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

FORM 10-K

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

For the fiscal year ended December 31, 2007

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	23-1483991
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)
350 Poplar Church Road, Camp Hill, Pennsylvania	17011
(Address of principal executive offices)	(Zip Code)

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

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

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

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 x NO o

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 o NO x

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

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. o

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 x   Accelerated filer o   Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES o NO x

The aggregate market value of the Company's voting stock held by non-affiliates of the Company as of June 30, 2007 was $4,377,365,564.

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 January 31, 2008
Common stock, par value $1.25 per share	84,491,031

DOCUMENTS INCORPORATED BY REFERENCE

Selected portions of the 2008 Proxy Statement are incorporated by reference into Part III of this Report.

The Exhibit Index (Item No. 15) located on pages 99 to 104 incorporates several documents by reference as indicated therein.

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 two reportable segments: Access Services and Mill Services, plus an "all other" category labeled Minerals & Rail Services and Products. The Company has locations in 50 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 on Form 10-K, and should not be considered as part of this Annual Report on Form 10-K.

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

Principal Lines of Business	Principal Business Drivers
· Scaffolding, forming, shoring and other access-related services, rentals and sales	· Non-residential and infrastructure construction · Industrial and building maintenance requirements
· Outsourced, on-site services to steel mills and other metals producers	· Global steel mill production and capacity utilization · Outsourcing of services by metals producers
· Minerals and recycling technologies	· Outsourcing of handling and recycling of industrial co-product materials
· Railway track maintenance services and equipment	· Global railway track maintenance-of-way capital spending · Outsourcing of track maintenance and new track construction by railroads
· Industrial grating products	· Industrial plant and warehouse construction and expansion
· Air-cooled heat exchangers	· Natural gas compression, transmission and demand
· Industrial abrasives and roofing granules	· Industrial and infrastructure surface preparation and restoration · Residential roof replacement
· Heat transfer products and powder processing equipment	· Commercial and institutional boiler and water heater requirements · Pharmaceutical, food and chemical production

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 in section (c) below.

In 2007, 2006 and 2005, the United States contributed sales of $1.2 billion, $1.0 billion and $0.8 billion, equal to 31%, 32% and 35% of total sales, respectively. In 2007, 2006 and 2005, the United Kingdom contributed sales of $0.7 billion, $0.7 billion and $0.5 billion, respectively, equal to 20%, 22% and 23% of total sales, respectively. One customer, ArcelorMittal, represented 10% or more of the Company's sales during 2007 and 2006. No customer represented 10% or more of the Company's sales in 2005. 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:

Access Services Segment – 39% of consolidated sales for 2007

Harsco's Access Services Segment includes the Company's brand names of SGB Group, Hünnebeck Group and Patent Construction Systems Divisions. The Company's Access Services Segment is a leader in the construction services industry as one of the world's most complete providers of rental 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, the Middle East and South America, while the U.S.-based Patent Construction Systems Division serves North America including Mexico, Central America and the Caribbean. Major services include the rental of concrete shoring and forming systems, scaffolding and powered access equipment for non-residential and infrastructure projects; as well as a variety of other access services including project engineering and equipment erection and dismantling and, to a lesser extent, access equipment sales.

The Company's access services are provided through branch locations in over 30 countries plus export sales worldwide. In 2007, this Segment's revenues were generated in the following regions:

Access Services Segment

Region	**2007 Percentage of Revenues**
Western Europe	65%
North America	20%
Middle East and Africa	7%
Eastern Europe	6%
Asia/Pacific	1%
Latin America (a)	1%

(a) Including Mexico.

For 2007, 2006 and 2005, the Access Services Segment's percentage of the Company's consolidated sales was 39%, 36% and 33%, respectively.

Mill Services Segment – 41% of consolidated sales for 2007

The Mill Services Segment, which consists of the MultiServ Division, 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 $5.0 billion at December 31, 2007. This provides the Company with a substantial base of long-term revenues. Approximately 61% of these revenues are expected to be recognized by December 31, 2010. The remaining revenues are expected to be recognized principally between January 1, 2011 and December 31, 2016.

MultiServ's geographic reach to over 30 countries, and its increasing range of services, enhance the Company's financial and operating balance. In 2007, this Segment's revenues were generated in the following regions:

Mill Services Segment	
Region	**2007 Percentage of Revenues**
Western Europe	53%
North America	20%
Latin America (a)	11%
Asia/Pacific	7%
Middle East and Africa	6%
Eastern Europe	3%

(a) Including Mexico.

For 2007, 2006 and 2005, the Mill Services Segment's percentage of the Company's consolidated sales was 41%, 45% and 44%, respectively.

All Other Category - Minerals & Rail Services and Products – 20% of consolidated sales for 2007

The All Other Category includes the Excell Minerals, Reed Minerals, Harsco Track Technologies, IKG Industries, Patterson-Kelley and Air-X-Changers Divisions. Approximately 84% of this category's revenues originate in the United States.

Export sales for this Category totaled $57.1 million, $96.6 million and $116.6 million in 2007, 2006 and 2005, respectively. In 2007, 2006 and 2005, export sales for the Harsco Track Technologies Division were $21.8 million, $51.5 million and $80.0 million, respectively, which included sales to Canada, Mexico, Europe, Asia, the Middle East and Africa. A significant backlog exists at December 31, 2007 in the Harsco Track Technologies Division as a result of orders received in 2007 from the Chinese Ministry of Railways.

Excell Minerals is a multinational company that extracts high-value metallic content for production re-use on behalf of leading steelmakers and also specializes in the development of minerals technologies for commercial applications, including agriculture fertilizers and performance-enhancing additives for cement products.

Reed Minerals' industrial abrasives and roofing granules are produced from power-plant 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 roofing market. This Division is the United States' largest producer of slag abrasives and third largest producer of residential roofing granules.

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 support 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.

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, and safety and security applications in the power, paper, chemical, refining and processing industries.

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

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 2007, 2006 and 2005, the All Other Category's percentage of the Company's consolidated sales was 20%, 19% and 23%, 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:

	Percentage of Consolidated Sales		
Product Group	**2007**	**2006**	**2005**
Access Services	**39%**	36%	33%
Mill Services	**41%**	45%	44%

(1) (ii) New products and services are added from time to time; however, in 2007 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 for its limited product manufacturing include principally steel and, to a lesser extent, aluminum, which are usually readily available. The profitability of the Company's manufactured products is affected by changing purchase prices of steel and other materials and commodities. 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 impacted. Additionally, decreased availability of steel or other materials 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. Certain services performed by the Excell Minerals Division result in the recovery, processing and sale of specialty steel scrap concentrate and ferro alloys to its customers. The selling price of the by-product material is principally market-based and varies based upon the current market value of its components. Therefore, the revenue amounts recorded from the sale of such by-product material varies based upon the market value of the commodity components being sold. The Company has executed hedging instruments designed to reduce the volatility of the revenue from the sale of the by-products material at varying market prices. However, there can be no guarantee that such hedging strategies will be fully effective in reducing the variability of revenues from period to period.

(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 the 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 second half of the year. 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 from Continuing Operations Patterns

(In millions)	**2007**	**2006**	**2005**	**2004**	**2003**
First Quarter Ended March 31	**$ 840.0**	$ 682.1	$ 558.0	$ 478.7	$ 419.7
Second Quarter Ended June 30	**946.1**	766.0	606.0	534.6	466.7
Third Quarter Ended September 30	**927.4**	773.3	599.5	532.9	456.0
Fourth Quarter Ended December 31	**974.6**	804.2	632.5	616.8	482.1
Totals	**$ 3,688.2(a)**	$ 3,025.6	$ 2,396.0	$ 2,163.0	$ 1,824.6(a)

Historical Cash Provided by Operations (In millions)	**2007**	**2006**	**2005**	**2004**	**2003**
First Quarter Ended March 31	**$ 41.7**	$ 69.8	$ 48.1	$ 32.4	$ 31.2
Second Quarter Ended June 30	**154.9**	114.5	86.3	64.6	59.2
Third Quarter Ended September 30	**175.7**	94.6	98.1	68.9	64.1
Fourth Quarter Ended December 31	**99.4**	130.3	82.7	104.6	108.4
Totals	**$ 471.7**	$ 409.2	$ 315.3(a)	$ 270.5	$ 262.8(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. Payment terms are longer in certain international markets.
- 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 for an extended time during the production phase and then decline when the equipment is sold.

(1) (vii) One customer, ArcelorMittal, represented 10% or more of the Company’s sales in 2007 and 2006. In 2005, no single customer represented 10% of its sales. The Mill Services Segment is dependent largely on the global steel industry, and in 2007 and 2006 there were two customers that each provided in excess of 10% of this Segment’s revenues under multiple long-term contracts at several mill sites. In 2005, there were three customers that each provided in excess of 10% of this Segment’s revenues. ArcelorMittal was one of those customers in 2007, 2006 and 2005. 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. Further consolidation in the global steel industry is possible. Should transactions occur involving some of the Company’s larger steel industry customers, 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 closely monitors the credit standing and accounts receivable position of its customer base.

(1) (viii) Backlog of manufacturing orders from continuing operations was $448.1 million and $236.5 million as of December 31, 2007 and 2006, respectively. A significant backlog exists at December 31, 2007 in the Harsco Track Technologies Division as a result of orders received in 2007 from the Chinese Ministry of Railways. It is expected that approximately 55% of the total backlog at December 31, 2007 will not be filled during 2008. Exclusive of certain orders received by the Harsco Track Technologies Division such as the order from the Chinese Ministry of Railways, 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. 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 short order lead times for certain services, the nature and timing of the products and services provided and equipment rentals with the ultimate length of the rental period often unknown. Backlog for roofing granules and slag abrasives is not included in the total backlog because it is generally not quantifiable, due to the short order lead times of the products provided. Backlog for minerals and recycling technologies is not included in the total backlog amount because it is generally not quantifiable due to short order lead times 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 $5.0 billion at December 31, 2007. 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, 2007, 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 $3.2 million, $2.8 million and $2.4 million in 2007, 2006 and 2005, 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, 2007, the Company had approximately 21,500 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 $61.7 million, $99.6 million and $118.8 million in 2007, 2006 and 2005, 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 Access Services business may be adversely impacted by slowdowns in non-residential or infrastructure construction and annual industrial and building maintenance cycles;

- 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 railway track maintenance services and equipment 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-cooled heat exchangers 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 this business;

- The Excell Minerals business may be adversely impacted by a reduction in the selling price of its materials, which is market-based and varies based upon the current fair value of the components being sold. Therefore, the revenue amounts recorded from the sale of such recycled materials vary based upon the fair value of the commodity components being sold; and

- The Company's access to capital and the associated costs of borrowing may be adversely impacted by the tightening of credit markets. Capital constraints and increased borrowing costs may also adversely impact the financial position and operations of the Company's customers across all business segments.

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.

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. 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 United Kingdom and United States from defined benefit plans to defined contribution plans as of January 1, 2004. This conversion has made the Company's pension expense more predictable 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: conversion of certain remaining defined benefit plans to defined contribution plans; 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.

In addition to the Company's defined benefit pension plans, the Company also participates in numerous multi-employer pension plans throughout the world. Within the United States, the Pension Protection Act of 2006 may require additional funding for multiemployer plans that could cause the Company to be subject to higher cash contributions in the future. The Company continues to assess any full and partial withdrawal liability implications associated with these plans.

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

The Company operates in 50 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 in certain jurisdictions 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 impacted.

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, Iran, Israel, Lebanon and other countries with a continued high risk of armed hostilities. During 2007, 2006 and 2005, the Company’s Middle East operations contributed approximately $44.6 million, $34.8 million and $32.7 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), avian influenza 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 over 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 69% and 68% of the Company’s sales and approximately 68% and 71% of the Company’s operating income from continuing operations for the years ended December 31, 2007 and 2006, respectively, were derived from operations outside the United States. More specifically, approximately 20% and 22% of the Company’s revenues were derived from operations in the United Kingdom during 2007 and 2006, respectively. Additionally, approximately 26% and 25% of the Company’s revenues were derived from operations with the euro as their functional currency during 2007 and 2006, 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.

Compared with the corresponding period in 2006, the average values of major currencies changed as follows in relation to the U.S. dollar during 2007, impacting the Company's sales and income:

- British pound sterling — Strengthened by 8%
- euro — Strengthened by 8%
- South African rand — Weakened by 3%
- Brazilian real — Strengthened by 11%
- Canadian dollar — Strengthened by 5%
- Australian dollar — Strengthened by 10%
- Polish zloty — Strengthened by 11%

Compared with exchange rates at December 31, 2006, the values of major currencies changed as follows as of December 31, 2007:

- British pound sterling — Strengthened by 1%
- euro — Strengthened by 10%
- South African rand — Strengthened by 2%
- Brazilian real — Strengthened by 17%
- Canadian dollar — Strengthened by 15%
- Australian dollar — Strengthened by 10%
- Polish zloty — Strengthened by 15%

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 2007, revenues would have been approximately 5% or $166.9 million less and operating income would have been approximately 4% or $16.5 million less if the average exchange rates for 2006 were utilized. A similar comparison for 2006 would have decreased revenues approximately 1% or $34.1 million, while operating income would have been approximately 1% or $3.9 million less if the average exchange rates for 2006 would have remained the same as 2005. 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 also result in assets and liabilities denominated in local currencies being translated into U.S. dollars at different amounts than at the prior period end. If the U.S. dollar weakens in relation to currencies in countries in which the Company does business, the translated values of the related assets and liabilities, and therefore stockholders' equity, would increase. Conversely, if the U.S. dollar strengthens in relation to currencies in countries in which the Company does business, the translated values of the related assets, liabilities, and therefore stockholders' equity, would decrease.

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." 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.

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 $25 million 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 Access Services business rents and sells equipment and provides erection and dismantling services to principally the non-residential and infrastructure 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. 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 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 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 enterprise business optimization 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 impact the Company's future earnings and cash flows.

The Company's Mill Services Segment (and, to a lesser extent, the All Other Category) has several large customers throughout the world with significant accounts receivable balances. In December 2005, the Company acquired the Northern Hemisphere steel mill services operations of Brambles Industrial Services, a unit of the Sydney, Australia-based Brambles Industrial Limited. 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 occurred in 2006 and 2007 and additional consolidation is possible. Should additional 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 developed strategies to mitigate this increased concentration of credit risk. In the Access Services Segment, 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 geographies.

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

Worldwide political and economic conditions, an imbalance in the supply and demand for oil, extreme weather conditions, armed hostilities in oil-producing regions, 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 2007, 2006 and 2005, energy costs have approximated 3.7%, 3.9% 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 selling prices) or availability of steel or other materials and commodities may affect the Company's profitability.

The profitability of the Company's manufactured products is affected by changing purchase prices of steel and other materials and commodities. If raw 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 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. Certain services performed by the Excell Minerals Division result in the recovery, processing and sale of specialty steel and other high-value metal by-products to its customers. The selling price of the by-products material is market-based and varies based upon the current fair value of its components. Therefore, the revenue amounts recorded from the sale of such by-products material vary based upon the fair value of the commodity components being sold. The Company has executed hedging instruments designed to reduce the volatility of the revenue from the sale of the by-products material at varying market prices. However, there can be no guarantee that such hedging strategies will be fully effective in reducing the variability of revenues from period to period.

The Company is subject to various environmental laws and the success of existing or future environmental claims against it could adversely impact 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, 2007 and 2006 include an accrual of $3.9 million and $3.8 million, respectively, for environmental matters. The amounts charged against pre-tax earnings related to environmental matters totaled $2.8 million, $2.1 million and $1.4 million for the years ended December 31, 2007, 2006 and 2005, 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 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, 2007, the Company was in compliance with these covenants with a debt to capital ratio of 40.8%, and a net worth of $1.6 billion. The Company had $395.2 million in outstanding indebtedness containing these covenants at December 31, 2007.

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, 2007 and 2006, the Company had recorded liabilities of $112.0 million and $103.4 million, respectively, related to both asserted and unasserted insurance claims. Included in the balance at December 31, 2007 and 2006 were $25.9 million and $18.9 million, respectively, of recognized liabilities covered by insurance carriers. 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 second half of the year. This is a direct result of normally higher sales and income during the second half 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 results of operations may suffer. 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, 2007 was $1.1 billion. Of this amount, approximately 49.2% had variable rates of interest and 50.8% had fixed rates of interest. The weighted average interest rate of total debt was approximately 6.0%. At current debt levels, a one-percentage increase/decrease in variable interest rates would increase/decrease interest expense by approximately $5.3 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
Access Services Segment	
Marion, Ohio	Access Equipment Maintenance
Dosthill, United Kingdom	Access Equipment Maintenance

Location	Principal Products
All Other Category - Minerals & Rail Services and Products	
Drakesboro, Kentucky	Roofing Granules/Abrasives
Gary, Indiana	Roofing Granules/Abrasives
Tampa, Florida	Roofing Granules/Abrasives
Brendale, Australia	Rail Maintenance Equipment
Fairmont, Minnesota	Rail Maintenance Equipment
Ludington, Michigan	Rail Maintenance Equipment
West Columbia, South Carolina	Rail Maintenance 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
Sarver, Pennsylvania	Minerals and Recycling Technologies

The Company also operates the following plants which are leased:

Location	Principal Products
Access Services Segment	
DeLimiet, Netherlands	Access Equipment Maintenance
Ratingen, Germany	Access Equipment Maintenance
All Other Category - Minerals & Rail Services and Products	
Memphis, Tennessee	Roofing Granules/Abrasives
Moundsville, West Virginia	Roofing Granules/Abrasives
Eastwood, United Kingdom	Rail Maintenance 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. Additionally, the Company has administrative offices in Camp Hill, Pennsylvania and Leatherhead, United Kingdom.

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 February 29, 2008, are the executive officers (this excludes six 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. S. D. Fazzolari was elected to his new position effective January 1, 2008. G. D. H. Butler, M. E. Kimmel, S. J. Schnoor and R. C. Neuffer were elected to their respective offices effective on January 1, 2008. R. M. Wagner was elected to his new position effective January 1, 2008. All terms expire on April 22, 2008. There are no family relationships between any of the executive officers.

Name	Age	Principal Occupation or Employment
Executive Officers:		
S. D. Fazzolari	55	Chief Executive Officer of the Corporation effective January 1, 2008. Served as President and Chief Financial Officer of the Corporation from October 10, 2007 to December 31, 2007. Served as President, Chief Financial Officer and Treasurer from January 24, 2006 to October 9, 2007, 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	61	President of Harsco Corporation and CEO of the Access Services and Mill Services business groups effective January 1, 2008. Served as Senior Vice President-Operations of the Corporation from September 26, 2000 to December 31, 2007 and Director since January 2002. Concurrently served as President of the MultiServ and SGB Group Divisions. From September 2000 through December 2003, he was President of the Heckett MultiServ International and SGB Group 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.
M. E. Kimmel	48	Senior Vice President, Chief Administrative Officer, General Counsel and Corporate Secretary effective January 1, 2008. General Counsel and Corporate Secretary since 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	54	Senior Vice President and Chief Financial Officer effective January 1, 2008. Served as Vice President and Controller of the Corporation from May 15, 1998 to December 31, 2007. 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. Mr. Schnoor is a Certified Public Accountant.

Name	Age	Principal Occupation or Employment
R. C. Neuffer	65	Harsco Senior Vice President and Group President for the Company’s Minerals & Rail Services and Products group effective January 1, 2008. Served as President of the Minerals & Rail Services and Products 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.
R. M. Wagner	40	Vice President and Controller effective January 1, 2008. Mr. Wagner joined Harsco in 2007 as Assistant Controller. Prior to joining Harsco, he held management responsibilities for financial reporting at Bayer Corporation. He previously held a number of financial management positions both in the United States and internationally with Kennametal Inc., and also served as an audit manager with Deloitte & Touche. Mr. Wagner is a Certified Public Accountant.

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 Stock Exchange. At the end of 2007, there were 84,459,866 shares outstanding. In 2007, the Company's common stock traded in a range of $36.90 to $66.51 (on a post-split basis) and closed at $64.07 at year-end. At December 31, 2007 there were approximately 22,000 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, 2007 – October 31, 2007	—	—	—	2,000,000
November 1, 2007 – November 30, 2007	—	—	—	2,000,000
December 1, 2007 – December 31, 2007	—	—	—	2,000,000
Total	—	—	—	

The Company's share repurchase program was extended by the Board of Directors in November 2007. The program authorizes the repurchase of up to 2,000,000 shares of the Company's common stock and expires January 31, 2009. As announced in February 2008, the Company plans to begin the repurchase of an undetermined number of shares of the Company's common stock under the above mentioned stock repurchase authorization. Repurchases will be made in open market transactions at times and amounts as management deems appropriate, depending on market conditions. Any repurchase may commence or be discontinued at any time.

Item 6. Selected Financial Data

Five-Year Statistical Summary

(In thousands, except per share, employee information and percentages)	2007 (a)	2006	2005 (b)	2004	2003
Income Statement Information (c)					
Revenues from continuing operations	**$ 3,688,160**	$ 3,025,613	$ 2,396,009	$ 2,162,973	$ 1,824,551
Income from continuing operations	**255,115**	186,402	144,488	104,040	77,133
Income from discontinued operations	**44,377**	9,996	12,169	17,171	15,084
Net income	**299,492**	196,398	156,657	121,211	92,217
Financial Position and Cash Flow Information					
Working capital	**$ 471,367**	$ 320,847	$ 352,620	$ 346,768	$ 269,276
Total assets	**3,905,430**	3,326,423	2,975,804	2,389,756	2,138,035
Long-term debt	**1,012,087**	864,817	905,859	594,747	584,425
Total debt	**1,080,794**	1,063,021	1,009,888	625,809	613,531
Depreciation and amortization (including discontinued operations)	**306,413**	252,982	198,065	184,371	168,935
Capital expenditures	**443,583**	340,173	290,239	204,235	143,824
Cash provided by operating activities	**471,740**	409,239	315,279	270,465	262,788
Cash used by investing activities	**(386,125)**	(359,455)	(645,185)	(209,602)	(144,791)
Cash provided (used) by financing activities	**(77,687)**	(84,196)	369,325	(56,512)	(125,501)
Ratios					
Return on sales (d)	**6.9%**	6.2%	6.0%	4.8%	4.2%
Return on average equity (e)	**19.2%**	17.2%	15.3%	12.7%	10.9%
Current ratio	**1.5:1**	1.4:1	1.5:1	1.6:1	1.5:1
Total debt to total capital (f)	**40.8%**	48.1%	50.4%	40.6%	44.1%
Per Share Information (g)					
Basic- Income from continuing operations	**$ 3.03**	$ 2.22	$ 1.73	$ 1.26	$ 0.95
- Income from discontinued operations	**0.53**	0.12	0.15	0.21	0.19
- Net income	**$ 3.56**	$ 2.34	$ 1.88	$ 1.47	$ 1.13(h)
Diluted- Income from continuing operations	**$ 3.01**	$ 2.21	$ 1.72	$ 1.25	$ 0.94
- Income from discontinued operations	**0.52**	0.12	0.14	0.21	0.18
- Net income	**$ 3.53**	$ 2.33	$ 1.86	$ 1.46	$ 1.13(h)
Book value	**$ 18.54**	$ 13.64	$ 11.89	$ 11.03	$ 9.51
Cash dividends declared	**0.7275**	0.665	0.6125	0.5625	0.5313
Other Information					
Diluted average number of shares outstanding (g)	**84,724**	84,430	84,161	83,196	81,946
Number of employees	**21,500**	21,500	21,000	18,500	17,500
Backlog from continuing operations (i)	**$ 448,054**	$ 236,460	$ 230,584	$ 194,336	$ 156,940

(a) Includes Excell Minerals acquired February 1, 2007 (All Other Category - Minerals & Rail Services and Products).
(b) 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).
(c) Income statement information restated to reflect the Gas Technologies business group as Discontinued Operations.
(d) “Return on sales” is calculated by dividing income from continuing operations by revenues from continuing operations.
(e) “Return on average equity” is calculated by dividing income from continuing operations by quarterly weighted-average equity.
(f) “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.
(g) Per share information restated to reflect the 2-for-1 stock split effective in the first quarter of 2007.
(h) Does not total due to rounding.
(i) Excludes the estimated amount of long-term mill service contracts, which had estimated future revenues of $5.0 billion at December 31, 2007. 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 among other things, 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, among other things, 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 environmental, tax and import tariff standards; (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; (7) the seasonal nature of the business; (8) the successful integration of the Company's strategic acquisitions; (9) the amount and timing of repurchases of the Company's common stock, if any; and (10) 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 except as may be required by law.

Executive Overview

The Company's record performance in 2007 reflected the continued execution of the Company's strategy of growth through increased international diversity and a balanced, industrial services-based portfolio, augmented by selective strategic acquisitions. The 2007 results were led by the Access Services Segment and All Other Category (Minerals & Rail Services and Products).

The Company's 2007 revenues were a record $3.7 billion. This was an increase of $662.5 million or 22% over 2006. Income from continuing operations was a record $255.1 million for 2007 compared with $186.4 million in 2006, an increase of 37%. Diluted earnings per share from continuing operations were a record $3.01 for 2007, a 36% increase from 2006.

Results for 2007 benefited from continued improved performance in the Access Services Segment and the February 1, 2007 acquisition of Excell Minerals. The improved performance in the Access Services Segment was due to continued strength in the Company's global non-residential and infrastructure construction and industrial services markets, and positive returns from the Company's increased investment in highly engineered formwork rental systems.

Overall, the global markets in which the Company participates, remain strong and the Company has expansion opportunities to pursue its prudent acquisition strategy of seeking further accretive bolt-on acquisitions, as well as organic investments in its industrial services platforms. The Company also expects continued strength in its operations in 2008, particularly from the Access Services Segment, as well as the All Other Category (Minerals & Rail Services and Products). In addition, the Company expects gradual improvement in 2008 from the Mill Services Segment, as global steel production levels begin to increase from 2007 levels; the implementation of business optimization initiatives continues; underperforming contracts are exited or renegotiated; certain low margin businesses are divested; the effects of restructuring actions are realized; and new contracts are signed and work begins as our geographic expansion strategy in high-return regions continues.

During 2007, the Company had record net cash provided by operating activities of $471.7 million, a 15% increase over the $409.2 million achieved in 2006. The Company expects continued strong cash flows from operating activities in 2008. 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 for 2007 reflect the balance and geographic diversity of the Company's operations. This operating balance and geographic diversity, as well as growth opportunities in the Company's core services platforms, such as the February 1, 2007 acquisition of Excell Minerals, provide a broad foundation for future growth and a hedge against normal changes in economic and industrial cycles. In addition, the Company's value-based management system continued to deliver significant improvement in Economic Value Added ("EVA®") during 2007.

