound sterling 26.6 million;

- Earnings per share increased by 21.9% to 24.5p per share;

- The Board is recommending a final dividend of 5.4p per share which, if shareholders approve, will make the total dividend for the year 8.8p per share, an increase of 20.5% over 1998.

KEY ACHIEVEMENTS

The Group's, achievements in 1999 were not limited to the realisation of significant increases in financial performance; 1999 was also a year when the developments set out at last year's AGM were implemented.

In the UK, we have extended our hub and satellite coverage and diversified further our product offering. By the end of the year, ten hubs were established. We replaced three old and inadequate satellites with new upgraded units and added a completely new one. To enhance our customer service capability, we established seven new call centres. In addition, we have widened the range of products on offer in our Powered Access sector, introduced Cuplok 3000, and launched our new formwork panel system "Logik".

In Continental Europe, we are now servicing our traditional markets with a wider product range. We have extended our penetration of the petrochemical industry, and re-focused our French operations. In 1999, we have extended the Powered Access product range by adding mobile climbing units and material hoists, and extended our geographic penetration into Germany and Austria. We have also widened our customer base for the range of services we provide to the petrochemical industry. In France, we have established two new hubs and two new satellites in our drive to extend our provision of access products and services to the French market.

In the USA, our objective was to extend the Group's coverage. New branches have been set up and the product range has been extended by the addition of the GASS aluminium shoring system and the new "Logik" panel formwork product.

In Asia, we planned to develop our business cautiously in the aftermath of the recession of 1998. The Asian market is now emerging from that setback, and opportunities in Hong Kong and elsewhere in the region are now coming to the fore. While we are being selective about the projects we accept, our confidence in prospects for Asia is returning.

STRATEGY

We shall continue to develop our current business in the major areas of the world in which we operate and where we have extensive market knowledge and experience. We shall continue to extend our product offering through our own innovation and where we can acquire products and services which fit our portfolio.

We continue to refine our management organisation to meet the changing needs of the Group and its growth plans.

As we continue to develop and consider further growth through acquisition, we will only make investments where we are very confident they will meet our rigorous profitability criteria. We have examined a number of acquisition opportunities over 1999 but none of them met our needs. We shall continue to search for the right investments but will only commit if our criteria are met. Turning now to the prospects for this year, we see progress being achieved in most of the principal regions in which we operate. We began the year with some encouraging orders and our US operations, in particular, are showing the benefit of our investments last year.

Nevertheless, the strength of Sterling is adversely affecting both the Sterling value of earnings from our overseas operations and the competitive position of UK manufactured goods. Sales of these in the UK have so far been slower than anticipated. Powered Access performance in our UK Branch Operations continues to reflect the difficult environment.

However, overall, the Board expects modest improvement over last year and looks forward to the future with confidence."

APPENDIX IV

CALCULATIONS AND SOURCES OF INFORMATION

1. GENERAL

Unless otherwise stated, (i) financial information relating to Harsco has been extracted from the audited Annual Report for the year ended 31 December 1999, and (ii) financial information relating to SGB has been extracted from the audited Annual Reports and Accounts for the year ended 31 December 1999 and from a Dresdner Kleinwort Benson research report dated 7 January 2000.

2. EXCHANGE RATES

Amounts denominated in US$ have, for the purpose of this document, been converted into pound sterling at an exchange rate of US$1.5159 to pound sterling1, being the closing mid-point exchange rate sourced from the Financial Times on 15 May 2000 (the last business day prior to the announcement of the Offer).

3. SHARE PRICES

The market price of an SGB share is based on the closing middle market price of 159.5p for a SGB Share obtained from Bloomberg on 15 May 2000 (the last business day prior to the announcement of the Offer).

4. MARKET CAPITALISATION

The market capitalisation of Harsco is based on the closing middle market price of US$29.69 for a Harsco share, obtained from Bloomberg on 18 May 2000 (the last practical date prior to the publication of the document).

5. VALUE OF THE OFFER

References to the value of the Offer for the whole of the issued share capital of SGB assume the number of SGB Shares currently in issue to be 75,053,008. References to the value of the Offer assuming the exercise of all outstanding options assume the number of options to be 3,297,015.

6. EARNINGS PER SHARE

The calculation relating to the basic pre-exceptional earnings per SGB Share of 24.8p is based on profit before exceptional items attributable to shareholders of pound sterling18.4 million and the weighted average number of Shares in issue during the year of 74,115,165.

The exit multiple of 10.1 times earnings per SGB Share for the year ended 31 December 1999 is calculated by dividing the Offer price of 250p by the basic pre-exceptional earnings as set out above.

7. PREMIUM

The premium of the Offer price to the pre-announcement price of 56.7 per cent. is calculated on the basis of the Offer price of 250p and the market price per SGB Share as set out in paragraph 3 above.

