

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

FORM 10-K

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

For the fiscal year ended December 31, 2005

OR

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

For the transition period from _____ to _____

Commission file number 1-3970

HARSCO CORPORATION

(Exact name of Registrant as specified in its Charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

23-1483991

(I.R.S. employer identification number)

350 Poplar Church Road, Camp Hill, Pennsylvania

(Address of principal executive offices)

17011

(Zip Code)

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

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

<u>Title of each class</u>
Common stock, par value \$1.25 per share
Preferred stock purchase rights

<u>Name of each exchange on which registered</u>
New York Stock Exchange and Pacific Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES NO

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

YES NO

The aggregate market value of the Company's voting stock held by non-affiliates of the Company as of June 30, 2005 was \$2,271,446,562.

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

Classes

Outstanding at February 28, 2006

DOCUMENTS INCORPORATED BY REFERENCE

Selected portions of the 2006 Proxy Statement are incorporated by reference into Part III of this Report.

The Exhibit Index (Item No. 15) located on pages 94 to 98 incorporates several documents by reference as indicated therein.

HARSCO CORPORATION AND SUBSIDIARY COMPANIES

PART I

Item 1. Business

(a) General Development of Business

Harsco Corporation ("the Company") is a diversified, multinational provider of market-leading industrial services and engineered products. The Company's operations fall into three reportable segments: Mill Services, Access Services and Gas Technologies, plus an "all other" category labeled Engineered Products and Services. The Company has locations in 45 countries, including the United States. The Company was incorporated in 1956.

The Company's executive offices are located at 350 Poplar Church Road, Camp Hill, Pennsylvania 17011. The Company's main telephone number is (717) 763-7064. The Company's Internet website address is www.harsco.com. Through this Internet website (found in the "Investor Relations" link) the Company makes available, free of charge, its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and all amendments to those reports, as soon as reasonably practicable after these reports are electronically filed or furnished to the Securities and Exchange Commission. Information contained on the Company's website is not incorporated by reference into this Annual Report, and you should not consider information contained on the Company's website as part of this Annual Report.

The Company's principal lines of business and related principal business drivers are as follows:

<u>Principal Lines of Business</u>	<u>Principal Business Drivers</u>
· Outsourced, on-site mill services under long-term contracts	· Steel mill production and capacity utilization · Outsourcing of services
· Scaffolding, forming, shoring and other access-related services, rentals and sales	· Non-residential construction · Annual industrial and building maintenance cycles
· Railway track maintenance services and equipment	· Domestic and international railway track maintenance-of-way capital spending · Outsourcing of track maintenance and new track construction by railroads
· Industrial grating products	· Industrial production · Non-residential construction
· Industrial abrasives and roofing granules	· Industrial and infrastructure surface preparation and restoration · Residential roof replacement
· Powder processing equipment and heat transfer products	· Pharmaceutical, food and chemical production · Commercial and institutional boiler requirements
· Air-cooled heat exchangers	· Natural gas drilling and transmission
· Gas control and containment products - Cryogenic containers and industrial cylinders - Valves - Propane Tanks - Filament-wound composite cylinders	· General industrial production and industrial gas production · Use of industrial fuel and refrigerant gases · Respiratory care market · Consumer barbeque grills market · Use of propane as a primary and/or backup fuel · Self-contained breathing apparatus (SCBA) market · Natural gas vehicle (NGV) market

The Company reports segment information using the “management approach” in accordance with SFAS No. 131, “Disclosures about Segments of an Enterprise and Related Information” (SFAS 131). This approach is based on the way management organizes and reports 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. These segments and the types of products and services offered are more fully described below. Historical information has been reclassified for comparative purposes.

In 2005, 2004 and 2003, the United States contributed sales of \$1.2 billion, \$1.0 billion and \$0.9 billion, equal to 42%, 42% and 43% of total sales, respectively. In 2005, 2004 and 2003, the United Kingdom contributed sales of \$0.5 billion each year, equal to 20%, 21% and 21% of total sales, respectively. No single customer represented 10% or more of the Company’s sales during 2005, 2004 and 2003. There were no significant inter-segment sales.

(b) Financial Information about Segments

Financial information concerning industry segments is included in Note 14, Information by Segment and Geographic Area, to the Consolidated Financial Statements under Part II, Item 8, “Financial Statements and Supplementary Data.”

(c) Narrative Description of Business

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

Mill Services Segment - 38% of consolidated sales for 2005

The Mill Services Segment, which consists of the MultiServ Division, is the Company’s largest operating segment in terms of revenues and operating income. MultiServ is the world’s largest provider of on-site, outsourced mill services to the global steel and metals industries. MultiServ provides its services on a long-term contract basis, supporting each stage of the metal-making process from initial raw material handling to post-production by-product processing and on-site recycling. Working as a specialized, high-value-added services provider, MultiServ rarely takes ownership of its customers’ raw materials or finished products. Similar services are provided to the producers of non-ferrous metals, such as aluminum, copper and nickel. The Company’s multi-year Mill Services contracts had estimated future revenues of \$4.3 billion at December 31, 2005. This provides the Company with a substantial base of long-term revenues. Approximately 58% of these revenues are expected to be recognized by December 31, 2008. The remaining revenues are expected to be recognized between January 1, 2009 and December 31, 2014.

MultiServ’s geographic reach to over 30 countries, and its increasing range of services, enhance the Company’s financial and operating balance. In 2005, this Segment’s revenues were generated in the following regions:

Mill Services Segment	
Region	2005 Percentage of Revenues
Europe	49%
North America	23%
Latin America (a)	12%
Asia/Pacific	8%
Middle East and Africa	8%

(a) Including Mexico.

For 2005, 2004 and 2003, the Mill Services Segment’s percentage of consolidated sales was 38%, 40% and 39%, respectively.

Access Services Segment - 29% of consolidated sales for 2005

The Access Services Segment includes the Company’s SGB Group, Hünnebeck Group GmbH and Patent Construction Systems Divisions. The Company’s Access Services Segment leads the access industry as one of the world’s most complete providers of scaffolding, shoring, forming and other access solutions. The U.K.-based SGB Group Division operates from a network of international branches throughout Europe, the Middle East and Asia/Pacific; the Germany-based Hünnebeck Division serves Europe and the Middle East, while the U.S.-based Patent Construction Systems Division serves the Americas. Major services include the rental and sale of scaffolding,

powered access equipment, shoring and concrete forming products. The Company also provides access design engineering services, on-site installation and dismantling services, and a variety of other access equipment services. These businesses serve principally the non-residential construction and industrial maintenance markets.

The Company's access services are provided through branch locations in approximately 27 countries. In 2005, this Segment's revenues were generated in the following regions:

Access Services Segment	
Region	2005 Percentage of Revenues
Europe	67%
North America	22%
Middle East and Africa	9%
Asia/Pacific	2%

For 2005, 2004 and 2003, the Access Services Segment's percentage of consolidated sales was 29%, 28% and 29%, respectively.

Gas Technologies Segment - 13% of consolidated sales for 2005

The Gas Technologies Segment includes the Company's Harsco GasServ Division. The Segment's manufacturing and service facilities in the United States, Europe, Australia, Malaysia and China comprise an integrated manufacturing network for gas containment and control products. This global operating presence and product breadth provide economies of scale and multiple code production capability, enabling Harsco GasServ to serve as a primary source to the world's leading industrial gas producers and distributors, as well as regional and local customers. In 2005, approximately 86% of this Segment's revenues were generated in the United States.

The Company's gas containment products include cryogenic gas storage tanks; high pressure and acetylene cylinders; propane tanks; and composite vessels for industrial and commercial gases, natural gas vehicles (NGV) and other products. The Company's gas control products include valves and regulators serving a variety of markets, including the industrial gas, commercial refrigeration, life support and outdoor recreation industries.

For 2005, 2004 and 2003, the Gas Technologies Segment's percentage of consolidated sales was 13%, 14% and 14%, respectively.

Engineered Products and Services ("all other") Category - 20% of consolidated sales for 2005

The Engineered Products and Services ("all other") Category includes the Harsco Track Technologies, Reed Minerals, IKG Industries, Patterson-Kelley and Air-X-Changers Divisions. Approximately 87% of this category's revenues originate in the United States.

Export sales for this Category totaled \$116.6 million, \$101.2 million and \$71.1 million in 2005, 2004 and 2003, respectively. In 2005, 2004 and 2003 export sales for the Harsco Track Technologies Division were \$80.0 million, \$76.3 million and \$52.8 million, respectively, which included sales to Europe, Asia, the Middle East and Africa.

Harsco Track Technologies is a global provider of equipment and services to maintain, repair and construct railway track. The Company's railway track maintenance services provide high-technology comprehensive track maintenance and new track construction support to railroad customers worldwide. The railway track maintenance equipment product class includes specialized track maintenance equipment used by private and government-owned railroads and urban transit systems worldwide.

Reed Minerals' roofing granules and industrial abrasives are produced from utility coal slag at a number of locations throughout the United States. The Company's Black Beauty® abrasives are used for industrial surface preparation, such as rust removal and cleaning of bridges, ship hulls and various structures. Roofing granules are sold to residential roofing shingle manufacturers, primarily for the replacement market. This Division is the United States' largest manufacturer of slag abrasives and third largest manufacturer of residential roofing granules.

IKG Industries manufactures a varied line of industrial grating products at several plants in North America. These products include a full range of bar grating configurations, which are used mainly in industrial flooring, safety and security applications in the power, paper, chemical, refining and processing industries.

Patterson-Kelley is a leading manufacturer of powder processing equipment such as blenders, dryers and mixers for the chemical, pharmaceutical and food processing industries and heat transfer products such as water heaters and boilers for commercial and institutional applications.

Air-X-Changers is a leading supplier of custom-designed and manufactured air-cooled heat exchangers for the natural gas industry. The Company's heat exchangers are the primary apparatus used to condition natural gas during recovery, compression and transportation from underground reserves through the major pipeline distribution channels.

For 2005, 2004 and 2003, the Engineered Products and Services ("all other") Category's percentage of consolidated sales was 20%, 18% and 18%, respectively.

- (1) (i) The products and services of the Company include a number of product groups. These product groups are more fully discussed in Note 14, Information by Segment and Geographic Area, to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data." The product groups that contributed 10% or more as a percentage of consolidated sales in any of the last three fiscal years are set forth in the following table:

Product Group	Percentage of Consolidated Sales		
	2005	2004	2003
Mill Services	38%	40%	39%
Access Services	29%	28%	29%
Industrial Gas Products	13%	14%	14%

- (1) (ii) New products and services are added from time to time; however, in 2005 none required the investment of a material amount of the Company's assets.
- (1) (iii) The manufacturing requirements of the Company's operations are such that no unusual sources of supply for raw materials are required. The raw materials used by the Company include principally steel and, to a lesser extent, aluminum, which are usually readily available. The profitability of the Company's manufactured products are affected by changing purchase prices of steel and other materials and commodities. Beginning in 2004, the price paid for steel and certain other commodities increased significantly compared with prior years. In 2005, the cost increases moderated for certain commodities. However, if steel or other material costs associated with the Company's manufactured products increase and the costs cannot be passed on to the Company's customers, operating income would be adversely affected. Additionally, decreased availability of steel or other materials, such as carbon fiber used to manufacture filament-wound composite cylinders, could affect the Company's ability to produce manufactured products in a timely manner. If the Company cannot obtain the necessary raw materials for its manufactured products, then revenues, operating income and cash flows will be adversely affected.
- (1) (iv) While the Company has a number of trademarks, patents and patent applications, it does not consider that any material part of its business is dependent upon them.
- (1) (v) The Company furnishes products and materials and certain industrial services within the Access Services and Gas Technologies Segments and the Engineered Products and Services ("all other") Category that are seasonal in nature. As a result, the Company's sales and net income for the first quarter ending March 31 are normally lower than the second, third and fourth quarters. Additionally, the Company has historically generated the majority of its cash flows in the third and fourth quarters (periods ending September 30 and December 31). This is a direct result of normally higher sales and income during the latter part of the year. The Company's historical revenue patterns and cash provided by operating activities were as follows:

Historical Revenue Patterns

In millions	2005	2004	2003	2002	2001
First Quarter Ended March 31	\$ 640.1	\$ 556.3	\$ 487.9	\$ 458.6	\$ 505.0
Second Quarter Ended June 30	696.1	617.6	536.4	510.3	510.1
Third Quarter Ended September 30	697.5	617.3	530.2	510.5	510.3
Fourth Quarter Ended December 31	732.5	710.9	564.0	497.3	499.7
Totals	\$ 2,766.2	\$ 2,502.1	\$ 2,118.5	\$ 1,976.7	\$ 2,025.2 (a)

(a)Does not total due to rounding.

Historical Cash Provided by Operations

In millions	2005	2004	2003	2002	2001
First Quarter Ended March 31	\$ 48.1	\$ 32.4	\$ 31.2	\$ 9.0	\$ 2.6
Second Quarter Ended June 30	86.3	64.6	59.2	71.4	65.1
Third Quarter Ended September 30	98.1	68.9	64.1	83.3	66.1
Fourth Quarter Ended December 31	82.7	104.6	108.4	90.1	106.9
Totals	\$ 315.3 (a)	\$ 270.5	\$ 262.8 (a)	\$ 253.8	\$ 240.6 (a)

(a)Does not total due to rounding.

- (1) (vi) The practices of the Company relating to working capital are similar to those practices of other industrial service providers or manufacturers servicing both domestic and international industrial services and commercial markets. These practices include the following:
- Standard accounts receivable payment terms of 30 days to 60 days, with progress payments required for certain long-lead-time or large orders.
 - Standard accounts payable payment terms of 30 days to 90 days.
 - Inventories are maintained in sufficient quantities to meet forecasted demand. Due to the time required to manufacture certain railway maintenance equipment to customer specifications, inventory levels of this business tend to increase during the production phase and then decline when the equipment is sold.
- (1) (vii) The Company as a whole is not dependent upon any one customer for 10% or more of its revenues. However, the Mill Services Segment is dependent largely on the global steel industry and in 2005, there were three customers that each provided in excess of 10% of this segment's revenues under multiple long-term contracts at several mill sites, compared with two such customers for the years 2004 and 2003. The loss of any one of the contracts would not have a material adverse effect upon the Company's financial position or cash flows; however, it could have a material effect on quarterly or annual results of operations. Additionally, these customers have significant accounts receivable balances. In December 2005, the Company acquired the Northern Hemisphere mill services operations of Brambles Industrial Services ("BISNH"). This acquisition has increased the Company's corresponding concentration of credit risk to these customers. Further consolidation in the global steel industry is also possible. Should transactions occur involving some of the steel industry's larger companies that are customers of the Company, it would result in an increase in concentration of credit risk for the Company. If a large customer were to experience financial difficulty, or file for bankruptcy protection, it could adversely impact the Company's income, cash flows and asset valuations. In an effort to mitigate the increased concentration of credit risk, the Company is considering the purchase of credit insurance for part of its receivable portfolio.
- (1) (viii) Backlog of orders was \$275.8 million and \$243.0 million as of December 31, 2005 and 2004, respectively. It is expected that approximately 32% of the total backlog at December 31, 2005 will not be filled during 2006. The Company's backlog is seasonal in nature and tends to follow in the same pattern as sales and net income which is discussed in section (1) (v) above. Backlog for scaffolding, shoring and forming services and for roofing granules and slag abrasives is not included in the total backlog because it is generally not quantifiable, due to the timing and nature of the products and services provided. Contracts for the Mill

Services Segment are also excluded from the total backlog. These contracts have estimated future revenues of \$4.3 billion at December 31, 2005. For additional information regarding backlog, see the Backlog section included in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

- (1) (ix) At December 31, 2005, the Company had no material contracts that were subject to renegotiation of profits or termination at the election of the U.S. Government.
- (1) (x) The Company encounters active competition in all of its activities from both larger and smaller companies who produce the same or similar products or services, or who produce different products appropriate for the same uses.
- (1) (xi) The expense for product development activities was \$2.7 million, \$2.6 million and \$3.3 million in 2005, 2004 and 2003, respectively. For additional information regarding product development activities, see the Research and Development section included in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."
- (1) (xii) The Company has become subject, as have others, to stringent air and water quality control legislation. In general, the Company has not experienced substantial difficulty complying with these environmental regulations in the past, and does not anticipate making any material capital expenditures for environmental control facilities. While the Company expects that environmental regulations may expand, and that its expenditures for air and water quality control will continue, it cannot predict the effect on its business of such expanded regulations. For additional information regarding environmental matters see Note 10, Commitments and Contingencies, to the Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data."
- (1) (xiii) As of December 31, 2005, the Company had approximately 21,000 employees.

(d) Financial Information about Geographic Areas

Financial information concerning foreign and domestic operations is included in Note 14, Information by Segment and Geographic Area, to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data." Export sales totaled \$171.0 million, \$139.3 million and \$108.5 million in 2005, 2004 and 2003, respectively.

(e) Available Information

Information is provided in Part I, Item 1 (a), "General Development of Business."

Item 1A. Risk Factors

Market risk.

In the normal course of business, the Company is routinely subjected to a variety of risks. In addition to the market risk associated with interest rate and currency movements on outstanding debt and non-U.S. dollar-denominated assets and liabilities, other examples of risk include collectibility of receivables, volatility of the financial markets and their effect on pension plans, and global economic and political conditions.

Cyclical industry and economic conditions may adversely affect the Company's businesses.

The Company's businesses are subject to general economic slowdowns and cyclical conditions in the industries served. In particular,

- The Company's Mill Services business may be adversely impacted by slowdowns in steel mill production, excess capacity, consolidation or bankruptcy of steel producers or a reversal or slowing of current outsourcing trends in the steel industry;
- The Company's Access Services business may be adversely impacted by slowdowns in non-residential construction and annual industrial and building maintenance cycles;

- The railway track maintenance business may be adversely impacted by developments in the railroad industry that lead to lower capital spending or reduced maintenance spending;
- The industrial abrasives and roofing granules business may be adversely impacted by reduced home resales or economic conditions that slow the rate of residential roof replacement, or by slowdowns in the industrial and infrastructure refurbishment industries;
- The industrial grating business may be adversely impacted by slowdowns in non-residential construction and industrial production;
- The Air-X-Changers business is affected by cyclical conditions present in the natural gas industry. A high demand for natural gas is currently creating increased demand for the Company's air-cooled heat exchangers. However, a slowdown in natural gas production could adversely affect the Air-X-Changers business; and
- The Company's Gas Technologies business may be adversely impacted by reduced industrial production and lower demand for industrial gases, slowdowns in demand for medical cylinders, valves and consumer barbecue grills, or lower demand for natural gas vehicles.

The Company's defined benefit pension expense is directly affected by the equity and bond markets and a downward trend in those markets could adversely impact the Company's future earnings. An upward trend in the equity and bond markets could positively affect the Company's future earnings.

In addition to the economic issues that directly affect the Company's businesses, changes in the performance of equity and bond markets, particularly in the United Kingdom and the United States, impact actuarial assumptions used in determining annual pension expense, pension liabilities and the valuation of the assets in the Company's defined benefit pension plans. The downturn in financial markets during 2000, 2001 and 2002 negatively impacted the Company's pension expense and the accounting for pension assets and liabilities. This resulted in an increase in pre-tax defined benefit pension expense from continuing operations of approximately \$20.8 million for calendar year 2002 compared with 2001 and \$17.7 million for calendar year 2003 compared with 2002. The upturn in certain financial markets beginning in 2003 and certain plan design changes (discussed below) contributed to a decrease in pre-tax defined benefit pension expense from continuing operations of approximately \$3.8 million for 2005 compared with 2004, and approximately \$5.4 million for 2004 compared with 2003. An upward trend in capital markets would likely result in a decrease in future unfunded obligations and pension expense. This could also result in an increase to Stockholders' Equity and a decrease in the Company's statutory funding requirements. If the financial markets deteriorate, it would most likely have a negative impact on the Company's pension expense and the accounting for pension assets and liabilities. This could result in a decrease to Stockholders' Equity and an increase in the Company's statutory funding requirements.

In response to the adverse market conditions, during 2002 and 2003 the Company conducted a comprehensive global review of its pension plans in order to formulate a plan to make its long-term pension costs more predictable and affordable. The Company implemented design changes for most of these plans during 2003. The principal change involved converting future pension benefits for many of the Company's non-union employees in both the U.K. and U.S. from defined benefit plans to defined contribution plans as of January 1, 2004. This conversion is expected to make the Company's pension expense more predictable and affordable and less sensitive to changes in the financial markets.

The Company's pension committee continues to evaluate alternative strategies to further reduce overall pension expense including the on-going evaluation of investment fund managers' performance; the balancing of plan assets and liabilities; the risk assessment of all multi-employer pension plans; the possible merger of certain plans; the consideration of incremental cash contributions to certain plans; and other changes that are likely to reduce future pension expense volatility and minimize risk.

The Company's global presence subjects it to a variety of risks arising from doing business internationally.

The Company operates in 45 countries, including the United States. The Company's global footprint exposes it to a variety of risks that may adversely affect results of operations, cash flows or financial position. These include the following:

- periodic economic downturns in the countries in which the Company does business;
- fluctuations in currency exchange rates;

- customs matters and changes in trade policy or tariff regulations;
- imposition of or increases in currency exchange controls and hard currency shortages;
- changes in regulatory requirements in the countries in which the Company does business;
- higher tax rates and potentially adverse tax consequences including restrictions on repatriating earnings, adverse tax withholding requirements and "double taxation";
- longer payment cycles and difficulty in collecting accounts receivable;
- complications in complying with a variety of international laws and regulations;
- political, economic and social instability, civil unrest and armed hostilities in the countries in which the Company does business;
- inflation rates in the countries in which the Company does business;
- laws in various international jurisdictions that limit the right and ability of subsidiaries to pay dividends and remit earnings to affiliated companies unless specified conditions are met; and,
- uncertainties arising from local business practices, cultural considerations and international political and trade tensions.

If the Company is unable to successfully manage the risks associated with its global business, the Company's financial condition, cash flows and results of operations may be negatively affected.

The Company has operations in several countries in the Middle East, including Bahrain, Egypt, Saudi Arabia, United Arab Emirates and Qatar, which are geographically close to Iraq and other countries with a continued high risk of armed hostilities. During 2005, 2004 and 2003, these countries contributed approximately \$32.7 million, \$25.5 million and \$16.4 million, respectively, to the Company's operating income. Additionally, the Company has operations in and sales to countries that have encountered outbreaks of communicable diseases (e.g., Acquired Immune Deficiency Syndrome (AIDS) and others). Should such outbreaks worsen or spread to other countries, the Company may be negatively impacted through reduced sales to and within those countries and other countries impacted by such diseases.

Exchange rate fluctuations may adversely impact the Company's business.

Fluctuations in foreign exchange rates between the U.S. dollar and the approximately 40 other currencies in which the Company conducts business may adversely impact the Company's operating income and income from continuing operations in any given fiscal period. Approximately 58% of the Company's sales and approximately 67% and 69% of the Company's operating income from continuing operations for the years ended December 31, 2005 and 2004, respectively, were derived from operations outside the United States. More specifically, during both 2005 and 2004, approximately 20% and 21%, respectively, of the Company's revenues were derived from operations in the U.K. Additionally, approximately 18% and 17% of the Company's revenues were derived from operations with the euro as their functional currency during 2005 and 2004, respectively. Given the structure of the Company's revenues and expenses, an increase in the value of the U.S. dollar relative to the foreign currencies in which the Company earns its revenues generally has a negative impact on operating income, whereas a decrease in the value of the U.S. dollar tends to have the opposite effect. The Company's principal foreign currency exposures are to the British pound sterling and the euro, and the exposure to these currencies, as well as other foreign currencies, is expected to increase in 2006 due to the fourth quarter acquisitions of Hünnebeck and the Northern Hemisphere mill services operations of Brambles Industrial Services ("BISNH").

Compared with the corresponding period in 2004, the average values of major currencies changed as follows in relation to the U.S. dollar during 2005, impacting the Company's sales and income:

- British pound sterling Weakened by 1%
- euro Neutral
- South African rand Neutral
- Brazilian real Strengthened by 17%
- Australian dollar Strengthened by 3%

Compared with exchange rates at December 31, 2004, the values of major currencies changed as follows as of December 31, 2005:

- British pound sterling Weakened by 10%
- euro Weakened by 13%
- South African rand Weakened by 11%
- Brazilian real Strengthened by 14%
- Australian dollar Weakened by 6%

The Company's foreign currency exposures increase the risk of income statement, balance sheet and cash flow volatility. If the above currencies change materially in relation to the U.S. dollar, the Company's financial position, results of operations, or cash flows may be materially affected.

To illustrate the effect of foreign currency exchange rate changes in certain key markets of the Company, in 2005, revenues would have been approximately 1% or \$14.8 million less and operating income would have been approximately 1% or \$2.8 million less if the average exchange rates for 2004 were utilized. A similar comparison for 2004 would have decreased revenues approximately 4% or \$108.9 million, while operating income would have been approximately 4% or \$8.1 million less if the average exchange rates for 2004 would have remained the same as 2003. If the U.S. dollar weakens in relation to the euro and British pound sterling, the Company would expect to see a positive impact on future sales and income from continuing operations as a result of foreign currency translation.

Currency changes result in assets and liabilities denominated in local currencies being translated into U.S. dollars at different amounts than at the prior period end. These currency changes resulted in decreased net assets of \$54.4 million at December 31, 2005 when compared with December 31, 2004, and increased net assets of \$46.2 million at December 31, 2004 when compared with December 31, 2003.

The Company seeks to reduce exposures to foreign currency transaction fluctuations through the use of forward exchange contracts. At December 31, 2005, the notional amount of these contracts was \$157.9 million, and over 90% of these contracts will mature within the first quarter of 2006. 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.

Although the Company engages in foreign currency forward exchange contracts and other hedging strategies to mitigate foreign exchange risk, hedging strategies may not be successful or may fail to offset the risk.

In addition, competitive conditions in the Company's manufacturing businesses may limit the Company's ability to increase product prices in the face of adverse currency movements. Sales of products manufactured in the United States for the domestic and export markets may be affected by the value of the U.S. dollar relative to other currencies. Any long-term strengthening of the U.S. dollar could depress demand for these products and reduce sales and may cause translation gains or losses due to the revaluation of accounts payable, accounts receivable and other asset and liability accounts. Conversely, any long-term weakening of the U.S. dollar could improve demand for these products and increase sales and may cause translation gains or losses due to the revaluation of accounts payable, accounts receivable and other asset and liability accounts.

Negative economic conditions may adversely impact the ability of the Company's customers to meet their obligations to the Company on a timely basis and impact the valuation of the Company's assets.

If a downturn in the economy occurs, it may adversely impact the ability of the Company's customers to meet their obligations to the Company on a timely basis and could result in bankruptcy filings by them. If customers are unable to meet their obligations on a timely basis, it could adversely impact the realizability of receivables, the valuation of inventories and the valuation of long-lived assets across the Company's businesses, as well as negatively affect the forecasts used in performing the Company's goodwill impairment testing under SFAS No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). If management determines that goodwill or other assets are impaired or that inventories

or receivables cannot be realized at recorded amounts, the Company will be required to record a write-down in the period of determination, which will reduce net income for that period. Additionally, the risk remains that certain Mill Services customers may file for bankruptcy protection, be acquired or consolidate in the future, which could have an adverse impact on the Company's income and cash flows. The potential financial impact of this risk has increased with the Company's acquisition of BISNH in December 2005. Conversely, such consolidation may provide additional service opportunities for the Company.

A negative outcome on personal injury claims against the Company may adversely impact results of operations and financial condition.

The Company has been named as one of many defendants (approximately 90 or more in most cases) in legal actions alleging personal injury from exposure to airborne asbestos. In their suits, the plaintiffs have named as defendants many manufacturers, distributors and repairers of numerous types of equipment or products that may involve asbestos. Most of these complaints contain a standard claim for damages of \$20 million or more against the named defendants. If the Company was found to be liable in any of these actions and the liability was to exceed the Company's insurance coverage, results of operations, cash flows and financial condition could be adversely affected. For more information concerning this litigation, see Note 10, Commitments and Contingencies, to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data."

The Company may lose customers or be required to reduce prices as a result of competition.

The industries in which the Company operates are highly competitive.

- The Company's Mill Services business is sustained mainly through contract renewals. Historically, the Company's contract renewal rate has averaged approximately 95%. If the Company is unable to renew its contracts at the historical rates or renewals are at reduced prices, revenue may decline.
- The Company's Access Services business rents and sells equipment and provides erection and dismantling services to principally the non-residential construction and industrial plant maintenance markets. Contracts are awarded based upon the Company's engineering capabilities, product availability, safety record, and the ability to competitively price its rentals and services. Commencing in 2000, due to economic downturns in their home markets, certain international competitors exported significant quantities of rental equipment to the markets the Company serves, particularly the U.S. This resulted in an oversupply of certain equipment and a consequential reduction in product and rental pricing in the markets receiving the excess equipment. The effect of these actions was mitigated, to some extent, in 2005 due to a buoyant U.S. non-residential construction market. However, if the Company is unable to consistently provide high-quality products and services at competitive prices, it may lose customers or operating margins may decline due to reduced selling prices.
- The Company's manufacturing businesses compete with companies that manufacture similar products both internationally and domestically. Certain international competitors export their products into the United States and sell them at lower prices due to lower labor costs and government subsidies for exports. Such practices may limit the prices the Company can charge for its products and services. Additionally, unfavorable foreign exchange rates can adversely impact the Company's ability to match the prices charged by international competitors. If the Company is unable to match the prices charged by international competitors, it may lose customers.

The Company's strategy to overcome this competition includes continuous process improvement and cost reduction programs, international customer focus and the diversification, streamlining and consolidation of operations.

Increased customer concentration and credit risk in the Mill Services Segment may adversely affect the Company's future earnings and cash flows.

Concentrations of credit risk with respect to accounts receivable are generally limited due to the Company's large number of customers and their dispersion across different industries and geographies. However, the Company's Mill Services Segment has several large customers throughout the world with significant accounts receivable balances. In December 2005, the Company acquired BISNH. This acquisition has increased the Company's corresponding concentration of credit risk to customers in the steel industry. Additionally, further consolidation in the global steel industry is possible. Should transactions occur involving some of the steel industry's larger companies, which are customers of the Company, it would result in an increase in concentration of credit risk for the Company. If a large customer were to experience financial difficulty, or file for bankruptcy protection, it could adversely impact the Company's income, cash flows and asset valuations. As part of its credit risk management practices, the Company is developing strategies to mitigate this increased concentration of credit risk.

Increases in energy prices could increase the Company's operating costs and reduce its profitability.

Worldwide political and economic conditions, extreme weather conditions, among other factors, may result in an increase in the volatility of energy costs, both on a macro basis and for the Company specifically. In 2005, 2004 and 2003, energy costs have approximated 3.6%, 3.5% and 3.5% of the Company's revenue, respectively. To the extent that such costs cannot be passed to customers in the future, operating income and results of operations may be adversely affected.

Increases or decreases in purchase prices or availability of steel or other materials and commodities may affect the Company's profitability.

The profitability of the Company's manufactured products are affected by changing purchase prices of steel and other materials and commodities. Beginning in 2004, the price paid for steel and certain other commodities increased significantly compared with prior years. In 2005, the cost increases moderated for certain commodities. However, if steel or other material costs associated with the Company's manufactured products increase and the costs cannot be passed on to the Company's customers, operating income would be adversely affected. Additionally, decreased availability of steel or other materials, such as carbon fiber used to manufacture filament-wound composite cylinders, could affect the Company's ability to produce manufactured products in a timely manner. If the Company cannot obtain the necessary raw materials for its manufactured products, then revenues, operating income and cash flows will be adversely affected.

The Company is subject to various environmental laws and the success of existing or future environmental claims against it could adversely affect the Company's results of operations and cash flows.

The Company's operations are subject to various federal, state, local and international laws, regulations and ordinances relating to the protection of health, safety and the environment, including those governing discharges to air and water, handling and disposal practices for solid and hazardous wastes, the remediation of contaminated sites and the maintenance of a safe work place. These laws impose penalties, fines and other sanctions for non-compliance and liability for response costs, property damages and personal injury resulting from past and current spills, disposals or other releases of, or exposure to, hazardous materials. The Company could incur substantial costs as a result of non-compliance with or liability for remediation or other costs or damages under these laws. The Company may be subject to more stringent environmental laws in the future, and compliance with more stringent environmental requirements may require the Company to make material expenditures or subject it to liabilities that the Company currently does not anticipate.

The Company is currently 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 under the federal "Superfund" law. At several sites, the Company is currently conducting environmental remediation, and it is probable that the Company will agree to make payments toward funding certain other of these remediation activities. It also is possible that some of these matters will be decided unfavorably to the Company and that other sites requiring remediation will be identified. Each of these matters is subject to various uncertainties and 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 Company has evaluated its potential liability and the Consolidated Balance Sheets at December 31, 2005 and 2004 includes an accrual of \$2.8 million and \$2.7 million, respectively, for environmental matters. The amounts charged against pre-tax earnings related to environmental matters totaled \$1.5 million, \$2.1 million and \$1.4 million for the years ended December 31, 2005, 2004 and 2003, respectively. The liability for future remediation costs is evaluated on a quarterly basis. Actual costs to be incurred at identified sites in future periods may be greater than the estimates, given inherent uncertainties in evaluating environmental exposures.

Restrictions imposed by the Company's credit facilities and outstanding notes may limit the Company's ability to obtain additional financing or to pursue business opportunities.

The Company's credit facilities and certain notes payable agreements contain a covenant requiring a maximum debt to capital ratio of 60%. In addition, certain notes payable agreements also contain a covenant requiring a minimum net worth of \$475 million. These covenants limit the amount of debt the Company may incur, which could limit its ability to obtain additional financing or to pursue business opportunities. In addition, the Company's ability to comply with these ratios may be affected by events beyond its control. A breach of any of these covenants or the inability to comply with the required financial ratios could result in a default under these credit facilities. In the event of any default under these credit facilities, the lenders under those facilities could elect to declare all borrowings outstanding, together with accrued and unpaid interest and other fees, to be due and payable, which would cause an event of default under the notes. This could, in turn, trigger an event of default under the cross-default provisions of the Company's other outstanding indebtedness. At December 31, 2005, the Company was in compliance with these covenants with a debt to capital ratio

of 50.4%, and a net worth of \$993.9 million. The Company had \$347.6 million in outstanding indebtedness containing these covenants at December 31, 2005.

Higher than expected claims under insurance policies, under which the Company retains a portion of the risk, could adversely impact results of operations and cash flows.

The Company retains a significant portion of the risk for property, workers' compensation, U.K. employers' liability, automobile, general and product liability losses. Reserves have been recorded which reflect the undiscounted estimated liabilities for ultimate losses including claims incurred but not reported. Inherent in these estimates are assumptions that are based on the Company's history of claims and losses, a detailed analysis of existing claims with respect to potential value, and current legal and legislative trends. At December 31, 2005 and 2004, the Company had recorded liabilities of \$102.3 million and \$77.4 million, respectively, related to both asserted and unasserted insurance claims. Included in the balance at December 31, 2005 were \$25.2 million of recognized liabilities covered by insurance carriers. There were no such liabilities recognized as of December 31, 2004 since there were no probable claim amounts in excess of the Company's deductible limits. If actual claims are higher than those projected by management, an increase to the Company's insurance reserves may be required and would be recorded as a charge to income in the period the need for the change was determined. Conversely, if actual claims are lower than those projected by management, a decrease to the Company's insurance reserves may be required and would be recorded as a reduction to expense in the period the need for the change was determined.

The seasonality of the Company's business may cause its quarterly results to fluctuate.

The Company has historically generated the majority of its cash flows in the third and fourth quarters (periods ending September 30 and December 31). This is a direct result of normally higher sales and income during the latter part of the year, as the Company's business tends to follow seasonal patterns. If the Company is unable to successfully manage the cash flow and other effects of seasonality on the business, its financial condition and results of operations may be negatively affected. The Company's historical revenue patterns and net cash provided by operating activities are included in Part I, Item 1, "Business."

The Company's cash flows and earnings are subject to changes in interest rates.

The Company's total debt as of December 31, 2005 was \$1.0 billion. Of this amount, approximately 49.5% had variable rates of interest and 50.5% had fixed rates of interest. The weighted average interest rate of total debt was approximately 5.3%. At current debt levels, a one-percentage increase/decrease in variable interest rates would increase/decrease interest expense by approximately \$5.0 million per year.

The future financial impact on the Company associated with the above risks cannot be estimated.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

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

Location	Principal Products
<u>Access Services Segment</u>	
Marion, Ohio	Access Equipment Maintenance
Dosthill, United Kingdom	Access Equipment Maintenance
<u>Gas Technologies Segment</u>	
Lockport, New York	Valves
Niagara Falls, New York	Valves
Washington, Pennsylvania	Valves

Location	Principal Products
Bloomfield, Iowa	Propane Tanks
Fremont, Ohio	Propane Tanks
Jesup, Georgia	Propane Tanks
West Jordan, Utah	Propane Tanks
Harrisburg, Pennsylvania	High Pressure Cylinders
Huntsville, Alabama	High Pressure Cylinders
Beijing, China	Cryogenic Storage Vessels
Jesup, Georgia	Cryogenic Storage Vessels
Kosice, Slovakia	Cryogenic Storage Vessels
Shah Alam, Malaysia	Cryogenic Storage Vessels
Theodore, Alabama	Cryogenic Storage Vessels

Engineered Products and Services (“all other”) Category:

Drakesboro, Kentucky	Roofing Granules/Abrasives
Gary, Indiana	Roofing Granules/Abrasives
Moundsville, West Virginia	Roofing Granules/Abrasives
Tampa, Florida	Roofing Granules/Abrasives
Brendale, Australia	Railroad Equipment
Fairmont, Minnesota	Railroad Equipment
Ludington, Michigan	Railroad Equipment
West Columbia, South Carolina	Railroad Equipment
Channelview, Texas	Industrial Grating Products
Leeds, Alabama	Industrial Grating Products
Queretaro, Mexico	Industrial Grating Products
East Stroudsburg, Pennsylvania	Process Equipment
Catoosa, Oklahoma	Heat Exchangers

The Company also operates the following plants which are leased:

Location	Principal Products
<u>Access Services Segment</u>	
DeLimiet, Netherlands	Access Equipment Maintenance
Ratingen, Germany	Access Equipment Maintenance
<u>Gas Technologies Segment</u>	
Cleveland, Ohio	Brass Castings
Pomona, California	Composite Cylinders
<u>Engineered Products and Services (“all other”) Category:</u>	
Memphis, Tennessee	Roofing Granules/Abrasives
Eastwood, United Kingdom	Railroad Equipment
Tulsa, Oklahoma	Industrial Grating Products
Garrett, Indiana	Industrial Grating Products
Catoosa, Oklahoma	Heat Exchangers
Sapulpa, Oklahoma	Heat Exchangers

The above listing includes the principal properties owned or leased by the Company. The Company also operates from a number of other smaller plants, branches, depots, warehouses and offices in addition to the above. The Company considers all of its properties at which operations are currently performed to be in satisfactory condition and suitable for operations.

Item 3. Legal Proceedings

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

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

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

Supplementary Item. Executive Officers of the Registrant (Pursuant to Instruction 3 to Item 401(b) of Regulation S-K)

Set forth below, as of March 13, 2006, are the executive officers (this excludes three corporate officers who are not deemed "executive officers" within the meaning of applicable Securities and Exchange Commission regulations) of the Company and certain information with respect to each of them. D. C. Hathaway, S. D. Fazzolari and R. C. Neuffer were elected to their respective offices effective January 24, 2006. G. D. H. Butler, M. E. Kimmel and S. J. Schnoor were elected to their respective offices effective April 26, 2005. All terms expire on April 26, 2006. There are no family relationships between any of the executive officers.

<u>Name</u>	<u>Age</u>	<u>Principal Occupation or Employment</u>
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Executive Officers:

D. C. Hathaway	61	Chairman and Chief Executive Officer of the Corporation since January 24, 2006 and from January 1, 1998 to July 31, 2000. Served as Chairman, President and Chief Executive Officer from April 1, 1994 to December 31, 1997 and from July 31, 2000 to January 23, 2006 and as President and Chief Executive Officer from January 1, 1994 to April 1, 1994. Director since 1991. From 1991 to 1993, served as President and Chief Operating Officer. From 1986 to 1991 served as Senior Vice President-Operations of the Corporation. Served as Group Vice President from 1984 to 1986 and as President of the Dartmouth Division of the Corporation from 1979 until 1984.
S. D. Fazzolari	53	President, Chief Financial Officer and Treasurer of the Corporation effective January 24, 2006 and Director since January 2002. Served as Senior Vice President, Chief Financial Officer and Treasurer from August 24, 1999 to January 23, 2006 and as Senior Vice President and Chief Financial Officer from January 1998 to August 1999. Served as Vice President and Controller from January 1994 to December 1997 and as Controller from January 1993 to January 1994. Previously served as Director of Auditing from 1985 to 1993 and served in various auditing positions from 1980 to 1985.
G. D. H. Butler	59	Senior Vice President-Operations of the Corporation effective September 26, 2000 and Director since January 2002. Concurrently serves as President of the MultiServ and SGB Divisions. From September 2000 through December 2003, he was President of the Heckett MultiServ International and SGB Divisions. Was President of the Heckett MultiServ-East Division from July 1, 1994 to September 26, 2000. Served as Managing Director - Eastern Region of the Heckett MultiServ Division from January 1, 1994 to June 30, 1994. Served in various officer positions within MultiServ International, N. V. prior to 1994 and prior to the Company's acquisition of that corporation in August 1993.

<u>Name</u>	<u>Age</u>	<u>Principal Occupation or Employment</u>
M. E. Kimmel	46	General Counsel and Corporate Secretary effective January 1, 2004. Served as Corporate Secretary and Assistant General Counsel from May 1, 2003 to December 31, 2003. Held various legal positions within the Corporation since he joined the Company in August 2001. Prior to joining Harsco, he was Vice President, Administration and General Counsel, New World Pasta Company from January 1, 1999 to July 2001. Before joining New World Pasta, Mr. Kimmel spent approximately 12 years in various legal positions with Hershey Foods Corporation.
S. J. Schnoor	52	Vice President and Controller of the Corporation effective May 15, 1998. Served as Vice President and Controller of the Patent Construction Systems Division from February 1996 to May 1998 and as Controller of the Patent Construction Systems Division from January 1993 to February 1996. Previously served in various auditing positions for the Corporation from 1988 to 1993. Prior to joining Harsco, he served in various auditing positions for Coopers & Lybrand from September 1985 to April 1988.
R. C. Neuffer	63	President of the Engineered Products and Services business group since his appointment on January 24, 2006. Previously, he led the Patterson-Kelley, IKG Industries and Air-X-Changers units as Vice President and General Manager since 2004. In 2003, he was Vice President and General Manager of IKG Industries and Patterson-Kelley. Between 1997 and 2002, he was Vice President and General Manager of Patterson-Kelley. Mr. Neuffer joined Harsco in 1991.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Harsco Corporation common stock is listed on the New York and Pacific Stock Exchanges, and also trades on the Boston and Philadelphia Exchanges under the symbol HSC. At the end of 2005, there were 41,783,176 shares outstanding. In 2005, the Company's common stock traded in a range of \$49.87 to \$70.57 and closed at \$67.51 at year-end. At December 31, 2005 there were approximately 17,400 stockholders. There are no significant limitations on the payment of dividends included in the Company's loan agreements. For additional information regarding Harsco common stock market price and dividends declared, see Dividend Action under Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the Common Stock Price and Dividend Information under Part II, Item 8, "Financial Statements and Supplementary Data." For additional information on the Company's equity compensation plans see Part III, Item 11, "Executive Compensation."

(c) Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1, 2005 - October 31, 2005	—	—	—	1,000,000
November 1, 2005 - November 30, 2005	—	—	—	1,000,000
December 1, 2005 - December 31, 2005	—	—	—	1,000,000
Total	—	—	—	

The Company's share repurchase program was extended by Board of Directors in November 2005. The program authorizes the repurchase of up to 1,000,000 shares of the Company's common stock and expires January 31, 2007.

Item 6. Selected Financial Data

Five-Year Statistical Summary

(In thousands, except per share, employee information and percentages)

	2005 (a)	2004	2003	2002	2001
Income Statement Information					
Revenues from continuing operations	\$ 2,766,210	\$ 2,502,059	\$ 2,118,516	\$ 1,976,732	\$ 2,025,163
Income from continuing operations	156,750	113,540	86,999	88,410	74,642
Income (loss) from discontinued operations	(93)	7,671	5,218	1,696	(2,917)
Net income	156,657	121,211	92,217	90,106	71,725
Financial Position and Cash Flow Information					
Working capital	\$ 352,620	\$ 346,768	\$ 269,276	\$ 228,552	\$ 231,156
Total assets	2,975,804	2,389,756	2,138,035	1,999,297	2,090,766
Long-term debt	905,859	594,747	584,425	605,613	720,133
Total debt	1,009,888	625,809	613,531	639,670	762,115
Depreciation and amortization	198,065	184,371	168,935	155,661	176,531
Capital expenditures	290,239	204,235	143,824	114,340	156,073
Cash provided by operating activities	315,279	270,465	262,788	253,753	240,601
Cash used by investing activities	(645,185)	(209,602)	(144,791)	(53,929)	(125,213)
Cash provided (used) by financing activities	369,325	(56,512)	(125,501)	(205,480)	(99,190)
Ratios					
Return on sales(b)	5.7%	4.5%	4.1%	4.5%	3.7%
Return on average equity(c)	16.7%	13.8%	12.2%	12.6%	11.1%
Current ratio	1.5:1	1.6:1	1.5:1	1.5:1	1.5:1
Total debt to total capital(d)	50.4%	40.6%	44.1%	49.8%	52.6%
Per Share Information					
Basic - Income from continuing operations	\$ 3.76	\$ 2.76	\$ 2.14	\$ 2.19	\$ 1.87
- Income (loss) from discontinued operations	—	0.19	0.13	0.04	(0.07)
- Net income	\$ 3.76	\$ 2.95	\$ 2.27	\$ 2.23	\$ 1.80
Diluted - Income from continuing operations	\$ 3.73	\$ 2.73	\$ 2.12	\$ 2.17	\$ 1.86
- Income (loss) from discontinued operations	—	0.18	0.13	0.04	(0.07)
- Net income	\$ 3.72 (e)	\$ 2.91	\$ 2.25	\$ 2.21	\$ 1.79
Book value	\$ 23.79	\$ 22.07	\$ 19.01	\$ 15.90	\$ 17.16
Cash dividends declared	1.225	1.125	1.0625	1.0125	0.97
Other Information					
Diluted average number of shares outstanding	42,080	41,598	40,973	40,680	40,066
Number of employees	21,000	18,500	17,500	17,500	18,700
Backlog from continuing operations (f)	\$ 275,790	\$ 243,006	\$ 186,222	\$ 157,777	\$ 214,124

(a) Includes the Northern Hemisphere mill services operations of Brambles Industrial Services (BISNH) acquired December 29, 2005 (Mill Services) and Hünnebeck Group GmbH acquired November 21, 2005 (Access Services).

(b) "Return on sales" is calculated by dividing income from continuing operations by revenues from continuing operations.

(c) "Return on average equity" is calculated by dividing income from continuing operations by quarterly weighted-average equity.

(d) "Total debt to total capital" is calculated by dividing the sum of debt (short-term borrowings and long-term debt including current maturities) by the sum of equity and debt.

(e) Does not total due to rounding.

(f) Excludes the estimated amount of long-term mill service contracts, which had estimated future revenues of \$4.3 billion at December 31, 2005. Also excludes backlog of the Access Services Segment and the roofing granules and slag abrasives business. These amounts are generally not quantifiable due to the nature and timing of the products and services provided.

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

The following discussion should be read in conjunction with the consolidated financial statements provided under Part II, Item 8 of this Annual Report on Form 10-K. Certain statements contained herein may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve a

number of risks, uncertainties and other factors that could cause actual results to differ materially, as discussed more fully herein.

Forward-Looking Statements

The nature of the Company's business 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. Forward-looking statements contained herein could include statements about our management confidence and strategies for performance; expectations for new and existing products, technologies, and opportunities; and expectations regarding growth, sales, cash flows, earnings and Economic Value Added (EVA®). These statements can be identified by the use of such terms as "may," "could," "expect," "anticipate," "intend," "believe," or other comparable terms.

Factors which could cause results to differ include, but are not limited to: (1) changes in the worldwide business environment in which the Company operates, including general economic conditions; (2) changes in currency exchange rates, interest rates and capital costs; (3) changes in the performance of stock and bond markets that could affect the valuation of the assets in the Company's pension plans and the accounting for pension assets, liabilities and expenses; (4) changes in governmental laws and regulations, including taxes and import tariffs; (5) market and competitive changes, including pricing pressures, market demand and acceptance for new products, services and technologies; (6) unforeseen business disruptions in one or more of the many countries in which the Company operates due to political instability, civil disobedience, armed hostilities or other calamities; and (7) other risk factors listed from time to time in the Company's SEC reports. A further discussion of these, along with other potential factors can be found in Part I, Item 1A, "Risk Factors," of this Form 10-K. The Company cautions that these factors may not be exhaustive and that many of these factors are beyond the Company's ability to control or predict. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results. The Company undertakes no duty to update forward-looking statements.

Executive Overview

The Company's 2005 revenues were a record \$2.8 billion. This is an increase of \$0.3 billion or 11% over 2004. Income from continuing operations was a record \$156.8 million for 2005 compared with \$113.5 million in 2004, an increase of 38%. Diluted earnings per share from continuing operations were a record \$3.73 for 2005, a 37% increase from 2004.

All four of the Company's operating groups showed improved full-year results over the prior year. The 2005 results were led by the Access Services Segment and the Engineered Products and Services ("all other") Category as a result of strong end-markets, margin improvements and share gains. The Mill Services Segment delivered increased sales and operating income despite essentially flat global steel production (excluding China), higher fuel costs and the timing of new contract signings. The Gas Technologies Segment experienced some moderating raw material cost inflation, in several product lines, that benefited operating income compared with 2004. Additionally, in the fourth quarter of 2005, the Company completed two strategic bolt-on acquisitions, one in the Access Services Segment on November 21 (Hünnebeck Group GmbH), and one in the Mill Services Segment on December 29 (the Northern Hemisphere mill services operations of Brambles Industrial Services ("BISNH")).

During 2005, the Company had record net cash provided by operating activities of \$315.3 million, a 17% increase over the \$270.5 million achieved in 2004. For 2006, the Company has set a target of \$400 million for net cash provided by operating activities, a 27% increase over the 2005 record level. The Company's cash flows are further discussed in the Liquidity and Capital Resources section.

The record revenue, income from continuing operations and diluted earnings per share from continuing operations for 2005 demonstrate the balance and geographic diversity of the Company's operations. The Company's Mill Services, Access Services and Gas Technologies Segments, as well as the Engineered Products and Services ("all other") Category all delivered improved results. This operating balance and geographic diversity provides a broad foundation for future growth opportunities and a hedge against normal changes in economic and industrial cycles.

Segment Overview

Revenues for 2005 for the Mill Services Segment were \$1.1 billion compared with \$1.0 billion in 2004, a 6% increase. Operating income increased by 4% to \$109.6 million, from \$105.5 million in 2004. Operating margins for this Segment decreased by 30 basis points to 10.3% from 10.6% in 2004 due to higher energy costs and production cutbacks in the last half of 2005 by certain steel mill customers. A benefit from the gain on the sale of certain assets related to exiting an underperforming contract was mostly offset by the impact of higher severance costs. This Segment accounted for 38% of the Company's revenues and 41% of the operating income for 2005.

The Access Services Segment's revenues in 2005 were \$788.8 million compared with \$706.5 million in 2004, a 12% increase. Operating income increased by 68% to \$74.7 million, from \$44.5 million in 2004. Operating margins for the Segment improved by 320 basis points to 9.5% from 6.3% in 2004. These improvements were due to increased rental equipment utilization; better non-residential construction market conditions; market share gains; improved pricing, particularly in the United States; and \$5.4 million of pre-tax gains from the disposal of assets related to the closing of a branch location and the sale of the Youngman light-access manufacturing business. This Segment accounted for 29% of the Company's revenues and 28% of the operating income for 2005. Improved performance was achieved by both the international and domestic Access Services operations.

The Gas Technologies Segment's revenues in 2005 were \$370.2 million compared with \$339.1 million in 2004, a 9% increase. Operating income increased by 24% to \$17.9 million, from \$14.4 million in 2004. The increased revenues in 2005 were led by the industrial cylinder and cryogenics equipment businesses. As expected, operating income and margins were positively affected in 2005 by moderating commodity cost increases, particularly steel, compared with 2004. This Segment accounted for 13% of the Company's revenues and 7% of the operating income for 2005.

Four of the five businesses in the Engineered Products and Services ("all other") Category contributed higher revenues, operating income and operating margins in 2005 compared with 2004. The railway track maintenance services and equipment business delivered record revenues in 2005 through increased contracting services activity and strong equipment and repair parts sales. The air-cooled heat exchangers business also experienced improved market conditions that have resulted in increased volumes and backlogs. The industrial grating products business had improved revenues and operating income due to increased demand (partially due to the effects of Hurricanes Katrina and Rita) and, to a lesser extent, higher prices and an improved product mix. The roofing granules and abrasives business and the boiler and process equipment business delivered solid performances in 2005, consistent with the prior year.

The positive effect of foreign currency translation increased 2005 consolidated revenues by \$14.8 million and pre-tax income by \$3.1 million when compared with 2004.

Outlook Overview

The Company's operations span several industries and products as more fully discussed in Part I, Item 1, "Business." On a macro basis, the Company is affected by worldwide steel mill production and capacity utilization; non-residential construction and industrial maintenance activities; industrial production volume; and the general business trend towards the outsourcing of services. The overall outlook for 2006 continues to be positive for these business drivers.

The Company's Mill Services Segment expects to benefit from gradually increasing steel production at mills served by the Company, new contract signings and a full year of accretion from the December 29, 2005 acquisition of BISNH. However, the Company also expects to experience continued increased energy costs that may have a negative effect on operating margins, to the extent these costs cannot be passed to customers.

Both domestic and international Access Services activity remains strong. Although the sale of the Youngman light-access manufacturing business in late 2005 will modestly affect 2006 revenues, improvements to operating performance in 2006 for the Segment are expected to be led by a full-year of accretion from the November 21, 2005 Hünnebeck acquisition; increased non-residential construction spending and industrial maintenance activity in the Company's major markets; continued development of new markets; further market penetration from new products; product cross-selling opportunities among the markets served by the three Access Services businesses; and cost reduction opportunities through consolidated procurement initiatives.

In the Gas Technologies Segment for 2006, demand for industrial cylinders and cryogenics equipment is expected to show continued improvement. The propane business is expected to return to a more normal business cycle in comparison to the prior two years, and an overall improvement in the valves business is expected. International operations are expected to continue to perform well. However, the risk remains that certain commodity cost inflation and the availability of certain raw materials could adversely affect this Segment's results.

The outlook for the Engineered Products and Services ("all other") Category remains positive for 2006. The Company's railway track maintenance services and equipment business' income and margins are expected to continue to benefit from the shift toward contract services, with several major contracts scheduled to start in 2006. The air-cooled heat exchangers business is expected to continue to benefit from strong end-market demand due to increased natural gas drilling and transmission. While not expecting a repeat of the same level of benefits from post-Katrina rebuilding experienced in the second half of 2005, the industrial grating products business is expected to post another year of solid, stable results in 2006, as are the roofing granules and abrasives and the boiler and process equipment businesses.

The stable or improved market conditions for most of the Company's services and products and the significant investments made for acquisitions and growth-related capital expenditures provide a solid base for achieving the Company's stated objective of growth in diluted earnings per share from continuing operations in 2006.

Revenues by Region

(Dollars in millions)	Total Revenues		Percentage Growth From		
	Twelve Months Ended		2004 to 2005		
	December 31		Volume	Currency	Total
	2005	2004			
North America	\$ 1,219.8	\$ 1,103.7	10.2%	0.3%	10.5%
Europe	1,109.1	1,018.1	9.6	(0.7)	8.9
Middle East and Africa	153.7	137.7	10.9	0.7	11.6
Latin America	149.2	122.9	9.9	11.5	21.4
Asia/Pacific	134.4	119.7	9.8	2.5	12.3
Total	\$ 2,766.2	\$ 2,502.1	10.0%	0.6%	10.6%

2005 Highlights

The following significant items impacted the Company overall during 2005 in comparison with 2004:

Company Wide:

- Strong worldwide economic activity benefited the Company in 2005. This included increased access equipment sales and rentals, especially in the U.S., Middle East and Europe; increased global demand for railway track maintenance services and equipment; and increased demand for air-cooled heat exchangers, industrial cylinders, cryogenics equipment and industrial grating products. During the first half of 2005, the Company's Mill Services Segment benefited from strong steel production activity; however, during the second half of 2005, steel production at certain mills served by this Segment declined, negatively impacting results.
- As expected, during 2005, the Company experienced an overall leveling-off of commodity cost increases (particularly steel); however, fuel and energy-related costs and certain other commodity costs continued to increase. To the extent that such costs cannot be passed to customers in the future, operating income may be adversely affected. The Company uses the last-in, first-out (LIFO) method of inventory accounting for most of its manufacturing businesses. LIFO matches the most recently incurred costs with current revenues by charging cost of goods sold with the costs of goods most recently acquired or produced. In periods of rising prices, reported costs under LIFO are generally greater than under the first-in, first-out (FIFO) method. Based on current economic forecasts, cost inflation for certain commodities used by the Company is expected to increase slightly in 2006, although fuel and energy-related costs are expected to continue to increase at a higher rate. However, there can be no assurance that will occur.
- Total pension expense for 2005 decreased \$1.7 million from 2004. Defined benefit pension expense for 2005 decreased approximately \$3.8 million from 2004 due to plan structural changes implemented in recent years. During 2005, the defined benefit pension expense decrease was partially offset by increases of approximately \$1.5 million and \$0.7 million in defined contribution plan and multi-employer plan expenses, respectively. The Company is currently taking additional actions to further reduce pension expense volatility. This is more fully discussed in the Outlook, Trends and Strategies section.
- Net Other expenses for 2005 included \$9.7 million in net gains on the sale of non-core assets, mostly offset by \$9.1 million in employee termination benefit costs. This compares with \$1.5 million in net gains on the sale of assets and \$3.9 million in employee termination benefit costs in 2004.
- During 2005, international sales and income were 58% and 67%, respectively, of total sales and income. This compares with the 2004 levels of 58% of sales and 69% of income. The international percentages are expected to increase in 2006 as a result of the late-2005 Hünnebeck and BISNH acquisitions.

Mill Services Segment:

(Dollars in millions)	2005	2004
Revenues	\$ 1,060.4	\$ 997.4
Operating income	109.6	105.5
Operating margin percent	10.3%	10.6%

Mill Services Segment - Significant Impacts on Revenues:

	(In millions)
Revenues - 2004	\$ 997.4
Increased volume and new business	42.0
Benefit of positive foreign currency translation	17.0
Acquisition - (principally Evulca SAS in France) (a)	4.0
Revenues - 2005	\$ 1,060.4

(a) Since BISNH was acquired on December 29, 2005, it did not have a significant effect on 2005 operations.

Mill Services Segment - Significant Impacts on Operating Income:

- Operating income for 2005 increased slightly as a result of increased pricing for certain contracts and new business, particularly in Europe and Brazil, mostly offset by increased operating costs (as noted below) and reduced volume in South Africa and North America during the majority of 2005.
- Compared with 2004, the Segment's operating income and margins in 2005 were negatively impacted by increased fuel and energy-related costs of approximately \$13 million.
- Selling, general and administrative costs increased \$5.4 million for 2005 (including approximately \$1.1 million related to foreign currency translation). These increases related primarily to increased compensation costs.
- The benefit of positive foreign currency translation in 2005 resulted in increased operating income of \$2.1 million compared with 2004.

Access Services Segment:

(Dollars in millions)	2005	2004
Revenues	\$ 788.8	\$ 706.5
Operating income	74.7	44.4
Operating margin percent	9.5%	6.3%

Access Services Segment - Significant Impacts on Revenues:

	(In millions)
Revenues - 2004	\$ 706.5
Net increased volume (mostly U.S., Middle East and Continental Europe)	72.0
Net effect of acquisitions and divestitures (Hünnebeck and SGB Raffia in Australia (acquired in April 2004)) offset by the Youngman light-access manufacturing unit divestiture)	12.5
Impact of negative foreign currency translation	(2.8)
Other	0.6
Revenues - 2005	\$ 788.8

Access Services Segment - Significant Impacts on Operating Income:

- In 2005, there was a continued strengthening in the U.S. non-residential construction markets that started in the latter half of 2004. During 2005, the value of rental equipment on customer job sites was at an all-time high. This had a positive effect on volume (particularly equipment rentals) which caused overall margins in the U.S. to improve. Equipment rentals, particularly in the construction sector, provide the highest margins for this Segment.

- The international access services business continued to increase outside the U.K., predominantly in the Middle East and Europe, due to certain on-going large projects as well as the Hünnebeck acquisition. During 2005, the international operations outside of the U.K. had \$305.3 million in revenues and \$45.5 million in operating income. This compares with \$231.5 million in revenues and \$29.9 million in operating income for 2004.
- During 2005, the Segment was favorably affected by pre-tax income of \$5.4 million from the disposal of assets related to the closing of a branch location and the sale of the Youngman light-access manufacturing unit. During 2004, only \$1.1 million of similar benefits occurred.
- Lower pension expense in 2005 increased operating income by approximately \$5.0 million when compared with 2004.
- The net effect of acquisitions and divestitures had a positive effect on 2005 operating income and margins, with the Hünnebeck business contributing income during its first full month of operation.
- The benefit of positive foreign currency translation in 2005 for this Segment resulted in increased operating income of \$0.9 million when compared with 2004.