On December 7, 2007, the Company completed the sale of its Gas Technologies business group to Wind Point Partners. The terms of the sale include a total purchase price of $340 million, including $300 million paid in cash at closing and $40 million in the form of an earnout, contingent on the Gas Technologies business achieving certain performance targets in 2008 or 2009.

Effective in the first quarter of 2007, there was a two-for-one split of the Company's common stock for which one additional share of common stock was issued to stockholders as of March 26, 2007.

Segment Overview
The Access Services Segment's revenues in 2007 were $1.4 billion compared with $1.1 billion in 2006, a 31% increase. Operating income increased by 53% to $183.8 million, from $120.4 million in 2006. Operating margins for the Segment improved by 190 basis points to 13.0% from 11.1% in 2006. These improvements were due principally to continued strength in the Company's global non-residential and infrastructure construction and industrial services markets, particularly in Europe and North America. This Segment accounted for 39% of the Company's revenues and 40% of the operating income for 2007.

Mill Services Segment revenues in 2007 were $1.5 billion compared with $1.4 billion in 2006, an 11% increase. Operating income decreased by 9% to $134.5 million, from $147.8 million in 2006. Operating margins for this Segment decreased by 200 basis points to 8.8% from 10.8% in 2006. The decrease in operating income and margins was due to higher operating and maintenance costs, as well as lower steel production in certain regions, particularly North America. The 2007 results include pre-tax restructuring charges of $4.7 million, primarily related to severance costs associated with initiatives to improve operating results. This Segment accounted for 41% of the Company's revenues and 29% of the operating income for 2007.

The All Other Category's revenues in 2007 were $750.0 million compared with $578.2 million in 2006, a 30% increase. Operating income increased by 84% to $142.2 million, from $77.5 million in 2006. Operating margins increased by 560 basis points to 19.0% in 2007 from 13.4% in 2006. The February 1, 2007 acquisition of Excell Minerals contributed to this Category's improved performance. Four of the five other businesses contributed higher revenues, and all five businesses contributed higher operating income in 2007 compared with 2006. This Category accounted for 20% of the Company's revenue and 31% of the operating income for 2007.

The positive effect of foreign currency translation increased 2007 consolidated revenues by $166.9 million and pre-tax income by $13.9 million when compared with 2006.

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 non-residential and infrastructure construction and industrial maintenance and capital improvement activities; worldwide steel mill production and capacity utilization; industrial production volume; and the general business trend towards the outsourcing of services. The overall outlook for 2008 continues to be positive for most of these business drivers.

Both international and domestic Access Services activity remains strong. Operating performance in 2007 for this Segment has benefited, and is expected to continue to benefit in 2008, from increased non-residential and infrastructure construction spending and industrial services activity in the Company's major markets; selective strategic investments and acquisitions in existing and new markets and expansion of current product lines; further market penetration from new services; service cross-selling opportunities among the markets served; and enterprise business optimization opportunities including new technology applications, consolidated procurement, logistics and continuous process improvement initiatives. Further prudent global expansion and market share gains are also expected from this Segment.

Overall, the outlook for the Mill Services Segment for 2008 remains positive. However, margin improvement in this Segment in 2008 is expected to be gradual as the effects of the margin-improvement plans previously outlined are realized. During 2007, in order to maintain pricing levels, a more disciplined and consolidated steel industry has been adjusting production levels to bring inventories in-line with current demand. The Company expects global steel production and consumption to increase at a sustainable pace in 2008, which would generally have a favorable effect on this Segment's revenues. In addition, new contract signings and start-ups, as well as the Company's geographic expansion strategy, particularly Eastern Europe and the Middle East, are expected to gradually have a positive effect on results in the longer term. The Company continues to engage in enterprise business optimization initiatives designed to improve operating results and margins. However, the Company may experience higher operating costs, such as maintenance and energy; that could have a negative impact on operating margins, to the extent these costs cannot be passed to customers.

The outlook for the All Other Category (Minerals & Rail Services and Products) remains positive. Excell Minerals is expected to continue to be accretive to earnings in 2008, as full integration into the Company continues to occur. Likewise, the railway track maintenance services and equipment business should continue to see improved year-over-year operating performance in 2008. Contract opportunities for the business remain high (such as the signing of significant orders from China in 2007), which also provides confidence to the longer-term outlook. The remaining businesses within this group are also expected to continue to operate at their current high levels of operating effectiveness.

The stable or improved market conditions for most of the Company's services and products and the significant investments made recently for acquisitions and growth-related capital expenditures provide the base for achieving the Company's stated growth objectives. The record performance for revenue and operating income achieved in 2007 provides momentum for continued improvement in 2008.

Revenues by Region

	Total Revenues Twelve Months Ended December 31		Percentage Growth From 2006 to 2007		
(Dollars in millions)	**2007**	**2006**	**Volume**	**Currency**	**Total**
Western Europe	**$ 1,758.5**	$ 1,472.7	10.6%	8.8%	19.4%
North America	**1,244.9**	1,027.4	20.8	0.4	21.2
Latin America (a)	**213.5**	165.4	21.8	7.3	29.1
Middle East and Africa	**196.4**	159.5	24.1	(1.0)	23.1
Eastern Europe	**139.6**	92.3	39.0	12.2	51.2
Asia/Pacific	**135.3**	108.3	13.9	11.1	25.0
Total	**$ 3,688.2**	$ 3,025.6	16.4%	5.5%	21.9%

(a) Includes Mexico.

2007 Highlights
The following significant items affected the Company overall during 2007 in comparison with 2006:

<u>Company Wide:</u>

- Continued strong worldwide economic activity, as well as the strong earnings performance of the Excell Minerals acquisition, benefited the Company in 2007. This included increased access equipment services, especially in North America, Europe and the Middle East; and increased demand for air-cooled heat exchangers and industrial grating products.
- As expected, during 2007, the Company experienced higher fuel and energy-related costs, as well as higher commodity costs for certain manufacturing businesses. To the extent that such costs cannot be passed to customers in the future, operating income may be adversely affected.
- Consistent with its overall strategic focus on global industrial services, the Company divested its Gas Technologies business group on December 7, 2007.
- During 2007, international sales and operating income were 69% and 68%, respectively, of total sales and operating income. This compares with 2006 levels of 68% of sales and 71% of operating income.

Access Services Segment:

(Dollars in millions)	2007	2006
Revenues	**$ 1,415.9**	$ 1,080.9
Operating income	**183.8**	120.4
Operating margin percent	**13.0%**	11.1%

Access Services Segment – Significant Impacts on Revenues:	(In millions)
Revenues – 2006	$ 1,080.9
Increased volume and new business	209.3
Impact of foreign currency translation	72.2
Acquisitions	53.2
Other	0.3
Revenues – 2007	$ 1,415.9

Access Services Segment – Significant Impacts on Operating Income:

- In 2007, the international access services business, Europe and the Middle East in particular, continued to improve due to increased non-residential, multi-dwelling residential and infrastructure construction spending. The Company has also benefited from its recent rental equipment capital investments made in these markets. Equipment rentals, particularly in the construction sector, are the highest margin revenue source in this Segment.
- Continued strong North American non-residential and infrastructure construction and industrial services markets had a positive effect on volume which caused overall margins and operating income in North America to improve during 2007.
- The 2006 MyATH (Chile) and Cleton (Northern Europe) acquisitions were accretive to earnings in 2007.
- The impact of foreign currency translation in 2007 increased operating income for this Segment by $7.6 million, compared with 2006.

Mill Services Segment:

(Dollars in millions)	2007	2006
Revenues	**$ 1,522.3**	$ 1,366.5
Operating income	**134.5**	147.8
Operating margin percent	**8.8%**	10.8%

Mill Services Segment – Significant Effects on Revenues:	(In millions)
Revenues – 2006	$ 1,366.5
Impact of foreign currency translation	90.3
Acquisitions	34.7
Increased volume and new business	30.7
Other	0.1
Revenues – 2007	$ 1,522.3

Mill Services Segment – Significant Impacts on Operating Income:

- Operating income for 2007 was negatively impacted by increased operating and maintenance expenses as well as lower steel production in certain regions, particularly North America.
- Operating income for 2007 included higher severance and other restructuring charges of $3.3 million compared with 2006.

- The fourth quarter 2006 acquisition of Technic Gum and the 2007 acquisitions of Alexander Mill Services International ("AMSI") and Performix increased operating income in 2007 compared to 2006.
- The impact of foreign currency translation in 2007 increased operating income for this Segment by $9.4 million compared with 2006.

<u>All Other Category - Minerals & Rail Services and Products:</u>

(Dollars in millions)	**2007**	**2006**
Revenues	**$ 750.0**	$ 578.2
Operating income	**142.2**	77.5
Operating margin percent	**19.0%**	13.4%

All Other Category - Minerals & Rail Services and Products – Significant Impacts on Revenues:	**(In millions)**
Revenues – 2006	$ 578.2
Acquisitions – principally Excell Minerals	123.7
Air-cooled heat exchangers	27.7
Industrial grating products	23.8
Boiler and process equipment	1.3
Roofing granules and abrasives	(4.9)
Railway track maintenance services and equipment	(4.0)
Impact of foreign currency translation	4.4
Other	(0.2)
Revenues – 2007	$ 750.0

All Other Category - Minerals & Rail Services and Products – Significant Effects on Operating Income:

- The Excell Minerals acquisition was accretive to the Category's performance in 2007. Excell Minerals had strong customer demand for its high-value material recycling services, as well as favorable market pricing.
- Operating income for the air-cooled heat exchangers business benefited in 2007 due to increased volume resulting from a continued strong natural gas market.
- The increase in 2007 operating income for the industrial grating products business was due principally to strong demand, as well as lower raw material costs and a gain on the sale of an asset.
- The boiler and process equipment business delivered improved results in 2007 due to increased equipment sales and favorable product mix.
- Despite lower volume for the roofing granules and abrasives business in 2007, operating income increased due to price increases, which offset higher costs.
- Operating income for the railway track maintenance services and equipment business increased in 2007 compared with 2006 due to increased volume and reduced operating expenses for contract services, partially offset by the impact of reduced equipment sales volume. The business also benefited from reduced raw material costs and a gain on the disposal of an asset.
- The impact of foreign currency translation in 2007 increased operating income by $0.6 million for this Category compared to 2006.

Outlook, Trends and Strategies

Looking to 2008 and beyond, the following significant items, trends and strategies are expected to affect the Company:

<u>Company Wide:</u>

- The Company will continue its disciplined focus on expanding its industrial services businesses, with a particular emphasis on prudently growing the Access Services Segment, especially in emerging economies and other targeted markets. Growth is expected to be achieved through the provision of additional services to existing customers, new contracts in both developed and emerging markets, and selective strategic acquisitions, such as the February 2007 acquisition of Excell Minerals and the August 2007 acquisition of Alexander Mill Services International. Additionally, new higher-margin service and sales opportunities in railway track maintenance services and equipment will be pursued globally.

- The Company will continue to invest in selective strategic acquisitions and growth capital investments; however, management will continue to be very selective and disciplined in allocating capital, choosing projects with the highest Economic Value Added ("EVA®") potential.
- The Company will place a strong focus on corporate-wide expansion into emerging economies in the coming years. More specifically, within the next three to five years, the Company's global growth strategies include steady, targeted expansion in the Asia-Pacific, Eastern Europe, Latin America, and Middle East and Africa to further complement the Company's already-strong presence throughout Europe and North America. This strategy is expected to result in doubling the Company's presence in these markets to approximately 30% of total Company revenues.
- The Company will continue to implement enterprise business optimization initiatives across the Company to further enhance margins for most businesses, especially the Mill Services Segment. These initiatives include improved supply-chain and logistics management; operating site and capital employed optimization; and added emphasis on global procurement.
- The Company expects strong cash flow from operating activities in 2008, exceeding the record of $472 million achieved in 2007. This will support the Company's growth initiatives and help reduce debt.
- The continued growth of the Chinese steel industry, as well as other Asian emerging economies, could impact the Company in several ways. Increased steel mill production in China, and in other Asian countries, may provide additional service opportunities for the Mill Services Segment. However, increased Asian steel exports could result in lower steel production in other parts of the world, affecting the Company's customer base. Additionally, 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.
- Volatility in energy and commodity costs (e.g., fuel, natural gas, steel, etc.) and worldwide demand for these commodities could have an adverse impact on the Company's operating costs and ability to obtain the necessary raw materials. Cost increases could result in reduced operating income for certain products, to the extent that such costs cannot be passed on to customers. The effect of continued Middle East armed hostilities on the cost of fuel and commodities is currently unknown, but it could have an adverse impact on the Company's operating costs. However, increased volatility in energy and commodity costs may provide additional service opportunities for the Mill Services Segment and several businesses in the All Other Category (Minerals & Rail Services and Products) as customers may tend to outsource more services to reduce overall costs. Such volatility may also provide opportunities for additional petrochemical plant maintenance and capital improvement projects.
- The armed hostilities in the Middle East could also have a significant effect on the Company's operations in the region. The potential impact of this risk is currently unknown. This exposure is further discussed in Part I, Item 1A, "Risk Factors."
- Foreign currency translation had an overall favorable effect on the Company's sales, operating income and Stockholders' Equity during 2007 in comparison to 2006. If the U.S. dollar strengthens, 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. Should the U.S. dollar weaken further in relationship to these currencies, the impact on the Company would generally be positive in terms of higher sales, income and Stockholders' Equity.
- Total pension expense (defined benefit, defined contribution and multi-employer) for 2008 is expected to be higher than the 2007 level due to increased volume which affects defined contribution and multi-employer pension expense. On a comparative basis, total pension expense in 2007 was $2.8 million higher than 2006 due principally to increased multi-employer and defined contribution pension expense resulting from increased volume in the Access Services Segment.
- Defined benefit pension expense decreased $4.4 million in 2007 compared to 2006 due primarily to higher plan asset bases in 2007 resulting from cash contributions and significant returns on plan assets in 2006. The decreases were partially offset by plan curtailment losses in the railway track maintenance services and equipment business. Defined benefit pension expense is expected to decline for the full year 2008 compared with 2007 due to the cash contributions in 2007, including voluntary cash contributions to the defined benefit pension plans (approximately $10.1 million during 2007 and $10.6 million during 2006, mostly to the U.K. plan), coupled with the higher-than-expected plan asset returns in 2007.
- Financial markets in the United States and in a number of other countries where the Company operates have been volatile since mid-2007 due to the credit and liquidity issues in the market place. This has adversely impacted the outlook for the overall U.S. economy as economic activity slowed, creating increased downside risk to growth. In Europe, a more moderate pace of economic growth is expected in 2008 when compared with 2007. While the Company's global footprint; diversity of services and products; long-term mill services contracts; and large access

services customer base mitigate the overall exposure to changes in any one single economy, further deterioration of the global economies could have an adverse impact on the Company's operating results.

- Changes in worldwide interest rates, particularly in the United States and Europe, could have a significant effect on the Company's overall interest expense, as approximately 49% of the Company's borrowings are at variable interest rates as of December 31, 2007 (in comparison to approximately 48% at December 31, 2006). The Company manages the mix of fixed-rate and floating-rate debt to preserve adequate funding flexibility, as well as control the effect of interest-rate changes on consolidated interest expense. Strategies to further reduce related risks are under consideration.
- As the Company continues the strategic expansion of its global footprint and implements tax planning opportunities, the 2008 effective income tax rate is expected to be lower than 2007.
- The implementation of the Company's enterprise wide lean sigma program in 2008 should provide long-term efficiencies as the Company embraces its enterprise optimization initiatives.

Access Services Segment:

- Both the international and domestic Access Services businesses have experienced buoyant markets that are expected to remain stable into 2008. Specifically, international and North American non-residential and infrastructure construction activity continues at high volume levels. The North American industrial maintenance and infrastructure activities are expected to remain at high levels.
- The Company will continue to emphasize prudent expansion of our geographic presence in this Segment through entering new markets and further expansion in emerging economies, and will continue to leverage value-added services and highly engineered forming, shoring and scaffolding systems to grow the business.
- The Company will continue to implement continuous process improvement initiatives including: global procurement and logistics; the sharing of engineering knowledge and resources; continuous process improvement and lean sigma initiatives; optimizing the business under one standardized administrative and operating model at all locations worldwide; and on-going analysis for other potential synergies across the operations.

Mill Services Segment:

- To maintain pricing levels, a more disciplined and consolidated steel industry has been adjusting production levels to bring inventories in-line with current demand. The Company expects global steel production to increase modestly in 2008, as inventory levels have declined during 2007. Increased steel production would generally have a favorable effect on this Segment's revenues.
- Further consolidation in the global steel industry is possible. Should additional 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 revenues and 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 closely monitors the credit standing and accounts receivable position of its customer base. Further consolidation may also increase pricing pressure on the Company and the competitive risk of services contracts which are due for renewal. Conversely, such consolidation may provide additional service opportunities for the Company as the Company believes it is well-positioned competitively.
- The Company will continue to place significant emphasis on improving operating margins of this Segment and gradual improvement is expected in 2008. Margin improvements are most likely to be achieved through internal enterprise business optimization efforts; renegotiating or exiting underperforming contracts, principally in North America; divesting low margin product lines; continuing to execute a geographic expansion strategy in Eastern Europe, the Middle East and Africa, Latin America and Asia Pacific; and implementing continuous process improvement initiatives including: lean sigma projects, global procurement initiatives, site efficiency programs, technology enhancements, maintenance best practices programs, and reorganization actions.

All Other Category - Minerals & Rail Services and Products:

- The Company will emphasize prudent global expansion of Excell Minerals' value-added services of extracting high-value metallic content from slag and responsibly handling and recycling residual materials.
- Market pricing volatility for some of the high-value materials involved in certain Excell Minerals services could affect the operating results of this business either favorably or unfavorably.
- International demand for the railway track maintenance services and equipment business's products and services is expected to be strong in the long term. A large equipment order signed in 2007 with China is an example of the underlying strength of the international markets. Due to long lead-times, this order is expected to generate revenues beginning in 2008 and beyond. In addition, increased volume of higher-margin contract services and enterprise business optimization initiatives are expected to improve margins on a long-term basis.
- Worldwide supply and demand for steel and other commodities could have an adverse impact on raw material costs and the ability to obtain the necessary raw materials for several businesses in this Category. The Company

has implemented certain strategies to help ensure continued product supply to our customers and mitigate the potentially negative impact that rising steel and other commodity prices could have on operating income.

- The abrasives business is expected to continue to perform well in the near-term, although operating margins could be impacted by volatile energy prices that affect both production and transportation costs. This business continues to pursue cost and site optimization initiatives and the use of more energy-efficient equipment to help mitigate future energy-related increases.
- Due to a strong natural gas market and additional North American opportunities, demand for air-cooled heat exchangers is expected to remain strong into 2008.

Results of Operations for 2007, 2006 and 2005 (a)

(Dollars are in millions, except per share information and percentages)	**2007**	2006	2005
Revenues from continuing operations	**$ 3,688.2**	$ 3,025.6	$ 2,396.0
Cost of services and products sold	**2,685.5**	2,203.2	1,779.2
Selling, general and administrative expenses	**538.2**	472.8	361.4
Other expenses	**3.4**	2.5	1.9
Operating income from continuing operations	**457.8**	344.3	251.0
Interest expense	**81.4**	60.5	41.9
Income tax expense from continuing operations	**117.6**	93.4	59.1
Income from continuing operations	**255.1**	186.4	144.5
Income from discontinued operations	**44.4**	10.0	12.2
Net income	**299.5**	196.4	156.7
Diluted earnings per common share from continuing operations	**3.01**	2.21	1.72
Diluted earnings per common share	**3.53**	2.33	1.86
Effective income tax rate for continuing operations	**30.7%**	32.5%	27.9%
Consolidated effective income tax rate	**31.4%**	32.3%	28.1%

(a) All historical amounts in the Results of Operations section have been restated for comparative purposes to reflect discontinued operations.

Comparative Analysis of Consolidated Results

Revenues

2007 vs. 2006
Revenues for 2007 increased $662.5 million or 22% from 2006, to a record level. This increase was attributable to the following significant items:

In millions	Change in Revenues 2007 vs. 2006
$211.6	Business acquisitions. Increased revenues of $123.7 million, $53.2 million and $34.7 million in the All Other Category (Minerals & Rail Services and Products), Access Services Segment and Mill Services Segment, respectively.
209.6	Net increased revenues in the Access Services Segment due principally to the continued strength of the non-residential and infrastructure construction markets in both North America and internationally, particularly in Europe and the Middle East (excluding acquisitions).
166.9	Effect of foreign currency translation.
30.8	Net increased volume, new business and sales price changes in the Mill Services Segment (excluding acquisitions).
27.7	Increased revenues of the air-cooled heat exchangers business due to a continued strong natural gas market.
23.8	Increased revenues of the industrial grating products business due to continued strong demand.
(4.9)	Net decreased revenues in the roofing granules and abrasives business resulting from lower demand.
(3.0)	Other (minor changes across the various units not already mentioned).
$662.5	Total Change in Revenues 2007 vs. 2006

2006 vs. 2005
Revenues for 2006 increased $629.6 million or 26% from 2005. This increase was attributable to the following significant items:

In millions	Change in Revenues 2006 vs. 2005
$405.2	Net effect of business acquisitions and divestitures. Increased revenues of $219.0 million and $186.2 million in the Mill Services and Access Services Segments, respectively.
91.2	Net increased revenues in the Access Services Segment due principally to strong non-residential construction markets in North America and the continued strength of the international business, particularly in Europe (excluding the net effect of acquisitions and divestitures).
68.7	Net increased volume, new contracts and sales price changes in the Mill Services Segment, particularly in Europe and the United States (excluding acquisitions).
34.1	Effect of foreign currency translation.
32.5	Increased revenues of the air-cooled heat exchangers business due to a strong natural gas market and increased prices.
8.4	Increased revenues of the industrial grating products business due to increased demand and, to a lesser extent, increased prices and a more favorable product mix.
(17.0)	Net decreased revenues in the railway track maintenance services and equipment business due to decreased equipment sales, partially offset by increased contract services as well as repair part sales in the United Kingdom. Equipment sales declined due to a large order shipped to China in 2005 which did not recur in 2006.
6.5	Other (minor changes across the various units not already mentioned).
$629.6	Total Change in Revenues 2006 vs. 2005

Cost of Services and Products Sold

2007 vs. 2006

Cost of services and products sold for 2007 increased $482.3 million or 22% from 2006, consistent with the 22% increase in revenues. This increase was attributable to the following significant items:

In millions	Change in Cost of Services and Products Sold 2007 vs. 2006
$174.1	Increased costs due to increased revenues (exclusive of the effect of foreign currency translation and business acquisitions, and including the impact of increased commodity and energy costs included in selling prices).
144.4	Business acquisitions.
124.5	Effect of foreign currency translation.
39.3	Other (product/service mix and increased equipment maintenance costs, partially offset by enterprise business optimization initiatives and volume-related efficiencies).
$482.3	Total Change in Cost of Services and Products Sold 2007 vs. 2006

2006 vs. 2005

Cost of services and products sold for 2006 increased $424.0 million or 24% from 2005, slightly lower than the 26% increase in revenues. This increase was attributable to the following significant items:

In millions	Change in Cost of Services and Products Sold 2006 vs. 2005
$281.8	Net effect of business acquisitions and divestitures.
136.9	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).
24.9	Effect of foreign currency translation.
(19.6)	Other (due to product mix; stringent cost controls; process improvements; volume related efficiencies; and minor changes across the various units not already mentioned; partially offset by increased fuel and energy-related costs not recovered through selling prices).
$424.0	Total Change in Cost of Services and Products Sold 2006 vs. 2005

Selling, General and Administrative Expenses

2007 vs. 2006

Selling, general and administrative ("SG&A") expenses for 2007 increased $65.4 million or 14% from 2006, a lower rate than the 22% increase in revenues. The lower relative percentage increase in SG&A expense as compared with revenue was due principally to economic business optimization programs geared towards reducing costs. This increase was attributable to the following significant items:

In millions	Change in Selling, General and Administrative Expenses 2007 vs. 2006
$ 22.8	Effect of foreign currency translation.
20.3	Increased compensation expense due to salary increases and employee incentive plan costs due to overall business growth and improved performance.
19.2	Business acquisitions.
7.9	Increased professional fees due to global optimization projects.
(4.8)	Other.
$ 65.4	Total Change in Selling, General and Administrative Expenses 2007 vs. 2006

2006 vs. 2005

Selling, general and administrative expenses for 2006 increased $111.3 million or 31% from 2005, more than the 26% increase in revenues. The higher relative percentage increase in SG&A expense as compared with revenue was due principally to the effect of certain acquisitions which, by their nature, have a higher percentage of SG&A-related costs. This increase was attributable to the following significant items:

In millions	Change in Selling, General and Administrative Expenses 2006 vs. 2005
$ 71.3	Net effect of business acquisitions and dispositions
21.0	Increased employee compensation expense due to salary increases, increased headcount, higher commissions and employee incentive plan increases due to improved performance.
5.4	Effect of foreign currency translation.
3.7	Increased space and equipment rentals, supplies, utilities and fuel costs.
2.9	Increased professional fees due to special projects.
2.7	Increased travel expenses.
4.3	Other.
$111.3	Total Change in Selling, General and Administrative Expenses 2006 vs. 2005

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. Net Other Expenses was $3.4 million in 2007 compared with $2.5 million in 2006 and $1.9 million in 2005.

2007 vs. 2006

Net Other Expenses for 2007 increased $1.0 million or 39% from 2006. This increase was attributable to the following significant items:

In millions	Change in Other Expenses 2007 vs. 2006
$ 3.1	Increase in employee termination benefit costs. This increase related principally to restructuring actions in the Mill Services and Access Services Segments.
0.7	Increase in impaired asset write-downs in the Mill Services and Access Services Segments.
(2.8)	Decrease in other expenses, including costs to exit activities due to exit costs incurred during 2006 at certain international locations not repeated in 2007.
$ 1.0	Total Change in Other Expenses 2007 vs. 2006

2006 vs. 2005

Net Other Expenses for 2006 increased $0.6 million or 31% from 2005. This increase was attributable to the following significant items:

In millions	Change in Other Expenses 2006 vs. 2005
$ 4.2	Decrease in net gains on disposals of non-core assets. This decrease was attributable principally to $5.5 million in net gains that were realized in 2006 from the sale of non-core assets compared with $9.7 million in 2005. The net gains for both years were principally within the Access Services and Mill Services Segments.
1.9	Increase in other expenses, including costs to exit activities.
(5.5)	Decrease in employee termination benefit costs. This decrease related principally to decreased costs in the Mill Services and Access Services Segments.
$ 0.6	Total Change in Other Expenses 2006 vs. 2005

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

2007 vs. 2006
Interest expense in 2007 was $20.9 million or 35% higher than in 2006. This was principally due to increased borrowings to finance business acquisitions made in 2007 and, to a lesser extent, higher interest rates on variable interest rate borrowings. The impact of foreign currency translation also increased interest expense by approximately $2.6 million.