APPENDIX V

ADDITIONAL INFORMATION

1. RESPONSIBILITY

Derek Hathaway as Chairman and Chief Executive Officer of Harsco and director of Harsco Investment, Robert Nation as Chairman of the Management Development and Compensation Committee of Harsco, James Scheiner as Chairman of the Audit Committee of Harsco, Dr. Robert Wilburn as Chairman of the Nominating Committee of Harsco, Salvatore Fazzolari as Senior Vice President, Chief Financial Officer and Treasurer of Harsco and director of Harsco Investment and Paul Coppock as Senior Vice President, Chief Administrative Officer, General Counsel and Secretary and Company Secretary of Harsco Investment (in this paragraph 1, "the Directors") are responsible for the information contained in this document save that the sole responsibility accepted by the Directors in respect of information relating to SGB, SGB's directors and the SGB Group has been to ensure that it has been correctly compiled from published sources and is fairly reproduced and presented. Subject as aforesaid, to the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

2. DIRECTORS

(a) The directors of Harsco are as follows:

Derek Hathaway
Leonard Campanaro
Andrew Sordoni III
Jerry Jasinowski
Robert Nation
Carolyn Scanlan
James Scheiner
Joseph Viviano
Robert Wilburn

The Chief Financial Officer of Harsco is Salvatore Fazzolari. The Chief Administrative Officer of Harsco is Paul Coppock.

(b) The directors of Harsco Investment are as follows:

Derek Hathaway
Salvatore Fazzolari

The Company Secretary of Harsco Investment is Paul Coppock.

(c) As far as Harsco is aware, the directors of SGB are:

Kenneth Minton
Robert Stokell
John Gains
Michael Gatenby
Peter Harrisson
Kenneth Mansell
Arthur Moore
Andrew Scull
Stephen Yapp

3. MARKET QUOTATIONS

The following table shows the closing middle market quotations for SGB Shares as derived from the Daily Official List on the first dealing day in each of six months immediately prior to the date of this document, on 15 May 2000 (the last dealing day prior to the commencement of the Offer Period) and on 18 May 2000 (the latest practicable date prior to the publication of this document):

Date	SGB Share price in pence
1 December 1999	262.5
4 January 2000	263.5
1 February 2000	245.5
1 March 2000	234.0
3 April 2000	214.0
2 May 2000	195.0
15 May 2000	159.5
18 May 2000	256.0

4. IRREVOCABLE UNDERTAKING

An irrevocable undertaking to accept the Offer has been received in respect of the following SGB Shares:

Name	SGB Shares
Mowlem	38,250,000

5. DISCLOSURE OF INTERESTS AND DEALINGS

As at 19 May 2000 (the latest practicable date prior to the publication of this document):

(a) Mowlem was interested in 38,250,000 SGB Shares.

(b) neither Harsco, Harsco Investments nor Mowlem nor the Directors of Harsco or Harsco Investments nor any member of their immediate families or related trusts or connected persons nor any persons acting in concert with Harsco owns, controls or (in the case of any director of Harsco or Harsco Investments or their immediate families or related trusts) is directly or indirectly interested in any relevant securities and no such person has dealt for value in any relevant securities during this disclosure period; and

(c) save as above and save for the irrevocable undertaking referred to in paragraph 4 above, neither Harsco, Harsco Investments, nor any person acting in concert with Harsco is a party to an arrangement with any director, recent director, shareholder or recent shareholder of SGB in relation to relevant securities including, in addition to indemnity and option arrangments, any agreement or understanding, formal or informal, of whatever nature, which may be an inducement to deal or refrain from dealing.

For the purposes of this paragraph 5:

"arrangement" includes any indemnity or option arrangement and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing;

"derivative" includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security but which does not include the possibility of delivery of such underlying securities;

"disclosure period" means the period commencing on 16 May 1999 (the date 12 months prior to the commencement of the Offer period) and ending on 18 May 2000 (the latest practicable date prior to the publication of this document);

"relevant securities" means SGB Shares and securities convertible into, or exchangeable for, rights to subscribe for and options (including traded options) in respect of, or derivatives referenced to SGB Shares.

"control" means a holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights attributable to the share capital of the company which are currently exercisable at a general meeting, irrespective of whether the holding or aggregate holding gives de facto control.

6. MATERIAL CONTRACTS

The following contracts have been entered into by members of the Harsco Group otherwise than in the ordinary course of business since 16 May 1998 (the date two years prior to the commencement of the Offer Period) and are or may be material:

(a) a pound sterling 190,000,000 term credit facility dated 18 May 2000 (the "Facility Agreement") between Harsco (as borrower and guarantor), Harsco Investment (as borrower), Chase Manhattan International Limited (as London Agent), The Chase Manhattan Bank (as administrative agent) and the Lenders (as defined in the Facility Agreement). The facility is underwritten by the Chase Manhattan Bank.

    The Facility Agreement is subject to the laws of the State of New York and contains limited conditions precedent, representations and warranties, covenants and events of default customary for this type of facility.