Gas Technologies Segment:

(Dollars in millions)	2005	2004
Revenues	\$ 370.2	\$ 339.1
Operating income	17.9	14.4
Operating margin percent	4.8%	4.2%

Gas Technologies Segment - Significant Impacts on Revenues:

	(In millions)
Revenues - 2004	\$ 339.1
Increased demand for cryogenics equipment and industrial cylinders	25.3
Increased demand for composite-wrapped cylinders and certain valves	8.1
Decreased sales of propane tanks (due to customers accelerating purchases in 2004 to avoid price increases)	(2.0)
Other	(0.3)
Revenues - 2005	\$ 370.2

Gas Technologies Segment - Significant Impacts on Operating Income:

- Operating income increased in 2005 compared with 2004 due mainly to moderating commodity cost increases, particularly steel. Since this Segment accounts for the majority of its U.S. inventory using the last-in, first-out (LIFO) method, this moderation of commodity costs has resulted in improved operating income.
- The international businesses, in Europe and, to a lesser extent, Asia, contributed significantly to the increased performance of the cryogenics business during 2005 compared with 2004.
- Higher operating income in 2005 for composite-wrapped cylinders was due to increased shipments of natural gas vehicle (NGV) cylinders, partially offset by an unfavorable product mix and higher raw material costs for carbon fiber and aluminum.
- Higher operating income for industrial cylinders was due to increased demand and selling price increases, partially offset by higher energy-related and steel costs.
- Increased costs and an unfavorable product mix in the valves business negatively impacted operating income in 2005 compared with 2004. A strategic action plan has been implemented to improve the results of the valves business. This plan is further discussed in the Outlook, Trends and Strategies section.
- As expected, the propane business had decreased revenues and operating income in 2005 when compared with 2004. As indicated last year, there was increased demand for propane tanks in 2004 driven by customers accelerating purchases in anticipation of future price increases due to higher steel prices.
- Foreign currency translation in 2005 did not have a material impact on operating income for this Segment compared with 2004.

Engineered Products and Services (“all other”) Category:

(Dollars in millions)	2005	2004
Revenues	\$ 546.9	\$ 459.1
Operating income	69.7	47.0
Operating margin percent	12.7%	10.2%

Engineered Products and Services (“all other”) Category - Significant Impacts on Revenues:

	(In millions)
Revenues - 2004	\$ 459.1
Railway track services and equipment	38.0
Air-cooled heat exchangers	32.2
Industrial grating products	12.4
Boiler and process equipment	3.3
Roofing granules and abrasives	1.4
Benefit of positive foreign currency translation	0.5
Revenues - 2005	\$ 546.9

Engineered Products and Services (“all other”) Category - Significant Impacts on Operating Income:

- Higher operating income in 2005 (including a record third quarter) in comparison to 2004 for the railway track maintenance services and equipment business was due principally to increased rail equipment sales (principally to international customers), international contract services and repair parts sales. This was partially offset by increased engineering costs; selling, general and administrative expenses; and Other expenses related to employee termination benefit costs.
- Operating income for the air-cooled heat exchangers business improved in 2005 due to increased volume resulting from an improved natural gas market.
- Increased 2005 operating income for the industrial grating products business was due principally to reduced commodity costs; increased demand (partially due to the effects of Hurricanes Katrina and Rita); and, to a lesser extent, increased prices and an improved product mix.
- The boiler and process equipment business delivered improved 2005 results due to improved revenues from the new-generation Mach boilers.
- Strong demand for roofing granules and abrasives again resulted in sustained levels of profitable results for that business in 2005, consistent with prior periods. This is despite difficulty throughout the third and fourth quarters of 2005 in obtaining rail cars to deliver its products, and, to a lesser extent, higher energy costs.
- The impact of positive foreign currency translation in 2005 resulted in decreased operating income of \$0.2 million for this Category when compared with 2004.

Outlook, Trends and Strategies

Looking to 2006 and beyond, the following significant items, trends and strategies are expected to affect the Company in comparison with 2005:

Company Wide:

- The Company will continue its focus on expanding the higher-margin industrial services businesses, with a particular emphasis on growing the Mill Services Segment, Access Services Segment and railway services through the provision of additional services to existing customers, new contracts in both mature and emerging markets and strategic acquisitions such as the 2005 Hünnebeck and BISNH acquisitions in the Access Services and Mill Services Segments, respectively.
- A greater focus on corporate-wide expansion into China is expected in 2006 and beyond. The opening of a representative office in Beijing in the fourth quarter of 2005 has provided a local presence to pursue new business opportunities for all operating units of the Company.
- The continued growth of the Chinese steel industry could impact the Company in several ways. Increased steel mill production in China may provide additional service opportunities for the Mill Services Segment. However, increased Chinese steel exports could result in lower steel production in other parts of the world affecting the Company's

customer base. Additionally, although certain commodity cost increases (e.g., steel) have stabilized in 2005, continued increased Chinese economic activity may result in increased commodity costs in the future, which may adversely affect the Company's manufacturing businesses. The potential impact of these risks is currently unknown.

- Fuel and energy costs increased approximately \$18 million in 2005 compared with 2004. Should these costs continue to rise, the Company's operating costs would further increase and profitability would decline to the extent that such costs cannot be passed to customers.
- Foreign currency translation had an overall favorable effect on the Company's sales and income during 2005 (although during the fourth quarter it was negative), but a negative impact on Stockholders' equity as a result of translation adjustments. Should the U.S. dollar continue to strengthen, particularly in relationship to the euro or British pound sterling, the impact on the Company would generally be negative in terms of reduced sales, income and Stockholders' equity.
- The Company will continue to focus on improving Economic Value Added (EVA®). Under this program, the Company evaluates strategic investments based upon the investment's economic profit. EVA equals after-tax operating profits less a charge for the use of the capital employed to create those profits (only the service cost portion of defined benefit pension expense is included for EVA purposes). Therefore, value is created when a project or initiative produces a return above the cost of capital.
- A record \$400 million in net cash provided by operating activities has been targeted for 2006.
- Controllable cost reductions and continuous process improvement initiatives across the Company are targeted to further enhance margins for most businesses. These initiatives include improved supply chain management; additional outsourcing in the manufacturing businesses; and an added emphasis on corporate-wide procurement initiatives. The Company will use its increased size and leverage due to recent acquisitions to reduce vendor costs and focus on additional opportunities for cost reductions via procurement in low-cost countries such as China.
- Total pension expense (defined benefit, defined contribution and multi-employer) for 2006 is expected to approximate the 2005 level, or be slightly lower. In the U.K., pension expense is expected to decline in 2006 due to the significant level (approximately \$20 million in the past 18 months) of voluntary cash contributions to the defined benefit pension plan and the improved 2005 performance of the plan's assets. Domestically, the majority of the twenty-year amortization of the transition asset (from the initial implementation of SFAS No. 87 in 1986) will cease during 2006. The elimination of this benefit is projected to increase domestic defined-benefit pension expense by approximately \$1.0 million when compared with 2005. The Company's pension committee continues to evaluate alternative strategies to further mitigate overall pension expense including the on-going evaluation of investment fund managers' performance; the balancing of plan assets and liabilities; the risk assessment of all multi-employer pension plans; the possible merger of certain plans; the consideration of incremental cash contributions to certain plans; and other changes that will mitigate future volatility and expense.
- Changes in worldwide interest rates could have a greater effect on the Company's overall interest expense as currently approximately 50% of the Company's borrowings are at variable interest rates (in comparison to approximately 12% at December 31, 2004). The Company is considering refinancing certain variable interest-rate borrowings at longer-term fixed rates to reduce potential volatility. However, this may increase short-term interest expense as currently, longer-term fixed interest rates are higher than variable shorter-term interest rates.
- On October 22, 2004, the American Jobs Creation Act of 2004 ("AJCA") was signed into law. The AJCA includes a deduction of 85% for certain international earnings that are repatriated, as defined in the AJCA, to the U.S. The Company completed its evaluation of the repatriation provisions of the AJCA and repatriated qualified earnings of approximately \$24 million in the fourth quarter of 2005. This resulted in the Company receiving a one-time income tax benefit of approximately \$2.7 million during the fourth quarter of 2005. In 2006, the effective income tax rate for continuing operations is expected to approximate 33%. This compares with an effective income tax rate of 28.1% in 2005. The difference is primarily due to the one-time tax benefit from the AJCA as indicated above and, consistent with the Company's strategic plan of investing for growth, the Company designated certain international earnings as permanently reinvested which resulted in a one-time income tax benefit of \$3.6 million.

Mill Services Segment:

- To maintain pricing levels, a more disciplined steel industry has been adjusting production levels to bring inventories in-line with current demand. Based on current market conditions and industry reports, the Company expects global steel production to increase in 2006.
- The increased energy-related costs this Segment experienced during 2005 are expected to persist through 2006. However, given the volatility of such costs, the effect cannot be quantified.
- The Company will be placing significant emphasis on improving operating margins of this Segment. Specific plans for 2006 include global procurement initiatives, process improvement programs, maintenance best practices programs and executing its reorganization plan.
- The BISNH acquisition will provide increased sales and income for this Segment.
- Further consolidation in the global steel industry is also possible. Should transactions occur involving some of the steel industry's larger companies that are customers of the Company, it would result in an increase in concentration of

credit risk for the Company. If a large customer were to experience financial difficulty, or file for bankruptcy protection, it could adversely impact the Company's income, cash flows and asset valuations. As part of its credit risk management practices, the Company is developing strategies to mitigate this increased concentration of credit risk.

Access Services Segment:

- Both the international and domestic Access Services businesses are expected to show continued improvement during 2006.
- In 2005, the Youngman light-access manufacturing unit was sold and certain large customer projects in the U.K. and Middle East are close to completion, which will eliminate the associated revenue. In 2006, these decreases are expected to be offset by increased sales and income from the Hünnebeck acquisition and through the further development of core activities. Additionally, the sale of the Youngman unit will allow for greater focus on the more profitable rental business.
- U.S. non-residential construction activity continued to improve in 2005 and the overall market outlook remains positive. Various industry sources are currently forecasting continued growth for U.S. non-residential construction during 2006. Additionally, new product line additions should assist with growth in North America.

Gas Technologies Segment:

- Although cost inflation for steel and certain commodities moderated in 2005, worldwide supply and demand for steel, aluminum and the availability of carbon fiber used to manufacture filament-wound composite cylinders could have adverse effects on future raw material costs and this Segment's ability to obtain the necessary raw materials. Additionally, the price of brass, a raw material used for certain valves production, continued to increase during 2005, despite expectations that it would moderate. Should brass prices continue to increase in 2006, this could result in reduced operating income for certain products to the extent that such costs cannot be passed along to customers.
- Weak market conditions and increased costs impacted the valves business during 2005. A comprehensive strategic plan was developed and is currently being executed to mitigate these conditions. The plan includes the following: a new senior management team; development and marketing of new products; focus on an expanded international customer base; consolidating certain manufacturing process; process improvements within the manufacturing operations including outsourcing; and optimization of the organizational structure of the business. If the conditions encountered during 2005 persist, despite execution of the strategic action plan, the valuation of this business could be negatively impacted.
- Despite a decline in 2005, the propane business is expected to improve in 2006, as it returns to its more normal business cycle.
- The industrial cylinder and cryogenics equipment businesses are expected to show continued improved performance in 2006.

Engineered Products and Services ("all other") Category:

- International demand for the railway track maintenance services and equipment business' products and services has been strong and is expected to remain so in 2006. However, on a comparative basis, 2006 sales are expected to be less than 2005 due to the shipment of several large machine orders in 2005. Despite this expected decrease in sales, operating income is expected to increase due to increased volume of higher-margin industrial services and manufacturing process improvements and efficiencies that are expected to improve margins on a long-term basis. Additionally, higher-margin international equipment sales will continue to be pursued by this business.
- The industrial grating business is expected to sustain its current levels of sales and operating income for 2006. It is expected that the incremental business received in 2005, as a result of recent hurricanes, will be replaced with new market opportunities.
- Although cost inflation for steel and certain commodities started to moderate in 2005, worldwide supply and demand for steel could have an adverse effect on raw material costs and the ability to obtain the necessary raw materials for most businesses in this Category.
- Consistent, sustained profitable results are expected from the roofing granules and abrasives business, although increased energy costs could impact margins. This business is pursuing the use of more energy-efficient equipment to help mitigate the increased energy-related costs.
- Due to an improving natural gas market and additional North American opportunities, demand for air-cooled heat exchangers is expected to remain strong for 2006.

Results of Operations for 2005, 2004 and 2003

(Dollars are in millions, except per share information and percentages)

	2005	2004	2003
Revenues from continuing operations	\$ 2,766.2	\$ 2,502.1	\$ 2,118.5
Cost of services and products sold	2,099.4	1,916.4	1,604.4
Selling, general and administrative expenses	393.2	368.4	330.0
Other expenses	2.0	4.9	7.0
Operating income from continuing operations	268.9	209.8	173.9
Interest expense	41.9	41.1	40.5
Income tax expense from continuing operations	64.8	49.0	41.7
Income from continuing operations	156.8	113.5	87.0
Income/(loss) from discontinued operations	(0.1)	7.7	5.2
Net income	156.7	121.2	92.2
Diluted earnings per common (continuing operations)	3.73	2.73	2.12
Diluted earnings per common share	3.72	2.91	2.25
Effective income tax rate for continuing operations	28.1%	28.6%	30.7%
Consolidated effective income tax rate	28.1%	29.1%	31.0%

Comparative Analysis of Consolidated Results

Revenues

2005 vs. 2004

Revenues for 2005 increased \$264.1 million or 11% from 2004, to a record level. This increase was attributable to the following significant items:

In millions	Change in Revenues 2005 vs. 2004
\$ 72.5	Net increased revenues in the Access Services Segment due principally to improved markets in the North America and the strength of the international business, particularly in the Middle East and Europe (excluding the net effect of acquisitions and divestitures).
41.9	Net increased volume, new contracts and price changes in the Mill Services Segment (excluding acquisitions).
38.0	Net increased revenues in the railway track maintenance services and equipment business due to increased contract services (principally in the U.K.), rail equipment sales (primarily to international customers) and repair part sales.
32.2	Increased revenues of the air-cooled heat exchangers business due to an improved natural gas market.
31.0	Net increased revenues in the Gas Technologies Segment due principally to improved market conditions for industrial cylinders, cryogenics equipment and composite-wrapped cylinders, partially offset by slightly decreased demand for propane tanks. The decrease in propane tank sales was due to customers accelerating purchases in 2004 to avoid anticipated price increases due to commodity cost inflation.
16.5	Net effect of business acquisitions and divestitures. Increased revenues of \$4.0 and \$12.5 million in the Mill Services and Access Services Segments, respectively.
14.8	Effect of foreign currency translation.
12.4	Increased revenues of the industrial grating products business due to increased demand (partially due to the effects of Hurricanes Katrina and Rita) and, to a lesser extent, increased prices and a more favorable product mix.
4.8	Other (minor changes across the various units not already mentioned).
\$ 264.1	Total Change in Revenues 2005 vs. 2004

2004 vs. 2003

Revenues for 2004 increased \$383.5 million or 18% from 2003, to a record level at that time. This increase was attributable to the following significant items:

In millions	Change in Revenues 2004 vs. 2003
\$ 108.9	Effect of foreign currency translation.
83.1	Net increased volume, new contracts and price changes in the Mill Services Segment.
43.5	Net increased revenues in the Gas Technologies Segment due principally to improved market conditions and selling price increases, partially offset by decreased demand for liquid propane gas (LPG) valves in the patio grill market and for composite-wrapped cylinders.
36.1	Effect of business acquisitions. Increased revenues of \$27.5 and \$8.6 million in the Mill Services and Access Services Segments, respectively.
33.6	Net increased revenues in the railway track maintenance services and equipment business due principally to rail equipment sales and, to a lesser extent, contract services.
33.4	Net increased revenues in the Access Services Segment due principally to the strength of the concrete forming business, particularly in the Middle East and U.K.
20.1	Increased revenues of the industrial grating products business due to increased demand and a focus on higher-margin standard product orders.
18.9	Increased revenues of the air-cooled heat exchangers business due to improved natural gas markets.
5.9	Other (minor changes across the various units not already mentioned).
\$ 383.5	Total Change in Revenues 2004 vs. 2003

Cost of Services and Products Sold2005 vs. 2004

Cost of services and products sold for 2005 increased \$183.0 million or 10% from 2004, slightly lower than the 11% increase in revenues. This increase was attributable to the following significant items:

In millions	Change in Cost of Services and Products Sold 2005 vs. 2004
\$ 177.8	Increased costs due to increased revenues (exclusive of the effect of foreign currency translation and business acquisitions and including the impact of increased costs included in selling prices).
12.7	Effect of foreign currency translation.
4.1	Net effect of business acquisitions and divestitures.
(11.6)	Other (due to product mix; stringent cost controls; process improvements; and minor changes across the various units not already mentioned; partially offset by increased fuel and energy-related costs).
\$ 183.0	Total Change in Cost of Services and Products Sold 2005 vs. 2004

2004 vs. 2003

Cost of services and products sold for 2004 increased \$312.0 million or 19% from 2003, slightly higher than the 18% increase in revenues. This increase was attributable to the following significant items:

In millions	Change in Cost of Services and Products Sold 2004 vs. 2003
\$ 186.2	Increased costs due to increased revenues (exclusive of effect of foreign currency translation and including the impact of increased costs included in increased selling prices).
80.9	Effect of foreign currency translation.
32.8	Effect of business acquisitions.
12.1	Other (due to increased commodity costs, increased fuel and energy-related costs, product mix and minor changes across the various units not already mentioned; partially offset by stringent cost controls, process improvements, and reorganization actions).
\$ 312.0	Total Change in Cost of Services and Products Sold 2004 vs. 2003

Selling, General and Administrative Expenses

2005 vs. 2004

Selling, general and administrative expenses for 2005 increased \$24.8 million or 7% from 2004, less than the 11% increase in revenues. This increase was attributable to the following significant items:

In millions	Change in Selling, General and Administrative Expenses 2005 vs. 2004
\$ 6.5	Increased employee compensation expense due to salary increases, increased payroll taxes and employee incentive plan increases due to improved performance, partially offset by decreased defined benefit pension expense.
5.6	Net effect of business acquisitions and dispositions.
3.5	Increased sales commission expense due to increased revenues.
1.9	Increased costs on a comparative basis due to income generated by the termination of postretirement benefit plans in 2004 that were not repeated in 2005.
1.4	Increased travel expenses.
1.0	Increased professional fees due to special projects.
0.4	Effect of foreign currency translation.
4.5	Other (including energy-related costs and the cost of new technology projects).
\$ 24.8	Total Change in Selling, General and Administrative Expenses 2005 vs. 2004

2004 vs. 2003

Selling, general and administrative expenses for 2004 increased \$38.4 million or 12% from 2003, less than the 18% increase in revenues. This increase was attributable to the following significant items:

In millions	Change in Selling, General and Administrative Expenses 2004 vs. 2003
\$ 17.9	Effect of foreign currency translation.
5.4	Increased professional fees due to higher external auditor fees (related to Sarbanes-Oxley Section 404) and increased consulting and legal expense.
4.4	Increased sales commission expense due to increased revenues.
4.2	Increased pension expense in the Access Services Segment
1.7	Effect of business acquisitions - principally SGB Raffia in Australia
4.8	Other (including energy-related costs partially offset by process improvements and reorganization efforts).
\$ 38.4	Total Change in Selling, General and Administrative Expenses 2004 vs. 2003

Other Expenses

This income statement classification includes impaired asset write-downs, employee termination benefit costs and costs to exit activities, offset by net gains on the disposal of non-core assets. During 2005, the Company continued its strategy to streamline operations. This strategy included the sale of certain assets related to exiting an underperforming Mill Services contract; the sale of certain assets and the Youngman light access manufacturing unit in the Access Services Segment; and, where appropriate, headcount reductions in both administrative and operating positions. These actions resulted in net Other Expenses of \$2.0 million in 2005 compared with \$4.9 million in 2004 and \$7.0 million in 2003.

2005 vs. 2004

Net Other Expenses for 2005 decreased \$2.9 million or 59% from 2004. This decrease was attributable to the following significant items:

In millions	Change in Other Expenses 2005 vs. 2004
\$ (8.2)	Increase in net gains on disposals of non-core assets. This increase was attributable principally to \$9.7 million in net gains that were realized in 2005 from the sale of non-core assets principally within the Access Services and Mill Services Segments compared with \$1.5 million in 2004.
5.2	Increase in employee termination benefit costs. This increase related principally to increased costs in the Mill Services and Access Services Segments as well as the Engineered Products and Services ("all other") Category and the Corporate headquarters compared with 2004.
0.1	Increase in other expenses.
\$ (2.9)	Total Change in Other Expenses 2005 vs. 2004

2004 vs. 2003

Other Expenses for 2004 decreased \$2.1 million or 30% from 2003. This decrease was attributable to the following significant items:

In millions	Change in Other Expenses 2004 vs. 2003
\$ (2.2)	Decline in employee termination benefit costs. This decline related principally to reduced costs in the Mill Services and Access Services Segments compared with 2003.
(1.7)	Decrease in costs to exit activities.
2.0	Decline in net gains on disposals of non-core assets. This decline was attributable principally to \$3.2 million in net gains that were realized in 2003 from the sale of non-core assets within the Access Services and Mill Services Segments compared with \$1.5 million in 2004.
(0.2)	Increase in other expenses.
\$ (2.1)	Total Change in Other Expenses 2004 vs. 2003

For additional information, see Note 15, Other (Income) and Expenses, to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data."

Interest Expense

2005 vs. 2004

Interest expense in 2005 was \$0.9 million or 2% higher than in 2004. This was principally due to higher interest rates on variable interest rate borrowings in the United States and, to a lesser extent, increased borrowings in November and December 2005 to finance acquisitions. This was partially offset by approximately \$0.3 million of decreased interest expense due to the effect of foreign currency translation.

2004 vs. 2003

Interest expense in 2004 was \$0.5 million or 1% higher than in 2003. Approximately \$2.7 million of the increase was due to the effect of foreign currency translation. This was partially offset by a lower interest rate on the Company's \$150 million notes that were refinanced in the third quarter of 2003, and lower variable interest rate borrowings.

Income Tax Expense from Continuing Operations

2005 vs. 2004

The increase in 2005 of \$15.7 million or 32% in the provision for income taxes from continuing operations was primarily due to increased earnings from continuing operations for the reasons mentioned above, partially offset by a decreased effective income tax rate. The effective income tax rate relating to continuing operations for 2005 was 28.1% versus 28.6% for 2004. The decrease related principally to reduced effective income tax rates on international earnings and remittances, partially offset by reduced favorable settlements of tax contingencies in comparison with 2004. The differences on international earnings and remittances from 2004 to 2005 included a one-time benefit recorded in the fourth quarter of 2005 of \$2.7 million associated with funds repatriated under the American Jobs Creation Act of 2004 (AJCA). Additionally, during the fourth quarter of 2005, consistent with the Company's strategic plan of investing for growth at certain international locations, the Company received a one-time income tax benefit of \$3.6 million.

2004 vs. 2003

The increase in 2004 of \$7.3 million or 18% in the provision for income taxes from continuing operations was primarily due to increased earnings from continuing operations, partially offset by a decreased effective income tax rate. The effective income tax rate relating to continuing operations for 2004 was 28.6% versus 30.7% for 2003. The decrease in the effective income tax rate from 2003 to 2004 was primarily the result of the benefit of foreign tax credits related to the American Jobs Creation Act of 2004 (AJCA) and the settlement of certain tax contingencies. The settlements of tax contingencies included the adjustment of certain U.S. federal and state income tax contingencies due to favorable outcomes. Additionally, during the fourth quarter of 2004, the Company recorded a favorable income tax expense adjustment related to prior periods, which was not material, and which was mostly offset by increases in certain international tax contingencies, state income taxes and the amount of international earnings subject to U.S. income taxes.

For additional information, see Note 9, Income Taxes, to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data."

Income from Continuing Operations

2005 vs. 2004

Income from continuing operations in 2005 of \$156.8 million was \$43.2 million or 38% higher than 2004. This increase resulted from strong demand for most of the Company's services and products (principally from the Access Services Segment and industrial grating products) that resulted in increased revenues, as well as from stringent cost controls and process improvements that contained selling, general and administrative expenses growth to a level below revenue growth.

2004 vs. 2003

Income from continuing operations in 2004 of \$113.5 million was \$26.5 million or 31% higher than 2003. This increase primarily resulted from increased revenues, a decreased effective income tax rate, stringent cost controls, process improvements and reorganization actions that contained selling, general and administrative expenses growth to a 12% increase while revenue increased 18%.

Income from Discontinued Operations

2005 vs. 2004

Income from discontinued operations for 2005 decreased \$7.8 million or 101% from 2004. This decrease was attributable principally to after-tax income from the one-time settlement of the Company's Federal Excise Tax (FET) litigation in 2004. For additional information on the FET litigation see Note 10, Commitments and Contingencies, to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data," in the Company's 2004 Form 10-K.

2004 vs. 2003

Income from discontinued operations for 2004 increased \$2.5 million or 47% from 2003. This increase was attributable to the following significant items:

In millions	Change in Income from Discontinued Operations 2004 vs. 2003
\$ 3.1	After-tax income due to the settlement of the Company's Federal Excise Tax (FET) litigation in 2004 compared with after-tax income due to favorable developments in the FET litigation in 2003. For additional information on the FET litigation see Note 10, Commitments and Contingencies, to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data," to the Company's 2004 Form 10-K.
(0.6)	Decline in after-tax income related to the sale of the Company's Capitol Manufacturing business during 2002.
\$ 2.5	Total Change in Income from Discontinued Operations 2004 vs. 2003

Net Income and Earnings Per Share

2005 vs. 2004

Net income of \$156.7 million and diluted earnings per share of \$3.72 in 2005 exceeded 2004 by \$35.4 million and \$0.81, respectively, primarily due to increased income from continuing operations, partially offset by the decrease in income from discontinued operations for the reasons described above.

2004 vs. 2003

Net income of \$121.2 million and diluted earnings per share of \$2.91 in 2004 exceeded 2003 by \$29.0 million and \$0.66, respectively, primarily due to increased income from both continuing and discontinued operations for the reasons described above.

Liquidity and Capital Resources

Overview

Building on 2004's record cash provided by operations of \$270.5 million, the Company continued that trend by achieving a record \$315.3 million in operating cash in 2005. This represents a 17% improvement from 2004. This significant source of cash in recent years has enabled the Company to invest \$290.2 million in capital expenditures (over one-half of which were for revenue-growth projects) in 2005, in addition to paying \$49.9 million in stockholder dividends. Additionally, the

Company received \$39.5 million in cash from asset sales in 2005, including the sale of the Youngman light-access manufacturing unit in October 2005. The Company almost doubled its goal of \$20 million in asset sales for 2005.

In 2005, the Company continued with the execution of its strategy of sensible bolt-on acquisitions to further enhance its industrial services growth, expand its geographic footprint, and increase Economic Value Added (EVA®). During the year (principally the fourth quarter), the Company invested \$394.5 million in three strategic acquisitions. These acquisitions were initially financed through the U.S. and euro commercial paper programs, and are the main reason for the increase of \$415.4 million in net cash borrowings during 2005. These borrowings also resulted in an increase in the Company's total debt to \$1.0 billion at December 31, 2005, 50% of which is variable-rate debt. For additional information on these acquisitions, see Note 2, Acquisitions and Dispositions, to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data."

The Company's strategic objectives for 2006 include generating a record \$400 million in net cash provided by operating activities. The Company has targeted a minimum of \$100 million of discretionary cash flows for debt reduction; however, the amount of debt reduction will be affected by the timing of growth initiatives and the amount of asset sales. The Company will continue its strategy to redeploy excess or discretionary cash in new long-term, high-renewal-rate service contracts for the Mill Services business and for growth in the Access Services and railway track maintenance services businesses, and it will continue to consider sensible bolt-on acquisitions in the industrial services business. The Company also plans to continue its long and consistent history of paying dividends to stockholders.

The Company also intends to focus on improved working capital management. Specifically, accounts receivable in the Access Services Segment and inventory levels in the manufacturing businesses will continue to be scrutinized and challenged to improve the Company's use of funds.

In order to provide increased financial flexibility for potential growth-related investments and for general corporate requirements, the Company increased its credit facilities and commercial paper programs during the fourth quarter of 2005 as follows:

Summary of Changes to Credit Facilities and Commercial Paper Programs

(In millions)	September 30, 2005 Facility Limit	December 31, 2005 Facility Limit	Change
U.S. commercial paper program	\$ 350.0	\$ 400.0	\$ 50.0
Euro commercial paper program (a)	120.5	236.8	116.3
Revolving credit facility (b)	350.0	450.0	100.0
Supplemental credit facility (b)	—	100.0	100.0
Bilateral credit facility (c)	25.0	50.0	25.0
Totals	\$ 845.5	\$ 1,236.8	\$ 391.3

- (a) 100 million euros expanded to 200 million euros
- (b) U.S.-based program
- (c) International-based program

Additionally, the Company is considering increasing the maximum limit of the U.S. commercial paper program to \$450 million and potentially refinancing some or all of its outstanding commercial paper with a longer-term facility in the first half of 2006.

Cash Requirements

The following summarizes the Company's expected future payments related to contractual obligations and commercial commitments at December 31, 2005.

Contractual Obligations as of December 31, 2005 (a)

(In millions)	Total	Payments Due by Period			
		Less than 1 year	1-3 years	4-5 years	After 5 years
Short-term Debt	\$ 98.0	\$ 98.0	\$ —	\$ —	\$ —
Long-term Debt (including current maturities and capital leases)	911.9	6.1	18.6	733.8	153.4
Projected interest payments on Long-term Debt (b)	262.3	52.9	97.6	90.9	20.9
Pension and Other Post- retirement Obligations (c)	469.1	39.0	81.5	89.9	258.7
Operating Leases	144.8	41.0	51.7	29.4	22.7
Purchase Obligations	113.6	110.4	0.8	2.2	0.2
Foreign Currency Forward Exchange Contracts (d)	157.9	157.9	—	—	—
Total Contractual Obligations	\$ 2,157.6	\$ 505.3	\$ 250.2	\$ 946.2	\$ 455.9

- (a) See Note 6, Debt and Credit Agreements; Note 7, Leases; Note 8, Employee Benefit Plans; and Note 13, Financial Instruments, to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data," for additional disclosures on short-term and long-term debt; operating leases; pensions and other postretirement benefits; and foreign currency forward exchange contracts, respectively.
- (b) The total projected interest payments on Long-term Debt are based upon borrowings, interest rates and foreign currency exchange rates as of December 31, 2005. The interest rates on variable-rate debt and the foreign currency exchange rates are subject to changes beyond the Company's control and may result in actual interest expense and payments differing from the amounts projected above.
- (c) Amounts represent expected benefit payments for the next 10 years.
- (d) This amount represents the notional value of the foreign currency exchange contracts outstanding at December 31, 2005. Due to the nature of these transactions, there will be offsetting cash flows to these contracts, with the difference recognized as a gain or loss in the consolidated income statement. See Note 13, Financial Instruments, to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data."

Off-Balance Sheet Arrangements - The following table summarizes the Company's contingent commercial commitments at December 31, 2005. These amounts are not included in the Company's Consolidated Balance Sheet since there are no current circumstances known to management indicating that the Company will be required to make payments on these contingent obligations.

Commercial Commitments as of December 31, 2005

(In millions)	Total Amounts Committed	Amount of Commitment Expiration Per Period				
		Less Than 1 Year	1-3 Years	4-5 Years	Over 5 Years	Indefinite Expiration
Standby Letters of Credit	\$ 113.5	\$ 104.4	\$ 9.1	\$ —	\$ —	\$ —
Guarantees	33.4	10.1	0.7	0.1	0.9	21.6
Performance Bonds	16.2	9.7	0.8	—	—	5.7
Other Commercial Commitments	12.8	1.7	—	—	—	11.1
Total Commercial Commitments	\$ 175.9	\$ 125.9	\$ 10.6	\$ 0.1	\$ 0.9	\$ 38.4

As of December 31, 2005, there was a decrease in the standby letters of credit and performance bonds of approximately \$88.6 million from the total \$218.3 million outstanding at December 31, 2004. This decrease was due principally to the release in January 2005 of an \$80 million surety bond and a \$9 million standby letter of credit, both related to the Company's settled Federal Excise Tax (FET) dispute, as previously reported on Form 10-K for 2004.

Certain guarantees and performance bonds are of a continuous nature and do not have a definite expiration date.

Sources and Uses of Cash

The Company's principal sources of liquidity are cash from operations and borrowings under its various credit agreements, augmented periodically by cash proceeds from asset sales. The primary drivers of the Company's cash flow from operations are the Company's sales and income, particularly in the services businesses. The Company's long-term Mill Services contracts provide predictable cash flows for several years into the future. (See "Certainty of Cash Flows" section for additional information on estimated future revenues of Mill Services contracts and order backlogs for the Company's manufacturing businesses and railway track maintenance services business). Additionally, cash returns on capital investments made in prior years, for which no cash is currently required, are a significant source of operating cash. Depreciation expense related to these investments is a non-cash charge. The Company also continues to maintain working capital at a manageable level based upon the requirements and seasonality of the business.

Major uses of operating cash flows and borrowed funds include payroll costs and related benefits; pension funding payments; raw material purchases for the manufacturing businesses; income tax payments; interest payments; insurance premiums and payments of self-insured casualty losses; and machinery, equipment, automobile and facility rental payments. Other primary uses of cash include capital investments, principally in the industrial services businesses; debt payments; and dividend payments. Cash will also be used for bolt-on acquisitions as the appropriate opportunities arise.

Resources available for cash requirements - The Company has various credit facilities and commercial paper programs available for use throughout the world. The following chart illustrates the amounts outstanding under credit facilities and commercial paper programs and available credit as of December 31, 2005.

(In millions)	As of December 31, 2005		
	Facility Limit	Outstanding Balance	Available Credit
U.S. commercial paper program	\$ 400.0	\$ 351.3	\$ 48.7
Euro commercial paper program	236.8	127.5	109.3
Revolving credit facility (a)	450.0	—	450.0
Supplement credit facility (a)	100.0	—	100.0
Bilateral credit facility (b)	50.0	—	50.0
Totals at December 31, 2005	\$ 1,236.8	\$ 478.8	\$ 758.0 (c)

(a) U.S.-based Program

(b) International-based Program

(c) Although the Company has significant available credit, it is the Company's policy to limit aggregate commercial paper and credit facility borrowings at any one time to a maximum of \$600 million.

See Note 6, Debt and Credit Agreements, to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data," for more information on the Company's credit facilities.

Credit Ratings and Outlook - The following table summarizes the Company's debt ratings as of December 31, 2005:

	Long-term Notes	U.S.-Based Commercial Paper	Outlook
Standard & Poor's (S&P)	A-	A-2	Stable
Moody's	A3	P-2	Stable
Fitch	A-	F2	Stable

The Company's euro-based commercial paper program has not been rated since the euro market does not require it. In January 2006, Fitch reaffirmed its A- and F-2 ratings for the Company's long-term notes and U.S. commercial paper, respectively, and its stable outlook. S&P and Moody's reaffirmed their ratings for the Company in December 2005. A downgrade to the Company's credit rating would probably increase the costs to the Company to borrow funds. An improvement in the Company's credit rating would probably decrease the costs to the Company to borrow funds.

Working Capital Position - Changes in the Company's working capital are reflected in the following table:

(Dollars are in millions)	December 31 2005	December 31 2004	Increase (Decrease)
Current Assets			
Cash and cash equivalents	\$ 120.9	\$ 94.1	\$ 26.8
Accounts receivable, net	666.3	555.2	111.1
Inventories	251.1	217.0	34.1
Other current assets	60.4	58.6	1.8
Assets held for sale	2.3	1.0	1.3
Total current assets	1,101.0	925.9	175.1
Current Liabilities			
Notes payable and current maturities	104.0	31.1	72.9
Accounts payable	247.2	220.3	26.9
Accrued compensation	75.7	63.8	11.9
Income taxes	42.3	40.2	2.1
Other current liabilities	279.2	223.0	56.2
Liabilities associated with assets held for sale	—	0.7	(0.7)
Total current liabilities	748.4	579.1	169.3
Working Capital	\$ 352.6	\$ 346.8	\$ 5.8
Current Ratio	1.5:1	1.6:1	

Working capital increased 2% in 2005 due principally to the effect of the Hünnebeck and BISNH acquisitions and, to a lesser extent, increased sales activity, partially offset by negative foreign currency translation. Changes to specific working capital components in 2005 were due to the following factors:

- Cash increased by \$26.8 million as of December 31, 2005 due principally to acquisitions.
- Net receivables increased by \$111.1 million in 2005. This increase was principally due to acquisitions and increases in insurance receivables (primarily related to claims covered by third-party insurance). Partially offsetting these increases were decreases in the Access Services Segment due to divestitures of the Youngman operations and negative foreign currency translation related to the weakening of the British pound sterling.
- Inventory increased by \$34.1 million in 2005 due principally to acquisitions.
- Notes payable and current maturities increased \$72.9 million in 2005 due principally to the increase in net cash borrowings for the acquisitions, a portion of which has been classified to current based on the Company's intent and ability to repay it in 2006.

- Accounts payable increased \$26.9 million in 2005. This increase was due principally to acquisitions. Partially offsetting this increase were decreases in the Mill Services and Access Services Segments due to negative foreign currency translation and the timing of payments.
- Other current liabilities increased \$56.2 million in 2005. This increase was due principally to acquisitions and increases in accrued insurance liabilities (primarily related to claims covered by third-party insurance).

Certainty of Cash Flows - The certainty of the Company's future cash flows is underpinned by the long-term nature of the Company's mill services contracts. At December 31, 2005, the Company's mill services contracts had estimated future revenues of \$4.3 billion, compared with \$3.7 billion as of December 31, 2004. This increase is principally due to the acquisition of BISNH. In addition, as of December 31, 2005, the Company had an order backlog of \$275.8 million for its manufacturing businesses and railway track maintenance services, compared with \$243.0 million as of December 31, 2004. This increase is due principally to new railway track maintenance services contracts and new orders for heat exchangers partially offset by decreased orders for railway track maintenance equipment in the Engineered Products and Services ("all other") Category. The railway track maintenance services and equipment business backlog includes a significant portion that is long-term, which will not be realized until 2007 and later due to the long lead times necessary to build certain equipment, and the long-term nature of certain service contracts. Backlog for scaffolding, shoring and forming services and for roofing granules and slag abrasives is not included in the total backlog because it is generally not quantifiable, due to the timing and nature of the products and services provided.

The types of products and services that the Company provides are not subject to rapid technological change, which increases the stability of related cash flows. Additionally, each of the Company's businesses is among the top three companies (relative to sales) in the industries and markets the Company serves. Due to these factors, the Company is confident in its future ability to generate positive cash flows from operations.

Cash Flow Summary

The Company's cash flows from operating, investing and financing activities, as reflected in the Consolidated Statements of Cash Flows, are summarized in the following table:

Summarized Cash Flow Information (In millions)	2005	2004	2003
Net cash provided by (used in):			
Operating activities	\$ 315.3	\$ 270.5	\$ 262.8
Investing activities	(645.2)	(209.6)	(144.8)
Financing activities	369.3	(56.5)	(125.5)
Effect of exchange rate changes on cash	(12.6)	9.5	17.6
Net change in cash and cash equivalents	\$ 26.8	\$ 13.9	\$ 10.1

Cash From Operating Activities - Net cash provided by operating activities in 2005 was a record \$315.3 million, an increase of \$44.8 million from 2004. The increased cash from operations in 2005 resulted from the following factors:

- Increased net income in 2005 compared with 2004.
- The timing of accounts receivable collections at the railway track maintenance services and equipment business and Gas Technologies businesses, partially offset by the timing of receipts on third-party insurance claims and the timing of cash collections in the Mill Services business, resulting in a positive effect on cash from operations for 2005. The increase in receivables due to third-party insurance claims was directly offset by an increase in insurance liabilities.
- Partially offsetting the above improvements was the timing of cash payments to vendors in the railway track maintenance services and equipment business and Mill Services business, somewhat offset by favorable timing differences in the Gas Technologies business.

Cash Used in Investing Activities - Capital investments in 2005 were a record \$290.2 million, an increase of \$86 million from 2004. Investments were made predominantly for the industrial services businesses with 54% in the Mill Services Segment and 30% in the Access Services Segment. The Company also invested \$394.5 million principally for two acquisitions, one in Mill Services and the other in Access Services. Mill Services acquisitions included BISNH and the smaller France-based Evulca. The Access Services acquisition was the Germany-based Hünnebeck Group GmbH. See

Note 2, Acquisitions and Dispositions, to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data," for additional disclosures related to these items.

Cash Used in Financing Activities - The following table summarizes the Company's debt and capital positions as of December 31, 2005.

(Dollars are in millions)	December 31 2005	December 31 2004
Notes Payable and Current Maturities	\$ 104.0	\$ 31.1
Long-term Debt	905.9	594.7
Total Debt	1,009.9	625.8
Total Equity	993.9	914.2
Total Capital	\$ 2,003.9 (a)	\$ 1,540.0
Total Debt to Total Capital	50.4%	40.6%

(a) Does not total due to rounding.

The Company's debt as a percentage of total capital increased in 2005 due principally to the increase in net cash borrowings related to the acquisitions. Partially offsetting the increase in this ratio was the increase in total equity. The increase in total equity was principally due to increased net income, and was partially offset by negative foreign currency translation adjustments. Due to the Company's significant net investments in Continental Europe and the United Kingdom, the strengthening of the U.S. dollar in relation to the euro and the British pound sterling had a negative effect on total equity.

Debt Covenants

The Company's credit facilities and certain notes payable agreements contain covenants requiring a minimum net worth of \$475 million and a maximum debt to capital ratio of 60%. Based on balances at December 31, 2005, the Company could increase borrowings by approximately \$479.3 million and still be within its debt covenants. Alternatively, keeping all other factors constant, the Company's equity could decrease by approximately \$321.0 million and the Company would still be within its covenants. Additionally, the Company's 7.25% British pound sterling-denominated notes due October 27, 2010 include a covenant that permits the note holders to redeem their notes, at par, in the event of a change of control of the Company. The Company expects to be compliant with these debt covenants one year from now.

Cash and Value-Based Management

The Company plans to continue with its strategy of selective investing for strategic purposes for the foreseeable future. The goal of this strategy is to improve the Company's Economic Value Added (EVA®) under the program that commenced January 1, 2002. Under this program the Company evaluates strategic investments based upon the investment's economic profit. EVA equals after-tax operating profits less a charge for the use of the capital employed to create those profits (only the service cost portion of pension expense is included for EVA purposes). Therefore, value is created when a project or initiative produces a return above the cost of capital. In 2005, eight of the Company's nine divisions improved their EVA from the comparable 2004 period. The EVA discipline will continue to be used to evaluate potential acquisitions to ensure stockholder value is maximized.

The Company is committed to continue paying dividends to stockholders. The Company has increased the dividend rate for twelve consecutive years, and in February 2006, the Company paid its 223rd consecutive quarterly cash dividend. The Company also plans to continue paying down debt to the extent possible. Additionally, the Company has authorization to repurchase up to one million of its shares through January 31, 2007.

The Company's financial position and debt capacity should enable it to meet current and future requirements. As additional resources are needed, the Company should be able to obtain funds readily and at competitive costs. The Company is well-positioned and intends to continue investing strategically in high-return projects and acquisitions, reducing debt, to the extent possible, and paying cash dividends as a means to enhance stockholder value.

Application of Critical Accounting Policies

The Company's discussion and analysis of its financial condition and results of operations are based upon the consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of

contingent liabilities. On an on-going basis the Company evaluates its estimates, including those related to pensions and other postretirement benefits, bad debts, goodwill valuation, long-lived asset valuations, inventory valuations, insurance accruals, contingencies and income taxes. The impact of changes in these estimates, as necessary, is reflected in the respective segment's operating income. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements. Management has discussed the development and selection of the critical accounting estimates described below with the Audit Committee of the Board of Directors and the Audit Committee has reviewed the Company's disclosure relating to these estimates in this Management's Discussion and Analysis of Financial Condition and Results of Operations. These items should be read in conjunction with Note 1, Summary of Significant Accounting Policies, to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data."

Pension Benefits

The Company has defined benefit pension plans in several countries. The largest of these plans are in the United Kingdom and the United States. The Company's funding policy for these plans is to contribute amounts sufficient to meet the minimum funding pursuant to U.K. and U.S. statutory requirements, plus any additional amounts that the Company may determine to be appropriate. The Company made cash contributions to its defined benefit pension plans of \$48.8 million (including \$16.9 million of discretionary payments) and \$37.8 million (including a \$10.6 million discretionary payment) during 2005 and 2004, respectively. Additionally, the Company expects to make a minimum of \$20.8 million in cash contributions to its defined benefit pension plans during 2006.

The Company accounts for its defined benefit pension plans in accordance with SFAS No. 87, "Employer's Accounting for Pensions" (SFAS 87), which requires that amounts recognized in financial statements be determined on an actuarial basis. A minimum liability is required to be established on the Consolidated Balance Sheet representing the amount of unfunded accumulated benefit obligation. The unfunded accumulated benefit obligation is the difference between the accumulated benefit obligation and the fair value of the plan assets at the measurement date. When it is necessary to establish an additional minimum pension liability, an equal amount is recorded as an intangible pension asset, limited to unrecognized prior service cost. Any excess amount is recorded as a reduction to Stockholders' Equity in Accumulated other comprehensive loss, net of deferred income taxes, in the Consolidated Balance Sheet. At December 31, 2005 and 2004, the Company has a gross minimum pension liability of \$215.0 million and \$239.3 million, respectively. These adjustments impacted Accumulated other comprehensive loss in the Stockholders' Equity section of the Consolidated Balance Sheets by \$14.7 million of comprehensive income, net of deferred income taxes, and \$4.5 million of comprehensive loss, net of deferred income taxes, at December 31, 2005 and 2004, respectively. When and if the fair market value of the pension plans' assets exceed the accumulated benefit obligation, the reduction to Stockholders' Equity would be fully restored to the Consolidated Balance Sheet.

Management implemented a three-part strategy to deal with the adverse market forces that have increased the unfunded benefit obligations over the last several years. These strategies included pension plan design changes, a review of funding policy alternatives and a review of the asset allocation policy and investment manager structure. With regards to plan design, the Company amended a majority of the U.S. defined benefit pension plans and certain international defined benefit pension plans so that accrued service is no longer granted for periods after December 31, 2003, although compensation increases will continue to be recognized on actual service to-date (for the U.S. plans this is limited to 10 years - through December 2013). In place of these plans, the Company established, effective January 1, 2004, defined contribution pension plans providing for the Company to contribute a specified matching amount for participating employees' contributions to the plan. Domestically, this match is made on employee contributions up to four percent of their eligible compensation. Additionally, the Company may provide a discretionary contribution of up to two percent of compensation for eligible employees. Internationally, this match is up to six percent of eligible compensation with an additional two percent going towards insurance and administrative costs. The Company believes these new retirement benefit plans will provide a more predictable and less volatile pension expense than existed under the defined benefit plans.

The Company's pension committee continues to evaluate alternative strategies to further reduce overall pension expense including the on-going evaluation of investment fund managers' performance; the balancing of plan assets and liabilities; the risk assessment of all multi-employer pension plans; the possible merger of certain plans; the consideration of incremental cash contributions to certain plans; and other changes that could reduce future pension expense volatility and minimize risk.

Critical Estimate - Defined Benefit Pension Benefits

Accounting for defined benefit pensions and other postretirement benefits requires the use of actuarial assumptions. The principal assumptions used include the discount rate and the expected long-term rate of return on plan assets. Each assumption is reviewed annually and represents management's best estimate at that time. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of unfunded benefit obligation and the expense recognized.

The discount rates as of the September 30, 2005 measurement date for the U.K. defined benefit pension plan and the October 31, 2005 measurement date for the U.S. defined benefit pension plans were 5.25% and 5.87%, respectively. These rates were used in calculating the Company's projected benefit obligations as of December 31, 2005. The discount rates selected represent the average yield on high-quality corporate bonds as of the measurement dates. The global weighted-average of these assumed discount rates for the years ending December 31, 2005, December 31, 2004 and December 31, 2003 were 5.3%, 5.7% and 5.9%, respectively. Annual pension expense is determined using the discount rate as of the beginning of the year, which for 2006 is the 5.3% global weighted-average discount rate. Pension expense and the projected benefit obligation generally increase as the selected discount rate decreases.

The expected long-term rate of return on plan assets is determined by evaluating the portfolios' asset class return expectations with the Company's advisors as well as actual, long-term, historical results of asset returns for the pension plans. The pension expense increases as the expected long-term rate of return on assets decreases. For 2005, the global weighted-average expected long-term rate of return on asset assumption was 7.8%. For 2006, the expected global long-term rate of return on assets has been reduced to 7.6%. This rate was determined based on a model of expected asset returns for an actively managed portfolio.

Based on the updated actuarial assumptions and the structural changes in the pension plans mentioned previously, the Company's 2006 pension expense is expected to stabilize. Total pension expense decreased from 2004 to 2005 by \$1.7 million due principally to lower defined benefit pension expense in the United Kingdom. This resulted from plan design changes in 2004 when certain defined benefit plans were replaced by defined contribution plans. Total pension expense increased from 2003 to 2004 by \$6.4 million due to lower interest rates, the effect of foreign currency translation, increased expenses for multi-employer pension plans due to the change in the Company's revenue mix and higher defined contribution pension expense. These increases were partially offset by a decrease of approximately \$5.6 million in defined benefit pension expense due to the design changes made to those plans.

Changes in pension benefit expense may occur in the future due to changes in actuarial assumptions and due to changes in returns on plan assets resulting from financial market conditions. Holding all other assumptions constant, a one-half percent increase or decrease in the discount rate and the expected long-term rate of return on plan assets would increase or decrease annual 2006 pre-tax defined benefit pension expense as follows:

	Approximate Changes in Pre-tax Defined Benefit Pension Expense	
	<u>U.S. Plans</u>	<u>U.K. Plan</u>
<u>Discount rate</u>		
One-half percent increase	Decrease of \$1.8 million	Decrease of \$4.8 million
One-half percent decrease	Increase of \$2.0 million	Increase of \$5.2 million
<u>Expected long-term rate of return on plan assets</u>		
One-half percent increase	Decrease of \$1.2 million	Decrease of \$3.0 million
One-half percent decrease	Increase of \$1.2 million	Increase of \$3.0 million

Should circumstances change that affect these estimates, changes (either increases or decreases) to the net pension obligations may be required and would be recorded in accordance with the provisions of SFAS 87. Additionally, certain events could result in the pension obligation changing at a time other than the annual measurement date. This would occur when the benefit plan is amended or when plan curtailments occur.

See Note 8, Employee Benefit Plans, to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data," for additional disclosures related to these items.

Notes and Accounts Receivable

Notes and accounts receivable are stated at their net realizable value through the use of an allowance for doubtful accounts. The allowance is maintained for estimated losses resulting from the inability or unwillingness of customers to make required payments. The Company has policies and procedures in place requiring customers to be evaluated for creditworthiness prior to the execution of new service contracts or shipments of products. These reviews are structured to minimize the Company's risk related to realizability of its receivables. Despite these policies and procedures, the Company may still experience collection problems and potential bad debts due to economic conditions within certain industries (e.g., construction and steel industries) and countries and regions in which the Company operates. As of December 31, 2005 and 2004, receivables of \$666.3 million and \$555.2 million, respectively, were net of reserves of \$24.4 million and \$19.1 million, respectively. The increase in reserves from December 31, 2004 related principally to the acquisition of businesses.

Critical Estimate - Notes and Accounts Receivable

A considerable amount of judgment is required to assess the realizability of receivables, including the current creditworthiness of each customer, related aging of the past due balances and the facts and circumstances surrounding any non-payment. The Company's provisions for bad debts during 2005, 2004 and 2003 were \$6.5 million, \$5.0 million and \$3.4 million, respectively.

On a monthly basis, customer accounts are analyzed for collectibility. Reserves are established based upon a specific-identification method as well as historical collection experience, as appropriate. The Company also evaluates specific accounts when it becomes aware of a situation in which a customer may not be able to meet its financial obligations due to a deterioration in its financial condition, credit ratings or bankruptcy. The reserve requirements are based on the facts available to the Company and are re-evaluated and adjusted as additional information is received. Reserves are also determined by using percentages (based upon experience) applied to certain aged receivable categories. Specific issues are discussed with Corporate Management and any significant changes in reserve amounts or the write-off of balances must be approved by a specifically designated Corporate Officer. All approved items are monitored to ensure they are recorded in the proper period. Additionally, any significant changes in reserve balances are reviewed to ensure the proper Corporate approval has occurred.

If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Conversely, an improvement in a customer's ability to make payments could result in a decrease of the allowance for doubtful accounts. Changes in the allowance related to both of these situations would be recorded through income in the period the change was determined.

The Company has not materially changed its methodology for calculating allowances for doubtful accounts for the years presented.

See Note 3, Accounts Receivable and Inventories, to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data," for additional disclosures related to these items.

Goodwill

The Company's net goodwill balances were \$559.6 million and \$433.1 million, as of December 31, 2005 and 2004, respectively. Goodwill is not amortized but tested for impairment at the reporting unit level on an annual basis, and between annual tests whenever events or circumstances indicate that the carrying value of a reporting unit's goodwill may exceed its fair value.

Critical Estimate - Goodwill

A discounted cash flow model is used to estimate the fair value of a reporting unit. This model requires the use of long-term planning estimates and assumptions regarding industry-specific economic conditions that are outside the control of the Company. The annual test for impairment includes the selection of an appropriate discount rate to value cash flow information. The basis of this discount rate calculation is derived from several internal and external factors. These factors include, but are not limited to, the average market price of the Company's stock, the number of shares of stock outstanding, the book value of the Company's debt, a long-term risk-free interest rate, and both market and size-specific risk premiums. The Company's annual goodwill impairment testing, performed as of October 1, 2005 and 2004, indicated that the fair value of all reporting units tested exceeded their respective book values and therefore no additional goodwill impairment testing was required. Due to uncertain market conditions, it is possible that estimates used for goodwill impairment testing may change in the future. Therefore, there can be no assurance that future goodwill impairment tests will not result in a charge to earnings.

The Company has not materially changed its methodology for goodwill impairment testing for the years presented. There are currently no known trends, demands, commitments, events or uncertainties that are reasonably likely to occur that would materially affect the methodology or assumptions described above.

See Note 5, Goodwill and Other Intangible Assets, to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data," for additional information on goodwill and other intangible assets.

Asset Impairment

Long-lived assets are reviewed for impairment when events and circumstances indicate that the book value of an asset may be impaired. The amounts charged against pre-tax income related to impaired long-lived assets were \$0.6 million, \$0.4 million and \$0.1 million in 2005, 2004 and 2003, respectively.

Critical Estimate - Asset Impairment

The determination of a long-lived asset impairment loss involves significant judgments based upon short and long-term projections of future asset performance. Impairment loss estimates are based upon the difference between the book value and the fair value of the asset. The fair value is generally based upon the Company's estimate of the amount that the assets could be bought or sold for in a current transaction between willing parties. If quoted market prices for the asset or similar assets are unavailable, the fair value estimate is generally calculated using a discounted cash flow model. Should circumstances change that affect these estimates, additional impairment charges may be required and would be recorded through income in the period the change was determined.

The Company has not materially changed its methodology for calculating asset impairments for the years presented. There are currently no known trends, demands, commitments, events or uncertainties that are reasonably likely to occur that would materially affect the methodology or assumptions described above.

Inventories

Inventories are stated at the lower of cost or market. Inventory balances are adjusted for estimated obsolete or unmarketable inventory equal to the difference between the cost of inventory and its estimated market value. At December 31, 2005 and 2004, inventories of \$251.1 million and \$217.0 million, respectively, are net of lower of cost or market reserves of \$3.2 million and \$0.9 million, respectively.

Critical Estimate - Inventories

In assessing the ultimate realization of inventory balance amounts, the Company is required to make judgments as to future demand requirements and compare these with the current or committed inventory levels. If actual market conditions are determined to be less favorable than those projected by management, additional inventory write-downs may be required and would be recorded through income in the period the determination is made. Additionally, the Company records reserves to adjust a substantial portion of its U.S. inventory balances to the last-in, first-out (LIFO) method of inventory valuation. In adjusting these reserves throughout the year, the Company estimates its year-end inventory costs and quantities. At December 31 of each year, the reserves are adjusted to reflect actual year-end inventory costs and quantities. During periods of inflation, the LIFO expense usually increases and during periods of deflation it decreases. These adjustments resulted in pre-tax income/(expense) of \$1.7 million, \$(4.3) million and \$1.5 million in 2005, 2004 and 2003, respectively.

The Company has not materially changed its methodology for calculating inventory reserves for the years presented. There are currently no known trends, demands, commitments, events or uncertainties that are reasonably likely to occur that would materially affect the methodology or assumptions described above.

See Note 3, Accounts Receivable and Inventories, to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data," for additional disclosures related to these items.

Insurance Reserves

The Company retains a significant portion of the risk for property, workers' compensation, U.K. employers' liability, automobile, general and product liability losses. At December 31, 2005 and 2004 the Company has recorded liabilities of \$102.3 million and \$77.4 million, respectively, related to both asserted as well as unasserted insurance claims. At December 31, 2005, \$25.2 million is included in insurance liabilities related to claims covered by insurance carriers for which a corresponding receivable has been recorded. There were no such liabilities recognized as of December 31, 2004 since there were no probable claim amounts in excess of the Company's deductible limits.

Critical Estimate - Insurance Reserves

Reserves have been recorded based upon actuarial calculations which reflect the undiscounted estimated liabilities for ultimate losses including claims incurred but not reported. Inherent in these estimates are assumptions which are based on the Company's history of claims and losses, a detailed analysis of existing claims with respect to potential value, and current legal and legislative trends. If actual claims differ from those projected by management, changes (either increases or decreases) to insurance reserves may be required and would be recorded through income in the period the change was determined. During 2005, 2004 and 2003, the Company recorded retrospective insurance reserve adjustments that decreased pre-tax insurance expense for self-insured programs by \$4.1 million, \$2.7 million and \$5.7 million, respectively. The adjustments resulted from improved claims experience, aggressive claim and insured litigation management programs and an improved focus on workplace safety.

The Company has not materially changed its methodology for calculating insurance reserves for the years presented. There are currently no known trends, demands, commitments, events or uncertainties that are reasonably likely to occur that would materially affect the methodology or assumptions described above.

Legal and Other Contingencies

Reserves for contingent liabilities are recorded when it is probable that an asset has been impaired or a liability has been incurred and the loss can be reasonably estimated. Adjustments to estimated amounts are recorded as necessary based on new information or the occurrence of new events or the resolution of an uncertainty. Such adjustments are recorded in the period that the required change is identified.

Critical Estimate - Legal and Other Contingencies

On a quarterly basis, recorded contingent liabilities are analyzed to determine if any adjustments are required. Additionally, functional department heads within each business unit are consulted monthly to ensure all issues with a potential financial accounting impact, including possible reserves for contingent liabilities have been properly identified, addressed or disposed of. Specific issues are discussed with Corporate Management and any significant changes in reserve amounts or the adjustment or write-off of previously recorded balances must be approved by a specifically designated Corporate Officer. If necessary, outside legal counsel, other third parties or internal experts are consulted to assess the likelihood and range of outcomes for a particular issue. All approved changes in reserve amounts are monitored to ensure they are recorded in the proper period. Additionally, any significant changes in reported business unit reserve balances are reviewed to ensure the proper Corporate approval has occurred. On a quarterly basis, the Company's business units submit a reserve listing to the Corporate headquarters which is reviewed in detail. All significant reserve balances are discussed with a designated Corporate Officer to assess their validity, accuracy and completeness. Anticipated changes in reserves are identified for follow-up prior to the end of a reporting period. Any new issues that may require a reserve are also identified and discussed to ensure proper disposition. Additionally, on a quarterly basis, all significant environmental reserve balances or issues are evaluated to assess their validity, accuracy and completeness.

The Company has not materially changed its methodology for calculating legal and other contingencies for the years presented. There are currently no known trends, demands, commitments, events or uncertainties that are reasonably likely to occur that would materially affect the methodology or assumptions described above.

See Note 10, Commitments and Contingencies, to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data," for additional disclosure on this uncertainty and other contingencies.

Income Taxes

The Company is subject to various federal, state and local income taxes in the taxing jurisdictions where the Company operates. At the end of each quarterly period, the Company makes its best estimate of the annual effective income tax rate and applies that rate to year-to-date pre-tax income to arrive at the year-to-date income tax provision. Income tax loss contingencies are recorded in the period when it is determined that it is probable that a liability has been incurred and the loss can be reasonably estimated. Adjustments to estimated amounts are recorded as necessary based upon new information, the occurrence of new events or the resolution of an uncertainty. As of December 31, 2005, 2004 and 2003, the Company's net effective income tax rate was 28.1%, 29.1% and 31.0%, respectively.

A valuation allowance to reduce deferred tax assets is evaluated on a quarterly basis. The valuation allowance is principally for tax-loss carryforwards which are uncertain as to realizability. The valuation allowance was \$21.7 million and \$17.5 million as of December 31, 2005 and 2004, respectively.

The annual effective income tax rates are developed giving recognition to tax rates, tax holidays, tax credits and capital losses, as well as certain exempt income and non-deductible expenses in all of the jurisdictions where the Company does business. The income tax provision for the quarterly period is the change in the year-to-date provision from the previous quarterly period.

The Company considers future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance. In the event the Company were to determine that it would more likely than not be able to realize its deferred tax assets in the future in excess of its net recorded amount, an adjustment to the deferred tax asset would increase income in the period such determination was made. Likewise, should the Company determine that it would not be able to realize all or part of its net deferred tax assets in the future, an adjustment to the deferred tax assets would decrease income in the period in which such determination was made.

The Company has not materially changed its methodology for calculating income tax expense for the years presented. There are currently no known trends, demands, commitments, events or uncertainties that are reasonably likely to occur that would materially affect the methodology or assumptions described above.

See Note 9, Income Taxes, to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data," for additional disclosures related to these items.

New Financial Accounting Standards Issued

See Note 1, Summary of Significant Accounting Policies, to the Consolidated Financial Statements under Part II, Item 8, "Financial Statements and Supplementary Data," for disclosures on new financial accounting standards issued and their effect on the Company.

Research and Development

The Company invested \$2.7 million, \$2.6 million and \$3.3 million in internal research and development programs in 2005, 2004 and 2003, respectively. Internal funding for research and development was as follows:

(In millions)	Research and Development Expense		
	2005	2004	2003
Mill Services Segment	\$ 1.4	\$ 1.3	\$ 1.3
Access Services Segment	0.5	0.4	0.5
Gas Technologies Segment	0.2	0.3	0.6
Segment Totals	2.1	2.0	2.4
Engineered Products and Services ("all other") Category	0.6	0.6	0.9
Consolidated Totals	\$ 2.7	\$ 2.6	\$ 3.3

Backlog

As of December 31, 2005, the Company's order backlog, exclusive of long-term mill services contracts, access services and roofing granules and slag abrasives, was \$275.8 million compared with \$243.0 million as of December 31, 2004, a 13% increase.