2006 vs. 2005
Interest expense in 2006 was $18.6 million or 44% higher than in 2005. This was principally due to increased borrowings to finance acquisitions in the fourth quarter of 2005 and, to a lesser extent, higher interest rates on variable interest rate borrowings. This impact of foreign currency translation also increased interest expense by approximately $0.6 million.

Income Tax Expense from Continuing Operations

2007 vs. 2006
The increase in 2007 of $24.2 million or 26% in the provision for income taxes from continuing operations was due to increased earnings from continuing operations for the reasons mentioned above, partially offset by a lower effective income tax rate. The effective income tax rate relating to continuing operations for 2007 was 30.7% versus 32.5% for 2006. The decrease related principally from the Company increasing its designation of certain international earnings as permanently reinvested.

2006 vs. 2005
The increase in 2006 of $34.2 million or 58% in the provision for income taxes from continuing operations was primarily due to increased earnings from continuing operations and an increased effective income tax rate. The effective income tax rate relating to continuing operations for 2006 was 32.5% versus 27.9% for 2005. The increase related principally to increased effective income tax rates on international earnings and remittances due in part to 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.

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

2007 vs. 2006
Income from continuing operations in 2007 of $255.1 million was $68.7 million or 37% higher than 2006. This increase resulted from strong demand for most of the Company's services and products, and business acquisitions.

2006 vs. 2005
Income from continuing operations in 2006 of $186.4 million was $41.9 million or 29% higher than 2005. This increase resulted from strong demand for most of the Company's services and products, and the net effect of business acquisitions and divestitures.

Income from Discontinued Operations

2007 vs. 2006
Income from discontinued operations for 2007 increased by $34.4 million or 344% compared with 2006. The increase was primarily attributable to the $26.4 million after-tax gain on the sale of the Gas Technologies business, as well as improved operating results for the business prior to the divestiture.

2006 vs. 2005
Income from discontinued operations for 2006 decreased $2.2 million or 18% from 2005. This decrease was attributable principally to the write-down of impaired assets associated with the exit of an underperforming product line in the Gas Technologies business.

Net Income and Earnings Per Share

2007 vs. 2006
Net income of $299.5 million and diluted earnings per share of $3.53 in 2007 exceeded 2006 by $103.1 million or 52% and $1.20 or 52%, respectively, due to increased income from both continuing and discontinued operations for the reasons described above.

2006 vs. 2005
Net income of $196.4 million and diluted earnings per share of $2.33 in 2006 exceeded 2005 by $39.7 million or 25% and $0.47 or 25%, respectively, primarily due to increased income from continuing operations, partially offset by the decrease in income from discontinued operations for the reasons described above.

Liquidity and Capital Resources

Overview
Building on its consistent historical performance of strong operating cash flows, the Company achieved a record $471.7 million in operating cash flow in 2007. This represents a 15% improvement over 2006's operating cash flow of $409.2 million. In 2007, this significant source of cash combined with $317.2 million in proceeds from the sale of assets enabled the Company to invest $443.6 million in capital expenditures (56% of which were for revenue-growth projects); invest $254.6 million in business acquisitions; and pay $59.7 million in stockholder dividends. These significant 2007 investments follow $340.2 million of capital expenditures (45% of which were for revenue–growth projects); $54.5 million in stockholder dividends; and $34.3 million in business acquisitions invested in 2006. The Company believes these investments provide a solid foundation for future revenue and Economic Value Added ("EVA®") growth.

During 2007, the Company's value-based management system continued to deliver results by creating increased economic value. Significant EVA® improvement was achieved and the Company's return on invested capital improved 240 basis points from the year 2006.

The Company's net cash borrowings decreased $22.7 million in 2007. This decrease is primarily due to the strong operating cash flows achieved in 2007. Balance sheet debt, which is affected by foreign currency translation, increased $17.8 million from December 31, 2006. Debt to total capital ratio decreased to 40.8% as of December 31, 2007, due principally to a $419.8 increase in Stockholders' Equity. Debt to total capital was 48.1% at December 31, 2006.

In December 2007, the Company completed the sale of its Gas Technologies business group. The terms of the sale included a total sale price of $340 million, including $300 million paid in cash at closing and $40 million payable in the form of an earnout, contingent on the Gas Technologies group achieving certain performance targets in 2008 or 2009. Proceeds from the sale have provided the Company with capital to immediately reduce short-term debt and ultimately fund continuing organic growth initiatives and other opportunities in its core businesses within its balanced portfolio, as well as debt reduction.

The Company's strategic objectives for 2008 include again generating record cash provided by operating activities. The Company plans to sustain its balanced portfolio through its strategy of redeploying discretionary cash for prudent growth and international diversification in the Access Services Segment; in long-term, high-return and high-renewal-rate services contracts for the Mill Services Segment, principally in emerging economies; for growth and international diversification in the All Other Category (Minerals & Rail Services and Products); and for selective bolt-on acquisitions in the industrial services businesses. The Company also foresees continuing its long and consistent history of paying dividends to stockholders, paying down debt and repurchasing Company stock under its previously approved stock repurchase authorization.

The Company is also focused on improved working capital management. Specifically, enterprise business optimization programs are being used to improve the effective and efficient use of working capital, particularly accounts receivable in the Access Services and Mill Services Segments.

Cash Requirements
The following summarizes the Company's expected future payments related to contractual obligations and commercial commitments at December 31, 2007.

Contractual Obligations as of December 31, 2007 (a)

		Payments Due by Period			
(In millions)	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Short-term Debt	$ 60.3	$ 60.3	$ -	$ -	$ -
Long-term Debt (including current maturities and capital leases)	1,020.5	8.4	860.3	2.7	149.1
Projected interest payments on Long-term Debt (b)	196.9	61.7	114.2	15.6	5.4
Pension and Other Post- retirement Obligations (c)	623.9	50.7	110.7	118.8	343.7
Operating Leases	180.9	51.3	71.2	29.8	28.6
Purchase Obligations	175.2	173.1	1.5	0.2	0.4
Foreign Currency Forward Exchange Contracts (d)	392.2	392.2	—	—	—
Uncertain Tax Benefits (e)	5.4	5.4	—	—	—
Total Contractual Obligations	$ 2,655.3	$ 803.1	$ 1,157.9	$ 167.1	$ 527.2

(a) See Note 6, Debt and Credit Agreements; Note 7, Leases; Note 8, Employee Benefit Plans; Note 9, Income Taxes; 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; income taxes 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, 2007. 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, 2007. 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.

(e) On January 1, 2007, the Company adopted the provisions of FIN 48. As of December 31, 2007, in addition to the $5.4 million classified as short-term, the Company had approximately $31.8 million of long-term tax liabilities, including interest and penalties, related to uncertain tax positions. Because of the high degree of uncertainty regarding the timing of future cash outflows associated with these liabilities, the Company is unable to estimate the years in which settlement will occur with the respective taxing authorities.

Off-Balance Sheet Arrangements – The following table summarizes the Company's contingent commercial commitments at December 31, 2007. 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, 2007

(In millions)		Total Amounts Committed		Less than 1 Year		1-3 Years		4-5 Years		Over 5 Years		Indefinite Expiration
				Amount of Commitment Expiration Per Period								
Standby Letters of Credit	$	127.6	$	85.1	$	42.5	$	—	$	—	$	—
Guarantees		23.8		11.4		1.7		1.0		—		9.7
Performance Bonds		16.1		10.2		0.1		—		—		5.8
Other Commercial Commitments		11.1		—		—		—		—		11.1
Total Commercial Commitments	$	178.6	$	106.7	$	44.3	$	1.0	$	—	$	26.6

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 and equipment business). 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 capital investments, principally in the industrial services business; payroll costs and related benefits; pension funding payments; inventory purchases; raw material purchases for the manufacturing businesses; income tax payments; debt principal and interest payments; insurance premiums and payments of self-insured casualty losses; and machinery, equipment, automobile and facility rental payments. Cash is also used for selective or bolt-on acquisitions as the appropriate opportunities arise as well as funding of share repurchases.

Resources available for cash requirements – The Company meets its on-going cash requirements for operations and growth initiatives by accessing the public debt markets and by borrowing from banks. Public markets in the United States and Europe are accessed through its commercial paper programs and through discrete term note issuance to investors. Various bank credit facilities are available throughout the world. The company expects to utilize both the public debt markets and bank facilities to meet its cash requirements in the future. The following chart illustrates the amounts outstanding under credit facilities and commercial paper programs and available credit as of December 31, 2007.

Summary of Credit Facilities and Commercial Paper Programs		**As of December 31, 2007**				
(In millions)		**Facility Limit**		**Outstanding Balance**		**Available Credit**
U.S. commercial paper program	$	550.0	$	333.4	$	216.6
Euro commercial paper program		292.0		132.8		159.2
Multi-year revolving credit facility (a)		450.0		—		450.0
364-day revolving credit facility (a)		450.0		—		450.0
Totals at December 31, 2007	**$**	**1,742.0**	**$**	**466.2**	**$**	**1,275.8(b)**

(a) U.S. – based program.

(b) Although the Company has significant available credit, practically, the Company limits aggregate commercial paper and credit facility borrowings at any one time to a maximum of $900 million (the aggregate amount of the back-up facilities).

During the fourth quarter of 2007, the Company entered into a new 364-day revolving credit facility in the amount of $450 million, through a syndicate of 13 banks which matures in November 2008. Any borrowings outstanding at the termination of the facility may, at the Company's option, be repaid over the following 12 months.

The Company's bilateral credit facility (which expired in December 2007) was renewed in February 2008. The facility, in the amount of $50 million, 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 2008, 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, 2007 and 2006, there were no borrowings outstanding on this facility.

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, 2007:

	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 May 2007, Moody's reaffirmed its A3 and P-2 ratings for the Company's long-term notes and U.S. commercial paper, respectively, and its stable outlook. In August 2007, Fitch reaffirmed its A- and F2 ratings for the Company's long-term notes and U.S. commercial paper, respectively, and its stable outlook. In February 2008, S&P reaffirmed its A- and A-2 ratings for the Company's long-term notes and U.S. commercial paper, respectively, and its stable outlook. Any continued tightening of the credit markets, which began during 2007, may adversely impact the Company's access to capital and the associated costs of borrowing, however this is mitigated by the Company's strong financial position and earnings outlook as reflected in the above-mentioned credit ratings. A downgrade to the Company's credit ratings would probably increase borrowing costs to the Company, while an improvement in the Company's credit ratings would probably decrease borrowing costs to the Company.

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

(Dollars are in millions)	December 31 2007	December 31 2006	Increase (Decrease)
Current Assets			
Cash and cash equivalents	**$ 121.8**	$ 101.2	$ 20.6
Accounts receivable, net	**824.1**	753.2	70.9
Inventories	**310.9**	285.2	25.7
Other current assets	**88.0**	88.4	(0.4)
Assets held-for-sale	**0.5**	3.6	(3.1)
Total current assets	**1,345.3**	1,231.6	113.7
Current Liabilities			
Notes payable and current maturities	**68.7**	198.2	(129.5)
Accounts payable	**307.8**	287.0	20.8
Accrued compensation	**108.9**	95.0	13.9
Income taxes payable	**41.3**	62.0	(20.7)
Other current liabilities	**347.3**	268.6	78.7
Total current liabilities	**874.0**	910.8	(36.8)
Working Capital	**$ 471.3**	$ 320.8	$ 150.5
Current Ratio	**1.5:1**	1.4:1	

Working capital increased 47% in 2007 due principally to the following factors:

- Cash increased by $20.6 million due principally to higher foreign exchange rates and business growth.

- Net receivables increased by $70.9 million due principally to higher sales levels in the Access Services and Mill Services Segments; foreign currency translation; and the Excell Minerals acquisition. Partially offsetting these increases was a decrease due to the December sale of the Gas Technologies Segment.

- The $25.7 million increase in inventory balances related principally to increased demand in the Access Services and Mill Services Segments; a build up of inventory in the railway track maintenance equipment business to fulfill 2008 orders and, to a much lesser extent, both the acquisition of Excell Minerals and foreign currency translation. Partially offsetting these increases was a decrease due to the December sale of the Gas Technologies Segment.

- Notes payable and current maturities decreased $129.5 million principally due to a decline in short-term commercial paper.

- Other current liabilities increased $78.7 million principally due to customer advance payments in the railway track maintenance services and equipment business and the Access Services Segment and foreign currency translation. Partially offsetting this increase was a decrease due to the sale of the Gas Technologies Segment.

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, 2007, the Company's mill services contracts had estimated future revenues of $5.0 billion, compared with $4.4 billion as of December 31, 2006. In addition, as of December 31, 2007, the Company had an order backlog of $448.1 million for its Minerals & Rail Products and Services. This compares with $236.5 million as of December 31, 2006. This increase is due principally to increased demand for certain products within the railway track maintenance services and equipment business, as a result of orders from the Chinese Ministry of Railways, as well as increased demand for heat exchangers and industrial grating. The railway track maintenance services and equipment business backlog includes a significant portion that is long-term, which will not be realized until 2009 and later due to the long lead times necessary to build certain equipment, and the long-term nature of certain service contracts. Order backlog for scaffolding, shoring and forming services; for roofing granules and slag abrasives; and the reclamation and recycling of high-value content from steelmaking slag is excluded from the above amounts. These backlog amounts are generally not relevant or quantifiable due to short order lead times for certain services, the nature and timing of the products and services provided and equipment rentals with the ultimate length of the rental period often unknown.

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, in its balanced portfolio, 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)	**2007**	**2006**	**2005**
Net cash provided by (used in):			
Operating activities	**$ 471.7**	$ 409.2	$ 315.3
Investing activities	**(386.1)**	(359.4)	(645.2)
Financing activities	**(77.7)**	(84.2)	369.3
Effect of exchange rate changes on cash	**12.7**	14.7	(12.6)
Net change in cash and cash equivalents	**$ 20.6**	$ (19.7)	$ 26.8

Cash From Operating Activities – Net cash provided by operating activities in 2007 was a record $471.7 million, an increase of $62.5 million from 2006. The increased cash from operations in 2007 resulted from the following factors:

- Increased net income in 2007 compared with 2006.
- Increase in other liabilities primarily due to customer advance payments in the railway track maintenance services and equipment business.
- Partially offsetting the above cash sources were increased inventories due to the timing of shipment at the railway track maintenance services and equipment business as well as increased inventory purchases required to meet customer demand, principally in the Access Services Segment.

Cash Used in Investing Activities – In 2007, cash used in investing activities consisted of a $254.6 million use of cash, principally related to the purchase of Excell Minerals in February 2007. Also, capital investments in 2007 were $443.6 million, an increase of $103.4 million from 2006. Approximately 56% of the investments were for projects intended to grow future revenues. Investments were made predominantly for the industrial services businesses, with 51% in the Access Services Segment and 44% in the Mill Services Segment. Partially offsetting these uses of cash were cash proceeds of $301.8 million from the completion of the sale of the Gas Technologies Segment. The Company plans to continue to manage its balanced portfolio and invest in value-creation projects including prudent, bolt-on acquisitions, principally in the industrial services business. 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 acquisitions and divestitures.

Cash Used in Financing Activities – The following table summarizes the Company's debt and capital positions as of December 31, 2007 and 2006.

(Dollars are in millions)	December 31 2007	December 31 2006
Notes Payable and Current Maturities	**$ 68.7**	$ 198.2
Long-term Debt	**1,012.1**	864.8
Total Debt	**1,080.8**	1,063.0
Total Equity	**1,566.1**	1,146.4
Total Capital	**$ 2,646.9**	$ 2,209.4
Total Debt to Total Capital	**40.8%**	48.1%

The Company's debt as a percentage of total capital decreased in 2007. Overall debt increased due to foreign currency translation resulting from the weakening of the U.S. dollar primarily in comparison with the euro. Additionally, total equity increased due principally to increased net income in 2007, foreign currency translation, and pension adjustments related to the adoption of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)" ("SFAS 158"), partially offset by stockholder dividends.

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, 2007, the Company could increase borrowings by approximately $1,267.9 million and still be within its debt covenants. Alternatively, keeping all other factors constant, the Company's equity could decrease by approximately $845.3 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 or a disposition of a significant portion of the Company's assets. 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, prudent investing for strategic purposes for the foreseeable future. The goal of this strategy is to improve the Company's 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. Consistent with the 2007 results, meaningful improvement in EVA was achieved compared with 2006.

The Company is committed to continue paying dividends to stockholders. The Company has increased the dividend rate for fourteen consecutive years, and in February 2008, the Company paid its 231st consecutive quarterly cash dividend. The Company also plans to use discretionary cash flows to pay down debt. Additionally, the Company announced in February 2008, plans to begin the repurchase of an undetermined number of shares of the Company's common stock under its stock repurchase authorization. Repurchases will be made in open market transactions at times and amounts as management deems appropriate, depending on market conditions. Any repurchase may commence or be discontinued at any time. The Company has authorization to repurchase up to two million of its shares through January 31, 2009.

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 prudently and strategically in high-return projects and acquisitions, to reduce debt and pay 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 reserves, contingencies and income taxes. The impact of changes in these estimates, as necessary, is reflected in the respective segment's operating income in the period of the change. 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 outcomes, assumptions or conditions.

The Company believes the following critical accounting policies are affected by 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 $42.0 million (including $10.1 million of voluntary payments) and $37.2 million (including $10.6 million voluntary payments) during 2007 and 2006, respectively. Additionally, the Company expects to make a minimum of $24.5 million in cash contributions to its defined benefit pension plans during 2008 and will likely continue its practice of voluntary payments of at least approximately $10 million.

For the year 2005, the Company accounted 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. At December 31, 2005, the adjustment to recognize the additional minimum liability required under SFAS 87 impacted accumulated other comprehensive loss in the Stockholders' Equity section of the Consolidated Balance Sheets by $14.7 million, net of deferred income taxes.

As of December 31, 2006, the Company accounted for its defined benefit pension plans in accordance with SFAS 158, which requires the Company to recognize in its balance sheet, the overfunded or underfunded status of its defined benefit postretirement plans measured as the difference between the fair value of the plan assets and the benefit obligation (projected benefit obligation for a pension plan) as an asset or liability. The charge or credit is recorded as adjustment to accumulated other comprehensive income (loss), net of tax. This reduced the Company's equity on an after-tax basis by approximately $88.2 million compared with measurement under prior standards. The results of operations were not affected. The adoption of SFAS 158 did not have a negative impact on compliance with the Company's debt covenants.

As of December 31, 2007, the Company recorded an after-tax credit of $56.3 million to accumulated other comprehensive loss. This is due to actuarial gains as a result of actual pension asset returns being higher than assumed pension asset returns, coupled with a higher discount rate for estimating the defined benefit pension obligations.

During 2008, the Company will eliminate the early measurement dates for its defined benefit pension plans. In accordance with SFAS 158, the incremental effect of this transition will result in an adjustment to beginning retained earnings. The Company currently estimates that this change will result in a net increase of approximately $0.7 million to beginning Stockholders' Equity as of January 1, 2008.

Management implemented a three-part strategy in 2002 and 2003 to deal with the adverse market forces that had increased the unfunded benefit obligations of the Company. 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 task force continues to evaluate alternative strategies to further reduce overall pension expense including the consideration of converting the remaining defined benefit plans to defined contribution plans; 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, 2007 measurement date for the U.K. defined benefit pension plan and the October 31, 2007 measurement date for the U.S. defined benefit pension plans were 5.8% and 6.17%, respectively. These rates were used in calculating the Company's projected benefit obligations as of December 31, 2007. 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, 2007, 2006 and 2005 were 5.9%, 5.3% and 5.3%, respectively. Annual pension expense is determined using the discount rates as of the measurement date, which for 2008 is the 5.9% 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 2007, the global weighted-average expected long-term rate-of-return on asset assumption was 7.6%. For 2008, the expected global long-term rate-of-return on assets will remain the same at 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 2008 defined benefit pension expense is expected to stabilize. Total pension expense increased from 2006 to 2007 by $2.8 million due principally to increased multi-employer and defined contribution pension plan costs resulting from increased volume in the Access Services and Mill Services Segments, partially offset by lower defined benefit pension expense in the United States and United Kingdom due to higher expected returns on plan assets. From 2005 to 2006, pension expense increased by $5.9 million due principally to increased multi-employer and defined contribution pension plan costs resulting from increased volume in the Access Services and Mill Services Segments.

Changes in defined benefit pension 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, using December 31, 2007 plan data, 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 2008 pre-tax defined benefit pension expense as follows:

	Approximate Changes in Pre-tax Defined Benefit Pension Expense	
	U.S. Plans	**U.K. Plan**
Discount rate		
One-half percent increase	Decrease of $0.1 million	Decrease of $4.1 million
One-half percent decrease	Increase of $0.1 million	Increase of $4.5 million

	Approximate Changes in Pre-tax Defined Benefit Pension Expense	
	U.S. Plans	**U.K. Plan**
Expected long-term rate-of-return on plan assets		
One-half percent increase	Decrease of $1.4 million	Decrease of $3.9 million
One-half percent decrease	Increase of $1.4 million	Increase of $3.9 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 and SFAS 158. 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 under the provisions of SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" ("SFAS 88").

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 at times 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, 2007 and 2006, receivables of $824.1 million and $753.2 million, respectively, were net of reserves of $25.6 million and $25.4 million, respectively.

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 2007, 2006 and 2005 were $7.8 million, $9.2 million and $6.3 million, respectively. The decrease from 2006 to 2007 is due to lower bad debt expense in the Access Services and Mill Services Segments. The increase from 2005 to 2006 related principally to the acquisition of businesses in the fourth quarter of 2005 and overall increased revenues.

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 $720.1 million and $612.5 million, as of December 31, 2007 and 2006, 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, 2007 and 2006, 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 continuing operations income related to impaired long-lived assets were $0.9 million, $0.2 million and $0.6 million in 2007, 2006 and 2005, respectively.

Critical Estimate – Asset Impairment

The determination of a long-lived asset impairment loss involves significant judgments based upon short-term 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, 2007 and 2006, inventories of $310.9 million and $285.2 million, respectively, are net of lower of cost or market reserves and obsolescence reserves of $13.9 million and $14.3 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 year-end adjustments resulted in pre-tax income/(expense) of $1.4 million, $(2.3) million and $3.5 million in 2007, 2006 and 2005, 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, 2007 and 2006, the Company has recorded liabilities of $112.0 million and $103.4 million, respectively, related to both asserted as well as unasserted insurance claims. At December 31, 2007 and 2006, $25.9 million and $18.9 million, respectively, is included in insurance liabilities related to claims covered by insurance carriers for which a corresponding receivable has been recorded.

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 2007, 2006 and 2005, the Company recorded a retrospective insurance reserve adjustment that decreased pre-tax insurance expense from continuing operations for self-insured programs by $1.2 million, $1.3 million, and $3.5 million, respectively. The Company has programs in place to improve claims experience, such as aggressive claim and insured litigation management and a focused approach to 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 income before income taxes and minority interest 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, 2007, 2006 and 2005, the Company’s net effective income tax rate on income from continuing operations was 30.7%, 32.5% and 27.9%, 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 $15.3 million and $13.9 million as of December 31, 2007 and 2006, respectively.

Critical Estimate – Income Taxes

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.

The Company adopted the provisions of FASB Interpretation (“FIN”) No. 48, “Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109” (“FIN 48”), effective January 1, 2007. As a result of the adoption, the Company recognized a cumulative effect reduction to the January 1, 2007 retained earnings balance of $0.5 million. As of the adoption date, the Company had gross tax-affected unrecognized income tax benefits of $46.0 million, of which $17.8 million, if recognized, would affect the Company’s effective income tax rate. Of this amount, $0.8 million was classified as current and $45.2 million was classified as non-current on the Company’s balance sheet. While the Company believes it has adequately provided for all tax positions, amounts asserted by taxing authorities could be different than the accrued position.

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 $3.2 million, $2.8 million and $2.5 million in internal research and development programs in 2007, 2006 and 2005, respectively. Internal funding for research and development was as follows:

	Research and Development Expense		
(In millions)	**2007**	**2006**	**2005**
Access Services Segment	**$ 0.7**	$ 0.7	$ 0.5
Mill Services Segment	**1.3**	1.1	1.4
Segment Totals	**2.0**	1.8	1.9
All Other Category - Minerals & Rail Services and Products	**1.2**	1.0	0.6
Consolidated Totals	**$ 3.2**	$ 2.8	$ 2.5

Backlog

As of December 31, 2007, the Company's order backlog, exclusive of long-term mill services contracts, access services, roofing granules and slag abrasives, and minerals and recycling technologies services, was $448.1 million compared with $236.5 million as of December 31, 2006, an 89% increase. Of the order backlog at December 31, 2007, approximately $248.6 million or 55% is not expected to be filled in 2008. Of the order backlog not expected to be filled in 2008, approximately 74% and 26% is expected to be filled in 2009 and 2010, respectively.

The increase in order backlog is principally due to increased order backlog for railway track maintenance equipment as a result of orders from the Chinese Ministry of Railways, along with increased order backlog of process equipment, air-cooled heat exchangers and industrial grating products. These were partially offset by decreased order backlog for railway track maintenance services. 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 short order lead times of the products provided. Backlog for minerals and recycling technologies is not included in the total backlog amount because it is generally not quantifiable due to short order lead times of the products and services provided.

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 short order lead times for certain services, the nature and timing of the products and services provided and equipment rentals with the ultimate length of the rental period often unknown.

Mill services contracts have an estimated future value of $5.0 billion at December 31, 2007 compared with $4.4 billion at December 31, 2006. Approximately 61% of these revenues are expected to be recognized by December 31, 2010. The majority of the remaining revenues are expected to be recognized between January 1, 2011 and December 31, 2016.

Dividend Action

The Company paid four quarterly cash dividends of $0.1775 per share in 2007, for an annual rate of $0.71. This is an increase of 9.2% from 2006. Historical dividend data has been restated to reflect the two-for-one stock split that was effective at the close of business March 26, 2007. At the November 2007 meeting, the Board of Directors increased the dividend by 9.9% to an annual rate of $0.78 per share. The Board normally reviews the dividend rate periodically during the year and annually at its November meeting. There are no significant restrictions on the payment of dividends.

The February 2008 payment marked the 231st consecutive quarterly dividend paid at the same or at an increased rate. In 2007, 19.9% 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

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.

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 and procedures may deteriorate.

Management has assessed the effectiveness of its internal control over financial reporting as of December 31, 2007 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, 2007.

The Company's internal control over financial reporting as of December 31, 2007 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing below, which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2007.