(b) a merger agreement dated 20 February 1998 between Harsco, H-Chemi Acquisition Corp. and Chemi-Trol Chemical Co., under which Harsco acquired Chemi-Trol Chemical Co. for a cash consideration of approximately US$46 million;

(c) an asset purchase agreement dated 9 September 1998 between Harsco and Amcast Industrial Corporation under which Harsco acquired the Superior Valve Company for a cash consideration plus assumption of liabilities, for a total consideration of approximately US$40 million;

(d) an asset purchase agreement dated 30 October 1998 between Harsco and Sulzer Chemtech USA Inc., for the sale by Harsco of Nutter Engineering for a cash consideration plus assumption of liabilities, for a total consideration of approximately US$37 million; and

(e) an agreement dated 30 January 1998, as amended 15 October 1999 between Harsco and Charter plc under which Harsco acquired Charter plc's Pandrol Jackson Limited railway track maintenance business for a cash consideration plus assumption of liabilities, for a total consideration of approximately US$65 million. Pursuant to a condition of the U.S. Department of Justice relating to Harsco's asset purchase of Pandrol Jackson, Harsco was required to dispose of certain assets of this business. This disposal does not constitute a material contract for the purposes of this paragraph 6 of Appendix V.

Save as disclosed above, no members of Harsco Group have entered into any contracts otherwise than in the ordinary course of business since 16 May 1998 (the date two years prior to the commencement of the Offer Period) that are or may be material.

7. MATERIAL CHANGES

Save as disclosed elsewhere in this document, there have been no material changes in the financial or trading position of the Harsco Group since 31 December 1999 (the date to which the last audited accounts of Harsco were prepared).

The directors of Harsco are not aware of any significant change in the financial or trading position of the SGB Group other than as set out in the AGM Chairman's Statement which was released on 9 May 2000.

8. INFORMATION ON HARSCO INVESTMENT

Harsco Investment, a newly-formed U.K. subsidiary of Harsco, has been formed to implement the Offer. To date, Harsco Investment has engaged in no activities other than those incidental to its organisation and making the Offer. Harsco Investment is a wholly-owned subsidiary of Harsco and is incorporated in England and Wales under registered number 3985379 having its registered office at Commonwealth House, 2 Chalkhill Road, London, W6 8DW.

9. OTHER INFORMATION

(a) Lazard is satisfied that financial resources available to Harsco Investment are sufficient to satisfy full acceptance of the Offer. Full acceptance of the Offer would involve the payment of approximately pound sterling195.9 million in cash by Harsco Investment, assuming the exercise of all options outstanding under the SGB Share Option Schemes.

(b) The Offer will be financed principally with funds from the term credit facility agreement, details of which are set out in paragraph 6(a) above and from Harsco's own resources. Harsco does not intend that the payment of interest on, the repayment of, or the security for, any liability (contingent or otherwise) will depend to any significant extent on the business of SGB.

(c) No agreement, arrangement or understanding exists whereby the legal or beneficial ownership of any of the SGB Shares acquired in pursuance of the Offer will be transferred to any other person, save that Harsco Investment reserves the right to transfer any SGB Shares so acquired to any other member of the Harsco Group.

(d) The registered office of SGB is 4th Floor, Lilly House, 13 Hanover Square, London WIR 0PA.

(e) The registered office of Harsco is 350 Poplar Church Road, P.O. Box 8888, Camp Hill, Pennsylvania, 17001-8888, U.S.A.

(f) Save as otherwise disclosed in this document, no agreement, arrangement or understanding (including any compensation arrangement) exists between Harsco Investment and/or Harsco or any person acting in concert with Harsco Investment and/or Harsco and any of the directors, recent directors, shareholders or recent shareholders of SGB having any connection with, or dependence on, or which is conditional on, the outcome of the Offer and there is no proposal existing in connection with the Offer whereby any payment or other benefit will be made or given to any director of SGB as compensation for loss of office or as consideration for or in connection with his retirement from office or otherwise in connection with the Offer.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Freshfields, 65 Fleet Street, London EC4Y 1HS during usual business hours on any weekday (weekends and public holidays excepted) while the Offer remains open for acceptance:

(a) the restated certificate of incorporation and by-laws of Harsco;

(b) the memorandum and articles of association of Harsco Investment;

(c) the published audited and consolidated accounts of Harsco for the last two fiscal years ended 31 December 1998 and 31 December 1999;

(d) the published audited consolidated accounts of SGB for the last two financial years ended 31 December 1998 and 31 December 1999;

(e) the material contracts referred to in paragraph 6 above;

(f) copies of the irrevocable undertaking to accept the Offer given by Mowlem, as referred to in paragraph 4 above; and

(g) this document and the Form of Acceptance.