(In millions)	Order Backlog	
	2005	2004
Gas Technologies Segment	\$ 45.2	\$ 48.7
Engineered Products and Services ("all other") Category	230.6	194.3
Consolidated Backlog	\$ 275.8	\$ 243.0

The Gas Technologies Segment order backlog at December 31, 2005 was 7% below the December 31, 2004 order backlog. The change primarily reflects decreased order backlog for propane gas tanks.

Order backlog for the Engineered Products and Services ("all other") Category at December 31, 2005 was 19% above the December 31, 2004 order backlog. The change is principally due to increased order backlog of air-cooled heat exchangers and railway track

maintenance services, partially offset by decreased order backlog of railway track maintenance equipment. Order backlog for roofing granules and slag abrasives is excluded from the above amounts. Order backlog amounts for that product group are generally not quantifiable due to the nature and timing of the products provided.

Mill services contracts have an estimated future value of \$4.3 billion at December 31, 2005 compared with \$3.7 billion at December 31, 2004. Approximately 58% of these revenues are expected to be recognized by December 31, 2008. The remaining revenues are expected to be recognized between January 1, 2009 and December 31, 2014.

Order backlog for scaffolding, shoring and forming services of the Access Services Segment is excluded from the above amounts. These amounts are generally not quantifiable due to the nature and timing of the products and services provided.

Dividend Action

The Company paid four quarterly cash dividends of \$0.30 per share in 2005, for an annual rate of \$1.20. This is an increase of 9.1% from 2004. At the November 2005 meeting, the Board of Directors increased the dividend by 8.3% to an annual rate of \$1.30 per share. The Board normally reviews the dividend rate periodically during the year and annually at its November meeting. There are no material restrictions on the payment of dividends.

The February 2006 payment marked the 223rd consecutive quarterly dividend paid at the same or at an increased rate. In 2005, 32% of net earnings were paid out in dividends. The Company is philosophically committed to maintaining or increasing the dividend at a sustainable level. The Company has paid dividends each year since 1939.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

See Part I, Item 1A, "Risk Factors," for quantitative and qualitative disclosures about market risk.

Item 8. Financial Statements and Supplementary Data

Index to Consolidated Financial Statements and Supplementary Data

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Management's Report on Internal Control Over Financial Reporting

Management of Harsco Corporation, together with its consolidated subsidiaries (the Company), is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

The Company's internal control over financial reporting includes policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and the directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's financial statements.

Management has assessed the effectiveness of its internal control over financial reporting as of December 31, 2005 based on the framework established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has determined that the Company's internal control over financial reporting is effective as of December 31, 2005. As permitted by SEC rules and regulations, the Company's management has excluded Hünnebeck Group GmbH and the Northern Hemisphere mill services operations of Brambles Industrial Services ("BISNH") from its assessment of internal control over financial reporting as of December 31, 2005 because they were acquired in November and December 2005, respectively. Total assets and total revenues for these acquisitions represented 18% and 1%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2005. Additional information on these acquisitions is provided in Note 2, "Acquisitions and Dispositions."

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2005 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing below, which expresses unqualified opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting as of December 31, 2005.

/s/ Derek C. Hathaway

Derek C. Hathaway
Chairman and Chief Executive Officer
March 13, 2006

/s/ Salvatore D. Fazzolari

Salvatore D. Fazzolari
President, Chief Financial Officer and Treasurer
March 13, 2006

Report of Independent Registered Public Accounting Firm



To Stockholders of Harsco Corporation:

We have completed integrated audits of Harsco's 2005 and 2004 consolidated financial statements and of its internal control over financial reporting as of December 31, 2005, and an audit of its 2003 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements and financial statement schedule

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Harsco Corporation and its subsidiaries at December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)2 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in the accompanying "Management's Report on Internal Control Over Financial Reporting," that the Company maintained effective internal control over financial reporting as of December 31, 2005 based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control - Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of

management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in "Management's Report on Internal Control Over Financial Reporting," management has excluded Hünnebeck Group GmbH ("Hünnebeck") and the Northern Hemisphere mill services operations of Brambles Industrial Services ("BISNH") from its assessment of internal control over financial reporting as of December 31, 2005 because they were acquired by the Company in purchase business combinations during 2005. Hünnebeck and BISNH total assets and total revenues represent 18% and 1%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2005.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
March 13, 2006

HARSCO CORPORATION
CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)	December 31 2005	December 31 2004 (a)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 120,929	\$ 94,093
Accounts receivable, net	666,252	555,191
Inventories	251,080	217,026
Other current assets	60,436	58,614
Assets held-for-sale	2,326	932
Total current assets	1,101,023	925,856
Property, plant and equipment, net	1,139,808	932,298
Goodwill, net	559,629	433,125
Intangible assets, net	78,839	10,837
Other assets	96,505	87,640
Total assets	\$ 2,975,804	\$ 2,389,756
LIABILITIES		
Current liabilities:		
Short-term borrowings	\$ 97,963	\$ 16,145
Current maturities of long-term debt	6,066	14,917
Accounts payable	247,179	220,322
Accrued compensation	75,742	63,776
Income taxes payable	42,284	40,227
Dividends payable	13,580	12,429
Insurance liabilities	47,244	23,470
Other current liabilities	218,345	187,111
Liabilities associated with assets held-for-sale	—	691
Total current liabilities	748,403	579,088
Long-term debt	905,859	594,747
Deferred income taxes	123,334	95,702
Insurance liabilities	55,049	53,960
Retirement plan liabilities	98,946	97,586
Other liabilities	50,319	54,483
Total liabilities	1,981,910	1,475,566
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred stock, Series A junior participating cumulative preferred stock	-	-
Common stock, par value \$1.25, issued 68,257,785 and 67,911,031 shares as of December 31, 2005 and 2004, respectively	85,322	84,889
Additional paid-in capital	154,017	139,532
Accumulated other comprehensive loss	(167,318)	(127,491)
Retained earnings	1,526,216	1,420,637
Treasury stock, at cost (26,474,609 and 26,479,782 shares, respectively)	(603,225)	(603,377)
Unearned stock-based compensation	(1,118)	-
Total stockholders' equity	993,894	914,190
Total liabilities and stockholders' equity	\$ 2,975,804	\$ 2,389,756

(a) Reclassified for comparative purposes.

See accompanying notes to consolidated financial statements.

HARSCO CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)

Years ended December 31

	2005	2004	2003
Revenues from continuing operations:			
Service sales	\$ 1,928,539	\$ 1,764,159	\$ 1,493,942
Product sales	837,671	737,900	624,574
Total revenues	2,766,210	2,502,059	2,118,516
Costs and expenses from continuing operations:			
Cost of services sold	1,425,222	1,313,075	1,104,873
Cost of products sold	674,177	603,309	499,500
Selling, general and administrative expenses	393,187	368,385	329,983
Research and development expenses	2,676	2,579	3,313
Other expenses	2,000	4,862	6,955
Total costs and expenses	2,497,262	2,292,210	1,944,624
Operating income from continuing operations	268,948	209,849	173,892
Equity in income of unconsolidated entities, net	74	128	321
Interest income	3,165	2,319	2,202
Interest expense	(41,918)	(41,057)	(40,513)
Income from continuing operations before income taxes and minority interest	230,269	171,239	135,902
Income tax expense	(64,771)	(49,034)	(41,708)
Income from continuing operations before minority interest	165,498	122,205	94,194
Minority interest in net income	(8,748)	(8,665)	(7,195)
Income from continuing operations	156,750	113,540	86,999
Discontinued operations:			
Loss from operations of discontinued business	(430)	(801)	(668)
Gain/(loss) on disposal of discontinued business	261	(102)	765
Income related to discontinued defense business	20	12,849	8,030
Income tax benefit (expense)	56	(4,275)	(2,909)
Income/(loss) from discontinued operations	(93)	7,671	5,218
Net Income	\$ 156,657	\$ 121,211	\$ 92,217
Average shares of common stock outstanding	41,642	41,129	40,690
Basic earnings per common share:			
Continuing operations	\$ 3.76	\$ 2.76	\$ 2.14
Discontinued operations	—	0.19	0.13
Basic earnings per common share	\$ 3.76	\$ 2.95	\$ 2.27
Diluted average shares of common stock outstanding	42,080	41,598	40,973
Diluted earnings per common share:			
Continuing operations	\$ 3.73	\$ 2.73	\$ 2.12
Discontinued operations	—	0.18	0.13
Diluted earnings per common share	\$ 3.72 (a)	\$ 2.91	\$ 2.25

(a) Does not total due to rounding.

See accompanying notes to consolidated financial statements.

HARSCO CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

Years ended December 31	2005	2004	2003
Cash flows from operating activities:			
Net income	\$ 156,657	\$ 121,211	\$ 92,217
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Depreciation	195,139	181,914	167,161
Amortization	2,926	2,457	1,774
Equity in income of unconsolidated entities, net	(74)	(128)	(321)
Dividends or distributions from unconsolidated entities	170	589	1,383
Other, net	8,134	(2,781)	(2,678)
Changes in assets and liabilities, net of acquisitions and dispositions of businesses:			
Accounts receivable	(64,580)	(81,403)	(21,211)
Inventories	(25,908)	(22,278)	(2,078)
Accounts payable	10,787	22,310	5,834
Net receipts (disbursements) related to discontinued defense business	(141)	12,280	(1,328)
Other assets and liabilities	32,169	36,294	22,035
Net cash provided by operating activities	315,279	270,465	262,788
Cash flows from investing activities:			
Purchases of property, plant and equipment	(290,239)	(204,235)	(143,824)
Purchase of businesses, net of cash acquired*	(394,493)	(12,264)	(23,718)
Proceeds from sales of assets	39,543	6,897	22,794
Other investing activities	4	-	(43)
Net cash used by investing activities	(645,185)	(209,602)	(144,791)
Cash flows from financing activities:			
Short-term borrowings, net (including reclassifications to/from long-term debt)	73,530	(5,863)	(20,013)
Current maturities and long-term debt:			
Additions	571,928	198,032	323,366
Reductions (including reclassifications to short-term borrowings)	(230,010)	(214,551)	(389,599)
Cash dividends paid on common stock	(49,928)	(45,170)	(42,688)
Common stock issued-options	9,097	16,656	8,758
Other financing activities	(5,292)	(5,616)	(5,325)
Net cash provided (used) by financing activities	369,325	(56,512)	(125,501)
Effect of exchange rate changes on cash	(12,583)	9,532	17,582
Net increase in cash and cash equivalents	26,836	13,883	10,078
Cash and cash equivalents at beginning of period	94,093	80,210	70,132
Cash and cash equivalents at end of period	\$ 120,929	\$ 94,093	\$ 80,210
*Purchase of businesses, net of cash acquired			
Working capital, other than cash	\$ (26,832)	\$ (60)	\$ (225)
Property, plant and equipment	(169,172)	(3,024)	(16,694)
Other noncurrent assets and liabilities, net	(198,490)	(9,180)	(6,799)
Net cash used to acquire businesses	\$ (394,494)	\$ (12,264)	\$ (23,718)

See accompanying notes to consolidated financial statements.

HARSCO CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except share and per share amounts)	Common Stock			Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Unearned Stock-Based Compensation	Total
	Issued	Treasury	Additional Paid-in Capital				
Balances, January 1, 2003	\$ 83,793	\$ (603,769)	\$ 110,639	\$ 1,296,855	\$ (242,978)	\$ 0	\$ 644,540
Net income				92,217			92,217
Cash dividends declared, \$1.0625 per share				(43,285)			(43,285)
Translation adjustments					72,032		72,032
Cash flow hedging instrument adjustments, net of \$4 deferred income taxes					(8)		(8)
Pension liability adjustments, net of \$(482) deferred income taxes					1,523		1,523
Marketable securities adjustments, net of \$(2) deferred income taxes					4		4
Stock options exercised, 325,480 shares	404	69	9,436				9,909
Other, 1,590 shares		61	(5)				56
Balances, December 31, 2003	\$ 84,197	\$ (603,639)	\$ 120,070	\$ 1,345,787	\$ (169,427)	\$ 0	\$ 776,988
Net income				121,211			121,211
Cash dividends declared, \$1.125 per share				(46,361)			(46,361)
Translation adjustments					46,230		46,230
Cash flow hedging instrument adjustments, net of \$(86) deferred income taxes					159		159
Pension liability adjustments, net of \$2,062 deferred income taxes					(4,453)		(4,453)
Stock options exercised, 564,529 shares	692	253	19,308				20,253
Other, 250 shares, and 3,500 restricted stock units		9	154				163
Balances, December 31, 2004	\$ 84,889	\$ (603,377)	\$ 139,532	\$ 1,420,637	\$ (127,491)	\$ 0	\$ 914,190
Net income				156,657			156,657
Cash dividends declared, \$1.225 per share				(51,078)			(51,078)
Translation adjustments, net of \$2,846 deferred income taxes					(54,399)		(54,399)
Cash flow hedging instrument adjustments, net of \$82 deferred income taxes					(152)		(152)
Pension liability adjustments, net of \$(6,407) deferred income taxes					14,724		14,724
Stock options exercised, 350,840 shares	433	116	12,596				13,145
Other, 1,087 shares, and 36,250 restricted stock units (net of forfeitures)		36	1,889			(1,847)	78
Amortization of unearned compensation on restricted stock units						729	729
Balances, December 31, 2005	\$ 85,322	\$ (603,225)	\$ 154,017	\$ 1,526,216	\$ (167,318)	\$ (1,118)	\$ 993,894

See accompanying notes to consolidated financial statements.

HARSCO CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

Years ended December 31

	2005	2004	2003
Net Income	\$ 156,657	\$ 121,211	\$ 92,217
Other comprehensive income (loss):			
Foreign currency translation adjustments	(54,399)	46,230	72,032
Net gains (losses) on cash flow hedging instruments, net of deferred income taxes of \$79, \$(30) and \$6 in 2005, 2004 and 2003, respectively	(147)	55	(11)
Reclassification adjustment for loss on cash flow hedging instruments, net of deferred income taxes of \$3, \$(56), and \$(2) in 2005, 2004 and 2003, respectively	(5)	104	3
Pension liability adjustments, net of deferred income taxes of \$(6,407), \$2,062 and \$(482) in 2005, 2004 and 2003, respectively	14,724	(4,453)	1,523
Unrealized gain on marketable securities, net of deferred income taxes of \$(1) in 2003	—	—	2
Reclassification adjustment for loss on marketable securities included in net income, net of deferred income taxes of \$(1) in 2003	—	—	2
Other comprehensive income (loss)	(39,827)	41,936	73,551
Total comprehensive income	\$ 116,830	\$ 163,147	\$ 165,768

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

Consolidation

The consolidated financial statements include the accounts of Harsco Corporation and its majority-owned subsidiaries (the "Company"). Additionally, the Company consolidates three entities in which it has an equity interest of 49% to 50% and exercises management control. These three entities had combined revenues of approximately \$85.4 million or 3.1% of the Company's total revenues in 2005. Investments in unconsolidated entities (all of which are 40-50% owned) are accounted for under the equity method. The Company does not have any off-balance sheet arrangements with unconsolidated special-purpose entities.

Reclassifications

Certain reclassifications have been made to prior years' amounts to conform with current year classifications. These reclassifications relate principally to segment information, which has been reclassified to conform to the current presentation as described in Note 14, "Segment Information." Additional reclassifications have been made to the components of the Consolidated Balance Sheets.

As a result of these reclassifications, certain 2004 and 2003 amounts presented for comparative purposes will not individually agree with previously filed Forms 10-K or 10-Q.

Cash and Cash Equivalents

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

Inventories

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

Depreciation

Property, plant and equipment is recorded at cost and depreciated over the estimated useful lives of the assets using principally the straight-line method. When property is retired from service, 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 of by sale are not depreciated while they are held for sale.

Leases

The Company leases certain property and equipment under noncancelable lease agreements. All lease agreements are evaluated and classified as either an operating lease or capital lease. A lease is classified as a capital lease if any of the following criteria are met: transfer of ownership to the Company by the end of the lease term; the lease contains a bargain purchase option; the lease term is equal to or greater than 75% of the asset's economic life; or the present value of future minimum lease payments is equal to or greater than 90% of the asset's fair market value. Operating lease expense is recognized ratably over the entire lease term, including rent abatement periods and rent holidays.

Goodwill and Other Intangible Assets

Goodwill is not amortized but tested for impairment at the reporting unit level. SFAS No. 142, "Goodwill and Other Intangible Assets," (SFAS 142) defines a reporting unit as an operating segment or one level below an operating segment (referred to as a component). A component of an operating segment is a reporting unit if the component constitutes a business for which discrete financial information is available and segment management regularly reviews the operating results of that component. Accordingly, the Company performs the goodwill impairment test at the operating segment level for the Mill Services Segment, the Access Services Segment and the Engineered Products and Services category and at the component level for the Gas Technologies Segment. The goodwill impairment tests are performed on an annual basis as of October 1 and between annual tests whenever events or circumstances indicate that the carrying value of a reporting unit's goodwill may exceed its fair value. A discounted cash flow model is used to estimate the fair value of a reporting unit. This model requires the use of long-term planning forecasts and assumptions regarding industry-specific economic conditions that are outside the control of the Company. See Note 5, "Goodwill and Other Intangible Assets," for additional information on intangible assets and goodwill impairment testing. Finite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives.

Impairment of Long-Lived Assets (Other than Goodwill)

Long-lived assets 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 of are reported at the lower of the carrying amount or fair value less cost to sell.

Revenue Recognition

Product sales and service sales are recognized when they are realized or realizable and when earned. Revenue is realized or realizable and earned when all of the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the Company's price to the buyer is fixed or determinable and collectibility is reasonably assured. Service sales include sales of the Mill Services and Access Services Segments as well as railway track maintenance services. Product sales include sales of the Gas Technologies Segment as well as the manufacturing businesses of the Engineered Products and Services ("all other") Category. Rentals were less than 10% of total revenues in 2005, 2004 and 2003 and are included in service sales.

Mill Services Segment - This Segment provides services predominantly on a long-term, volume-of-production contract basis. Contracts may include both fixed monthly fees as well as variable fees based upon specific services provided to the customer. The fixed-fee portion is recognized periodically as earned (normally monthly) over the contractual period. The variable-fee portion is recognized as services are performed and differs from period-to-period based upon the actual provision of services.

Access Services Segment - This Segment rents equipment under month-to-month rental contracts, provides services under both fixed-fee and time-and-materials short-term contracts and, to a lesser extent, sells products to customers. Equipment rentals are recognized as earned over the contractual rental period. Services provided on a fixed-fee basis are recognized over the contractual period based upon the completion of specific units of accounting (i.e., erection and dismantling of equipment). Services provided on a time-and-materials basis are recognized when earned as services are performed. Product sales revenue is recognized when title and risk of loss transfer, and when all of the revenue recognition criteria have been met.

Gas Technologies Segment - This Segment sells products under customer-specific sales contracts. Product sales revenue is recognized when title and risk of loss transfer, and when all of the revenue recognition criteria detailed in SAB 104 have been met. Title and risk of loss for domestic shipments generally transfers to the customer at the point of shipment. For international sales, title and risk of loss transfer in accordance with the international commercial terms included in the specific customer contract.

Engineered Products and Services ("all other") Category - This category includes the Harsco Track Technologies, Reed Minerals, IKG Industries, Patterson-Kelley and Air-X-Changers operating segments. These operating segments principally sell products. The Harsco Track Technologies Division sells products and provides services. Product sales revenue for each of these operating segments is recognized generally when title and risk of loss transfer, and when all of the revenue recognition criteria have been met. Title and risk of loss for domestic shipments generally transfers to the customer at the point of shipment. For export sales, title and risk of loss transfer in accordance with the international commercial terms included in the specific customer contract. Revenue may be recognized subsequent to the transfer of title and risk of loss for certain product sales of the Harsco Track Technologies Division if the specific sales contract includes a customer acceptance clause which provides for different timing. In those situations revenue is recognized after transfer of title and risk of loss and after customer acceptance. The Harsco Track Technologies Division provides services predominantly on a long-term, time-and-materials contract basis. Revenue is recognized when earned 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. A valuation allowance to reduce deferred tax assets is evaluated on a quarterly basis. The valuation allowance is principally for tax loss carryforwards which are uncertain as to realizability. Income tax loss contingencies are recorded in the period when it is determined that it is probable that a liability has been incurred and the loss can be reasonably estimated. Adjustments to estimated amounts are recorded as necessary based upon new information, the occurrence of new events or the resolution of an uncertainty.

Accrued Insurance and Loss Reserves

The Company retains a significant portion of the risk for workers' compensation, U.K. employers' liability, automobile, general and product liability losses. During 2005, 2004 and 2003, the Company recorded insurance expense related to these lines of coverage of approximately \$37 million, \$37 million and \$36 million, respectively. Reserves have been recorded which reflect the undiscounted estimated liabilities including claims incurred but not reported. When a recognized liability is covered by third-party insurance, the Company records an insurance claim receivable to reflect the covered liability. Changes in the estimates of the reserves are included in net income in the period determined. During 2005, 2004 and 2003, the Company recorded retrospective insurance reserve adjustments that decreased pre-tax insurance expense for self-insured programs by \$4.1 million, \$2.7 million and \$5.7 million, respectively. At December 31, 2005 and 2004, the Company has recorded liabilities of \$102.3 million and \$77.4 million, respectively, related to both asserted as well as unasserted insurance claims. Included in the balance at December 31, 2005 were \$25.2 million of recognized liabilities covered by insurance carriers. Amounts estimated to be paid within one year have been classified as current Insurance liabilities, with the remainder included in non-current Insurance liabilities.

Warranties

The Company has recorded product warranty reserves of \$5.0 million, \$4.2 million and \$2.8 million as of December 31, 2005, 2004 and 2003, respectively. The Company provides for warranties of certain products as they are sold in accordance with SFAS No. 5, "Accounting for Contingencies." The following table summarizes the warranty activity for the years ended December 31, 2005, 2004 and 2003:

Warranty Activity

(In thousands)	2005	2004	2003
Balance at the beginning of the period	\$ 4,161	\$ 2,788	\$ 2,248
Accruals for warranties issued during the period	3,851	4,135(a)	2,125
Increase/(reductions) related to pre-existing warranties	60	(414)	(233)
Warranties paid	(3,083)	(2,361)	(1,344)
Other (principally foreign currency translation)	(27)	13	(8)
Balance at end of the period	\$ 4,962	\$ 4,161	\$ 2,788

(a) The increase from 2003 reflects changes in product mix and increased sales.

Foreign Currency Translation

The financial statements of the Company's subsidiaries outside the United States, except for those subsidiaries located in highly inflationary economies and those entities for which the U.S. dollar is the currency of the primary economic environment in which the entity operates, are 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 account, a separate component of Other comprehensive income (loss). 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, and those entities for which the U.S. dollar is the currency of the primary economic environment in which the entity operates, gains and losses on foreign currency transactions and balance sheet translation adjustments are included in net income.

Financial Instruments and Hedging

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

The Company executes foreign currency forward exchange contracts to hedge transactions for firm purchase commitments, to hedge variable cash flows of forecasted transactions and for export sales denominated in foreign currencies. These contracts are generally for 90 days or less. For those contracts that are designated as qualified cash

flow hedges under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133), gains or losses are recorded in Other comprehensive income (loss).

Amounts recorded in Other comprehensive income (loss) are reclassified into income in the same period or periods during which the hedged forecasted transaction affects income. The cash flows from these contracts are classified consistent with the cash flows from the transaction being hedged (e.g., the cash flows related to contracts to hedge the purchase of fixed assets are included in cash flows from investing activities, etc.). The Company also enters into certain forward exchange contracts not designated as hedges under SFAS 133. Gains and losses on these contracts are recognized in income based on fair market value. For fair value hedges of a firm commitment, the gain or loss on the derivative and the offsetting gain or loss on the hedged firm commitment are recognized currently in income.

Options for Common Stock

In prior years, when stock options were issued to employees, the Company used the intrinsic value method to account for the options. No compensation expense was recognized on the grant date, since at that date, the option price equaled the market price of the underlying common stock. Effective in 2003, the Company ceased granting stock options to employees.

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, "Accounting for Stock-Based Compensation" (SFAS 123).

Pro forma Impact of SFAS 123 on Earnings

(In thousands, except per share)	2005	2004	2003
Net income:			
As reported	\$ 156,657	\$ 121,211	\$ 92,217
Compensation expense (a)	—	(96)	(1,673)
Pro forma	<u>\$ 156,657</u>	<u>\$ 121,115</u>	<u>\$ 90,544</u>
Basic earnings per share:			
As reported	\$ 3.76	\$ 2.95	\$ 2.27
Pro forma	3.76	2.94	2.23
Diluted earnings per share:			
As reported	3.72	2.91	2.25
Pro forma	3.72	2.91	2.21

(a) Total stock-based employee compensation expense related to stock options determined under fair value-based method for all awards, net of related income tax effects.

In 2004, the Management Development and Compensation Committee of the Board of Directors approved the granting of performance-based restricted stock units as the long-term equity component of officer compensation. See Note 12, "Stock-Based Compensation," for additional information on the Company's equity compensation plans.

Earnings Per Share

Basic earnings per share are calculated using the average shares of common stock outstanding, while diluted earnings per share reflect the dilutive effects of restricted stock units and the potential dilution that could occur if stock options were exercised. See Note 11, "Capital Stock," for additional information on earnings per share.

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. Actual results could differ from those estimates.

New Financial Accounting Standards Issued

SFAS No. 123 (revised 2004), "Share-Based Payment" (SFAS 123R)

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS 123R which replaced SFAS No. 123, "Accounting for Stock-Based Compensation," and supersedes Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25). SFAS 123R requires the cost of employee services received in exchange for an award of equity instruments to be based upon the grant-date fair value of the award (with limited

exceptions). Additionally, this cost is to be recognized as expense over the period during which an employee is required to provide services in exchange for the award (usually the vesting period). SFAS 123R eliminates APB 25's intrinsic value method which the Company has historically used to account for stock option grants.

In March 2005, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 107 (SAB 107) which summarizes the views of the SEC staff regarding the interaction between SFAS 123R and certain SEC rules and regulations. SAB 107 provides guidance on several topics including: valuation methods, the classification of compensation expense, capitalization of compensation cost related to share-based payment arrangements, the accounting for income tax effects of share-based payment arrangements, and disclosures in Management's Discussion and Analysis subsequent to adoption of SFAS 123R.

In April 2005, the SEC issued FR-74, "Amendment to Rule 4-01(a) of Regulation S-X Regarding the Compliance Date for Statement of Financial Accounting Standards No. 123 (Revised 2004), *Share-Based Payment*" (FR-74). FR-74 allows companies to implement SFAS 123R at the beginning of their next fiscal year (January 1, 2006 for the Company), instead of the next reporting period that begins after June 15, 2005. FR-74 does not change the accounting required by SFAS 123R; it only changes the required implementation date of the standard.

The Company implemented SFAS 123R as of January 1, 2006, and it did not have a material affect on the Company's financial position, results of operations or cash flows.

SFAS No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4" (SFAS 151)

In November 2004, the FASB issued SFAS 151, which amends Accounting Research Bulletin No. 43, Chapter 4, "Inventory Pricing" (ARB 43). SFAS 151 clarifies that abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage) should be expensed rather than capitalized as inventory. Additionally, SFAS 151 requires that allocation of fixed production overheads to inventory costs be based upon the normal capacity of the production facility. The provisions of SFAS 151 are applicable to inventory costs incurred during fiscal years beginning after June 15, 2005 (as of January 1, 2006 for the Company) with earlier application permitted. The Company implemented SFAS 151 effective January 1, 2006, and it did not have a material impact on the Company's financial position, results of operations or cash flows.

SFAS No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3" (SFAS 154)

In May 2005, the FASB issued SFAS 154 which replaces APB Opinion No. 20, "Accounting Changes" (APB 20) and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements" (SFAS 3). SFAS 154 changes the requirements for the accounting and reporting of a change in accounting principle or correction of an error. It establishes, unless impracticable, retrospective application as the required method for reporting a change in accounting principle in the absence of explicit transition requirements specific to the newly adopted accounting principle. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company implemented SFAS 154 effective January 1, 2006, and it did not have a material impact on the Company's financial position, results of operations or cash flows.

FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143" (FIN 47)

In March 2005, the FASB issued FIN 47 which clarifies that the term "conditional asset retirement obligation" as used in SFAS No. 143, "Accounting for Asset Retirement Obligations" (SFAS 143), refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. The fair value of a liability for the conditional asset retirement obligation should be recognized when incurred—generally upon acquisition, construction, or development and/or through the normal operation of the asset. Uncertainty about the timing and/or method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. The Company implemented FIN 47 as of December 31, 2005, and it did not have a material impact on the Company's financial position, results of operations or cash flows.

In February 2006, the FASB issued SFAS 155, which amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." SFAS 155 addresses several issues relating to the accounting for financial instruments, including permitting fair value measurement for any hybrid financial instrument that contains an embedded derivative, and eliminating the prohibition on a qualifying special-purpose entity from holding certain derivative instruments. SFAS 155 also provides clarification that concentrations of credit risk in the form of subordination are not embedded derivatives. SFAS 155 is effective for all financial instruments issued or acquired after the fiscal year that begins after September 15, 2006 (January 1, 2007 for the Company), with early application permitted. The Company has not yet determined the timing of adoption or the full impact of SFAS 155; however, it is not expected to materially impact the Company's financial position, results of operations or cash flows.

2. Acquisitions and Dispositions

Acquisitions

In December 2005, the Company acquired the Northern Hemisphere steel mill services operations of Brambles Industrial Services (BISNH), a unit of the Sydney, Australia-based Brambles Industrial Limited, for £137 million (approximately \$236 million), excluding acquisition costs. BISNH will be included in the Company's Mill Services Segment. The Company did not assume debt as part of this acquisition. BISNH is a provider of on-site, outsourced mill services to the steel and metals industries, operating at 19 locations in the U.K., France, Holland and the United States. Goodwill recognized in this transaction was \$93.1 million, of which \$88.5 million is expected to be deductible for U. S. income tax purposes. Because this acquisition occurred near the end of the year, the purchase price allocations and goodwill balance have not been finalized as of December 31, 2005. All regulatory filings, reviews and approvals have now been completed with respect to this transaction.

In November 2005, the Company acquired the Germany-based Hünnebeck Group GmbH (Hünnebeck) for €140 million (approximately \$164 million), which included the assumption of debt but excludes acquisition costs. Hünnebeck will be included in the Company's Access Services Segment. Hünnebeck is a provider of highly engineered formwork and scaffolding equipment with more than 60 branches and depots in 12 countries and export sales worldwide. Goodwill recognized in this transaction was \$71.2 million, none of which is expected to be deductible for U. S. income tax purposes. Because this acquisition occurred near the end of the year, the purchase price allocations and goodwill balance have not been finalized as of December 31, 2005.

In May 2005, the Company's Mill Services Segment acquired Evulca SAS, a France-based company with more than 30 years experience providing conveyor belt management and maintenance services to the steel industry and other industrial clients. The privately-held company recorded 2004 sales in excess of \$5 million.

In October 2004, the Company's Access Services Segment acquired full ownership of its existing Mastclimbers Ltd joint venture partnership which is located in the United Kingdom. Previously, the Company owned 51% of the partnership. Mastclimbers Ltd ranks as the United Kingdom's leading supplier of mast climbing work platforms and related services.

In April 2004, the Company's Access Services Segment acquired the Australian distributor, Raffia Contracting Pty, and Raffia's sister company, Tower International Pty. Both businesses are based in Sydney, New South Wales. Raffia Contracting Pty is involved in the supply and erection of scaffolding, working with many of the major contractors in and around the state capital, while Tower International Pty provides light access sales and rentals throughout the area. The combined businesses have been renamed SGB Raffia.

Dispositions - Assets Held for Sale and Discontinued Operations

In management's ongoing strategic efforts to increase the Company's focus on core industrial services, certain manufacturing operations have been divested. In October 2005, certain assets and liabilities related to the Company's Youngman light access manufacturing plant in the U.K. (a component of the Access Services Segment) were sold. The Youngman operations consisted of a single manufacturing facility, with external sales of approximately \$60 million in 2004. At the time of sale, the net book value of its assets and liabilities was \$34.5 million and \$15.9 million, respectively.

Effective March 21, 2002, the Board of Directors authorized the sale of the Capitol Manufacturing business, a business unit of the Gas Technologies Segment. A significant portion of the Capitol Manufacturing business was sold on June 28, 2002. The Company continued to recognize income from inventory consigned to the buyer in accordance with the sale agreement and when all revenue recognition criteria were met. As of June 30, 2005, all the remaining inventory had been

sold and the corresponding income was recognized in Discontinued operations. The income from the sale of this inventory had an immaterial effect on net income for the twelve months ended December 31, 2005.

Throughout 2004 and 2005, management approved the sale of certain long-lived assets (primarily land and buildings) of the Gas Technologies Segment, the Mill Services Segment and the Engineered Products and Services Category.

The major classes of assets and liabilities “held-for-sale” included in the Consolidated Balance Sheets are as follows:

(In thousands)	2005		2004	
As of December 31				
ASSETS				
Accounts receivable, net	\$	—	\$	15
Inventories		—		133
Other current assets		—		23
Property, plant and equipment, net		2,326		761
Total assets “held-for-sale”	\$	2,326	\$	932
LIABILITIES				
Accounts payable	\$	—	\$	24
Other current liabilities		—		542
Other liabilities		—		125
Total liabilities associated with assets “held-for-sale”	\$	—	\$	691

3. Accounts Receivable and Inventories

At December 31, 2005 and 2004, accounts receivable of \$666.3 million and \$555.2 million, respectively, were net of allowances for doubtful accounts of \$24.4 million and \$19.1 million, respectively. Gross accounts receivable included trade accounts receivable of \$638.5 million and \$557.1 million at December 31, 2005 and 2004, respectively. The increase in accounts receivable and the allowance for doubtful accounts from December 31, 2004 related principally to the net effect of acquisitions and divestitures discussed in Note 2, “Acquisitions and Dispositions,” and an increase of \$25.2 million in insurance claims receivable, partially offset by the write-off of previously reserved accounts receivable. The provision for doubtful accounts was \$6.5 million, \$5.0 million and \$3.4 million for 2005, 2004 and 2003, respectively.

Inventories consist of the following:

(In thousands)	Inventories			
	2005		2004	
Finished goods	\$	85,325	\$	60,554
Work-in-process		43,830		37,882
Raw materials and purchased parts		87,251		91,965
Stores and supplies		34,674		26,625
Total inventories	\$	251,080	\$	217,026
Valued at lower of cost or market:				
Last-in, first out (LIFO) basis	\$	137,101	\$	129,064
First-in, first out (FIFO) basis		26,003		17,399
Average cost basis		87,976		70,563
Total inventories	\$	251,080	\$	217,026

The increase in inventory balances related principally to inventories acquired as part of the Hünnebeck and BISNH acquisitions discussed in Note 2, “Acquisitions and Dispositions.”

Inventories valued on the LIFO basis at December 31, 2005 and 2004 were approximately \$34.1 million and \$35.8 million, respectively, less than the amounts of such inventories valued at current costs.

As a result of reducing certain inventory quantities valued on the LIFO basis, net income increased from that which would have been recorded under the FIFO basis of valuation by \$1.6 million, \$0.02 million and \$1.1 million in 2005, 2004 and 2003, respectively.

4. Property, Plant and Equipment

Property, plant and equipment consists of the following:

(In thousands)	2005	2004
Land and improvements	\$ 39,306	\$ 39,838
Buildings and improvements	168,727	185,807
Machinery and equipment	2,291,294	2,027,765
Uncompleted construction	91,186	45,083
Gross property, plant and equipment	2,590,513	2,298,493
Less accumulated depreciation	(1,450,705)	(1,366,195)
Net property, plant and equipment	\$ 1,139,808	\$ 932,298

The increase in net property, plant and equipment related principally to assets acquired as part of the Hünnebeck and BISNH acquisitions discussed in Note 2, "Acquisitions and Dispositions," as well as increases for the railway track services business.

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

Land improvements	5 to 20 years
Buildings and improvements	10 to 40 years
Certain plant, buildings and installations (Principally Mill Services Segment)	3 to 10 years
Machinery and equipment	3 to 20 years
Leasehold improvements	Estimated useful life of the improvement or, if shorter, the life of the lease

5. Goodwill and Other Intangible Assets

In connection with the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets," (SFAS 142) goodwill and intangible assets with indefinite useful lives are no longer amortized. Goodwill is tested for impairment at the reporting unit level on an annual basis, and between annual tests, whenever events or circumstances indicate that the carrying value of a reporting unit's goodwill may exceed its fair value. This impairment testing is a two-step process as outlined in SFAS 142. Step one is a comparison of each reporting unit's fair value to its book value. If the fair value of the reporting unit exceeds the book value, step two of the test is not required. Step two requires the allocation of fair values to assets and liabilities as if the reporting unit had just been purchased resulting in the implied fair value of goodwill. If the carrying value of the goodwill exceeds the implied fair value, a write down to the implied fair value would be required.

The Company uses a discounted cash flow model to estimate the fair value of a reporting unit in performing step one of the testing. This model requires the use of long-term planning estimates and assumptions regarding industry-specific economic conditions that are outside the control of the Company. The Company performed required annual testing for goodwill impairment as of October 1, 2005 and 2004 and all reporting units of the Company passed the step one testing thereby indicating that no goodwill impairment exists. However, there can be no assurance that future goodwill impairment tests will not result in a charge to earnings.

The following table reflects the changes in carrying amounts of goodwill by segment for the years ended December 31, 2004 and 2005:

Goodwill by Segment

(In thousands)	Mill Services Segment	Access Services Segment	Gas Technologies Segment	Engineered Products and Services ("all other") Category	Consolidated Totals
Balance as of December 31, 2003, net of accumulated amortization	\$ 211,318	\$ 151,698	\$ 36,693	\$ 8,137	\$ 407,846
Goodwill acquired during year	—	5,046	—	—	5,046
Other (principally foreign currency translation)	9,175	11,058	—	—	20,233
Balance as of December 31, 2004, net of accumulated amortization	\$ 220,493	\$ 167,802	\$ 36,693	\$ 8,137	\$ 433,125
Goodwill acquired during year	93,268	71,068	—	—	164,336
Goodwill written off related to sale of business unit	—	(5,370)	—	—	(5,370)
Other (principally foreign currency translation)	(16,542)	(15,920)	—	—	(32,462)
Balance as of December 31, 2005, net of accumulated amortization	\$ 297,219	\$ 217,580	\$ 36,693	\$ 8,137	\$ 559,629

Goodwill is net of accumulated amortization of \$103.0 million and \$108.4 million at December 31, 2005 and 2004, respectively.

Intangible assets, which are included principally in Other assets on the Consolidated Balance Sheets, totaled \$78.8 million, net of accumulated amortization of \$11.8 million at December 31, 2005 and \$10.9 million, net of accumulated amortization of \$10.5 million at December 31, 2004. The following table reflects these intangible assets by major category:

Intangible Assets

(In thousands)	December 31, 2005		December 31, 2004	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships	\$ 73,224	\$ 1,262	\$ 7,662	\$ 609
Non-compete agreements	5,036	4,402	4,898	4,032
Patents	4,426	3,587	4,416	3,757
Other	7,962	2,558	4,411	2,087
Total	\$ 90,648	\$ 11,809	\$ 21,387	\$ 10,485

The increase in intangible assets for 2005 is due principally to the acquisitions discussed in Note 2, "Acquisitions and Dispositions." As part of these transactions, the Company acquired the following intangible assets (by major class) which are subject to amortization:

Acquired Intangible Assets

(In thousands)	Gross Carrying Amount	Residual Value	Weighted-average amortization period
Customer relationships	\$ 67,789	None	18 years
Non-compete agreements	147	None	10 years
Patents	586	None	10 years
Other	4,104	None	11 years
Total	<u>\$ 72,626</u>		

There were no research and development assets acquired and written off in 2005, 2004 or 2003.

Amortization expense for intangible assets was \$2.1 million, \$1.8 million and \$1.2 million for the years ended December 31, 2005, 2004 and 2003, respectively. The following table shows the estimated amortization expense for the next five fiscal years based on current intangible assets.

(In thousands)	2006	2007	2008	2009	2010
Estimated amortization expense	\$ 6,335	\$ 6,076	\$ 5,766	\$ 5,488	\$ 5,302

6. Debt and Credit Agreements

The Company has various credit facilities and commercial paper programs available for use throughout the world. The following table illustrates the amounts outstanding on credit facilities and commercial paper programs and available credit at December 31, 2005. The Company limits the aggregate commercial paper, syndicated credit facility and bilateral credit facility borrowings at any one time to a maximum of \$600 million. These credit facilities and programs are described in more detail below the table.

Summary of Credit Facilities and Commercial Paper Programs

(In thousands)	As of December 31, 2005		
	Facility Limit	Outstanding Balance	Available Credit
U.S. commercial paper program	\$ 400,000	\$ 351,317	\$ 48,683
Euro commercial paper program	236,800	127,444	109,356
Revolving credit facility (a)	450,000	—	450,000
Supplemental credit facility (a)	100,000	—	100,000
Bilateral credit facility (b)	50,000	—	50,000
Totals at December 31, 2005	\$ 1,236,800	\$ 478,761	\$ 758,039 (c)

(a) U.S.-based program

(b) International-based program

(c) Although the Company has significant available credit, it is the Company's policy to limit aggregate commercial paper and credit facility borrowings at any one time to a maximum of \$600 million.

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 200 million euro commercial paper program,

equivalent to approximately \$236.8 million at December 31, 2005, which is used to fund the Company's international operations. Commercial paper interest rates, which are based on market conditions, have been lower than comparable rates available under the credit facilities. At December 31, 2005 and 2004, the Company had \$351.3 million and \$26.9 million of U.S. commercial paper outstanding, respectively, and \$127.4 million and \$6.8 million outstanding, respectively, under its European-based commercial paper program. Commercial paper is classified as long-term debt when the Company has the ability and intent to refinance it on a long-term basis through existing long-term credit facilities. At December 31, 2005, the Company classified \$88.7 million of commercial paper as short-term debt because it does not intend to carry this amount beyond the next twelve months. The remaining \$390.1 million in commercial paper at December 31, 2005 was classified as long-term debt. At December 31, 2004, all commercial paper was classified as long-term debt.

On November 8, 2005, the Company increased the maximum amount under its euro commercial paper program from EUR 100 million to EUR 200 million, and on December 21, 2005, the Company increased the maximum amount of its U.S. commercial paper program from \$350 million to \$400 million. The increase in authorized commercial paper will provide increased financial flexibility for potential growth-related investments and for general corporate requirements.

On November 23, 2005, the Company executed a new revolving credit facility in the amount of \$450 million, through a syndicate of 16 banks, which matures in November 2010. This facility serves as back-up to the Company's commercial paper programs. This new facility replaced the existing \$350 million revolving credit facility that would have matured on August 12, 2007. Interest rates on the new facility are based upon the London Interbank Offered Rate (LIBOR) plus a margin. The Company pays a facility fee (.08% per annum as of December 31, 2005) that varies based upon its credit ratings. At December 31, 2005 and 2004, there were no borrowings outstanding under either of the facilities.

On December 23, 2005, the Company executed a new supplemental 364-day credit facility in the amount of \$100 million, through two banks, which matures in December 2006. This facility also serves as back-up to the Company's commercial paper programs. Interest rates on the new facility are based upon either the announced Citicorp lending rate, the Federal Funds Effective Rate plus a margin or the London Interbank Offered Rate (LIBOR) plus a margin. The Company pays a facility fee (.08% per annum as of December 31, 2005) that varies based upon its credit ratings. As of December 31, 2005, there were no borrowings outstanding on this credit facility.

The bilateral credit facility was renewed in December 2005 for an additional one year and the amount was increased from \$25 million to \$50 million. The facility serves as back-up to the Company's commercial paper programs and also provides available financing for the Company's European operations. Borrowings under this facility, which expires in December 2006, are available in most major currencies with active markets at interest rates based upon LIBOR plus a margin. Borrowings outstanding at expiration may be repaid over the succeeding 12 months. As of December 31, 2005 and 2004, there were no borrowings outstanding under either of the facilities.

Short-term debt amounted to \$98.0 million (of which \$88.7 million was commercial paper) and \$16.1 million at December 31, 2005 and 2004, respectively. Other than the commercial paper borrowings, short-term debt was principally bank overdrafts. The weighted-average interest rate for short-term borrowings at December 31, 2005 and 2004 was 4.0% and 3.4%, respectively.

Long-term debt consists of the following:

(In thousands)	Long-term Debt	
	2005	2004
7.25% British pound sterling-denominated notes due October 27, 2010	\$ 341,063	\$ 379,751
5.125% notes due September 15, 2013	148,856	148,738
Commercial paper borrowings, with a weighted average interest rate of 3.9% and 2.3% as of December 31, 2005 and 2004, respectively	390,074	33,665
Faber Prest loan notes due October 31, 2008 with interest based on sterling LIBOR minus .75% (3.9% and 4.2% at December 31, 2005 and 2004, respectively)	6,731	9,361
Industrial development bonds, payable in varying amounts from 2010 to 2011 with a weighted average interest rate of 3.7% and 2.1% as of December 31, 2005 and 2004, respectively	6,500	6,500
Other financing payable in varying amounts to 2011 with a weighted average interest rate of 5.5% and 6.0% as of December 31, 2005 and 2004, respectively	18,701	31,649
	911,925	609,664
Less: current maturities	(6,066)	(14,917)
	\$ 905,859	\$ 594,747

The Company's credit facilities and certain notes payable agreements contain covenants requiring a minimum net worth of \$475 million and a maximum debt to capital ratio of 60%. Additionally, the Company's 7.25% British pound sterling-denominated notes due October 27, 2010 include a covenant that permits the note holders to redeem their notes, at par, in the event of a change of control of the Company. At December 31, 2005, the Company was in compliance with these covenants.

The maturities of long-term debt for the four years following December 31, 2006 are as follows:

(In thousands)	
2007	\$ 10,693
2008	7,961
2009	560
2010	733,279

Cash payments for interest on all debt from continuing operations were \$42.2 million, \$40.2 million and \$40.1 million in 2005, 2004 and 2003, respectively.

7. Leases

The Company leases certain property and equipment under noncancelable operating leases. Rental expense (for both continuing and discontinued operations) under such operating leases was \$52.1 million, \$49.4 million and \$48.5 million in 2005, 2004 and 2003, respectively.

Future minimum payments under operating leases with noncancelable terms are as follows:

(In thousands)	
2006	\$ 40,981
2007	30,866
2008	20,882
2009	21,746
2010	7,624
After 2010	22,661

Total minimum rentals to be received in the future under non-cancelable subleases as of December 31, 2005 are \$21.2 million.

8. Employee Benefit Plans

Pension Benefits

The Company has pension and profit sharing retirement plans covering a substantial number of its employees. The defined 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 also makes periodic voluntary contributions as recommended by its pension committee. The Company's policy is to amortize prior service costs of defined benefit pension plans over the average future service period of active plan participants. The Company uses an October 31 measurement date for its United States defined benefit pension plans and recently acquired international plans. A September 30 measurement date is used for other international defined benefit pension plans.

For a majority of the U.S. defined benefit pension plans and certain international defined benefit pension plans, accrued service will no longer be granted for periods after December 31, 2003. In place of these plans, the Company has established, effective January 1, 2004, defined contribution pension plans providing for the Company to contribute a specified matching amount for participating employees' contributions to the plan. Domestically, this match is made on employee contributions up to four percent of their eligible compensation. Additionally, the Company may provide a discretionary contribution of up to two percent of compensation for eligible employees. The two percent discretionary contribution was recorded for the last two years, 2005 and 2004, and paid in February of the subsequent year. Internationally, this match is up to six percent of eligible compensation with an additional two percent going towards insurance and administrative costs. The Company believes these new defined contribution plans will provide a more predictable and less volatile pension expense than exists under the defined benefit plans.

(In thousands)	U. S. Plans			International Plans		
	2005	2004	2003	2005	2004	2003
Pension Expense (Income)						
Defined benefit plans:						
Service cost	\$ 3,380	\$ 2,610	\$ 7,339	\$ 8,195	\$ 9,561	\$ 10,439
Interest cost	13,914	13,592	13,201	40,475	37,876	32,627
Expected return on plan assets	(19,112)	(17,960)	(15,758)	(44,796)	(39,765)	(34,083)
Recognized prior service costs	767	754	726	1,208	1,245	1,117
Recognized losses	3,617	2,982	4,409	12,247	13,431	9,813
Amortization of transition (asset) liability	(1,455)	(1,466)	(1,466)	117	(567)	(626)
Settlement/Curtailment loss (gain)	(3)	131	36	50	—	8
Defined benefit plans pension expense	1,108	643	8,487	17,496	21,781	19,295
Multi-employer plans	8,156	7,674	6,020	5,579	5,395	4,389
Defined contribution plans	7,522	6,197	527	5,901	5,722	2,329
Pension expense	\$ 16,786	\$ 14,514	\$ 15,034	\$ 28,976	\$ 32,898	\$ 26,013

The change in the financial status of the pension plans and amounts recognized in the Consolidated Balance Sheets at December 31, 2005 and 2004 are as follows:

Defined Benefit Pension Benefits
(In thousands)

	U. S. Plans		International Plans	
	2005	2004	2005	2004
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 243,568	\$ 221,695	\$ 746,573	\$ 660,441
Service cost	3,380	2,610	8,195	9,561
Interest cost	13,914	13,592	40,475	37,876
Plan participants' contributions	—	—	1,866	2,691
Amendments	711	—	—	—
Actuarial loss	5,300	18,094	86,447	15,074
Settlements/curtailments	—	(22)	(541)	(54)
Benefits paid	(11,244)	(12,401)	(28,602)	(30,113)
Obligations of added plans	—	—	20,695	—
Effect of foreign currency	—	—	(76,774)	51,097
Benefit obligation at end of year	\$ 255,629	\$ 243,568	\$ 798,334	\$ 746,573

Change in plan assets:

Fair value of plan assets at beginning of year	\$ 223,108	\$ 209,130	\$ 617,097	\$ 522,185
Actual return on plan assets	26,377	23,096	104,295	52,900
Employer contributions	8,439	3,283	40,367	34,528
Plan participants' contributions	—	—	1,868	2,692
Benefits paid	(11,244)	(12,401)	(28,225)	(29,774)
Plan assets of added plans	—	—	10,292	—
Effect of foreign currency	—	—	(75,545)	34,566
Fair value of plan assets at end of year	\$ 246,680	\$ 223,108	\$ 670,149	\$ 617,097

Funded status:

Funded status at end of year	\$ (8,949)	\$ (20,460)	\$ (128,185)	\$ (129,476)
Unrecognized net loss	54,593	60,173	229,454	240,797
Unrecognized transition (asset) obligation	(361)	(1,817)	332	478
Unrecognized prior service cost	3,802	3,858	9,643	12,085
Net amount recognized	\$ 49,085	\$ 41,754	\$ 111,244	\$ 123,884

Amounts recognized in the Consolidated Balance Sheets consist of the following:

Prepaid benefit cost	\$ 62,407	\$ 54,613	\$ —	\$ —
Accrued benefit liability	(31,416)	(37,187)	(85,625)	(91,115)
Intangible asset	2,173	3,209	9,537	11,733
Accumulated other comprehensive loss	15,921	21,119	187,332	203,266
Net amount recognized	\$ 49,085	\$ 41,754	\$ 111,244	\$ 123,884

The Company's best estimate of expected contributions to be paid in year 2006 for the U.S. defined benefit plans is \$1.0 million and for the international defined benefit plans is \$19.8 million.

Contributions to multiemployer pension plans were \$13.6 million and \$15.2 million in years 2005 and 2004, respectively. For defined contributions, payments were \$12.9 million and \$9.7 million for years 2005 and 2004, respectively.

Future Benefit Payments

The expected benefit payments for defined benefit plans over the next ten years are as follows:

(In millions)	International	
	U.S. Plans	Plans
2006	\$ 10.3	\$ 28.4
2007	11.2	28.5
2008	11.8	29.4
2009	12.6	30.4
2010	13.5	32.8
2011 - 2015	81.6	175.7

Net Periodic Pension Expense Assumptions

The weighted-average actuarial assumptions used to determine the net periodic pension expense for the years ended December 31 were as follows:

	Global Weighted Average		
	December 31		
	2005	2004	2003
Discount rates	5.7%	5.9%	6.0%
Expected long-term rates of return on plan assets	7.8%	7.9%	8.0%
Rates of compensation increase	3.4%	3.5%	3.4%

	U. S. Plans			International Plans		
	December 31			December 31		
	2005	2004	2003	2005	2004	2003
Discount rates	5.75%	6.25%	6.75%	5.7%	5.7%	5.8%
Expected long-term rates of return on plan assets	8.75%	8.75%	8.9%	7.5%	7.5%	7.6%
Rates of compensation increase	4.0%	4.0%	3.8%	3.3%	3.4%	3.3%

The expected long-term rates of return on plan assets for the 2006 pension expense are 8.25% for the U.S. plans and 7.4% for the international plans.

Defined Benefit Pension Obligation Assumptions

The weighted-average actuarial assumptions used to determine the defined benefit pension plan obligations at December 31 were as follows:

	Global Weighted Average		
	December 31		
	2005	2004	2003
Discount rates	5.3%	5.7%	5.9%
Rates of compensation increase	3.4%	3.5%	3.5%

	U. S. Plans			International Plans		
	December 31			December 31		
	2005	2004	2003	2005	2004	2003
Discount rates	5.87%	5.75%	6.25%	5.2%	5.7%	5.7%
Rates of compensation increase	4.36%	4.0%	4.0%	3.2%	3.3%	3.4%

The U.S. discount rate was determined using a yield curve that was produced from a universe containing over 500 U.S.-issued, AA-rated corporate bonds, all of which were noncallable (or callable with make whole provisions), and excluding the 10% of the bonds with the highest yields and the 10% with the lowest yields. The discount rate was then developed as the level-equivalent rate that would produce the same present value as that using spot rates to discount the projected benefit payments. For international plans, the discount rate is aligned to Corporate bond yields in the local markets, normally AA-rated Corporations. The process and selection seeks to approximate the cash outflows with the timing and amounts of the expected benefit payments. As of the September 30, 2005 measurement date, these rates have declined by about one half of one percent from the prior year.

Accumulated Benefit Obligations

The accumulated benefit obligation for all defined benefit pension plans at December 31 was as follows:

(In millions)	International Plans	
	U.S. Plans	Plans
2005	\$ 244.4	\$ 744.7
2004	231.6	705.3

Plans with Accumulated Benefit Obligation in Excess of Plan Assets

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 at December 31 were as follows:

(In millions)	U. S. Plans		International Plans	
	2005	2004	2005	2004
Projected benefit obligation	\$ 76.8	\$ 75.6	\$ 778.2	\$ 737.3
Accumulated benefit obligation	74.2	73.8	730.1	697.8
Fair value of plan assets	44.9	40.7	644.8	605.4

The decrease in the minimum liability included in other comprehensive income (loss) net of taxes was \$14.7 million in 2005. The increase in the minimum liability included in other comprehensive income (loss) net of taxes was (\$4.5) million in 2004.

The asset allocations attributable to the Company's U.S. pension plans at October 31, 2005 and 2004 and the target allocation of plan assets for 2006, by asset category, are as follows:

U.S. Plans Asset Category	Target 2006 Allocation	Percentage of Plan Assets at October 31	
		2005	2004
Domestic Equity Securities	47% - 57%	51.9%	52.6%
Fixed Income Securities	27% - 37%	29.0%	32.5%
International Equity Securities	4.5% - 14.5%	10.7%	10.5%
Cash & Cash Equivalents	0% - 5%	4.1%	1.8%
Other	2% - 6%	4.3%	2.6%

Plan assets are allocated among various categories of equities, fixed income, cash and cash equivalents with professional investment managers whose performance is actively monitored. The primary investment objective is long-term growth of assets in order to meet present and future benefit obligations. The Company periodically conducts an asset/liability modeling study to ensure the investment strategy is aligned with the profile of benefit obligations.

The Company reviews the long-term expected return on asset assumption on a periodic basis taking into account a variety of factors including the historical investment returns achieved over a long-term period, the targeted allocation of plan assets and future expectations based on a model of asset returns for an actively managed portfolio, inflation and administrative/other expenses. The model simulates 500 different capital market results over 15 years. For 2006, the expected return on asset assumption is 8.25%. The Company had lowered its expected return on asset assumption from 8.75% in 2005 and 2004 due to changes in capital market expectations.

The U.S. defined benefit pension plans assets include 382,640 shares of the Company's stock valued at \$24.4 million and \$18.2 million on October 31, 2005 and 2004, respectively, representing 9.9% and 8.2%, respectively, of total plan assets. As part of a rebalancing of the pension fund to further diversify the plan assets, approximately one-half of the pension

fund's holdings in the Company's stock were sold in the second quarter of 2004. As of December 31, 2005, the Company's stock represented 9.9% of total plan assets. The Company is considering a further rebalancing of the Company's stock in the pension fund during 2006. Dividends paid to the pension plans on the Company stock amounted to \$0.4 million in 2005 and \$0.6 million in 2004.

The asset allocations attributable to the Company's international plans at September 30, 2005 and 2004 and the target allocation of plan assets for 2006, by asset category, are as follows:

International Plans Asset Category	Target 2006 Allocation	Percentage of Plan Assets at September 30	
		2005	2004
Equity Securities	55.5% - 64.5%	57.1%	57.5%
Fixed Income Securities	37.5% - 42.5%	40.8%	42.0%
Cash & Cash Equivalents	0%	1.0%	0.4%
Other	0%	1.1%	0.1%

Plan assets as of September 30, 2005, in the United Kingdom (U.K.) defined benefit pension plan amounted to over 90% of the international pension assets. These assets were divided into portfolios representing various categories of equities, fixed income, cash and cash equivalents managed by a number of professional investment managers.

The primary investment objective is long-term growth of assets in order to meet present and future benefit obligations. The Company periodically conducts asset/liability modeling studies to ensure the investment strategies are aligned with the profile of benefit obligations. For the international long-term rate of return, the Company considered the current level of expected returns in risk-free investments (primarily government bonds), the historical level of the risk premium associated with other asset classes in which the portfolio is invested and the expectations for future returns of each asset class and plan expenses. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets. The expected return-on-asset assumption was 7.75% for the U.K. plan in 2005. The Company has reduced the expected rate of return to 7.50% for 2006. The remaining international pension plans with assets representing less than 10% of the international pension assets are under the guidance of professional investment managers and have similar investment objectives.

Postretirement Benefits

The Company has postretirement health care benefits for a limited number of employees mainly under plans related to acquired companies and postretirement life insurance benefits for certain hourly employees. The costs of health care and life insurance 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 Company uses an October 31 measurement date for its postretirement benefit plans.

(In thousands)	2005	2004	2003
Postretirement Benefits Expense (Income)			
Service cost	\$ 7	\$ 11	\$ 21
Interest cost	200	342	553
Recognized prior service costs	7	32	32
Recognized (gains) or losses	(37)	39	66
Curtailement gains	(318)	(2,236)	(4,898)
Postretirement benefit income	\$ (141)	\$ (1,812)	\$ (4,226)

The curtailment gains of \$0.3 million for 2005 and \$2.2 million for 2004 were due to the termination of certain retiree health care plans. The curtailment gain of \$4.9 million for 2003 was due to the termination of certain retiree life insurance and health care plans.

Effective October 31, 2004, the Company adopted the provisions of Financial Accounting Standards Board Staff Position No. 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" (FSP FAS 106-2). Adoption of FSP FAS 106-2 reduced the Company's accumulated postretirement benefit obligation by \$0.3 million as of December 31, 2004. This amount was treated as an unrecognized actuarial gain. The Company deferred re-measurement of its postretirement health care benefit obligation until its measurement date, so there was no effect on 2004 reported expense. The year 2005 expense decreased by \$36 thousand, after reflecting the value of the federal subsidy. The Company's accumulated postretirement benefit obligation decreased by \$255 thousand as of December 31, 2005.

The changes in the postretirement benefit liability recorded in the Consolidated Balance Sheets are as follows:

Postretirement Benefits

(In thousands)

	2005	2004
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 4,187	\$ 7,405
Service cost	7	11
Interest cost	200	342
Actuarial gain	(117)	(654)
Plan participants' contributions	25	48
Benefits paid	(311)	(369)
Plan amendments	—	4
Curtailement	(670)	(2,600)
Benefit obligation at end of year	\$ 3,321	\$ 4,187

Funded status:

Funded status at end of year	\$ (3,321)	\$ (4,187)
Unrecognized prior service cost	17	296
Unrecognized net actuarial gain	(256)	(95)
Net amount recognized as accrued benefit liability	\$ (3,560)	\$ (3,986)

The actuarial assumptions used to determine the postretirement benefit obligation are as follows:

(Dollars in thousands)	2005	2004	2003
Assumed discount rate	5.87%	5.75%	6.25%
Health care cost trend rate	10.00%	10.00%	12.00%
Decreasing to ultimate rate	5.00%	5.00%	5.00%

Effect of one percent increase in health care cost trend rate:

On total service and interest cost components	\$ 10	\$ 15	\$ 24
On postretirement benefit obligation	\$ 166	\$ 239	\$ 373

Effect of one percent decrease in health care cost trend rate:

On total service and interest cost components	\$ (9)	\$ (13)	\$ (21)
On postretirement benefit obligation	\$ (149)	\$ (212)	\$ (336)

It is anticipated that the health care cost trend rate will decrease from 10% in 2006 to 5.0% in the year 2011.

The assumed discount rates to determine the postretirement benefit expense for the years 2005, 2004 and 2003 were 5.75%, 6.25% and 6.75%, respectively.

The Company's expected benefit payments over the next ten years are as follows:

(In thousands)	Benefits Payments Before Subsidy	Expected Subsidy Under Medicare Modernization Act
2006	\$ 326	\$ 27
2007	320	27
2008	321	28
2009	319	28
2010	314	28
2011 - 2015	1,435	125

Savings Plan

Prior to January 1, 2004, the Company had a 401(k) Savings Plan (the Savings Plan) which covered substantially all U.S. employees with the exception of employees represented by a collective bargaining agreement, unless the agreement expressly provides otherwise. Effective January 1, 2004, certain U.S. employees previously covered by the Savings Plan were transferred into the Harsco Retirement Savings & Investment Plan (HRSIP) which is a defined contribution pension plan. The transferred employees were those whose credited years of service under the qualified Defined Benefit Pension Plan were frozen as of December 31, 2003 (as discussed in the Pension Benefits section of this footnote). Employees whose credited service was not frozen as of December 31, 2003 remained in the Savings Plan. The expenses related to the HRSIP are included in the defined contribution pension plans disclosure in the Pension Benefits section of this footnote.