/S/ Salvatore D. Fazzolari

Salvatore D. Fazzolari
Chief Executive Officer
February 29, 2008

/S/ Stephen J. Schnoor

Stephen J. Schnoor
Senior Vice President and Chief Financial Officer
February 29, 2008

PRICEWATERHOUSECOOPERS

To The Stockholders of Harsco Corporation:

In our opinion, the accompanying 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, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007 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. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide 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.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 29, 2008

HARSCO CORPORATION
CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)	December 31 2007	December 31 2006
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 121,833**	$ 101,260
Accounts receivable, net	**824,094**	753,168
Inventories	**310,931**	285,229
Other current assets	**88,016**	88,398
Assets held-for-sale	**463**	3,567
Total current assets	**1,345,337**	1,231,622
Property, plant and equipment, net	**1,535,214**	1,322,467
Goodwill, net	**720,069**	612,480
Intangible Assets, net	**188,864**	88,164
Other assets	**115,946**	71,690
Total assets	**$ 3,905,430**	$ 3,326,423
LIABILITIES		
Current liabilities:		
Short-term borrowings	**$ 60,323**	$ 185,074
Current maturities of long-term debt	**8,384**	13,130
Accounts payable	**307,814**	287,006
Accrued compensation	**108,871**	95,028
Income taxes payable	**41,300**	61,967
Dividends payable	**16,444**	15,983
Insurance liabilities	**44,823**	40,810
Advances on contracts	**52,763**	12,331
Other current liabilities	**233,248**	199,446
Total current liabilities	**873,970**	910,775
Long-term debt	**1,012,087**	864,817
Deferred income taxes	**174,423**	103,592
Insurance liabilities	**67,182**	62,542
Retirement plan liabilities	**120,536**	189,457
Other liabilities	**91,113**	48,876
Total liabilities	**2,339,311**	2,180,059
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred stock, Series A junior participating cumulative preferred stock	**—**	—
Common stock, par value $1.25, issued 110,932,619 and 68,491,523 shares as of December 31, 2007 and 2006, respectively	**138,665**	85,614
Additional paid-in capital	**128,622**	166,494
Accumulated other comprehensive loss	**(2,501)**	(169,334)
Retained earnings	**1,904,502**	1,666,761
Treasury stock, at cost (26,472,753 and 26,472,843, respectively)	**(603,169)**	(603,171)
Total stockholders' equity	**1,566,119**	1,146,364
Total liabilities and stockholders' equity	**$ 3,905,430**	$ 3,326,423

See accompanying notes to consolidated financial statements.

HARSCO CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts) Years ended December 31		2007		2006 (a)		2005 (a)
Revenues from continuing operations:						
Service sales	**$**	**3,166,561**	$	2,538,068	$	1,928,539
Product sales		**521,599**		487,545		467,470
Total revenues		**3,688,160**		3,025,613		2,396,009
Costs and expenses from continuing operations:						
Cost of services sold		**2,316,904**		1,851,230		1,425,222
Cost of products sold		**368,600**		351,962		353,975
Selling, general and administrative expenses		**538,233**		472,790		361,447
Research and development expenses		**3,175**		2,846		2,438
Other expenses		**3,443**		2,476		1,891
Total costs and expenses		**3,230,355**		2,681,304		2,144,973
Operating income from continuing operations		**457,805**		344,309		251,036
Equity in income of unconsolidated entities, net		**1,049**		192		74
Interest income		**4,968**		3,582		3,063
Interest expense		**(81,383)**		(60,479)		(41,917)
Income from continuing operations before income taxes and minority interest		**382,439**		287,604		212,256
Income tax expense		**(117,598)**		(93,354)		(59,122)
Income from continuing operations before minority interest		**264,841**		194,250		153,134
Minority interest in net income		**(9,726)**		(7,848)		(8,646)
Income from continuing operations		**255,115**		186,402		144,488
Discontinued operations:						
Income from operations of discontinued business		**26,897**		14,070		17,501
Gain on disposal of discontinued business		**41,414**		28		261
Income tax expense		**(23,934)**		(4,102)		(5,593)
Income from discontinued operations		**44,377**		9,996		12,169
Net Income	**$**	**299,492**	$	196,398	$	156,657
Average shares of common stock outstanding		**84,169**		83,905		83,284
Basic earnings per common share:						
Continuing operations	**$**	**3.03**	$	2.22	$	1.73
Discontinued operations		**0.53**		0.12		0.15
Basic earnings per common share	**$**	**3.56**	$	2.34	$	1.88
Diluted average shares of common stock outstanding		**84,724**		84,430		84,161
Diluted earnings per common share:						
Continuing operations	**$**	**3.01**	$	2.21	$	1.72
Discontinued operations		**0.52**		0.12		0.14
Diluted earnings per common share	**$**	**3.53**	$	2.33	$	1.86

(a) Income statement information restated to reflect the Gas Technologies business group as Discontinued Operations.

See accompanying notes to consolidated financial statements.

HARSCO CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands) Years ended December 31	2007	2006	2005
Cash flows from operating activities:			
Net income	**$ 299,492**	$ 196,398	$ 156,657
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Depreciation	**277,397**	245,397	195,139
Amortization	**29,016**	7,585	2,926
Equity in income of unconsolidated entities, net	**(1,049)**	(188)	(74)
Dividends or distributions from unconsolidated entities	**181**	—	170
Gain on disposal of discontinued business	**(41,414)**	(28)	(261)
Other, net	**(662)**	8,036	8,395
Changes in assets and liabilities, net of acquisitions and dispositions of businesses:			
Accounts receivable	**(60,721)**	(27,261)	(64,580)
Inventories	**(106,495)**	(20,347)	(25,908)
Accounts payable	**18,268**	13,017	10,787
Other assets and liabilities	**57,727**	(13,370)	32,028
Net cash provided by operating activities	**471,740**	409,239	315,279
Cash flows from investing activities:			
Purchases of property, plant and equipment	**(443,583)**	(340,173)	(290,239)
Purchase of businesses, net of cash acquired*	**(254,639)**	(34,333)	(394,493)
Proceeds from sales of assets	**317,189**	17,650	39,543
Other investing activities	**(5,092)**	(2,599)	4
Net cash used by investing activities	**(386,125)**	(359,455)	(645,185)
Cash flows from financing activities:			
Short-term borrowings, net	**(137,645)**	73,050	73,530
Current maturities and long-term debt:			
Additions	**1,023,282**	315,010	571,928
Reductions	**(908,295)**	(423,769)	(230,010)
Cash dividends paid on common stock	**(59,725)**	(54,516)	(49,928)
Common stock issued-options	**11,765**	11,574	9,097
Other financing activities	**(7,069)**	(5,545)	(5,292)
Net cash provided (used) by financing activities	**(77,687)**	(84,196)	369,325
Effect of exchange rate changes on cash	**12,645**	14,743	(12,583)
Net increase/(decrease) in cash and cash equivalents	**20,573**	(19,669)	26,836
Cash and cash equivalents at beginning of period	**101,260**	120,929	94,093
Cash and cash equivalents at end of period	**$ 121,833**	$ 101,260	$ 120,929
***Purchase of businesses, net of cash acquired**			
Working capital, other than cash	**$ (17,574)**	$ (2,547)	$ (26,831)
Property, plant and equipment	**(45,398)**	(15,106)	(169,172)
Other noncurrent assets and liabilities, net	**(191,667)**	(16,680)	(198,490)
Net cash used to acquire businesses	**$ (254,639)**	$ (34,333)	$ (394,493)

See accompanying notes to consolidated financial statements.

HARSCO CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except share and per share amounts)	Common Stock Issued	Common Stock Treasury	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Unearned Stock-Based Compensation	Total
Balances, January 1, 2005	$ 84,889	$ (603,377)	$ 139,532	$ 1,420,637	$ (127,491)	$ —	$ 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
Net income				196,398			196,398
Adoption of SFAS 123(R)			(1,118)			1,118	—
Cash dividends declared, $1.33 per share				(55,853)			(55,853)
Translation adjustments, net of $(5,643) deferred income taxes					91,578		91,578
Cash flow hedging instrument adjustments, net of $(72) deferred income taxes					134		134
Pension liability adjustments, net of $1,307 deferred income taxes					(5,523)		(5,523)
Adoption of SFAS 158, net of $40,313 deferred income taxes					(88,207)		(88,207)
Marketable securities unrealized gains, net of $1 deferred income taxes					2		2
Stock options exercised, 234,419 shares	292	19	11,659				11,970
Other, 1,085 shares, and 50,700 restricted stock units (net of forfeitures)		35	(3)				32
Amortization of unearned compensation on restricted stock units			1,939				1,939
Balances, December 31, 2006	$ 85,614	$ (603,171)	$ 166,494	$ 1,666,761	$ (169,334)	$ —	$ 1,146,364
Cumulative effect from adoption of FIN 48				(499)			(499)
Beginning Balances, January 1, 2007	$ 85,614	$ (603,171)	$ 166,494	$ 1,666,262	$ (169,334)	$ —	$ 1,145,865
Net income				299,492			299,492
2-for-1 stock split, 42,029,232 shares	52,536		(52,536)				—
Cash dividends declared, $0.71 per share				(61,252)			(61,252)
Translation adjustments, net of $(4,380) deferred income taxes					110,451		110,451
Cash flow hedging instrument adjustments, net of $(64) deferred income taxes					119		119
Pension liability adjustments, net of $(24,520) deferred income taxes					56,257		56,257
Marketable securities unrealized gains, net of $(3) deferred income taxes					6		6
Stock options exercised, 411,864 shares	515		11,224				11,739
Other, 90 shares, and 82,700 restricted stock units (net of forfeitures)		2	26				28
Amortization of unearned compensation on restricted stock units			3,414				3,414
Balances, December 31, 2007	**$ 138,665**	**$ (603,169)**	**$ 128,622**	**$ 1,904,502**	**$ (2,501)**	**$ —**	**$ 1,566,119**

See accompanying notes to consolidated financial statements.

HARSCO CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands) **Years ended December 31**	**2007**	**2006**	**2005**
Net Income	**$ 299,492**	$ 196,398	$ 156,657
Other comprehensive income (loss):			
Foreign currency translation adjustments	**110,451**	91,578	(54,399)
Net gains (losses) on cash flow hedging instruments, net of deferred income taxes of $2, $(40) and $79 in 2007, 2006 and 2005, respectively	**(3)**	75	(147)
Reclassification adjustment for (gain)/loss on cash flow hedging instruments, net of deferred income taxes of $(66), $(32), and $3 in 2007, 2006 and 2005, respectively	**122**	59	(5)
Pension liability adjustments, net of deferred income taxes of $(24,520), $1,307 and $(6,407) in 2007, 2006 and 2005, respectively	**56,257**	(5,523)	14,724
Unrealized gain on marketable securities, net of deferred income taxes of $(3) and $(1) in 2007 and 2006, respectively	**6**	2	—
Other comprehensive income (loss)	**166,833**	86,191	(39,827)
Total comprehensive income	**$ 466,325**	$ 282,589	$ 116,830

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 four entities in which it has an equity interest of 49% to 50% and exercises management control. These four entities had combined revenues of approximately $117.0 million, $85.6 million and $81.5 million, or 3.2%, 2.8% and 3.4% of the Company's total revenues for the years ended 2007, 2006 and 2005, respectively. 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 the Gas Technologies Segment that is currently classified as Discontinued Operations in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144") as discussed in Note 2, "Acquisitions and Dispositions." Additionally, all historical share and per share data have been restated to reflect the two-for-one stock split that was effective at the close of business on March 26, 2007. As a result of these reclassifications, certain 2006 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 principally 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 All Other Category (Minerals & Rail Services and Products). 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 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 service sales of the All Other Category (Minerals & Rail Services and Products). Product sales include the manufacturing businesses of the All Other Category (Minerals & Rail Services and Products).

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.

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.

All Other Category (Minerals & Rail Services and Products) – This category includes the Harsco Track Technologies, Reed Minerals, IKG Industries, Patterson-Kelley, Air-X-Changers and Excell Minerals operating segments. These operating segments principally sell products. The Harsco Track Technologies Division and Excell Minerals Division sell products and provide 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 also provides services predominantly on a long-term, time-and-materials contract basis. Revenue is recognized when earned as services are performed. The Excell Minerals Division also 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.

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. Beginning in 2007, income tax contingencies were measured under FASB Interpretation ("FIN") 48, "Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109" ("FIN 48").

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 2007, 2006 and 2005, the Company recorded insurance expense from continuing operations related to these lines of coverage of approximately $37 million, $34 million and $30 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 2007, 2006 and 2005, the Company recorded retrospective insurance reserve adjustments that decreased pre-tax insurance expense from continuing operations for self insured programs by $1.2 million, $1.3 million, and $3.5 million, respectively. At December 31, 2007 and 2006, the Company has recorded liabilities of $112.0 million and $103.4 million, respectively, related to both asserted as well as unasserted insurance claims. Included in the balance at December 31, 2007 and 2006 were $25.9 million and $18.9 million, respectively, 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 in the Consolidated Balance Sheets.

Warranties
The Company has recorded product warranty reserves of $2.9 million, $4.8 million and $5.0 million as of December 31, 2007, 2006 and 2005, 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, 2007, 2006 and 2005:

Warranty Activity

(In thousands)	**2007**	2006	2005
Balance at the beginning of the period	**$ 4,805**	$ 4,962	$ 4,161
Accruals for warranties issued during the period	**3,112**	3,371	3,851
Increase/(reductions) related to pre-existing warranties	**(1,112)**	(868)	60
Divestiture	**(980)**	—	—
Warranties paid	**(2,810)**	(2,731)	(3,083)
Other (principally foreign currency translation)	**(108)**	71	(27)
Balance at end of the period	**$ 2,907**	$ 4,805	$ 4,962

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 2002 and 2003, the Company ceased granting stock options to employees and non-employee directors, respectively.

The Company's net income and earnings 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 (revised 2004), "Share-Based Payment" ("SFAS 123(R)").

Pro forma Impact of SFAS 123(R) on Earnings

(In thousands, except per share)		2005
Net income:		
As reported	$	156,657
Compensation expense (a)		—
Pro forma	$	156,657
Basic earnings per share:		
As reported	$	1.88
Pro forma		1.88
Diluted earnings per share:		
As reported		1.86
Pro forma		1.86

(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 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

FASB Interpretation (“FIN”) 48, “Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109” (“FIN 48”)

In July 2006, the FASB issued FIN 48, which clarifies the accounting for uncertainty in income taxes recognized in an entity’s financial statements in accordance with SFAS No. 109, “Accounting for Income Taxes.” It prescribes a recognition threshold and measurement attribute for financial statement recognition and disclosure of tax positions taken or expected to be taken on a tax return. The provisions of FIN 48 are required to be applied to all tax positions upon initial adoption with any cumulative effect adjustment to be recognized as an adjustment to retained earnings. FIN 48 is effective for fiscal periods beginning after December 15, 2006 (January 1, 2007 for the Company). The Company implemented FIN 48 effective January 1, 2007 and recognized a cumulative effect reduction to 2007 beginning retained earnings of $0.5 million.

SFAS No. 157, “Fair Value Measurements” (“SFAS 157”)

In September 2006, the FASB issued SFAS 157 to provide a single definition of fair value, establish a framework for measuring fair value in U.S. generally accepted accounting principles (“GAAP”), and expand the disclosure requirements regarding fair value measurements. SFAS 157 is applicable in the application of other accounting pronouncements that require or permit fair value measurements, but does not require new fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007 (January 1, 2008 for the Company), with limited retrospective application required. SFAS 157 was amended by FASB Staff Position No.157-1, “Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13” (“FSP SFAS 157-1”) and FASB Staff Position No. 157-2, “Effective Date of FASB Statement No. 157” (“FSP SFAS 157-2”). FSP SFAS 157-1 excludes FASB Statement No. 13, “Accounting for Leases”, as well as other accounting pronouncements that address fair value measurements on lease classification or measurement under Statement 13, from the scope of SFAS 157. FSP FAS 157-2 delays the effective date of SFAS 157 for all nonrecurring fair value measurements of nonfinancial assets and nonfinancial liabilities until fiscal years beginning after November 15, 2008 (January 1, 2009 for the Company). The Company implemented SFAS 157 effective January 1, 2008, and it did not have a material impact on the Company’s financial position, results of operations or cash flows.

SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities” (“SFAS 159”).

In February 2007, the FASB issued SFAS 159, which permits all entities to choose to measure eligible items at fair value at specified election dates. Unrealized gains and losses on items for which the fair value option has been elected will be reported in earnings at each subsequent reporting date. The fair value option may be applied financial instrument by financial instrument (with limited exceptions), is generally irrevocable, and must be applied to the entire financial instrument. SFAS 159 is effective for fiscal years that begin after November 15, 2007 (January 1, 2008 for the Company). The Company implemented SFAS 159 effective January 1, 2008, and it did not have a material impact on the Company’s financial position, results of operations or cash flows.

SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements” (“SFAS 160”).

In December 2007, the FASB issued SFAS 160, which amends ARB No. 51, “Consolidated Financial Statements.” SFAS 160 requires the reporting of noncontrolling (minority) interest in subsidiaries to be measured at fair value and classified as a separate component of equity. The accounting for transactions between an entity and noncontrolling interest must be treated as equity transactions. SFAS 160 is effective for fiscal years that begin after December 15, 2008 (January 1, 2009 for the Company). The Company is currently evaluating the requirements of SFAS 160, and has not yet determined the impact on the consolidated financial statements.

SFAS No. 141(R), “Business Combinations” (“SFAS 141(R)”)

In December 2007, the FASB issued SFAS 141(R) which significantly modifies the accounting for business combinations. SFAS 141(R) requires the acquiring entity in a business combination to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions. Liabilities related to contingent consideration are required to be recognized at acquisition and remeasured at fair value in each subsequent reporting period. Restructuring charges, and all pre-acquisition related costs (e.g., deal fees for attorneys, accountants and investment bankers), must be expensed in the period they are incurred. In addition, changes to acquisition-related deferred tax assets and unrecognized tax benefits recorded under FIN 48 made subsequent to the measurement period will generally impact income tax expense in that period as opposed to being recorded to goodwill.   SFAS 141(R), is effective for fiscal years that begin after December 15, 2008 (January 1, 2009 for the Company). The Company is currently evaluating the requirements of SFAS 141(R), and has not yet determined the impact on the consolidated financial statements.

2. Acquisitions and Dispositions

Acquisitions

In August 2007, the Company acquired Alexander Mill Services International ("AMSI"), a privately held company that provides mill services to some of the leading steel producers in Poland and Romania. AMSI also provides mill services on a smaller scale in Greece and Portugal. AMSI recorded 2006 revenues of approximately $21 million and has been included in the Mill Services Segment.

In August 2007, the Company acquired ZETA-TECH Associates, Inc. ("ZETA-TECH"), a Cherry Hill, NJ-based niche technical services and applied technology company serving the railway industry with specialized expertise in railway engineering services and track maintenance software. ZETA-TECH produces a range of proprietary software tools that are used by railways to regularly monitor and evaluate the performance of their rail and track assets. ZETA-TECH recorded 2006 revenues of approximately $4 million and has been included in the Company's Harsco Track Technologies Division of the All Other Category (Minerals & Rail Services and Products).

In April 2007, the Company acquired Performix Technologies, Ltd. ("Performix"), an Ohio-based company that is one of the United States' leading producers of specialty additives used by steelmakers in the ladle refining of molten steel. Performix operates from two plants in the United States and serves most of the major steelmakers in the upper Midwest and Canada. Performix recorded 2006 sales of approximately $29 million and employs approximately 60 people. Performix has been included in the Mill Services Segment.

In February 2007, the Company acquired Excell Materials, Inc. ("Excell"), a Pittsburgh-based multinational company, for approximately $210 million, which excluded direct acquisition costs. Excell specializes in the reclamation and recycling of high-value content from principally steelmaking slag. Excell is also involved in the development of mineral-based products for commercial applications. Excell recorded 2006 sales in excess of $100 million and maintains operations at nine locations in the United States, Canada, Brazil, South Africa and Germany. Goodwill recognized in this transaction (based on foreign exchange rates at the transaction date) was $101.9 million, none of which is expected to be deductible for U.S. income tax purposes. Excell has been included in the All Other Category (Minerals & Rail Services and Products) and has been renamed Excell Minerals to emphasize its long-term growth strategy.

In November 2006, the Company acquired the Santiago, Chile-based company Moldajes y Andamios TH S.A. ("MyATH"), a supplier of rental formwork, scaffolding and related services to the construction, infrastructure and building maintenance sectors. MyATH employs approximately 100 people and its annual revenues are approximately $8 million. MyATH has been included in the Access Services Segment.

In November 2006, the Company acquired the conveyor services and trading arm of Technic Gum, a Belgium-based provider of conveyor belt maintenance services for the steel and cement-producing industries. Technic Gum recorded revenues of approximately $8 million in 2005 and employs approximately 50 people. Technic Gum has been included in the Mill Services Segment.

In July 2006, the Company acquired the assets of UK-based Cape PLC's Cleton industrial maintenance services ("Cleton") subsidiaries in Holland, Belgium and Germany for €8 million (approximately $10 million). Cleton posted 2005 revenues in excess of $50 million and employs close to 400 people. Cleton specializes in providing scaffolding and related insulation services for the maintenance of large-scale industrial plants, and serves some of the largest oil refinery, petrochemical, and process plant sites in the Benelux countries. Cleton has been included in the Access Services Segment.

Dispositions

Consistent with the Company's strategic focus to grow and allocate financial resources to its industrial services businesses, on December 7, 2007, the Company sold the Gas Technologies business group to Wind Point Partners, a private equity investment firm with offices in Chicago, Illinois. The terms of the sale include a total purchase price of $340 million, including $300 million paid in cash at closing and $40 million payable in the form of an earnout, contingent on the Gas Technologies group achieving certain performance targets in 2008 or 2009. The Company recorded a $26.4 million after-tax gain on the sale. The amount of this gain is not final at December 31, 2007 due to final working capital adjustments and the potential earnout. This business recorded revenues and operating income of $384.9 million and $26.9 million, $397.7 million and $14.2 million and $370.2 million and $17.9 million, respectively, for the years ended 2007, 2006 and 2005. The Consolidated Statements of Income for the years ended 2007, 2006 and 2005 have been restated to include the Gas Technologies Segment's results in discontinued operations.

The major classes of assets and liabilities sold as part of this transaction were as follows:

(In thousands)		**December 7, 2007**
ASSETS		
Accounts receivable, net	**$**	**61,444**
Inventories		**103,592**
Other current assets		**2,608**
Property, plant and equipment, net		**72,814**
Goodwill, net		**36,930**
Other assets		**2,617**
Total assets sold	**$**	**280,005**
LIABILITIES		
Accounts payable	**$**	**28,210**
Accrued compensation		**2,354**
Income taxes payable		**449**
Other current liabilities		**11,528**
Retirement plan liabilities		**959**
Total liabilities sold	**$**	**43,500**

Assets Held for Sale
Throughout the past several years, management approved the sale of certain long-lived assets (primarily land and buildings) throughout the Company's operations. The net property, plant and equipment reflected as assets held-for-sale in the December 31, 2007 and 2006 Consolidated Balance Sheets were $0.5 million and $3.6 million, respectively.

3. Accounts Receivable and Inventories

At December 31, 2007 and 2006, accounts receivable of $824.1 million and $753.2 million, respectively, were net of allowances for doubtful accounts of $25.6 million and $25.4 million, respectively. Gross accounts receivable included trade accounts receivable of $805.2 million and $737.1 million at December 31, 2007 and 2006, respectively. Other receivables included insurance claim receivables of $20.2 million and $18.9 million at December 31, 2007 and 2006, respectively. The increase in accounts receivable and the allowance for doubtful accounts from December 31, 2006 related principally to increased sales, and positive foreign currency translation, partially offset by net effect of acquisitions and divestitures discussed in Note 2, "Acquisitions and Dispositions." The provision for doubtful accounts was $7.8 million, $9.2 million and $6.3 million for 2007, 2006 and 2005, respectively.

Inventories consist of the following:

(In thousands)	Inventories 2007	2006
Finished goods	**$ 161,013**	$ 117,072
Work-in-process	**23,776**	31,489
Raw materials and purchased parts	**76,735**	96,750
Stores and supplies	**49,407**	39,918
Total inventories	**$ 310,931**	$ 285,229
Valued at lower of cost or market:		
Last-in, first out (LIFO) basis	**$ 99,433**	$ 138,643
First-in, first out (FIFO) basis	**16,742**	28,165
Average cost basis	**194,756**	118,421
Total inventories	**$ 310,931**	$ 285,229

The increase in inventory balances related principally to increased demand in the Access Services Segment, increased demand and acquisitions in the All Other Category (Minerals & Rail Services and Products) and Mill Services Segment, and positive foreign currency translation. These were partially offset by the divestiture of the Gas Technologies Segment.

Inventories valued on the LIFO basis at December 31, 2007 and 2006 were approximately $23.4 million and $46.1 million, respectively, less than the amounts of such inventories valued at current costs. The significant change from 2006 to 2007 relates principally to the sale of the Gas Technologies Segment.

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 less than $0.1 million in 2007, and $0.3 million and $1.4 million in 2006 and 2005, respectively.

4. Property, Plant and Equipment

Property, plant and equipment consists of the following:

(In thousands)	2007	2006
Land and improvements	**$ 47,250**	$ 41,255
Buildings and improvements	**175,744**	192,575
Machinery and equipment	**2,997,425**	2,699,131
Uncompleted construction	**75,167**	52,640
Gross property, plant and equipment	**3,295,586**	2,985,601
Less accumulated depreciation	**(1,760,372)**	(1,663,134)
Net property, plant and equipment	**$ 1,535,214**	$ 1,322,467

The increase in net property, plant and equipment from 2006 to 2007 related principally to investments in the Access Services and Mill Services Segments.

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

Land improvements	5 to 20 years
Buildings and improvements	5 to 40 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. The Company has determined that the reporting units for goodwill impairment testing purposes are the Company's operating segments. 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, 2007 and 2006 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, 2006 and 2007:

Goodwill by Segment

(In thousands)	**Access Services Segment**	**Mill Services Segment**	**All Other Category - Minerals & Rail Services and Products**	**Gas Technologies Segment**	**Consolidated Totals**
Balance as of December 31, 2005, net of accumulated amortization	$ 217,580	$ 297,219	$ 8,137	$ 36,693	$ 559,629
Goodwill acquired during year	4,704	341	—	222	5,267
Changes to Goodwill (a)	(3,251)	3,709	—	—	458
Other (b)	(3,286)	—	—	—	(3,286)
Foreign currency translation	26,190	24,223	—	(1)	50,412
Balance as of December 31, 2006, net of accumulated amortization	$ 241,937	$ 325,492	$ 8,137	$ 36,914	$ 612,480
Goodwill acquired during year (c)	—	13,621	103,935	—	117,556
Changes to Goodwill (a)	1,686	(1,301)	—	—	385
Goodwill disposed during year (d)	—	—	—	(36,930)	(36,930)
Foreign currency translation	11,233	10,499	4,830	16	26,578
Balance as of December 31, 2007, net of accumulated amortization	**$ 254,856**	**$ 348,311**	**$ 116,902**	**$ —**	**$ 720,069**

(a) Relate principally to opening balance sheet adjustments.
(b) Reduction of valuation allowance related to realization of a tax loss carryback.
(c) Relates principally to the Excell Minerals acquisition in the All Other Category - - Minerals and Rail Services and Products.
(d) Relates to the sale of the Company's Gas Technologies Segment.