20 May 2000

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

"COMPANIES ACT"	the UK Companies Act 1985 (as amended)
"CITY CODE"	the City Code on Takeovers and Mergers
"COMPUTERSHARE"	Computershare Services PLC, whose registered office is at 7th Floor, Jupiter House, Triton Court, 14 Finsbury Square, London EC2A 1BR
"CREST"	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo is the Operator (as defined in the CREST Regulations)
"CRESTCO"	CRESTCo Limited
"CREST MANUAL"	the CREST manual referred to in the arrangements entered into by CRESTCo
"CREST MEMBER"	a person who has been admitted by CRESTCo as a system-member (as defined in the CREST Regulations)
"CREST PARTICIPANT"	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations)
"CREST SPONSOR"	a CREST participant admitted to CREST as a CREST sponsor
"CREST PERSONAL MEMBER"	a CREST member admitted to CREST as a personal member
"CREST REGULATIONS"	the Uncertificated Securities Regulations 1995
"ESCROW AGENT"	Computershare in its capacity as a CREST participant under ID 3RA09
"FORM OF ACCEPTANCE"	the form of acceptance, authority and election relating to the Offer accompanying this document
"HARSCO"	Harsco Corporation
"HARSCO GROUP"	Harsco, its subsidiaries and subsidiary undertakings
"HARSCO INVESTMENT"	Harsco Investment Limited, a wholly-owned subsidiary of Harsco
"LAZARD"	Lazard Brothers & Co., Limited, financial adviser to Harsco and Harsco Investment
"LONDON STOCK EXCHANGE"	the London Stock Exchange Limited
"MEMBER ACCOUNT ID"	the identification code or number attached to any member account in CREST
"MOWLEM"	John Mowlem & Company PLC
"OFFER"	the offer by Lazard, on behalf of Harsco Investment, to acquire the SGB Shares and where the context so requires any subsequent revision, variation, extension or renewal of such offer
"OFFER PERIOD"	has the meaning given to it in Part B of Appendix I of this document
"OFFICIAL LIST"	the Daily Official List of the London Stock Exchange
"OPTIONHOLDERS"	holders of options granted under the SGB Share Option Schemes
"PANEL"	The Panel on Takeovers and Mergers

"PARTICIPANT ID"	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
"RECEIVING AGENT"	Computershare in its capacity as receiving agent for Harsco Investment for the purposes of the Offer
"SECURITIES ACT"	the United States Securities Act of 1933, as amended
"SGB"	SGB Group PLC
"SGB GROUP"	SGB, its subsidiaries and subsidiary undertakings
"SGB SHAREHOLDER"	a holder of SGB Shares
"SGB SHARES"	the existing unconditionally allotted or issued and fully paid ordinary shares of 40p each in the capital of SGB and any further such shares which are unconditionally allotted or issued and fully paid up on or before the date on which the Offer closes (or such earlier date(s) as Harsco Investment Limited may, subject to the Code, determine) as a result of the exercise of any options
"SGB SHARE OPTION SCHEMES"	such share option schemes as may be in existence in respect of SGB Shares
"TFE INSTRUCTION"	a transfer from escrow instruction (as defined in the CREST manual issued by CRESTCo.)
"TTE INSTRUCTION"	a transfer to escrow instruction (as defined in the CREST manual issued by CRESTCo.)
"UK" OR "UNITED KINGDOM"	the United Kingdom of Great Britain and Northern Ireland
"UNCERTIFICATED FORM"	register of members of SGB as being held in uncertificated form in CREST and title to which, by virtue of the Regulations, may be transferred by means of CREST
"US", "U.S.A" OR "UNITED STATES"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia and all other areas subject to its jurisdiction
"US GAAP"	US generally accepted accounting practice or principles
"US PERSON"	a US person as defined in Reputation S under the Securities Act
"WIDER HARSCO GROUP"	Harsco and the subsidiaries and subsidiary undertakings of Harsco or any company of which 20 per cent. or more of the voting capital is held directly or indirectly by Harsco or any partnership, joint venture or firm in which Harsco may be directly or indirectly interested
"WIDER SGB GROUP"	SGB and the subsidiaries and subsidiary undertakings of SGB or any company of which 20 per cent. or more of the voting capital is held directly or indirectly by SGB or any partnership, joint venture or firm in which SGB may be directly or indirectly interested

For the purposes of this document, "subsidiary" and "subsidiary undertaking" have the respective meanings given by the Act.

Exhibit 10

SETTLEMENT AGREEMENT

THIS AGREEMENT is made by and between HARSCO CORPORATION (hereinafter referred to as "Harsco") and Leonard A. Campanaro (hereinafter referred to as "Employee").

Recitals

Employee has been employed by Harsco as President and Chief Operating Officer. Harsco and Employee now desire to terminate their employment relationship and desire to set forth herein certain terms and conditions of such termination.