Employee contributions to the Savings Plan are generally determined as a percentage of covered employees' compensation. The expense for contributions to the Savings Plan by the Company was \$ 0.9 million, \$0.4 million and \$3.5 million for 2005, 2004 and 2003, respectively.

Employee directed investments in the Savings Plan and HRSIP include the following amounts of Company stock:

(Dollars in millions)	Company Shares in Plans					
	December 31, 2005		December 31, 2004		December 31, 2003	
	Number of Shares	Fair Market Value	Number of Shares	Fair Market Value	Number of Shares	Fair Market Value
Savings Plan	929,537	\$ 62.8	1,017,241	\$ 56.7	2,143,820	\$ 93.9
HRSIP	921,258	62.2	954,442	53.2	—	—

Executive Incentive Compensation Plan

The amended 1995 Executive Incentive Compensation Plan, as approved by the Management Development and Compensation Committee of the Board of Directors, provides the basis for determination of annual incentive compensation awards under a performance-based Economic Value Added (EVA®) plan. Actual cash awards are usually paid in January or February of the following year. The Company accrues amounts reflecting the estimated value of incentive compensation anticipated to be earned for the year. Total executive incentive compensation expense was \$6.1 million, \$4.5 million and \$4.0 million in 2005, 2004 and 2003, respectively. The 2005 expense included performance-based restricted stock units (RSUs) that were granted to certain officers of the Company. There were no RSUs granted to officers in 2004 or 2003. See Note 12, "Stock-Based Compensation," for additional information on the equity component of executive compensation.

9. Income Taxes

Income before income taxes and minority interest for both continuing and discontinued operations in the Consolidated Statements of Income consists of the following:

(In thousands)	2005		2004		2003	
United States	\$	74,013	\$	57,566	\$	53,549
International		156,107		125,619		90,480
Total income before income taxes and minority interest	\$	230,120	\$	183,185	\$	144,029
Income tax expense/(benefit):						
Currently payable:						
Federal	\$	24,260	\$	(2,788)	\$	5,275
State		637		(281)		(961)
International		34,381		31,471		24,233
Total income taxes currently payable		59,278		28,402		28,547
Deferred federal and state						
Deferred federal and state		4,550		17,110		12,255
Deferred international		887		7,797		3,815
Total income tax expense	\$	64,715	\$	53,309	\$	44,617
Continuing Operations						
Continuing Operations	\$	64,771	\$	49,034	\$	41,708
Discontinued Operations						
Discontinued Operations		(56)		4,275		2,909
Total income tax expense	\$	64,715	\$	53,309	\$	44,617

Cash payments for income taxes were \$58.6 million, \$26.2 million and \$23.5 million, for 2005, 2004 and 2003, respectively.

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

	2005	2004	2003
U.S. federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit	0.7	1.0	0.3
Export sales corporation benefit/domestic manufacturing deduction	(0.6)	(0.6)	(0.7)
Deductible 401(k) dividends	(0.4)	(0.4)	(0.6)
Losses for which no tax benefit was recorded	0.0	0.0	0.1
Difference in effective tax rates on international earnings and remittances	(5.4)	(1.7)	(2.2)
Settlement of tax contingencies	(0.9)	(3.3)	(1.1)
Other, net	(0.3)	(0.9)	0.2
Effective income tax rate	28.1%	29.1%	31.0%

The difference in effective tax rates on international earnings and remittances from 2004 to 2005 includes a one-time benefit recorded in the fourth quarter of 2005 of \$2.7 million associated with funds repatriated under the American Jobs Creation Act of 2004 (AJCA). Additionally, during the fourth quarter of 2005, consistent with the Company's strategic plan of investing for growth, the Company designated certain international earnings as permanently reinvested which resulted in a one-time income tax benefit of \$3.6 million.

The tax effects of the primary temporary differences giving rise to the Company's deferred tax assets and liabilities for the years ended December 31, 2005 and 2004 are as follows:

(In thousands)	2005		2004	
	Asset	Liability	Asset	Liability
Deferred income taxes				
Depreciation	\$ —	\$ 143,802	\$ —	\$ 111,967
Expense accruals	23,951	—	22,437	—
Inventories	3,510	—	3,268	—
Provision for receivables	1,578	—	3,225	—
Postretirement benefits	1,340	—	1,475	—
Deferred revenue	—	4,941	—	3,770
Operating loss carryforwards	22,340	—	19,667	—
Deferred foreign tax credits	8,708	—	—	—
Pensions	26,764	17,129	25,649	9,493
Currency translation adjustment	2,846	—	—	—
Other	4,615	428	5,292	4,071
Subtotal	95,652	166,300	81,013	129,301
Valuation allowance	(21,682)	—	(17,492)	—
Total deferred income taxes	\$ 73,970	\$ 166,300	\$ 63,521	\$ 129,301

At December 31, 2005 and 2004, Other current assets included deferred income tax benefits of \$29.8 million and \$28.9 million, respectively.

At December 31, 2005, after-tax net operating loss carryforwards (NOLs) totaled \$22.3 million. Of that amount, \$10.8 million is attributable to international operations, \$0.3 million can be carried forward five years, \$0.8 million can be carried forward ten years and \$9.7 million can be carried forward indefinitely. After-tax federal NOLs are \$2.0 million and expire in 2018. After-tax U.S. state NOLs are \$9.5 million. Of that amount, \$1.3 million expire in 2006-2012, \$3.9 million expire in 2013-2020, and \$4.3 million expire in 2025. Included in the above-mentioned total are \$8.1 million of preacquisition NOLs.

The valuation allowance of \$21.7 million and \$17.5 million at December 31, 2005 and 2004, respectively, related principally to NOLs 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 goodwill.

The change in the valuation allowances for 2005 and 2004 results primarily from the utilization of NOLs, the release of valuation allowances in certain jurisdictions based on the Company's revaluation of the realizability of future benefits, recent acquisitions and the increase in valuation allowances in certain jurisdictions based on the Company's revaluation of the realizability of future benefits.

The Company has not provided U.S. income taxes on certain of its non-U.S. subsidiaries' undistributed earnings as such amounts are permanently reinvested outside the U.S. At December 31, 2005 and 2004, such earnings were approximately \$295 million and \$86 million, respectively. The Company has various tax holidays in Europe, the Middle East and Asia that expire between 2005 and 2010. During 2005, 2004 and 2003, these tax holidays resulted in approximately \$2.4 million, \$4.2 million and \$3.6 million, respectively, in reduced income tax expense.

On October 22, 2004, the AJCA was signed into law. The AJCA includes a deduction of 85% for certain international earnings that are repatriated, as defined in the AJCA, to the U.S. The Company completed its evaluation of the repatriation provisions of the AJCA and repatriated qualified earnings of approximately \$24 million in the fourth quarter of 2005. This resulted in the Company receiving a one-time income tax benefit of approximately \$2.7 million during the fourth quarter of 2005.

10. Commitments and 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 Sheets at December 31, 2005 and 2004 include accruals of \$2.8 million and \$2.7 million, respectively, for environmental matters. The amounts charged against pre-tax income related to environmental matters totaled \$1.5 million, \$2.1 million and \$1.4 million in 2005, 2004 and 2003, respectively.

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, results of operations or cash flows.

Royalty Expense Dispute

The Company is involved in a royalty expense dispute with Canada Revenue Agency ("CRA"). The CRA is proposing to disallow certain royalty expense deductions claimed by the Company's Canadian subsidiary on its 1994-1998 tax returns. As of December 31, 2005, the maximum assessment from the CRA for the period 1994-1998 is approximately \$10.0 million including tax and interest. The Ontario Ministry of Finance ("Ontario") is also proposing to disallow these same deductions for the period 1994-1998. As of December 31, 2005, the maximum assessment from Ontario is approximately \$3.3 million including tax and interest. The Company has filed administrative appeals and will vigorously contest these disallowances.

The Company currently anticipates that, ultimately, it may have liability for some portion of the assessment in this royalty expense dispute. However, the Company intends to utilize competent authority proceedings in the U.S. to recover a portion of any required tax payment amount. The Company believes that any amount not recovered through these proceedings has been fully reserved as of December 31, 2005 and, therefore will not have a material adverse effect on the Company's future results of operations or financial condition. In accordance with Canadian tax law, the Company made a payment to the CRA in the fourth quarter of 2005 of \$5.0 million, or one-half of the disputed amount. Additionally, the Company has agreed to pay Ontario approximately \$22 thousand per month until the claim with CRA has been settled. These payments were made for tax compliance purposes and to reduce potential interest expense on the disputed amount. These payments in no way reflect the Company's acknowledgement as to the validity of the assessed amounts.

Other

The Company has been named as one of many defendants (approximately 90 or more in most cases) in legal actions alleging personal injury from exposure to airborne asbestos over the past several decades. In their suits, the plaintiffs have named as defendants, among others, many manufacturers, distributors and installers of numerous types of equipment or products that allegedly contained asbestos.

The Company believes that the claims against it are without merit. The Company has never been a producer, manufacturer or processor of asbestos fibers. Any component within a Company product which may have contained asbestos would have been purchased from a supplier. Based on scientific and medical evidence, the Company believes that any asbestos exposure arising from normal use of any Company product never presented any harmful levels of airborne asbestos exposure, and moreover, the type of asbestos contained in any component that was used in those products was protectively encapsulated in other materials and is not associated with the types of injuries alleged in the pending suits. Finally, in most of the depositions taken of plaintiffs to date in the litigation against the Company, plaintiffs have failed to specifically identify any Company products as the source of their asbestos exposure.

The majority of the asbestos complaints pending against the Company have been filed in either New York or Mississippi. Almost all of the New York complaints contain a standard claim for damages of \$20 million or \$25 million against the approximately 90 defendants, regardless of the individual's alleged medical condition, and without specifically identifying any Company product as the source of plaintiff's asbestos exposure. With respect to the Mississippi complaints, most contain a standard claim for an unstated amount of damages against the numerous defendants (typically 240 to 270), without specifically identifying any Company product as the source of plaintiff's alleged asbestos exposure.

As of December 31, 2005, there are 27,216 pending asbestos personal injury claims filed against the Company. Of these cases, 26,239 were pending in the New York Supreme Court for New York County in New York State and 622 of the cases were pending in state courts of various counties in Mississippi. The other claims, totaling approximately 355, are

filed in various counties in a number of state courts, and in certain Federal District Courts, and those complaints assert lesser amounts of damages than the New York cases or do not state any amount claimed.

As of December 31, 2005, the Company has obtained dismissal by stipulation, or summary judgment prior to trial, in 16,114 cases.

In view of the persistence of asbestos litigation nationwide, which has not yet been sufficiently addressed either politically or legally, the Company expects to continue to receive additional claims. However, there have been developments during the past several years, both by certain state legislatures and by certain state courts, which could favorably affect the Company's ability to defend these asbestos claims in those jurisdictions. These developments include procedural changes, docketing changes, proof of damage requirements and other changes that require plaintiffs to follow specific procedures in bringing their claims and to show proof of damages before they can proceed with their claim. An example is the action taken by the New York Supreme Court (a trial court), which is responsible for managing all asbestos cases pending within New York County in the State of New York. This Court issued an order in December of 2002 that created a Deferred or Inactive Docket for all pending and future asbestos claims filed by plaintiffs who cannot demonstrate that they have a malignant condition or discernable physical impairment, and an Active or In Extremis Docket for plaintiffs who are able to show such medical condition. As a result of this order, the majority of the asbestos cases filed against the Company in New York County have been moved to the Inactive Docket until such time as the plaintiff can show that they have incurred a physical impairment. As of December 31, 2005, the Company has been listed as a defendant in 262 Active or In Extremis asbestos cases in New York County. The Court's Order has been challenged by plaintiffs.

The Company's insurance carrier has paid all legal and settlement costs and expenses to date. The Company has liability insurance coverage available under various primary and excess policies that the Company believes will be available, if necessary, to substantially cover any liability that might ultimately be incurred on these claims.

The Company intends to continue its practice of vigorously defending these cases as they are listed for trial. It is not possible to predict the ultimate outcome of asbestos-related lawsuits, claims and proceedings due to the unpredictable nature of personal injury litigation. Despite this uncertainty, and although results of operations and cash flows for a given period could be adversely affected by asbestos-related lawsuits, claims and proceedings, management believes that the ultimate outcome of these cases will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

The Company is subject to various other claims and legal proceedings 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, results of operations or cash flows of the Company.

Insurance liabilities are recorded in accordance with SFAS 5, "Accounting for Contingencies." Insurance reserves have been estimated based primarily upon actuarial calculations and reflect the undiscounted estimated liabilities for ultimate losses including claims incurred but not reported. Inherent in these estimates are assumptions which are based on the Company's history of claims and losses, a detailed analysis of existing claims with respect to potential value, and current legal and legislative trends. If actual claims differ from those projected by management, changes (either increases or decreases) to insurance reserves may be required and would be recorded through income in the period the change was determined. When a recognized liability is covered by third-party insurance, the Company records an insurance claim receivable to reflect the covered liability. See Note 1, "Summary of Significant Accounting Policies," for additional information on Accrued Insurance and Loss Reserves.

11. Capital Stock

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

announcement that a person or group has accumulated 15% or more of the Company's common stock. At December 31, 2005, 750,000 shares of \$1.25 par value preferred stock were reserved for issuance upon exercise of the rights.

The Board of Directors has authorized the repurchase of shares of common stock as follows:

	No. of Shares Authorized to be Purchased January 1	No. of Shares Purchased	Additional Shares Authorized for Purchase	Remaining No. of Shares Authorized for Purchase December 31
2003	499,154	—	500,846	1,000,000
2004	1,000,000	—	—	1,000,000
2005	1,000,000	(133)(a)	—	1,000,000

(a) The 133 shares purchased were not part of the share repurchase program. They were shares which a retired employee sold to the Company in order to pay personal federal and state income taxes on shares issued to the employee upon retirement.

On June 24, 2003, the Board of Directors increased the share repurchase authorization to 1,000,000 shares. In November 2005, the Board of Directors extended the share purchase authorization through January 31, 2007 for the 1,000,000 shares still remaining from the prior authorization.

In 2005, 2004 and 2003, additional issuances of treasury shares of 5,306 shares, 11,195 shares and 3,633 shares, respectively, were made for SGB stock option exercises, employee service awards and shares related to vested restricted stock units.

The following table summarizes the Company's common stock:

	Common Stock		
	Shares Issued	Treasury Shares	Outstanding Shares
Outstanding, January 1, 2003	67,034,010	26,494,610	40,539,400
Stock Options Exercised	323,437	(2,043)	325,480
Other	—	(1,590)	1,590
Outstanding, December 31, 2003	67,357,447	26,490,977	40,866,470
Stock Options Exercised	553,584	(10,945)	564,529
Other	—	(250)	250
Outstanding, December 31, 2004	67,911,031	26,479,782	41,431,249
Stock Options Exercised	346,754	(4,086)	350,840
Other	—	(1,220)	1,220
Purchases	—	133	(133)
Outstanding, December 31, 2005	68,257,785	26,474,609	41,783,176

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 Statements of Income:

(Amounts in thousands, except per share data)	2005	2004	2003
Income from continuing operations	\$ 156,750	\$ 113,540	\$ 86,999
Average shares of common stock outstanding used to compute basic earnings per common share	41,642	41,129	40,690
Dilutive effect of stock options and restricted stock units	438	469	283
Shares used to compute dilutive effect of stock options	42,080	41,598	40,973
Basic earnings per common share from continuing operations	\$ 3.76	\$ 2.76	\$ 2.14
Diluted earnings per common share from continuing operations	\$ 3.73	\$ 2.73	\$ 2.12

All outstanding stock options were included in the computation of diluted earnings per share at December 31, 2005 and 2004. Options to purchase 32,000 shares were outstanding at December 31, 2003, but were not included in the computation of diluted earnings per share because the effect was antidilutive.

12. Stock-Based Compensation

In 2004, the Company's stockholders approved an amendment to the 1995 Non-Employee Directors' Stock Plan whereby non-employee directors are granted restricted stock or restricted stock units instead of stock options. In 2005, 6,000 restricted stock units with a fair value of \$53.75 per unit were granted to the non-employee directors. Each non-employee director was granted 750 restricted stock units vesting after one year. In 2004, 3,500 restricted stock units with a fair value of \$43.42 per unit were granted to the non-employee directors. Each non-employee director was granted 500 restricted stock units vesting after one year. The restricted stock units require no payment from the recipient and compensation cost is measured based on the market price on the grant date and is recorded over the vesting period. Restricted stock units issued to non-employee directors will be exchanged for a like number of shares of Company stock following termination of the participant's service as a director. As issued, restricted stock units do not have an option for cash payout. Compensation expense related to the non-employee directors restricted stock unit awards totaled \$0.3 million in 2005.

In 2004, the Company's stockholders approved a proposal to amend the 1995 Executive Incentive Compensation Plan in order to meet new requirements of the New York Stock Exchange and to comply with tax law changes. During 2004, no stock options or restricted stock units were granted to officers or employees. In 2004, the Management Development and Compensation Committee of the Board of Directors approved the granting of restricted stock units as the long-term equity component of officer compensation. In the first quarter of 2005, the Company issued 32,700 performance-based restricted stock units with a fair value of \$50.41 per unit to certain officers of the Company. Additionally, in the first quarter of 2006, the Company issued 46,550 performance-based restricted stock units with a fair value of \$67.70 per unit to certain officers of the Company. Restricted stock units granted to officers vest after three years of continuous employment. After the restricted stock units vest, they will be exchanged for a like number of shares of Company stock. These restricted stock units are not redeemable for cash. Compensation expense related to the officers' restricted stock unit awards totaled \$0.5 million in 2005.

No stock options were granted during 2004 and 2005. During 2003, stock options were only granted to non-employee directors. The fair value of stock options granted during 2003 was estimated on the date of grant using the binomial option pricing model. The Company discloses the pro forma effect of accounting for stock options under the fair value method in Note 1, "Summary of Significant Accounting Policies." The weighted-average assumptions used and the estimated fair value are as follows:

Stock Options	2003
Expected term	7.5 years
Expected stock volatility	32.7%
Risk-free interest rate	3.46%
Dividend	\$ 1.05
Rate of dividend increase	4.63%
Fair value	\$ 9.70

Prior to 2003, the Company had granted stock options for the purchase of its common stock to officers, certain key employees and directors under two stockholder-approved plans. The 1995 Executive Incentive Compensation Plan authorizes the issuance of up to 4,000,000 shares of the Company's common stock for use in paying incentive compensation awards in the form of stock options or other equity awards such as restricted stock, restricted stock units, or stock appreciation rights. The 1995 Non-Employee Directors' Stock Plan authorizes the issuance of up to 300,000 shares of the Company's common stock for equity awards.

Options were granted at fair market value on the date of grant. Options issued in 2002 under the 1995 Executive Incentive Compensation Plan generally vest and become exercisable commencing two years following the date of grant. Options issued under the 1995 Non-Employee Directors' Stock Plan become exercisable commencing one year following the date of grant but vest immediately. The options under both Plans expire ten years from the date of grant. Upon stockholder approval of these two plans in 1995, the Company terminated the use of the 1986 Stock Option Plan for granting of stock option awards. At December 31, 2005, there were 1,282,931 and 156,500 shares available for granting

equity awards under the 1995 Executive Incentive Compensation Plan and the 1995 Non-Employee Directors' Stock Plan, respectively.

Changes during 2005, 2004 and 2003 in stock options outstanding were as follows:

	Stock Options	
	Shares Under Option	Weighted Average Exercise Price
Outstanding, January 1, 2003	2,123,113	\$ 30.30
Granted	16,000(a)	33.92
Exercised	(325,480)	27.15
Terminated and expired	(118,553)	33.76
Outstanding, December 31, 2003	1,695,080	30.72
Granted	—	—
Exercised	(564,529)	30.02
Terminated and expired	(9,450)	40.25
Outstanding, December 31, 2004	1,121,101(b)	31.01
Granted	—	—
Exercised	(370,836)	29.10
Terminated and expired	(1,240)	33.41
Outstanding, December 31, 2005	749,025(c) \$	31.93

(a) During 2003, options were only granted to non-employee directors.

(b) Included in options outstanding at December 31, 2004 were 5,107 options granted to SGB key employees as part of the Company's acquisition of SGB in 2000. These options are not a part of the 1995 Executive Compensation Plan, or the 1995 Non-Employee Directors' Stock Plan.

(c) Included in options outstanding at December 31, 2005 were 681 options granted to SGB key employees as part of the Company's acquisition of SGB in 2000. These options are not a part of the 1995 Executive Compensation Plan, or the 1995 Non-Employee Directors' Stock Plan.

Options to purchase 731,705 shares, 1,098,831 shares and 1,187,938 shares were exercisable at December 31, 2005, 2004 and 2003, respectively. The following table summarizes information concerning outstanding and exercisable options at December 31, 2005.

Range of Exercisable Prices	Stock Options Outstanding			Stock Options Exercisable	
	Number Outstanding	Remaining Contractual Life In Years	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$25.63 - \$29.00	263,852	4.27	\$ 27.49	254,892	\$ 27.56
29.31 - 32.65	272,005	5.99	32.53	272,005	32.53
32.81 - 46.16	213,168	2.60	36.67	204,808	36.72
	749,025			731,705	

13. Financial Instruments

Off-Balance Sheet Risk

As collateral for the Company's performance and to insurers, the Company is contingently liable under standby letters of credit, bonds and bank guarantees in the amount of \$154.0 million and \$239.1 million at December 31, 2005 and 2004, respectively. These standby letters of credit, bonds and bank guarantees 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 percent to 1.90 percent per annum of their face value. If the Company were required to obtain replacement standby letters of credit, bonds and bank guarantees as of December 31, 2005 for those currently outstanding, it is the Company's opinion that the replacement costs would not vary significantly from the present fee structure.

The Company has currency exposures in over 45 countries. The Company's primary foreign currency exposures during 2005 were in Brazil, the United Kingdom, Canada, Australia and members of the European Economic and Monetary Union who use the euro as their currency.

Off-Balance Sheet Risk - Third Party Guarantees

In connection with the licensing of one of the Company's trade names and providing certain management services (the furnishing of selected employees), the Company guarantees the debt of certain third parties related to its international operations. These guarantees are provided to enable the third parties to obtain financing of their operations. The Company receives fees from these operations, which are included as Services sales in the Company's Consolidated Statements of Income. The revenue the Company recorded from these entities was \$1.9 million, \$1.0 million and \$1.5 million for the twelve months ended December 31, 2005, 2004 and 2003, respectively. The guarantees are renewed on an annual basis and the Company would only be required to perform under the guarantees if the third parties default on their debt. The maximum potential amount of future payments (undiscounted) related to these guarantees was \$2.9 million at December 31, 2005 and 2004. There is no recognition of this potential future payment in the accompanying financial statements as the Company believes the potential for making these payments is remote. These guarantees were renewed in June 2005, September 2005 and November 2005.

The Company provided an environmental indemnification for property that was sold to a third party in 2004. The term of this guarantee is seven years and the Company would only be required to perform under the guarantee if an environmental matter is discovered on the property relating to the time the Company owned the property and was not known by the buyer at the date of sale. The Company is not aware of any environmental issues related to this property. The maximum potential amount of future payments (undiscounted) related to this guarantee is \$0.8 million at December 31, 2005 and 2004. There is no recognition of this potential future payment in the accompanying financial statements as the Company believes the potential for making this payment is remote.

Every three years, the Company requires a third party to review procedures and record keeping related to the production of certain products. Commencing in 2004, the Company provided an indemnification for any costs incurred by the third party resulting from an injury while these services are being provided to the Company. In addition, the Company provided an indemnification for certain costs resulting from an outside claim against the third party. The indemnification is provided for as long as the Company is producing products which meet the third party's specifications. At December 31, 2005 and 2004, the maximum potential amount of future payments (undiscounted) related to this guarantee is \$3.0 million per occurrence. This amount represents the Company's self-insured maximum limitation. There is no specific recognition of this potential future payment in the accompanying financial statements as the Company is not aware of any claims.

Prior to the Company's acquisition of the business, Hünnebeck guaranteed certain third party debt to leasing companies in connection with the sale of equipment. The guarantees expire on June 30, 2006, December 1, 2006 and December 1, 2008. At December 31, 2005, the maximum potential amount of future payments (undiscounted) related to these guarantees was \$0.3 million. The Company would only be required to perform under the guarantees if a customer defaulted on the lease payments. There is no recognition of these potential future payments in the accompanying financial statements as the Company believes the potential for making these payments is remote.

Liabilities for the fair value of each of the guarantee instruments noted above were recognized in accordance with FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45). These liabilities are included in Other current liabilities or Other liabilities (as appropriate) on the Consolidated Balance Sheets. The recognition of these liabilities did not have a material impact on the Company's financial condition or results of operations for the twelve months ended December 31, 2005 or 2004.

In the normal course of business, the Company provides legal indemnifications related primarily to the performance of its products and services and patent and trademark infringement of its goods and services sold. These indemnifications generally relate to the performance (regarding function, not price) of the respective goods or services and therefore no liability is recognized related to the fair value of such guarantees.

Derivative Instruments and Hedging Activities

The Company has several hedges of net investment recorded in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133). The Company recorded a credit of \$16.3 million and a debit

of \$8.5 million during 2005 and 2004, respectively, in the foreign currency translation adjustments line of Other comprehensive income (loss) related to hedges of net investments.

At December 31, 2005 and 2004, the Company had \$157.9 million and \$93.7 million contracted amounts, respectively, of foreign currency forward exchange contracts outstanding. These contracts are part of a worldwide program to minimize foreign currency exchange operating income and balance sheet exposure. The unsecured contracts mature within twelve months and are with major financial institutions. The Company may be 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 and does not expect default by them. Foreign currency forward exchange contracts are used to hedge commitments, such as foreign currency debt, firm purchase commitments and foreign currency cash flows for certain export sales transactions.

The following tables summarize by major currency the contractual amounts of the Company's forward exchange contracts in U.S. dollars as of December 31, 2005 and 2004. 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.

Forward Exchange Contracts

(In thousands)		As of December 31, 2005		
	Type	U.S. Dollar Equivalent	Maturity	Recognized Gain (Loss)
Euros	Buy	\$ 14,343	January through June 2006	\$ (211)
Euros	Sell	1,987	January 2006	15
British pounds sterling	Buy	75,743	January 2006	(1,334)
British pounds sterling	Sell	56,929	January 2006	436
Canadian dollars	Buy	942	January 2006	5
Canadian dollars	Sell	1,886	January 2006	15
Taiwan dollars	Sell	6,088	August through November 2006	—
Total		\$ 157,918		\$ (1,074)

At December 31, 2005, the Company held forward exchange contracts in British pounds sterling, euros, Canadian dollars and Taiwan dollars which were used to offset certain future payments between the Company and its various subsidiaries or vendors. These contracts all mature by November 2006. The Company had outstanding forward contracts designated as SFAS 133 cash flow hedges in the amount of \$6.1 million at December 31, 2005. These forward contracts had a net unrealized loss of \$112 thousand that was included in Other comprehensive income (loss), net of deferred taxes, at December 31, 2005. The Company did not elect to treat the remaining contracts as hedges under SFAS 133 and so mark-to-market gains and losses were recognized in net income.

Forward Exchange Contracts

(In thousands)		As of December 31, 2004		
	Type	U.S. Dollar Equivalent	Maturity	Recognized Gain (Loss)
Euros	Buy	\$ 33,210	Through February 2005	\$ 368
Euros	Sell	40,779	January 2005	(968)
British pounds sterling	Buy	7,287	January 2005	(195)
Canadian dollars	Buy	7,210	January 2005	178
Canadian dollars	Sell	3,149	January 2005	(73)
Australian dollars	Buy	433	January 2005	14
Australian dollars	Sell	1,629	Through April 2005	(29)
Total		\$ 93,697		\$ (705)

At December 31, 2004, the Company held forward exchange contracts in British pounds sterling, euros, Canadian dollars and Australian dollars which were used to offset certain future payments between the Company and its various subsidiaries or vendors. These contracts all matured by April 2005. The Company had an outstanding forward contract designated as a SFAS 133 cash flow hedge in the amount of \$587 thousand at December 31, 2004. This forward contract had an unrealized gain of \$67 thousand that was included in Other comprehensive income (loss), net of deferred taxes, at December 31, 2004. The Company did not elect to treat the remaining contracts as hedges under SFAS 133 and so mark-to-market gains and losses were recognized in net income.

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 generally limited due to the Company's large number of customers and their dispersion across different industries and geographies. However, the Company's Mill Services Segment has several large customers throughout the world with significant accounts receivable balances. In December 2005, the Company acquired BISNH. This acquisition has increased the Company's corresponding concentration of credit risk to customers in the steel industry. Additionally, further consolidation in the global steel industry is possible. Should transactions occur involving some of the steel industry's larger companies, which are customers of the Company, it would result in an increase in concentration of credit risk for the Company. As part of its credit risk management practices, the Company is developing strategies to mitigate this increased concentration of credit risk.

The Company generally does not require collateral or other security to support customer receivables. If a receivable from one or more of these customers becomes uncollectible, it could have a material effect on the Company's results of operations and cash flows.

Fair Value of Financial Instruments

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

Cash and cash equivalents

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

Foreign currency forward exchange contracts

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

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.

The carrying amounts and estimated fair values of the Company's financial instruments as of December 31, 2005 and 2004 are as follows:

(In thousands)	Financial Instruments			
	2005		2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash and cash equivalents	\$ 120,929	\$ 120,929	\$ 94,093	\$ 94,093
Liabilities:				
Long-term debt including current maturities	\$ 911,925	\$ 947,406	\$ 609,664	\$ 651,456
Foreign currency forward exchange contracts	1,074	1,074	705	705

14. Information by Segment and Geographic Area

The Company reports information about its operating segments using the "management approach" in accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS 131). This approach is based on the way management organizes and reports 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. There were no significant inter-segment sales.

The Company's Divisions are aggregated into three reportable segments and an "all other" category labeled Engineered Products and Services. Due to management changes, effective January 1, 2004, the air-cooled heat exchangers business was reclassified from the Gas and Fluid Control Segment to the Other Infrastructure Products and Services ("all other") Category. In June 2004, the Company announced a new identity for its Gas and Fluid Control Segment and renamed it Gas Technologies. Additionally, the Other Infrastructure Products and Services ("all other") Category was

renamed the Engineered Products and Services (“all other”) Category. These segments and the types of products and services offered include the following:

Mill Services Segment

This segment provides on-site, outsourced services to steel mills and other metal producers such as aluminum. Services include slag processing; semi-finished inventory management; material handling; scrap management; in-plant transportation; and a variety of other services.

Access Services Segment

Major products and services include the rental and sale of scaffolding, shoring and concrete forming systems for non-residential construction and industrial maintenance projects, and a variety of other access services including project engineering and installation.

Products and services are provided to the oil, chemical and petrochemical industries; commercial and industrial construction contractors; public utilities; industrial plants; and the infrastructure repair and maintenance markets.

Gas Technologies

Major products and services include tanks, cylinders and valves for the containment and control of compressed gases.

Major customers include various industrial markets and users of compressed gases; the hospital, life support, and refrigerant gas industries; welding distributors; medical laboratories; beverage carbonation users; and the animal husbandry industry.

Engineered Products and Services (“all other”) Category

Major products and services include railway track maintenance equipment and services; industrial grating; air-cooled heat exchangers; granules for asphalt roofing shingles and abrasives for industrial surface preparation derived from coal slag; and boilers, water heaters and process equipment, including industrial blenders, dryers and mixers.

Major customers include private and government-owned railroads and urban mass transit systems worldwide; industrial plants and the non-residential and institutional construction and retrofit markets; the natural gas exploration and processing industry; asphalt roofing manufacturers; and the chemical, food processing and pharmaceutical industries.

Other Information

The measurement basis of segment profit or loss is operating income. Sales of the Company in the United States and the United Kingdom exceeded 10% of consolidated sales with 42% and 20%, respectively, in 2005; 42% and 21%, respectively, in 2004; and 43% and 21%, respectively, in 2003. There are no significant inter-segment sales.

No single customer represented 10% or more of the Company's sales during 2005, 2004 or 2003. However, the Mill Services Segment is dependent largely on the global steel industry and in 2005, there were three customers that each provided in excess of 10% of this segment's revenues under multiple long-term contracts at several mill sites, compared with two such customers for the years 2004 and 2003. The loss of any one of the contracts would not have a material adverse effect upon the Company's financial position or cash flows; however, it could have a material effect on quarterly or annual results of operations. Additionally, these customers have significant accounts receivable balances. In December 2005, the Company acquired BISNH. This acquisition has increased the Company's corresponding concentration of credit risk to these customers. Further consolidation in the global steel industry is also possible. Should transactions occur involving some of the steel industry's larger companies that are customers of the Company, it would result in an increase in concentration of credit risk for the Company.

Corporate assets include principally cash, insurance receivables, prepaid pension costs and United States deferred income taxes. Net Property, Plant and Equipment in the United States represents 33%, 34% and 35% of total Net Property, Plant and Equipment as of December 31, 2005, 2004 and 2003, respectively. Net Property, Plant and Equipment in the United Kingdom represents 23% of total Net Property, Plant and Equipment as of December 31, 2005, 2004 and 2003 and is disclosed separately in the geographic area information.

Segment Information

(In thousands)	Twelve Months Ended					
	December 31, 2005		December 31, 2004		December 31, 2003 (a)	
	Sales	Operating Income (Loss)	Sales	Operating Income (Loss)	Sales	Operating Income (Loss)
Mill Services Segment	\$ 1,060,354	\$ 109,591	\$ 997,410	\$ 105,490	\$ 827,521	\$ 85,874
Access Services Segment	788,750	74,742	706,490	44,464	619,069	37,388
Gas Technologies Segment	370,201	17,912	339,086	14,393	293,965	14,544
Segment Totals	2,219,305	202,245	2,042,986	164,347	1,740,555	137,806
Engineered Products and Services ("all other") Category	546,905	69,699	459,073	47,029	377,961	36,474
General Corporate	—	(2,996)	—	(1,527)	—	(388)
Consolidated Totals	\$ 2,766,210	\$ 268,948	\$ 2,502,059	\$ 209,849	\$ 2,118,516	\$ 173,892

(a) Segment information for 2003 has been reclassified to conform with the current presentation.

Reconciliation of Segment Operating Income to Consolidated Income Before Income Taxes and Minority Interest

(In thousands)	Twelve Months Ended		
	December 31 2005	December 31 2004	December 31 2003 (a)
	Segment operating income	\$ 202,245	\$ 164,347
Engineered Products and Services ("all other") Category	69,699	47,029	36,474
General Corporate Expense	(2,996)	(1,527)	(388)
Operating income from continuing operations	268,948	209,849	173,892
Equity in income of unconsolidated entities, net	74	128	321
Interest Income	3,165	2,319	2,202
Interest Expense	(41,918)	(41,057)	(40,513)
Income from continuing operations before income taxes and minority interest	\$ 230,269	\$ 171,239	\$ 135,902

(a) Segment information for 2003 has been reclassified to conform with the current presentation.

Segment Information

(In thousands)	Assets (a)			Depreciation and Amortization		
	2005	2004	2003 (b)	2005	2004	2003 (b)
Mill Services Segment	\$ 1,273,522	\$ 985,538	\$ 898,057	\$ 114,952	\$ 107,682	\$ 96,906
Access Services Segment	976,936	763,916	696,226	53,263	48,005	41,665
Gas Technologies Segment	253,276	257,233	239,500	12,610	12,735	13,086
Segment Totals	2,503,734	2,006,687	1,833,783	180,825	168,422	151,657
Engineered Products and Services (“all other”) Category	315,241	274,627	215,663	15,735	14,675	15,918
Corporate	156,829	108,442	88,589	1,505	1,274	1,360
Total	\$ 2,975,804	\$ 2,389,756	\$ 2,138,035	\$ 198,065	\$ 184,371	\$ 168,935

(a) Assets from discontinued operations of \$0.4 million, \$0.5 million and \$1.0 million in 2005, 2004 and 2003, respectively, are included in the Gas Technologies Segment.

(b) Segment information for 2003 has been reclassified to conform with the current presentation.

Capital Expenditures

(In thousands)	2005	2004	2003 (a)
Mill Services Segment	\$ 155,595	\$ 120,890	\$ 88,132
Access Services Segment	86,668	50,439	41,214
Gas Technologies Segment	6,438	8,958	7,837
Segment Totals	248,701	180,287	137,183
Engineered Products and Services (“all other”) Category	39,834	22,585	6,274
Corporate	1,704	1,363	367
Total	\$ 290,239	\$ 204,235	\$ 143,824

(a) Segment information for 2003 has been reclassified to conform with the current presentation.

Information by Geographic Area (a)

(In thousands)	Sales to Unaffiliated Customers			Net Property, Plant and Equipment		
	2005	2004	2003	2005	2004	2003
Geographic Area						
United States	\$ 1,157,034	\$ 1,047,416	\$ 902,400	\$ 371,039	\$ 313,391	\$ 306,997
United Kingdom	546,673	534,097	453,388	258,786	218,127	199,631
All Other	1,062,503	920,546	762,728	509,983	400,780	358,815
Totals excluding Corporate	\$ 2,766,210	\$ 2,502,059	\$ 2,118,516	\$ 1,139,808	\$ 932,298	\$ 865,443

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

Information about Products and Services

(In thousands)	Sales to Unaffiliated Customers		
	2005	2004	2003
Product Group			
Mill services	\$ 1,060,354	\$ 997,410	\$ 827,521
Access services	788,750	706,490	619,069
Industrial gas products	370,201	339,086	293,965
Railway track maintenance services and equipment	247,452	209,765	173,050
Industrial grating products	98,845	85,609	66,248
Industrial abrasives and roofing granules	72,216	70,863	68,896
Heat exchangers	92,339	60,103	41,161
Powder processing equipment and heat transfer products	36,053	32,733	28,606
Consolidated Sales	\$ 2,766,210	\$ 2,502,059	\$ 2,118,516

15. Other (Income) and Expenses

In the years 2005, 2004 and 2003, the Company recorded pre-tax Other (income) and expenses from continuing operations of \$2.0 million, \$4.9 million and \$7.0 million, respectively. The major components of this income statement category are as follows:

(In thousands)	Other (Income) and Expenses		
	2005	2004	2003
Net gains	\$ (9,674)	\$ (1,524)	\$ (3,543)
Impaired asset write-downs	579	484	168
Employee termination benefit costs	9,060	3,892	6,064
Costs to exit activities	1,028	975	2,725
Other expense	1,007	1,035	1,541
Total	\$ 2,000	\$ 4,862	\$ 6,955

Net Gains

Net gains are recorded from the sales of redundant properties (primarily land, buildings and related equipment) and non-core assets. Most of these gains related to assets in the United States and Europe.

(In thousands)	Net Gains		
	2005	2004	2003
Mill Services Segment	\$ (4,202)	\$ (354)	\$ (720)
Access Services Segment	(5,413)	(1,124)	(2,521)
Gas Technologies Segment	—	—	—
Engineered Products and Services (“all other”) Category	(59)	(46)	(298)
Corporate	—	—	(4)
Total	\$ (9,674)	\$ (1,524)	\$ (3,543)

Cash proceeds associated with these gains are included in Proceeds from the sale of assets in the investing activities section of the Consolidated Statements of Cash Flows.

Impaired Asset Write-downs

Impairment losses are measured as the amount by which the carrying amount of assets exceeded their fair value. Fair value is estimated based upon the expected future realizable cash flows including anticipated selling prices.

Non-cash impaired asset write-downs are included in Other, net in the Consolidated Statements of Cash Flows as adjustments to reconcile net income to net cash provided by operating activities.

Employee Termination Benefit Costs

The Company adopted SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," (SFAS 146) on January 1, 2003. This standard addresses involuntary termination costs associated with one-time benefit arrangements provided as part of an exit or disposal activity. These costs and the related liabilities are recognized by the Company when a formal plan for reorganization is approved at the appropriate level of management and communicated to the affected employees. Additionally, costs associated with on-going benefit arrangements, or in certain countries where statutory requirements dictate a minimum required benefit, are recognized when they are probable and estimable, in accordance with SFAS No. 112, "Employers' Accounting for Postemployment Benefits," (SFAS 112).

The total amount of employee termination benefit costs incurred for the years 2005, 2004 and 2003 was as follows. None of the actions are expected to incur any additional costs.

(In thousands)	Employee Termination Benefit Costs		
	2005	2004	2003
Mill Services Segment	\$ 4,827	\$ 1,338	\$ 3,101
Access Services Segment	1,647	1,504	1,778
Gas Technologies Segment	107	229	174
Engineered Products and Services ("all other") Category	1,256	685	749
Corporate	1,223	136	262
Total	\$ 9,060	\$ 3,892	\$ 6,064

The terminations for the years 2003 to 2005 occurred principally in Europe and the United States.

The following table summarizes employee termination benefit costs and payments (associated with continuing operations) related to reorganization actions initiated prior to January 1, 2006:

(In thousands)	Original reorganization action period			
	2005	2004	2003	2002
Employee termination benefits expense	\$ 9,060	\$ 3,892	\$ 6,064	\$ 7,140
Payments:				
In 2002	—	—	—	(4,438)
In 2003	—	—	(3,838)	(2,627)
In 2004	—	(2,178)	(1,859)	(52)
In 2005	(3,826)	(1,282)	(310)	(60)
Total payments:	(3,826)	(3,460)	(6,007)	(7,177)
Other:	(33)	(52)	53	42
Remaining payments as of December 31, 2005	\$ 5,201	\$ 380	\$ 110	\$ 5

The payments for employee termination benefit costs are reflected as uses of operating cash in the Consolidated Statements of Cash Flows.

Costs Associated with Exit or Disposal Activities

Costs associated with exit or disposal activities are recognized in accordance with SFAS 146 and are included as a component of Other expenses in the Company's Consolidated Statements of Income. SFAS 146 addresses involuntary termination costs (as discussed above) and other costs associated with exit or disposal activities (exit costs). Costs to

terminate a contract that is not a capital lease are recognized when an entity terminates the contract or when an entity ceases using the right conveyed by the contract. This includes the costs to terminate the contract before the end of its term or the costs that will continue to be incurred under the contract for its remaining term without economic benefit to the entity (e.g., lease run-out costs). Other costs associated with exit or disposal activities (e.g., costs to consolidate or close facilities and relocate equipment or employees) are recognized and measured at their fair value in the period in which the liability is incurred. In 2005, \$1.0 million of exit costs were incurred. These were principally relocation costs and lease run-out costs for the Engineered Products and Services Category and the Mill Services and Access Services Segments.

In 2004, 2003 and 2002, exit costs incurred were \$1.0 million, \$2.7 million and \$1.9 million, respectively. These were principally lease run-out costs, lease termination costs and relocation costs for mainly the Mill Services and Access Services Segments.

Two-Year Summary of Quarterly Results (Unaudited)

(In millions, except per share amounts)

Quarterly	2005			
	First	Second	Third	Fourth
Sales	\$ 640.1	\$ 696.1	\$ 697.5	\$ 732.5
Gross profit (a)	146.4	169.8	164.8	185.7
Net income	23.1	41.7	40.0	51.9
Basic earnings per share	0.56	1.00	0.96	1.24
Diluted earnings per share	0.55	0.99	0.95	1.23

(In millions, except per share amounts)

Quarterly	2004			
	First	Second	Third	Fourth
Sales	\$ 556.3	\$ 617.6	\$ 617.3	\$ 710.9
Gross profit (a)	127.3	149.7	146.5	162.1
Net income	16.9	30.7	38.6	35.0
Basic earnings per share	0.41	0.75	0.94	0.85
Diluted earnings per share	0.41	0.74	0.93	0.84

(a) Gross profit is defined as Sales less costs and expenses associated directly with or allocated to products sold or services rendered.

Common Stock Price and Dividend Information (Unaudited)

	Market Price Per Share		Dividends Declared Per Share
	High	Low	
2005			
First Quarter	\$ 61.35	\$ 49.87	\$ 0.3000
Second Quarter	61.10	52.37	0.3000
Third Quarter	66.20	53.56	0.3000
Fourth Quarter	70.57	59.70	0.3250
2004			
First Quarter	\$ 48.78	\$ 43.00	\$ 0.2750
Second Quarter	47.00	40.10	0.2750
Third Quarter	47.35	41.87	0.2750
Fourth Quarter	56.24	44.55	0.3000

Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosures

None.

Item 9A. Controls and Procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of disclosure controls and procedures as of December 31, 2005. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective. There have been no changes in internal control over financial reporting that could materially affect, or are likely to materially affect, internal control over financial reporting.

Management's Report on Internal Controls Over Financial Reporting is included in Part II, Item 8, "Financial Statements and Supplementary Data." Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2005 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing in Part II, Item 8, "Financial Statements and Supplementary Data," which expresses unqualified opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting as of December 31, 2005.

Item 9B. Other Information

10b5-1 Plan

The Chief Executive Officer (CEO) of the Company adopted, in the Fourth Quarter of 2004, a personal trading plan as part of a long-term strategy for asset diversification and liquidity, in accordance with the Securities and Exchange Commission's Rule 10b5-1. Under the plan, the CEO planned to exercise, under pre-arranged terms, up to 167,500 options in open market transactions. The 167,500 options represented approximately 38% of his total option holdings at the time the trading plan was initiated. The trading plan expired in December 2005. As of the expiration of the trading plan, all 167,500 shares had been sold.

The CEO and the President and Chief Financial Officer (CFO) of the Company plan to adopt, in the First Quarter of 2006, new personal trading plans as part of a long-term strategy for asset diversification and liquidity, in accordance with the Securities and Exchange Commission's Rule 10b5-1. Under the proposed plan, the CEO will exercise 100,000 shares and the President and CFO will exercise 28,000 shares, under pre-arranged terms, in open market transactions. The proposed trading plans will expire in July 2006.

Rule 10b5-1 allows officers and directors, at a time when they are not in possession of material non-public information, to adopt written plans to sell shares on a regular basis under pre-arranged terms, regardless of any subsequent non-public information they may receive. Exercises of stock options by the CEO and/or President pursuant to the terms of their respective plans will be disclosed publicly through Form 144 and Form 4 filings with the Securities and Exchange Commission.

PART III

Item 10. Directors and Executive Officers of the Registrant

Information regarding executive officers required by this Item is set forth as a Supplementary Item at the end of Part I hereof (pursuant to Instruction 3 to Item 401(b) of Regulation S-K). Other information required by this Item is incorporated by reference to the sections entitled "Director Information," "Report of the Audit Committee" and "Section 16(a) Beneficial Ownership Reporting Compliance" of the 2006 Proxy Statement.

The Company's Code of Ethics for the Chief Executive Officer and Senior Financial Officers (the "Code") may be found on the Company's internet website, www.harsco.com. The Company intends to disclose on the website any amendments to the Code or any waiver from a provision of the Code. The Code is available in print to any stockholder who requests it.

Item 11. Executive Compensation

Information regarding compensation of executive officers and directors is incorporated by reference to the sections entitled "Management Development and Compensation Committee Report on Executive Compensation"; "Executive Compensation and Other Information"; "Stock Options"; "Options Exercises and Holdings"; "Stock Performance Graph"; "Retirement Plans"; "Employment Agreements with Officers of the Company"; and "Directors' Compensation" of the 2006 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information regarding security ownership of certain beneficial owners and management is incorporated by reference to the section entitled "Share Ownership of Directors, Management and Certain Beneficial Owners" of the 2006 Proxy Statement.

Equity Compensation Plan Information

The Company maintains the 1995 Executive Incentive Compensation Plan and the 1995 Non-Employee Directors' Stock Plan, which allow the Company to grant equity awards to eligible persons. Upon stockholder approval of these two plans in 1995, the Company terminated the use of the 1986 Stock Option Plan for granting stock option awards.

The Company also assumed options under the SGB Group Plc Discretionary Share Option Plan 1997 (the "SGB Plan") upon the Company's acquisition of SGB Group Plc ("SGB") in 2000. At the time of the acquisition, various employees of the U.K.-based SGB held previously granted stock options under the SGB Plan. The Company authorized the issuance of Harsco common stock to fulfill these SGB Plan stock options upon exercise from time to time. The Company has not made any additional stock option grants under the SGB Plan since the acquisition and will not make any further grants in the future.

The following table gives information about equity awards under these plans as of December 31, 2005. All securities referred to are shares of Harsco common stock.

Equity Compensation Plan Information

Plan category	Column (a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	Column (b) Weighted-average exercise price of outstanding options, warrants and rights	Column (c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in Column (a))
Equity compensation plans approved by security holders (1)	748,344	\$31.93	1,439,431
Equity compensation plans not approved by security holders	681 (2)	35.99 (3)	—
Total	749,025	\$31.93	1,439,431

- (1) Plans include the 1995 Executive Incentive Compensation Plan, as amended, and the 1995 Non-Employee Directors' Stock Plan, as amended.
- (2) Represents the shares of Harsco common stock issuable as replacement option shares in satisfaction of the exercise of stock options granted by SGB under the SGB Plan as described below. This plan is not a material equity compensation plan of the Company.
- (3) These stock options denominate the exercise price in British pounds sterling. The price shown is translated into U. S. dollars at an exchange rate of \$1.7205 effective December 31, 2005.

Description of the Equity Compensation Plan Not Approved by Security Holders

The SGB Group Plc Discretionary Share Option Plan 1997

Upon the acquisition of SGB in June 2000, the Company authorized the assumption of outstanding options granted under the SGB Plan and the issuance of options ("Harsco Replacement Options") exercisable for shares of Harsco common stock in exchange for options granted by SGB pursuant to the SGB Plan and exercisable for shares of SGB common stock ("SGB Options"). On June 30, 2000, the Company commenced an offer ("Option Exchange Offer") to the holders of SGB Options for an equivalent Harsco Replacement Option. Upon completion of the Option Exchange Offer, each SGB Option exercisable for one SGB share was exchanged for a Harsco Replacement Option exercisable for a fraction, equal to 0.1362, of one share of Harsco common stock. The Company has authorized the issuance of Harsco common stock from treasury or from authorized but unissued shares as necessary to fulfill the terms of the Harsco Replacement Options. The maximum number of shares of Harsco common stock that were issuable upon exercise of the Harsco Replacement Options was 61,097. Only those SGB participants who accepted the Option Exchange Offer and received Harsco Replacement Options were eligible to continue participation in the SGB Plan. SGB Options were granted under the Plan on five different dates prior to the acquisition. The exercise prices of the Harsco Replacement Options varied depending on the original SGB Option date of grant and ranged from 11.45 British pounds sterling to 20.92 British pounds sterling. All Harsco Replacement Options currently outstanding have an exercise price of 20.92 British pounds sterling. The options are exercisable during the period commencing on the third anniversary of the date the original SGB Options were granted and ending on the day before the tenth anniversary of the date the SGB Options were granted. If a participant ceases to be an Eligible Employee (as defined under the Plan), the participant's Harsco Replacement Options will lapse, except in the event that the participant ceases to be an Eligible Employee due to death or injury, disability, redundancy or retirement.

Item 13. Certain Relationships and Related Transactions

Information regarding certain relationships and related transactions is incorporated by reference to the section entitled "Employment Agreements with Officers of the Company" of the 2006 Proxy Statement.

Item 14. Principal Accountant Fees and Services

Information regarding principal accounting fees and services is incorporated by reference to the section entitled "Fees Billed by the Accountants for Audit and Non-Audit Services" of the 2006 Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules

- (a) 1. The Consolidated Financial Statements are listed in the index to Item 8, "Financial Statements and Supplementary Data," on page 45.
- (a) 2. The following financial statement schedule should be read in conjunction with the Consolidated Financial Statements (see Item 8, "Financial Statements and Supplementary Data"):

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Report of Independent Registered Public Accounting Firm	47
Schedule II - Valuation and Qualifying Accounts for the years 2005, 2004 and 2003	93

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

Condensed financial information of the registrant is omitted since "restricted net assets" of consolidated subsidiaries does not exceed 25% of consolidated net assets.

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

SCHEDULE II. VALUATION AND QUALIFYING ACCOUNTS
Continuing Operations

(Dollars in thousands)

COLUMN A	COLUMN B	COLUMN C Additions	COLUMN D (Deductions) Additions		COLUMN E
Description	Balance at Beginning of Period	Charged to Cost and Expenses	Due to Currency Translation Adjustments	Other (a)	Balance at End of Period
For the year 2005:					
Deducted from receivables:					
Uncollectible accounts	\$ 19,095	\$ 6,453	\$ (832)	\$ (312)	\$ 24,404
Deducted from inventories:					
Inventory valuations	\$ 5,058	\$ 8,736	\$ (427)	\$ 4,015	\$ 17,382
Other reorganization and valuation reserves	\$ 5,239	\$ 9,081	\$ (380)	\$ (1,811)	\$ 12,129
For the year 2004:					
Deducted from receivables:					
Uncollectible accounts	\$ 24,612	\$ 5,048	\$ 863	\$ (11,428(b))	\$ 19,095
Deducted from inventories:					
Inventory valuations	\$ 5,950	\$ 2,849	\$ 343	\$ (4,084)	\$ 5,058
Other reorganization and valuation reserves	\$ 6,692	\$ 4,811	\$ 283	\$ (6,547)	\$ 5,239
For the year 2003:					
Deducted from receivables:					
Uncollectible accounts	\$ 36,483	\$ 3,389	\$ 1,609	\$ (16,869(c))	\$ 24,612
Deducted from inventories:					
Inventory valuations	\$ 4,541	\$ 2,775	\$ 535	\$ (1,901)	\$ 5,950
Other reorganization and valuation reserves	\$ 8,373	\$ 7,409	\$ 643	\$ (9,733)	\$ 6,692

(a) Includes principally the use of previously reserved amounts and changes related to acquired companies.

(b) Includes \$5,322 for the write-off of six accounts receivable in the Mill Services Segment as well as the write-off of other accounts receivable for all segments.

(c) Includes \$6,276 for the write-off of two accounts receivable in the Mill Services Segment as well as the write-off of other accounts receivable for all segments.

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

<u>Exhibit Number</u>	<u>Data Required</u>	<u>Location in Form 10-K</u>
2(a)	Share Purchase Agreement between Sun HB Holdings, LLC, Boca Raton, Florida, United States of America and Harsco Corporation, Camp Hill, Pennsylvania, United States of America dated September 20, 2005 regarding the sale and purchase of the issued share capital of Hünnebeck Group GmbH, Ratingen, Germany.	Exhibit to Form 10-Q for the period ended September 30, 2005
2(b)	Agreement, dated as of December 29, 2005, by and among the Harsco Corporation (for itself and as agent for each of MultiServ France SA, Harsco Europa BV and Harsco Investment Limited), Brambles U.K. Limited, a company incorporated under the laws of England and Wales, Brambles France SAS, a company incorporated under the laws of France, Brambles USA, Inc., a Delaware corporation, Brambles Holdings Europe B.V., a company incorporated under the laws of the Netherlands, and Brambles Industries Limited, a company incorporated under the laws of Australia. In accordance with Item 601(b)(2) of Regulation S-K, the registrant hereby agrees to furnish supplementally a copy of any omitted schedule to the Commission upon request. Portions of Exhibit 2(a) have been omitted pursuant to a request for confidential treatment. The omitted portions have been filed separately with the Securities and Exchange Commission.	Exhibit volume, 2005 10-K
3(a)	Articles of Incorporation as amended April 24, 1990	Exhibit volume, 1990 10-K
3(b)	Certificate of Amendment of Articles of Incorporation filed June 3, 1997	Exhibit volume, 1999 10-K
3(c)	Certificate of Designation filed September 25, 1997	Exhibit volume, 1997 10-K
3(d)	By-laws as amended April 25, 1990	Exhibit volume, 1990 10-K
4(a)	Harsco Corporation Rights Agreement dated as of September 28, 1997, with Chase Mellon Shareholder Services L.L.C.	Incorporated by reference to Form 8-A, filed September 26, 1997
4(b)	Registration of Preferred Stock Purchase Rights	Incorporated by reference to Form 8-A dated October 2, 1987
4(c)	Current Report on dividend distribution of Preferred Stock Purchase Rights	Incorporated by reference to Form 8-K dated October 13, 1987

<u>Exhibit Number</u>	<u>Data Required</u>	<u>Location in Form 10-K</u>
4(f)	Debt and Equity Securities Registered	Incorporated by reference to Form S-3, Registration No. 33-56885 dated December 15, 1994, effective date January 12, 1995
4(g)	Harsco Finance B. V. £200 million, 7.25% Guaranteed Notes due 2010	Exhibit to Form 10-Q for the period ended September 30, 2000
4(h) (i)	Indenture, dated as of May 1, 1985, by and between Harsco Corporation and The Chase Manhattan Bank (National Association), as trustee (incorporated herein by reference to Exhibit 4(d) to the Registration Statement on Form S-3, filed by Harsco Corporation on August 23, 1991 (Reg. No. 33-42389))	Exhibit to Form 8-K dated September 8, 2003
4(h) (ii)	First Supplemental Indenture, dated as of April 12, 1995, by and among Harsco Corporation, The Chase Manhattan Bank (National Association), as resigning trustee, and Chemical Bank, as successor trustee	Exhibit to Form 8-K dated September 8, 2003
4(h) (iii)	Form of Second Supplemental Indenture, by and between Harsco Corporation and JPMorgan Chase Bank, as Trustee	Exhibit to Form 8-K dated September 8, 2003
4(h) (iv)	Second Supplemental Indenture, dated as of September 12, 2003, by and between Harsco Corporation and J.P. Morgan Chase Bank, as Trustee	Exhibit to 10-Q for the period ended September 30, 2003
4(i) (i)	Form of 5.125% Global Senior Note due September 15, 2013	Exhibit to Form 8-K dated September 8, 2003
4(i) (ii)	5.125% 2003 Notes due September 15, 2013 described in Prospectus Supplement dated September 8, 2003 to Form S-3 Registration under Rule 415 dated December 15, 1994	Incorporated by reference to the Prospectus Supplement dated September 8, 2003 to Form S-3, Registration No. 33-56885 dated December 15, 1994

Material Contracts - Credit and Underwriting Agreements

10(a) (i)	\$50,000,000 Facility agreement dated December 15, 2000	Exhibit volume, 2000 10-K
10(a) (ii)	Agreement extending term of \$50,000,000 Facility agreement dated December 15, 2000	Exhibit volume, 2001 10-K
10(a) (iii)	Agreement amending term and amount of \$50,000,000 Facility agreement dated December 15, 2000	Exhibit volume, 2002 10-K
10(a) (iv)	Agreement extending term of \$50,000,000 Facility agreement dated December 15, 2000	Exhibit volume, 2003 10-K

<u>Exhibit Number</u>	<u>Data Required</u>	<u>Location in Form 10-K</u>
10(a) (v)	Agreement extending term of \$50,000,000 Facility agreement dated December 15, 2000	Exhibit to Form 8-K dated January 25, 2005
10(a) (vi)	Agreement extending term of \$50,000,000 Facility agreement dated December 15, 2000	Exhibit volume, 2005 10-K
10(b)	Commercial Paper Dealer Agreement dated September 24, 2003, between ING Belgium SA/NV and Harsco Finance B.V.	Exhibit volume, 2003 10-K
10(b)(i)	Commercial Paper Dealer Agreement dated September 24, 2003, between ING Belgium SA/NV and Harsco Finance B.V. - Supplement No. 1 to the Dealer Agreement	Exhibit to Form 8-K dated November 8, 2005
10(c)	Commercial Paper Payment Agency Agreement Dated October 1, 2000, between Salomon Smith Barney Inc. and Harsco Corporation	Exhibit volume, 2000 10-K
10(e)	Issuing and Paying Agency Agreement, Dated October 12, 1994, between Morgan Guaranty Trust Company of New York and Harsco Corporation	Exhibit volume, 1994 10-K
10(f)	364-Day Credit Agreement	Exhibit to Form 8-K dated December 23, 2005
10(g)	Five Year Credit Agreement	Exhibit to Form 8-K dated November 23, 2005
10(i)	Commercial Paper Dealer Agreement dated June 7, 2001, between Citibank International plc, National Westminster Bank plc, The Royal Bank of Scotland plc and Harsco Finance B.V.	Exhibit to 10-Q for the period ended June 30, 2001
10(j)	Commercial Paper Placement Agency Agreement dated November 6, 1998, between Chase Securities, Inc. and Harsco Corporation	Exhibit volume, 1998 10-K

Material Contracts - Management Contracts and Compensatory Plans

10(d)	Form of Change in Control Severance Agreement (Chairman, President and CEO and Senior Vice Presidents)	Exhibit to Form 8-K dated June 21, 2005
10(k)	Harsco Corporation Supplemental Retirement Benefit Plan as amended October 4, 2002	Exhibit volume, 2002 10-K

<u>Exhibit Number</u>	<u>Data Required</u>	<u>Location in Form 10-K</u>
10(l)	Trust Agreement between Harsco Corporation and Dauphin Deposit Bank and Trust Company dated July 1, 1987 relating to the Supplemental Retirement Benefit Plan	Exhibit volume, 1987 10-K
10(m)	Harsco Corporation Supplemental Executive Retirement Plan as amended	Exhibit volume, 1991 10-K
10(n)	Trust Agreement between Harsco Corporation and Dauphin Deposit Bank and Trust Company dated November 22, 1988 relating to the Supplemental Executive Retirement Plan	Exhibit volume, 1988 10-K
10(o)	Harsco Corporation 1995 Executive Incentive Compensation Plan As Amended and Restated	Proxy Statement dated March 23, 2004 on Exhibit B pages B-1 through B-15
10(p)	Authorization, Terms and Conditions of the Annual Incentive Awards, as amended and Restated November 15, 2001, under the 1995 Executive Incentive Compensation Plan	Exhibit volume, 2001 10-K
10(r)	Special Supplemental Retirement Benefit Agreement for D. C. Hathaway	Exhibit Volume, 1988 10-K
10(s)	Harsco Corporation Form of Restricted Stock Units Agreement (Directors)	Exhibit to Form 8-K dated April 26, 2005
10(u)	Harsco Corporation Deferred Compensation Plan for Non-Employee Directors, as amended and restated January 1, 2005	Exhibit to Form 8-K dated April 26, 2005
10(v)	Harsco Corporation 1995 Non-Employee Directors' Stock Plan As Amended and Restated at January 27, 2004	Proxy Statement dated March 23, 2004 on Exhibit A pages A-1 through A-9
10(x)	Settlement and Consulting Agreement	Exhibit to 10-Q for the period ended March 31, 2003
10(y)	Restricted Stock Units Agreement	Exhibit to Form 8-K dated January 24, 2006
10(z)	Form of Change in Control Severance Agreement (Certain Harsco Vice Presidents)	Exhibit to Form 8-K dated June 21, 2005

Director Indemnity Agreements -	
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10(t)	A. J. Sordoni, III	Exhibit volume, 1989 10-K Uniform agreement, same as shown for J. J. Burdge
"	R. C. Wilburn	" "
"	J. I. Scheiner	" "
"	C. F. Scanlan	" "
"	J. J. Jasinowski	" "
"	J. P. Viviano	" "
"	D. H. Pierce	" "
"	K. G. Eddy	Exhibit to Form 8-K dated August 27, 2004
12	Computation of Ratios of Earnings to Fixed Charges	Exhibit volume, 2005 10-K
21	Subsidiaries of the Registrant	Exhibit volume, 2005 10-K
23	Consent of Independent Accountants	Exhibit volume, 2005 10-K
31(a)	Certification Pursuant to Rule 13a-14(a) and 15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Exhibit volume, 2005 10-K
31(b)	Certification Pursuant to Rule 13a-14(a) and 15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Exhibit volume, 2005 10-K
32(a)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Exhibit volume, 2005 10-K
32(b)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Exhibit volume, 2005 10-K

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

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

SIGNATURES

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

HARSCO CORPORATION

Date 3-13-06

By: /s/ Salvatore D. Fazzolari

Salvatore D. Fazzolari
President, Chief Financial Officer
and Treasurer

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

SIGNATURE	CAPACITY	DATE
<u>/S/ Derek C. Hathaway</u> (Derek C. Hathaway)	Chairman and Chief Executive Officer	<u>3-13-06</u>
<u>/S/ Salvatore D. Fazzolari</u> (Salvatore D. Fazzolari)	President, Chief Financial Officer, Treasurer and Director (Principal Financial Officer)	<u>3-13-06</u>
<u>/S/ Geoffrey D. H. Butler</u> (Geoffrey D. H. Butler)	Senior Vice President - Operations and Director	<u>3-13-06</u>
<u>/S/ Stephen J. Schnoor</u> (Stephen J. Schnoor)	Vice President and Controller (Principal Accounting Officer)	<u>3-13-06</u>
<u>/S/ Kathy G. Eddy</u> (Kathy G. Eddy)	Director	<u>3-13-06</u>
<u>/S/ Jerry J. Jasinowski</u> (Jerry J. Jasinowski)	Director	<u>3-13-06</u>
<u>/S/ D. Howard Pierce</u> (D. Howard Pierce)	Director	<u>3-13-06</u>
<u>/S/ Carolyn F. Scanlan</u> (Carolyn F. Scanlan)	Director	<u>3-13-06</u>
<u>/S/ James I. Scheiner</u> (James I. Scheiner)	Director	<u>3-13-06</u>
<u>/S/ Andrew J. Sordoni, III</u> (Andrew J. Sordoni, III)	Director	<u>3-13-06</u>
<u>/S/ Joseph P. Viviano</u> (Joseph P. Viviano)	Director	<u>3-13-06</u>
<u>/S/ Dr. Robert C. Wilburn</u> (Dr. Robert C. Wilburn)	Director	<u>3-13-06</u>

CONFIDENTIAL TREATMENT: HARSCO CORPORATION HAS REQUESTED THAT THE OMITTED PORTIONS OF THIS DOCUMENT, WHICH ARE INDICATED BY THE ASTERISKS, BE AFFORDED CONFIDENTIAL TREATMENT PURSUANT TO RULE 24B-2 UNDER THE SECURITIES EXCHANGE ACT OF 1934. HARSCO CORPORATION HAS FILED THE OMITTED PORTIONS OF THE DOCUMENT WITH THE SECURITIES AND EXCHANGE COMMISSION.