Goodwill is net of accumulated amortization of $103.7 million and $109.3 million at December 31, 2007 and 2006, respectively. The reduction in accumulated amortization from December 31, 2006 is due to the sale of the Gas Technologies Segment, partially offset by foreign currency translation.

Intangible assets totaled $189.0 million, net of accumulated amortization of $45.2 million at December 31, 2007 and $88.2 million, net of accumulated amortization of $19.4 million at December 31, 2006. The following table reflects these intangible assets by major category:

Intangible Assets

(In thousands)	December 31, 2007 Gross Carrying Amount	December 31, 2007 Accumulated Amortization	December 31, 2006 Gross Carrying Amount	December 31, 2006 Accumulated Amortization
Customer relationships	**$ 157,717**	**$ 25,137**	$ 87,426	$ 7,084
Non-compete agreements	**3,382**	**2,952**	5,648	4,708
Patents	**6,805**	**4,241**	4,700	3,940
Other	**66,266**	**12,821**	9,800	3,678
Total	**$ 234,170**	**$ 45,151**	$ 107,574	$ 19,410

The increase in intangible assets for 2007 was due principally to the acquisitions discussed in Note 2, "Acquisitions and Dispositions," and foreign currency translation. 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	$ 66,753	None	6 years
Patents	2,010	None	10 years
Other (a)	52,906	None	9 years
Total	$ 121,669		

(a) Principally unpatented technology and contractual revenue.

There were no research and development assets acquired and written off in 2007, 2006 or 2005.

Amortization expense for intangible assets was $27.4 million, $6.7 million and $2.0 million for the years ended December 31, 2007, 2006 and 2005, respectively. The following table shows the estimated amortization expense for the next five fiscal years based on current intangible assets.

(In thousands)	2008	2009	2010	2011	2012
Estimated amortization expense (a)	$ 27,835	$ 26,658	$ 26,288	$ 24,912	$ 12,274

(a) These estimated amortization expense amounts do not reflect the potential effect of future foreign currency exchange rate fluctuations.

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, 2007. These credit facilities and programs are described in more detail below the table.

Summary of Credit Facilities and Commercial Paper Programs	**As of December 31, 2007**		
(In thousands)	**Facility Limit**	**Outstanding Balance**	**Available Credit**
U.S. commercial paper program	$ 550,000	$ 333,402	$ 216,598
Euro commercial paper program	291,960	132,812	159,148
Multi-year revolving credit facility (a)	450,000	—	450,000
364-day revolving credit facility (a)	450,000	—	450,000
Totals at December 31, 2007	**$ 1,741,960**	**$ 466,214**	**$ 1,275,746(b)**

(a) U.S.-based program.
(b) Although the Company has significant available credit, practically, the Company limits aggregate commercial paper and credit facility borrowings at any one time to a maximum of $900 million (the aggregate amount of the back-up facilities).

The Company has a U.S. commercial paper borrowing program under which it can issue up to $550 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 $292 million at December 31, 2007, 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, 2007 and 2006, the Company had $333.4 million and $263.4 million of U.S. commercial paper outstanding, respectively, and $132.8 million and $207.2 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, 2007 and 2006, the Company classified $8.0 million and $161.5 million of commercial paper as short-term debt, respectively. The remaining $458.2 million and $309.1 million in commercial paper at December 31, 2007 and 2006, respectively, was classified as long-term debt.

The Company has a multi-year 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. Interest rates on the facility are based upon either the announced JPMorgan Chase Bank Prime Rate, the Federal Funds Effective Rate plus a margin or LIBOR plus a margin. The Company pays a facility fee (.08% per annum as of December 31, 2007) that varies based upon its credit ratings. At December 31, 2007 and 2006, there were no borrowings outstanding on this credit facility.

During the fourth quarter of 2007, the Company entered into a new 364-day revolving credit facility in the amount of $450 million, through a syndicate of 13 banks, which matures in November 2008. Any borrowings outstanding at the termination of the facility may, at the Company's option, be repaid over the following 12 months. Interest rates on the facility are based upon either the announced JPMorgan Chase Bank Prime Rate, the Federal Funds Effective Rate plus a margin or LIBOR plus a margin. The Company pays a facility fee (.07% per annum as of December 31, 2007) that varies based upon its credit ratings. As of December 31, 2007, there were no borrowings outstanding on this credit facility.

The Company's bilateral credit facility (which expired in December 2007) was renewed in February 2008. The facility, in the amount of $50 million, 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 2008, 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, 2007 and 2006, there were no borrowings outstanding on this facility.

Short-term borrowings amounted to $60.3 million and $185.1 million (of which $8.0 million and $161.5 million was commercial paper) at December 31, 2007 and 2006, 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, 2007 and 2006 was 6.0% and 4.8%, respectively.

Long-term debt consists of the following:

(In thousands)	Long-term Debt 2007		2006	
7.25% British pound sterling-denominated notes due October 27, 2010	**$**	**395,197**	$	388,763
5.125% notes due September 15, 2013		**149,110**		148,978
Commercial paper borrowings, with a weighted average interest rate of 5.2% and 4.7% as of December 31, 2007 and 2006, respectively		**458,180**		309,109
Faber Prest loan notes due October 31, 2008 with interest based on sterling LIBOR minus .75% (5.1% and 4.5% at December 31, 2007 and 2006, respectively)		**3,120**		5,494
Industrial development bonds, with a weighted average interest rate of 4.1% as of December 31, 2006		**—**		6,500
Other financing payable in varying amounts to 2012 with a weighted average interest rate of 7.0% and 5.9% as of December 31, 2007 and 2006, respectively		**14,864**		19,103
		1,020,471		877,947
Less: current maturities		**(8,384)**		(13,130)
	$	**1,012,087**	$	864,817

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 or a disposition of a significant portion of the Company's assets. At December 31, 2007, the Company was in compliance with these covenants.

The maturities of long-term debt for the four years following December 31, 2008 are as follows:

(In thousands)		
2009	$	12,225
2010		848,063
2011		2,056
2012		633

Cash payments for interest on all debt from continuing operations were $80.3 million, $59.7 million and $42.2 million in 2007, 2006 and 2005, respectively.

7. Leases

The Company leases certain property and equipment under noncancelable operating leases. Rental expense (for continuing operations) under such operating leases was $70.4 million, $69.6 million and $49.9 million in 2007, 2006 and 2005, respectively.

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

(In thousands)		
2008	$	51,308
2009		45,403
2010		25,788
2011		17,506
2012		12,276
After 2012		28,619

Total minimum rentals to be received in the future under non-cancelable subleases as of December 31, 2007 are $14.5 million.

8. Employee Benefit Plans

Pension Benefits

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" ("SFAS 158"). The Company adopted the recognition provisions of SFAS 158 effective December 31, 2006.

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 is no longer 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 three years, 2007, 2006 and 2005, 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 the 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**		
	2007	**2006**	**2005**	**2007**	**2006**	**2005**
Pension Expense (Income)						
Defined benefit plans:						
Service cost	**$ 3,033**	$ 3,685	$ 3,380	**$ 9,031**	$ 9,168	$ 8,195
Interest cost	**15,511**	14,919	13,914	**50,118**	43,506	40,475
Expected return on plan assets	**(22,943)**	(19,942)	(19,112)	**(61,574)**	(52,081)	(44,796)
Recognized prior service costs	**686**	742	767	**938**	1,446	1,208
Recognized losses	**1,314**	2,949	3,617	**15,254**	12,882	12,247
Amortization of transition (asset) liability	**—**	(361)	(1,455)	**36**	36	117
Settlement/Curtailment loss (gain)	**2,091**	78	(3)	**—**	(51)	50
Defined benefit plans pension (income) expense	**(308)**	2,070	1,108	**13,803**	14,906	17,496
Less Discontinued Operations included in above	**2,748**	1,848	1,987	**477**	447	317
Defined benefit plans pension (income) expense – continuing operations	**(3,056)**	222	(879)	**13,326**	14,459	17,179
Multi-employer plans (a)	**13,552**	10,560	8,156	**10,361**	8,662	5,579
Defined contribution plans (a)	**8,999**	7,544	6,107	**7,589**	6,518	5,880
Pension expense – continuing operations	**$ 19,495**	$ 18,326	$ 13,384	**$ 31,276**	$ 29,639	$ 28,638

(a) 2007, 2006 and 2005 exclude discontinued operations.

The change in the financial status of the pension plans and amounts recognized in the Consolidated Balance Sheets at December 31, 2007 and 2006 are as follows:

Defined Benefit Pension Benefits	**U. S. Plans**		**International Plans**	
(In thousands)	**2007**	**2006**	**2007**	**2006**
Change in benefit obligation:				
Benefit obligation at beginning of year	**$ 266,441**	$ 255,629	**$ 981,618**	$ 798,334
Service cost	**3,033**	3,686	**9,031**	9,102
Interest cost	**15,511**	14,919	**50,118**	43,424
Plan participants' contributions	**—**	—	**2,354**	2,393
Amendments	**349**	1,159	**—**	(2,932)
Actuarial loss (gain)	**(1,857)**	3,717	**(39,523)**	57,593
Settlements/curtailments	**(1,315)**	—	**—**	(994)
Benefits paid	**(13,452)**	(12,669)	**(40,156)**	(37,639)
Obligations of added plans	**—**	—	**—**	4,204
Effect of foreign currency	**—**	—	**24,452**	108,133
Benefit obligation at end of year	**$ 268,710**	$ 266,441	**$ 987,894**	$ 981,618
Change in plan assets:				
Fair value of plan assets at beginning of year	**$ 271,899**	$ 246,680	**$ 829,927**	$ 670,149
Actual return on plan assets	**49,731**	35,685	**58,477**	72,112
Employer contributions	**3,015**	2,203	**39,016**	34,992
Plan participants' contributions	**—**	—	**2,354**	2,393
Benefits paid	**(13,452)**	(12,669)	**(38,987)**	(36,725)
Plan assets of added plans	**—**	—	**—**	3,012
Effect of foreign currency	**—**	—	**15,062**	83,994
Fair value of plan assets at end of year	**$ 311,193**	$ 271,899	**$ 905,849**	$ 829,927
Funded status at end of year	**$ 42,483**	$ 5,458	**$ (82,045)**	$ (151,691)

Defined Benefit Pension Benefits	**U. S. Plans**		**International Plans**	
(In thousands)	**2007**	**2006**	**2007**	**2006**
Amounts recognized in the Consolidated Balance Sheets consist of the following:				
Noncurrent assets	**$ 70,154**	$ 36,966	**$ 9,604**	$ 5,840
Current liabilities	**(1,172)**	(1,135)	**(1,446)**	(1,090)
Noncurrent liabilities	**(26,499)**	(30,373)	**(90,203)**	(156,441)
Accumulated other comprehensive loss before tax	**9,947**	43,650	**246,526**	295,102

Amounts recognized in accumulated other comprehensive loss consist of the following:

	U. S. Plans		**International Plans**	
(In thousands)	**2007**	**2006**	**2007**	**2006**
Net actuarial loss	**$ 8,346**	$ 39,620	**$ 240,193**	$ 288,216
Prior service cost	**1,601**	4,030	**6,026**	6,512
Transition obligation	**—**	—	**307**	374
Total	**$ 9,947**	$ 43,650	**$ 246,526**	$ 295,102

The estimated amounts that will be amortized from accumulated other comprehensive loss into defined benefit pension expense in 2008 are as follows:

(In thousands)	U. S. Plans	International Plans
Net actuarial loss	**$ 1,167**	**$ 11,854**
Prior service cost	**333**	**1,014**
Transition obligation	**—**	**31**
Total	**$ 1,500**	**$ 12,899**

Excluded from the above table is the expected settlement gain to be recognized on the final transfer of pension assets and liabilities to an authorized trust established by Wind Point Partners as a result of the Company's sale of the Gas Technologies Segment. The timing of this settlement is dependant on the establishment of the authorized trust, but is expected to occur in the first half of 2008. Upon legal transfer of the assets and liabilities, the Company expects to recognize approximately $0.5 million in settlement gains.

The Company's best estimate of expected contributions to be paid in year 2008 for the U.S. defined benefit plans is $1.2 million and for the international defined benefit plans is $23.3 million.

Contributions to multi-employer pension plans were $24.2 million, $18.3 million and $13.6 million in years 2007, 2006 and 2005, respectively. For defined contribution plans, payments were $16.6 million, $13.7 million and $12.9 million for years 2007, 2006 and 2005, respectively.

Future Benefit Payments

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

(In millions)	U.S. Plans	International Plans
2008	$ 12.6	$ 37.8
2009	14.3	40.1
2010	14.7	41.0
2011	15.8	42.4
2012	16.2	43.8
2013 - 2017	94.2	248.1

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		
	2007	**2006**	**2005**
Discount rates	**5.3%**	5.3%	5.7%
Expected long-term rates of return on plan assets	**7.6%**	7.6%	7.8%
Rates of compensation increase	**3.3%**	3.4%	3.4%

	U. S. Plans December 31			International Plans December 31		
	2007	**2006**	**2005**	**2007**	**2006**	**2005**
Discount rates	**5.87%**	5.87%	5.75%	**5.1%**	5.2%	5.7%
Expected long-term rates of return on plan assets	**8.25%**	8.25%	8.75%	**7.3%**	7.4%	7.5%
Rates of compensation increase	**4.5%**	4.36%	4.0%	**3.2%**	3.2%	3.3%

The expected long-term rates of return on plan assets for the 2008 pension expense are 8.25% for the U.S. plans and 7.3% 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		
	2007	**2006**	**2005**
Discount rates	**5.9%**	5.3%	5.3%
Rates of compensation increase	**3.6%**	3.3%	3.4%

	U. S. Plans December 31			International Plans December 31		
	2007	**2006**	**2005**	**2007**	**2006**	**2005**
Discount rates	**6.17%**	5.87%	5.87%	**5.8%**	5.1%	5.2%
Rates of compensation increase	**4.8%**	4.5%	4.36%	**3.5%**	3.2%	3.2%

The U.S. discount rate was determined using a yield curve that was produced from a universe containing over 500 U.S.-issued, AA-graded 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 measurement dates, these international rates have increased by 70 basis points 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)	U.S. Plans	International Plans
2007	**$257.0**	**$899.4**
2006	252.1	880.2

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:

	U. S. Plans		International Plans	
(In millions)	2007	2006	2007	2006
Projected benefit obligation	**$38.1**	$70.3	**$88.5**	$945.6
Accumulated benefit obligation	**34.8**	66.1	**83.1**	850.3
Fair value of plan assets	**10.5**	39.0	**51.7**	787.3

The asset allocations attributable to the Company's U.S. defined benefit pension plans at October 31, 2007 and 2006 and the target allocation of plan assets for 2008, by asset category, are as follows:

U.S. Plans	Target 2008	Percentage of Plan Assets at October 31	
Asset Category	Allocation	2007	2006
Domestic Equity Securities	45% - 55%	**54.1%**	54.2%
Fixed Income Securities	27% - 37%	**25.5%**	27.5%
International Equity Securities	4.5% - 14.5%	**13.0%**	12.3%
Cash & Cash Equivalents	0% - 5%	**0.9%**	1.6%
Other	4% - 12%	**6.5%**	4.4%

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 2008, the expected return-on-asset assumption for U.S. plans is 8.25%, consistent with the expected return-on-asset assumption for 2007.

The U.S. defined benefit pension plans assets include 765,280 shares of the Company's stock valued at $46.4 million and $31.3 million on October 31, 2007 and 2006, representing 14.4% and 11.5%, respectively, of total plan assets. As part of a rebalancing of the pension fund to further diversify the plan assets, approximately 316,000 shares of the pension fund's holdings in the Company's stock were sold in the fourth quarter of 2007. As of December 31, 2007, the Company's stock represented 9.2% of total plan assets. Dividends paid to the pension plans on the Company stock amounted to $0.5 million in 2007 and $0.5 million in 2006.

The asset allocations attributable to the Company's international defined benefit pension plans at September 30, 2007 and 2006 and the target allocation of plan assets for 2008, by asset category, are as follows:

International Plans	Target 2008	Percentage of Plan Assets at September 30	
Asset Category	Allocation	2007	2006
Equity Securities	50.0%	**54.3%**	54.1%
Fixed Income Securities	40.0%	**40.3%**	39.9%
Cash & Cash Equivalents	5.0%	**0.7%**	2.6%
Other	5.0%	**4.7%**	3.4%

Plan assets as of September 30, 2007, in the U.K. defined benefit pension plan amounted to 86.9% 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 assumption, 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 Company's expected rate-of-return assumption for the U.K. plan was 7.5% for both 2008 and 2007. The remaining international pension plans with assets representing 13.1% of the international pension assets are under the guidance of professional investment managers and have similar investment objectives.

The impact of adopting SFAS 158 has been reflected in the consolidated financial statements as of December 31, 2007 and 2006 and the incremental effect of applying SFAS 158 to pension benefits is disclosed below.

Balance sheet effect of SFAS 158 Adoption

Incremental Effect on Consolidated Balance Sheet of Adopting SFAS 158 for Pension Plans
December 31, 2006
(In thousands)

	Balance Sheet Before Adopting SFAS 158 (a)	Adjustments to Adopt SFAS 158	Balance Sheet After Adopting SFAS 158 (a)
Assets:			
Other assets	$ 164,571	$ (92,881)	$ 71,690
Liabilities:			
Other current liabilities	$ 210,061	$ 1,716	$ 211,777
Retirement plan liabilities	186,014	3,443	189,457
Deferred income tax liabilities	113,425	(9,833)	103,592
Stockholders' Equity:			
Accumulated other comprehensive loss	$ (81,127)	$ (88,207)	$ (169,334)

(a) Balances represent major captions as presented on the Consolidated Balance Sheet.

During 2008, the Company will eliminate the early measurement dates for its defined benefit pension plans. In accordance with SFAS 158, the incremental effect of this transition will result in an adjustment to beginning retained earnings. The Company currently estimates that this change will result in a net increase of approximately $0.7 million to beginning Stockholders' Equity as of January 1, 2008.

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)	2007	2006	2005
Postretirement Benefits Expense (Income)			
Service cost	**$ 5**	$ 5	$ 7
Interest cost	**182**	186	200
Recognized prior service costs	**3**	3	7
Recognized gains	**(126)**	(38)	(37)
Curtailment gains	**(82)**	(20)	(318)
Postretirement benefit expense (income)	**$ (18)**	$ 136	$ (141)

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

Postretirement Benefits (In thousands)	2007	2006
Change in benefit obligation:		
Benefit obligation at beginning of year	**$ 3,193**	$ 3,321
Service cost	**5**	5
Interest cost	**182**	186
Actuarial (gain)/loss	**52**	(23)
Plan participants’ contributions	**—**	13
Benefits paid	**(240)**	(289)
Acquisitions	**85**	—
Curtailment	**(39)**	(20)
Settlement	**(36)**	—
Benefit obligation at end of year	**$ 3,202**	$ 3,193
Amounts recognized in the statement of financial position consist of the following:		
Current liability	**$ (300)**	$ (332)
Noncurrent liability	**(2,902)**	(2,861)
Net amount recognized	**$ (3,202)**	$ (3,193)

Postretirement Benefits (In thousands)	2007	2006
Amounts recognized in accumulated other comprehensive income consist of the following:		
Net actuarial gain	**$ (62)**	**$ (241)**
Prior service cost	**18**	**14**
Net amount recognized (before tax adjustment)	**$ (44)**	**$ (227)**

The estimated amounts that will be amortized from accumulated other comprehensive income into net periodic benefit cost are as follows:	2008
Actuarial gain	**$ (28)**
Prior service cost	**2**
Total	**$ (26)**

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

(Dollars in thousands)		2007		2006		2005
Assumed discount rate		**6.17%**		5.87%		5.87%
Health care cost trend rate		**9.00%**		9.00%		10.00%
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	**$**	**8**	$	10	$	10
On postretirement benefit obligation	**$**	**164**	$	144	$	166
Effect of one percent decrease in health care cost trend rate:						
On total service and interest cost components	**$**	**(8)**	$	(9)	$	(9)
On postretirement benefit obligation	**$**	**(148)**	$	(130)	$	(149)

It is anticipated that the health care cost trend rate will decrease from 9% in 2008 to 5.0% in the year 2016.

The assumed discount rates to determine the postretirement benefit expense for the years 2007, 2006 and 2005 were 5.87%, 5.87% and 5.75%, 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
2008	$	300	$	29
2009		303		30
2010		304		30
2011		303		31
2012		300		31
2013 - 2017		1,390		143

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 and 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. 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 continuing operations expense for contributions to the Savings Plan by the Company was $0.6 million for 2007, 2006 and 2005.

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

Company Shares in Plans

	December 31, 2007		December 31, 2006		December 31, 2005	
(Dollars in millions)	**Number of Shares**	**Fair Market Value**	**Number of Shares (a)**	**Fair Market Value**	**Number of Shares (a)**	**Fair Market Value**
Savings Plan	**1,435,289**	**$ 92.0**	1,714,298	$ 65.2	1,859,074	$ 62.8
HRSIP	**1,783,462**	**114.3**	1,818,474	69.2	1,842,516	62.2

(a) Adjusted to reflect the March 2007 stock split.

Executive Incentive Compensation Plan

The amended 1995 Executive Incentive Compensation Plan 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 for continuing operations was $12.1 million, $7.0 million and $5.7 million in 2007, 2006 and 2005, respectively. The expenses include performance-based restricted stock units ("RSUs") that were granted to certain officers and key employees of the Company. See Note 12, "Stock-Based Compensation," for additional information on the equity component of executive compensation.

9. Income Taxes

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

(In thousands)	**2007**	**2006**	**2005**
United States	**$ 110,926**	$ 69,620	$ 60,819
International	**271,513**	217,984	151,437
Total income before income taxes and minority interest	**$ 382,439**	$ 287,604	$ 212,256
Income tax expense/(benefit):			
Currently payable:			
Federal	**$ 37,917**	$ 33,525	$ 17,874
State	**8,670**	2,338	401
International	**68,688**	56,156	35,304
Total income taxes currently payable	**115,275**	92,019	53,579
Deferred federal and state	**(3,695)**	(1,328)	4,655
Deferred international	**6,018**	2,663	888
l income tax expense	**$ 117,598**	$ 93,354	$ 59,122

Cash payments for income taxes were $125.4 million, $98.9 million and $52.2 million, for 2007, 2006 and 2005, 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 from continuing operations before income taxes and minority interest as reported in the Consolidated Statements of Income:

	2007	2006	2005
U.S. federal income tax rate	**35.0%**	35.0%	35.0%
State income taxes, net of federal income tax benefit	**1.0**	0.7	0.6
Export sales corporation benefit/domestic manufacturing deduction	**(0.3)**	(0.3)	(0.5)
Deductible 401(k) dividends	**(0.2)**	(0.3)	(0.4)
Difference in effective tax rates on international earnings and remittances	**(3.7)**	(2.5)	(5.6)
FIN 48 tax contingencies and settlements	**0.1**	(0.3)	(0.9)
Cumulative effect in change in statutory tax rates	**(0.7)**	—	—
Other, net	**(0.5)**	0.2	(0.3)
Effective income tax rate	**30.7%**	32.5%	27.9%

The difference in effective tax rates on international earnings and remittances from 2005 to 2006 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 difference in effective tax rates on international earnings and remittances from 2006 to 2007 resulted from the Company increasing its designation of certain international earnings as permanently reinvested.

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, 2007 and 2006 are as follows:

(In thousands)	**2007**		**2006**	
Deferred income taxes	**Asset**	**Liability**	**Asset**	**Liability**
Depreciation	**$ —**	**$ 142,102**	$ —	$ 146,301
Expense accruals	**32,074**	**—**	29,853	—
Inventories	**4,020**	**—**	5,646	—
Provision for receivables	**2,093**	**—**	3,060	—
Postretirement benefits	**1,157**	**—**	—	79
Deferred revenue	**—**	**3,430**	—	1,736
Operating loss carryforwards	**14,954**	**—**	18,421	—
Deferred foreign tax credits	**—**	**—**	7,681	—
Pensions	**24,631**	**18,754**	49,608	3,512
Currency adjustments and outside basis differences on foreign investments	**—**	**13,120**	—	3,258
Other	**—**	**12,961**	—	8,741
Subtotal	**78,929**	**190,367**	114,269	163,627
Valuation allowance	**(15,317)**	**—**	(13,892)	—
Total deferred income taxes	**$ 63,612**	**$ 190,367**	$ 100,377	$ 163,627

The deferred tax asset and liability balances are included in the following Consolidated Balance Sheets line items:

Deferred income taxes (In thousands)	December 31 2007	2006
Other current assets	**$ 37,834**	$ 33,226
Other assets	**15,535**	11,710
Other current liabilities	**5,701**	4,594
Deferred income taxes	**174,423**	103,592

At December 31, 2007, the tax effected amount of net operating loss carryforwards (“NOLs”) totaled $14.9 million. Of that amount, $6.4 million is attributable to international operations and can be carried forward indefinitely. Tax effected U.S. federal NOLs are $0.6 million, expire in 2018, and relate to preacquisition NOLs. Tax effected U.S. state NOLs are $7.9 million. Of that amount, $0.4 million expire in 2008-2014, $0.5 million expire in 2015-2022, and $7.0 million expire in 2027.

The valuation allowance of $15.3 million and $13.9 million at December 31, 2007 and 2006, respectively, related principally to NOLs and foreign investment tax credits 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 2007 and 2006 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 and the increase in valuation allowances in certain jurisdictions based on the Company’s evaluation 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 United States. At December 31, 2007 and 2006, such earnings were approximately $697 million and $425 million, respectively. If these earnings were repatriated at December 31, 2007, the one time tax cost associated with the repatriation would be approximately $86 million. The Company has various tax holidays in Europe, the Middle East and Asia that expire between 2008 and 2010. During 2007, 2006 and 2005, these tax holidays resulted in approximately $2.8 million, $2.3 million and $1.7 million, respectively, in reduced income tax expense.

On October 22, 2004, the AJCA was signed into law. The AJCA included a deduction of 85% for certain international earnings that are repatriated, as defined in the AJCA, to the United States 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.