NOW, THEREFORE, in consideration of the mutual agreements and covenants hereinafter set forth, the parties agree as follows:

1. Termination of Employment. Effective on July 31, 2000 ("Effective Date") Employee hereby resigns his employment with Harsco and Harsco accepts such resignation. Employee also hereby resigns from the Board of Directors of Harsco, and as a director and/or officer of any other subsidiary, or related or affiliated company of Harsco. Employee agrees to execute any further documents reasonably necessary or convenient to effectuate or confirm those resignations.

2. Payments to Employee. Harsco agrees to pay Employee all salary earned and accrued through the Effective Date, and any accrued but unused vacation. In addition, in consideration of Employee's execution of this Agreement and the Full and Final General Release referred to in Section 9 hereof, Harsco shall (a) pay Employee seventeen (17) monthly consecutive payments of $31,200 per payment commencing August 31, 2000 and ending December 31, 2001; (b) reimburse Employee for the cost of all COBRA premiums for continuation of group health insurance for Employee and Employee's qualified dependents (provided that Employee elects to continue such coverage) for a period of eighteen (18) months from the date hereof or until Employee secures health insurance coverage from another employer, whichever is the first to occur; (c) make Employee eligible to participate in the Harsco Executive Incentive Compensation Plan for the full period ending December 31, 2000, in accordance with the terms of the Plan based upon the same level of goal attainment that is applied to all other Harsco Corporate officers with any such incentive compensation that may be awarded at the sole discretion of Harsco's Board of Directors payable to Employee at the same time as other participating employees; and (d) provide Employee out-placement assistance for an indefinite period, provided that the total cost to Harsco shall not exceed $35,000. All amounts payable under this Section will be subject to any

applicable local, state and federal tax withholding obligations. Employee agrees to indemnify and hold Harsco harmless from liability for tax payments, required tax withholdings, penalties, additions to tax and/or interest which may result from payments made under this Agreement and that Harsco shall not be required to pay any further sums to Employee for any reason as part of this settlement even if the tax liabilities and consequences to Employee are ultimately assessed in a fashion not presently anticipated by Employee. In the event of Employee's death, any unpaid portion of the payments contained in this Section, excluding out-placement assistance, shall be payable to Employee's estate pursuant to the terms contained in this Section.

3. Acknowledgment. Harsco and Employee acknowledge the following:

(a) Employee has vested participation in the Harsco Employees Pension Plan and the Harsco Corporation Savings Plan and may make appropriate election for distribution or payment of benefits from those qualified Plans according to their respective provisions. Employee also has vested participation in the Harsco Corporation Supplemental Retirement Benefit Plan, and will receive a distribution of benefits in accordance with the terms of such Plan;

(b) Employee has the right to exercise any Incentive Stock Options within a three (3) month period following the Effective Date, provided that the vesting requirement for any such options were satisfied prior to the Effective Date. Subject to the approval of the Management Development and Compensation Committee of the Harsco Board of Directors, Harsco shall allow Employee's January 24, 2000 grant of 25,000 Non Qualified Stock Options to vest on the Effective Date hereof and extend the post-termination exercise period for such grant from three (3) months to twelve (12) months from the Effective Date.

(c) Harsco-provided group health insurance, group term life insurance and accidental death and dismemberment insurance, if any, shall cease in accordance with the provisions of such plans, except for reimbursement for COBRA continuation coverage as provided in Section 2 above;

(d) Harsco-provided long and short term disability coverage shall cease on the Effective Date;

(e) Harsco will transfer title of the company automobile presently in Employee's possession to Employee and Employee shall hereafter maintain full responsibility for the vehicle; and

(f) Harsco shall forgive any repayment obligation of Employee's West Shore Country Club entrance fee resulting from Employee's separation.

4. Other Benefits. Employee agrees that the payments provided for in Section 2 above and any benefits as described in Section 3 above include and are substantially in excess of any and all benefit payments payable under Harsco's employee benefit plans and policies including, without limitation, the Harsco Corporation Employment and Benefits Upon Termination Plan, and Employee waives and forever discharges Harsco and any of its affiliates from any liability to pay any additional salary continuation pay, termination pay, commission, bonus, or other benefit which otherwise may have been payable to Employee as a result of Employee's employment with Harsco or Employee's termination of employment under benefit plans or policies of Harsco in effect on the date hereof, it being the intention of the parties hereto to convert and merge all such rights into this Agreement.

5. Noncompetition. In consideration of the payments provided to Employee in this Agreement, Employee agrees that for a period of seventeen (17) months from the Effective Date Employee shall not, directly or indirectly:

(a) for Employee or on behalf of any other person, persons, partnership, corporation, or other entity, solicit, divert or attempt to solicit or divert, any customer of Harsco; or

(b) without the written consent of the Chief Executive Officer of Harsco, render services to, become employed by, own, or have a financial or other interest in (either as an individual, partner, joint venturer, owner, manager, employee, partner, officer, director, independent contractor, stockholder owning in excess of one percent of the outstanding equity interest, or other such role) any business which is engaged in a business that competes with services or products of Harsco in any state or country in which Harsco currently sells services or products or otherwise conducts business.