29th DECEMBER 2005

BRAMBLES U.K. LIMITED

BRAMBLES FRANCE SAS

BRAMBLES USA, INC.

BRAMBLES HOLDINGS EUROPE B.V.

HARSCO CORPORATION

BRAMBLES INDUSTRIES LIMITED

**AGREEMENT
FOR THE SALE AND PURCHASE OF THE NORTHERN HEMISPHERE BUSINESS OF
BRAMBLES INDUSTRIAL SERVICES**

CONFIDENTIAL TREATMENT: HARSCO CORPORATION HAS REQUESTED THAT THE OMITTED PORTIONS OF THIS DOCUMENT, WHICH ARE INDICATED BY THE ASTERISKS, BE AFFORDED CONFIDENTIAL TREATMENT PURSUANT TO RULE 24B-2 UNDER THE SECURITIES EXCHANGE ACT OF 1934. HARSCO CORPORATION HAS FILED THE OMITTED PORTIONS OF THE DOCUMENT WITH THE SECURITIES AND EXCHANGE COMMISSION.

THIS AGREEMENT is made on 29th December, 2005

Between:

- (1) **BRAMBLES U.K. LIMITED** a company incorporated under the laws of England and Wales with registered number 04210041 whose registered office is at Cassini House, 57 St James' Street, London SW1A 1LD (**Brambles UK**);
- (2) **BRAMBLES FRANCE SAS** a company incorporated under the laws of France under number 542 075 098 RCS Paris, with a share capital of EUR 20,140,000, whose registered office is at Tour Maine Montparnasse, 33 avenue du Maine, 75015 Paris (**Brambles France**);
- (3) **BRAMBLES USA, INC.**, a Delaware corporation (**Brambles USA**);
- (4) **BRAMBLES HOLDINGS EUROPE B.V.**, a company incorporated under the laws of the Netherlands, registered with the trade register of the Dutch chamber of commerce in Amsterdam with registration number 34114990, whose registered office is at Wenckebachstraat 1 Annemerscentrum 6E.01, 1951 JZ, Velsen-Noord, the Netherlands (**Brambles Holdings Europe**);

(each a **Seller** and together the **Sellers**);
- (5) **HARSCO CORPORATION**, a Delaware corporation for itself and as agent for each of Multiserv France SA, Harsco Europa BV and Harsco Investment Limited (the **Purchaser**); and
- (6) **BRAMBLES INDUSTRIES LIMITED**, a company incorporated under the laws of Australia with Australian Business Number 22 000 129 868 whose registered office is at Level 40, 1 Macquarie Place, Sydney, New South Wales, 2001, Australia (the **Guarantor**).

Whereas:

- (A) Each of the Sellers listed in column 1 of Part A of Schedule 1 is the owner of those of the Shares set out opposite its name in column 2 of Part A of Schedule 1 .
- (B) With a view to the sale and purchase of the Target Companies, the Sellers have agreed to sell and transfer, and the Purchaser has agreed to purchase and accept the transfer of, the Shares on the terms and subject to the conditions set out in this agreement.

- (C) The Guarantor has agreed to guarantee the obligations of the Sellers under this agreement.
- (D) The Purchaser is:
 - a. entering into this agreement insofar as it relates to the French Set of Shares as agent for, and is acquiring those Shares out of funds provided by, the French Principal;
 - b. entering into this agreement insofar as it relates to the UK Set of Shares and is acquiring those Shares as agent for, and out of funds provided by the UK Principal;
 - c. entering into this agreement insofar as it relates to the Dutch Set of Shares, as agent for and is acquiring those Shares out of funds provided by, the Dutch Principal,

and the Sellers and the Purchaser have accordingly agreed that the benefit of this agreement insofar as it relates to the Set of Shares in question may be enjoyed by and be enforceable by the French Principal, the UK Principal and the Dutch Principal accordingly, and the Purchaser has agreed to guarantee the obligations of the French Principal, the UK Principal and the Dutch Principal under this agreement.

IT IS AGREED as follows:

1. Sale and Purchase

1.1 Subject to and in accordance with this agreement, each Seller shall sell and transfer (or procure the sale and transfer of) its Set of Shares, and the Purchaser shall purchase and accept the transfer of all of the Shares The Purchaser is purchasing and accepting the transfer of:

- (a) the French Set of Shares as agent for the French Principal;
- (b) the UK Set of Shares as agent for the UK Principal; and
- (c) the Dutch Set of Shares as agent for the Dutch Principal, it being acknowledged that the transfer of the Dutch Set of Shares will be effected by a separate notarial deed in the name of the Dutch Principal.

1.2 The Shares shall be sold and transferred free from all Encumbrances, and together with the benefit of all rights and profits attaching to the Shares including all rights to dividends and other distributions declared, made or payable on or after the date of Closing and otherwise with full title guarantee. Ownership and risk in the Shares shall pass to the Purchaser or, with respect to the Dutch Set of Shares, the Dutch Principal, with effect from Closing.

1.3 Each Seller waives and undertakes to procure the waiver of all pre-emption rights over its Set of Shares or any of them to which it or any other person may be entitled in relation to the sale and purchase of such Shares.

1.4 Nothing in this agreement shall oblige the Purchaser to purchase any of the Shares or otherwise complete this agreement unless the sale and purchase of all of the Shares is completed simultaneously.

1.5 The parties acknowledge that the transfers of the Shares shall be completed on the basis of the share transfer and other arrangements set out or referred to in Part A of Schedule 6 .

2. Price

2.1 The price for each Set of Shares (being the **Final Price** for such Set of Shares) shall be the amount which results from taking the amount or, in the case of the French Set of Shares, the aggregate of the amounts, set out opposite the name of the Seller of that Set of Shares in column 3 of Schedule 2 (being the **Unadjusted Price** for such Set of Shares) and:

- (a) subtracting the aggregate of the External Debt and the Intra-Group Payables of each member of the Relevant Target Group and the amount of the difference between the Net Working Capital of each member of the Relevant Target Group and the Estimated Net Working Capital of each member of the Relevant Target Group (if such Net Working Capital is less than the Estimated Net Working Capital); and
- (b) adding the aggregate of the Cash and the Intra-Group Receivables of each member of the Relevant Target Group and the amount of the difference between the Net Working Capital of the Relevant Target Group and the Estimated Net Working Capital of the Relevant Target Group (if such Net Working Capital is greater than the Estimated Net Working Capital).

2.2 The Sellers and the Purchaser agree that:

- (a) the Final Price for each Set of Shares shall be calculated after Closing on the basis set out in Schedule 12 ;
- (b) the Final Price for each Set of Shares shall be satisfied by:
 - (i) payment to the relevant Seller at Closing of the amount (being the **Initial Price** for such Set of Shares) which is the Unadjusted Price for such Set of Shares (i) minus the aggregate of the Estimated External Debt and the Estimated Intra-Group Payables of each member of the Relevant Target Group
 - (ii) plus the aggregate of the Estimated Cash and the Estimated

Intra-Group Receivables of each member of the Relevant Target Group; followed by

- (ii) payment of any Financial Adjustments due from the Purchaser to the relevant Seller or from the relevant Seller to the Purchaser, respectively, after Closing in respect of such Set of Shares in accordance with the provisions of Part D of Schedule 12 (the **Financial Adjustment Provisions**);
- (c) any payments required to be made under the Financial Adjustment Provisions in respect of a Set of Shares shall, for the avoidance of doubt, be treated as adjusting the Initial Price for such Set of Shares, thus resulting after such adjustment in the Final Price for such Set of Shares;
- (d) the Final Price for each Set of Shares and, in the case of the French Sold Companies, any apportionment thereof between the Shares of each French Sold Company made in accordance with paragraph (e) shall, subject to any further adjustment, if applicable, pursuant to clause 2.3 be adopted for all tax reporting purposes; and
- (e) the Final Price for the French Set of Shares shall be apportioned between the Shares in each individual French Sold Company by applying paragraphs (a) to (c) above *mutatis mutandis* as if references in those paragraphs and in Schedule 12 to:
 - (i) the Final Price were references to the part of the Final Price for the French Set of Shares apportioned to the Shares in each individual French Sold Company;
 - (ii) a Set of Shares were references to the Shares in a French Sold Company; and
 - (iii) the Unadjusted Price were references to the part of the Unadjusted Price for the French Set of Shares apportioned to each individual French Sold Company, as set out in column 3 of Schedule 2 .

2.3 If any payment is made in satisfaction of a liability arising under a Seller Obligation or a Purchaser Obligation, it shall be made on the following basis:

- (a) if such payment relates directly to any particular Set of Shares (or to any Target Company or Target Companies in a particular Relevant Target Group), it shall so far as possible adjust the price paid for the relevant Shares and, to the extent that the adjustment would otherwise reduce that price below £1, it shall be treated in accordance with paragraph (b) as if it were not so directly related;
- (b) if such payment is not so directly related, it shall adjust:

- (i) the price for such Shares as the Sellers' Representative and the Purchaser agree to be appropriate in the circumstances; or
- (ii) if the Sellers' Representative and the Purchaser fail to agree the appropriate Shares for which the price should be adjusted in accordance with paragraph (i) within 5 Business Days after a request by the Sellers' Representative or the Purchaser to the other to do so:
 - (A) the price paid for the Shares in Fourninezero Limited; and
 - (B) to the extent that the effect of clause 2.3(b)(ii)(A) would otherwise be to reduce the price paid for the Shares in Fourninezero Limited below £1, the price paid for each other Set of Shares on a pro rata basis according to the Final Price for each such Set of Shares.

2.4 Notwithstanding any other provision of this agreement (including the definition of Relevant Target Group in Schedule 13), to the extent that any External Debt, Cash, Net Working Capital, Intra-Group Payables or Intra-Group Receivables (each an **Adjustment Item**) is attributable to SMI Lorelev SAS, such Adjustment Item shall be allocated for the purposes of apportioning the Final Price for the French Set of Shares between the Shares in each individual French Sold Company:

- (a) as to 54.6% of the amount of such Adjustment Item, to the Shares comprising shares in SMI Lorelev SAS; and
- (b) as to 45.4% of the amount of such Adjustment Item, to the Shares comprising shares in BC SAS,

and the parties acknowledge and agree that the Estimated External Debt, Estimated Cash and Estimated Net Working Capital of the Relevant Target Groups to which SMI Lorelev SAS and BC SAS belong have been calculated accordingly.

3. Closing

3.1 Closing shall take place immediately following the signing of this agreement at the Paris offices of the Sellers' Solicitors.

3.2 At Closing (or such other time after Closing as may be specified in Part A of Schedule 6), each of the Sellers and the Purchaser shall deliver or perform (or procure that there is delivered or performed) all those documents, items and actions respectively listed in relation to that party or the members of the Sellers' Group or the Purchaser Group (as the case may be) in Part A of Schedule 6 .

3.3 The Tax Covenant shall come into full force and effect at Closing.

4. Warranties

4.1 Brambles France warrants to the Purchaser as agent for the French Principal, in relation only to itself, the French Set of Shares and its Relevant Target Group, in the terms of the Warranties. Brambles UK warrants to the Purchaser as agent for the UK Principal, in relation only to itself, the UK Set of Shares and its Relevant Target Group, in the terms of the Warranties. Brambles Holdings Europe warrants to the Purchaser as agent for the Dutch Principal in relation only to itself, the Dutch Set of Shares and its Relevant Target Group in the terms of the Warranties. Brambles USA warrants to the Purchaser in relation only to itself, the US Set of Shares and its Relevant Target Group in the terms of the Warranties. The Warranties are given as at the date of this agreement only and subject to:

- (a) any matters fairly disclosed (with such detail as enables, or ought reasonably to enable, the Purchaser to identify the nature and scope of the matters so disclosed) by or under this agreement, the Disclosure Letter, any other Transaction Document or any document contained in the Disclosure Bundle; and
- (b) the provisions of Schedule 4 ; and
- (c) the provisions of the Tax Covenant insofar as they are expressed to apply to the Tax Warranties.

4.2 The Purchaser acknowledges and agrees that:

- (a) any Claims and (to the extent expressly provided in Schedule 4) other claims for breach of this agreement shall be subject to the provisions of Schedule 4 ; and
- (b) at the time of entering into this agreement, the Purchaser is not actually aware of any facts or circumstances which could result in a Claim being made against the Sellers or any misrepresentation by or on behalf of the Sellers under this agreement.

4.3 None of the limitations in this clause 4 or Schedule 4 shall apply to any Claim which arises (or to the extent that it is increased) as a consequence of fraud or fraudulent misrepresentation by any director or officer of any member of the Sellers' Group.

4.4 The Purchaser warrants to the Sellers as at the date of this agreement in the terms of the warranties set out in Schedule 5 .

4.5 The Sellers undertake to indemnify the Purchaser (for itself and on behalf of each Target Company) against:

- (a) the amount of the tax liability suffered or incurred by them under or relating to Tax Warrants (Nos. 5265452 and 5260315) against National Recovery Systems, Inc any and all interest thereon together with any other reasonable Costs suffered or incurred in connection with or arising from such Tax Warrants;

- (b) any and all Costs, up to a maximum of £50,000 suffered or incurred by them arising from or associated with the claims made against Short Bros (Plant) Limited or against any of the Target Companies by Harold Onwochei or the facts referred to therein; and
- (c) any and all Costs (in excess of the amount of the £150,000 provision in respect thereof included in the UK Accounts) arising out of or associated with the circumstances that led to the death of Carl Perkins, including any fines imposed in connection with the related charges brought by the Health and Safety Executive, provided that,
- (i) if the sentencing hearing at which the amount of any fine is to be imposed hands down its determination after the date on which the Closing Statement is agreed or determined in accordance with the provisions of Schedule 12, the maximum amount payable by the Sellers under this clause 4.5(c) shall, when aggregated with the amount of the said provision, be no greater than £250,000
 - (ii) if such sentencing hearing hands down its determination before the date on which the Closing Statement is so agreed or determined, the amount payable shall be reduced by the amount of the provision (if any) in respect thereof in the Closing Statement .

Provided that the provisions of clause 5.1 (c) shall apply *mutatis mutandis* in respect of the conduct of claims against Target Companies in relation to the matter referred to in this clause 4.5 (c), except that Sellers agree that they will not take any action that might delay the handing down of the decision referred to in such sub-clause, and that they will not appeal or otherwise dispute any such decision.

5. Conduct of claims

5.1 If the Purchaser becomes aware of any claim or potential claim by a third party which might reasonably be expected to result in a Non-Tax Claim being made (a **third party claim**), the Purchaser shall, subject to clause 5.2:

- (a) promptly (and in any event within 30 days of becoming aware of it) give notice of such third party claim to the Sellers containing such details as the Purchaser has available to it in respect of and, if available to the Purchaser, as are sufficient to enable the Sellers to understand, the nature and extent of the third party claim, provided that any failure by the Purchaser to give such notice within such period shall not prejudice the right of the Purchaser to make a Claim in relation to such third party claim (although this proviso shall be without prejudice to any rights for breach of contract which the Sellers may have as a result of such failure);

- (b) not make (and procure that each member of the Purchaser Group shall not make) any admission of liability, agreement or compromise with any person, body or authority in relation to that third party claim without prior written approval of the Sellers' Representative (such consent not to be unreasonably withheld or delayed);
- (c) subject to the Purchaser or the relevant member of the Purchaser Group being indemnified by the relevant Seller(s) against all reasonable out of pocket costs and expenses incurred in respect of that third party claim (including any such costs and expenses incurred in performing its obligations under clause 5.3):
 - (i) take (and procure that each member of the Purchaser Group shall take) such action as the relevant Seller(s) may reasonably request to avoid, resist, dispute, appeal, compromise or defend such third party claim;
 - (ii) allow (or, as appropriate, procure that the relevant member of the Purchaser Group shall allow) the relevant Seller(s) to take over the conduct of all proceedings and/or negotiations of whatsoever nature arising in connection with the third party claim in question but on the basis that the relevant Seller(s) shall not make any admission of liability, agreement or compromise with any person, body or authority in relation to that third party claim without the prior written consent of the Purchaser (such consent not to be unreasonably withheld or delayed, and provided that such consent shall not be required if the relevant Seller(s) have irrevocably undertaken to the Purchaser to satisfy any amount payable by the Purchaser or the relevant member of the Purchaser Group in connection with such admission of liability, agreement or compromise); and
 - (iii) provide (or procure that the relevant member of the Purchaser Group shall provide) such information and assistance as the relevant Seller(s) may reasonably require in connection with the preparation for and conduct of any proceedings and/or negotiations relating to that third party claim.

5.2 Nothing in clause 5.1 shall oblige the Purchaser to take or to procure that any other member of the Purchaser Group shall take any action or do anything which, in the reasonable opinion of the Purchaser, is likely to have a material adverse impact on the reputation or goodwill of any of the Target Companies or of any member of the Purchaser Group. If the relevant Seller(s) fails to indemnify the Purchaser or relevant member of the Purchaser Group in accordance with clause 5.1(c) in respect of a third party claim within 21 days after the Sellers have received notice of such third party claim containing sufficient details to enable the Sellers to understand the nature and extent of the third party claim, the Purchaser shall cease to have any obligations under clause 5.1 in respect of that third party claim.

5.3 If the Purchaser makes a Claim against the Sellers or notifies the Sellers of any third party claim which might lead to such a Claim being made, the Purchaser shall:

- (a) make available to accountants and other representatives appointed by the relevant Seller(s) such access during normal business hours to the personnel, records and information of that Target Company as the relevant Seller(s) reasonably request in connection with such Claim or third party claim (including, for the avoidance of doubt, for the purpose of remedying such Claim); and
- (b) to the extent reasonably requested by the relevant Seller(s), use all reasonable endeavours to procure that the auditors (both past and then current) of any relevant Target Company make available their audit working papers in respect of audits of the accounts of that Target Company for any accounting period relevant to such Claim or third party claim (subject to the relevant Seller(s) first providing to such auditors a hold harmless letter in a form customarily required by such auditors as a condition to making their audit working papers available to third parties).

6. No Rights of Rescission or Termination

The Purchaser shall not be entitled to rescind or terminate this agreement in any circumstances whatsoever (whether before or after Closing), other than pursuant to any such rights which arise in respect of fraudulent misrepresentation.

7. Payment of Intra-Group Debt

The provisions of Schedule 11 shall apply in respect of the payment of Intra-Group Payables and Intra-Group Receivables.

8. Protective covenants

8.1 Neither the Sellers nor any of their Affiliates shall carry on or be engaged in any Competing Business in the Protected Territories during a period of 2 years after the date of this agreement. For this purpose:

- (a) **Competing Business** means a business which involves the provision of industrial services to steel mills and which competes to a material extent with the business carried on by any of the Target Companies, provided that carrying on or being engaged in any Permitted Business shall not be regarded as a Competing Business;
- (b) **Permitted Business** means, in relation to any member of the Sellers' Group, any trade or business (including any part of the Cleanaway, CHEP, Recall and TMF businesses of the Sellers' Group) carried on or engaged in by that member of the Sellers' Group in the jurisdiction in which such trade or business is carried on by that member of the Sellers' Group as at the date of this agreement;

(c) **Protected Territories** means the United Kingdom, France, the Netherlands and the United States of America.

8.2 Nothing in this clause shall prevent the Sellers or any of their Affiliates from:

- (a) owning in aggregate between them securities in any company dealt in on a stock exchange which do not exceed 10 per cent. in nominal value of the securities of that company; or
- (b) acquiring by means of a single transaction any one or more companies and/or businesses (taken together, the **Acquired Business**) where at the time of the acquisition the activities of the Acquired Business include a Competing Business (the **Acquired Competing Business**) and subsequently carrying on or being engaged in the Acquired Competing Business, if the turnover attributed to the Acquired Competing Business in the twelve month period ending on the last day of the month immediately preceding the month in which completion of the acquisition of the Acquired Business takes place is less than 20 per cent. of the turnover of the Acquired Business as a whole in that 12 month period; or
- (c) performing its obligations under this agreement and/or under any other agreement which it may enter into with a member of the Purchaser Group.

8.3 Neither the Sellers nor any of their Affiliates shall within a period of 2 years after the date of this agreement, solicit or endeavour to entice away from any Target Company or any member of the Purchaser Group, offer employment to or employ, or offer or conclude any contract for services with, any person who was employed by any Target Company in skilled or managerial work at any time during the 12 months preceding the date of this agreement. This clause shall not prevent the Sellers or any of their Affiliates from employing any person who responds to a public advertisement for the relevant vacancy placed by or on behalf of the Sellers or any of their Affiliates if there has been no previous contact (specifically made with a view to allowing the Sellers or any of their Affiliates to take advantage of the proviso to this clause) between the Sellers or any of their Affiliates (or any person acting on their behalf) and such person.

9. Guarantees and other Third party assurances

9.1 The Purchaser:

- (a) shall use its best endeavours to procure that within 10 Business Days after Closing, the members of the Sellers' Group listed Schedule 10 are released in full from both of the guarantees in favour of HSBC Bank plc listed Schedule 10 and if for any reason the same have not been released before the expiry of such period of 10 Business Days, undertakes to provide to such members of the Sellers' Group first demand bank guarantees, in such form as they may reasonably require in respect of the totality of their exposure under such guarantees,

- (b) shall use all reasonable endeavours to procure that, as soon as reasonably practicable after becoming aware of any Third Party Assurance not listed in Schedule 10 in respect of any obligations of any Target Company, each member of the Sellers' Group bound by such Third Party Assurance is released in full from such Third Party Assurance; and
- (c) pending release of any Third Party Assurance referred to in paragraph (a) or (b), undertakes to the Sellers (for themselves and on behalf of each member of the Sellers' Group) to indemnify the Sellers and each member of the Sellers' Group against any and all Costs arising as a result of any breach by any Target Company of its obligations to which such Third Party Assurance relates provided that the liability of the Purchaser under this clause 9.1(c) in respect of such breach shall be no greater than the liability which such Target Company has as a result of such breach.

9.2 The Sellers:

- (a) shall use all reasonable endeavours to procure that, as soon as reasonably practicable after becoming aware of any Third Party Assurance in respect of any obligations of any member of the Sellers' Group, each Target Company bound by such Third Party Assurance is released in full from such Third Party Assurance; and
- (b) pending release of any Third Party Assurance referred to in paragraph (a), undertake to the Purchaser (for itself and on behalf of each Target Company) to indemnify the Purchaser and each Target Company against any and all Costs arising as a result of any breach by any member of the Sellers' Group of its obligations to which such Third Party Assurance relates.

10. Retirement Benefits

Schedule 8 sets out the agreement between the Sellers and the Purchaser in respect of retirement benefit arrangements for the Employees. The Sellers and the Purchaser shall comply with their respective obligations set out in Schedule 8 .

11. Tax

11.1 The Sellers and the Purchaser shall, with effect from Closing, comply with the provisions of the Tax Covenant

11.2 All sums payable under this agreement shall be paid free and clear of all deductions or withholdings whatsoever save only as provided in this agreement or as may be required by law.

11.3 If any deduction or withholding is required by law from any payment in respect of a Purchaser Obligation or a Seller Obligation then, except in relation to interest, the

person making the payment shall be obliged to pay the other person such additional sum as will, after such deduction or withholding has been made, leave the other person with the same amount as it would have been entitled to receive in the absence of any such requirement to make a deduction or withholding.

11.4 If any tax authority brings into charge to tax any sum paid by a person to any other person under this agreement in respect of a Purchaser Obligation or a Seller Obligation, then, except in relation to interest, the amount so payable shall be grossed up by such amount as will ensure that, after payment of the tax so charged, there will be left a sum equal to the amount that would otherwise have been payable had the sum in question not been so charged to tax.

11.5 If any person receiving payment (a **Recipient**) under this agreement in respect of a Purchaser Obligation or a Seller Obligation receives a credit for, refund of or relief from any tax or other monies payable by it or similar benefit by reason of any deduction or withholding for or on account of tax or by reason of any tax charged in respect of which there is a gross up under clause 11.4, then it shall reimburse to the other relevant persons such part of such additional payments paid to it pursuant to clause 11.3 or clause 11.4 by such other persons as the Recipient, acting reasonably, certifies to the other persons will leave it (after such reimbursement) in no better or worse position than it would have been in if no deduction or withholding had been required or no tax charge had arisen or (where applicable) if the matter giving rise to the payment had not arisen.

11.6 If any party shall have assigned the benefit in whole or in part of this agreement in accordance with the provisions of clause 21, the liability of any other person to the other person under clauses 11.3 and 11.4 shall be limited to that (if any) which it would have been had no such assignment taken place.

11.7 For the avoidance of doubt, clauses 11.3 to 11.6 shall not apply to the Final Price for any Set of Shares, any Financial Adjustments or any payment pursuant to clause 7.

11.8 All sums payable under this agreement are (unless expressly stated otherwise) exclusive of any applicable VAT.

12. Discharge

The Purchaser shall take such steps as are necessary to procure the discharge by the shareholders of the Dutch Target Companies of any person who has ceased to be a director of the Dutch Target Companies since the last annual meeting of the shareholders of the Dutch Target Companies in respect of their management of the affairs of the Dutch Target Companies during any period preceding the date of Closing (or the date of their earlier resignation, if applicable) to the extent such management is apparent from the annual accounts of the Dutch Target Companies, unless information becomes available after Closing that is such that discharge cannot reasonably be granted by such shareholder.

13. Changes of name

The Purchaser undertakes to the Sellers to procure that:

- (a) as soon as reasonably practicable after Closing and in any event within 30 days afterwards, the name (or trading style or name) of any Target Company which consists of or incorporates the words “Brambles” or “BIS” is changed to a name which does not include the words “Brambles” or “BIS” or any name which, in the reasonable opinion of the Sellers, is substantially or confusingly similar; and
- (b) as soon as reasonably practicable after Closing and in any event within 6 months afterwards, each Target Company shall cease to use or display the words “Brambles”, “BIS” or any other trade mark or trade name of the Sellers’ Group on any signage, stationery, vehicles, advertising or promotional material in the possession or control of that Target Company or in any e-mail address or internet domain name used by any Target Company.

14. Payments

14.1 Any payment to be made or procured to be made pursuant to this agreement by the Purchaser or any member of the Purchaser Group shall be made:

- (a) if such payment relates to the French Target Companies, in euros to the Brambles France Account;
- (b) if such payment relates to the US Target Companies, in US dollars to the Brambles USA Account;
- (c) if such payment relates to the Dutch Target Companies, in euros to the Brambles Netherlands Account; or
- (d) if such payment relates to the UK Target Companies or is not a payment of a type described in paragraphs (a) to (c), in sterling to the Brambles UK Account,

in each case in immediately available funds by electronic transfer on the due date for payment, or to such other account(s) as the Sellers’ Representative shall nominate in writing. Receipt of such sums in the relevant bank account shall be an effective discharge of the obligation of the Purchaser or any member of the Purchaser Group to pay such sums to the Sellers or a member of the Sellers’ Group, as the case may be, and neither the Purchaser nor any member of the Purchaser Group shall be concerned to see to the application or be answerable for loss or misapplication of such amount.

14.2 Any payment to be made or procured to be made pursuant to this agreement by the Sellers or any member of the Sellers’ Group shall be made:

- (a) if such payment relates to the French Target Companies, in euros to such account as the Purchaser shall nominate in writing;

- (b) if such payment relates to the US Target Companies, in US dollars to such account as the Purchaser shall nominate in writing;
- (c) if such payment relates to the Dutch Target Companies, in euros to such account as the Purchaser shall nominate in writing; or
- (d) if such payment relates to the UK Target Companies or is not a payment of a type described in paragraphs (a) to (c), in sterling to such account as the Purchaser shall nominate in writing,

in each case in immediately available funds by electronic transfer on the due date for payment, or such other account as the Purchaser shall nominate in writing. Receipt of such sums in the relevant bank account shall be an effective discharge of the obligation of the relevant Seller or any member of the Sellers' Group to pay such sums to the Purchaser or a member of the Purchaser Group, as the case may be, and neither the Sellers nor any member of the Sellers' Group shall be concerned to see to the application or be answerable for loss or misapplication of such amount.

14.3 If any sum due for payment under or in accordance with this agreement is not paid on the due date (the **Due Date**), the person in default shall pay Default Interest on that sum (the **Due Sum**) from but excluding the Due Date to and including the date of actual payment calculated on a daily basis.

15. Fourninezero Special Share

15.1 The Purchaser acknowledges that there is outstanding one special share of £1 (the **Special Share**) in the capital of Fourninezero Limited (**Fourninezero**), and that this is held by Nigel Vernon Short (**Mr Short**), and that Fourninezero is not therefore a wholly owned subsidiary of Brambles U.K..

15.2 Brambles UK hereby warrants and represents that:

- (a) the Special Share is held by Mr Short subject to the terms of an agreement between Brambles U.K. and Mr Short (the **Special Share Agreement**), a true and complete copy of the relevant terms of which is contained in the Disclosure Bundle, and that the Special Share Agreement is in full force and effect and binding on Mr Short;
- (b) all dividends due to be paid in respect of the Special Share, in accordance with the Special Share Agreement and the Articles of Association of Fourninezero, have been duly paid; and
- (c) no further amount will fall to be paid by Fourninezero to Mr Short in respect of the Special Share.

15.3 Brambles UK hereby undertakes to the Purchaser as follows:

*CONFIDENTIAL TREATMENT: HARSCO CORPORATION HAS REQUESTED THAT THE OMITTED PORTIONS OF THIS DOCUMENT (APPROXIMATELY 5 PAGES), WHICH ARE INDICATED BY THE ASTERISKS, BE AFFORDED CONFIDENTIAL TREATMENT PURSUANT TO RULE 24B-2 UNDER THE SECURITIES EXCHANGE ACT OF 1934. HARSCO CORPORATION HAS FILED THE OMITTED PORTIONS OF THE DOCUMENT WITH THE SECURITIES AND EXCHANGE COMMISSION.

- (a) that it will, as at the end of the financial year of Fourninezero ending in 2006, exercise its rights to purchase the Special Share from Mr Short and will immediately thereafter transfer the same for no consideration to the Purchaser or to its order; and
- (b) that it will indemnify and hold harmless Fourninezero and the Purchaser on an after tax basis in respect of any amounts which Mr Short may succeed in claiming from Fourninezero under the Articles of Association of Fourninezero or the Special Share Agreement or otherwise, and against any Costs which either may suffer or incur as a result of any claim that Mr Short may make against either of them in right of the Special Share or the Special Share Agreement.

15.4 For the avoidance of doubt, none of the limitations in Schedule 4 shall apply to the warranties and representations in clause 15.1 or the indemnity in clause 15.3(b).

16. *****

17. Ongoing access to Accounting Records

The Purchaser shall procure that until 30 September 2006, the Target Companies shall allow members of the Sellers' Group to have access during normal business hours to the books, accounts and records of the Target Companies to the extent that they relate to the business of the Target Companies during the period prior to Closing (and, for such purpose, to the JDE accounting system used by the Target Companies) for the purposes of assisting the Sellers' Group to prepare the consolidated statutory accounts for the Sellers' Group in respect of the 12 month period ending on 30 June 2006.

18. Seller Guarantee

18.1 In consideration of the Purchaser entering into this agreement at the Guarantor's request, the Guarantor unconditionally and irrevocably guarantees to the Purchaser the due and timely performance and observance by each of the Sellers of its obligations, and the timely discharge by each Seller of all its liabilities to the Purchaser under this agreement (including, for the avoidance of doubt, under the Tax Covenant, and under any indemnity for costs and expenses entered into after the date hereof pursuant to this agreement).

18.2 Any monies payable by the Guarantor by reason of the guarantee given under clause 18.1 shall be promptly paid upon written demand for payment of the same being made by the Purchaser.

18.3 The Guarantor unconditionally and irrevocably guarantees to the Purchaser for itself and as agent for the Principals as a continuing obligation that each of the Sellers will comply properly and punctually with its obligations under this agreement (including, for the avoidance of doubt, under the Tax Covenant, and under any indemnity for costs and expenses entered into after the date hereof pursuant to this agreement).

18.4 The Guarantor's liability under clause 18.1 shall not be discharged or impaired by:

- (a) any amendment, variation or assignment of this agreement or any waiver of its terms;
- (b) any release of, or granting of time or other indulgence to, the Sellers or any third party; or
- (c) any winding up, dissolution, reconstruction, legal limitation, incapacity or lack of corporate power or authority or other circumstances affecting any of the Sellers (or any act taken by the Purchaser in relation to any such event);
- (d) the Purchaser exercising its rights under clause 21.2 to assign all or any of its rights under this agreement;
- (e) any other fact or circumstance which (apart from this clause 18.4(e)) would discharge a surety or guarantor.

19. Purchaser Guarantee

19.1 In consideration of the Sellers entering into this agreement at the Purchaser's request, the Purchaser unconditionally and irrevocably guarantees the due and timely performance and observance by each of the French Principal, the UK Principal and the Dutch Principal (the **Principals**) of their respective obligations, and the timely discharge by each Principal of all its liabilities to the Sellers under this agreement (including, for the avoidance of doubt, under the Tax Covenant, and under any indemnity for costs and expenses entered into after the date hereof pursuant to this agreement).

19.2 Any monies payable by the Purchaser by reason of the guarantee given under clause 19.1 shall be promptly paid upon written demand for payment of the same being made by the Sellers' Representative.

19.3 The Purchaser unconditionally and irrevocably guarantees to the Sellers as a continuing obligation that each of the Principals will comply properly and punctually with its obligations under this agreement (including, for the avoidance of doubt, under the Tax Covenant, and under any indemnity for costs and expenses entered into after the date hereof pursuant to this agreement).

19.4 The Purchaser's liability under clause 19.1 shall not be discharged or impaired by:

- (a) any amendment, variation or assignment of this agreement or any waiver of its terms;

- (b) any release of, or granting of time or other indulgence to, the Principals or any third party; or
- (c) any winding up, dissolution, reconstruction, legal limitation, incapacity or lack of corporate power or authority or other circumstances affecting any of the Principals (or any act taken by the Sellers in relation to any such event);
- (d) the Sellers exercising their respective rights under clause 21.2 to assign all or any of their respective rights under this agreement; or
- (e) any other fact or circumstance which (apart from this clause 18.4(e)) would discharge a surety or guarantor.

20. Announcements

20.1 Neither the Sellers nor the Purchaser shall make or issue any public announcement, circular or other formal disclosure (an **Announcement**) in connection with the existence or the subject matter of this agreement or any of the other Transaction Documents (and the Sellers and the Purchaser shall procure that none of its Affiliates makes or issues any such Announcement) in each case without the prior written approval of the other (such approval not to be unreasonably withheld or delayed).

20.2 The restriction in clause 20.1 shall not apply to the extent that an Announcement:

- (a) contains information which is in the public domain (otherwise than as a result of a breach of clause 20.1); or
- (b) is required by law or by any Governmental Entity of competent jurisdiction to whose rules the party making the Announcement is subject, whether or not having the force of law, provided that where any Announcement is made in reliance on this exception, the party making the Announcement shall use its reasonable endeavours to consult with the other party in advance as to the form, content and timing of any such Announcement.

21. Assignment

21.1 No party shall (nor shall it purport to) assign, transfer, charge or otherwise deal with all or any of its rights under this agreement nor grant, declare, create or dispose of any right or interest in it without the prior written consent of (in the case of the Purchaser) the Sellers' Representative or (in the case of the Guarantor or the Sellers) the Purchaser. Any purported assignment in contravention of this clause 21 shall be void.

21.2 The restriction in clause 21.1 shall not apply to any assignment by:

- (a) the Purchaser of all or any of its rights under this agreement to any other continuing member of the Purchaser Group; or

(b) the Guarantor or any Seller of all or any of its rights under this agreement to any other continuing member of the Sellers' Group,

provided that, if any such assignee ceases to be a member of the Purchaser Group or the Sellers' Group (as the case may be), the assigning party shall procure that, before such assignee so ceases, it shall re-assign those rights to the assigning party or assign those rights to a continuing member of the Purchaser Group or the Sellers' Group (as the case may be).

21.3 No assignment in accordance with this clause 21 shall have the effect of making the liability of any member of the Purchaser Group or the Sellers' Group under this agreement greater than such liability would have been had the assignment not occurred.

21.4 The restriction in clause 21.1 does not for the avoidance of doubt apply to the Purchaser's entry into this Agreement and its acquisition of Shares as agent for respectively the French Principal, the UK Principal and the Dutch Principal.

22. Further Assurances

22.1 Each of the Sellers and the Purchaser agrees to execute (or procure the execution of) such further documents as may be required by law or as may be necessary to implement and give effect to this agreement.

22.2 The Sellers agree to provide to the Purchaser, as soon as practicable after Closing, an original of the mortgage release for the property at 5222 Indianapolis Boulevard, East Chicago, Indiana.

22.3 In the absence of specific agreement to the contrary, each party shall be responsible for its own costs and expenses (including, for the avoidance of doubt, those of its Affiliates) incurred in giving effect to the provisions of clause 22.1.

23. Costs

23.1 Subject to clause 23.2 and except as otherwise provided in this agreement, each of the Sellers and the Purchaser shall be responsible for its own costs, charges and other expenses (including those of their Affiliates) incurred in connection with the negotiation, preparation, entering into and completion of this agreement and the other Transaction Documents.

23.2 The Purchaser or its Affiliates shall bear all stamp, notarisational fees or other documentary or transaction duties, stamp duty reserve tax, and any other transfer taxes arising as a result, or in consequence, of this agreement or of any of the other Transaction Documents or of their respective implementation.

24. Notices

24.1 Any notice or other communication to be given by any party to any other party under, or in connection with, this agreement shall be in writing and signed by or on behalf of the party giving it. It shall be served by sending it by fax to the number set out in clause 24.2, or delivering it by hand, or sending it by pre-paid recorded delivery, special delivery or registered post, to the address set out in clause 24.2 and in each case marked for the attention of the relevant party set out in clause 24.2 (or as otherwise notified from time to time in accordance with the provisions of this clause 24). Any notice so served by hand, fax or post shall be deemed to have been duly given:

(a) in the case of delivery by hand, when delivered;

(b) in the case of fax, at the time of transmission;

(c) in the case of prepaid recorded delivery, special delivery or registered post, at 10am on the second Business Day following the date of posting

provided that in each case where delivery by hand or by fax occurs after 6pm on a Business Day or at any time on a day which is not a Business Day, service shall be deemed to occur at 9am on the next following Business Day.

References to time in this clause are to local time at the address to which the relevant notice is sent.

24.2 The addresses and fax numbers of the parties for the purpose of clause 24.1 are as follows:

Sellers

Address: Brambles U.K. Limited
Level 40, 1 Macquarie Place, Sydney, New South Wales, 2001, Australia

Fax: +61 2 9256 5299

For the attention of: Senior Vice President Legal and Mergers & Acquisitions, Brambles Industries Limited

Purchaser

Harsco Corporation

Address: 350 Poplar Church Road
Camp Hill, Pa 17013

Fax: 717 76361 6402

For the attention of: General Counsel

Guarantor

Address: Brambles Industries Limited
Level 40, 1 Macquarie Place, Sydney, New South Wales, 2001, Australia

Fax: +61 2 9256 5299

For the attention of: Senior Vice President Legal and Mergers & Acquisitions, Brambles Industries Limited

24.3 A party may notify any other party to this agreement of a change to its name, relevant addressee, address or fax number for the purposes of this clause 24, provided that such notice shall only be effective on:

- (a) the date specified in the notice as the date on which the change is to take place; or
- (b) if no date is specified or the date specified is less than five Business Days after the date on which notice is given, the date which is the fifth Business Day after notice of any change has been given.

24.4 In proving such service it shall be sufficient to prove that the envelope containing such notice was properly addressed and delivered either to the address shown thereon or into the custody of the postal authorities as a pre-paid recorded delivery, special delivery or registered post letter, or that the notice was transmitted by fax to the fax number of the relevant party set out in this clause 24 (or as otherwise notified under it).

24.5 The parties agree that the provisions of this clause 24 shall not apply to the service of any claim form, application notice, order, judgment and any other document relating to or in connection with any arbitration proceedings.

24.6 All notices, demands, requests, statements, certificates or other communications under this agreement shall be in English unless otherwise agreed in writing.

25. Sellers' Representative

25.1 Each of the Sellers hereby appoints Brambles U.K. Limited as the Sellers' Representative and authorises and empowers the Sellers' Representative as its true and lawful agent and attorney in fact to act on behalf of and represent the Sellers where action is required of the Sellers' Representative under this agreement. Brambles U.K. Limited hereby acknowledges and agrees to act as the Sellers' Representative upon the terms of this agreement.

25.2 The Sellers' Representative may be replaced by the Sellers at any time and from time to time.

25.3 Each Seller agrees that its rights under this agreement where action is required by the Sellers' Representative, other than the rights of the Sellers under clause 25.2, may only be exercised on its behalf by the Sellers' Representative and that any such exercise by a Seller on its own behalf shall be of no effect. Any provision of this agreement which requires or provides for any act or performance by the Sellers' Representative shall be deemed to include an undertaking by the Sellers to procure that the Sellers' Representative shall promptly carry out such act or performance.

25.4 Each of the Sellers hereby agrees and declares that any consent, notice, document, deed, matter and thing which is given, made, executed or done by the Sellers' Representative pursuant to this agreement shall be as good, valid and effectual as if the same had been given, made, executed or done by the Sellers personally and each Seller hereby ratifies any act that the Sellers' Representative may lawfully do or cause to be done pursuant to this agreement.

25.5 The Purchaser shall be entitled at any time to rely on any written document purporting to be signed by or on behalf of the Sellers' Representative without enquiry as to the genuineness of the document or any signature on it or as to the authority of the person or persons signing the document and shall be entitled to rely upon all statements made by the Sellers' Representative as to matters relating to this agreement without enquiry. The Sellers hereby unconditionally and irrevocably authorise the Sellers' Representative to execute or do or procure to be executed or done, all such acts or documents as the Sellers' Representative may in its absolute discretion consider to be necessary or desirable to give effect to this agreement.

26. Conflict with other Agreements

26.1 In the event of any conflict between this agreement and any other agreement relating to the Proposed Transactions, this agreement shall prevail (as between the parties to this agreement and as between any other members of the Sellers' Group, on the one hand, and any other members of the Purchaser Group, on the other) unless:

- (a) such other agreement expressly states that it (or any part of it) overrides this agreement in any respect and all of the Sellers and the Purchaser are either also parties to that other agreement or the Sellers' Representative and the Purchaser otherwise expressly agree in writing that such other agreement shall override this agreement in that respect; or
- (b) the contrary is expressly provided elsewhere in this agreement.

27. Entire Agreement

27.1 This agreement and the other Transaction Documents together set out the entire agreement and understanding between the parties in respect of the sale and purchase of the Shares. This agreement and the other Transaction Documents supersede all prior agreements, understandings or arrangements (whether oral or written) relating to the sale

and purchase of the Shares, which prior agreements, understandings and arrangements shall cease to have any further force or effect. It is agreed that:

- (a) no party has entered into this agreement or any other Transaction Document in reliance upon, nor shall any party have any claim or remedy in respect of, any statement (including any statement of intent or opinion), representation, warranty, promise, forecast, estimate, projection, undertaking, assurance, collateral contract or other provision made or provided by or on behalf of any other party (or any of its Connected Persons) which is not expressly set out in this agreement or any other Transaction Document;
- (b) any terms or conditions which may be implied by law in any jurisdiction in relation to the Proposed Transactions shall be excluded or, if incapable of exclusion, any rights or remedies in relation to them shall be irrevocably waived;
- (c) the only right or remedy of a party in relation to any statement, representation, warranty, undertaking, assurance, collateral contract or other provision set out in this agreement or any other Transaction Document shall be for breach of this agreement or the relevant Transaction Document (including damages or injunctive relief in respect thereof) to the exclusion of all other rights and remedies; and
- (d) except for any liability which a party (or any of its Connected Persons) has under or in respect of any breach of this agreement or any of the other Transaction Documents, no party (or any of its Connected Persons) shall owe any duty of care or have any liability in tort or otherwise to any other party (or its respective Connected Persons) in respect of, arising out of, or in any way relating to the Proposed Transactions,

provided that this clause shall not exclude any liability for (or remedy in respect of) fraudulent misrepresentation.

The agreements and undertakings in this clause 27 are given and received by each party on its own behalf and as agent for each of its Connected Persons. Each party acknowledges that the other party gives and receives such agreements and undertakings as agent with the full knowledge and authority of each of its Connected Persons. For the purpose of this clause, **Connected Persons** means (in relation to a party) the officers, employees, agents and advisers of that party or any of its Affiliates.

28. Waivers, Rights and Remedies

Except as otherwise provided in this agreement, no failure or delay by any party in exercising any right or remedy provided by law or under or pursuant to this agreement or any other Transaction Document shall impair such right or remedy or operate or be construed as a waiver or variation of it or preclude its exercise at any subsequent time and no single or partial exercise of any such right or remedy shall preclude any further exercise of it or the exercise of any other remedy.

29. General

29.1 This agreement may be executed in any number of counterparts and by the parties to it on separate counterparts, each of which is an original but all of which taken together shall constitute one and the same instrument.

29.2 No amendment, variation or waiver of this agreement (or of any of the other Transaction Documents) shall be valid unless it is in writing and duly executed by or on behalf of the Sellers' Representative and the Purchaser. The expression **variation** shall include any variation, supplement, deletion or replacement howsoever effected. Unless expressly agreed, no variation shall constitute a general waiver of any provision of this agreement, nor shall it affect any rights, obligations or liabilities under or pursuant to this agreement which have already accrued up to the date of variation, and the rights and obligations under or pursuant to this agreement shall remain in full force and effect except and only to the extent that they are so varied.

29.3 Each of the provisions of this agreement and the other Transaction Documents is severable. If any such provision is held to be or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction:

- (a) so far as it is illegal, invalid or unenforceable, it shall be given no effect and shall be deemed not to be included in this agreement or the relevant Transaction Document but it shall not affect or impair the legality, validity or enforceability in that jurisdiction of any other provisions of this agreement or the relevant Transaction Document (or of the provisions of this agreement or other Transaction Document in any other jurisdiction); and
- (b) the parties shall use all reasonable endeavours to replace it with a valid and enforceable substitute provision or provisions but differing from the replaced provision as little as possible and the effect of which is as close to the intended effect of the illegal, invalid or unenforceable provision.

29.4 A person who is not a party to this agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 (or equivalent legislation in any other jurisdiction) to enforce any of its terms.

29.5 The rights of the Purchaser under this agreement:

- (a) in relation to Brambles France and the French Set of Shares are intended to and shall benefit the French Principal which is a party to this agreement by virtue of the Purchaser having entered into it as agent of the French Principal;
- (b) in relation to Brambles UK and the UK Set of Shares are intended to and shall benefit the UK Principal which is a party to this agreement by virtue of the Purchaser having entered into it as agent of the UK Principal; and

(c) in relation to Brambles Holdings Europe and the Dutch Set of Shares are intended to and shall benefit the Dutch Principal which is a party to this agreement by virtue of the Purchaser having entered into it as agent of the Dutch Principal,

and where such rights are expressed to benefit any such person as aforesaid all such rights (including without limitation the right to bring a claim for breach of the Warranties), may be enforced by such person directly against the relevant Seller to the fullest extent permissible by law.

30. Interpretation

Words and expressions used in this agreement shall have the meanings set out in Schedule 13 unless the context requires otherwise.

31. Settlement of disputes

31.1 In the event of any dispute, controversy or claim arising out of or in connection with this agreement or any other Transaction Document other than a dispute to which Part C of Schedule 12 applies (a **Dispute**), either the Sellers or the Purchaser may serve formal written notice on the other that a Dispute has arisen (a **Notice of Dispute**).

31.2 The Sellers and the Purchaser shall use all reasonable endeavours for a period of twenty Business Days from the date on which the Notice of Dispute is served by one party on the other party (or such longer period as may be agreed in writing between the parties) to resolve the Dispute on an amicable basis.

31.3 If the parties are unable to resolve the Dispute by amicable negotiation within the time period referred to in clause 31.2, the Dispute may be referred by the Sellers or the Purchaser to senior executives of the Sellers' Group and the Purchaser Group nominated by the respective Chief Executive Officers of the Guarantor and the Purchaser who shall attempt, for a period of ten Business Days from the expiry of the time period referred to in clause 31.2, to resolve the Dispute. In the event that those senior executives are unable to resolve the Dispute within the stated time period (or such longer period as may be agreed in writing between the parties), the Dispute shall be referred to arbitration in accordance with clause 31.4.

31.4 Subject to clauses 31.1 to 31.3, the Dispute shall be referred to and finally resolved by arbitration under the Rules of Arbitration of the International Chamber of Commerce by a sole arbitrator appointed in accordance with those Rules. The seat of arbitration shall be London, England. The language to be used in the arbitral proceedings shall be English. The parties shall have the right to seek interim relief from a court of competent jurisdiction, at any time before and after the arbitrator has been appointed, up until the arbitrator has made his final award.

32. Governing law

This agreement and the legal relationships established by or otherwise arising in connection with this agreement shall be governed by, and interpreted in accordance with, English law.

SCHEDULE 1

SELLERS, SHARES AND TARGET COMPANIES

Part A The Shares

1 Seller	2 Set of Shares
Brambles U.K. Limited	99 ordinary shares of £1 each in the share capital of Fourninezero Limited
Brambles France SAS	5,000 shares in the share capital of Becema SAS 72,500 shares in the share capital of Solomat Industrie SA 10,000 shares in the share capital of BC SAS 6,006 shares in the share capital of SMI Lorelev SAS
Brambles USA, Inc.	100 common shares of US\$1 each in the share capital of Brambles Steel Services, Inc.
Brambles Holdings Europe B.V.	18,200 shares in the share capital of Brambles Steel Services B.V.

Part B Details of those Target Companies whose Shares are being sold under this agreement

1.	Name:	Fourninezero Limited
2.	Date of Incorporation:	30/1/1975
3.	Place of Incorporation:	England and Wales
4.	Class of Company:	Private Limited with share capital
5.	Registered Number:	01198490
6.	Registered Office:	Cassini House, 57 St James Street, London SW1A 1LD

7.	Directors:	Jonathan Park Frost Jean Louis Laurent
8.	Company Secretary:	Kerry Anne Abigail Porritt
9.	Authorised Capital:	£100
10.	Issued Capital:	£100
11.	Registered Shareholders:	Brambles U.K. Limited (99 ordinary shares) Nigel Vernon Short (1 special share)
12.	Accounting Reference Date:	30 June
13.	Auditors:	PricewaterhouseCoopers LLP
14.	Tax Residence:	UK
15.	Status:	Holding company

1.	Name:	Becema SAS
2.	Date of Incorporation:	19 January 1990
3.	Place of Incorporation:	Thionville, France
4.	Class of Company:	Société par actions simplifiée
5.	Registered Number:	352 978 316, RCS Thionville
6.	Registered Office:	201, Route de Verdun - 57 180 Terville, France
7.	Chairman	Brambles France SAS
8.	General Manager (<i>directeur general</i>):	Laurent Paulus
9.	Share Capital:	EUR 200,000
10.	Shareholders:	Brambles France SAS
11.	Accounting Reference Date:	30 June
12.	Auditors:	PricewaterhouseCoopers Mr Eric Heiligenstein

13.	Tax Residence:	France
14.	Status:	Trading company
1.	Name:	Solomat Industrie SA
2.	Date of Incorporation:	10 November 1997
3.	Place of Incorporation:	Dunkerque, France
4.	Class of Company:	Société anonyme
5.	Registered Number:	402 187 090 RCS Dunkerque
6.	Registered Office:	Rue Charles Fourier - Zone industrielle- 59 760 Grande Synthe, France
7.	Chairman	Jean-Louis Laurent
8.	General Manager (<i>directeur general</i>):	Laurent Paulus
9.	Share Capital	EUR 1,160,000
10.	Shareholders:	Brambles France SAS - 72,500 shares
11.	Accounting Reference Date:	30 June
12.	Auditors:	PricewaterhouseCoopers
13.	Tax Residence:	France
14.	Status:	Trading company

1.	Name:	BC SAS
2.	Date of Incorporation:	8 June 1977
3.	Place of Incorporation:	Metz, France
4.	Class of Company:	Société par actions simplifiée
5.	Registered Number:	305 588 980 RCS Thionville
6.	Registered Office:	201A, route de Verdun - 57 180 Terville, France

7. Chairman Brambles France SAS
8. Share Capital: EUR 200,000
9. Registered Shareholders: Brambles France SAS
10. Accounting Reference Date: 30 June
11. Auditors: PricewaterhouseCoopers
Mr Eric Heiligenstein
12. Tax Residence: France
13. Status: Holding company

1. Name: **SMI Lorelev SAS**
2. Date of Incorporation: 25 September 1984
3. Place of Incorporation: Thionville, France
4. Class of Company: Société par actions simplifiée
5. Registered Number: B 330 641 002 RCS Thionville
6. Registered Office: 201A, route de Verdun - 57 180 Terville, France
7. Chairman Brambles France SAS
8. General Manager (*directeur general*): Laurent Paulus
9. Share Capital: EUR 200,000
10. Shareholders: BC SAS - 4,994 shares
Brambles France SAS - 6,006 shares
11. Accounting Reference Date: 30 June
12. Auditors: PricewaterhouseCoopers
13. Tax Residence: France
14. Status: Trading company

1.	Name:	Brambles Steel Services, Inc.
2.	Date of Incorporation:	6 April 2000
3.	Place of Incorporation:	Delaware, U.S.A.
4.	Class of Company:	Corporation
5.	Delaware File Number:	3208294
6.	Registered Agent	The Corporation Trust Company
7.	Registered Office:	Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, U.S.A.
8.	Directors:	Luc Hendriks Melissa Schmidt George Nelson III
9.	Company Secretary:	George Nelson III
10.	Authorised Capital:	1000 shares of US\$1 each
11.	Issued Capital:	100 shares
12.	Registered Shareholders:	Brambles USA, Inc.
13.	Accounting Reference Date:	30 June
14.	Auditors:	PricewaterhouseCoopers
15.	Tax Residence:	Indiana, U.S.A.
16.	Status:	Holding company

1.	Name:	Brambles Steel Services B.V.
2.	Date of Incorporation:	14/3/75
3.	Place of Incorporation:	Netherlands
4.	Class of Company:	Private Limited
5.	Registered Number:	34036230
6.	Registered Office:	Wenckebachstraat 1, Aannemerscentrum 6E.01, 1951 JZ Velsen-Noord, the Netherlands

7.	Directors:	Marco Ennio Gravina Gerrit Bloem
8.	Proxyholder:	Johannes Anthonius Warren
9.	Authorised Capital:	EUR 91,000
10.	Issued Capital:	EUR 18,200
11.	Registered Shareholders:	Brambles Holdings Europe B.V.
12.	Accounting Reference Date:	30 June
13.	Auditors:	PricewaterhouseCoopers
14.	Tax Residence:	Netherlands
15.	Status:	Trading company

Part C Details of the Subsidiaries of the Target Companies

1.	Name:	Short Bros (Plant) Limited
2.	Date of Incorporation:	25/2/49
3.	Place of Incorporation:	England and Wales
4.	Class of Company:	Private Limited with share capital
5.	Registered Number:	00465057
6.	Registered Office:	Cassini House, 57 St James Street, London SW1A 1LD
7.	Directors:	Jonathan Park Frost Jean Louis Laurent Anton Johan Claessens Jeffrey Arthur James
8.	Company Secretary:	Kerry Anne Abigail Porritt

9. Authorised Capital: £1,010,000
10. Issued Capital: £10,000
11. Registered Shareholders: Fourninezero Limited
12. Accounting Reference Date: 30 June
13. Auditors: PricewaterhouseCoopers LLP
14. Tax Residence: UK
15. Status: Trading company

1. Name: **BC Nord SAS**
2. Date of Incorporation: 14/2/91
3. Place of Incorporation: Dunkerque - France
4. Class of Company: Société par actions simplifiée
5. Registered Number: 379 875 107 RCS Dunkerque
6. Registered Office: 4 rue Charles Fourier, 59760 Grande Synthe, France
7. Chairman: Brambles France SAS
8. General Manager (*directeur general*): Laurent Pascal André Paulus
9. Share Capital: EUR 200,000
10. Shareholders: BC SAS
11. Accounting Reference Date: 30 June
12. Auditors: PricewaterhouseCoopers
13. Tax Residence: France
14. Status: Trading company

1. Name: **National Recovery Systems, Inc.**
2. Date of Incorporation: 22 July 1993

3.	Place of Incorporation:	Delaware, U.S.A.
4.	Class of Company:	Corporation
5.	Delaware File Number:	2344780
6.	Registered Agent	The Corporation Trust Company
7.	Registered Office:	Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, U.S.A.
8.	Directors:	Luc Hendriks Melissa Schmidt George Nelson III
9.	Company Secretary:	George Nelson III
10.	Authorised Capital:	1000 shares of US\$1 each
11.	Issued Capital:	930 shares
12.	Registered Shareholders:	Brambles Steel Services, Inc.
13.	Accounting Reference Date:	30 June
14.	Auditors:	PricewaterhouseCoopers
15.	Tax Residence	Indiana, U.S.A.
16.	Status:	Trading company

1.	Name:	Great Lakes Recovery Systems, Inc.
2.	Date of Incorporation:	20 June 1995
3.	Place of Incorporation:	Delaware, U.S.A.
4.	Class of Company:	Corporation
5.	Delaware File Number:	2517358
6.	Registered Agent	The Corporation Trust Company
7.	Registered Office:	Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, U.S.A.
8.	Directors:	Luc Hendriks Melissa Schmidt George Nelson III

9. Company Secretary: George Nelson III
10. Authorised Capital: 1,000 shares, par value - none
11. Issued Capital: 53.73 shares
12. Registered Shareholders: National Recovery Systems, Inc.
13. Accounting Reference Date: 30 June
14. Auditors: PricewaterhouseCoopers
15. Tax Residence: Michigan, U.S.A.
16. Status: Trading company

1. Name: **E.C.R., Inc.**
2. Date of Incorporation: 26 July 1993
3. Place of Incorporation: Delaware, U.S.A.
4. Class of Company: Corporation
5. Delaware File Number: 2345175
6. Registered Agent: The Corporation Trust Company
7. Registered Office: Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, U.S.A.
8. Directors: Luc Hendriks
Melissa Schmidt
George Nelson III
9. Company Secretary: George Nelson III
10. Authorised Capital: 10,000 shares, par value - none
11. Issued Capital: 1,000 shares
12. Registered Shareholders: National Recovery Systems, Inc.
13. Accounting Reference Date: 30 June
14. Auditors: PricewaterhouseCoopers

15.	Tax Residence	Indiana, U.S.A.
16.	Status:	Trading company
1.	Name:	Braddock Recovery, Inc.
2.	Date of Incorporation:	10 September 1993
3.	Place of Incorporation:	Delaware, U.S.A.
4.	Class of Company:	Corporation
5.	Delaware File Number:	2350528
6.	Registered Agent	The Corporation Trust Company
7.	Registered Office:	Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, U.S.A.
8.	Directors:	Luc Hendriks Melissa Schmidt George Nelson III
9.	Company Secretary:	George Nelson III
10.	Authorised Capital:	1,000 shares, par value - none
11.	Issued Capital:	53.73 shares
12.	Registered Shareholders:	National Recovery Systems, Inc.
13.	Accounting Reference Date:	30 June
14.	Auditors:	PricewaterhouseCoopers
15.	Tax Residence	Pennsylvania, U.S.A.
16.	Status:	Trading company

1.	Name:	Ashland Recovery, Inc.
2.	Date of Incorporation:	29 December 2004
3.	Place of Incorporation:	Delaware, U.S.A.
4.	Class of Company:	Corporation

5. Delaware File Number: FEIN 20-2117363
6. Registered Agent The Corporation Trust Company
7. Registered Office: Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, U.S.A.
8. Directors: Luc Hendriks
Melissa Schmidt
George Nelson III
9. Company Secretary: George Nelson III
10. Authorised Capital: 1,000 shares, par value - none
11. Issued Capital: 100 shares
12. Registered Shareholders: National Recovery Systems, Inc.
13. Accounting Reference Date: 30 June
14. Auditors: PricewaterhouseCoopers
15. Tax Residence Kentucky, U.S.A.
16. Status: Trading company

1. Name: **National Briquette Corporation**
2. Date of Incorporation: 10 September 1993
3. Place of Incorporation: Delaware, U.S.A.
4. Class of Company: Corporation
5. Delaware File Number: 2350663
6. Registered Agent The Corporation Trust Company
7. Registered Office: Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, U.S.A.
8. Directors: Luc Hendriks
Melissa Schmidt
George Nelson III
9. Company Secretary: George Nelson III

10.	Authorised Capital:	75,000 shares of US\$1 each
11.	Issued Capital:	5,373 shares
12.	Registered Shareholders:	National Recovery Systems, Inc.
13.	Accounting Reference Date:	30 June
14.	Auditors:	PricewaterhouseCoopers
15.	Tax Residence	Indiana, U.S.A.
16.	Status:	Trading company

1.	Name:	Harry Scholten Transport B.V.
2.	Date of Incorporation:	11/6/96
3.	Place of Incorporation:	Netherlands
4.	Class of Company:	Private Limited
5.	Registered Number:	37075751
6.	Registered Office:	Klein Dorregeest 7, 1921HA Akersloot
7.	Directors:	Gerrit Bloem
8.	Proxyholder:	Johannes Peterus Komen
9.	Authorised Capital:	EUR 90,756.04
10.	Issued Capital:	EUR 18,151.21
11.	Registered Shareholders:	Brambles Steel Services B.V.
12.	Accounting Reference Date:	30 June
13.	Auditors:	PricewaterhouseCoopers
14.	Tax Residence:	Netherlands
15.	Status:	Trading company

SCHEDULE 2

UNADJUSTED PRICE AND APPORTIONMENT

INTENTIONALLY OMITTED

**SCHEDULE 3
SELLERS WARRANTIES**

Part A General/Commercial

1. The Sellers, the Shares and the Target Companies

1.1 Authorisations, valid obligations, filings and consents

- (a) Each Seller has obtained all corporate authorisations and all other applicable governmental, statutory, regulatory or other consents, licences, authorisations, waivers or exemptions (**Approvals**) required to empower it to enter into and perform its obligations under this agreement and any other Transaction Document to which it is a party where failure to obtain such Approval would adversely affect its ability to enter into or perform its obligations under this agreement or the other Transaction Documents in accordance with their terms.
- (b) This agreement and the other Transaction Documents which are to be entered into by each Seller will, when executed, constitute valid and binding obligations of that Seller.
- (c) Entry into and performance by each Seller of this agreement and/or any other Transaction Document to which it is a party will not breach the provisions of its memorandum and articles of association, certificate of incorporation, by-laws or equivalent constitutional documents in its jurisdiction of incorporation where such breach would adversely affect its ability to enter into or perform its obligations under this agreement and/or any other Transaction Document to which it is a party in accordance with their terms.
- (d) Neither entry by each Seller into this agreement nor entry into, and implementation of, the Proposed Transactions by each Seller will:
 - (i) result in a breach of any applicable laws or regulations in its jurisdiction of incorporation, including for the avoidance of doubt the provisions of articles L.432-1 of the French Labour Code (*Code du Travail*), which require, *inter alia*, that a opinion (*avis*) be obtained prior to any decision in connection with the Proposed Transactions becoming final, and in any event prior to the date hereof, from any relevant employee representatives with respect to the Proposed Transactions; or
 - (ii) amount to a breach of any order, decree or judgment of any court or any Governmental Entity in its jurisdiction of incorporation,

where, in each case, such breach would adversely affect its ability to enter into or perform its obligations under this agreement and/or any other Transaction Document to which it is a party.