The Company adopted the provisions of FASB Interpretation (“FIN”) No. 48, “Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109” (“FIN 48”), effective January 1, 2007. As a result of the adoption, the Company recognized a cumulative effect reduction to the January 1, 2007 retained earnings balance of $0.5 million. As of the adoption date, the Company had gross tax-affected unrecognized income tax benefits of $46.0 million, of which $17.8 million, if recognized, would affect the Company’s effective income tax rate. Of this amount, $0.8 million was classified as current and $45.2 million was classified as non-current on the Company’s balance sheet. While the Company believes it has adequately provided for all tax positions, amounts asserted by taxing authorities could be different than the accrued position.

The company recognizes accrued interest and penalty expense related to unrecognized income tax benefits (“UTB”) within its global operations in income tax expense. In conjunction with the adoption of FIN 48, the total amount of accrued interest and penalties resulting from such unrecognized tax benefits was $4.4 million. During the year ended December 31, 2007, the company recognized approximately $6.5 million in interest and penalties. The company had approximately $10.9 million for the payment of interest and penalties accrued at December 31, 2007.

A reconciliation of the change in the UTB balance from January 1, 2007 to December 31, 2007 is as follows:

(In thousands)		**Unrecognized Tax Benefits**		**Deferred Income Tax Benefits**		**Unrecognized Income Tax Benefits, Net of Deferred Income Tax Benefits**
Balance at January 1, 2007	$	45,965	$	(15,016)	$	30,949
Additions for tax positions related to the current year (includes currency translation adjustment)		3,849		(172)		3,677
Additions for tax positions related to prior years (includes currency translation adjustment)		6,516		—		6,516
Reductions for tax positions related to acquired entities in prior years, offset to goodwill		(3,568)		—		(3,568)
Other reductions for tax positions related to prior years		(22,086)		12,681		(9,405)
Settlements		(500)		175		(325)
Balance at December 31, 2007		**30,176**		**(2,332)**		**27,844**
Less: tax attributable to timing items included above		—		—		—
Less: UTBs included above that relate to acquired entities that would impact goodwill if recognized		(4,682)		57		(4,625)
Total UTBs that, if recognized, would impact the effective income tax rate as of December 31, 2007	**$**	**25,494**	**$**	**(2,275)**	**$**	**23,219**

During the first quarter of 2007, the U.S. Internal Revenue Service commenced its audit of the Company's U.S. income tax returns for 2004 and 2005. It is reasonably possible that this audit will be completed by the second quarter of 2008 and the resolution will result in a payment between $2.0 million and $4.0 million.

The Company has settled its royalty dispute with the Canada Revenue Agency ("CRA") which resulted in a reduction to the UTB balance of approximately $7.2 million. This matter is more fully discussed in Note 10, "Commitments and Contingencies," to the consolidated financial statements.

The Company files its income tax returns as prescribed by the tax laws of the jurisdictions in which it operates. With few exceptions, the Company is no longer subject to the U.S. and foreign examinations by tax authorities for the years through 2000.

Upon the adoption of SFAS 141(R) on January 1, 2009, the resolution of all UTB's accounted for under FIN 48 from business combinations and changes in valuation allowances for acquired deferred tax assets will be recognized in income tax expense rather than as an additional cost of the acquisition or goodwill. Such adjustments will impact the effective tax rate.

10. Commitments and Contingencies

Royalty Expense Dispute

The Company was involved in a royalty expense dispute with the Canada Revenue Agency ("CRA"). The CRA disallowed certain expense deductions claimed by the Company's Canadian subsidiary on its 1994-1998 tax returns. The Company has completed settlement discussions with the CRA which resulted in a resolution and closure of the matter. The settlement resulted in a refund to the Company in the amount of approximately $5.9 million Canadian dollars, representing a refund of the payment made to the CRA in the fourth quarter of 2005, with the interest accrued on the 2005 settlement being utilized to satisfy the final assessment, which totaled $0.6 million Canadian dollars.

The Ontario Ministry of Finance ("Ontario") is also proposing to disallow royalty expense deductions for the period 1994-1998. As of December 31, 2007, the maximum assessment from Ontario is approximately $3.8 million Canadian dollars, including tax and interest. The Company has filed an administrative appeal of this assessment and will vigorously contest these disallowances. The Company anticipates that Ontario will approach the settlement and resolution of this matter in a manner consistent with the result obtained in the CRA dispute.

The Company believes that any amount of potential liability regarding the Ontario matter has been fully reserved as of December 31, 2007 and, therefore will not have a material adverse impact on the Company's future results of operations or financial condition. In accordance with Canadian tax law, the Company made a payment to the Ontario Ministry of Finance in the first quarter of 2006 for the entire disputed amounts. These payments were made for tax compliances 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.

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, 2007 and 2006 include accruals of $3.9 million and $3.8 million, respectively, for environmental matters. The amounts charged against pre-tax income related to environmental matters totaled $2.8 million, $2.0 million and $1.4 million in 2007, 2006 and 2005, 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.

Derailment
One of the Company's production rail grinders derailed near Baxter, California on November 9, 2006, resulting in two crew member fatalities and the near total loss of the rail grinder. Government and private investigations into the cause of the derailment are on-going. Most of the clean-up and salvage efforts were completed during 2007, and the site is in a closure monitoring phase. Estimated environmental remediation expenses have been recognized as of December 31, 2007. All remaining Company rail grinders have been inspected by the Federal Railroad Administration ("FRA") and each grinder is fully operational and in compliance with legal requirements. The Company also regularly inspects its grinders to ensure they are safe and in compliance with contractual commitments. The Company believes that the insurance proceeds already received from the loss of the rail grinder will offset the majority of incurred expenses, which have been recognized as of December 31, 2007, and any contingent liabilities. Therefore, the Company does not believe that the derailment will have a material adverse effect on its financial position, results of operations or cash flows.

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 New York. 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 plaintiff's alleged medical condition, and without specifically identifying any Company product as the source of plaintiff's asbestos exposure.

As of December 31, 2007, there are 26,383 pending asbestos personal injury claims filed against the Company. Of these cases, 25,927 were pending in the New York Supreme Court for New York County in New York State. The other claims, totaling 456, are filed in various counties in a number of state courts, and in certain Federal District Courts (including New York), and those complaints generally assert lesser amounts of damages than the New York State court cases or do not state any amount claimed.

As of December 31, 2007, the Company has obtained dismissal by stipulation, or summary judgment prior to trial, in 17,385 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 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, 2007, the Company has been listed as a defendant in 368 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 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 (the "Board"). None of the preferred stock has been issued. On September 25, 2007, the Board approved a revised Preferred Stock Purchase Rights Agreement (the "Agreement"). Under the Agreement, the Board authorized and declared a dividend distribution to stockholders of record on October 9, 2007, of one right for each share of common stock outstanding on the record date. The rights may only be exercised if, among other things and with certain exceptions, a person or group has acquired 15% or more of the Company's common stock without the prior approval of the Board. Each right entitles the holder to purchase 1/100th share of Harsco Series A Junior Participating Cumulative Preferred Stock at an exercise price of $230. Once the rights become exercisable, the holder of a right will be entitled, upon payment of the exercise price, to purchase a number of shares of common stock calculated to have a value of two times the exercise price of the right. The rights, which expire on October 9, 2017, do not have voting power, and may be redeemed by the Company at a price of $0.001 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. The Agreement also includes an exchange feature. At December 31, 2007, 844,599 shares of $1.25 par value preferred stock were reserved for issuance upon exercise of the rights.

On January 23, 2007, the Company's Board of Directors approved a two-for-one stock split of the Company's common stock. One additional share of common stock was issued on March 26, 2007, for each share that was issued and outstanding at the close of business on February 28, 2007. The Company's treasury stock was not included in the stock split.

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

	No. of Shares Authorized to be Purchased January 1 (a)	**No. of Shares Purchased (a)**	**Additional Shares Authorized for Purchase**	**Remaining No. of Shares Authorized for Purchase December 31 (a)**
2005	2,000,000	(266) (b)	—	2,000,000
2006	2,000,000	—	—	2,000,000
2007	**2,000,000**	—	—	**2,000,000**

(a) Authorization and number of shares purchased adjusted to reflect the two-for-one stock split effective at the end of business on March 26, 2007.
(b) The 266 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.

In November 2007, the Board of Directors extended the share purchase authorization through January 31, 2009 for the 2,000,000 shares still remaining from the prior authorization.

In 2007, 2006 and 2005, additional issuances of treasury shares of 90 shares, 1,766 shares and 5,306 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 (a)		
	Shares Issued	Treasury Shares	Outstanding Shares
Outstanding, January 1, 2005	109,342,280	26,479,782	82,862,498
Stock Options Exercised	697,594	(4,086)	701,680
Other	1,220	(1,220)	2,440
Purchases	(133)	133	(266)
Outstanding, December 31, 2005	110,040,961	26,474,609	83,566,352
Stock Options Exercised	468,157	(681)	468,838
Other	1,085	(1,085)	2,170
Outstanding, December 31, 2006	**110,510,203**	**26,472,843**	**84,037,360**
Stock Options Exercised	**422,416**	**—**	**422,416**
Other	**—**	**(90)**	**90**
Outstanding, December 31, 2007	**110,932,619**	**26,472,753**	**84,459,866**

(a) All share data has been restated for comparison purposes to reflect the effect of the March 2007 stock split.

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)	**2007**	**2006 (a)**	**2005 (a)**
Income from continuing operations	**$ 255,115**	$ 186,402(b)	$ 144,488(b)
Average shares of common stock outstanding used to compute basic earnings per common share	**84,169**	83,905	83,284
Dilutive effect of stock options and restricted stock units	**555**	525	877
Shares used to compute dilutive effect of stock options	**84,724**	84,430	84,161
Basic earnings per common share from continuing operations	**$ 3.03**	$ 2.22	$ 1.73
Diluted earnings per common share from continuing operations	**$ 3.01**	$ 2.21	$ 1.72

(a) Shares have been adjusted for comparison purposes to reflect the effect of the March 2007 stock split.
(b) Income from continuing operations has been restated for comparative purposes.

All outstanding stock options were included in the computation of diluted earnings per share at December 31, 2007, 2006 and 2005.

12. Stock-Based Compensation

Effective January 1, 2006, the Company adopted SFAS No. 123 (revised 2004), "Share-Based Payments" ("SFAS 123(R)"), which replaced SFAS No. 123, "Accounting for Stock-Based Compensation," and superseded Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). SFAS 123(R) 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). However, this recognition period would be shorter if the recipient becomes retirement-eligible prior to the vesting date. SFAS 123(R) also requires that the additional tax benefits the Company receives from stock-based compensation be recorded as cash inflows from financing activities in the statement of cash flows. Prior to January 1, 2006, the Company applied the provisions of APB 25 in accounting for awards made under the Company's stock-based compensation plans.

The Company adopted the provisions of SFAS 123(R) using the modified-prospective transition method. Under this method, results from prior periods have not been restated. During 2002 and 2003, the Company ceased granting stock options to employees and non-employee directors, respectively. Primarily because of this, the effect of adopting SFAS 123(R) was not material to the Company's income from continuing operations, income before income taxes, net income, basic or diluted earnings per share or cash flows from operating and financing activities for the year ended December 31, 2006, and the cumulative effect of adoption using the modified-prospective transition method was not material. In addition, the Company elected to use the short-cut transition method for calculating the historical pool of windfall tax benefits.

In 2004, the Board of Directors approved the granting of performance-based restricted stock units as the long-term equity component of director, officer and certain key employee compensation. 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 generally recorded over the vesting period. The vesting period for restricted stock units granted to non-employee directors is one year and each restricted stock unit will be exchanged for a like number of shares of Company stock following the termination of the participant's service as a director. The vesting period for restricted stock units granted to officers and certain key employees is three years, and, upon vesting, each restricted stock unit will be exchanged for a like number of shares of the Company's stock. In September 2006, the Board of Directors approved changes to the employee restricted stock units program where future awards will vest on a pro rata basis over a three-year period and the specified retirement age will be 62. This compares with the prior three-year cliff vesting and retirement age of 65 for awards prior to September 2006. Restricted stock units do not have an option for cash payment.

The following table summarizes restricted stock units issued and the compensation expense (including both continuing and discontinued operations) recorded for the years ended December 31, 2007, 2006 and 2005:

Stock-Based Compensation Expense
(Dollars in thousands, except per unit)

	Restricted Stock Units	**Fair Value per Unit**	**Expense 2007**	**2006**	**2005**
Directors:					
May 1, 2005 (a)	12,000	$ 26.88	**$ —**	$ 108	$ 215
May 1, 2006 (a)	16,000	41.30	**220**	440	—
May 1, 2007	16,000	50.62	**539**	—	—
Employees:					
January 24, 2005 (a)	65,400	25.21	**328**	477	502
January 24, 2006 (a)	93,100	33.85	**839**	914	—
January 22, 2007	101,700	38.25	**1,488**	—	—
Total	304,200		**$ 3,414**	$ 1,939	$ 717

(a) Restricted stock units and fair values have been restated to reflect the March 2007 two-for-one stock split.

Restricted stock unit activity for the years ended December 31, 2007, 2006 and 2005 was as follows:

	Restricted Stock Units (a)	Weighted Average Grant-Date Fair Value (a)
Nonvested at January 1, 2005	2,334	$ 21.71
Granted	77,400	25.46
Vested	(11,334)	25.67
Forfeited	(4,900)	25.21
Nonvested at December 31, 2005	63,500	$ 25.31
Granted	109,100	34.94
Vested	(15,666)	36.59
Forfeited	(11,700)	30.90
Nonvested at December 31, 2006	**145,234**	**$ 30.88**
Granted	**117,700**	**39.93**
Vested	**(16,000)**	**47.51**
Forfeited	**(35,000)**	**34.06**
Nonvested at December 31, 2007	**211,934**	**$ 34.12**

(a) Restricted stock units and fair values have been restated to reflect the March 2007 two-for-one stock split.

As of December 31, 2007, the total unrecognized compensation cost related to nonvested restricted stock units was $3.0 million which is expected to be recognized over a weighted-average period of approximately 1.7 years.

As of December 31, 2007, 2006 and 2005, excess tax benefits, resulting principally from stock options were $5.1 million, $3.6 million and $3.9 million, respectively.

No stock options have been granted to officers and employees since February 2002. No stock options have been granted to non-employee directors since May 2003. Prior to these dates, the Company had granted stock options for the purchase of its common stock to officers, certain key employees and non-employee directors under two stockholder-approved plans. The exercise price of the stock options was the fair value on the grant date, which was the date the Board of Directors approved the respective grants. The 1995 Executive Incentive Compensation Plan authorizes the issuance of up to 8,000,000 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 600,000 shares of the Company's common stock for equity awards. At December 31, 2007, there were 2,417,762 and 281,000 shares available for granting equity awards under the 1995 Executive Incentive Compensation Plan and the 1995 Non-Employee Directors' Stock Plan, respectively. The above referenced authorized and available shares for the Executive Incentive Compensation and Non-Employee Directors' Stock Plans are stated on a post-split basis. Generally, new shares are issued for exercised stock options and vested restricted stock units.

Options issued under the 1995 Executive Incentive Compensation Plan generally vested and became exercisable one year following the date of grant except options issued in 2002 generally vested and became exercisable two years following the date of grant. Options issued under the 1995 Non-Employee Director's Stock Plan generally became exercisable one year following the date of grant but vested immediately. The options under both Plans expire ten years from the date of grant.

Stock option activity for the years ended December 31, 2007, 2006 and 2005 was as follows:

	Stock Options				
	Shares Under Option (a)		Weighted Average Exercise Price (a)		Aggregate Intrinsic Value (in millions) (b)
Outstanding, January 1, 2005	2,242,202(c)	$	15.51	$	27.9
Exercised	(741,672)		14.55		—
Terminated and Expired	(2,480)		16.71		—
Outstanding, December 31, 2005	1,498,050(d)	$	15.97	$	26.9
Exercised	(468,838)		17.03		—
Terminated and Expired	(1,800)		14.38		—
Outstanding, December 31, 2006	**1,027,412**	**$**	**15.49**	**$**	**23.4**
Exercised	**(422,416)**		**15.74**		**—**
Outstanding, December 31, 2007	**604,996**	**$**	**15.30**	**$**	**29.9**

(a) Stock options and weighted average exercise prices have been restated to reflect the March 2007 two-for-one stock split.
(b) Intrinsic value is defined as the difference between the current market value and the exercise price.
(c) 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 were not a part of the 1995 Executive Compensation Plan, or the 1995 Non-Employee Directors' Stock Plan.
(d) 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 were not a part of the 1995 Executive Compensation Plan, or the 1995 Non-Employee Directors' Stock Plan.

The total intrinsic value of options exercised during the twelve months ended December 31, 2007, 2006 and 2005 were $17.1 million, $10.8 million and $11.1 million, respectively.

Options to purchase 604,996 shares were exercisable at December 31, 2007. The following table summarizes information concerning outstanding and exercisable options at December 31, 2007.

	Stock Options Outstanding and Exercisable (a)		
Range of Exercisable Prices	Number Outstanding and Exercisable	Remaining Contractual Life In Years	Weighted Average Exercise Price
$12.81 – 14.50	283,938	2.40	$13.59
14.65 – 16.33	243,650	3.97	16.24
16.40 – 23.08	77,408	4.00	18.62
	604,996		

(a) All share and price values reflect the effect of the March 2007 two-for-one stock split.

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 amounts of $159.2 million and $128.4 million at December 31, 2007 and 2006, respectively. These standby letters of credit, bonds and bank guarantees are generally in force for up to three years. Certain issues have no scheduled expiration date. The Company pays fees to various banks and insurance companies that range from 0.25 percent to 2.40 percent per annum of the instruments' face value. If the Company were required to obtain replacement standby letters of credit, bonds and bank guarantees as of December 31, 2007 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 approximately 50 countries. The Company's primary foreign currency exposures during 2007 were in the United Kingdom, members of the European Economic and Monetary Union, Brazil, Australia, Canada, Poland and South Africa.

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 $3.0 million, $2.2 million and $1.9 million for the twelve months ended December 31, 2007, 2006 and 2005, 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, 2007 and 2006. 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 2007, September 2007 and November 2007.

The Company provided an environmental indemnification for properties that were sold to a third party in 2007. The maximum term of this guarantee is twenty years, and the Company would only be required to perform under the guarantee if an environmental matter is discovered on the properties. The Company is not aware of environmental issues related to these properties. 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.

The Company provided an environmental indemnification for property that was sold to a third party in 2006. The term of this guarantee is three years and the Company would only be required to perform under the guarantee if an environmental matter is discovered on the property. The Company is not aware of any environmental issues related to the property. The maximum potential amount of future payments (undiscounted) related to this guarantee is $0.2 million at December 31, 2007. 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.

The Company provided an environmental indemnification for property that was sold to a third party in 2006. The term of this guarantee is indefinite, 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. 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 estimated to be $3.0 million at December 31, 2007. 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.

The Company provides guarantees related to arrangements with certain customers that include joint and several liability for actions for which the Company may be partially at fault. The terms of these guarantees generally do not exceed four years and the maximum amount of future payments (undiscounted) related to these guarantees is $3.0 million per occurrence. This amount represents the Company's self-insured maximum limitation. There is no specific recognition of potential future payments in the accompanying financial statements as the Company is not aware of any claims.

The Company provided a guarantee related to the payment of taxes for a product line that was sold to a third party in 2005. The term of this guarantee is five years, and the Company would only be required to perform under the guarantee if taxes were not properly paid to the government while the Company owned the product line in accordance with applicable statutes. The Company is not aware of any instances of noncompliance related to these statutes. The maximum potential amount of future payments (undiscounted) related to this guarantee is estimated to be $1.3 million at December 31, 2007. There is no recognition of any potential future payment in the accompanying financial statements as the Company believes the potential for making this payment is remote.

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 that 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, 2007 and 2006. 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.

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 guarantee expires on December 1, 2008. At December 31, 2007, the maximum potential amount of future payments (undiscounted) related to this guarantee was $0.1 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, 2007 or 2006.

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 may periodically use derivative instruments to hedge cash flows associated with selling price exposure to certain commodities. The Company's commodity derivative activities are subject to the management, direction and control of the Company's Risk Management Committee ("the Committee"). The Committee approves the use of all commodity derivative instruments. During the third quarter of 2007, the Company entered into cashless collars (purchased put options and written call options) designed to hedge cash flows associated with the selling price exposure to certain commodities. The unsecured contracts outstanding at December 31, 2007 mature monthly through November 2008 and are with major financial institutions.

Based on the requirements of SFAS No. 133, "Accounting for Derivative Instrument and Hedging Activities" ("SFAS 133"), these contracts qualified as cash flow hedges for the year end December 31, 2007. The following table summarizes the open positions as of December 31, 2007:

Open Commodity Cash Flow Hedges as of December 31, 2007

(In thousands)		**Amount Recognized in**	
Hedge Type	**Notional Value (a)**	**Operating Income from Continuing Operations**	**Other Comprehensive Income (Expense)**
Cashless Collars	$6,048	$527	$ —

(a) Notional value is equal to the hedged volume multiplied by the strike price of the derivative.

Although earnings volatility may occur between fiscal quarters if the derivatives do not qualify as cash flow hedges under SFAS 133, the economic substance of the derivatives provides more predictable cash flows by reducing the Company's exposure to the commodity price fluctuations.

In addition, the Company may use derivative instruments to hedge cash flows related to foreign currency fluctuations. The Company recorded a debit of $12.8 million and a debit of $14.0 million during 2007 and 2006, respectively, in the foreign currency translation adjustments line of Other comprehensive income (loss) related to hedges of net investments.

At December 31, 2007 and 2006, the Company had $392.2 million and $170.9 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 outstanding at December 31, 2007 mature within six 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, 2007 and 2006. 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, 2007			
	Type	U.S. Dollar Equivalent	Maturity	Recognized Gain (Loss)
Australian Dollar	Sell	$ 1,447	January 2008	$ (36)
Canadian Dollar	Buy	7,149	January 2008	150
Canadian Dollar	Sell	4,008	January 2008	(83)
Euros	Buy	197,597	January 2008	1,859
Euros	Sell	9,005	January 2008	66
British Pounds Sterling	Buy	48,801	January through March 2008	(222)
British Pounds Sterling	Sell	115,489	January 2008	3,296
Mexican Pesos	Sell	1,318	January 2008	10
South African Rand	Sell	7,354	January through May 2008	(166)
Total		$ 392,168		$ 4,874

At December 31, 2007, the Company held forward exchange contracts which were used to offset certain future payments between the Company and its various subsidiaries, vendors or customers. The Company did not have any outstanding forward contracts designated as SFAS 133 cash flow hedges at December 31, 2007, and mark-to-market gains and losses were recognized in net income.

Forward Exchange Contracts

(In thousands)	As of December 31, 2006			
	Type	U.S. Dollar Equivalent	Maturity	Recognized Gain (Loss)
Australian Dollar	Sell	$ 2,373	January 2007	$ (16)
Australian Dollar	Buy	1,050	January 2007	—
Canadian Dollar	Sell	3,050	January 2007	26
Canadian Dollar	Buy	7,850	January 2007	(151)
Euros	Sell	10,828	January 2007	12
Euros	Buy	52,699	January 2007	288
British Pounds Sterling	Sell	19,503	January 2007	34
British Pounds Sterling	Buy	70,551	January through March 2007	(386)
Mexican Pesos	Buy	509	January 2007	3
Taiwan Dollar	Buy	895	January 2007	(2)
Taiwan Dollar	Sell	895	January 2007	3
South African Rand	Sell	691	January through May 2007	(17)
Total		$ 170,894		$ (206)

At December 31, 2006, the Company held forward exchange contracts which were used to offset certain future payments between the Company and its various subsidiaries, vendors or customers. The Company had outstanding forward contracts designated as SFAS 133 cash flow hedges in the amount of $1.1 million at December 31, 2006. These forward contracts had a net unrealized gain of $5 thousand that was included in Other comprehensive income (loss), net of deferred taxes, at December 31, 2006. The Company did not elect to treat the remaining contracts as hedges under SFAS 133, and 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 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. Additionally, consolidation in the global steel industry has increased the Company's exposure to specific customers. Additional consolidation 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.

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

Commodity Collars
The fair value of commodity collars 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, 2007 and 2006 are as follows:

	Financial Instruments			
(In thousands)	**2007**		**2006**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Assets:				
Cash and cash equivalents	**$ 121,833**	**$ 121,833**	$ 101,260	$ 101,260
Commodity collars	**527**	**527**	—	—
Foreign currency forward exchange contracts	**5,708**	**5,708**	432	432
Liabilities:				
Long-term debt including current maturities	**1,020,471**	**1,049,059**	877,947	893,373
Foreign currency forward exchange contracts	**834**	**834**	638	638

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 two reportable segments and an "all other" category labeled Minerals & Rail Services and Products. These segments and the types of products and services offered include the following:

Access Services Segment
Major services include the rental and sale of scaffolding, shoring and concrete forming systems for non-residential construction, international multi-dwelling residential construction projects, industrial maintenance and capital improvement projects, as well as a variety of other access services including project engineering and equipment installation.

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

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

All Other Category - Minerals & Rail Services and Products
Major products and services include minerals and recycling technologies; 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 steel mills; private and government-owned railroads and urban mass transit systems worldwide; industrial plants and the non-residential, commercial and public 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 31% and 20%, respectively, in 2007; 32% and 22%, respectively, in 2006; and 35% and 23%, respectively, in 2005. There are no significant inter-segment sales.

In 2007 and 2006, sales to one customer principally in the Mill Services Segment were $396.2 million and $351.0 million, respectively, which represented more than 10% of the Company's consolidated sales for those years. These sales were provided under multiple long-term contracts at several mill sites. No single customer represented 10% or more of the Company's sales in 2005. In addition, the Mill Services Segment is dependent largely on the global steel industry, and in 2007 and 2006 there were two customers that each provided in excess of 10% of this Segment's revenues under multiple long-term contracts at several mill sites. In 2005, there were three customers that each provided in excess of 10% of this Segment's revenues. The loss of any one of these contracts would not have a material adverse impact 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. Further consolidation in the global steel industry is possible. Should transactions occur involving some of the Company's larger steel industry customers, 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 U.S. deferred income taxes. Net Property, Plant and Equipment in the United States represented 24%, 30% and 33% of total net Property, Plant and Equipment as of December 31, 2007, 2006 and 2005, respectively. Net Property, Plant and Equipment in the United Kingdom represented 20%, 23% and 23% of total Net Property, Plant and Equipment as of December 31, 2007, 2006 and 2005, respectively.