Employee may request Harsco's consent to various prospective employment opportunities from time to time by submitting in writing to the Chief Executive Officer, a description of the potential employer and position, including the products and services of the company. The Chief Executive Officer (or his designee) will within ten business days respond in writing either granting or denying consent, provided however, that such consent will not be unreasonably withheld.

Employee acknowledges that he has received fair and adequate consideration for the covenants contained in this Section. Employee agrees that if any of the provisions of this Section are or become unenforceable, the remainder hereof shall nevertheless remain binding upon him to the fullest extent possible, taking into consideration the purposes and spirit of this Agreement. Employee acknowledges that in the event of a breach by him of the provisions of this Section, Harsco would have no adequate remedy at law and would suffer substantial and irreparable damages. Accordingly, Employee hereby agrees that in such event, Harsco shall be entitled to temporary and/or permanent injunctive relief, without the necessity of proving damage, to enforce the provisions of this Section, all without prejudice to any and all other remedies which Harsco may have a law or in equity and which Harsco may elect or invoke. For the purposes this Section 5 and Section 6, Harsco shall include parents, subsidiaries, divisions, related and affiliated companies.

6. Non-Solicitation of Harsco Employees. Employee agrees that for a period of one (1) year after the Effective Date, Employee will not participate in recruiting any Harsco employees or in the solicitation of any Harsco employees; and Employee will not communicate to any other person or entity, about the nature, quality or quantity of work, or any special knowledge or personal characteristics of any person employed by Harsco. Should Employee wish to discuss possible employment with any then-current Harsco employee during the one year period set forth above, Employee may request permission to do so from the Chairman and Chief Executive Officer who may in his discretion grant a written exception to the no solicitation agreement set forth above, provided, however, Employee agrees that Employee will not discuss any such employment possibility with such employees prior to securing Harsco's permission. Should Harsco decline to grant such permission, Employee agrees that Employee will not at any time, either during or after the non-solicitation period set forth above, advise the employee concerned that the employee was the subject of a request under this paragraph or that Harsco refused to grant Employee the right to discuss an employment possibility with the employee.

7.Further Covenants by Employee. As further conditions to Harsco's performance of this Agreement, Employee agrees: (a) not to make any public statement or statements to the press concerning Harsco, its business objectives, its management practices, or other sensitive information without first receiving Harsco's written approval; (b) that Employee will not disclose to any person or use for Employee's own benefit any confidential or proprietary information concerning the customers, suppliers, price lists, catalogs, products, operations, sales techniques or other business related information of Harsco; (c) that Employee shall take no action which would cause Harsco or its employees or agents any embarrassment or humiliation or otherwise cause or contribute to Harsco's or any such person's being held in disrepute by the general public or Harsco's employees, clients, or customers; and (d) to cooperate in providing reasonable assistance, including telephone consultations, as needed by Harsco in order to effectuate a transition of Employee's former responsibilities.

8.Waiver of Claims. Employee, for Employee, and for Employee's attorneys, heirs, executors, administrators, personal representatives, successors and assigns, for and in consideration of promises made herein, does hereby irrevocably and KNOWINGLY, VOLUNTARILY and unconditionally waive and release fully and forever any claim of any and every nature whatsoever against Harsco, and its past and present parents, subsidiaries and divisions, its related or affiliated companies, their predecessors, successors, assigns past and present, and partners, officers, directors, agents, representatives, attorneys, employees or trustees of any or all of the aforesaid entities (hereinafter collectively referred to as "Harsco"), for any action or cause of action, loss, expense or any damages of whatever nature arising from any occurrence or occurrences, from the beginning of time until the Effective Date, including without limitation any claims arising or in any way resulting from or relating to Employee's employment with Harsco or the termination thereof. Without limitation of the foregoing, Employee specifically waives any claims arising under Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Age Discrimination in Employment Act, the Americans with Disabilities Act, the Fair Labor Standards Act, the Pennsylvania Human Relations Act, all as amended, or any other federal, state, or local law which forbids discrimination on the basis of age, sex, sexual orientation, race, color, national origin, religion or disability, or any other claim at common law. Employee warrants and represents with the understanding that such warranty and representation is material to this transaction, that no person or entity has asserted with any federal, state or local judicial, or administrative agency or body any claim of any kind or character based on or arising out of or alleged to be suffered in or as a consequence of Employee's employment with Harsco, its termination, or Employee's contacts and relationships with Harsco or any party against whom claims are waived pursuant to this Agreement. Further, Employee represents and agrees, with the understanding that such representation and agreement is material to this transaction, that Employee will not assert, in any manner or by any means, any such claim before any federal, state or local judicial or administrative agency or body. In the event any such claim is asserted in the future by Employee, or any person or entity authorized by Employee to do so, Employee agrees that this Agreement and the Full and Final General Release which Employee has signed contemporaneously herewith shall act as a total and complete bar to Employee's re-employment or to recovery of any sum or amount whatsoever from Harsco, whether labeled "award, liability, damages, judgment, backpay, wages, or fine" or otherwise resulting directly or indirectly from any lawsuit, remedy, charge, or complaint whether brought privately by Employee or by anyone else, including any federal, state, or local agency, whether or not on Employee's behalf or at Employee's request.