1.2 The Sellers, the Shares and the Target Companies

- (a) Each Seller is and each of the Target Companies is validly incorporated, in existence and duly registered and/or in good standing (as applicable) under the laws of their respective jurisdictions of incorporation and, in the case of each Target Company, has full power under its memorandum and articles of association, articles or certificate of incorporation or equivalent constitutional documents in its jurisdiction of incorporation to conduct its business as conducted at the date of this agreement.
- (b) All the Shares and all of the shares in each of the Subsidiaries are fully paid or properly credited (under the applicable legislation in the jurisdiction of incorporation of the relevant Target Company) as fully paid and each Seller is in the case of the Target Companies listed in Part A of Schedule 1 the sole legal and beneficial owner, free from all Encumbrances, of the number of shares in the relevant Target Company set opposite that Seller's name in column 2 of Part A of Schedule 1 .
- (c) No member of the Sellers' Group nor any Target Company has entered into any agreement or arrangement (other than this agreement) pursuant to which any person has the right (exercisable now or in the future and whether contingent or not) to call for the issue, allotment, conversion or transfer of any share or loan capital in any Target Company.
- (d) Each Seller is entitled to transfer or procure the transfer of its Set of Shares on the terms set out in this agreement.
- (e) The Shares constitute the whole of the issued and allotted (or, to the extent appropriate, registered) share capital of the Target Companies listed in column 2 of Part A of Schedule 1 .
- (f) The information in respect of each of the Target Companies set out in Part A of Schedule 1 and (insofar as such information relates to the identity of the shareholders, directors or legal representatives of any Target Company or to the share capital of any Target Company) in Part B and Part C of Schedule 1 is complete and accurate.
- (g) The information in respect of each of the Target Companies set out in Part B and Part C of Schedule 1 (insofar as such information relates to matters other than those described in paragraph (f) above) is accurate in all material respects.

(h) Every share in the capital of every Subsidiary is owned legally and beneficially, free from all Encumbrances, by a Target Company listed in Part B of Schedule 1 and no member of the Sellers' Group nor any Target Company has entered into any agreement or arrangement whereby any person has the right (exercisable now or in the future and whether contingent or not) to call for the issue, allotment, conversion or transfer of any share or loan capital in any Subsidiary.

(i) No member of the Sellers' Group provides any industrial services in Europe (including the United Kingdom) or North America which compete in any material respect with (or which would, if carried on by a third party in the same jurisdiction as the business of any of the Target Companies, have the potential to compete in any material respect with) the industrial services provided by any Target Company.

1.3 Other interests

No Target Company owns or has any interest of any nature whatsoever in any shares, debentures or other securities issued by any undertaking (other than another Target Company listed in Schedule 1) or in any partnership or joint venture.

2. Financial Matters

2.1 The UK Accounts

The UK Accounts have been prepared in accordance with applicable law and regulations in England and give a true and fair view of the state of affairs of each of the UK Target Companies and of their respective assets and liabilities as at the Accounts Date and of the results thereof for the financial year ended on the Accounts Date, and have been prepared in accordance with UK GAAP and on a consistent basis in all material respects (save to the extent required by law, any applicable regulation, or generally accepted accounting principles) with the statutory accounts for such companies for the financial year ended on 30 June 2004.

2.2 The French Accounts

The French Accounts have been prepared in accordance with applicable law and regulations in France and give a true and fair view (it being understood that this expression is to be taken as meaning for the purposes of the French Accounts, the same as "*sont réguliers, sincères et donnent une image fidèle*") of the state of affairs of each of the French Target Companies as at the Accounts Date and of their respective results for the financial year ended on the Accounts Date and have been prepared in accordance with generally accepted accounting principles of France and on a consistent basis in all material respects (save to the extent required by law, any applicable regulation, or generally accepted accounting principles) with the statutory accounts for such companies for the financial year ended on 30 June 2004.

2.3 The Dutch Accounts

The Dutch Accounts have been prepared in accordance with applicable law and regulations in the Netherlands (save only that the same have not yet been the subject of a report from auditors) and give a true and fair view of the state of affairs of Brambles Steel Services B.V. as at the Accounts Date and of its results for the financial year ended on the Accounts Date and have been prepared in accordance with generally accepted accounting principles of the Netherlands and on a consistent basis in all material respects (save to the extent required by law, any applicable regulation, or generally accepted accounting principles) with the accounts for such companies for the two financial years ended on 30 June 2004.

2.4 The US Accounts

The US Accounts have been prepared for the purposes of preparing the consolidated statutory UK accounts for the Sellers' Group in respect of the 12 month period ended on the Accounts Date and are an aggregation (without consolidation adjustments) of individual company accounts for each of the US Target Companies which give a true and fair view of the respective state of affairs of such respective US Target Companies as at the Accounts Date, and of their results for the financial year ended on the Accounts Date and have been prepared in accordance with UK GAAP and on a consistent basis in all material respects (save to the extent required by law, any applicable regulation, or generally accepted accounting principles) with the equivalent accounts for such companies for the two financial years ended on 30 June 2004, provided that the US Accounts have not been prepared so as to comply with any applicable laws and regulations, have not been the subject of a report by auditors, and, not being statutory accounts under English law do not contain all of the disclosures required in relation to such accounts pursuant to the Companies Act 1985.

2.5 Position since Accounts Date

(a) Since the Accounts Date:

- (i) the business of each of the Target Companies has been carried on in the ordinary course and there has been no material adverse change in the financial or trading position of any Target Company;
- (ii) no dividend or other distribution (whether in cash, stock or in kind) has been declared, authorised, paid or made, nor has there been any reduction of paid-up share capital, by any Target Company (except for any dividends provided for in the June 30 Accounts);
- (iii) no share or loan capital has been issued or agreed to be issued by any Target Company;

- (iv) no Target Company has repaid any Financial Debt (other than Intra-Group Payables) in advance of its stated maturity;
- (v) no Target Company has made or agreed to make any material payment or entered into any material transaction or commitment or incurred any material liability except in the ordinary course of its trading and for full value;
- (vi) no Target Company has acquired or agreed to acquire any business or material asset other than in the ordinary course of business;
- (vii) the businesses of the Target Companies have not been materially and adversely affected by the loss of any important customer(s) or source(s) of supply or any abnormal factor(s) not affecting similar businesses to the businesses of the Target Companies to the same or a similar extent.

2.6 **Statutory books**

- (a) The statutory books of each Target Company required to be kept by applicable laws in its jurisdiction of incorporation have been maintained in all material respects in accordance with such laws and are properly written up to date and there has been no notice of any proceedings to correct or rectify any registers therein.
- (b) No Target Company has, since the Accounts Date, passed any resolution of its members other than resolutions relating to the routine business of annual general meetings.
- (c) A copy of the memorandum and articles of association, by-laws or equivalent constitutional documents of each of the Target Companies are contained in the Disclosure Bundle and such copies are true, complete and accurate.
- (d) Each Target Company has complied in all material respects with the provisions of the United Kingdom Companies Act 1985 (or equivalent legislation in its jurisdiction of incorporation) and all returns, particulars, resolutions and other documents required under any legislation to be delivered on behalf of a Target Company to the registrar of companies or to any equivalent authority in its jurisdiction of incorporation have been properly made and delivered within the requisite time limits.

2.7 **Powers of attorney**

No powers of attorney or other authorities by which a person may enter into an agreement, arrangement or obligation for or on behalf of a Target Company have been given and remain outstanding (other than the authority for a director, other officer or employee (but not an alternate or shadow director) of a Target Company

to enter into an arrangement, agreement or obligation in the usual course of that person's duties).

2.8 **Dormant and holding companies**

- (a) Where the status of any Target Company is shown in Part B or Part C of Schedule 1 as "Dormant company", that Target Company does not carry on any trading activities and has no material assets or liabilities.
- (b) Where the status of any Target Company is shown in Part B or Part C of Schedule 1 as "Holding company", that Target Company does not carry on any trading activities and has no material assets or liabilities other than its shareholdings in any Subsidiary.

3. **Financial Debt**

3.1 **External Financial Debt**

- (a) None of the Target Companies has outstanding any Financial Debt owing by it to any person outside the Sellers' Group.
- (b) No amounts are owing to any Target Company other than Intra-Group Receivables and trade debts incurred in the ordinary course of business, and no Target Company has agreed to make any loan or advance.
- (c) So far as the Sellers are aware, no Target Company has agreed to become bound by any guarantee, indemnity or suretyship save in respect of the obligations of any other Target Company.
- (d) No Target Company has created nor agreed to create and nor is there subsisting any Encumbrance (other than a Permitted Encumbrance) over all or any of its property assets undertaking goodwill reserves or share capital.
- (e) The assets of each Target Company are free from any Encumbrances (other than Permitted Encumbrances).

3.2 **Intra-Group Debt**

None of the Target Companies has outstanding any Financial Debt or other debt owing by it to any member of the Sellers' Group other than the Intra-Group Payables.

4. **Regulatory matters**

4.1 **Licences**

All licences, consents, permissions and authorities which are material to the carrying on by any Target Company of its business and which are required by applicable law or

regulation to enable any Target Company to carry on its business and/or use its assets effectively in the places and in the manner in which such business is now carried on and/or assets are presently used (**Licences**) have been obtained by the relevant Target Company; the Disclosure Bundle contains true and complete copies of each Licence; all Licences are in full force and effect and have been complied with by the relevant Target Company in all material respects; and so far as the Sellers are aware, there are no circumstances indicating that any Licence is likely to be suspended, cancelled, revoked or not renewed in the ordinary course.

4.2 Compliance

In the two year period preceding the date of this agreement:

- (a) each Target Company has conducted its business and corporate affairs in accordance with its memorandum and articles of association, by-laws or other equivalent constitutional documents in its jurisdiction of incorporation;
- (b) each Target Company has conducted its business and corporate affairs in all material respects in accordance with all applicable laws and regulations; and
- (c) there has been no material default by any Target Company under any order, decree or judgment of any court or any Governmental Entity in any jurisdiction.

4.3 Grants and allowances

No Target Company has received any investment or other grants and allowances or loans or financial aid of any kind from any Governmental Entity on terms that such grants, allowances, loans or financial aid may become repayable by any Target Company after the date of this agreement.

5. The Business Assets

For the purposes of this paragraph 5, an **asset** shall mean an asset which carries a value in the June 30 Accounts, has been acquired by any Target Company since the Accounts Date or otherwise constitutes a material (defined as any item having a replacement value of £50,000 or more) item of operating plant and machinery used in the business of the Target Companies, but does not include any of the Properties or any Intellectual Property Rights owned or used by the Target Companies.

5.1 Ownership and possession

The assets are:

- (a) the absolute property of the Target Companies; and
- (b) in the possession or under the control of the Target Companies.

5.2 Disposal of assets

No Target Company has (outside the ordinary and normal course of business) disposed of, or agreed to dispose of, any asset.

5.3 Leasing and hire purchase arrangements

No Target Company is a party to any lease, hire or hire purchase agreement in respect of any operating plant and machinery which requires a monthly lease, hire or rental payment by such Target Company of more than £5,000 and has an original term of 6 months or more.

6. Contractual matters

6.1 Material contracts

(a) There is not outstanding any agreement to which a Target Company is a party which:

(i) by virtue of the Proposed Transactions and the Transaction Documents, will or is likely to result in:

(A) any other party being relieved of any material obligation or becoming entitled to exercise any material right (including any right of termination or any material right of pre-emption or other option); or

(B) any Target Company being in material default under any such agreement.

(ii) was entered into otherwise than in the ordinary course of business of such Target Company as carried on at the date of this agreement; or

(iii) is not on arm's length terms.

(b) The Disclosure Bundle contains complete and up to date copies of each contract for the provision of services by a Target Company which provides for revenues of more than £500,000 per annum. Such contracts are all in force and the copies thereof which are contained in the Disclosure Bundle contain full details of the contractual termination date and of the terms of any renewals thereof.

6.2 Defaults

(a) No Target Company has, in the two year period preceding the date of this agreement:

- (i) received written notice that it is in material default under any material contract; or
 - (ii) given written notice that any counterparty to any material contract is in material default under such material contract.
- (b) So far as the Sellers are aware, no Target Company nor any counterparty to any material contract is in material breach of any material contract which remains unremedied.

For the purposes of this Warranty 6.2, **material contract** means a contract which provides for revenues of a Target Company in excess of £300,000 per annum or requires expenditure by a Target Company in excess of £100,000 per annum (in the case of a contract with a term of less than one year or which the Target Company concerned may terminate on notice of one year or less) and £50,000 per annum (in the case of any other contract requiring expenditure by a Target Company).

7. Insurance

7.1 Details of existing insurances

- (a) The following documents contain particulars of all of the insurances maintained by or covering each Target Company (the **Insurances**) and the particulars of the Insurances contained in such documents (taken together) are complete and accurate in all material respects:
- (i) the summary of group policies referred to at document number [] in the Disclosure Bundle, the regional summaries for Europe and the USA in respect of the Target Companies referred to at document number [] in the Disclosure Bundle and local summaries for the United Kingdom, the Netherlands, France and the United States of America referred to at document number [] in the Disclosure Bundle; and
 - (ii) the copy insurance policies referred to at document numbers [] to [] (inclusive) of the Disclosure Bundle.
- (b) The list of claims loss runs referred to at document number [] in the Disclosure Bundle is, in all material respects, a complete and accurate record of the claims history of each Target Company in respect of the periods specified therein.

7.2 Insurance claims

With the exception of claims referred to in the list of claims loss runs referred to above, no Target Company (nor any member of the Sellers' Group on behalf of any Target Company) has made any claim in excess of £250,000 under any of the Insurances which is still outstanding nor, so far as the Sellers are aware, are there any circumstances likely to give rise to such a claim.

7.3 **General**

- (a) Each Target Company is an insured under each of the Insurances applicable to it as referred to in clause 7.1(a).
- (b) Any employer's liability and public liability policies listed in the documents mentioned in paragraphs 7.1(a)(i) and (ii) above but copies of which are not contained in the Disclosure Bundle are all written on an occurrence basis.
- (c) All premiums invoiced in respect of the Insurances as at Closing have been paid and, so far as the Sellers are aware, nothing has been done or omitted to be done which has made or could make any of the Insurances void or voidable or adversely affect the ability of any of the Target Companies to make recovery from the Financial Services Compensation Scheme where appropriate.
- (d) Any deductible (or claim, if the amount of the claims is less than the amount of the deductible) requested by the relevant insurer to be paid in respect of full or partial settlements made by insurers prior to Closing have been reimbursed to insurers.

8. Litigation and investigations

8.1 **Litigation**

No Target Company is a claimant or defendant in or otherwise a party to any material litigation, arbitration or administrative proceedings which are in progress and, so far as the Sellers are aware, there are no circumstances likely to lead to any such litigation, arbitration or administrative proceedings.

8.2 **Investigations**

No Target Company has in the two year period preceding the date of this agreement received notice in writing that it is the subject of any investigation, inquiry or prosecution by any Governmental Entity (other than investigations or inquiries undertaken by a Governmental Entity on a routine basis) and, so far as the Sellers are aware, there are no circumstances likely to lead to any such investigation, inquiry or prosecution.

8.3 **Court orders**

- (a) There are no unfulfilled or unsatisfied judgements or court orders outstanding against any Target Company.
- (b) No distress, distraint, charging order, garnishee order, execution or other process which a court or a similar body may use to enforce payment of a debt has, during the two year period preceding the date of this agreement, been levied or applied for in respect of the whole or any part of the property, assets or undertaking of any Target Company.

8.4 Competition

No Target Company is a party to (or concerned in) any agreement, arrangement, connected practice or course of conduct which: (i) falls within Article 81 and/or Article 82 of the EC Treaty; or (ii) falls within Article 53 and/or Article 54 of the Agreement on the European Economic Area; or (iii) falls within the prohibitions contained in Chapter I or Chapter II of the Competition Act 1998 (UK); or (iv) otherwise infringes the competition legislation or practice of any jurisdiction.

9. Insolvency etc.

9.1 Winding up

No order has been made, petition presented, meeting convened or resolution passed for the winding up of any of the Sellers or any Target Company or for the appointment of any provisional liquidator (or equivalent in the jurisdiction of its incorporation) and no Target Company has received any notice under nor is it or could it be deemed unable to pay its debts for the purposes of Section 123 of the Insolvency Act 1986 of the United Kingdom or any equivalent legislation in the jurisdiction of its incorporation.

9.2 Administration and receivership

Neither any of the Sellers nor any Target Company has received any written notice concerning the appointment of a receiver (including any administrative receiver or the equivalent to a receiver or administrative receiver in the relevant jurisdiction) in respect of the whole or any part of the property, assets and/or undertaking of any Target Company, nor has any distress, execution or other process been levied in respect of a Target Company's undertaking or assets or any part thereof.

9.3 Voluntary arrangement etc.

Neither any of the Sellers nor any Target Company or any of their direct or indirect holding companies has made or proposed any voluntary arrangement with any of its creditors under section 1 of the Insolvency Act 1986 of the United Kingdom or any equivalent legislation in the jurisdiction of its incorporation.

9.4 Voidable transactions

So far as the Sellers are aware, no Target Company has been a party to any transaction with any third party which in the event of such third party going into liquidation or an administration order or a bankruptcy order being made in relation to it or to him, would be liable to be set aside (in whole or in part) as a transaction at an undervalue or a preference.

1. Intellectual Property Rights

- (a) The Disclosure Bundle contains copies of all material licences of Intellectual Property Rights granted to and by any Target Company (**Material IP Licences**) and neither any Target Company nor, so far as the Sellers are aware, any counterparty to a Material IP Licence, is in material breach of any Material IP Licence.
- (b) No member of the Sellers' Group owns any Intellectual Property Rights which are licensed to any Target Company (whether formally or informally) by any member of the Sellers' Group.
- (c) Neither the Sellers nor a Target Company has, in the two year period preceding the date of this agreement, received a written notice alleging that the operations of any Target Company infringe the Intellectual Property Rights of a third party or sent a written notice alleging that a third party is infringing the Business IP and, so far as the Sellers are aware, none of the activities of any Target Company infringe any Intellectual Property Rights of a third party.
- (d) The Business IP comprises all of the material Intellectual Property which is necessary for the operation of the business of each Target Company as carried on prior to Closing.

2. Information Technology

- (a) The IT Systems are owned by, or licensed or leased to, a Target Company and comprise all of the material information and communication technologies which are necessary for the operation of the business of such Target Company as carried on prior to Closing.
- (b) Copies or full details of all material licences and leases relating to the IT Systems have been disclosed in the Disclosure Bundle (**Material IT Licences**) and neither any Target Company nor, so far as the Sellers are aware, any counterparty to a Material IT Licence, is in material breach of such Material IT Licence.
- (c) None of the IT Systems are dependant on any information and communication technologies belonging to or used by any member of the Sellers' Group, save only that the Target Companies are party to Sellers' Group arrangements as specified in the Disclosure Letter (the **Seller Group IT arrangements**). The Sellers undertake (without the limitations referred to in Schedule 4) to procure that such Seller Group IT arrangements continue to be made available to the Target Companies for not less than 12 weeks after Closing, at a charge which shall be pro-rated according to the value of the contracts concerned and which shall be no greater than the amount currently charged by the Seller's Group to the Target Companies concerned, and otherwise on the same terms as currently apply.

- (d) In the two year period preceding the date of this agreement, there have been no downtimes, equipment breakdowns or malfunctions, data losses, failures or other defects in the IT Systems which have had a material adverse effect on the business of any of the Target Companies. So far as the Sellers are aware, there are no circumstances which are likely to give rise to any such disruption.

3. Data Protection

No Target Company has, in the two year period preceding the date of this agreement, received a written notice alleging that a Target Company has not complied with applicable data protection laws.

Part C Real Estate

1. General

- (a) The Properties comprise all the land and buildings owned, leased, controlled, occupied or used by any Target Company or in relation to which any Target Company has any right, interest or liability.
- (b) The information in respect of the Properties set out in Schedule 7 is true, accurate and not misleading in any material respect.
- (c) So far as the Sellers are aware, the Properties benefit from all necessary rights and easements for the use and occupation of the Target Companies' businesses.

2. Possession and occupation

A Target Company is in possession of the whole of each of the Properties, none of which is vacant, and no other person is in or actually or conditionally entitled to possession, occupation, use or control of any of the Properties subject, in the case of any Property which is leasehold, to the terms of the relevant lease and, in the case of any Property which is occupied under licence, to the terms of the relevant licence.

3. Title

- (a) There is no Encumbrance in or over or affecting any of the Properties.
- (b) No Property is affected by a subsisting contract for sale or other disposal.
- (c) A Target Company is the sole beneficial owner of, and otherwise absolutely entitled to, each of the Properties and the proceeds of sale thereof.
- (d) No Target Company has terminated, surrendered, assigned or otherwise parted with its interest in any of the Properties which are leasehold or occupied under licence and no Target Company has received notice from a counterparty to any such lease or licence intending to terminate any lease or licence under which any such Property is leased or occupied.

- (e) The documents necessary to prove the relevant Target Company's title to the Properties are in the exclusive possession and control of the Target Companies.
- (f) Each Target Company is in a position to sell or assign each freehold or leasehold Property with full title guarantee save as identified in Schedule 7 where no agreement is in place and subject to the terms of the relevant lease (where appropriate).
- (g) No Dutch Target Company owns any real property in the Netherlands. No Dutch Target Company holds any rights in rem in respect of any real property in the Netherlands.

4. Adverse Interests

- (a) None of the Properties is subject to adverse rights, restrictions, covenants or any matter which materially adversely affects the relevant Target Company's ability to continue to carry on its existing business from any Property in substantially the same manner as at present.
- (b) No Target Company is in breach of any material covenant, restriction, condition or obligation (whether statutory or otherwise) affecting the Properties.

5. Disputes

So far as the Sellers are aware, there are no current disputes, claims or demands relating to or in respect of the Properties or their use.

6. Leasehold Properties

In relation to such of the Properties as are leasehold (which includes tenancy arrangements) or occupied under a licence:

- (a) no Target Company has received notice alleging any breach or default of any covenants, conditions and agreements contained in the relevant leases and/or licences, on the part of the tenant or occupier (as the case may be);
- (b) no rent and/or licence fee is or could be currently under review; and
- (c) no Target Company has commuted any rent or other payment or paid any rent or other payment ahead of the due date for payment;

7. Use/Construction

- (a) So far as the Sellers are aware, all permissions and consents necessary for the proper and existing use of each of the Properties (including planning permission and zoning consents from the relevant authorities) have been obtained for any works carried out at the Properties and use of the Properties.
- (b) So far as the Sellers are aware, there have been no infringements of laws or regulations concerning buildings, extensions, major alterations or major engineering works carried out, erected or made to any of the freehold Properties within 12 years preceding the date of this agreement.

Part D Taxation

Chapter 1: General

For the purposes of paragraph 4 of this Part D, the expression **VAT legislation** shall include the United Kingdom Value Added Tax Act 1994 and all other enactments in relation to VAT and all notices, provisions and conditions made or issued thereunder, including the terms of any agreement reached with HM Commissioners of Revenue and Customs. Paragraph 4 shall apply, with appropriate modifications (including the definition of VAT legislation), to any equivalent sales or turnover tax in any jurisdiction other than the United Kingdom or the United States of America to which any Target Company is subject.

1. Returns

Each Target Company has duly, and within any appropriate time limits, made all material returns and supplied all other material information required to be supplied to all relevant tax authorities within the last six years, and any such returns and other information were and remain accurate in all material respects and were made and supplied on a proper basis.

2. Disputes and investigations

No Target Company is involved in any material current dispute with any tax authority or is or has in the last six years been the subject of any investigation or non-routine visit by any tax authority, and no Target Company has become liable to pay any penalty, surcharge, fine or interest in respect of tax where such penalty, surcharge, fine or interest exceeds £50,000.

3. Residence

Each Target Company is and has at all times in the last six years been resident in its country of incorporation for tax purposes and is not and has not at any time in that period been treated as resident in any other country's jurisdiction for any tax purpose (including any double taxation arrangement).

4. Value added tax

In relation to each Target Company (other than the USA Companies, as defined in the Tax Covenant):

- (a) it is registered for the purposes of VAT, has been so registered at all times in the last six years that it has been required to be registered by VAT legislation, and such registration is not subject to any conditions imposed by or agreed with the relevant tax authority;
- (b) it has complied with and observed in all material respects the terms of VAT legislation in the last six years;
- (c) it is not routinely in arrears with any payment or returns thereunder;
- (d) it has not been required by HM Commissioners of Customs and Excise (or any tax authority performing the same functions in a jurisdiction other than the United Kingdom or the United States of America) to give any security;
- (e) save in the case of any French Company (as defined in the Tax Covenant), it is not, and has never been or agreed to be, an agent, manager, factor or representative for the purposes of section 47 or 48 of the United Kingdom Value Added Tax Act 1994 (or any equivalent legislation in a jurisdiction other than France, the United Kingdom or the United States of America); and
- (f) in the case of any French Company (as defined in the Tax Covenant), it is not jointly and severally liable to pay, pursuant to Article 289 A or 293 A of the French general tax code (code général des impôts), any VAT due by another taxable person.

5. Special Arrangements

No tax authority has operated or agreed to operate any special arrangement (being an arrangement which is not based on relevant legislation or any published practice) in relation to the affairs of any Target Company (other than any USA Company, as defined in the Tax Covenant).

6. Withholding

Save as disclosed in the Disclosure Letter with express reference to this warranty 6 of this Part D of Schedule 3, no Target Company will be required to withhold or account for any Tax (whether in its jurisdiction of incorporation or otherwise) on the repayment of amounts due at Closing by that Target Company to any other Target Company or member of the Seller's Group and no Target Company has any unsatisfied liability to account for or withhold tax on the repayment of any such amount made or effected prior to Closing.

7. Stamp duty/capital duty

- (a) All documents in the possession or under the control of each Target Company or to the production of which any Target Company is entitled which establish or are necessary to establish the title of any Target Company to any material asset, or by virtue of which any Target Company has any material right, have been duly stamped and any applicable stamp duties or similar duties or charges in respect of such documents have been duly accounted for and paid.
- (b) All duties, fees and penalties payable in respect of the capital of each Target Company (including any premium over nominal value at which any share was issued) have been duly accounted for and paid, and there are no circumstances under which any relief obtained against payment of any such amount could be withdrawn.

8. Records and Information

Each Target Company, or (in respect of a USA Company, as defined in the Tax Covenant) the USA Seller (as defined in the Tax Covenant) is in possession and control of all material records and documentation that it is obliged to hold, preserve and retain for the purposes of any tax and of sufficient material information to enable it to compute correctly its liability to tax insofar as it relates to any event occurring on or before Closing, and no interest or penalties shall arise to any Target Company in respect of a failure to compute correctly such a liability to tax as a result of a lack of sufficient information.

9. Continuing Commitments

All material sums payable under any contractual obligation incurred by any Target Company prior to Closing and which will continue to bind the Target Company after Closing (not being a commitment which the Target Company may lawfully terminate on less than 30 days' notice at any time after Closing without having to pay any amount in the form of a penalty or break fee on such termination) will be deductible in computing the profits of the Target Company for corporation tax purposes, other than those contractual obligations which are considered permanently non-deductible for U.S. federal income tax purposes.

10. Transfer Pricing

All material transactions entered into between any Target Companies prior to Closing and which will continue to have effect after Closing are on arm's length terms.

Chapter 2: United Kingdom

For the purposes of this Chapter 2 of Part D, *UK Companies* means Fourninezero Limited and Short Bros (Plant) Limited.

11. United Kingdom Grouping

- (a) Neither the execution nor the performance of, nor any action taken in pursuance of, this agreement, nor any other event, transaction, act or omission since the Accounts Date will result in any asset of a UK Company being deemed to have been disposed of and reacquired under section 179 of the United Kingdom Taxation of Chargeable Gains Act 1992 or paragraph 58 of Schedule 29 to the United Kingdom Finance Act 2002.
- (b) The Disclosure Letter gives full details of any surrender or claim of any amount by way of group relief by any UK Company, including any receipt or payment (or any entitlement to receive or obligation to make a payment) in respect thereof, where such surrender or claim has not become final or determined for any reason or has been the subject of a notice of enquiry.
- (c) Neither UK Company is or has been treated as a member of a group for the purposes of VAT.

12. No Non-UK Trade

Neither UK Company carries on any trade or has any sources of income or profit outside the United Kingdom or has in the last six years transferred part or all of any trade carried on outside the United Kingdom to a company not resident in the United Kingdom pursuant to section 140A of the United Kingdom Taxation of Chargeable Gains Act 1992.

13. Stamp Duty

- (a) Neither UK Company has claimed any relief from stamp duty under section 42 of the United Kingdom Finance Act 1930 which may be withdrawn under the provisions of section 111 of and Schedule 34 to the United Kingdom Finance Act 2002 (whether as a result of Closing or any event occurring thereafter).
- (b) Neither UK Company has claimed any relief from stamp duty under section 76 of the United Kingdom Finance Act 1986 which may be withdrawn under the provisions of section 113 of and Schedule 35 to the United Kingdom Finance Act 2002 (whether as a result of Closing or any event occurring thereafter).

Chapter 3: United States of America

For the purposes of this Chapter 3 of Part D, *Closing Date*, *USA Companies* and *USA Company* have the meanings given to them in the Tax Covenant.

14. Returns etc.

- (a) No adjustments relating to the tax returns (as defined in the Tax Covenant) of any of the USA Companies have been proposed by any applicable tax authority that have not yet been resolved.
- (b) There are no pending or, to the best of the Sellers' knowledge, threatened actions or proceedings for the assessment or collection of Taxes against any of the USA Companies that have not yet been resolved.
- (c) There are no outstanding waivers or agreements extending the applicable statute of limitations for any period with respect to any Taxes of any of the USA Companies.
- (d) No tax authorities are presently conducting any audits or other examinations of any tax returns (as defined in the Tax Covenant) of the USA Companies.
- (e) There are no encumbrances for Taxes upon the assets or properties of any of the USA Companies except for statutory liens for Taxes not yet due.
- (f) None of the USA Companies is a party to, is bound by, or has any obligation under, any material Tax sharing agreement or material Tax indemnification agreement, and none of the USA Companies have any potential liability or obligation to any person as a result of, or pursuant to any such agreement, contract or arrangement.
- (g) As of the Closing Date, none of the USA Companies is required to include in income for a period beginning after the Closing Date any adjustment pursuant to Section 481(a) of the U.S. Tax Code (or any similar or corresponding provision or requirement of state, local or foreign income Tax law), by reason of the voluntary change in accounting method (nor has any taxing authority proposed any such adjustment or change of accounting method) for a taxable period ending on or before the Closing Date.
- (h) No closing agreements, private letter rulings, technical advice memoranda, dispensations, concessions or similar agreements or rulings have been entered into or issued by any tax authority with respect to any of the USA Companies within five years of the date of this agreement that would adversely affect the Taxes of the USA Companies for a period beginning after the Closing Date (including, for these purposes, if the relevant agreement, ruling, memorandum, arrangement or undertaking were withdrawn), and no such agreement or ruling is currently pending.
- (i) Since August 1, 2002, no claim has been made in writing in any jurisdiction where any of the USA Companies does not file tax returns (as defined in the Tax Covenant) that any such entity is, or may be, subject to Tax by that jurisdiction.

- (j) No USA Company will be required to include any material item of income in, or exclude any material item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any:
- (i) "closing agreement" as described in Section 7121 of the U.S. Tax Code (or any corresponding or similar provision or state, local or foreign income Tax law) executed on or prior to the Closing Date;
 - (ii) instalment sale or open transaction disposition made on or prior to the Closing Date; or
 - (iii) prepaid amount received on or prior to the Closing Date, other than in the ordinary course of business.
- (k) No USA Company has distributed stock of another person, or has had its stock distributed by another person within the last two years, in a transaction that was purported or intended to be governed in whole or in part by Section 355 or 361 of the U.S. Tax Code.

Chapter 4: Netherlands

For the purposes of this Chapter 4 of Part D, **Dutch Companies** means Brambles Steel Services B.V. and Harrie Scholten Transport B.V.

15. Mergers

None of the Dutch Companies has been involved in a business merger, share-for-share merger, legal merger or legal demerger (split), including but not limited to transactions within the meaning of the Articles 14, 14a or 14b of the Netherlands Corporate Income Tax Act and/or 3.55, 3.56 or 3.57 of the Netherlands Income Tax Act (or the predecessors of these articles under the Netherlands Income Tax Act 1964).

16. Corporate Income Tax

- (a) All losses, interest and other sums of an expense nature, paid, payable or accruable by any of the Dutch Target Companies and all sums payable or accruable under any obligation incurred by any Dutch Target Company prior to Closing and which will continue to bind any Dutch Target Company after Closing, will be deductible for the purposes of corporate income tax, either in computing the profits of any Dutch Company or in computing the corporate income tax chargeable on it.
- (b) None of the Dutch Companies has formed a reinvestment reserve or an equalisation reserve within the meaning of Article 3.53 of the 2001 Netherlands Income Tax Act (or the predecessors of this article under the Netherlands Income Tax Act 1964) or a reserve for self-insured risk under the Netherlands Income Tax Act 1964.

- (c) None of the Dutch Companies has debt claims that are treated as equity of such Dutch Company for Tax purposes pursuant to section 10, subsection 1, under d of the Netherlands Corporate Income Tax Act.
- (d) None of the Dutch Companies has claimed any write-down by virtue of Article 13ca of the Netherlands Corporate Income Tax Act.
- (e) None of the Dutch Companies has a participation (*deelname*) in an entity that is engaged in business activities outside the Netherlands, where previously these activities were the activities of this or any company which was a member of the same group of companies as the relevant Dutch Company or any affiliate thereof.
- (f) In case of a liquidation of any participation (*deelname*) of a Dutch Company, any Dutch Company that holds the shares in such participation is entitled to a deductible loss for corporate income tax purposes equal to the difference between (i) the total, or the proportionate part, as the case may be, of the liquidation proceeds derived from the liquidation of such participation, minus the fair market value of the shares in any other participation that are a part of such liquidation proceeds, and (ii) the book value of that participation as shown in or adopted for the purposes of the relevant June 30 Accounts.
- (g) None of the Dutch Companies has made an election to report its taxable income for corporate income tax purposes in a currency other than Euro or has requested the tax inspector to bring an action that served to hedge a currency exchange risk on a participation, under the participation exchange.

Chapter 5: France

For the purposes of this Chapter 5 of Part D, **French Companies** means Becema SAS, Solomat Industrie SA, BC SAS, SMI Lorelev SAS and BC Nord SAS.

17. French tax

- (a) Each of the French Companies has duly, and within any appropriate time limits, complied with its obligations under Article 54 *septies* of the French general tax code (*code général des impôts*).
- (b) All French Companies have duly complied with the provisions of Article 39 of French law no. 2004-1485 and, in particular (but without limitation), have in due time complied with the relevant accounting requirements in order to avoid the application at the increased rate of 5% of the “exit tax” introduced by such Article.

1. compliance with environmental laws

- (a) Each of the Target Companies has complied in all material respects with all Environmental Laws and Environmental Consents relating to any activities or operations carried on by the Target Companies on or before the date of this agreement at any site owned or occupied by any Target Company as at the date of this agreement (an **Existing Site**), and no remedial action is required pursuant to any Environmental Law in relation to the release at any Existing Site of any Hazardous Substances by any Target Company.
- (b) So far as the Sellers are aware, each of the Target Companies has complied in all material respects with all Environmental Laws relating to any activities or operations carried on by the Target Companies on or before the date of this agreement at any site (other than an Existing Site) owned or occupied by any Target Company at any time during the 5 year period preceding the date of this agreement and no remedial action is required pursuant to any Environmental Law in relation to the release during such period at any such site of any Hazardous Substances by any Target Company.
- (c) No material claims, investigations or proceedings have been made or commenced, nor have any been communicated to a Target Company as being pending and nor, so far as the Sellers are aware, are any threatened against any Target Company, with respect to any breach of Environmental Laws or Environmental Consents, or the release of Hazardous Substances, pollutants or wastes in the Environment.
- (d) No written notices have been received by nor, so far as the Sellers are aware, have any written complaints been made against, any Target Company alleging or specifying any material breach of any Environmental Laws or Environmental Consents, or the release of Hazardous Substances, pollutants or wastes into the Environment by such Target Company.

2. environmental consents

All Environmental Consents which are material to and are required for the carrying on of any activities by any Target Company have been obtained by the relevant Target Company and are being complied with in all material respects; and so far as the Sellers are aware, there are no circumstances indicating that any such material Environmental Consent is likely to be suspended, cancelled, revoked or not renewed in the ordinary course.

Part F Employment

1. Disclosure

The Disclosure Letter has attached to it copies of the standard terms and conditions of employment applicable to all categories of Employees of the Target Companies and in

relation to all Employees earning total annual remuneration (excluding bonuses and overtime) in excess of £30,000, the Disclosure Bundle contains true and accurate particulars of their names, dates of continuous employment, including all remuneration payable and other benefits provided or which any Target Company is bound to provide (whether now or in the future) to such Employee and includes true and accurate particulars of all share option, profit sharing, incentive and bonus arrangements and any liquidated damages, change of control provisions and/or enhanced redundancy or other severance schemes or practices (whether contractual or custom and practice) to which any Target Company is a party.

2. Termination of Employment

No Employee whose total annual remuneration (excluding bonuses) is in excess of £40,000 has given or received written notice or, so far as the Sellers are aware, threatened in writing to give notice terminating his employment and no person has been offered employment with an annual remuneration (excluding bonuses) in excess of £40,000 commencing after Closing.

3. Service Contracts

There is no service contract between any Target Company and any of its Employees which cannot be terminated by the relevant Target Company on 3 months' notice or less to be given at any time without compensation being payable (other than statutory redundancy pay) and no Employee will be entitled by reason of this transaction to any one-off payment or to terminate his employment with any Target Company on other than his contractual notice.

4. Trades Unions

- (a) None of the Target Companies is a party to, or has in the two year period preceding the date of this agreement, received a formal request to enter into any agreement or arrangement with any trades union, works council or staff association.
- (b) Brambles Steel Services B.V. has in the last 2 years not received any claims or complaints in writing from any of its Employees regarding the fact that Brambles Steel Services B.V. does not have a works council within the meaning of the Dutch Works Council Act.

5. US Target Companies

- (a) All current employees of the US Target Companies are legally authorized to work in the United States. All US Target Companies have completed and retained the necessary employment verification paperwork under the Immigration Reform and Control Act ("IRCA"), and all US Target Companies have complied with the anti-discrimination provisions of IRCA.

(b) No US Target Company has pending or has received written notice of intent to file any material unfair labor practice, charge or complaint or other proceedings involving labor relations issues (including any union organization or decertification activities, strikes or work stoppages or material grievances or arbitrations), nor has there been any such activity in the past two years.

6. Incentive Schemes

No Target Company has, nor has any of them agreed to introduce, any share incentive scheme, share option scheme or profit sharing, bonus, commission or other such incentive scheme for any Employee or past employee of any of the Target Companies.

7. Disputes with Employees

There is no outstanding claim (including appeals and outstanding judgements) with a potential liability in excess of £50,000 against any Target Company by any person who is an Employee or has been an employee of any Target Company. The Sellers are not aware of any circumstances that would give rise to such claim.

8. Records

Each Target Company has maintained current records regarding the service of each Employee and, to the extent required by law, in respect of every past employee (including but not limited to details of the terms of employment, payments of statutory sick pay and maternity pay, disciplinary and grievance matters, health and safety matters, income tax and social security contributions, wage and time records). Each Target Company has made the appropriate filings with the relevant governmental agencies in connection with any such records or their being maintained, or has been granted appropriate authorisations to maintain such records by the relevant governmental agencies.

9. Payments

All salary payments and other remuneration (including for the avoidance of doubt but without limitation pension contributions, insurance premiums, national insurance contributions, income tax payments, bonuses and commission for all Employees will be paid up to date as at Closing, excluding any such salary payments or remuneration due in respect of the then current pay period and each Target Company has accrued fully in the June 30 Accounts for all holiday pay due to the Employees.

10. Collective Dismissals

No dismissals of more than 20 employees in any period of 90 days have been carried out by a Target Company within the two year period preceding the date of this agreement.

11. Increase in Payments

No Target Company is a party to any agreement or arrangement or practice imposing a legal obligation on it to increase the rates of remuneration or level of benefits of or to make any bonus or incentive payments or any benefits in kind or any payments under a profit sharing scheme (or similar arrangement) to or on behalf of any of its Employees or former or future employees whether now or at any future date which would increase the annual overall payroll costs of the Target Companies by more than 2% compared with the aggregate annual payroll costs of the Target Companies for the financial year which ended on 30 June 2005. No Target Company is in negotiations with trade unions, works councils or any staff associations about the rates of remuneration or level of benefits affecting 10 per cent. or more of its Employees or future employees, nor are there any such negotiations scheduled to take place or outstanding.

12. Unlawful Discrimination

In the two year period preceding the date of this agreement, there has in relation to the Target Companies been no finding of, or recommendation in respect of, unlawful discrimination made by an employment tribunal nor any investigation by any body responsible for investigating or enforcing matters relating to unlawful discrimination.

13. Health and Safety

In the two year period preceding the date of this agreement, no improvement or prohibition notice has been served on any Target Company by any body responsible for Health and Safety.

14. Industrial Disputes

In the two year period preceding the date of this agreement, no Target Company has been involved in any strike, lock-out, go-slow, work-to-rule or other form of industrial dispute and so far as the Sellers are aware there are no facts or circumstances which might lead to any such industrial dispute.

15. Compliance

Each Target Company has at all times complied in all material respects with its obligations with regard to any Employee, any party to a collective bargaining agreement or any works council and whether arising under law, any collective bargaining agreement or any employment contract.

1. Definitions

Unless otherwise defined in Schedule 13 , definitions used in this Part G are defined in paragraph 13.

2. Retirement Benefits/Seller Plans

Other than under the Seller Plans and the Industry-Wide Plans disclosed in the Disclosure Letter (and any State Social Security Plans or mandatory complementary plans in the relevant jurisdiction), neither the Sellers nor any Target Company nor any member of the Sellers' Group provides or contributes to or is liable or contingently liable to provide or contribute to the provision of Retirement Benefits for or in respect of any Employee or any former employee or director of any Target Company.

3. No Proposals

Other than as described in the Disclosure Letter, no proposal has been announced and no agreement has been made to establish any other arrangement for providing any Retirement Benefits for or in respect of any Employee, former employee or director of any Target Company and the Sellers are not aware of any proposal to announce or enter into any such agreement.

4. Disclosure of Documents

The Disclosure Bundle contains copies of all documents containing material provisions currently governing each Seller Plan and all current announcements provided to Employees and membership data relating to the Employees with respect to each Seller Plan has been disclosed to the Purchaser. Each such disclosed document is true, complete, accurate and contains no material inaccuracies, errors or omissions.

5. Approval

Any Seller Plan that is capable of Approval is Approved as at the date of this agreement and, so far as the Sellers are aware, nothing has been done or omitted to be done and there are no circumstances which would or might result in any Seller Plan ceasing to have Approval.

6. Payments in Respect of the Seller Plans

The Disclosure Bundle contains full, up to date and accurate information as to the rates at which contributions (including insurance premiums) to each Seller Plan are paid.

7. Due Payment

All amounts due to be paid to or in respect of the Seller Plans and/or to any State Social Security Plan and/or to Industry-Wide Plan by any Target Company or, in respect of the Employees, any member of the Sellers' Group on or before the date of this agreement (including all insurance premiums, taxes and expenses) have been duly paid in full on the due dates for such payments.

8. Disputes and Investigations

Other than routine claims for benefits, in respect of the Employees, there are, other than as described in the Disclosure Letter, no actions, suits, claims, disputes, complaints or proceedings outstanding, pending or threatened in writing against any Seller Plan or, so far as the Sellers are aware, against the trustees, managers, administrators, custodians or fiduciaries of any Seller Plan or against any Target Company or member of the Sellers' Group in respect of any act or omission arising out of or in connection with any Seller Plan or Industry-Wide Plan.

9. Life Assurance

Except as disclosed in the Disclosure Letter, all benefits (other than refunds of contributions) payable on death of an Employee are fully insured under a policy effected with an insurance company.

10. Defined Benefits

None of the Target Companies in the United Kingdom have in the past participated in and nor do any of the Target Companies have any unpaid liability in respect of a retirement benefit arrangement which provides Retirement Benefits on a defined benefit basis and no assurance, promise or guarantee has been made to any Employee, former employee or director of any Target Company of a particular level or amount of benefits to be provided for or in respect of him.

11. General

11.1 The Target Companies have complied with their statutory obligations to provide pension benefits or access to pension benefits to Employees, former employees and directors of any Target Company.

11.2 The Seller Plans are currently administered in all material respects in accordance with the powers and provisions of their relevant governing documentation and are currently administered in accordance with and comply with all applicable legislation and the general requirements of applicable laws, regulations or requirements.

12. Retiree Medical/Death Benefits

12.1 Other than as described in the Disclosure Letter, no US Target Company provides welfare benefits, including, without limitation, death or medical benefits, to Employees, former employees or directors beyond termination of service or retirement other than pursuant to coverage mandated by law.

13. Definitions

In this Part G:

Approval means approval or qualification by and/or due registration with the appropriate taxation, social security, supervisory, fiscal or other applicable Governmental Entities in the relevant state or jurisdiction, in order to obtain tax approved, favoured or qualified status in the relevant jurisdiction, and **Approved** shall be construed accordingly;

funded in relation to any Seller Plan, means that assets are accumulated under or in respect of that plan before the corresponding benefits start being paid. For the purposes of this definition, **assets** shall mean assets which are separate from those of the employer and shall exclude any accounting or internal balance sheet provision;

Industry-Wide Plan means any scheme, plan, fund or arrangement which provides Retirement Benefits to or in respect of Employees in which employers may participate even if they are not within the same corporate group as the other participating employers whether under a collective bargaining agreement or otherwise;

Retirement Benefit means any pension, allowance, lump sum, gratuity or similar benefit provided or to be provided on or after retirement, death, disability or leaving service (whether voluntary or not) in respect of an Employee's employment. This does not include post retirement medical and dental and other healthcare and welfare benefits, termination indemnities and any benefits provided under an arrangement the sole purpose of which is to provide benefits on the accidental injury or death of an Employee;

Seller Plan means, in any jurisdiction, any scheme, fund, arrangement, plan or agreement (whether funded or unfunded) under which the Sellers, any member of the Sellers' Group or any Target Company provides, is liable or contingently liable to provide or has agreed to provide (or to which the Sellers, any member of the Sellers' Group or any Target Company contributes, is liable or contingently liable to contribute or has agreed to contribute to the provision of) any Retirement Benefits for or in respect of any Employee but excluding any State Social Security Plan, mandatory complementary pension plan or Industry-Wide Plan;

State Social Security Plan means any Retirement Benefit plans that are operated by state entities to which the Target Companies and/or, in respect of the Employees, the Sellers are required to contribute under public laws, statutes or regulations; and

unfunded in relation to any Seller Plan, means a Seller Plan which is not funded.

SCHEDULE 4

LIMITATIONS ON LIABILITY

1. Time Limits

The Sellers shall not be liable for any Non-Tax Claim unless the Sellers receive from the Purchaser written notice containing reasonably specific details of the Non-Tax Claim including the Purchaser's estimate (on a without prejudice basis) of the amount of such Non-Tax Claim:

- (a) prior to the expiry of two years next following the date of Closing, in the case of a Non-Tax Claim other than an Environmental Claim or a Title Claim; or
- (b) prior to the expiry of five years following the date of Closing, in the case of an Environmental Claim,

provided that for the avoidance of doubt, no such limits as to time shall apply in relation to a Title Claim.

2. Thresholds for Claims

The Sellers shall not be liable for:

- (a) any single Claim (other than a Claim for breach of the Warranty contained in paragraph 6 of Part D of Schedule 3) unless the amount of the liability pursuant to that single Claim or claim exceeds £50,000; for these purposes individual Claims arising from the same, substantially the same or similar and related facts or circumstances shall be aggregated to form one and the same Claim; and
- (b) any single Claim (other than a Claim for breach of the Warranty contained in paragraph 6 of Part D of Schedule 3) unless the aggregate amount of the liability of the Sellers for all such Claims not excluded by sub-paragraph (a) exceeds £1,000,000 in which case the Sellers shall be liable for all such Claims and not merely the excess over £1,000,000.

No such limit shall apply in relation to a Title Claim.

3. Claim to be withdrawn unless litigation commenced

Any Non-Tax Claim shall (if it has not been previously satisfied, settled or withdrawn) be deemed to have been withdrawn unless legal proceedings in respect of it have been commenced by both being issued and served within nine months of notice having been given by the Purchaser in accordance with paragraph 1 of this Schedule 4 (except where the Non-Tax Claim relates to a contingent liability in which case it shall be deemed to have been withdrawn unless legal proceedings in respect of it have been commenced by

being both issued and served within nine months of it having become an actual liability). No new Non-Tax Claim may be made in respect of the facts, matters, events or circumstances giving rise to any such withdrawn Non-Tax Claim.

No such limit as to time shall apply in relation to a Title Claim.

4. Maximum limit for all Claims

The aggregate amount of the liability of each Seller shall not exceed:

- (a) in the case of all Claims (other than Title Claims and Tax Claims), 20 per cent. of the aggregate of the Unadjusted Prices for all Sets of Shares;
- (b) in the case of Tax Claims, 50 per cent. of the aggregate of the Unadjusted Prices for all Sets of Shares; and
- (c) in the case of Title Claims, the aggregate of the Unadjusted Prices for all Sets of Shares,

provided that in any event, the aggregate amount of the liability of each Seller for all Claims and all claims for breach of this agreement (other than in respect of clause 9.2(b)) shall not exceed the aggregate of the Unadjusted Prices for all Sets of Shares.

5. Claims only to be brought under relevant Warranties

The Purchaser acknowledges and agrees that the only Warranties given in relation to:

- (a) taxation or any related claims, liabilities or other matters (*Tax Matters*) are those set out in Part D of Schedule 3 and each of the other Warranties shall be deemed not to be given in relation to Tax Matters; and
- (b) Environmental Matters or any related claims, liabilities or other matters (*Environmental Related Matters*) are those set out in Part E of Schedule 3 and each of the other warranties shall be deemed not to be given in relation to Environmental Related Matters,

provided that the restrictions in this paragraph 5 shall not apply in relation to any Claim for breach of the Warranty contained in paragraph 8.1 of Part A of Schedule 3.

6. Matters disclosed or taken into account in adjustments

The Sellers shall not be liable for any Non-Tax Claim if and to the extent that the fact, matter, event or circumstance giving rise to such Non-Tax Claim is disclosed, allowed, provided or reserved for in the June 30 Accounts or the Closing Statement.

7. Contingent liabilities

If any Non-Tax Claim is based upon a liability which is contingent only, the Sellers shall not be liable to make any payment unless and until such contingent liability gives rise to an obligation to make a payment (but, subject as provided in paragraph 1 of this Schedule 4 , without prejudice to the right of the Purchaser to give notice of that Non-Tax Claim and to issue and serve proceedings in respect of it before such time).

8. No liability for Non-Tax Claims arising from acts or omissions of Purchaser

The Sellers shall not be liable for any Non-Tax Claim which would not have arisen but for any voluntary act, omission or transaction carried out:

- (a) after the date of this agreement by the Purchaser or any member of the Purchaser Group or its respective officers, employees or agents or successors in title; or
- (b) before Closing by any member of the Sellers' Group or any Target Company at the written direction or request of or on behalf of the Purchaser or any member of the Purchaser Group.

9. Nothing to restrict Purchaser's duty to mitigate

Nothing in this Schedule 4 shall in any way restrict or limit the general obligation at law of the Purchaser and, following Closing, any member of the Purchaser Group to mitigate any loss or damage which it may suffer in consequence of any breach by the Sellers of any of the Warranties or any fact, matter, event or circumstance likely to give rise to a Claim.

10. Recovery from third parties

Where the Sellers have made a payment to the Purchaser in relation to any Non-Tax Claim and the Purchaser or any member of the Purchaser Group has a right of reimbursement against any other person in respect of the subject matter of that Non-Tax Claim, the Purchaser shall:

- (a) promptly notify the Sellers of that fact; and
- (b) provide (or procure that any relevant member of the Purchaser Group provides) such information as the Sellers may reasonably require; and
- (c) take (or procure that any relevant member of the Purchaser Group shall take) all steps or proceedings as the Sellers may reasonably require to enforce such right, provided that nothing in this paragraph 10 shall oblige the Purchaser to take or to procure that any other member of the Purchaser Group shall take any action or do anything which, in the reasonable opinion of the Purchaser, is likely to have a material adverse impact on the reputation or goodwill of any of the Target Companies or of any member of the Purchaser Group.

If the Purchaser or any member of the Purchaser Group shall be reimbursed any amount in respect of the subject matter of that Non-Tax Claim, the Purchaser shall immediately pay the Sellers an amount equal to the amount reimbursed less any reasonable costs of recovery. Thereafter, that Non-Tax Claim shall be limited (in addition to the limitations on the liability of the Sellers referred to in this Schedule 4) to the amount by which the loss or damage suffered by the Purchaser as a result of such breach exceeds the amount so recovered.

11. Sums or benefits received by Purchaser

Without prejudice to paragraph 10 of this Schedule 4 , this paragraph shall apply if the Sellers make any payment to the Purchaser in relation to any Non-Tax Claim (the **Damages Payment**) and the Purchaser or any member of the Purchaser Group receives any sum or benefit otherwise than from the Sellers or any member of the Sellers' Group (whether by payment, discount, credit, relief or otherwise including from any tax authority) which would not have been received but for the circumstance giving rise to that Non-Tax Claim. The Purchaser shall (or shall procure that the relevant member of the Purchaser Group shall), once it or the relevant member of the Purchaser Group has received such sum or benefit, immediately repay to the Sellers an amount equal to such sum or benefit (net of taxation thereon and reasonable costs of recovery) or, if less, the Damages Payment (except to the extent that the amount of such sum or benefit has been taken into account in calculations in the Damages Payment pursuant to clause 11.5).

12. Claims which would have been covered by Sellers' insurance

The Sellers shall not be liable in respect of any Non-Tax Claim to the extent that the amount of such Non-Tax Claim is covered by any Insurance in force at the date of this agreement to the extent that such policy is a "claims made" insurance rather than an "occurrence" insurance, and would have continued to be so covered if such Insurance, to the extent it was effected by or for the benefit of the Target Companies, had been maintained after Closing on no less favourable terms than those existing at the date of this agreement.

13. No liability for legislation or changes in rates of tax

The Sellers shall not be liable for any Non-Tax Claim if and to the extent it is attributable to or the amount of such Non-Tax Claim is increased as a result of:

- (a) any legislation not in force at the date of this agreement;
- (a) any change of law (or any change in interpretation on the basis of case law), regulation, directive, requirement or administrative practice which takes effect retroactively; or
- (b) any change in the rates of taxation in force at the date of this agreement.

14. No double recovery

The Purchaser shall not be entitled to recover damages or obtain payment, reimbursement, restitution or indemnity more than once in respect of any one liability, loss, cost, shortfall, damage, deficiency, breach or other set of circumstances which gives rise to more than one Claim.

15. Purchaser's knowledge

The Sellers shall not be liable for any Claim if and to the extent that the Purchaser is actually aware at the date of this agreement:

- (a) of the fact, matter, event or circumstance which is the subject matter of the Claim; and
- (b) that the fact, matter, event or circumstance could amount to a Claim.

16. Sellers to have opportunity to remedy breaches

A breach of the Warranties which is capable of remedy shall not entitle the Purchaser to compensation unless the Sellers are given written notice of the breach by the Purchaser and such breach is not remedied within thirty (30) days after the date on which such notice is served on the Sellers.

SCHEDULE 5

PURCHASER WARRANTIES

1. The Purchaser is validly incorporated, in existence and duly registered under the laws of its jurisdiction and has full power to conduct its business as conducted at the date of this agreement.
2. The Purchaser has obtained all corporate authorisations and all other applicable governmental, statutory, regulatory or other consents, licences, authorisations, waivers or exemptions (**Approvals**) required to empower it to enter into and perform its obligations under this agreement and any other Transaction Document to which it is a party where failure to obtain such Approval would adversely affect its ability to enter into or perform its obligations under this agreement or the other Transaction Documents in accordance with their terms.
3. This agreement and the other Transaction Documents which are to be entered into by the Purchaser will, when executed, constitute valid and binding obligations of the Purchaser.
4. Entry into and performance by the Purchaser of this agreement and/or any other Transaction Document to which it is a party will not breach the provisions of its memorandum and articles of association, certificate of incorporation, by-laws or equivalent constitutional documents in its jurisdiction of incorporation where such breach would adversely affect its ability to enter into or perform its obligations under this agreement and/or any other Transaction Document to which it is a party in accordance with their terms.
5. Neither entry by the Purchaser into this agreement nor entry into, and implementation of, the Proposed Transactions by the Purchaser will:
 - (a) result in a breach of any applicable laws or regulations in its jurisdiction of incorporation; or
 - (b) amount to a breach of any order, decree or judgment of any court or any Governmental Entity in its jurisdiction of incorporation,where, in each case, such breach would adversely affect its ability to enter into or perform its obligations under this agreement and/or any other Transaction Document to which it is a party.
6. Neither entry into this agreement nor entry into, and implementation of, the Proposed Transactions will result in a requirement for the Purchaser to obtain any consent or approval, or give any notice to or make any registration with, any Governmental Entity which has not been obtained or made as at the date of this agreement.