Segment Information

	Twelve Months Ended December 31,					
	2007		**2006**		**2005**	
(In thousands)	**Sales**	**Operating Income (Loss)**	**Sales**	**Operating Income (Loss)**	**Sales**	**Operating Income (Loss)**
Access Services Segment	**$ 1,415,873**	**$ 183,752**	$ 1,080,924	$ 120,382	$ 788,750	$ 74,742
Mill Services Segment	**1,522,274**	**134,504**	1,366,530	147,798	1,060,354	109,591
Segment Totals	**2,938,147**	**318,256**	2,447,454	268,180	1,849,104	184,333
All Other Category - Minerals & Rail Services and Products	**749,997**	**142,191**	578,159	77,466	546,905	69,699
General Corporate	**16**	**(2,642)**	—	(1,337)	—	(2,996)
Total	**$ 3,688,160**	**$ 457,805**	$ 3,025,613	$ 344,309	$ 2,396,009	$ 251,036

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

	Twelve Months Ended December 31,		
(In thousands)	2007	2006	2005
Segment operating income	**$ 318,256**	$ 268,180	$ 184,333
All Other Category - Minerals & Rail Services and Products	**142,191**	77,466	69,699
General corporate expense	**(2,642)**	(1,337)	(2,996)
Operating income from continuing operations	**457,805**	344,309	251,036
Equity in income of unconsolidated entities, net	**1,049**	192	74
Interest income	**4,968**	3,582	3,063
Interest expense	**(81,383)**	(60,479)	(41,917)
Income from continuing operations before income taxes and minority interest	**$ 382,439**	$ 287,604	$ 212,256

Segment Information

	Assets			Depreciation and Amortization (a)		
(In thousands)	2007	2006	2005	2007	2006	2005
Access Services Segment	**$ 1,563,630**	$ 1,239,892	$ 976,936	**$ 90,477**	$ 69,781	$ 53,263
Mill Services Segment	**1,585,921**	1,401,603	1,273,522	**167,179**	151,005	114,952
Gas Technologies Segment	**—**	271,367	253,276	**—**	—	—
Segment Totals	**3,149,551**	2,912,862	2,503,734	**257,656**	220,786	168,215
All Other Category - Minerals & Rail Services and Products	**587,182**	287,482	315,241	**44,498**	18,922	15,735
Corporate	**168,697**	126,079	156,829	**3,019**	1,863	1,505
Total	**$ 3,905,430**	$ 3,326,423	$ 2,975,804	**$ 305,173**	$ 241,571	$ 185,455

(a) Excludes Depreciation and Amortization for the Gas Technologies Segment in the amounts of $1.2 million, $11.4 million and $12.6 million for 2007, 2006 and 2005, respectively because this Segment was reclassified to Discontinued Operations.

Capital Expenditures

(In thousands)	2007	2006	2005
Access Services Segment	**$ 228,130**	$ 138,459	$ 86,668
Mill Services Segment	**193,244**	161,651	155,595
Gas Technologies Segment	**8,618**	9,330	6,438
Segment Totals	**429,992**	309,440	248,701
All Other Category - Minerals & Rail Services and Products	**11,263**	27,635	39,834
Corporate	**2,328**	3,098	1,704
Total	**$ 443,583**	$ 340,173	$ 290,239

Information by Geographic Area (a)

(In thousands)	Sales to Unaffiliated Customers (b) 2007	2006	2005	Net Property, Plant and Equipment (c) 2007	2006	2005
United States	**$ 1,152,623**	$ 959,486	$ 840,094	**$ 364,950**	$ 401,997	$ 371,039
United Kingdom	**746,261**	676,520	546,673	**312,375**	298,582	258,786
All Other	**1,789,276**	1,389,607	1,009,242	**857,889**	621,888	509,983
Totals including Corporate	**$ 3,688,160**	$ 3,025,613	$ 2,396,009	**$ 1,535,214**	$ 1,322,467	$ 1,139,808

(a) Revenues are attributed to individual countries based on the location of the facility generating the revenue.
(b) Excludes the sales of the Gas Technologies Segment.
(c) Includes net Property, Plant and Equipment for the Gas Technologies Segment for 2006 and 2005.

Information about Products and Services

(In thousands)	Sales to Unaffiliated Customers (a) 2007	2006	2005
Product Group			
Access services	**$ 1,415,873**	$ 1,080,924	$ 788,750
Mill services	**1,522,274**	1,366,530	1,060,354
Railway track maintenance services and equipment	**232,402**	231,625	247,452
Heat exchangers	**152,493**	124,829	92,339
Industrial grating products	**130,919**	107,048	98,845
Minerals and recycling technologies (b)	**123,240**	—	—
Industrial abrasives and roofing granules	**68,165**	73,112	72,216
Powder processing equipment and heat transfer products	**42,778**	41,545	36,053
General Corporate	**16**	—	—
Consolidated Sales	**$ 3,688,160**	$ 3,025,613	$ 2,396,009

(a) Excludes the sales of the Gas Technologies Segment.
(b) Acquired February 2007.

15. Other (Income) and Expenses

In the years 2007, 2006 and 2005, the Company recorded pre-tax Other (income) and expenses from continuing operations of $3.4 million, $2.5 million and $1.9 million, respectively. The major components of this income statement category are as follows:

(In thousands)	Other (Income) and Expenses 2007	2006	2005
Net gains	**$ (5,591)**	$ (5,450)	$ (9,674)
Impaired asset write-downs	**903**	221	579
Employee termination benefit costs	**6,552**	3,495	8,953
Costs to exit activities	**1,278**	1,290	1,028
Other expense	**301**	2,920	1,005
Total	**$ 3,443**	$ 2,476	$ 1,891

Net Gains
Net gains are recorded from the sales of redundant properties (primarily land, buildings and related equipment) and non-core assets. In 2007, gains related to assets sold principally in the United States. In 2006, gains related to assets principally in Europe, South America and the United States, and in 2005, gains related to assets principally in the United States and Europe.

(In thousands)	Net Gains 2007	2006	2005
Access Services Segment	**$ (2,342)**	$ (2,510)	$ (5,413)
Mill Services Segment	**(3)**	(2,823)	(4,202)
All Other Category - Minerals & Rail Services and Products	**(3,246)**	(117)	(59)
Corporate	**—**	—	—
Total	**$ (5,591)**	$ (5,450)	$ (9,674)

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
SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," ("SFAS 146") 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 2007, 2006 and 2005 was as follows. None of the actions are expected to incur any additional costs.

(In thousands)	Employee Termination Benefit Costs 2007	2006	2005
Access Services Segment	**$ 1,130**	$ 799	$ 1,647
Mill Services Segment	**4,935**	1,820	4,827
All Other Category - Minerals & Rail Services and Products	**382**	821	1,256
Corporate	**105**	55	1,223
Total	**$ 6,552**	$ 3,495	$ 8,953

The terminations for the years 2005 to 2007 occurred principally in Europe, Latin America and the United States.

Costs Associated with Exit or Disposal Activities
Costs associated with exit or disposal activities are recognized in accordance with SFAS 146, which 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 2007, $1.3 million of exit costs were incurred, principally relocation costs and lease run-out costs for the Access Services and Mill Services Segments.

In 2006 and 2005, exit costs incurred were $1.3 million and $1.0 million, respectively, principally lease run-out costs, lease termination costs and relocation costs. In 2006, the majority of these costs were incurred in the Mineral & Rail Services and Products Category. In 2005, these costs were incurred across each of the Access Services and Mill Services Segments and the Minerals & Rail Services and Products Category.

16. Components of Accumulated Other Comprehensive Income (Loss)

Total Accumulated other comprehensive income (loss) is included in the Consolidated Statements of Stockholders' Equity. The components of Accumulated other comprehensive income (loss) are as follows:

Accumulated Other Comprehensive Income (Loss) – Net of Tax				
	December 31			
(In thousands)		**2007**		**2006**
Cumulative foreign exchange translation adjustments	**$**	**175,867**	$	65,416
Fair value of effective cash flow hedges		**189**		70
Pension and postretirement benefit adjustment		**(178,568)**		(234,825)
Marketable securities unrealized gains		**11**		5
Total Accumulated Other Comprehensive Income (Loss)	**$**	**(2,501)**	$	(169,334)

Two-Year Summary of Quarterly Results
(Unaudited)

(In millions, except per share amounts)	**2007**			
Quarterly	**First**	**Second**	**Third**	**Fourth**
Sales	**$ 840.0**	**$ 946.1**	**$ 927.4**	**$ 974.6**
Gross profit (a)	**214.4**	**262.9**	**259.9**	**265.4**
Net income	**47.7**	**83.1**	**77.3**	**91.4**
Basic earnings per share	**0.57**	**0.99**	**0.92**	**1.08**
Diluted earnings per share	**0.56**	**0.98**	**0.91**	**1.08**

(In millions, except per share amounts)	**2006 (b)**			
Quarterly	**First**	**Second**	**Third**	**Fourth**
Sales	$ 682.1	$ 766.0	$ 773.3	$ 804.2
Gross profit (a)	179.7	213.8	215.0	213.9
Net income	34.3	53.9	55.8	52.5
Basic earnings per share	0.41	0.64	0.66	0.62
Diluted earnings per share	0.41	0.64	0.66	0.62

(a) Gross profit is defined as Sales less costs and expenses associated directly with or allocated to products sold or services rendered.
(b) Reclassified for comparative purposes for discontinued operations and the March 2007 two-for-one stock split.

Common Stock Price and Dividend Information
(Unaudited)

	Market Price Per Share		**Dividends Declared**
	High	**Low**	**Per Share**
2007			
First Quarter (a)	**$ 45.325**	**$ 36.90**	**$ 0.1775**
Second Quarter	**54.00**	**44.49**	**0.1775**
Third Quarter	**59.99**	**47.85**	**0.1775**
Fourth Quarter	**66.51**	**55.37**	**0.1950**
2006 (a)			
First Quarter	$ 42.275	$ 33.76	$ 0.1625
Second Quarter	44.85	35.625	0.1625
Third Quarter	41.21	33.86	0.1625
Fourth Quarter	41.485	38.00	0.1775

(a) Historical per share data restated to reflect the two-for-one stock split that was effective at the close of business March 26, 2007.

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, conducted an evaluation of the effectiveness of disclosure controls and procedures as of December 31, 2007. 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 during the fourth quarter of 2007.

Management's Report on Internal Controls Over Financial Reporting is included in Part II, Item 8, "Financial Statements and Supplementary Data." The effectiveness of the Company's internal control over financial reporting as of December 31, 2007 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 an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2007.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

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 "Corporate Governance," "Nominees for Director," "Report of the Audit Committee" and "Section 16(a) Beneficial Ownership Reporting Compliance" of the 2008 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 its 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 "Compensation Discussion and Analysis," "Compensation Committee Report," "Executive Compensation," "Non-Employee Director Compensation" and "Compensation Committee Interlocks and Insider Participation" of the 2008 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 2008 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. The SGB Plan terminated in accordance with its terms when the remaining Harsco Replacement Options were exercised on August 30, 2006.

The following table gives information about equity awards under these plans as of December 31, 2007. All securities referred to are shares of Harsco common stock.

Equity Compensation Plan Information (1)

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 (2)	816,930	$ 20.18 (3)	2,698,762
Equity compensation plans not approved by security holders	—	—	—
Total	816,930	$ 20.18	2,698,762

(1) Amounts restated to reflect the March 2007 stock split.
(2) Plans include the 1995 Executive Incentive Compensation Plan, as amended, and the 1995 Non-Employee Directors' Stock Plan, as amended.
(3) Includes the average of the weighted average exercise price for stock options and the weighted average grant-date fair value for the restricted stock units.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information regarding certain relationships and related transactions is incorporated by reference to the sections entitled "Transactions with Related Persons" and "Corporate Governance" of the 2008 Proxy Statement.

Item 14. Principal Accountant Fees and Services

Information regarding principal accounting fees and services is incorporated by reference to the sections entitled "Report of the Audit Committee" and "Fees Billed by the Independent Auditor for Audit and Non-Audit Services" of the 2008 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”):

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 2007:					
Allowance for Doubtful Accounts	**$ 25,351**	**$ 7,842**	**$ 992**	**$ (8,605)**	**$ 25,580**
Deferred Tax Assets – Valuation Allowance	**$ 13,892**	**$ (353)**	**$ 372**	**$ 1,407**	**$ 15,318**
For the year 2006:					
Allowance for Doubtful Accounts	$ 24,404	$ 9,230	$ 1,880	$ (10,163)	$ 25,351
Deferred Tax Assets – Valuation Allowance	$ 21,682	$ (5,793)	$ (270)	$ (1,727)	$ 13,892
For the year 2005:					
Allowance for Doubtful Accounts	$ 19,095	$ 6,453	$ (832)	$ (312)	$ 24,404
Deferred Tax Assets – Valuation Allowance	$ 17,492	$ 2,119	$ 172	$ 1,899	$ 21,682

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

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

Exhibit Number	Data Required	Location in Form 10-K
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
2(c)	Stock Purchase Agreement among Excell Materials, Inc., the Stockholders of Excell Materials, Inc. and Harsco Corporation dated as of January 4, 2007.	Exhibit volume, 2006 10-K
2(d)	Asset and Stock Purchase Agreement By and Between Harsco Corporation and Taylor-Wharton International LLC dated as of November 28, 2007	Exhibit volume, 2007 10-K
3(a)	Restated Certificate of Incorporation as amended April 24, 1990	Exhibit volume, 1990 10-K
3(b)	Certificate of Amendment of Restated Certificate 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 January 23, 2007	Exhibit to Form 8-K dated January 23, 2007
3(e)	Certificate of Amendment of Restated Certificate of Incorporation filed April 26, 2005	Proxy Statement dated March 22, 2005 on Appendix A pages A-1 through A-2

Exhibit Number	Data Required	Location in Form 10-K
4(a)	Harsco Corporation Rights Agreement dated as of September 25, 2007, with Chase Mellon Shareholder Services L.L.C.	Incorporated by reference to Form 8-A, filed September 26, 2007
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 September 25, 2007
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

Exhibit Number	Data Required	Location in Form 10-K
	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
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(a) (vii)	Agreement extending term of $50,000,000 Facility agreement dated December 15, 2000	Exhibit to Form 8-K dated December 22, 2006
10(a) (viii)	Agreement extending term of $50,000,000 Facility agreement dated December 15, 2000	Exhibit to Form 8-K dated February 4, 2008
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 November 6, 2007

Exhibit Number	Data Required	Location in Form 10-K
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
	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
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 April 27, 2004, under the 1995 Executive Incentive Compensation Plan	Exhibit to Form 8-K dated March 23, 2006
10(q)	Authorization, Terms and Conditions of Other Performance Awards under the Harsco Corporation 1995 Executive Incentive Compensation Plan (as amended and restated)	Exhibit to Form 8-K dated March 22, 2007
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

Exhibit Number	Data Required	Location in Form 10-K
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(w)	Restricted Stock Units Agreement for International Employees	Exhibit volume, 2007 10-K
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 23, 2007
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 -

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
"	T. D. Growcock	Exhibit to Form 8-K dated August 27, 2004, same as shown for K. G. Eddy
12	Computation of Ratios of Earnings to Fixed Charges	Exhibit volume, 2007 10-K
21	Subsidiaries of the Registrant	Exhibit volume, 2007 10-K
23	Consent of Independent Registered Public Accounting Firm	Exhibit volume, 2007 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, 2007 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, 2007 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, 2007 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, 2007 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 2-29-08

By /S/ Stephen J. Schnoor

Stephen J. Schnoor
Senior Vice President and Chief Financial Officer

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
/S/ Derek C. Hathaway (Derek C. Hathaway)	Chairman	2-29-08
/S/ Salvatore D. Fazzolari (Salvatore D. Fazzolari)	Chief Executive Officer and Director	2-29-08
/S/ Geoffrey D. H. Butler (Geoffrey D. H. Butler)	President, Harsco Corporation CEO, Access Services and Mill Services and Director	2-29-08
/S/ Stephen J. Schnoor (Stephen J. Schnoor)	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	2-29-08
/S/ Richard M. Wagner (Richard M. Wagner)	Vice President and Controller (Principal Accounting Officer)	2-29-08
/S/ Kathy G. Eddy (Kathy G. Eddy)	Director	2-29-08
/S/ Terry D. Growcock (Terry D. Growcock)	Director	2-29-08
/S/ Jerry J. Jasinowski (Jerry J. Jasinowski)	Director	2-29-08
/S/ D. Howard Pierce (D. Howard Pierce)	Director	2-29-08
/S/ Carolyn F. Scanlan (Carolyn F. Scanlan)	Director	2-29-08
/S/ James I. Scheiner (James I. Scheiner)	Director	2-29-08
/S/ Andrew J. Sordoni, III (Andrew J. Sordoni, III)	Director	2-29-08
/S/ Joseph P. Viviano (Joseph P. Viviano)	Director	2-29-08
/S/ Dr. Robert C. Wilburn (Dr. Robert C. Wilburn)	Director	2-29-08

EXHIBIT 2(d)

ASSET AND STOCK PURCHASE AGREEMENT

BY AND BETWEEN

HARSCO CORPORATION

AND

TAYLOR-WHARTON INTERNATIONAL LLC

DATED AS OF

November 28, 2007

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A	Cooperation Agreement
B	Harrisburg Lease
C	Transition Services Agreement
D	Non-Compete Agreement
E	Waiver and Release
F	Form of Operating Agreement

ASSET AND STOCK PURCHASE AGREEMENT

This ASSET AND STOCK PURCHASE AGREEMENT (this "Agreement"), dated as of November 28, 2007, is by and between Harsco Corporation, a Delaware corporation (the "Company"), and Taylor-Wharton International LLC, a Delaware limited liability company (the "Buyer").

RECITALS

WHEREAS, the Company's Gas Technologies Segment, directly or indirectly through the Asset Sellers and the Sold Companies, is engaged in the manufacture, marketing, sale and service of (a) gas containment products including cryogenic gas storage tanks, high pressure and acetylene cylinders, propane tanks, composite vessels for industrial and commercial gases and natural gas vehicle products and (b) gas control products including valves and regulators, in its facilities located in the United States, Europe, Australia, Malaysia and China (the "Business"; defined terms shall have the meanings set forth in ARTICLE I); and

WHEREAS, the Company desires to sell, and the Buyer desires to purchase, the Business, upon the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and the representations, warranties, covenants and agreements herein contained and intending to be legally bound hereby, the parties hereto hereby agree as follows:

ARTICLE I
DEFINITIONS

1.1 Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"Acquired Intellectual Property" shall mean all Intellectual Property owned by the Sold Companies and all Intellectual Property owned by the Asset Sellers and included in the Sold Assets.

"Affiliate" shall mean, with respect to any specified Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such specified Person.

"Ancillary Agreements" shall mean (a) with respect to the Sold Assets, such Deeds, bills of sale, endorsements, assignments, affidavits and other instruments of sale, conveyance, transfer and assignment from the Asset Sellers, in form and substance reasonably satisfactory to the Company and the Buyer, as shall be necessary under Law or contemplated by this Agreement in order to transfer all right, title and interest of the applicable Asset Sellers in, to and under such Sold Assets in accordance with the terms hereof, (b) with respect to the Assumed Liabilities, such instruments of assumption, in form and substance reasonably satisfactory to the Company and the Buyer, as shall be necessary under Law or contemplated by this Agreement in order for the Assumed Liabilities to be effectively assumed by the Buyer, (c) with respect to the Shares, such instruments of sale, conveyance, transfer and assignment, and such other agreements or documents, if any, in each case, in form and substance reasonably satisfactory to the Company and the Buyer, as shall be necessary under Law or contemplated by this Agreement in order to transfer to the Buyer (or its designee) all right, title and interest of the applicable Equity Seller in such Shares in accordance with the terms hereof, (d) the Transition Services Agreement, (e) the Harrisburg Lease, (f) the Cooperation Agreement, (g) the Non-Compete Agreement, (h) the Waiver and Release and (i) the Operating Agreement.

"Asset Sellers" shall mean (a) the Company, (b) Harsco GmbH and (c) Harsco Technologies Corp., a Minnesota corporation and a wholly owned subsidiary of the Company.

"Business Day" shall mean any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by Law to be closed in the city of New York, New York, United States of America.

"Business Material Adverse Effect" shall mean any material adverse effect on the business, results of operations, or financial condition of the Business, taken as a whole, but shall exclude any effect (a) resulting from general economic conditions, (b) affecting companies in the gas technologies industry generally, except to the extent having a disproportionate effect on the Business, (c) resulting from a material worsening of current conditions caused by acts of terrorism or war (whether declared or undeclared), except to the extent having a disproportionate effect on the Business, (d) resulting from the announcement or performance of this Agreement or the transactions contemplated hereby, or (e) resulting from any changes in applicable Laws or accounting rules.

"Business Real Property" shall mean, collectively, the Company Leased Real Property, the Sold Companies' Leased Real Property, the Company Owned Real Property and the Sold Companies' Owned Real Property.

"Buyer Subsidiary" shall mean, collectively, TW Cylinders LLC, a Delaware limited liability company and a wholly owned subsidiary of Buyer, TW Cryogenics LLC, a Delaware limited liability company and a wholly owned subsidiary of Buyer, Sherwood Valve LLC, a Delaware limited liability company and a wholly owned subsidiary of Buyer, American Welding & Tank LLC, a Delaware limited liability company and a wholly owned subsidiary of Buyer, and Structural Composites Industries LLC, a Delaware limited liability company and a wholly owned subsidiary of Buyer.

"Cash" shall mean the sum of cash and cash equivalents, plus all uncollected bank deposits and less all outstanding checks and other draws and drafts (including overdrafts) as of the applicable measurement date (it being understood that "Cash" can be a negative number).

"Change of Control Payments" shall mean any payment in the nature of compensation that becomes payable (without regard to any conditions precedent) to any Person by the Company or any of its Affiliates (including the Sold Companies) as a result of, or in connection with, the transactions contemplated by this Agreement, including stay bonuses, sale or transaction bonuses, or similar change of control payments.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Competition/Foreign Investment Law" means any Law that prohibits, restricts or regulates (a) foreign investment, (b) antitrust, monopolization or restraint of trade or (c) competition.

"Confidentiality Agreement" shall mean the confidentiality agreement dated March 28, 2007, between the Buyer and the Company.

"control" (including the terms "controlled by" and "under common control with"), with respect to the relationship between or among two or more Persons, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the affairs or management of a Person, whether through the ownership of voting securities, by contract or otherwise, including the ownership, directly or indirectly, of securities having the power to elect a majority of the board of directors or similar body governing the affairs of such Person.

"Cooperation Agreement" shall mean the Cooperation Agreement, dated as of the Closing Date, to be entered into by the Company and the Buyer, substantially in the form of Exhibit A.

"Customs and International Trade Laws" means any Law, Executive Order, Permit, directive, ruling, order, decree, ordinance, award, or other decision or requirement having the force or effect of law, of any arbitrator, court, government or government agency or instrumentality (domestic or foreign), concerning the importation of merchandise, the export or re-export of products (including technology and services), the terms and conduct of international transactions, and making or receiving international payments, including (i) the Tariff Act of 1930, as amended and other laws and programs administered or enforced by the United States Bureau of Customs and Border Protection, the United States Bureau of Customs and Immigration Enforcement, and their predecessor agencies, (ii) the Export Administration Act of 1979, as amended and the Export Administration Regulations, (iii) the International Emergency Economic Powers Act as amended, (iv) the Arms Export Control Act, (v) the International Traffic in Arms Regulations, (vi) export controls administered by an agency of the United States government, (vii) the USA PATRIOT Act of 2001 as amended, (viii) Executive Orders of the President regarding embargoes and restrictions on transactions with designated entities (including countries, terrorists, organizations and individuals), (ix) embargoes and restrictions administered by the United States Office of Foreign Assets Control, (x) the Money Laundering Control Act of 1986 as amended, (xi) requirements for the marking of imported merchandise, prohibitions or restrictions on the importation of merchandise made with the use of slave or child labor, (xii) the Foreign Corrupt Practices Act as amended, (xiii) the antiboycott regulations administered by the United States Department of Commerce and the United States Department of the Treasury, (xiv) legislation and regulations of the United States and other countries implementing the North American Free Trade Agreement and other free trade agreements to which the United States is a party, (xv) antidumping and countervailing duty laws and regulations, and (xvi) laws and regulations adopted by the governments or agencies of foreign countries concerning the ability of U.S. persons to own businesses or conduct business in those countries, restrictions by foreign countries on holding foreign currency or repatriating funds, or otherwise relating to the same subject matter as the United States laws and regulations described above.

"Debt Obligations" shall mean, with respect to any Person as of any date without duplication, (i) all indebtedness of such Person or any of its subsidiaries for borrowed money, whether or not current, short-term or long-term, secured or unsecured, (ii) all indebtedness of such Person or any of its subsidiaries for the deferred purchase price of property or services, including obligations represented by a note, earnout or contingent purchase payment agreement, (iii) all indebtedness of such Person or any of its subsidiaries created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person or any of its subsidiaries, as applicable (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (iv) all indebtedness of such Person or any of its subsidiaries secured by a purchase money mortgage or other lien to secure all or part of the purchase price of the property subject to such mortgage or lien, (v) all lease obligations of such Person or any of its subsidiaries under leases that are capital leases in accordance with GAAP, (vi) all credit extended on behalf of such Person or any of its subsidiaries in respect of banker's acceptances and letters of credit (other than stand-by letters of credit in support of ordinary course trade payables), (vii) all liability of such Person or any of its subsidiaries with respect to interest rate swaps, collars, caps and similar hedging obligations, (viii) any accrued and unpaid interest, fees and other expenses on any of the foregoing, (ix) all indebtedness referred to in clauses (i) through (viii) above of any Person other than such Person or any of its subsidiaries that is either guaranteed by, or secured by an Encumbrance upon any property owned by, such Person or any of its subsidiaries.

"Deeds" shall mean the special or limited warranty deeds or deeds with covenant against grantor's acts conveying the Company Owned Real Property to the Buyer or its designee.

"Disclosure Schedules" shall mean the schedules delivered by the Company prior to or concurrently with the execution and delivery of this Agreement, as such schedules may be amended or supplemented by the Company from time to time prior to the Closing pursuant to Section 5.12.

"Disposition" shall mean any transaction or series of transactions pursuant to which any Person (other than an Affiliate of Buyer) acquire(s), directly or indirectly, (i) limited liability company interests possessing the voting power to elect a majority of the board of managers of a Buyer Subsidiary (whether by merger, consolidation, reorganization, combination, sale or transfer of limited liability company interests) or (ii) all or substantially all of a Buyer Subsidiary's assets.

"Due Date" shall mean the due date with respect to any applicable Tax Return (taking into account valid extensions).

"Dutch III" shall mean GasServ (Netherlands) III, B.V., a company incorporated under the Laws of the Netherlands and a wholly owned indirect subsidiary of the Company.

"Dutch IV" shall mean GasServ (Netherlands) IV, B.V., a company incorporated under the Laws of the Netherlands and a wholly owned indirect subsidiary of the Company.