9.Full and Final General Release. Employee agrees that Employee will execute the document attached to this Agreement as Exhibit A entitled Full and Final General Release at the time this Agreement is signed. The parties agree that in the event said Release is not executed at said time, this Agreement shall be null and void and of no binding effect on either party.

10. Developments. Employee agrees that all ideas, inventions, trade secrets, know how, documents and data ("Developments") developed either during, in connection with, or pursuant to Employee's employment with Harsco, shall remain and become the exclusive property of Harsco. Employee agrees to provide all reasonable assistance to Harsco in perfecting and maintaining its rights to the Developments. Harsco shall have the right to use the Developments for any purpose without any additional compensation to Employee.

11. Re-employment. Employee agrees that the employment relationship with Harsco has been permanently and irrevocably severed and that Harsco has no obligation, contractual or other to rehire, reemploy or hire Employee in the future.

12. No Representations of Fact or Opinion. Employee agrees and admits that no representation of fact or opinion has been made by either party or any representative thereof, either jointly or individually, to induce this Settlement Agreement or the Full and Final General Release attached hereto and Employee hereby agrees that Harsco does not admit any wrongdoing or liability of any sort and that Harsco has made no representation as to any wrongdoing or liability of any sort and that this Agreement is executed as a compromise to avoid the possible expense of litigation and to terminate all controversy and/or claims by Employee.

13. Remedies. Employee agrees that in the event Harsco breaches any of the provisions of this Agreement, Employee's sole remedy for such breach shall be the enforcement of the terms of this Agreement.

14. Governing Law. This Agreement and the attached Release shall be governed by the laws of the Commonwealth of Pennsylvania, and they constitute the entire and exclusive agreement between the parties hereto with respect to the termination of Employee's employment and any rights and duties owed by Harsco to Employee and they shall supersede all previous or contemporaneous negotiations, commitments, statements, and writings.

15. Non-Interference. Employee states and admits that Harsco has taken no action interfering with any right which Employee has to file any charge, suit, claim or other process with any federal, state, or local judicial or administrative agency or body regarding Employee's employment or the termination thereof or any right to contact or seek the guidance or intervention of any such agency.

16. ACKNOWLEDGMENT BY EMPLOYEE. EMPLOYEE FURTHER STATES THAT EMPLOYEE HAS CAREFULLY READ THE WITHIN AND FOREGOING "SETTLEMENT AGREEMENT" AND THE "FULL AND FINAL GENERAL RELEASE" EXECUTED SIMULTANEOUSLY HEREWITH, THAT EMPLOYEE ACKNOWLEDGES THAT EMPLOYEE HAS

BEEN ADVISED BY HARSCO TO CONSULT WITH AN ATTORNEY PRIOR TO EXECUTING THIS "SETTLEMENT AGREEMENT" AND THE "FULL AND FINAL GENERAL RELEASE," THAT EMPLOYEE KNOWS AND UNDERSTANDS THE CONTENTS THEREOF AND THAT EMPLOYEE EXECUTES THE SAME AS EMPLOYEE'S OWN FREE ACT AND DEED. EMPLOYEE FURTHER REPRESENTS AND AGREES THAT EMPLOYEE FULLY UNDERSTANDS THE TERMS, CONDITIONS, AND FINAL AND BINDING EFFECT OF THIS AGREEMENT AND THE FULL AND FINAL GENERAL RELEASE ATTACHED HERETO TO BE A FULL AND FINAL RELEASE OF ALL CLAIMS WITH FINAL AND BINDING EFFECT. EMPLOYEE ACKNOWLEDGES THAT EMPLOYEE HAS BEEN GIVEN A PERIOD OF AT LEAST TWENTY-ONE (21) DAYS WITHIN WHICH TO CONSIDER THIS AGREEMENT PRIOR TO EMPLOYEE'S EXECUTION THEREOF. FURTHERMORE, IT IS AGREED THAT EMPLOYEE SHALL HAVE THE RIGHT TO REVOKE THIS AGREEMENT BY WRITTEN NOTICE TO HARSCO WITHIN THE SEVEN (7) DAY PERIOD FOLLOWING ITS EXECUTION, AND THAT THIS AGREEMENT SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL SUCH SEVEN-DAY PERIOD HAS EXPIRED. IN THE EVENT THIS AGREEMENT IS REVOKED BY EMPLOYEE IN ACCORDANCE WITH THE PROVISIONS OF THIS SECTION, OR IN THE EVENT THAT EMPLOYEE CHALLENGES THE VALIDITY OF ANY OF THE PROVISIONS HEREOF (INCLUDING THE WAIVER OF CLAIMS) OR THE FULL AND FINAL GENERAL RELEASE ATTACHED HERETO, EMPLOYEE AGREES TO RETURN TO HARSCO ALL CONSIDERATIONS AND BENEFITS PROVIDED BY HARSCO TO WHICH EMPLOYEE WOULD NOT BE ENTITLED ABSENT THIS AGREEMENT.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first set forth above.