7. No order has been made, petition presented or meeting convened for the winding up of the Purchaser or any of its direct or indirect holding companies, or for the appointment of any provisional liquidator or equivalent in their respective jurisdictions of incorporation (or other process whereby the business is terminated and the assets of the company concerned are distributed amongst the creditors and/or shareholders or other contributors), and there are no cases or proceedings under any applicable insolvency, reorganisation or similar laws in any relevant jurisdiction, and no events have occurred which, under applicable laws, would justify any such cases or proceedings.

8. Neither the Purchaser nor any member of the Purchaser Group is subject to any order, judgment, direction, investigation or other proceedings by any Governmental Entity which would adversely affect the Purchaser's ability to enter into or perform its obligations under this agreement and/or any other Transaction Document to which it is a party in accordance with their terms.

**SCHEDULE 6
CLOSING ARRANGEMENTS**

Part A Closing Obligations

Sellers' Obligations

1. The Sellers shall deliver or procure that there is delivered to the Purchaser (or made available to the Purchaser's reasonable satisfaction):
 - (a) duly executed transfers or stock powers into the name of the Purchaser (or its nominees) in respect of all the Shares;
 - (b) the share certificates or equivalent documents in any applicable jurisdiction relating to all the Shares and all the shares in any Subsidiary in respect of which certificates were issued or are required by law to be issued and, in the case of share certificates in respect of any Shares where endorsement of share certificates is required to validly transfer the Shares concerned, such certificates being properly endorsed so as to transfer the Shares to the Purchaser (or its nominees);
 - (c) in respect of each Target Company, the certificate of incorporation, common seal (if it exists), share register, shareholders' register or stock ledger, share transfer register, memorandum and articles of association, bye laws and share certificate book (with any unissued share certificates) and all minute books and other statutory books (which shall be written up to but not including Closing) or such equivalent items in the relevant jurisdiction as are kept by the relevant Target Company;
 - (d) in respect of SMI Lorelev SAS, a certified copy of the minutes of a general shareholders' meeting held prior to Closing approving the transfer by Brambles France SAS to the Purchaser of all the Shares of SMI Lorelev SAS owned by Brambles France SAS, in accordance with the provisions of the by-laws of SMI Lorelev SAS;
 - (e) a certified copy of a notice sent by registered letter with acknowledgement of receipt requested to SGA SAS by Brambles France SAS prior to Closing, advising SGA SAS of the change of control of Solomat Industrie SA in accordance with Section 20.4 of the subcontracting agreement entered into between Solomat Industrie SA and SGA SAS on April 16, 2004;
 - (f) a letter of resignation in the Agreed Form duly executed by each of the directors and legal representatives listed in Part B of this Schedule 6 in respect of their respective positions as directors or legal representatives of the Target Companies set out opposite their respective names;

- (g) a copy (certified by a duly appointed officer as true and correct) of a written resolution of the board of directors of each of Brambles Steel Services B.V. and Harrie Scholten Transport B.V. terminating the general proxies of Mr J.A. Warren and Mr J.P. Komen respectively;
- (h) a letter of resignation in the Agreed Form duly executed by each of the company secretaries listed in Part C of this Schedule 6 in respect of their position as company secretary of the Target Companies set out opposite their respective names;
- (i) a copy (certified by a duly appointed officer as true and correct) of a resolution of the board of directors of each Seller or a formal decision of any other duly authorised appropriate legal representative (or, if required by the law of its jurisdiction or its articles of association, by-laws or equivalent constitutional documents, of its shareholders) authorising the execution of and the performance by that Seller of its obligations under this agreement and each of the other Transaction Documents to be executed by it;
- (j) irrevocable powers of attorney in the Agreed Form executed by the registered holder of the Shares in Fourninezero Limited authorising the Purchaser or its nominees to exercise all voting and other rights attaching to the Shares until registration of the Purchaser or such nominee(s) as the holder(s) thereof;
- (k) a letter to each of the bankers of the Target Companies in the Agreed Form, signed by sufficient duly authorised signatories, cancelling the existing mandates of the Target Companies in respect of any directors who are not Employees; and
- (l) a copy of the minutes of the meetings of the workers' councils of each of Solomat Industrie SA, SMI Lorelev SAS and BC Nord SAS clearly stating that their advice referred to in paragraph 1.1(d)(i) of Part A of Schedule 3 has been provided;
- (m) a good standing certificate for each of the US Target Companies; and
- (n) a certified copy of a signed tax group exit agreement (convention de sortie d'intégration fiscale) between Brambles France SAS and the French Companies (as defined in the Tax Covenant).

2. The Sellers shall procure that at or before Closing, a meeting of the board of directors of each UK Target Company is held at which:

- (a) the resignations of the directors and company secretary of such UK Target Company referred to in paragraph 1 above shall be accepted and the persons listed opposite the name of such UK Target Company in Part D and Part E of this Schedule 6 shall be appointed directors and the company secretary respectively

of such UK Target Company, such resignations and appointments to take effect from Closing; and

- (b) in the case of Fourninezero Limited, the transfer of the Shares of Fourninezero Limited shall be approved for registration subject only to Closing having occurred and such transfers having been duly stamped.

Purchaser Obligations

3. The Purchaser shall:

- (a) deliver (or procure that there is delivered) to the Sellers a copy of a resolution (certified by a duly appointed officer as true and correct) of the board authorising the execution of and the performance by the Purchaser of its obligations under this agreement and each of the other Transaction Documents to be executed by it; and
- (b) pay to each Seller an amount equal to the Initial Price for that Seller's Set of Shares in accordance with clause 2.2(b)(i). The payment in respect of the French Set of Shares shall be made as agent for the French Principal, the payment in respect of the UK Set of Shares shall be made as agent for the UK Principal and the payment in respect of the Dutch Set of Shares shall be made as agent for the Dutch Principal.

General

4. The Sellers and the Purchaser shall execute and deliver to each other (or shall procure that their respective Affiliates named as parties thereto execute and deliver) a short form agreement (*acte réitératif*) in the Agreed Form for French transfer tax purposes only entered into between Brambles UK, Brambles France, Brambles USA, MultiServ Group Limited, MultiServ France SA and the Purchaser.

5. Brambles Holdings Europe and the Dutch Principal shall, and Brambles Holdings Europe shall procure that Brambles Steel Services B.V. shall, effect the transfer of the Shares in Brambles Steel Services B.V. by means of the execution of a notarial deed of sale and transfer in the Agreed Form in the presence of Mr. Steven Perrick, civil law notary (*notaris*) of Freshfields Bruckhaus Deringer, officiating in Amsterdam, or a substitute civil law notary (*notaris*) nominated by him (the *Notary*). For this purpose, Brambles Holdings Europe and the Dutch Principal shall, and Brambles Holdings Europe shall procure that Brambles Steel Services B.V. shall, deliver to the Notary duly executed powers of attorney in the Agreed Form.

6. With reference to the Guidelines adopted by the Royal Notarial Professional Organisation ("*Koninklijke Notariële Beroepsorganisatie*") concerning forms of cooperation between civil law notaries among themselves or with attorneys, the Purchaser expressly agrees that Freshfields Bruckhaus Deringer may advise the Sellers in connection with, and may act on behalf of the Sellers with respect to this agreement and

the Proposed Transactions, and any agreements and/or any disputes related to or resulting from this agreement and/or the Proposed Transactions.

7. All documents and items delivered at Closing pursuant to this 1 shall be held by the recipient to the order of the person delivering the same until such time as Closing shall be deemed to have taken place in accordance with paragraph 8 below.

8. Simultaneously with:

- (a) delivery of all documents or items required to be delivered at Closing (or waiver of the delivery thereof by the person entitled to receive the relevant document or item);
- (b) receipt of electronic funds transfers to the bank accounts required by clause 14.1 in immediately available funds of the Initial Price payable in respect of each Set of Shares; and
- (c) compliance with paragraph 9 below.

the documents and items delivered in accordance with this Schedule 6 shall cease to be held to the order of the person delivering the same and Closing shall be deemed to have taken place.

9. At Closing, the Sellers and the Purchaser shall carry out their respective obligations pursuant to clause 7 (Payment of Intra-Group Debt).

Part B

Directors/Chairmen Required to Resign

Director/Chairman Name	Target Company	Jurisdiction of incorporation
Jean Louis Laurent	Fourminezero Limited	England and Wales
	Short Bros (Plant) Limited	England and Wales
	Solomat Industrie SA	France
Brambles France SAS	Becema SAS	France
	BC SAS	France
	SMI Lorelev SAS	France
	BC Nord SAS	France
	Solomat Industrie SA	France
Luc Hendriks	Brambles Steel Services, Inc.	Delaware, U.S.A.
	National Recovery Systems, Inc.	Delaware, U.S.A.
	Great Lakes Recovery Systems, Inc.	Delaware, U.S.A.
	E.C.R., Inc.	Delaware, U.S.A.
	Braddock Recovery, Inc.	Delaware, U.S.A.
	Ashland Recovery, Inc.	Delaware, U.S.A.
	National Briquette Corporation	Delaware, U.S.A.
	Solomat Industrie SA	France
Melissa Schmidt	Brambles Steel Services, Inc.	Delaware, U.S.A.
	National Recovery Systems, Inc.	Delaware, U.S.A.
	Great Lakes Recovery Systems, Inc.	Delaware, U.S.A.

	E.C.R., Inc.	Delaware, U.S.A.
	Braddock Recovery, Inc.	Delaware, U.S.A.
	Ashland Recovery, Inc.	Delaware, U.S.A.
	National Briquette Corporation	Delaware, U.S.A.
George Nelson III	Brambles Steel Services, Inc.	Delaware, U.S.A.
	National Recovery Systems, Inc.	Delaware, U.S.A.
	Great Lakes Recovery Systems, Inc.	Delaware, U.S.A.
	E.C.R., Inc.	Delaware, U.S.A.
	Braddock Recovery, Inc.	Delaware, U.S.A.
	Ashland Recovery, Inc.	Delaware, U.S.A.
	National Briquette Corporation	Delaware, U.S.A.
Anton Johan Claessens	Short Bros (Plant) Limited	England and Wales
TMF Operating	Solomat Industrie SA	France
Laurent Muguerza	Solomat Industrie SA	France
Denys Metayer	Solomat Industrie SA	France

Part C Company Secretaries Required to Resign

Secretary Name	Target Company	Jurisdiction of incorporation
Kerry Anne Abigail Porritt	Fourninezero Limited	England and Wales
	Short Bros (Plant) Limited	England and Wales
George Nelson III	Brambles Steel Services, Inc.	Delaware, U.S.A.
	National Recovery Systems, Inc.	Delaware, U.S.A.

	Great Lakes Recovery Systems, Inc.	Delaware, U.S.A.
	E.C.R., Inc.	Delaware, U.S.A.
	Braddock Recovery, Inc.	Delaware, U.S.A.
	Ashland Recovery, Inc.	Delaware, U.S.A.
	National Briquette Corporation	Delaware, U.S.A.

Part D Directors/Chairmen Required to be Appointed

Director/Chairman Name	Target Company	Jurisdiction of incorporation
Salvatore D Fazzolari	Brambles Steel Services, Inc.	Delaware, U.S.A.
	National Recovery Systems, Inc.	Delaware, U.S.A.
	Great Lakes Recovery Systems, Inc.	Delaware, U.S.A.
	E.C.R., Inc.	Delaware, U.S.A.
	Braddock Recovery, Inc.	Delaware, U.S.A.
	Ashland Recovery, Inc.	Delaware, U.S.A.
	National Briquette Corporation	Delaware, U.S.A.
Michael L Evelhoch	Brambles Steel Services, Inc.	Delaware, U.S.A.
	National Recovery Systems, Inc.	Delaware, U.S.A.
	Great Lakes Recovery Systems, Inc.	Delaware, U.S.A.
	E.C.R., Inc.	Delaware, U.S.A.
	Braddock Recovery, Inc.	Delaware, U.S.A.
	Ashland Recovery, Inc.	Delaware, U.S.A.
	National Briquette Corporation	Delaware, U.S.A.
Stephen Schnorr	Brambles Steel Services, Inc.	Delaware, U.S.A.
	National Recovery Systems, Inc.	Delaware, U.S.A.
	Great Lakes Recovery Systems, Inc.	Delaware, U.S.A.
	E.C.R., Inc.	Delaware, U.S.A.
	Braddock Recovery, Inc.	Delaware, U.S.A.

	Ashland Recovery, Inc.	Delaware, U.S.A.
	National Briquette Corporation	Delaware, U.S.A.
Eric Underwood	Fourninezero Limited	England and Wales
	Short Bros (Plant) Limited	England and Wales
Michael Kratz	Becema SAS	France
	BC SAS	France
	SMI Lorelev SAS	France
	BC Nord SAS	France
	Solomat Industrie SA	France
Hans Sterkenburg	Brambles Steel Services B.V.	Netherlands

Part B Company Secretaries Required to be Appointed

Secretary Name	Target Company	Jurisdiction of incorporation
Janet MacDonald	Fourninezero Limited	England and Wales
	Short Bros (Plant) Limited	England and Wales
Mark E Kimmel	Brambles Steel Services, Inc.	Delaware, U.S.A.
Mark E Kimmel	National Recovery Systems, Inc.	Delaware, U.S.A.
Mark E Kimmel	Great Lakes Recovery Systems, Inc.	Delaware, U.S.A.
Mark E Kimmel	E.C.R., Inc.	Delaware, U.S.A.
Mark E Kimmel	Braddock Recovery, Inc.	Delaware, U.S.A.
Mark E Kimmel	Ashland Recovery, Inc.	Delaware, U.S.A.
Mark E Kimmel	National Briquette Corporation	Delaware, U.S.A.

SCHEDULE 7

PROPERTIES

**Part A
United Kingdom**

Property Address	Legal Owner	Title Number	Freehold / Leasehold	Lease Date	Original parties	Lease Term	Rent
MR Llanwern Queensway Llanwern aka Metal Recovery Heckett Site	Short Bros (Plant) Limited	N/A	Informal arrangement	N/A	Corus UK Limited (1) Short Bros (Plant) Limited (2)	N/A	None
Blue Buildings Llewellyn Quay Port Talbot	Short Bros (Plant) Limited	WA541630	Freehold	N/A	N/A	N/A	N/A
Yard at Llewellyn's Quay Port Talbot (UKLHP)	Short Bros (Plant) Limited		Leasehold				
MR Offices and Workshop Port Talbot (UKLHP)	Short Bros (Plant) Limited	N/A	Leasehold Lease - unsigned	N/A	Corus UK Limited (1) Short Bros (Plant) Limited (2)	No information	None
Slab Offices and Workshop Port Talbot (UKLHP)	Short Bros (Plant) Limited	N/A	Leasehold	N/A	Corus UK Limited (1) Short Bros (Plant) Limited (2)	No information	None
29 Brigg Road Scunthorpe	Short Bros (Plant) Limited	HS95696	Leasehold	6 May 1974	1. The Council of the Borough of Scunthorpe	90 Years	[·]

Property Address	Legal Owner	Title Number	Freehold / Leasehold	Lease Date	Original parties	Lease Term	Rent
					2. British Steel Corporation		
Old Docks Road Port Talbot (UKLHP)	Short Bros (Plant) Limited	N/A	Leasehold	30 September 1997	Associated British Ports (1) Short Bros (Plant) Limited (2)	21 years expiring 24 March 2018	£6,000 pa
Anode Cast House Tristre Works Llanelli (UKLHP)	Short Bros (Plant) Limited	N/A	Leasehold	Undated, unsigned	Corus UK Limited (1) Short Bros (Plant) Limited(2)	5 years from 13 January 2003	£1 pa
Harbour Office Sinter Plant Port Talbot	Short Bros (Plant) Limited	N/A	Licence (not completed)	N/A	Corus UK Limited (1) Short Bros (Plant) Limited(2)	No information	£25.00 per month
Bos Plant Drum Filter House Port Talbot	Short Bros (Plant) Limited	N/A	Informal arrangement	N/A	Corus UK Limited (1) Short Bros (Plant) Limited(2)	Contract runs to 1 November 2011	
Briquetting Plant, VLN Building Port Talbot	Short Bros (Plant) Limited	N/A	Provided under service contract	2 May 1996	Corus UK Limited (1) Short Bros (Plant) Limited(2)	Contract runs to 1 November 2011	None
Grange Coke Ovens Port Talbot	Short Bros (Plant) Limited	N/A	Licence	No information	Corus UK Limited (1) Short Bros (Plant) Limited(2)	No information	£25.00 per month

Property Address	Legal Owner	Title Number	Freehold / Leasehold	Lease Date	Original parties	Lease Term	Rent
Morfa Bank Port Talbot	Short Bros (Plant) Limited	N/A	Licence, not signed	January 1984	Corus UK Limited (1) Short Bros (Plant) Limited(2)	No information	
Contractors Compound garage Unit D Port Talbot	Short Bros (Plant) Limited	N/A	Licence	No information	Corus UK Limited (1) Short Bros (Plant) Limited(2)	No information	£25.00 per month
Line C Trostre	Short Bros (Plant) Limited	N/A	Licence	2002	Corus UK Limited (1) Short Bros (Plant) Limited(2)	Perpetually renewable	£40 per month
Corby Business Unit	Short Bros (Plant) Limited	N/A	Provided under service contract	Start of contract	Corus UK Limited (1) Short Bros (Plant) Limited(2)	End of service contract	None
Shotton Business Unit	Short Bros (Plant) Limited	N/A	Informal agreement	Possible start of contract	Corus UK Limited (1) Short Bros (Plant) Limited(2)	End of service contract	None
Scunthorpe Coke Processing Plant	Short Bros (Plant) Limited	N/A	Provided under service contract	Start of contract	Corus UK Limited (1) Short Bros (Plant) Limited(2)	End of service contract	None

Property Address	Legal Owner	Title Number	Freehold / Leasehold	Lease Date	Original parties	Lease Term	Rent
Teeside OC4	Short Bros (Plant) Limited	N/A	Provided under service contract	Start of contract	Teeside Cast Products (1) Brambles Industries Limited (2)	End of contract	None
Southbank workshop facility	Short Bros (Plant) Limited	N/A	Provided under service contract	Start of contract	Teeside Cast Products (1) Brambles Industries Limited (2)	End of contract	None
Lletty Turner Tip Cwm Cynon Mountain Ash	Short Bros (Plant) Limited	N/A					

**Part B
France**

Property Address	Legal Owner	Title Number	Freehold / Leasehold	Lease Date	Original parties	Lease Term	Rent
4, rue Charles Fourier Zone Industrielle 59760 Grande Synthe = land	BC	Lot 16, section C n° 1699 & 1703	Freehold	N/A	N/A	N/A	N/A
4, rue Charles Fourier Zone Industrielle 59760 Grande Synthe =building (Portakabin) + leasehold improvements	Solomat		Freehold	N/A	N/A	N/A	N/A
19, bvd de la Mérindole la Grand Colle 13110 Port de Bouc = land + building	BC	Lot 19 A Section B 1429 Grand Colle Haut	Freehold	N/A	N/A	N/A	N/A
201A, route de Verdun 57180 Terville =building	BC	Section 9 N° 207/91 Bitterfeld	Freehold	N/A	N/A	N/A	N/A
201A, route de Verdun 57180 Terville =land	BC	Ban de Terville Ft 1751 section 9 N° 167/75, 208/91, 234/80, 335/102, 341/74 Bitterfeld	Freehold	N/A	N/A	N/A	N/A

**Part C
Netherlands**

Property Address	Legal Owner	Title Number	Freehold / Leasehold	Lease Date	Original parties	Lease Term	Rent
Wenkebachstraat 1 aannemerscentrum 6E-01 1951 JZ Velsen-Noord Netherlands	Corus Staal BV	Locally known under number: 26/60/61/SP2368	Leasehold [“License to establish a business”]	“License to establish a business” granted by Corus Staal BV on 1 January 1993	Corus Staal B.V.	“License to establish a business” expires on 1 January 2006, can be renewed for periods of one year	For 2005: EUR 84,091.12 (ex Dutch VAT)

Part D
United States of America

Property Address	Legal Owner	Property Number	Freehold / Leasehold	Lease Date	Original parties	Lease Term	Rent
5222 Indianapolis Blvd, East Chicago, IN	National Briquette Corporation	24-31-0038-0019 24-31-0038-0020	Freehold	N/A	N/A	N/A	N/A
5222 Indianapolis Blvd., East Chicago, IN	National Briquette Corporation (Lessee)	Unknown	Leasehold	16 June 2005	NBC & Elgin, Joliet & Eastern Railway Company	year to year	\$1,092 pa
5224 Indianapolis Blvd., East Chicago, IN	Marco Real Estate (Lessor)	Unknown	Use of right of way	1 July 2005	NRS & Marco Real Estate	year to year	\$600 pa
#1 Quality Drive, Ecorse, MI	Great Lakes Recovery Systems, Inc. (Lessee)	Unknown	Leasehold	Month to month	GLRS & USX Corporation (formerly National Steel)	Month to month	\$1 pa
3210 Watling St., East Chicago, IN	E.C.R. Inc. (Lessee)	Unknown	Leasehold	19 October 1993	ECR & Mittal Steel (formerly Inland Steel)	Annual evergreen	

Property Address	Legal Owner	Property Number	Freehold / Leasehold	Lease Date	Original parties	Lease Term	Rent
c/o USX-Edgar Thomson Plant, Braddock Ave., Braddock, PA	Braddock Recovery, Inc. (Lessee)	Unknown	Leasehold	19 January 1993	BRI & USX Corporation	Expires 31 August 2006	\$1 pa
Rt. 23 North, Building 800 Briquette Plant, Ashland KY	Ashland Recovery, Inc. (Lessee)	Unknown	Leasehold	2 February 2005	ARI & AK Steel Corporation	Expires 25 September 2012	\$12 pa

SCHEDULE 8
RETIREMENT BENEFITS

1. Unless otherwise defined below, definitions used in this Schedule 8 are defined in paragraph 11 of Schedule 3 and Schedule 13.
2. Subject to the requirements of applicable law in the relevant jurisdiction, the Sellers and the Purchaser agree as follows:
 - (a) Employees who are members of an Industry-Wide Plan as at Closing will continue to be members of such Industry-Wide Plan;
 - (b) the Purchaser shall, in respect of Employees in the United Kingdom, arrange for each Employee to be offered within one month of Closing, membership with effect from Closing of a stakeholder pension arrangement nominated by the Purchaser (the **Purchaser Stakeholder**). Such offer of membership (an **Offer of Membership**) should be copied to the Sellers' Representative (apart from any details which the Purchaser is prohibited by applicable data protection laws in the UK from disclosing to the Sellers) and shall be in writing;
 - (c) the Purchaser shall arrange for those Employees in the United Kingdom who accept an Offer of Membership (the **UK Employee Members**) within three months of it being made to be admitted to membership of the Purchaser Stakeholder with effect from Closing and Purchaser undertakes in respect of each UK Employee Member to contribute to or in respect of the UK Employee Member at the Agreed Contribution Rate;
 - (d) to the extent that any Employees are not covered by paragraph 2(a), or paragraph 2(b) above, the Purchaser shall arrange for each Employee to be offered within one month of Closing, membership with effect from Closing of a Retirement Benefit arrangement operated or nominated by the Purchaser (the **Purchaser Plan**). Such offer of membership (an **Offer of Membership**) should be copied to the Sellers' Representative (apart from any details which the Purchaser is prohibited by applicable data protection laws from disclosing to the Sellers) and shall be in writing;
 - (e) the Purchaser shall arrange for those Employees who accept an Offer of Membership (the **Employee Members**) within three months of it being made to be admitted to membership of the Purchaser Plan with effect from Closing and undertakes in respect of each Employee Member to ensure that the Purchaser shall provide Retirement Benefits in respect of service with the Purchaser for 12 months following Closing, which are broadly equivalent in value to the benefits provided or offered to or in respect of

the Purchaser shall arrange for those Employees who accept an Offer of Membership (the **Employee Members**) within three months of it being made to be admitted to membership of the Purchaser Plan with effect from Closing and undertakes in respect of each Employee Member to ensure that the Purchaser shall provide Retirement Benefits in respect of service with the Purchaser for 12 months following Closing, which are broadly equivalent in value to the benefits provided or offered to or in respect of the Employees under the relevant Seller Plan immediately prior to Closing assuming for these purposes that the Employees were active members of the such Seller Plan.

In this Schedule 8 :

Agreed Contribution Rate means the rate of employer contributions the relevant Target Company has agreed to pay to or in respect of the Employees in the United Kingdom under the Brambles Pension Match arrangement; and

Brambles Pension Match means the stakeholder pension arrangement to be established with effect on and from 1 January 2006 for or in respect of the employees of the Seller's Group in the United Kingdom.

**SCHEDULE 9
TAX COVENANT**

1. Interpretation

1.1 In this Schedule the following definitions shall have the following meanings:

Accounts means the financial statements of each of the Target Companies for the year ended on the Accounts Date which have been audited by the date of this agreement or are in the Agreed Form if they have not been audited by that date, together with any notes, reports, statements or documents included in or annexed or attached to them (provided, however, that the amount of any current tax receivable in the Accounts of the USA Companies shall be regarded as nil);

Closing Date means the date on which Closing takes place;

Corporation Tax means in respect of the United Kingdom corporation tax charged pursuant to section 6 of the Taxes Act, in respect of France corporation tax (*impôt sur les sociétés*) charged pursuant to section 205 *et seq.* of the French general tax code (and the additional social contributions charged pursuant to sections 235 *ter* ZA and ZC of the French general tax code, as applicable), in respect of the Netherlands corporate income tax charged pursuant to article 1 *et seq.* of the Netherlands Corporate Income Tax Act 1969 and in respect of any other country any corresponding tax on profits, gains, franchise, net worth or gross-receipts imposed by a tax authority of that country or any political subdivision thereof;

Dutch Companies means Brambles Steel Services B.V. and Harry Scholten Transport B.V.;

Dutch Seller means Brambles Holdings Europe B.V.;

event means any act, transaction or omission;

French Companies means Becema SAS, Solomat Industrie SA, BC SAS, SMI Lorelev SAS and BC Nord SAS;

French Seller means Brambles France SAS;

French Seller tax liability means a tax liability of any French Company;

Overprovision means, applying the accounting policies, principles and practices adopted in relation to the preparation of the Accounts (and ignoring the effect of any change in law made after the Closing Date, any action taken by the Purchaser or any Target Company after the Closing Date or any relief arising after the Closing Date), the amount

by which any contingency or provision in the Accounts relating to tax, other than deferred tax, is overstated;

Purchaser's Group means the Purchaser and any other company or companies which either are or become after Closing, or have within the six years ending at Closing been, treated as members of the same group (including the same tax group - *intégration fiscale* - for French tax purposes pursuant to section 223 A *et seq.* of the French general tax code - *Code général des impôts* - and *fiscale eenheid* for Dutch tax purposes pursuant to article 15 of the Netherlands Corporate Income Tax Act 1969) as, or otherwise connected, related to or associated in any way with, the Purchaser for any tax purpose;

Purchaser's relief means:

- (a) any relief arising to any Target Company to the extent that it arises in respect of an event occurring or period commencing after the Closing Date, was included in the Accounts as an asset (other than in respect of deferred tax) or was taken into account in computing any provision for tax (other than deferred tax) appearing in the Accounts or which, but for the presumed availability of such relief, would have appeared in the Accounts; or
- (b) any relief arising to any member of the Purchaser's Group (other than any Target Company);

relief includes, unless the context otherwise requires, any allowance, credit, deduction, exemption or set-off in respect of any tax or relevant to the computation of any income, profits or gains for the purposes of any tax, or any right to repayment of or saving of tax, and any reference to the use or set-off of relief shall be construed accordingly;

Retained Group means each of the Sellers and any other company or companies (other than any Target Company) which either are or become after Closing, or have within the six years ending at Closing been, treated as members of the same group (including the same tax group - *intégration fiscale* - for French tax purposes pursuant to section 223 A *et seq.* of the French general tax code - *Code général des impôts* - and *fiscale eenheid* for Dutch tax purposes pursuant to article 15 of the Netherlands Corporate Income Tax Act 1969) as, or otherwise connected, related to or associated in any way with, any Seller for any tax purpose;

Short Bros Receivable means the right of Short Bros (Plant) Limited to receive a repayment of UK corporation tax in an amount of £992,204 as set out in the statutory accounts of Short Bros (Plant) Limited for the twelve month period ended on 30 June 2005, plus any interest thereon;

Surrender means the surrender of losses or other amounts eligible for group relief in accordance with Chapter IV of Part X of the Taxes Act;

tax, Tax and taxation mean (a) taxes on income, profits and gains, and (b) all other taxes, levies, duties, imposts, charges and withholdings in the nature of taxation, including any excise, capital stock, gross receipts, occupancy, property, value added, sales, use, net worth, transfer, franchise and payroll taxes and any national insurance or social security contributions, or assessments of tax of any nature whatsoever, together with all penalties, charges and interest relating to any of the foregoing or to any late or incorrect return in respect of any of them (save insofar as attributable to the unreasonable delay or default after Closing of any Target Company or the Purchaser);

tax authority means any taxing or other authority (whether within or outside the United Kingdom) competent to impose any tax liability;

tax claim means:

- (a) the issue of any notice, demand, assessment, letter or other document by or on behalf of any tax authority or the taking of any other action by or on behalf of any tax authority (including the imposition, or any document referring to the possible imposition, of any withholding of or on account of tax); or
- (b) the preparation or submission of any notice, return, assessment, letter or other document by the Purchaser, any Target Company or any other person,

from which it appears that a tax liability may be incurred by or may be imposed on any Target Company, being a tax liability which could give rise to a liability for the relevant Seller under this Schedule or under the Tax Warranties (whether alone or in conjunction with other Claims);

tax liability means:

- (a) a liability of a Target Company to make or suffer an actual payment of tax or in respect of tax (which, for the avoidance of doubt, shall include a payment in respect of a Surrender and, as regards the French Companies, a payment to any Company of the relevant Retained Group made pursuant to a tax sharing agreement (*convention d'intégration fiscale*) or a tax group exit agreement (*convention de sortie d'intégration fiscale*));
- (b) the use or set-off of any Purchaser's relief in circumstances where, but for such use or set-off, a Target Company would have had an actual liability to tax in respect of which the Purchaser would have been able to make a claim against the relevant Seller under this Schedule (the amount of the tax liability for these purposes being deemed to be equal to the amount of the actual liability to tax that is saved by the use or set-off of the Purchaser's relief); provided that for the purposes of this Schedule it shall be assumed that reliefs other than any Purchaser's relief are, to the extent allowed by law, used in priority to any Purchaser's relief, but only to the extent that a Purchaser's relief within sub-

-paragraph (a) of the definition of Purchaser's relief in this paragraph 1.1 will not be lost or reduced where it is not so used; and

- (c) the loss, reduction, cancellation or clawback of any relief where such relief either was included in the Accounts as an asset (other than in respect of deferred tax) or was taken into account in computing any provision for tax (other than deferred tax) appearing in the Accounts or which, but for the presumed availability of such relief, would have appeared in the Accounts;

tax return or **Tax Return** means any return or report (including elections, declarations, disclosures, schedules, estimates, information returns, and amended returns and reports) required to be made to any tax authority, including any related accounts, computations and attachments;

Taxes Act means the United Kingdom Income and Corporation Taxes Act 1988;

USA Companies means Brambles Steel Services, Inc. and its direct or indirect subsidiaries, and **USA Company** shall be construed accordingly;

USA Seller means Brambles USA, Inc; and

USA Seller tax liability means a tax liability of any USA Company.

1.2 Persons shall be treated as **connected** for the purposes of this Schedule if they are connected within the meaning of section 839 of the Taxes Act.

1.3 Persons shall be treated as **related** for the purpose of this Schedule if they are subsidiaries, participations or controlled companies within the meaning of sections L 223-1 to L 223-5 of the French code of commerce.

1.4 In this Schedule, for the purposes of determining whether:

- (a) a tax liability or relief has arisen, or
- (b) a Target Company is or becomes entitled to a right to repayment or receives an actual repayment of tax,

in either case, in respect of a period ended on or before Closing or in respect of a period commencing after Closing, an accounting period of the Target Company concerned shall be deemed to have ended on Closing.

1.5 In this Schedule, for the purposes of determining whether:

- (a) any income, profits or gains have been earned, accrued or received, or
- (b) an event has occurred,

in either case, on or before Closing or after Closing, an accounting period of the Target Company concerned shall be deemed to have ended on Closing.

1.6 Any reference in this Schedule to a particular United Kingdom legislative provision or set of United Kingdom legislative provisions shall be treated as including a reference to any corresponding legislative provision or set of legislative provisions in any relevant jurisdiction other than the United Kingdom.

1.7 Any reference in this Schedule to the **relevant Seller** shall, in relation to a Target Company, be treated as being an exhaustive reference to the Seller which is the direct or indirect owner of the shares in that Target Company as at the date of this agreement.

1.8 Any reference to the **Accounts** in this Schedule shall, in relation to tax other than Corporation Tax (or any penalties, charges or interest relating thereto or to any late or incorrect return in respect thereof), be treated as referring instead to the Closing Statement. For the avoidance of doubt, therefore, any reference to the Accounts in paragraph 14 shall not be treated as referring instead to the Closing Statement.

1.9 Where there is any inconsistency between the provisions in this Schedule and the provisions elsewhere in this agreement, the provisions in this Schedule shall prevail for the purposes of construing this agreement.

1.10 Any reference in this Schedule to income, profits or gains having been earned, accrued or received on or before a particular time or events occurring on or before a particular time shall include income, profits or gains or events deemed, for the purposes of any tax, to have been so earned, accrued or received or to have so occurred.

1.11 The reference in paragraph 3.1(d) to a transaction, action or omission carried out or effected **in the ordinary course of business** of a Target Company shall, without limitation, not include:

- (a) any disposal (or deemed disposal for any tax purpose) of assets other than trading stock by that Target Company;
- (b) any change in the use of an asset by that Target Company;
- (c) anything which has the result of requiring disposal value to be brought into account, or which crystallises a balancing charge, for capital allowances purposes (or has any similar effect under the laws of any relevant jurisdiction other than the United Kingdom);
- (d) anything which causes that Target Company to become liable to pay interest or penalties in respect of tax; and
- (e) anything which causes that Target Company to become liable to pay tax primarily chargeable against or attributable to any other person.

1.12 The Sellers shall not be entitled to recover any amount in respect of a claim under paragraph 4 (Overprovisions), paragraph 7 (Tax Refunds) or paragraph 11 (Recovery from Third Parties/Savings) to the extent that a Seller has already recovered an amount under this Schedule in respect of the same subject matter.

2. Covenant to pay

Each of the relevant Sellers hereby jointly and severally covenants with the Purchaser to pay to the Purchaser an amount equivalent to any tax liability arising in respect of, by reference to or in consequence of:

- (a) any income, profits or gains earned, accrued or received on or before Closing; and
- (b) any event which occurred on or before Closing (including, without limitation, Closing itself);

together with any costs and expenses referred to in paragraph 5.

3. Exclusions

3.1 The covenants contained in paragraph 2 shall not cover any tax liability to the extent that:

- (a) provision or reserve in respect of that tax liability has been made in the Accounts (including provision or reserve for payment in respect of a Surrender to which the tax liability relates), or the tax liability was taken into account in computing any asset in respect of tax appearing in the Accounts or which, but for the presumed existence of such liability, would have appeared in the Accounts; or
- (b) the tax liability was paid or discharged before Closing, or such payment or discharge was taken into account in computing any asset appearing in the Accounts or which, but for the presumed payment or discharge, would have appeared in the Accounts; or
- (c) the tax liability arises as a result of any change in rates of tax made after the Closing Date or of any change in law (or a change in interpretation on the basis of case law), regulation, directive or requirement, or the practice of any tax authority, occurring after the Closing Date; or
- (d) the tax liability would not have arisen but for a transaction, action or omission carried out or effected by the Purchaser or any Target Company, or any other person connected with or related to any of them, at any time after Closing, except that this exclusion shall not apply where any such transaction, action or omission:
 - (i) is carried out or effected by the Target Company concerned pursuant to a legally binding commitment created on or before Closing; or

- (ii) is carried out or effected by the Target Company concerned in the ordinary course of business of such Target Company as carried on at Closing; or;
- (e) the tax liability arises as a result of a change after Closing in the length of any accounting period for tax purposes of any Target Company, or a change after Closing in any accounting policy or tax reporting practice of any Target Company (other than a change which is necessary in order to comply with the law or generally accepted accounting principles applicable to the relevant Target Company at Closing); or
- (f) notice of a claim in respect of the tax liability (other than a French Seller tax liability) in a form complying with the provisions of paragraph 9.1 is not given to the relevant Seller prior to the sixth anniversary of the end of the accounting period of the Target Company concerned in which Closing occurs, or (where the claim is not previously settled, satisfied or withdrawn) proceedings in respect thereof are not issued to and (to the extent possible) served upon the relevant Seller in England within the nine-month period following such anniversary and pursued with reasonable diligence thereafter; or
- (g) notice of a claim in respect of a French Seller tax liability in a form complying with the provisions of paragraph 9.1 is not given to the French Seller prior to the date which is thirty (30) days after the end of the third calendar year following the calendar year in which the recording period of the relevant French Company ended; or
- (h) such tax liability arises as a result of any Target Company failing to submit the returns and computations required to be made by them or not submitting such returns and computations within the appropriate time limits or submitting such returns and computations otherwise than on a proper basis, in each case after Closing and otherwise than as a result of any default or failure of the relevant Seller in carrying out, or in failing to carry out, its obligations under paragraph 12; or
- (i) the tax liability arises as a result of the failure of the Purchaser to comply with its obligations contained in paragraph 9, 12 or 14 hereof; or
- (j) any relief other than a Purchaser's relief is available, or is for no consideration made available by any member of the Retained Group, to any Target Company to set against or otherwise mitigate the tax liability (and so that any relief that is so available in relation to more than one tax liability to which this Schedule applies shall be deemed, so far as possible, to be used in such a way as to reduce to the maximum extent possible the relevant Seller's total liability hereunder); or
- (k) the tax liability would not have arisen but for:

- (i) the making of a claim, election, surrender or disclaimer, the giving of a notice or consent, or the doing of any other thing under the provisions of any enactment or regulation relating to tax, in each case after Closing and by the Purchaser or any Target Company, or any person connected with or related to any of them, and otherwise than at the direction of the relevant Seller pursuant to paragraph 12 or in compliance with the Purchaser's obligations under paragraph 12; or
 - (ii) the failure or omission on the part of any Target Company after Closing (otherwise than at the direction of the relevant Seller pursuant to paragraph 12) to make any such valid claim, election, surrender or disclaimer, or to give any such notice or consent or to do any other such thing, either as the relevant Seller may validly require in respect of periods or matters for which it has conduct under paragraph 12 or paragraph 14 or, in respect of periods or matters for which it does not have conduct, in circumstances where the making, giving or doing of which was taken into account in the preparation of the Accounts and the need for the making, giving or doing of which is notified to the Purchaser in writing no less than 30 days before the date on which it can be validly made, given or done; or
- (l) the tax liability arises in respect of, by reference to or in consequence of any actual (as opposed to deemed) income, profits or gains earned, accrued or received after Closing and which have not been taken into account in the preparation of the Closing Statement.

3.2 The French Seller shall have no liability under any part of this agreement for any French Seller tax liability which would result from a simple transfer of income or expenses from one fiscal year to another, save to the extent that it comprises an amount in respect of interest or penalties. For the avoidance of doubt, the French Seller shall remain liable for any tax liability consisting not only of interest and/or penalties, including any corporate income tax liability resulting from the transfer of income and expenses from one fiscal year to another which, under section 38.4bis of the French general tax code (*code général des impôts*), would not result only in interest or penalties and any future tax liability resulting from the loss of the right to depreciate the full value of a French Company's assets.

3.3 The Sellers shall have no liability to the Purchaser under any part of this agreement in respect of any non-availability, inability to use, or loss or restriction of any relief (**failure of relief**) where such failure of relief does not give rise to a tax liability to which paragraph 2 applies.

3.4 The tax consequences of the exit of the French Companies from the French Seller's French tax group (*intégration fiscale*), (including with respect to tax adjustments (*réintégrations de sortie de groupe*), indemnification for the loss of tax attributes, down-payment of taxes, future tax audits and reassessment of the taxable result of the French

Companies for the tax consolidated years) are governed by a tax group exit agreement (*convention de sortie d'intégration fiscale*), dated the same date as this agreement, by and between Brambles France SAS and the French Companies (the **Tax Group Exit Agreement**). For the avoidance of doubt, it is specified that any payments in respect of Tax or penalties that a French Company will have to make to Brambles France SAS or any other member of the Retained Group pursuant to the Tax Group Exit Agreement will constitute a tax liability to which the covenants to pay and exclusions provided for by paragraphs 2 and 3 hereof will be applicable. It is further specified that payments to be made post-Closing by the French Companies to Brambles France SAS pursuant to paragraph 15 hereof and to the Tax Group Exit Agreement for down-payment of Taxes do not constitute post-Closing tax liabilities to which paragraph 2 hereof would be applicable, and that, as is provided in the Tax Group Exit Agreement, the Sellers will have no obligation to indemnify the French Companies for losing their right to carry forward tax losses as a result of their exit from the French tax group.

3.5 The provisions of paragraph 3.1 shall also operate to limit or reduce the liability of the Sellers in respect of claims under the Tax Warranties and any other Warranty insofar as it relates to tax, save that they shall not operate to limit or reduce the liability of the Sellers in respect of a claim under paragraph 17(a) of Part D of Schedule 3 to the extent that the liability would not have arisen but for any disposal (or deemed disposal for any tax purpose) after Closing of any asset other than trading stock by a French Company.

4. Overprovisions

4.1 The relevant Seller may require the auditors for the time being of a Target Company to certify, at its request and expense, the existence and amount of any Overprovision in relation to that Target Company and the Purchaser shall provide, or procure that each Target Company provides, any information or assistance required for the purpose of production by the auditors of a certificate to that effect.

4.2 Subject to paragraph 4.4 below:

- (a) any Overprovision shall first be set against any payment then due from any Seller under this Schedule or for breach of any Tax Warranty;
- (b) to the extent that there is an excess, a payment shall promptly be made to the relevant Seller equal to the aggregate of any payment or payments previously made by any Seller under this Schedule or for breach of any Tax Warranty (and not previously refunded under this Schedule) up to the amount of the excess; and
- (c) to the extent that there is any remaining excess, it shall be carried forward and set off against any future liability of any Seller under this Schedule or for breach of any Tax Warranty (with the intent that, if there is no such future liability, such excess shall be retained by the Target Companies and/or the Purchaser).

4.3 Either the relevant Seller or the Purchaser may, at its own expense, require any certificate produced in accordance with paragraph 4.1 above to be reviewed by the auditors for the time being of the relevant Target Company in the event that there are relevant circumstances or facts of which it was not aware, and which were not taken into account, at the time when such certificate was produced, and to certify whether the certificate remains correct or whether it should be amended.

4.4 If the certificate is amended following a request under paragraph 4.1, the revised amount of Overprovision shall be substituted for the purposes of paragraph 4.2, and any adjusting payment that is required shall be made within 15 Business Days of the amendment of the certificate.

5. Costs and expenses

The covenants contained in paragraph 2 shall extend to all reasonable costs and expenses properly incurred by the Purchaser in connection with a successful claim made under that paragraph, or in satisfying or settling any tax liability in accordance with paragraph 9 in respect of which a successful claim is made under paragraph 2.

6. Double recovery

The Purchaser shall not be entitled to recover any amount pursuant to this Schedule in respect of any claim to the extent that the Purchaser or any Target Company has already recovered any amount in respect of such claim under the Warranties or under any other provision of this Agreement or pursuant to any other agreement with any Seller or any company connected with any Seller, or to the extent that recovery has already been made under this Schedule in respect of the same subject matter.

7. Tax Refunds

7.1 (i) In respect of Corporation Tax, upon receipt by the relevant Seller of a statement from a tax authority or the relevant Seller's tax advisers (obtained at the relevant Seller's expense) of any right to receive or actual receipt of any amount by way of repayment of tax or interest on overpaid tax or repayment supplement, and (ii) in respect of tax other than Corporation Tax, upon the Purchaser or any Target Company becoming aware thereof, the Purchaser shall promptly notify the relevant Seller of any right to receive or actual receipt of such amount, in each of (i) and (ii) being an amount to which a Target Company (or as the case may be, the Purchaser or any member of the Purchaser's Group, on behalf or in respect of any of the French Companies) is or becomes entitled or receives in respect of an event occurring or period (or part period) ending on or prior to the Closing Date (including any repayment attributable to a Surrender in respect of a period or part period ending on or prior to the Closing Date whenever such Surrender is effected), where or to the extent that such amount was not included in the Accounts as an asset (save for an amount relating to the Short Bros Receivable), does not arise from the use of a Purchaser's relief and is not a payment or relief to which paragraph 11 below applies (a *tax refund*).

7.2 Any tax refund actually obtained after the Closing Date, whether by repayment or set-off (and less any reasonable costs of obtaining it and any tax payable thereon) and provided that (in the case of a tax refund in respect of Corporation Tax) the relevant Seller receives a statement referred to in paragraph 7.1 above, shall be dealt with as follows:

- (a) the amount of the tax refund shall be set against any payment then due under this Schedule or for breach of any Tax Warranty from any Seller;
- (b) to the extent that there is an excess, a payment shall promptly be made to the relevant Seller equal to the aggregate of any payment or payments previously made by any Seller under this Schedule or for breach of any Tax Warranty (and not previously refunded under this Schedule) up to the amount of the excess; and
- (c) where the tax refund relates to the Short Bros Receivable or the amount of the tax refund is more than US\$100,000, a payment shall promptly be made to the relevant Seller equal to the amount of any excess remaining after the application of sub-paragraph (b) above; and
- (d) where sub-paragraph (c) above does not apply to the tax refund, any excess remaining after the application of sub-paragraph (b) above shall be carried forward and set off against any future liability of any Seller under this Schedule or for the breach of any Tax Warranty (with the intent that, if there is no such future liability, such excess shall be retained by the Target Companies and/or the Purchaser).

7.3 Paragraph 11.4 shall apply in respect of any sum payable to any Seller under this paragraph 7 which is not paid by the later of the date fifteen Business Days after the relevant tax refund is obtained by the Target Company concerned and, in the case of a tax refund in respect of Corporation Tax, the date on which the relevant Seller receives a statement referred to in paragraph 7.1 above (the **due date**) as it applies to any sum not paid by the Purchaser on the due date of payment specified in paragraph 11.2.

8. Secondary Liabilities

8.1 The Purchaser severally covenants with each of the Sellers to pay to the relevant Seller (or, if there is no relevant Seller, to each of the Sellers in the same proportion as the price for its respective Set of Shares at the relevant time, as determined by clause 2.1, bears to the aggregate price for all of the Sets of Shares at that time and as so determined) an amount equivalent to any tax or any amount on account of tax which any member of the Retained Group is required to pay as a result of a failure by any Target Company, or any other member of the Purchaser's Group, to discharge that tax.

8.2 Each of the relevant Sellers severally covenants with the Purchaser to pay to the Purchaser (or, if there is no relevant Seller, each of the Sellers severally covenants with the Purchaser to pay to the Purchaser, in the same proportion as the price for its

respective Set of Shares at the relevant time, as determined by clause 2.1, bears to the aggregate price for all of the Sets of Shares at that time and as so determined) an amount equivalent to any tax or any amount on account of tax which any Target Company, or any other member of the Purchaser's Group, is required to pay as a result of a failure by any member of the Retained Group to discharge that tax.

8.3 The Dutch Seller and the Purchaser (each of which is the **relevant party** where it is the covenantor) hereby covenant to each other to pay to the other party, to the extent not already covered in this agreement and by way of adjustment to the consideration for the sale of the relevant Shares, an amount equivalent to any credit (*verrekening*) by the Dutch tax authorities under article 24(2) of the Dutch Tax Collection Act 1990 in respect of any Dutch tax which, but for the application of the aforementioned article, would have been due and payable by the relevant party (or any other member of the Retained Group or the Purchaser's Group, as the case may be) and where the other party (or any other member of the Purchaser's Group or the Retained Group, as the case may be) loses an amount that, but for this credit, would have been available to it as a relief.

8.4 The Purchaser covenants with the Dutch Seller to pay to the Dutch Seller an amount equivalent to any tax or any amount on account of tax in respect of, by reference to or in consequence of any income, profits or gains earned, accrued or received by a Dutch Company, as determined in accordance with the rules of article 15ah of the Corporate Income Tax Act 1969, which the Dutch Seller or any other member of the Retained Group is required to pay or which results in a loss of an amount that, but for this tax, would have been available to it as a relief.

8.5 The covenants contained in paragraphs 8.1 to 8.4 inclusive shall:

- (a) extend to any reasonable costs incurred in connection with such tax or a claim under any of those paragraphs;
- (b) (in the case of paragraphs 8.1 and 8.4 and the covenant by the Purchaser under paragraph 8.3) not apply to tax to the extent that the Purchaser could claim payment in respect of it under paragraph 2 (or would have been able to claim but for paragraph 3.1(f) or 3.1(g)), except to the extent that a payment has been made pursuant to paragraph 0 and the tax to which it relates was not paid by the Target Company concerned; and
- (c) not apply to tax to the extent it has been recovered under any relevant statutory provision (and the Purchaser or the Sellers, as the case may be, shall procure that no such recovery is sought to the extent that payment is made hereunder).

8.6 Paragraphs 9.1, 9.3 and 10 (conduct of disputes and due date for payment) shall apply to the covenants contained in paragraphs 8.1 to 8.4 inclusive as they apply to the covenants contained in paragraph 2, replacing references to the Sellers by the Purchaser (and vice versa) where appropriate and making any other necessary modifications.

9. Notification of claims and conduct of disputes

9.1 If the Purchaser or any Target Company, or any other member of the Purchaser's Group, becomes aware of any tax claim, the Purchaser shall give notice to the relevant Seller of that tax claim (including any details reasonably available at the time of such tax claim, the due date for any payment and the time limits for any appeal or any other relevant response, and so far as practicable the amount of the claim under this Schedule or under the Tax Warranties in respect thereof) as soon as reasonably practicable (and, if there is a time limit of 30 days or less in which an appeal or other action must be taken in respect of the tax claim, in any event not more than ten Business Days after the Purchaser or the Target Company or other member of the Purchaser's Group concerned becomes aware of such claim). Subject to the relevant Seller having indemnified the Purchaser and the relevant Target Company to the Purchaser's reasonable satisfaction against any reasonable costs and expenses that they may thereby properly incur, the Purchaser shall take (or procure that the Target Company concerned shall take) such action as the relevant Seller may reasonably request to avoid, dispute, resist, appeal, compromise or defend any tax claim (whether notified by the Purchaser, or being a tax claim of which the relevant Seller was already aware) and any adjudication in respect thereof. The relevant Seller shall have the right (if it wishes) to control any proceedings taken in connection with such action, and shall in any event be kept fully informed of any actual or proposed developments (including any meetings) and shall be provided with copies of all correspondence and documentation relating to such tax claim or action, and such other information, assistance and access to records and personnel as it reasonably requires.

9.2 Subject to paragraph 9.3, the Purchaser shall procure that no tax claim, action or issue in respect of which any Seller could be required to make a payment under this Schedule or for breach of any Tax Warranty is settled or otherwise compromised without that Seller's prior written consent, such consent not to be unreasonably withheld or delayed, and the Purchaser shall, and shall procure that each Target Company, any other member of the Purchaser's Group and any of their respective advisers shall, not submit any correspondence or return or send any other document to any tax authority where the Purchaser or any such person is aware or could reasonably be expected to be aware that the effect of submitting such correspondence or return or sending such document would or could be to put such tax authority on notice of any matter which could give rise to, or could increase, a claim under this Schedule or for breach of any Tax Warranty, without first affording the relevant Seller a reasonable opportunity to comment thereon and without taking account of such comments so far as it is reasonable to do so.

9.3 If the relevant Seller does not request the Purchaser to take any appropriate action within 30 days of notice to the relevant Seller, the Purchaser shall be free to satisfy or settle the relevant tax liability on such terms as it may reasonably think fit.

9.4 If the relevant Seller takes up its right under paragraph 9.1 to control the conduct of a tax claim, the Purchaser shall promptly be kept fully informed of all material matters pertaining to the tax claim and shall be entitled to see copies of all relevant correspondence relating thereto. If the relevant Seller takes up its rights under paragraph

9.1 as aforesaid, the relevant Seller shall not (and shall procure that its agents shall not) compromise, settle, admit or otherwise deal with any such proceedings (or any matter in issue therein) without the consent of the Purchaser (not to be unreasonably withheld or delayed), PROVIDED THAT it is hereby agreed that the Purchaser will be deemed automatically to have consented where the compromise, settlement, admission or dealing is consistent with the practice of the Target Companies for periods ending on or prior to Closing (save to the extent required by law, any applicable regulation or generally applicable accounting principles). The Purchaser and the relevant Seller agree that, if the Purchaser refuses (or unreasonably withholds or delays giving) its consent to any compromise, settlement, admission or dealing, the provisions of clause 31 (Settlement of Disputes) shall apply to the matter in dispute.

10. Due date of payment and interest

10.1 Subject to paragraph 10.2, each Seller shall pay to the Purchaser any amount payable by it under this Schedule on or before the date which is the later of the date ten Business Days after demand is made therefor by the Purchaser and two Business Days before the first date on which the tax in question becomes due and payable to the tax authority demanding the same. Provided that:

- (a) if the date on which the tax becomes due and payable is deferred following application to the relevant tax authority, the date for payment by each Seller shall be two Business Days before such later date when the amount of tax is finally and conclusively determined (and for this purpose, an amount of tax shall be deemed to be finally determined when, in respect of such amount, an agreement under section 54 of the United Kingdom Taxes Management Act 1970 or any legislative provision corresponding to that section is made, or a decision of a court or tribunal is given or any binding agreement or determination or an enforceable decision of a tax authority imposing a payment of tax is made, from which either no appeal lies or in respect of which no appeal is made within the prescribed time limit, ignoring the power of any person to allow appeals out of time); and
- (b) if a payment or payments to the relevant tax authority prior to the date otherwise specified by this paragraph would avoid or minimise interest or penalties, each Seller may at its option pay the whole or part of the amount due to the Purchaser on an earlier date or dates, and the Purchaser shall procure that the tax in question (or the appropriate part of it) is promptly paid to the relevant tax authority.

A Seller may make a direct payment in respect of the tax liability in question to the relevant tax authority (including through use of certificates of tax deposit or the equivalent), and that Seller's liability to the Purchaser shall be treated as reduced or eliminated accordingly.

10.2 Where a claim under this Schedule relates to the use or set-off of a Purchaser's relief, the relevant Seller shall pay to the Purchaser the amount due from it under this Schedule in respect thereof on the later of the date which is two Business Days before the

first date on which tax which would not have been payable but for such use or set-off becomes due and payable to the tax authority demanding the same, and ten Business Days after demand is made therefor by the Purchaser, such demand to be accompanied by reasonably sufficient evidence provided by the Purchaser or its tax advisers (obtained or procured to be obtained by and at the expense of the Purchaser) of such use or set-off and as the relevant Seller requires to ascertain that it has a liability of a stated amount in respect of such claim and that tax has, or will on a specified date, become due and payable as aforesaid.

10.3 Where a claim under this Schedule relates to the loss, reduction, cancellation or clawback of any such relief as is referred to in sub-paragraph (c) of the definition of tax liability, the relevant Seller shall pay to the Purchaser the amount due from it under this Schedule in respect thereof on the later of the date which is 5 Business Days after the date on which such relief is lost, reduced, cancelled or clawed back or, if later, the date which is ten Business Days after the date on which demand is made therefor by the Purchaser, such demand to be accompanied by reasonably sufficient evidence provided by the Purchaser or its tax advisers (obtained or procured to be obtained by and at the expense of the Purchaser) of such loss, reduction, cancellation or clawback and as the relevant Seller requires to ascertain that it has a liability of a stated amount in respect of such claim.

10.4 Any sum not paid by a Seller on the due date for payment specified in paragraph 10.1 or 10.2 shall bear Default Interest (which shall accrue from day to day after as well as before any judgment for the same) from the due date to and including the day of actual payment of such sum, compounded six monthly, provided that Default Interest shall not accrue to the extent that the Seller's liability under paragraph 2 or paragraph 5 extends to interest or penalties arising after the due date. Any interest due under this paragraph shall be paid on the demand of the Purchaser on or following the date of payment of such sum.

11. Recovery from third parties/tax savings

11.1 If any payment is made by a Seller under this Schedule or for breach of any Tax Warranty in respect of a tax liability or other matter and the Purchaser or any Target Company (or any person connected with or related to any of them, including any member of the Purchaser's Group) either receives, or is entitled or may be entitled either immediately or at some future date to recover or obtain, from any person (other than the Purchaser or any Target Company or any such connected person) a payment or relief which would not have arisen but for the tax liability or other matter in question or the circumstances giving rise thereto (including without limitation in circumstances where a tax liability arises because a deduction or other relief assumed to be available in preparing the Accounts is in fact available only in a subsequent period or periods), then:

- (a) the Purchaser shall notify that Seller of that fact as soon as reasonably possible after the Purchaser or any Target Company becomes aware of the same and, if so required by the Seller and subject to the Seller having first indemnified the Purchaser and the relevant Target Company against any reasonable costs and

expenses that they may thereby properly incur, shall take (or shall procure that the Target Company or other person concerned shall take) such action as the Seller may reasonably request to enforce such recovery or to obtain such payment or relief (keeping the Seller fully informed of the progress of any action taken and providing it with copies of all relevant correspondence and documentation); and

- (b) if the Purchaser or the Target Company or other person (including any member of the Purchaser's Group) concerned receives or obtains such a payment or relief, the Purchaser shall pay to that Seller the amount received or the amount that the Purchaser or the Target Company or other person concerned (including any member of the Purchaser's Group) will save by virtue of the payment or the relief (less any reasonable costs of recovering or obtaining such payment or relief and any tax actually suffered thereon) (the **Benefit**) to the extent that the amount of the Benefit does not exceed the aggregate payments previously made by any Seller under this Schedule and for breach of any Tax Warranty, and except where any amount so saved would otherwise have given rise to a claim under this Schedule or for breach of any Tax Warranty (in which event no such claim shall be made). Any amount of the Benefit not so paid to the Seller shall be carried forward and set off against any future claims against any Seller under this Schedule or for breach of any Tax Warranty.

11.2 Any payment required to be made by the Purchaser pursuant to paragraph 11.1 shall be made:

- (a) in a case where the Purchaser or the Target Company or other person concerned (including any member of the Purchaser's Group) receives a payment, within ten Business Days of the receipt thereof; and
- (b) in a case where the Purchaser or the Target Company or other person concerned (including any member of the Purchaser's Group) obtains a relief, on or before the date on which tax would have become recoverable by the appropriate tax authority but for the use of such relief.

11.3 The Purchaser shall procure that any such relief as is referred to in paragraph 11.2(b) is used in priority to any other relief. The Seller referred to in paragraph 11.1 shall be entitled, at its own cost, to require that the auditors of the relevant Target Company and/or other person (including any member of the Purchaser's Group) shall certify the amount and date of use of such relief for the purposes of this paragraph 11.

11.4 Any sum not paid by the Purchaser on the due date of payment specified in paragraph 11.2 shall bear Default Interest (which shall accrue from day to day after, as well as before, any judgment for the same) from the due date to and including the day of actual payment of such sum, compounded six monthly. Such interest shall be paid on the demand of the Seller referred to in paragraph 11.1.

12. Management of pre-Closing tax affairs

Interpretation

12.1 In this paragraph 12 and in paragraphs 13 and 16:

accounting period means any period by reference to which any income, profits or gains, or any other amounts relevant for the purposes of tax, are measured or determined;

pre-Closing tax affairs means the tax affairs of the Target Companies for which the relevant Seller in question is responsible under this paragraph 12;

tax documents means the tax returns, claims and other documents which the relevant Seller in question is required to prepare on behalf of or with respect to the Target Companies under paragraphs 12.2(a) and 12.2(b);

time limit means the latest date on which a tax document can be executed or delivered to a relevant tax authority either without incurring interest or a penalty, or in order to ensure that such tax document is effective; and

16th Standard Condition means article 16 of the *standaardvoorwaarden* as listed in the exhibit to the Resolution of 30 September 1991, nr. DB91/2309.

Rights and Obligations of the Sellers

12.2 Subject to and in accordance with the provisions of this paragraph, the relevant Seller or its duly authorised agents shall, in respect of all accounting periods ending on or before Closing, in a manner consistent with the past practice of the Target Companies in relation to the relevant matters (save to the extent required by law, any applicable regulation or generally applicable accounting principles) and at the relevant Seller's own cost:

- (a) prepare the tax returns of each of the Target Companies for the purposes of Corporation Tax;
- (b) (subject to paragraph 14) prepare on behalf of the Target Companies all claims, elections, surrenders, disclaimers, notices and consents for the purposes of Corporation Tax; and
- (c) (subject to paragraph 9) deal with all matters relating to Corporation Tax which concern or affect any of the Target Companies, including the conduct of all negotiations and correspondence and the reaching of all agreements relating thereto or to any tax documents, but excluding payment of tax.

12.3 The relevant Seller or its duly authorised agents shall deliver all tax documents which are required to be signed by or on behalf of any Target Company to the Purchaser for authorisation, signing and submission to the relevant tax authority, provided that the

Purchaser shall not be obliged to sign or authorise any tax document which it does not consider (acting reasonably) is complete or accurate in all material respects. If a time limit applies in relation to any tax document, the relevant Seller shall ensure that the Purchaser receives the tax document no later than ten Business Days (or, in the case of a tax return, thirty Business Days) before the expiry of the time limit.

12.4 The relevant Seller shall procure that:

- (a) the Purchaser receives copies of all written correspondence with any tax authority insofar as it is relevant to the pre-Closing tax affairs;
- (b) the Purchaser is afforded the opportunity to comment within a reasonable period of time on any tax document or other non-routine correspondence prior to its submission to the relevant tax authority, and the relevant Seller shall take into account any such comments made by the Purchaser as the relevant Seller (acting reasonably) considers to be reasonable, and the parties hereby agree that, if the relevant Seller refuses to take into account any comment made by the Purchaser in relation to any return and the Purchaser (acting reasonably) disagrees with such matter, the disagreement shall be a dispute for the purpose of clause 31 (Settlement of Disputes) and the provisions of that clause shall apply thereto;
- (c) no tax document is submitted to any tax authority which is misleading or, so far as the relevant Seller is aware, not true and accurate in all material respects; and
- (d) it does not agree any material matter relating to its tax affairs with any tax authority (in a way which is not consistent with its past practice, save to the extent required by law, any applicable regulation or generally applicable accounting principles) without the consent of the Purchaser (not to be unreasonably withheld or delayed). If the Purchaser refuses (or unreasonably withholds or delays giving) its consent under this paragraph (d), the matter shall be considered a dispute for the purposes of clause 31 (Settlement of Disputes) and the provisions of that clause shall apply accordingly.

Obligations of the Purchaser

12.5 The Purchaser shall procure that:

- (a) the relevant Seller and its duly authorised agents are afforded such access (including the taking of copies) to the books, accounts and records of the Target Companies and such other assistance as it or they reasonably require to enable the relevant Seller to discharge its obligations under this Schedule and to enable the relevant Seller and any member of the Retained Group to comply with its own tax obligations or facilitate the management or settlement of its own tax affairs;
- (b) the Target Companies and any other members of the Purchaser's Group shall properly retain and maintain the books, accounts and records of the Target

Companies and any other members of the Purchaser's Group shall properly retain and maintain the books, accounts and records of the Target Companies until the applicable statutory limitation period expires (giving effect to any extension thereof) and shall abide by all record retention agreements entered into with any tax authority and shall give the respective Seller reasonable written notice prior to transferring, destroying, or discarding any such books, accounts and records and, if that Seller so requests, shall allow that Seller to take possession of such books, accounts and records;

- (c) the relevant Seller is promptly sent a copy of any communication from any tax authority insofar as it relates to the pre-Closing tax affairs;
- (d) unless at the direction of the relevant Seller or its duly authorised agents pursuant to paragraph 12.2 or any other provision of this Schedule, no voluntary action is taken by any Target Company or any other member of the Purchaser's Group after Closing (whether by disclaiming any relief, withdrawing or revoking any claim, disclaimer or consent or otherwise) which would or is likely either to prejudice or reduce the availability of any relief surrendered or to be surrendered between any Target Company and any member of the Retained Group, or otherwise adversely to affect the tax position of any member of the Retained Group; and
- (e) there is given to such person or persons as may for the time being be nominated by the relevant Seller authority to conduct pre-Closing tax affairs, and that such authority is confirmed to any relevant tax authority.

12.6 The Purchaser shall (subject to paragraph 12.3 above or paragraph 12.9 below) be obliged to procure that the Target Companies shall cause any tax document delivered to it under paragraph 12.3 to be authorised and signed without delay and without amendment, and submitted to the appropriate tax authority without delay (and in any event within any relevant time limit).

12.7 The Purchaser shall not voluntarily communicate with the Dutch tax authorities in connection with the possible application of the 16th Standard Condition or article 15ai of the Netherlands Corporate Income Tax Act 1969 and, in the event that the Dutch tax authorities raise questions in connection therewith, the Purchaser shall not send any communication to the Dutch tax authorities in relation thereto without the consent of the Dutch Seller (such consent not to be unreasonably withheld or delayed). The Purchaser agrees that it will submit all of its tax returns on the basis that article 15ai of the Netherlands Corporate Income Tax Act 1969 and the 16th Standard Condition do not apply to the Dutch fiscal unity which existed between the Dutch Seller and a Dutch Company prior to Closing, unless the Purchaser has no reasonable position to do so.

12.8 If the Dutch tax authorities determine that, other than as a result of a breach of the Purchaser's obligations under paragraph 12.7, the 16th Standard Condition or article 15ai of the Netherlands Corporate Income Tax Act 1969 applies as a result of Closing to the Dutch fiscal unity which existed between the Dutch Seller and a Dutch Company prior to Closing, then the Purchaser covenants to pay to the Dutch Seller, by way of an

adjustment to the consideration for the sale of the relevant Shares and on or before the date ten Business Days after demand is made therefor by the Dutch Seller, an amount equal to the Dutch Tax Benefit, if and when actually realised. For the purposes of this paragraph 12.8, the “**Dutch Tax Benefit**” is the amount of the actual decrease of corporate income tax due which arises to a Dutch Company (or, as the case may be, to the fiscal unity which a Dutch Company has joined or will join) as a consequence of the application of the 16th Standard Condition or article 15ai of the Netherlands Corporate Income Tax Act 1969 giving rise to a greater depreciation base in its assets.

Rights of the Purchaser

12.9 The Purchaser shall be under no obligation to procure the authorisation, signing or submission to a tax authority of any tax document delivered to it under paragraph 12.3 which it considers in its reasonable opinion to be false or misleading in a material respect, but for the avoidance of doubt shall be under no obligation to make any enquiry as to the completeness or accuracy thereof and shall be entitled to rely entirely on the relevant Seller and its agents.

13. Conduct of other Tax Affairs

13.1 Subject to paragraph 9 and the following sub-paragraphs, the Purchaser or its duly authorised agents shall have sole conduct of all tax affairs of the Target Companies which are not pre-Closing tax affairs and shall be entitled to deal with such tax affairs in any way in which it in its absolute discretion considers fit, provided that the Purchaser shall ensure that all such tax affairs relating to periods prior to Closing are dealt with in an expeditious manner.

13.2 In respect of any accounting period for Corporation Tax purposes commencing prior to Closing and ending after Closing (the **Straddle Period**) and in respect of any accounting period commencing prior to Closing for the purposes of any other tax, the Purchaser shall procure that the tax returns of each Target Company shall be prepared on a basis which is consistent with the manner in which the tax returns of that Target Company were prepared for all accounting periods ending prior to Closing (save to the extent required by law, any applicable regulation or generally applicable accounting principles).

13.3 The Purchaser shall procure that the Target Companies provide to the relevant Seller all tax returns for Corporation Tax purposes relating to the Straddle Period no later than 30 Business Days before the date on which such tax returns are required to be filed with the appropriate tax authority without incurring interest or penalties. The Purchaser shall further procure that, before the tax returns are submitted to the appropriate tax authority, the Target Companies shall take into account any such comments made by the relevant Seller as the Purchaser (acting reasonably) considers to be reasonable, to the extent that those comments do not relate solely to matters occurring after Closing.

13.4 The relevant Seller shall provide such assistance as the Purchaser shall reasonably request in preparing all tax returns of the Target Companies relating to the Straddle Period.

14. Surrenders between the Retained Group and the Target Companies

14.1 Subject to the following provisions of this paragraph 14, and without prejudice to the generality of paragraph 12, the Purchaser shall procure that the Target Companies shall, in respect of any time or period falling on or prior to the Closing Date (which for the purposes of this paragraph 14 shall include, for the avoidance of doubt, any overlapping period pursuant to section 403A of the Taxes Act), make, give or enter into such claims, elections, surrenders, notices or consents (whether unconditional or conditional, whether or not forming part of any other return or tax document, whether provisional or final, and including amendments to or withdrawals of earlier claims, elections, surrenders, notices or consents, whether or not made before or after Closing) as the relevant Seller shall direct in connection with any Surrender by or to any member of the Retained Group to or by (as the case may be) any of the Target Companies. No payment shall be made after the date of this agreement in respect of any such Surrender by or to any member of the Retained Group to or by any of the Target Companies except to the extent set out in the following provisions of this paragraph 14.

14.2 If and to the extent that:

- (a) any Target Company has paid Corporation Tax (otherwise than in circumstances where a claim has been or could be made under paragraph 2 in respect thereof), and a Surrender effected pursuant to paragraph 14.1 or any Surrender effected prior to Closing has the effect of causing a repayment after Closing of some or all of that tax (with or without any repayment supplement within the meaning of section 825 of the Taxes Act or interest under section 826 of that Act); or
- (b) but for a Surrender effected pursuant to paragraph 14.1 or prior to Closing (and ignoring the effect of any Purchaser's relief, to the extent allowed by law), any Target Company would have had a liability to Corporation Tax in respect of which the Purchaser would not have been able to make a claim under paragraph 2; or
- (c) provision for Corporation Tax is made in the Accounts, and a Surrender has the effect of discharging all or part of the liability represented by that provision (save to the extent that payment has been made in respect of such Surrender, including without limitation by way of book entry, on or before Closing); or
- (d) provision for payment in respect of a Surrender is made in the Accounts (save to the extent that such payment has been made, including without limitation by way of book entry, on or before Closing),

the Purchaser shall procure that, in respect of any such Surrender to which a member of the Retained Group is a party, a payment for group relief (within the meaning of section 402(6) of the Taxes Act) shall be made to the relevant member of the Retained Group by the Target Company concerned.

14.3 The amount of any such payment as is referred to in paragraph 14.2 shall be equal to:

- (a) in a case where paragraph 14.2(a) applies, the amount of Corporation Tax so repaid (together with any repayment supplement or interest), less any amount of such repayment (or repayment supplement or interest) the right to which was included as an asset in the Accounts, and less Corporation Tax suffered on such interest; or
- (b) in a case where paragraph 14.2(b) applies, the amount of Corporation Tax which would have been required to be paid but for the Surrender (ignoring the effect of any Purchaser's relief, to the extent allowed by law); or
- (c) in a case where paragraph 14.2(c) applies, the amount of Corporation Tax saved as a result of the relevant Surrender, up to a maximum of the amount in respect of which provision is made in the Accounts; or
- (d) in a case where paragraph 14.2(d) applies, the amount in respect of which provision is made in the Accounts.

14.4 Any payment under paragraph 14.3 shall be made:

- (a) in a case where paragraph 14.2(a) applies, on the date two Business Days after the date on which such repayment is received, or would be received but for some event or action within paragraph 14.5 or but for being offset by some other tax liability; or
- (b) in a case where paragraph 14.2(b), 14.2(c) or 14.2(d) applies, on the later of the date on which such tax would have become due and payable (or, if such date is not a Business Day, the next following Business Day) and ten Business Days after the date on which notice is given by the relevant Seller to the Purchaser of such Surrender,

and interest shall be charged on any amount not paid on the due date as provided in paragraph 11.4.

14.5 In ascertaining the amount of any payment under paragraph 14.3, and the time of such payment, no account shall be taken of any event or action occurring after Closing (including any loss arising in a period ending after Closing) which has or could have the effect:

(a) in a case where paragraph 14.3(a) applies, of deferring, reducing or eliminating any repayment to any Target Company (or the receipt of any repayment supplement or interest);

(b) in a case where paragraph 14.3(b), 14.3(c) or 14.3(d) applies, of deferring, reducing or eliminating tax which would otherwise have become payable,

and in such a case paragraph 14.2 shall apply as if such event or action had not occurred.

14.6 Where, in respect of a relevant accounting period (within the meaning of section 102 of the United Kingdom Finance Act 1989) ended on or before the Closing Date, section 102(4) applies in relation to:

(a) a surrendering company in the Retained Group and a recipient company which is any Target Company, then to the extent that:

(i) an amount corresponding to tax which the recipient company is deemed to have paid by virtue of section 102(4)(a) has been provided for in the Accounts or has previously been paid by the recipient company (otherwise than in circumstances where a claim has been or could be made under paragraph 0 of this Schedule in respect thereof) (in each case the **amount saved**); or

(ii) provision is made in the Accounts for payment in respect of the surrender (save to the extent that such payment has been made in respect of such surrender, including without limitation by way of book entry, on or before Closing),

the Purchaser shall procure that a payment for a transferred tax refund (within the meaning of section 102(7)) shall be made to the relevant member of the Retained Group of an amount equal to the amount saved or the amount provided (as the case may be); or

(b) a surrendering company which is any Target Company and a recipient company in the Retained Group, then to the extent that the right to the relevant tax refund has been included as an asset in the Accounts (the **refund amount**), the relevant Seller shall procure that a payment for a transferred tax refund (within the meaning of section 102(7)) shall be made to the relevant Target Company equal to the refund amount.

14.7 Any payment for a transferred tax refund pursuant to paragraph 14.6 above shall be made:

(a) in a case where paragraph 14.6(a) applies, on the later of the date on which the tax provided for in the Accounts, or saved by the surrender, would have become due and payable but for the application of section 102 or, if the tax has been paid, the

day following the day on which the amount saved is repaid by the relevant tax authority (or, if such date is not a Business Day, the next following Business Day) and ten Business Days after demand is made therefor by the relevant member of the Retained Group; or

- (b) in a case where paragraph 14.6(b) applies, on the date on which the tax refund in question would have been received by the Target Company concerned but for the application of section 102,

and interest shall be charged on any amount not paid on the due date as provided in paragraph 11.4 (where paragraph 14.6(a) applies) or paragraph 10.4 (where paragraph 14.6(b) applies).

14.8 If a payment is made under paragraph 14.2 or 14.6 and the Surrender or transfer of tax refund to which it relates is subsequently determined to have been invalid or ineffective to any extent or excessive, then the payment so made (or so much of it as relates to such part of the Surrender or transfer found to be invalid or ineffective or excessive) shall be refunded as soon as practicable thereafter, together with interest at LIBOR from the date of payment until the date of the refund.

14.9 The parties shall procure that, except as provided in the foregoing provisions of this paragraph 14, no payment in respect of any Surrender or any transfer of tax refund shall be made or repaid by or to a member of the Retained Group to or by any Target Company after Closing, except as may be required by law or (in the case of a repayment) to the extent required (as specified by the relevant Seller, acting reasonably) to ensure that a payment previously made is not taxable. In the event that any payment or repayment is in fact made by or to a member of the Retained Group to or by any Target Company after Closing, otherwise than as provided in paragraphs 14.2 to 14.8 above (save where a repayment made pursuant to paragraph 14.8 arises as a result of an insufficiency of profits in the relevant company), then:

- (a) if such amount is received by a Target Company, the Purchaser will promptly pay an equivalent amount to the relevant Seller; and
- (b) if such amount is received by a member of the Retained Group, the relevant Seller will promptly pay an equivalent amount to the Purchaser,

in each case by way of adjustment to the consideration for the appropriate Set of Shares.

14.10 Paragraph 7 (tax refunds) shall not apply to any tax refund to the extent that a payment is made under this paragraph 14 to any member of the Retained Group which is attributable to that tax refund.

14.11 Paragraph 2 shall not apply to any tax liability to the extent that a payment is made under this paragraph 14 by any member of the Retained Group in respect of that tax liability.

14.12 In the event that provision for payment in respect of a Surrender is made in the Accounts, or a provision is made which may be either in respect of payment for a Surrender or for Corporation Tax then, to the extent the Surrender is not validly made or is ineffective, that provision shall (to that extent) be treated, for the purposes of paragraphs 3.1(a) and 4, as a provision in respect of the tax liability which would otherwise have been eliminated by the Surrender.

14.13 For the avoidance of doubt, the provisions of this paragraph 14 shall not apply to any Target Companies other than Fourminezero Limited and Short Bros (Plant) Limited.

15. Instalment Payments in France

The Purchaser shall procure that the French Companies which are, as at the last day of the tax period preceding that in which Closing occurs, members of the French Seller's French tax group (*intégration fiscale*) pursuant to section 223 A *et seq.* of the French general tax code (*code général des impôts*) shall comply with their obligations resulting from the Tax Group Exit Agreement (*convention de sortie d'intégration fiscale*) with respect to down-payments of taxes covered by the French tax consolidation.

16. United States Tax Considerations

16.1 Tax Indemnification.

Subject to the exclusions of paragraphs 3.1 and 3.3, the USA Sellers jointly and severally covenant to pay to the Purchaser an amount equal to any payment of Taxes, and any losses, damages, costs or expenses of the Purchaser attributable to:

- (a) all Taxes imposed on the USA Companies for any taxable period ending on or prior to the Closing Date (a "Pre-Closing Period"), and, with respect to any period that begins on or before and that ends after the Closing Date (in each case, a "Straddle Period"), the portion of such Straddle Period deemed to end on and include the Closing Date (in the manner determined pursuant to paragraph 16.3);
- (b) all Taxes imposed on the USA Companies under United States Treasury Regulations Section 1.1502-6 (and all corresponding provisions of state, local or foreign law) as a result of being a member of any federal, state, local or foreign consolidated, combined, unitary, or similar group of which the USA Seller is the common parent; and
- (c) all Taxes of any person (other than another USA Company) imposed on the USA Companies as a transferee or successor, by contract or pursuant to any law, rule or regulation which Taxes relate to an event or transaction occurring before Closing.

16.2 Tax Returns.

- (a) The USA Seller shall timely prepare and file (or cause preparation and filing of) with the appropriate tax authority all Tax Returns for the USA Companies (including any consolidated, combined or unitary Tax Returns for groups in which a USA Company is a member, but excluding any Non-Corporation Tax Returns) for Pre-Closing Periods, and shall pay all Taxes shown to be due thereon.
- (b) The Purchaser shall timely prepare and file (or cause preparation and filing of) with the appropriate tax authority all Tax Returns for the USA Companies for all Straddle Periods, and shall pay all Taxes shown to be due thereon. All Straddle Period Tax Returns shall be prepared and filed in a manner consistent with past practice, and no position shall be taken, election made or method adopted that is inconsistent with positions taken, elections made or methods used in preparing and filing similar Tax Returns for prior periods, except as required by law. The Purchaser shall deliver to the USA Seller all Straddle Period Tax Returns (with copies of any relevant schedules, work papers and other documentation then available) for the USA Seller's review and approval not less than thirty (30) days prior to the due date thereof (including extensions), and shall make such revisions as are reasonably requested by the USA Seller. If the USA Seller agrees with the Straddle Period Tax Return as revised, the USA Seller shall pay to the Purchaser an amount equal to the Taxes shown on such Straddle Period Tax Return to be attributed to the pre-closing portion of such Straddle Period under paragraph 16.3, except for those Taxes excluded under paragraphs 3.1 and 3.3. Such payment shall occur not later than two (2) business days before the due date for the payment of Taxes with respect to such Straddle Period Tax Return. Any disputes regarding the preparation of, or payment with respect to, any Straddle Period Tax Return shall be resolved in the manner set forth in paragraph 16.10.
- (c) The Purchaser shall timely prepare and file (or cause preparation and filing of) with the appropriate tax authority all Tax Returns due after the Closing Date with respect to Taxes for all Pre-Closing Periods and Straddle Periods, other than Corporation Taxes of the USA Companies ("Non-Corporation Tax Returns"), and shall pay all Taxes shown to be due thereon. All Non-Corporation Tax Returns shall be prepared and filed in a manner consistent with past practice, and no position shall be taken, election made or method adopted that is inconsistent with positions taken, elections made or methods used in preparing and filing similar Tax Returns for prior periods, except as required by law. The Purchaser shall deliver to the USA Seller all Non-Corporation Tax Returns (with copies of any relevant schedules, work papers and other documentation then available) for the USA Seller's review and approval not less than thirty (30) days prior to the due date thereof (including extensions), and shall make such revisions as are reasonably requested by the USA Seller. If the USA Seller agrees with the Non-Corporation Tax Return as revised, the USA Seller shall pay to the Purchaser an amount equal to the Taxes shown on such Non-Corporation Tax Return (or, in the case of a Non-Corporation Tax Return which is also a Straddle Period Tax Return, an amount equal to the Taxes shown on such Tax Return attributed to the

pre-closing portion of such Straddle Period under paragraph 16.3), except for those Taxes excluded under paragraphs 3.1 and 3.3. Such payment shall occur not later than two (2) Business Days before the due date for the payment of Taxes with respect to such Non-Corporation Tax Return. Any disputes regarding the preparation of, or payment with respect to, any Non-Corporation Tax Return shall be resolved in the manner set forth in paragraph 16.10.

16.3 Straddle Period.

For purposes of this paragraph 16, in order to apportion appropriately any Taxes relating to a Straddle Period, the parties hereto shall, to the extent permitted or required under applicable law, treat the Closing Date as the last day of the taxable year or period of the USA Companies for all Tax purposes. In any case where applicable law does not permit the USA Companies to treat the Closing Date as the last day of the taxable year or period, the portion of any Taxes that are allocable to a pre-closing portion of any Straddle Period shall be:

- (a) in the case of Taxes imposed on a periodic basis with respect to the business or assets of the USA Companies the amount of such Taxes for the entire Straddle Period multiplied by a fraction, the numerator of which is the number of calendar days in the portion of the Straddle Period ending on and including the Closing Date, and the denominator of which is the number of calendar days in the entire Straddle Period; and
- (b) in the case of Taxes not described in clause (i) (such as Taxes that are either (A) based upon or related to income or receipts, or (B) imposed in connection with any sale or other transfer or assignment of property), deemed equal to the amount that would be payable if the taxable year or period ended on the Closing Date. Notwithstanding the foregoing, any Taxes relating to any transactions not in the ordinary course of business that occur after the Closing on the Closing Date shall be treated as occurring on the day after the Closing Date to the extent permitted by United States Treasury Regulations Section 1.1502-76(b)(1)(ii)(B) (or any comparable provision of state, local or foreign law).

16.4 Tax Cooperation and Assistance.

The USA Seller and the Purchaser shall reasonably cooperate, and shall cause their respective affiliates (including, in the case of the Purchaser after the Closing Date, the USA Companies), officers, employees, agents, auditors and representatives reasonably to cooperate, in preparing and filing all Tax Returns, including maintaining and making available to each other all records necessary in connection with Taxes and in resolving all disputes and audits with respect to all taxable periods relating to Taxes. At the request of the USA Seller or the Purchaser, as the case may be, the other party will furnish all Tax information relating to the USA Companies within ninety (90) days prior to the due date (including extensions) for any Tax Returns required to be filed by such party pursuant to paragraph 16.2. The USA Seller, the Purchaser and their affiliates will need access, from

time to time, after the Closing Date, to certain accounting and Tax records and information relating to the USA Companies; therefore, each party shall (and shall cause their affiliates to) (i) properly retain and maintain such records until the applicable statute of limitations expires (giving effect to any extension thereof) and to abide by all record retention agreements entered into with any tax authority, (ii) give each other party reasonable written notice prior to transferring, destroying, or discarding any such books and records and, if a party so requests, shall allow that party to take possession of such books and records, and (iii) allow each other party and its agents and representatives (and agents and representatives of any of its affiliates), at times and dates mutually acceptable to the parties, to inspect, review and make copies of such records it may deem necessary or appropriate from time to time, such activities to be conducted during normal business hours and at the expense of the inspecting party.

16.5 Refunds and Credits

Any refund or credit of Taxes attributable to any Pre-Closing Period or any pre-closing portion of a Straddle Period shall be dealt with in the manner set forth in paragraphs 7.2(a) to (d) inclusive. Any refund or credit of Taxes of the USA Companies for any taxable period beginning after the Closing Date shall belong to and vest in the Purchaser. The Purchaser shall, if the USA Seller so requests and at the USA Seller's expense, cause the USA Companies to file for and obtain any refunds or credits to which the USA Seller is entitled under this paragraph 16.5. The Purchaser and the USA Companies shall permit the USA Seller to control the prosecution of any such refund claim and, where deemed appropriate by the USA Seller, shall authorize by appropriate powers of attorney such persons as the USA Seller shall designate to represent the USA Companies with respect to such refund claim. Each party shall, or shall cause its affiliates to, forward to any other party entitled under this paragraph 16.5 to any refund or credit of Taxes any such refund within ten (10) days after such refund is received or reimburse such other party for any such credit within ten (10) days after the credit is allowed or applied against other Tax liability. The parties shall treat any payments under the preceding sentence as an adjustment to the purchase price, unless a determination with respect to the Purchaser or any of its affiliates causes any such payment not to be treated as an adjustment to the purchase price for United States federal income Tax purposes.

16.6 Tax Contests

In the event any tax authority informs any party of any proposed or actual audit, examination, adjustment, claim, assessment, or demand (a "Tax Audit") concerning the amount of Taxes of the USA Companies with respect to any Pre-Closing Period or Straddle Period, the party so informed shall notify each other party of such matter within ten (10) Business Days after receiving such notice. No failure or delay in informing the other party shall reduce or otherwise affect the obligations or liabilities of any party hereto, except to the extent such failure or delay shall have adversely affected the recipient party's ability to defend against any liability or claim with respect to such Taxes. Any notice shall be accompanied by a copy of any written notice or other document

received from the applicable tax authority with respect to such matter. The USA Seller shall have the sole right to control, at its expense, the contest of the portions of any audits, disputes, administrative, judicial or other proceedings relating to Taxes of the USA Companies for any Pre-Closing Period; provided, however, that if the USA Seller elects to control the contest, the USA Companies and the Purchaser shall have the right, at their expense, to participate in such contest. For avoidance of doubt, the Purchaser and the USA Companies (and not the USA Seller) shall have the sole right to control the contest of the portion of any audits, disputes, administrative, judicial or other proceedings relating to the taxes of the USA Companies for all Straddle Periods; provided, however, that the USA Seller, at its expense, shall have the right to participate in such contest as it may pertain to the pre-closing portion of such Straddle Period. No party hereto shall agree, settle or compromise any issue related to Taxes of the USA Companies with respect to any Pre-Closing Period or any Straddle Period, which settlement or compromise would have any adverse impact on the liability for Taxes hereunder of the other party, without consulting in good faith with such other party, provided, however, that any dispute with respect to a decision to agree, settle or compromise any issue related to Taxes of a consolidated, combined or unitary group whose members include a company which is not a USA Company with respect to any Pre-Closing Period shall be resolved in the USA Seller's sole discretion. Any disputes with respect to a decision to agree, settle or compromise any other issue referred to above shall be resolved in the manner set forth in paragraph 16.10.

16.7 Adjustments

If any Tax Audit results in an increase in Taxes either to the USA Seller (including an increase in the USA Seller's indemnification obligation under this paragraph 16) or to the Purchaser (including the USA Companies which Taxes are not indemnified under this paragraph 16), as the case may be (the "Taxed Party"), and a corresponding relief to the other party (the "Benefiting Party"), the Benefiting Party shall pay to the Taxed Party (or shall reduce the Taxed Party's indemnification obligation by) an amount equal to the net present value of such relief. Any payment due under this paragraph 16.7 shall be made promptly, but in no event later than 10 days following the date on which the Taxed Party makes a payment to the appropriate tax authority pursuant to such Tax Audit.

16.8 Tax Sharing Agreements

Any tax sharing agreement between the USA Seller and the USA Companies is terminated as of the Closing Date and will have no further effect for any taxable year (whether the current year, a future year, or a past year).

16.9 Carrybacks

The Purchaser shall cause the USA Companies to forego the carryback of any item of Tax credit, regular net operating loss, alternative minimum tax net operating loss, capital loss or any other similar item generated in taxable periods beginning after the Closing Date to any Pre-Closing Period.

16.10 Disputes

Any dispute covered by this paragraph 16.10 shall be resolved by an independent accounting firm. The parties shall instruct such firm to reach its conclusion regarding any such dispute within a reasonable period of time (not to exceed thirty days) after its appointment. The report of the independent accounting firm shall be binding and conclusive on the USA Seller and the Purchaser. The fees and expenses of such firm shall be borne equally by the USA Seller and the Purchaser.

16.11 Exclusivity

This paragraph 16 (along with paragraphs 1.1, 3.1, 3.3, 3.5 and 7.2(a) to (d) inclusive) shall be the sole and exclusive provision governing matters relating to the Taxes of the USA Companies, and no other provision of this Schedule shall apply to the USA Companies.

16.12 Survival

The USA Sellers' indemnification obligations under this paragraph 16 shall survive until the expiration of the applicable statute of limitations (including any extensions thereof) and shall have no further effect thereafter; provided that if a claim or notice for indemnification is given under this paragraph prior to any such expiration date, the claim with respect to such indemnification shall continue indefinitely until such claim is resolved.

17. Netherlands

The Dutch Seller and the Purchaser shall procure that, if there are any losses attributable to the Dutch Companies, the Dutch Seller and the Dutch Companies shall file a request pursuant to article 15af of the Netherlands Corporate Income Tax Act 1969 that, following the dissolution of the Dutch Companies from the fiscal unity with the Dutch Seller, all tax losses of the fiscal unity attributable to the Dutch Companies shall be available to the Dutch Companies to offset future taxable income.

SCHEDULE 10

THIRD PARTY ASSURANCES GIVEN BY SELLERS' GROUP

1. Joint and several guarantee dated 27 July 2001 given by Brambles Industries Limited and Brambles Industries plc in favour of HSBC Bank plc, to the extent that such guarantee relates to drawings made under irrevocable and unconditional standby letter of credit for drawings up to an aggregate amount of £1,200,000 issued by HSBC Bank plc on 1 August 2005 in favour of Zurich International (UK) Limited and/or Zurich Insurance Company and/or Zurich Insurance Ireland Limited in connection with amounts payable by Short Bros (Plant) Limited under employers liability insurance programme.
2. Joint and several guarantee dated 27 July 2001 given by Brambles Industries Limited and Brambles Industries plc in favour of HSBC Bank plc, to the extent that such guarantee relates to payment obligations of National Recovery Systems, Inc. under Credit Default Swap Transaction entered into between National Recovery Systems, Inc. and HSBC Bank plc (Derivatives Operations) on 2 February 2005.

SCHEDULE 11

INTRA-GROUP DEBT

Part A
Payment of Intra-Group Debt

Payment at Closing of Estimated Intra-Group Debt

1. At Closing:
 - (a) the Purchaser shall procure that each Target Company pays to the Sellers (for themselves or, as the case may be, as agent for the members of the Sellers' Group to which the relevant Intra-Group Payables are owed) an amount equal to the aggregate of the Estimated Intra-Group Payables (if any) owed by that Target Company, and the Estimated Intra-Group Payables shall be treated as discharged to the extent of that payment;
 - (b) the Sellers shall (for themselves or, as the case may be, as agent for each relevant member of the Sellers' Group) pay to the Purchaser (as agent for the Target Companies to which the relevant Intra-Group Receivables are owed) an amount equal to the aggregate of the Estimated Intra-Group Receivables (if any) owed by any member of the Sellers' Group, and the Estimated Intra-Group Receivables shall be treated as discharged to the extent of that payment.
2. Any payment of Estimated Intra-Group Payables or Estimated Intra-Group Receivables pursuant to paragraph 1 of this Schedule shall be deemed to be a payment first, to the extent possible, of all interest accrued on the relevant Intra-Group Payable or Intra-Group Receivable and thereafter of the relevant principal amount.

Final repayment of Intra-Group Debt

3. When the Closing Statement has been finally agreed or determined in accordance with Part C of Schedule 12 :
 - (a) if the actual amount of any Intra-Group Payable is greater than the applicable Estimated Intra-Group Payable or any Intra-Group Receivable is less than the applicable Estimated Intra-Group Receivable, then the Purchaser shall procure that the relevant Target Company pays to the Sellers (for themselves or, as the case may be, as agents for the relevant member of the Sellers' Group) an amount equal to the difference;
 - (b) if the actual amount of any Intra-Group Payable is less than the applicable Estimated Intra-Group Payable or any Intra-Group Receivable is greater than the Estimated Intra-Group Receivable, then the Sellers shall (for themselves or, as the

case may be, as agents for the relevant member of the Sellers' Group) pay to the Purchaser (as agent for the relevant Target Company) an amount equal to the difference.

Any amount payable under this paragraph 3 shall be paid with interest on such amount for the period from (but excluding) the date of Closing to (but including) the due date for payment under paragraph 4 calculated on a daily basis. The rate of interest shall be:

- (c) if the relevant Intra-Group Payable or Intra-Group Receivable is owed by or to a UK Target Company, the one month sterling LIBOR rate as published in the London edition of the Financial Times on the date of Closing;
- (d) if the relevant Intra-Group Payable or Intra-Group Receivable is owed by or to a French Target Company, the one month Euro LIBOR rate as published in the London edition of the Financial Times on the date of Closing;
- (e) if the relevant Intra-Group Payable or Intra-Group Receivable is owed by or to a Dutch Target Company, the one month Euro LIBOR rate as published in the London edition of the Financial Times on the date of Closing; or
- (f) if the relevant Intra-Group Payable or Intra-Group Receivable is owed by or to a US Target Company, the one month US dollar LIBOR rate as published in the London edition of the Financial Times on the date of Closing.

4. Any payments to be made pursuant to paragraph 3 shall be made within 5 Business Days of the date on which the Closing Statement is agreed or determined in accordance with C of Schedule 12 . Such payment shall be made in accordance with clause 14.1 or 14.2, as the case may be.

Part B
Estimated Intra-Group Payables

INTENTIONALLY OMITTED

Part C
Estimated Intra-Group Receivables

INTENTIONALLY OMITTED

SCHEDULE 12

POST-CLOSING FINANCIAL ADJUSTMENTS

Part A: Preliminary

1. In preparing the Closing Statement:
 - (a) the items and amounts to be included in the calculation of External Debt, Cash, Net Working Capital, Intra-Group Payables and Intra-Group Receivables for the purposes of the Closing Statement shall be identified by applying the relevant definition in Schedule 13 (subject, where applicable, to the provisions of Part A of this Schedule);
 - (b) in applying each such definition and the provisions of Part A of this Schedule and determining which items and amounts are to be included in the Closing Statement, if and to the extent that the treatment or characterisation of the relevant item or amount or type or category of item or amount:
 - (i) is dealt with in the specific accounting treatments set out in Part B of this Schedule (the **Specific Accounting Treatments**), the relevant Specific Accounting Treatment(s) shall apply;
 - (ii) is not dealt with in the Specific Accounting Treatments but is dealt with in the accounting principles, policies, treatments, practices and categorisations used in the preparation of the June 30 Accounts (the **Accounting Principles**), the applicable Accounting Principle(s) shall apply (including in relation to the exercise of accounting discretion and judgement); and
 - (iii) is not dealt with in either the Specific Accounting Treatments or the Accounting Principles, UK GAAP shall apply.
2. None of the following are included in External Debt, Cash, Net Working Capital, Intra-Group Payables or Intra-Group Receivables and, accordingly, shall not be included in the Closing Statement:
 - (a) any record of, or provision or accrual for, any liability of any Target Company in respect of pension, retirement indemnity or other post-retirement benefits;
 - (b) any amount in respect of deferred tax (whether as a liability or an asset);

(c) any amount in respect of corporation tax, group relief or any other amount in respect of tax on income, profits or gains (whether as a creditor, provision, debtor or otherwise); and

(d) any amounts in respect of liabilities (contingent or otherwise) for which the Sellers are obliged to indemnify the Purchaser and/or any of the Purchaser's Affiliates under the terms of the Transaction Documents.

Part B: Specific Accounting Treatments

The following Specific Accounting Treatments shall apply in the preparation of the Closing Statement:

1. Information available for Closing Statement. Information available up until the earlier of the date of delivery of an Objection Notice from the Purchaser under paragraph 2 of Part C of this Schedule 12 and the date of agreement or determination of the Closing Statement shall be taken into account insofar as it provides evidence of the state of affairs of the Target Companies at Closing. The Closing Statement will reflect the position of the Target Companies as at Closing and will not take into account the effects of any post-Closing reorganisations or, in any way, the post-Closing intentions or obligations of the Purchaser.

2. No re-appraisal of asset values. The Closing Statement shall not re-appraise the value of any of the assets of the Target Companies as a result of the change in their ownership (or any changes in the business of the Target Companies since Closing following such change in ownership) except only as specifically set out in this Schedule.

Part C: Closing Statement

1. The Sellers shall, after Closing, prepare a draft statement (the **Closing Statement**) showing the External Debt, Cash and Net Working Capital of each Relevant Target Group and the Intra-Group Payables and Intra-Group Receivables of each Target Company. The Closing Statement shall be in the form set out in Exhibit 1. The Sellers shall deliver the draft Closing Statement to the Purchaser within 30 Business Days after Closing.

2. The Purchaser shall notify the Sellers in writing (an **Objection Notice**) within 15 Business Days after receipt whether or not it accepts the draft Closing Statement for the purposes of this agreement. An Objection Notice shall set out in detail the Purchaser's reasons for such non-acceptance and specify the adjustments which, in the Purchaser's opinion, should be made to the draft Closing Statement in order for it to comply with the requirements of this agreement. Except for the matters specifically set out in the Objection Notice, the Purchaser shall be deemed to have agreed the draft Closing Statement in full.

3. If the Purchaser serves an Objection Notice in accordance with paragraph 2, the Sellers and the Purchaser shall use all reasonable efforts to meet and discuss the objections of the Purchaser and to agree the adjustments (if any) required to be made to the draft Closing Statement, in each case within 10 Business Days after receipt by the Sellers of the Objection Notice.
4. If the Sellers and the Purchaser do not reach agreement within 10 Business Days of receipt by the Sellers of the Objection Notice, then the matters in dispute may be referred (on the application of either the Sellers or the Purchaser) to senior executives of the Sellers' Group and the Purchaser Group nominated by the respective Chief Executive Officers of the Guarantor and the Purchaser (the **Senior Executives**). The Senior Executives shall use all reasonable efforts to meet and discuss the objections of the Purchaser and to agree the adjustments (if any) required to be made to the draft Closing Statement, in each case within 10 Business Days after referral of the matters in dispute to them.
5. If the Purchaser is satisfied with the draft Closing Statement (either as originally submitted or after adjustments agreed between the Sellers and the Purchaser pursuant to paragraph 3 or 4) or if the Purchaser fails to give a valid Objection Notice within the 10 Business Day period referred to in paragraph 2, then the draft Closing Statement (incorporating any agreed adjustments) shall constitute the Closing Statement for the purposes of this agreement.
6. If the Senior Executives do not reach agreement within 10 Business Days after referral of the matters in dispute to them in accordance with paragraph 4, then the matters in dispute may be referred (on the application of either the Sellers or the Purchaser) for determination by KPMG LLP or its affiliated firm in the relevant jurisdiction or, if that firm is unable or unwilling to act, by such other independent firm of chartered accountants of international standing as the Sellers and the Purchaser shall agree or, failing agreement, appointed by the President for the time being of the Institute of Chartered Accountants in England and Wales (the **Firm**). The Firm shall be requested to make its decision within 25 Business Days (or such later date as the Sellers' Representative, the Purchaser and the Firm agree in writing) of confirmation and acknowledgement by the Firm of its appointment. The following provisions shall apply once the Firm has been appointed:
- (a) the Sellers and Purchaser shall each prepare a written statement within 10 Business Days of the Firm's appointment on the matters in dispute which (together with the relevant supporting documents) shall be submitted to the Firm for determination and copied at the same time to the other;
 - (b) following delivery of their respective submissions, the Purchaser and the Sellers shall each have the opportunity to comment once only on the other's submission by written comment delivered to the Firm not later than 10 Business Days after receipt of the other's submission and, thereafter, neither the Sellers nor the Purchaser shall be entitled to make further statements or submissions except

insofar as the Firm so requests (in which case it shall, on each occasion, give the other party (unless otherwise directed) 10 Business Days to respond to any statements or submission so made);

- (c) in giving its determination, the Firm shall state what adjustments (if any) are necessary, solely for the purposes of this agreement, to the draft Closing Statement in respect of the matters in dispute in order to comply with the requirements of this agreement and to determine finally the Closing Statement;
- (d) the Firm shall act as an expert (and not as an arbitrator) in making its determination which shall, in the absence of manifest error, be final and binding on the parties and, without prejudice to any other rights which they may respectively have under this agreement, the parties expressly waive, to the extent permitted by law, any rights of recourse they may otherwise have to challenge it.

7. The Sellers and the Purchaser shall each be responsible for their own costs in connection with the preparation, review and agreement or determination of the Closing Statement. The fees and expenses of the Firm shall be borne equally between the Sellers and the Purchaser or in such other proportions as the Firm shall determine.

8. To enable the Sellers to meet their obligations under this Schedule 12, the Purchaser shall provide to the Sellers full access to the books and records, employees and premises of the Target Companies and, where relevant, of the Purchaser for the period from the date of Closing to the date that the draft Closing Statement is agreed or determined. If the Purchaser serves an Objection Notice, it shall ensure that the Sellers shall be given reasonable access to the Purchaser's working papers relating to the adjustments proposed in the Objection Notice and any other submissions by or on behalf of the Purchaser in relation to the Closing Statement. The Purchaser shall co-operate fully with the Sellers and shall permit the Sellers to take copies (including electronic copies) of the relevant books and records and shall provide all assistance reasonably requested by the Sellers to facilitate the preparation of the Closing Statement.

9. When the Closing Statement has been agreed or determined in accordance with the preceding paragraphs, then the amounts shown in the Closing Statement as External Debt, Cash and Net Working Capital of each Relevant Target Group and the Intra-Group Payables and Intra-Group Receivables of each Target Company shall be final and binding for the purposes of this agreement.

Part D: Financial Adjustments

1. When the Closing Statement has been finally agreed or determined in accordance with this Schedule 12, the following adjustments shall be made to the Initial Price of each Set of Shares.

External Debt

2. In relation to any Set of Shares:

- (a) if the External Debt of the Relevant Target Group is less than the Estimated External Debt of the Relevant Target Group, then the Purchaser shall pay an amount equal to the difference to the Seller of that Set of Shares; or
- (b) if the External Debt of the Relevant Target Group is greater than the Estimated External Debt of the Relevant Target Group, then the Seller of that Set of Shares shall pay an amount equal to the difference to the Purchaser.

Cash

3. In relation to any Set of Shares:

- (a) if the Cash of the Relevant Target Group is greater than the Estimated Cash of the Relevant Target Group, then the Purchaser shall pay an amount equal to the difference to the Seller of that Set of Shares; or
- (b) if the Cash of the Relevant Target Group is less than the Estimated Cash of the Relevant Target Group, then the Seller of that Set of Shares shall pay an amount equal to the difference to the Purchaser.

Net Working Capital

4. In relation to any Set of Shares:

- (a) if the Net Working Capital of the Relevant Target Group is greater than the Estimated Net Working Capital of the Relevant Target Group, then the Purchaser shall pay an amount equal to the difference to the Seller of that Set of Shares; or
- (b) if the Net Working Capital of the Relevant Target Group is less than the Estimated Net Working Capital of the Relevant Target Group, then the Seller of that Set of Shares shall pay an amount equal to the difference to the Purchaser.

Intra-Group Debt

5. In relation to Intra-Group Payables and Intra-Group Receivables owed by or to any member of the Relevant Target Group (the ***Relevant Target Company***):

- (a) if any Intra-Group Payable is greater than the applicable Estimated Intra-Group Payable or if any Intra-Group Receivable is less than the applicable Estimated Intra-Group Receivable, then the Seller of the Set of Shares which comprises Shares in a Target Company that is a member of the same Relevant Target Group as the Relevant Target Company shall pay to the Purchaser an amount equal to the difference;

- (b) if any Intra-Group Payable is less than the applicable Estimated Intra-Group Payable or if any Intra-Group Receivable is greater than the applicable Estimated Intra-Group Receivable, then the Purchaser shall pay to the Seller of the Set of Shares which comprises Shares in a Target Company that is a member of the same Relevant Target Group as the Relevant Target Company an amount equal to the difference.

General

6. Any payment required to be made pursuant to paragraph 5 of this Part D shall be paid by the relevant Seller or the Purchaser (as the case may be) together with an amount equal to interest on such payment at the applicable interest rate set out in paragraphs (a) to (d) below for the period from (but excluding) the date of Closing to (and including) the due date for payment pursuant to the relevant clause, calculated on a daily basis:

- (a) if the relevant Intra-Group Payable or Intra-Group Receivable is owed by or to a UK Target Company the one month sterling LIBOR rate as published in the London edition of the Financial Times on the date of Closing
- (b) if the relevant Intra-Group Payable or Intra-Group Receivable is owed by or to a French Target Company, the one month Euro LIBOR rate as published in the London edition of the Financial Times on the date of Closing
- (c) if the relevant Intra-Group Payable or Intra-Group Receivable is owed by or to a Dutch Target Company, the one month Euro LIBOR rate as published in the London edition of the Financial Times on the date of Closing; or
- (d) if the relevant Intra-Group Payable or Intra-Group Receivable is owed by or to a US Target Company the one month US dollar LIBOR rate as published in the London edition of the Financial Times on the date of Closing.

7. The Sellers and Purchaser agree that, once the Closing Statement has been agreed or determined in accordance with the provisions of Part C of this Schedule 12, the sums which each is respectively obliged to pay pursuant to this Part D shall be aggregated and, if in the same currency, set off against each other. Whichever of the Sellers or Purchaser is then left with any payment obligation under this Part D shall make the applicable payment(s) within 5 Business Days of the date on which the Closing Statement is agreed or so determined. Any such payment shall be made in accordance with the provisions of clause 14.1 or 14.2, as the case may be.

SCHEDULE 13

INTERPRETATION

INTENTIONALLY OMITTED

AS WITNESS this agreement has been signed on behalf of the parties the day and year first before written.

/s/ ANTON JOHAN)
CLAESSENS)
as attorney)
for and on behalf of)
BRAMBLES U.K. LIMITED)

/s/ ANTON JOHAN)
CLAESSENS)
as attorney)
for and on behalf of)
BRAMBLES FRANCE SAS)

/s/ ANTON JOHAN)
CLAESSENS)
as attorney)
for and on behalf of)
BRAMBLES USA, INC.)

/s/ ANTON JOHAN)
CLAESSENS)
as attorney)
for and on behalf of)
BRAMBLES HOLDINGS)
EUROPE B.V.)

/s/ GEOFFREY DOY)
HOPSON BUTLER)
for and on behalf of)
HARSCO CORPORATION)

/s/ ANTON JOHAN)
CLAESSENS)
as attorney)
for and on behalf of)
BRAMBLES INDUSTRIES)
LIMITED)

EXHIBIT A

FORM OF COMPLETION STATEMENT

INTENTIONALLY OMITTED

EXHIBIT B

LINE ITEMS IN HYPERION ACCOUNTS FOR CALCULATING NET WORKING CAPITAL

INTENTIONALLY OMITTED

EXHIBIT C

REGISTERED IP RIGHTS OWNED BY TARGET COMPANIES

INTENTIONALLY OMITTED

EXHIBIT D

INTENTIONALLY OMITTED

THIS AMENDING AGREEMENT is made the 12 th day of December 2005

BETWEEN

- (1) **HARSCO FINANCE B.V.** (a company incorporated in The Netherlands) and **HARSCO INVESTMENT LIMITED** (registered number 03985379) (each a "**Borrower**" and together the "**Borrowers**");
- (2) **HARSCO CORPORATION** (a corporation incorporated in the State of Delaware) (the "**Guarantor**"); and
- (3) **THE ROYAL BANK OF SCOTLAND plc** acting as agent for **NATIONAL WESTMINSTER BANK Plc** (the "**Lender**")

WHEREAS

- (A) The Lender, the Borrowers and the Guarantor entered into a US\$50,000,000 credit facility dated 15 December 2000, as amended by side letters dated 19 December 2001, 6 March 2003, 19 December 2003 and 17 December 2004 (the "**Facility Agreement**"); and
- (B) The Lender, the Borrowers and the Guarantor have agreed to make certain amendments to the Facility Agreement.

NOW IT IS AGREED as follows:

1. AMENDMENTS

Notwithstanding the terms of Clause 7.3(a) of the Facility Agreement, with effect from the Effective Date the following amendments shall be made to the Facility Agreement:

- 1.1** In the definition of "**Commitment**" in Clause 1.1 of the Facility Agreement sub clause (a) shall be deleted in its entirety and replaced with:

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

- 1.2** In the definition of "**Final Maturity Date**" in Clause 1.1 of the Facility Agreement sub clause (a) shall be deleted in its entirety and replaced with:

- (a) in relation to a Revolving Loan not converted into a Term Loan pursuant to Clause 7.2 (Term-Out), the date which is 364 days from the date of the Amending Agreement entered into between the Lender, the Borrower and the Guarantor and dated 12 December 2005 (the "**Amending Agreement**") or, if extended in accordance with Clause 7.3 (Extension), the date provided for in Clause 7.3 (Extension); or

- 1.3** Clause 7.2(b)(i) of the Facility Agreement shall be deleted in its entirety and replaced with:

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

- 1.4** Clause 7.2(b)(iv) of the Facility Agreement shall be deleted in its entirety and replaced with:

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

- 1.5** Clause 19.11 of the Facility Agreement shall be deleted in its entirety and replaced with:
-

HARSCO CORPORATION

By: Salvatore D. Fazzolari
Senior Vice President, Chief Financial Officer &
Treasurer
Address: PO Box 8888
Camp Hill, PA 17001-8888
Attention: R.G. Yocum

HARSCO CORPORATION

Computation of Ratios of Earnings to Fixed Charges

(Dollars in Thousands)

	YEARS ENDED DECEMBER 31				
	2005	2004	2003	2002	2001
Pre-tax income from continuing operations (net of minority interest in net income)	\$ 221,521	\$ 162,574	\$ 128,707	\$ 130,650	\$ 113,195
Add fixed charges computed below	66,690	65,978	61,520	64,424	72,265
Net adjustments for equity companies	96	461	1,062	(219)	2,747
Net adjustments for capitalized interest	(567)	(124)	14	121	152
Consolidated Earnings Available for Fixed Charges	<u>\$ 287,740</u>	<u>\$ 228,889</u>	<u>\$ 191,303</u>	<u>\$ 194,976</u>	<u>\$ 188,359</u>
Consolidated Fixed Charges:					
Interest expense per financial statements (a)	\$ 41,918	\$ 41,057	\$ 40,513	\$ 43,323	\$ 53,190
Interest expense capitalized	677	251	101	-	-
Portion of rentals (1/3) representing an interest factor	24,095	24,670	20,906	20,972	19,075
Interest expense for equity companies whose debt is guaranteed	—	—	—	129	—
Consolidated Fixed Charges	<u>\$ 66,690</u>	<u>\$ 65,978</u>	<u>\$ 61,520</u>	<u>\$ 64,424</u>	<u>\$ 72,265</u>
Consolidated Ratio of Earnings to Fixed Charges	<u>4.31</u>	<u>3.47</u>	<u>3.11</u>	<u>3.03</u>	<u>2.61</u>

(a) Includes amortization of debt discount and expense.

HARSCO CORPORATION

Subsidiaries of the Registrant

Name	Country of Incorporation	Ownership Percentage
Heckett MultiServ S.A.I.C.	Argentina	100%
Harsco (Australia) Pty. Limited	Australia	100%
Harsco Track Technologies Pty. Ltd.	Australia	100%
MultiServ Australasia Pty. Ltd.	Australia	70%
MultiServ Holdings Pty. Limited	Australia	55%
MultiServ NSW Pty. Limited	Australia	55%
MultiServ South East Asia Pty. Ltd.	Australia	100%
MultiServ Victoria Pty. Ltd.	Australia	70%
SGB Australia (Pty.) Limited	Australia	100%
SGB Raffia Pty. Ltd.	Australia	100%
Taylor-Wharton (Australia) Pty. Limited	Australia	100%
Hünnebeck Austria Schalungstechnik	Austria	100%
AluServ Middle East W.L.L.	Bahrain	65%
La Louviere Logistique S.A.	Belgium	100%
MultiServ S.A.	Belgium	100%
MultiServ Services Specialises S.A.S.	Belgium	100%
SGB Belgium Sarl	Belgium	100%
Verwerkingsbedryf Voor Byproducten in de Staalnyverhei	Belgium	100%
Harsco (Bermuda) Limited	Bermuda	100%
MultiServ Limitada	Brazil	100%
Sobremetal - Recuperacao de Metais Ltda.	Brazil	100%
Harsco Canada Corporation	Canada	100%
Harsco Canada General Partner Limited	Canada	100%
Harsco Canada Limited Partnership	Canada	100%
Harsco Nova Scotia Holding Corporation	Canada	100%
Guernsey Plant Hire Ltd.	Channel Islands-Guernsey	100%
SGB (Channel Islands) Ltd.	Channel Islands-Jersey	100%
SGB Gulf Ltd.	Channel Islands-Jersey	100%
MultiServ S.A.	Chile	100%
MultiServ Tang Shan Iron & Steel Service Corp. Ltd.	China	100%
MultiServ Zhejiang Iron & Steel Service Corp. Ltd.	China	80%
Taylor-Wharton (Beijing) Cryogenic Equipment Co. Ltd.	China	51%
Czech Slag - Nova Hut s.r.o.	Czech Republic	65%
Heckett MultiServ spol. s.r.o.	Czech Republic	100%
Hünnebeck Bohemia spol s.r.o.	Czech Republic	100%
MultiServ Cz s.r.o.	Czech Republic	100%
SGB Cz a.s.	Czech Republic	100%
Hünnebeck Danmark A/S	Denmark	100%
SGB Denmark ApS	Denmark	100%

HARSCO CORPORATION

Subsidiaries of the Registrant

Name	Country of Incorporation	Ownership Percentage
Heckett Bahna Co. For Industrial Operations S.A.E.	Egypt	65%
Heckett MultiServ Bahna S.A.E.	Egypt	65%
SGB Egypt for Scaffolding and Formwork S.A.E.	Egypt	96.85%
Slag Processing Company Egypt (SLAR) S.A.E.	Egypt	60%
MultiServ Oy	Finland	100%
BC Nord S.A.S.	France	100%
BC S.A.S.	France	100%
Becema S.A.S.	France	100%
Evulca S.A.S.	France	100%
Floyequip S.A.	France	100%
Hünnebeck France S.A.S.	France	100%
MultiServ France S.A.	France	100%
MultiServ Industries S.A.S.	France	100%
MultiServ Logistique et Services Specialises S.A.S.	France	100%
MultiServ S.A.S.	France	100%
MultiServ Sud S.A.	France	100%
PyroServ SARL	France	100%
SCI Branchy S.A.	France	100%
SGB S.A.S.	France	100%
SMI Lorglev S.A.S.	France	100%
Solomat Industries S.A.	France	100%
Carbofer International GmbH	Germany	100%
Harsco GmbH	Germany	100%
Hünnebeck GmbH	Germany	100%
Hünnebeck Group GmbH	Germany	100%
MultiServ GmbH	Germany	100%
MultiServ Guatemala S.A.	Guatemala	100%
SGB Asia Pacific Ltd.	Hong Kong	100%
Hünnebeck Hungaria s.r.o.	Hungary	100%
SGB Eventlink (Ireland) Ltd.	Ireland	100%
SGB Scafform Limited	Ireland	100%
Hünnebeck Italia S.p.A.	Italy	100%
ILServ SrL	Italy	65%
SGB Baltics S.I.A.	Latvia	70%
Luxequip Holding S.A.	Luxembourg	100%
MultiServ S.A.	Luxembourg	100%
SGB Asia Pacific (M) Sdn Bhd.	Malaysia	100%
Taylor-Wharton Asia (M) Sdn. Bhd.	Malaysia	100%
Taylor-Wharton Gas Equipment Sdn. Bhd.	Malaysia	100%
Andamios Patentados, S.A. de C.V.	Mexico	100%
Electroforjados Nacionales, S.A. de C.V.	Mexico	100%
Irving, S.A. de C.V.	Mexico	100%

HARSCO CORPORATION

Subsidiaries of the Registrant

Name	Country of Incorporation	Ownership Percentage
MultiServ Metals de Mexico, S.A. de C.V.	Mexico	100%
MultiServ Transport, BV	Netherlands	100%
Harrie Scholten BV	Netherlands	100%
Harsco Europa B.V.	Netherlands	100%
Harsco Finance B.V.	Netherlands	100%
Heckett MultiServ China B.V.	Netherlands	100%
Heckett MultiServ Far East B.V.	Netherlands	100%
Hünnebeck Nederland B.V.	Netherlands	100%
MultiServ (Holland) B.V.	Netherlands	100%
MultiServ Finance B.V.	Netherlands	100%
MultiServ International B.V.	Netherlands	100%
SGB Holland B.V.	Netherlands	100%
SGB Industrial Services B.V.	Netherlands	100%
SGB Logistic Services B.V.	Netherlands	100%
SGB North Europe B.V.	Netherlands	100%
Slag Reductie (Pacific) B.V.	Netherlands	100%
Slag Reductie Nederland B.V.	Netherlands	100%
Stalen Steigers Holland B.V.	Netherlands	100%
SteelServ Limited	New Zealand	50%
Hünnebeck Norge AS	Norway	100%
MultiServ A.S.	Norway	100%
MultiServ Peru SA	Peru	100%
Hünnebeck Polska Sp zoo	Poland	100%
SGB Polska SP Z.O.O.	Poland	100%
Companhia de Tratamento de Sucatas, Limitada	Portugal	100%
Trenci-Engenharia Tecnicas Racuionalizades de Construcao Civil Lda.	Portugal	100%
SGB Al Darwish United WLL	Qatar	49%
Heckett MultiServ Saudi Arabia Limited	Saudi Arabia	55%
MultiServ Smederevo D.O.O.	Serbia	100%
SGB Asia Pacific (S) Pte. Ltd.	Singapore	100%
MultiServ Slovensko s.r.o.	Slovak Republic	100%
SGB Slovensko s.r.o.	Slovak Republic	100%
Taylor-Wharton Harsco, s.r.o.	Slovak Republic	100%
MultiServ South Africa (Pty.) Limited	South Africa	100%
SRH Mill Services (Pty.) Ltd.	South Africa	100%
SteelServ (Pty.) Ltd.	South Africa	100%
Gestion Materias Ferricas, S.A.	Spain	100%
MultiServ Iberica S.A.	Spain	100%
MultiServ Intermetal S.A.	Spain	100%
MultiServ Lycrete S.A.	Spain	100%
MultiServ Reclamet, S.A.	Spain	100%
Serviequipo S.A.	Spain	100%
Hünnebeck Sverige A.B.	Sweden	100%

HARSCO CORPORATION

Subsidiaries of the Registrant

Name	Country of Incorporation	Ownership Percentage
Montanus Industriforvaltning A.B.	Sweden	100%
MultiServ (Sweden) A.B.	Sweden	100%
MultiServ A.B.	Sweden	100%
MultiServ Nordiska A.B.	Sweden	100%
SGB Stallningar A.B.	Sweden	100%
MultiServ (Thailand) Company Limited	Thailand	100%
Faber Prest (Overseas) Limited	U.K.	100%
Faber Prest (Pacific) Limited	U.K.	100%
Faber Prest Limited	U.K.	100%
Fourmizezero Ltd.	U.K.	100%
Harsco (U.K.) Ltd.	U.K.	100%
Harsco Investment Ltd.	U.K.	100%
Harsco Track Technologies Ltd.	U.K.	100%
Heckett International Services Limited	U.K.	100%
Heckett Limited	U.K.	100%
MastClimbers Ltd.	U.K.	100%
MultiServ (A.S.R.) Ltd.	U.K.	100%
MultiServ (Sheffield) Ltd.	U.K.	100%
MultiServ (U.K.) Ltd.	U.K.	100%
MultiServ Group Ltd.	U.K.	100%
MultiServ Investment Limited	U.K.	100%
MultiServ Logistics Limited	U.K.	100%
MultiServ plc	U.K.	100%
Otis Transport Services Limited	U.K.	100%
Quipco Ltd.	U.K.	100%
SGB (Ukraine) LLC	U.K.	70%
SGB Eventlink Limited	U.K.	100%
SGB Exclesio UA JV LTD	U.K.	70%
SGB Group Ltd.	U.K.	100%
SGB Holdings Ltd.	U.K.	100%
SGB Investments Ltd.	U.K.	100%
SGB Services Ltd.	U.K.	100%
Short Bros (Plant) Ltd.	U.K.	100%
Slag Reduction Overseas Limited	U.K.	100%
Harsco Foreign Sales Corporation	U.S. Virgin Islands	100%
Ashland Recovery Inc.	U.S.A.	100%
Braddock Recovery Inc.	U.S.A.	100%
National Recovery Systems Holding, Inc.	U.S.A.	100%
ECR Inc.	U.S.A.	100%
Faber Prest (U.S.), Inc.	U.S.A.	100%
Great Lakes Recovery Systems Inc.	U.S.A.	100%
Harsco Defense Holding, Inc.	U.S.A.	100%
Harsco Minnesota Corporation	U.S.A.	100%
Harsco Technologies Corporation	U.S.A.	100%

HARSCO CORPORATION

Subsidiaries of the Registrant

Name	Country of Incorporation	Ownership Percentage
Harsco UDLP Corporation	U.S.A.	100%
Heckett Technology Services Inc.	U.S.A.	100%
Maryland Slag Company	U.S.A.	100%
MultiServ General Corp.	U.S.A.	100%
MultiServ Inc.	U.S.A.	100%
MultiServ Intermetal Inc.	U.S.A.	100%
MultiServ Investment Corporation	U.S.A.	100%
MultiServ Operations Ltd.	U.S.A.	100%
MultiServ U.S. Corporation	U.S.A.	100%
National Briquette Corporation	U.S.A.	100%
National Recovery Systems Inc.	U.S.A.	100%
SGB Holdings Inc.	U.S.A.	100%
Slag Reduction Investment Corporation	U.S.A.	100%
SRA Mill Services, Inc.	U.S.A.	100%
Hünnebeck LLC	United Arab Emirates	49%
Quebeisi SGB LLC	United Arab Emirates	49%
Heckett MultiServ M.V. & M.S., C.A.	Venezuela	100%

Companies in which Harsco Corporation does not exert management control are not consolidated. These companies are listed below as unconsolidated entities.

Name	Country of Incorporation/ Organization	Ownership Percentage
Granufos S.A.S.	France	50%
Phooltas Tamper Private Limited	India	40%
p.t. Purna Baja Heckett	Indonesia	40%
Salamis / SGB Limited	Scotland	50%

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 2-57876, 33-5300, 33-14064, 33-24854, 333-13175, 333-13173, 333-59832, 333-70710) and on Form S-3 (No. 33-56885) of Harsco Corporation of our report dated March 13, 2006 relating to the consolidated financial statements, financial statement schedule, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appear in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
March 13, 2006

CERTIFICATIONS

I, Derek C. Hathaway, certify that:

1. I have reviewed this annual report on Form 10-K of Harsco Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 13, 2006

/s/ Derek C. Hathaway

Derek C. Hathaway
Chief Executive Officer

CERTIFICATIONS

I, Salvatore D. Fazzolari, certify that:

1. I have reviewed this annual report on Form 10-K of Harsco Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 13, 2006

/s/ Salvatore D. Fazzolari

Salvatore D. Fazzolari
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Harsco Corporation (the "Company") on Form 10-K for the period ending December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Derek C. Hathaway, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Derek C. Hathaway

Derek C. Hathaway
Chief Executive Officer

March 13, 2006

A signed original of this written statement required by Section 906 has been provided to Harsco Corporation and will be retained by Harsco Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Harsco Corporation (the "Company") on Form 10-K for the period ending December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Salvatore D. Fazzolari, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Salvatore D. Fazzolari

Salvatore D. Fazzolari
Chief Financial Officer

March 13, 2006

A signed original of this written statement required by Section 906 has been provided to Harsco Corporation and will be retained by Harsco Corporation and furnished to the Securities and Exchange Commission or its staff upon request.