HARSCO CORPORATION

By: /S/ Paul C. Coppock

Title: Sr. V.P., Chief Administrative Officer, General Counsel and Secretary

/S/ Leonard A. Campanaro

Leonard A. Campanaro

Exhibit A

FULL AND FINAL GENERAL RELEASE

FOR AND IN CONSIDERATION of the SUM OF ONE DOLLAR AND OTHER VALUABLE CONSIDERATION provided for under the Settlement Agreement dated contemporaneously herewith and incorporated by reference herein (the "Agreement"), the receipt and sufficiency of which is hereby acknowledged, Leonard A. Campanaro (hereinafter "Employee") for Employee, Employee's attorneys, Employee's heirs, executors, administrators, successors, and assigns, does hereby fully, finally and forever release and discharge Harsco Corporation, and its past and present parents, subsidiaries and divisions, its related or affiliated companies, their predecessors, successors, assigns past and present, and partners, officers, directors, agents, representatives, attorneys, employees or trustees of any or all of the aforesaid entities (hereinafter collectively referred to as "Harsco"), of and from all claims, demands, actions, causes of action, suits, damages, losses, expenses, and controversies of any and every nature whatsoever arising from the beginning of time until the date of this Release, including without limitation those claims arising from or relating in any way to Employee's employment and the termination of Employee's employment with Harsco. Without limitation of the foregoing, Employee specifically releases Harsco from any claims arising under Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Age Discrimination in Employment Act, the Americans with Disabilities Act, the Fair Labor Standards Act, the Pennsylvania Human Relations Act, all as amended, or any other federal, state or local law which forbids discrimination on the basis of age, sex, sexual orientation, race, color, national origin, religion or disability, or any other claim at common law. This Full and Final General Release shall not release either Employee or Harsco from their respective obligations to each other under the Agreement.

EMPLOYEE HEREBY ACKNOWLEDGES THAT EMPLOYEE HAS READ THIS FULL AND FINAL GENERAL RELEASE, UNDERSTANDS IT AND IS KNOWINGLY AND VOLUNTARILY ENTERING INTO IT.

IN WITNESS WHEREOF, the undersigned has hereunto set Employee's hand this 31st day of July, 2000.

Witness: /S/ Paul C. Coppock

/S/ Leonard A. Campanaro
Leonard A. Campanaro

July 31, 2000
Date

HARSCO CORPORATION

Exhibit 12

Computation of Ratios of Earnings to Fixed Charges

(In Thousands of Dollars)

	Six Months Ended 6/30/00	YEARS ENDED DECEMBER 31 1999	1998	1997	1996	1995
Pre-tax income from continuing operations (net of minority interest in net income)	$ 75,553	$ 142,312	$ 174,874	$ 165,613	$ 145,984	$ 107,073
Add fixed charges computed below	22,290	37,418	28,417	24,263	26,181	33,121
Net adjustments for equity companies	1,025	365	139	(694)	(181)	(466)
Net adjustments for capitalized interest	64	(535)	(10)	--	--	--
Consolidated Earnings Available for Fixed Charges	$ 98,932	$ 179,560	$ 203,420	$ 189,182	$ 171,984	$ 139,728
Consolidated Fixed Charges:						
Interest expense per financial statements (1)	$ 16,217	$ 26,968	$ 20,504	$ 16,741	$ 21,483	$ 28,921
Interest expense capitalized	--	893	128	128	131	134
Portion of rentals (1/3) representing an interest factor	6,073	9,557	7,785	7,394	4,567	4,066
Interest expense for equity companies whose debt is guaranteed (2)	--	--	--	--	--	--
Consolidated Fixed Charges	$ 22,290	$ 37,418	$ 28,417	$ 24,263	$ 26,181	$ 33,121
Consolidated Ratio of Earnings to Fixed Charges	4.44	4.80	7.16	7.80	6.57	4.22

(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 1995 through 1999, and the six month period ending June 30, 2000.

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6-MOS
DEC-31-2000
JUN-30-2000
68,182
0
435,609
(26,027)
231,052
797,899
1,744,625
854,873
2,231,034
764,277
600,071
0
0
82,840
575,108
2,231,034
906,173
906,612
702,050
814,921
0
(605)
16,217
77,486
27,120
48,433
0
0
0
48,433
1.21
1.21