"Dutch V" shall mean GasServ (Netherlands) V, B.V., a company incorporated under the Laws of the Netherlands and a wholly owned indirect subsidiary of the Company.

"Duty" shall mean any stamp, transaction or registration duty or similar charge imposed by any Governmental Authority, including any interest, fine, penalty, charge or other amount imposed in respect thereof, excluding any Tax.

"Encumbrance" shall mean any security interest, pledge, mortgage, lien, transfer restriction, lease, charge, option, easement, claim or right of first refusal.

"Environment" shall mean soil, surface water, groundwater, stream sediment, surface or subsurface strata and ambient air.

"Environmental Claim" shall mean any written notice, claim, demand, action, suit, complaint or proceeding by any Person alleging any actual or potential liability or violation under any Environmental Law.

"Environmental Laws" means all U.S. federal, state, local and foreign (including the Republic of China, Slovak Republic and Malaysia) laws, statutes, regulations, ordinances, rules and binding orders, judgments, decrees, common law, or any other provisions having the force or effect of law, pertaining to Hazardous Materials, pollution, protection of the environment, or public health and safety with respect to exposure to Hazardous Materials, and including the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Solid Waste Disposal Act, the Federal Water Pollution Control Act, the Clean Air Act and the Toxic Substances Control Act.

"Equity Sellers" shall mean (a) GasServ (Netherlands) I, B.V., a company organized under the Laws of the Netherlands and a wholly owned subsidiary of the Company, (b) GasServ (Netherlands) II, B.V., a company organized under the Laws of the Netherlands and a wholly owned subsidiary of the Company, (c) GasServ (Netherlands) VI, B.V., a company organized under the Laws of the Netherlands and a wholly owned subsidiary of the Company, (d) GasServ (Netherlands) VII, B.V., a company organized under the Laws of the Netherlands and a wholly owned subsidiary of the Company, and (e) Harsco (Australia) Pty Limited, a company organized under the Laws of Australia and a wholly owned subsidiary of the Company.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

"ERISA Affiliate" shall mean any person that, together with the Company, is or was at any time treated as a single employer under Section 414 of the Code or Section 4001 of ERISA and any general partnership of which the Company is or has been a general partner.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"GAAP" shall mean United States generally accepted accounting principles and practices as of the date hereof.

"General Enforceability Exceptions" means the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar Laws relating to or affecting creditors' rights generally and general equitable principles (whether considered in a proceeding in equity or at Law).

"Governmental Authority" means any of the following: (i) the United States of America or any other country, (ii) any state, commonwealth, territory or possession of any of the foregoing and any political subdivision thereof (including counties and municipalities), and (iii) any agency, authority or instrumentality of any of the foregoing, including any court, tribunal, department, bureau, commission, board, arbitrator or panel of arbitrators.

"Governmental Order" shall mean any order, writ, injunction, decree, judgment, assessment or arbitration award of a Governmental Authority.

"Harrisburg Lease" shall mean the Lease Agreement, dated as of the Closing Date, to be entered into by the Company and the Buyer, substantially in the form of Exhibit B, providing for the Buyer's lease from the Company of certain real property located in Harrisburg, Pennsylvania relating to the Business.

"Harsco GmbH" shall mean Harsco GmbH, a company organized under the laws of Germany and a wholly owned indirect subsidiary of the Company.

"Hazardous Material" shall mean any material that is listed or defined as a "hazardous substance," "hazardous waste," "toxic substance" or any other term of similar import under any Environmental Law, including petroleum, asbestos or asbestos containing materials and polychlorinated biphenyls.

"HSR Act" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

"Income Taxes" shall mean (i) all Taxes based upon, measured by, or calculated with respect to (A) net income or profits (including any capital gains or minimum Tax but not including any sales, use, real or personal property, transfer or similar Taxes) or (B) multiple bases (including, but not limited to, corporate franchise or doing business) if one or more Taxes upon which such Tax may be based, measured by or calculated with respect to, is described in clause (i)(A) above; or (ii) all U.S., state, local and foreign franchise Taxes, including in the case of each of clauses (i) and (ii) and related interest and penalties, additions to such Tax or additional amounts imposed with respect thereto by any Taxing Authority.

"Intellectual Property" shall mean any and all: (a) inventions (whether patentable or unpatentable and whether or not reduced to practice), all improvements thereto, and all patents, patent applications and patent invention disclosures, and all other rights of inventorship together with all reissuances, continuations, continuations-in-part, divisions, revisions, extensions and re-examinations thereof; (b) registered and unregistered trademarks, trade names, trade dress, brand names, logos, slogans and Internet domain names and their associated goodwill and all registrations thereof and applications therefor; (c) copyrights and copyrightable works and all other rights of authorship recognized by statute or otherwise (including software, source code, object code, databases schematics, flowcharts and related items) and all applications, registrations and renewals in connection therewith; (d) trade secrets, ideas, processes, formulae, compositions, technology, manufacturing and production processes and techniques, technical data, engineering production and other designs, engineering notebooks industrial models, discoveries, know-how, specifications, designs, plans, manuals, drawings, research, financial, marketing and business data, pricing and cost information, business and marketing plans, customer and supplier lists and information and all other confidential or proprietary information; (e) rights to sue for and remedies against past, present and future infringements of any or all of the foregoing and rights of priority and protection of interests therein under the Laws of any jurisdiction; (f) copies and tangible embodiments of all of the foregoing; and (g) all other proprietary, intellectual property or other rights relating to any of the foregoing.

"Intercompany Obligations" shall mean all intercompany notes, cash advances and payables between the Company or its Affiliates (other than the Sold Companies), on the one hand, and any of the Sold Companies, on the other hand.

"Knowledge of the Buyer" shall mean the actual knowledge of the individuals listed on Schedule 1.1.

"Knowledge of the Company" shall mean the actual knowledge of the following individuals: Derek C. Hathaway, Chairman and Chief Executive Officer of the Company; Salvatore D. Fazzolari, President, Chief Financial Officer and Treasurer of the Company; Mark E. Kimmel, General Counsel and Corporate Secretary of the Company; James E. Cline, President of the Business; Douglas C. Shuff, Vice President and Controller of the Business; Scott W. Boyd, Vice President Sales and Marketing, Industrial Gas; Donald F. Fabricy, Vice President Sales and Marketing, Propane Products; Michael L. Larsen, Vice President and General Manager, American Welding and Tank; Hoyt H. Fitzsimmons, Jr., Vice President and General Manager, Taylor-Wharton, except that solely with respect to the Sold Companies, "Knowledge of the Company" shall mean in the case of Mr. Fitzsimmons, the actual knowledge of Mr. Fitzsimmons after reasonable independent inquiry; Kenneth O. Miller, Vice President and General Manager, Structural Composites; and Roger Carlson, Vice President and General Manager, Sherwood.

"Law" shall mean any statute, law, ordinance, regulation or rule of any Governmental Authority.

"Liabilities" shall mean any debt, liability or obligation (whether direct or indirect, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, or due or to become due), including all costs and expenses relating thereto.

"Permits" shall mean any permits, licenses, certificates, approvals and authorizations of any Governmental Authority and any industry certifications.

"Permitted Encumbrances" shall mean (a) statutory Encumbrances for current Taxes not yet due and payable, (b) Encumbrances in respect of property or assets imposed by Law that were incurred in the ordinary course of business, such as carriers', warehousemen's, materialmen's and mechanics' liens and other similar liens, and (c) easements, restrictions, covenants or similar matters relating to real property; provided, however, that none of the foregoing described in clauses (a), (b) and (c) above do or will, individually or in the aggregate, materially impair the value or continued use and operation of the property to which they relate in the Business as presently conducted.

"Person" shall mean any individual, partnership, firm, corporation, association, trust, unincorporated organization, joint venture, limited liability company, Governmental Authority or other entity.

"Post-Closing Tax Period" shall mean a taxable period that begins after the Closing Date.

"Pre-Closing Period" shall mean a taxable period that ends on or prior to the Closing Date.

"Pre-Closing Period Income Tax Return" shall mean any Pre-Closing Period Tax Return relating to Income Taxes.

"Pre-Closing Period Tax Returns" shall mean any Tax Return relating to a Pre-Closing Period.

"Pre-Closing Taxes" shall mean (a) all Taxes of or imposed on any of the Sold Companies for any and all Pre-Closing Periods, (b) all Taxes of or imposed on any of the Sold Companies for any and all portions of Straddle Periods ending on the Closing Date (determined in accordance with Section 5.4(b)), (c) all Taxes of an "affiliated group" (as defined in Section 1504 of the Code) (or similar group under applicable state, local or foreign Law) of which any of the Sold Companies (or any predecessor of any such Person) is or was a member on or prior to the Closing Date, including pursuant to Treasury Regulations Section 1.1502-6 (or any predecessor or successor thereof or any analogous or similar state, local or foreign Law), (d) all Taxes of any Person imposed on or required to be paid by any of the Sold Companies as a result of transferee, successor or similar liability, by contract, agreement (including any Tax Sharing Agreement) or assumption or pursuant to any Law or otherwise, which relate to an event or transaction occurring on or before the Closing, (e) any and all Transfer Taxes required to be paid by the Company pursuant to Section 5.3(f), (f) all Taxes of or imposed on any of the Sellers or their Affiliates, including Taxes of the Sellers or such Affiliates imposed on the Buyer or any of its Affiliates as a result of transferee, successor or similar liability (including bulk transfer laws) or pursuant to any Law or otherwise, which Taxes relate to an event or transaction (including transactions contemplated by this Agreement) occurring on or before the Closing, (g) all Periodic Taxes required to be paid by the Company pursuant to Section 5.3(e), (h) all Taxes imposed on the Company as a result of the transactions contemplated by Section 5.16, (i) all Taxes of the Buyer or any of its Affiliates as a result of an inclusion under Section 951(a) of the Code (or any similar provision of state or local Law) attributable to (A) "subpart F income," within the meaning of Section 952 of the Code (or any similar provision of state or local Law) received or accrued on or prior to the Closing Date that is related or attributable to the Sold Companies or (B) the holding of "United States property," within the meaning of Section 956 of the Code (or any similar provision of state or local Law) on or prior to the Closing Date that is related or attributable to the Sold Companies and (j) all withholding Taxes required to be withheld in connection with any payment with respect to the Preferred Rights.

"Proceeding" shall mean any judicial, administrative or arbitral actions, suits or proceedings (public or private) by or before any Governmental Authority or before any arbitrator, mediator or other alternative dispute resolution provider pursuant to any collective bargaining agreement, contractual agreement or Law, and including any audit or examination, or other administrative or court proceeding with respect to Taxes or Tax Returns.

"Products" shall mean any and all products of the Business.

"Recourse Financing" shall mean the financing provided to, or for the benefit of, the Company pursuant to that certain Loan and Security Agreement, dated as of April 18, 2001, between the Company and PNC Leasing, LLC and any collateral security or other related documents entered into in connection therewith.

"Recourse Financing Receivables" shall mean the notes receivable that remain outstanding as of the Closing under the Recourse Financing, along with the security interest in the underlying products relating to the Recourse Financing Receivables.

"Reference Working Capital" shall mean $162,417,000, as determined pursuant to Schedule 1.2.

"Release" shall have the meaning provided in 42 U.S.C. Section 9601(22).

"Securities Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Sellers" shall mean the Asset Sellers and the Equity Sellers, collectively.

"Shares" shall mean all of the issued and outstanding capital stock or equity interests of Dutch III, T-W Slovakia, Dutch IV, Dutch V, and T-W Australia.

"Sold Companies" shall mean, collectively, (a) Dutch III, (b) Taylor-Wharton Asia (M) Sdn. Bhd., a company incorporated under the Laws of Malaysia and a wholly owned indirect subsidiary of the Company, (c) T-W Slovakia, (d) Dutch IV, (e) Taylor-Wharton Gas Equipment Sdn. Bhd., a company incorporated under the Laws of Malaysia and a wholly owned indirect subsidiary of the Company, (f) Dutch V, (g) Taylor-Wharton (Beijing) Cryogenic Equipment Co. Ltd., a company organized under the Laws of the People's Republic of China and a wholly owned indirect subsidiary of the Company, and (h) T-W Australia.

"Special Purpose Accounting Principles" shall mean the accounting principles set forth in Note 2 to the Audited Financial Statements.

"Straddle Period" shall mean any taxable period that includes but does not end on the Closing Date.

"Straddle Period Income Tax Return" shall mean any Straddle Period Tax Return relating to Income Taxes.

"Straddle Period Tax Returns" shall mean any Tax Return relating to a Straddle Period.

"subsidiaries" shall mean, with respect to any Person, any other Person 50% or more of the voting equity of which is owned, directly or indirectly, by such first Person.

"Tax" or "Taxes" shall mean all (a) taxes, charges, withholdings, fees, levies, imposts, duties and governmental fees or other like assessments or charges of any kind whatsoever in the nature of taxes imposed by any United States federal, state, local or foreign or other Taxing Authority (including those related to income, net income, gross income, receipts, capital, windfall profit, severance, property (real and personal), production, sales, goods and services, use, business and occupation, license, excise, registration, franchise, employment, payroll (including social security contributions), deductions at source, withholding, alternative or add-on minimum, intangibles, ad valorem, transfer, gains, stamp, customs, duties, estimated, transaction, title, capital, paid-up capital, profits, premium, value added, recording, inventory and merchandise, business privilege, federal highway use, commercial rent or environmental tax, and any liability under unclaimed property, escheat, or similar Laws), (b) interest, penalties, fines, additions to tax or additional amounts imposed by any Taxing Authority in connection with (i) any item described in clause (a) or (ii) the failure to comply with any requirement imposed with respect to any Tax Return, and (c) liability in respect of any items described in clause (a) and/or (b) payable by reason of contract (including any Tax Sharing Agreement), assumption, transferee, successor or similar liability, operation of law (including pursuant to Treasury Regulations Section 1.1502-6 (or any predecessor or successor thereof or any analogous or similar state, local, or foreign Law)) or otherwise.

"Tax Return" shall mean any return, declaration, form, report, claim, informational return (including all Forms 1099) or statement required to be filed with any Governmental Authority with respect to Taxes, including any schedule or attachment thereto or amendment thereof.

"Taxing Authority" shall mean, with respect to any Tax or Tax Return, the Governmental Authority that imposes such Tax or requires a person to file such Tax Return and the agency (if any) charged with the collection of such Tax or the administration of such Tax Return, in each case, for such Governmental Authority.

"Tax Sharing Agreement" shall mean any Tax indemnity agreement, Tax sharing agreement, Tax allocation agreement or similar contract or arrangement, whether written or unwritten.

"Third Party Expenses" means all fees and expenses incurred by any Asset Seller or Sold Company in connection with the negotiation and effectuation of the terms and conditions of this Agreement and the transactions contemplated hereby, including all legal, accounting, financial advisory, consulting and all other fees and expenses of third parties in connection therewith, including any management fee.

“Transition Services Agreement” shall mean a transition services agreement, dated as of the Closing Date, to be entered into by the Company and the Buyer, substantially in the form of Exhibit C.

“Treasury Regulations” shall mean the Treasury regulations promulgated under the Code, as such Treasury Regulations may be amended from time to time. Any reference herein to a particular provision of the Treasury Regulations means, where appropriate, the corresponding successor provision.

“T-W Australia” shall mean Taylor-Wharton (Australia) Pty Ltd., a company organized under the Laws of Australia and a wholly owned indirect subsidiary of the Company.

“T-W Slovakia” shall mean TAYLOR-WHARTON HARSCO, s.r.o., having its registered seat at Vstupn☒ areál U.S. STEEL, Košice 044 54, Slovak Republic, identification number 36 206 750, registered with the District Court Košice I., Section: Sro, ins. No. 12483/V, a company organized under the Laws of the Slovak Republic and a wholly owned indirect subsidiary of the Company.

1.2 Other Defined Terms. The following terms shall have the meanings defined for such terms in the Sections set forth below:

Term	**Section**
AAA	10.15(a)(ii)
AAA Rules	10.15(a)(ii)
Acquired AR	3.24(a)
Acquired Inventories	3.23
Acquisition Transaction	5.19
Acquisitions and Divestitures	3.25(a)
Active Employee	5.7(a)
Agreed Principles	2.7(a)
Agreement	Preamble
Alternative Sale	9.11(b)
Answer	10.15(a)(i)
Answering Date	10.15(a)(ii)
Arbitration	10.15(a)
Arbitration Hearing	10.15(a)(v)
Arbitration Rules	10.15(a)(iii)
Arbitrator	10.15(a)(ii)
Arbitrator Engagement Date	10.15(a)(iv)
Arbitrator’s Award	10.15(a)(vi)
Assumed Liabilities	2.4(a)
Assumed Plans	5.7(e)
Audited Financial Statements	3.4(a)
Balance Sheet	3.4(a)
Basket	9.1
Business	Recitals
Buyer	Preamble

Term	Section
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Indemnifying Party	9.8(a)
Indemnity Limitations	9.1
Initial Cash Statement	2.6(b)
Interim Financial Statements	3.4(a)
Inventory	2.1(b)
IRS	3.11(b)
Losses	9.1
Material Contracts	3.14(a)
MITI	9.11(a)
Net Working Capital	2.7(a)
Net Working Capital Objection	2.7(c)
Net Working Capital Statement	2.7(b)
Notice of Objection	9.5(h)(i)
Operating Agreement	2.5
Outside Date	8.1(d)
PBGC	3.11(l)
Pension Plan	3.11(m)
Periodic Taxes	5.3(e)
Preferred Rights	2.5
Prime Rate	2.6(d)
Purchase Price	2.5
Related Party	3.27
Related Party Agreements	2.10(a)(xv)
Respondent	10.15(a)(i)
Response Action	9.5
Schedule 2.8 Allocation Statements	2.8
Schedule 2.8(i) Allocation Statement	2.8
Schedule 2.8(ii) Allocation Statement	2.8
Shared Losses	9.1
Sold Assets	2.1
Sold Companies’ Leased Real Property	3.18(a)
Sold Companies’ Owned Real Property	3.18(b)
Sold Contracts	2.1(c)
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ARTICLE II
PURCHASE AND SALE

2.1 Purchase and Sale of the Sold Assets. On the Closing Date and subject to the terms and conditions set forth in this Agreement, the Company shall cause the Asset Sellers to sell, assign, transfer, convey and deliver to the Buyer (or its assignee(s)), and the Buyer (or its assignee(s)) shall purchase and acquire from the Asset Sellers, all of the right, title and interest of the Asset Sellers in and to the Sold Assets. The term "Sold Assets" shall mean collectively all properties, assets and rights of every nature, kind and description, tangible or intangible, whether real, personal or mixed, whether or not reflected on the books and records of the Asset Sellers and whether now existing or hereafter acquired, relating primarily to the Business as the same exist on the Closing Date, other than the Excluded Assets, including all of the following that relate primarily to the Business:

(a) all machinery, equipment, computer hardware, computer software, tools, office equipment, business machines, furniture, furnishings and all other tangible personal property;

(b) all inventories of raw material, work in progress, finished goods, spare parts, replacement and component parts, packaging, office and other supplies and all inventory of the Asset Sellers whether held by an Asset Seller or a third party on consignment or otherwise (collectively, "Inventory");

(c) all rights and incidents of interest of, and benefits accruing to, the Asset Sellers in and to (i) all contracts and agreements set forth on Schedule 2.1(c), (ii) open sales orders or other contracts for the sale of Products or services with respect to which such Products or services have not been delivered, whether or not set forth on Schedule 2.1(c) or (iii) any open purchase orders or other contracts made in the ordinary course of business, consistent with past practice, for the acquisition of materials by the Asset Sellers (collectively, the "Sold Contracts");

(d) the rights and benefits of all credits, prepaid expenses, deferred charges, advance payments, security deposits and prepaid items;

(e) all rights, title and interest in and to the Acquired Intellectual Property as set forth on Schedule 2.1(e), and all other Intellectual Property owned by the Asset Sellers and used primarily in the operation of the Business;

(f) all real property owned by the Asset Sellers as set forth on Schedule 2.1(f), including the buildings, structures, fixtures and improvements located thereon (the "Company Owned Real Property");

(g) all rights and incidents of interest of, and benefits accruing to, the Asset Sellers pursuant to leases in and to the leased real property set forth on Schedule 2.1(g) (the "Company Leased Real Property");

(h) the motor vehicles, including the motor vehicles set forth on Schedule 2.1(h);

(i) all Permits (including applications for issuance or renewal thereof), subject to Section 5.15(b);

(j) any accounts, notes and other receivables carried on the Asset Sellers' books (including the Recourse Financing Receivables) and all lockboxes (but not the corresponding bank accounts) utilized by the Business with respect to receipt of customer payments;

(k) the rights of the Asset Sellers under, and any funds and property held in trust or any other funding vehicle pursuant to, or any insurance contract providing funding for, any Assumed Plan;

(l) copies of all books, records, ledgers, files, documents, correspondence, customer, supplier or other lists, manufacturing and engineering drawings and specifications, patterns, jigs, program maps, sales information, environmental records and files, business and marketing plans and proposals, service, maintenance and warranty records, procedure manuals, computer records, and other technical and business records; provided, however, that, subject to the obligations of the Company and its Affiliates under the Non-Compete Agreement, each Asset Seller shall be entitled to retain copies of any such materials that are necessary in its reasonable judgment for its Tax, accounting, personnel or legal purposes (including Securities and Exchange Commission reporting);

(m) the assets listed on Schedule 2.1(m); and

(n) any claim, remedy or right relating to any asset listed in clauses (a) through (m) above, including any insurance benefits arising from or relating to such assets prior to the Closing, but excluding any self-insured benefits of any of the Asset Sellers.

The Sold Assets shall be transferred, assigned or otherwise conveyed to the Buyer (or its assignee(s)) free and clear of all Encumbrances other than Permitted Encumbrances and Encumbrances that may be created by or on behalf of the Buyer (or its assignee(s)).

2.2 Purchase and Sale of the Shares. On the Closing Date and subject to the terms and conditions set forth in this Agreement, the Company shall cause the Equity Sellers to sell, assign and transfer to the Buyer (or its assignee(s)), and the Buyer (or its assignee(s)) shall purchase and acquire, all of the Equity Sellers' right, title and interest in and to the Shares, free and clear of all Encumbrances other than such Encumbrances that may be created by or on behalf of the Buyer, subject to the full and prompt payment of all required Duties payable in connection with the transfer of such Shares by the Equity Sellers to the Buyer (or its assignee(s)) in accordance with Section 5.3(f).

2.3 Excluded Assets. The Sold Assets shall not include, and the Asset Sellers shall not sell, assign, transfer, convey or deliver to the Buyer (or its assignee(s)), and neither the Buyer nor its assignee(s) shall purchase or acquire, any right, title or interest in or to any of the Excluded Assets. The term "Excluded Assets" shall mean each of the following assets:

(a) any Cash owned by any of the Asset Sellers;

(b) the organizational documents, taxpayer and other identification numbers, minute and record books and the company seals of the Asset Sellers;

(c) any trademarks, corporate names, trade names, logos, domain names, or any variation thereof, and any rights or interests therein, and the goodwill associated therewith, incorporating the name "Harsco" or "MultiServ", or any abbreviation thereof, including those set forth on Schedule 3.13(o);

(d) any assets and properties used in the Business that have been disposed of in the ordinary course, consistent with past practice, since the date of this Agreement;

(e) except as provided in Section 2.1(n), any rights to the Asset Sellers' insurance policies, premiums or proceeds from insurance coverages relating to the Business for any period, and any other recovery by any of the Asset Sellers for the benefit of or otherwise relating to the Business from any Person;

(f) any rights to any refunds, and any deposits of the Asset Sellers with any Governmental Authority, relating to Taxes;

(g) subject to Section 5.3(b), all Tax Returns and financial statements of the Asset Sellers and the Business (other than Tax Returns and financial statements of the Sold Companies) and all records (including working papers) related thereto pertaining primarily to the Excluded Assets or the Excluded Liabilities;

(h) all of the Asset Sellers' causes of action, claims, credits, demands or rights of set-off against third parties, to the extent related to any Excluded Asset;

(i) all rights that accrue to any of the Asset Sellers under this Agreement;

(j) all rights of the Asset Sellers under, and any funds and property held in trust or any other funding vehicle pursuant to, or any insurance contract providing funding for, any Company Benefit Plan that is not an Assumed Plan;

(k) the real property owned by the Company and to be leased to the Buyer pursuant to the Harrisburg Lease; and

(l) the real property owned by the Company and located in Lockport, New York, including all equipment located at such facility.

2.4 Assumption of Liabilities, etc. (a) Without limiting or otherwise affecting the Buyer's (or its assignee(s) to the extent provided in the assumption agreement executed by such assignee(s) at Closing) responsibilities with respect to the Liabilities of the Sold Companies, on the terms and subject to the conditions set forth in this Agreement, at the Closing, the Buyer (or its assignee(s) to the extent provided in the assumption agreement executed by such assignee(s) at Closing) shall assume effective as of the Closing, and shall thereafter pay, perform, be responsible for and discharge as and when due only the following Liabilities of the Asset Sellers relating to the Business, but excluding any Excluded Liabilities (the "Assumed Liabilities"):

(i) all Liabilities to be performed under the Sold Contracts after the Closing Date (but not any Liability thereunder arising out of or in connection with any breach of any such Contract occurring on or prior to the Closing Date);

(ii) all Liabilities assumed by the Buyer pursuant to Section 5.7;

(iii) Reserved.

(iv) all Liabilities of the Asset Sellers with respect to the Business for accounts payable and other current liabilities, but only to the extent included in the Final Statement of Net Working Capital;

(v) the litigation matters described on Schedule 2.4(a)(v);

(vi) all Liabilities arising out of or relating to accidents, occurrences and other incidents (including all Proceedings relating thereto) occurring after the Closing that result in (A) personal injury, (B) property damage or (C) any other Losses and, in each case, that result from, are caused by or arise out of, or are alleged to have resulted from, been caused by or arisen out of, directly or indirectly, use of, exposure to or otherwise on account of any Product manufactured, sold or distributed, or any service rendered, by or on behalf of any Asset Seller on or prior to the Closing Date; and

(vii) all Liabilities and claims arising out of or relating to refunds, repairs or replacements under any Product warranty on account of any Products sold, distributed or otherwise disposed of at any time prior to or after the Closing Date.

(b) Excluded Liabilities. The Buyer shall not assume, and shall not have been deemed to assume, any Liabilities other than the Assumed Liabilities. The term "Excluded Liabilities" shall mean all Liabilities of the Asset Sellers whether arising on or before the Closing Date, other than the Assumed Liabilities, including:

(i) all Liabilities arising out of Excluded Assets;

(ii) all Liabilities under any Company Benefit Plan that is not, or, to the extent such Company Benefit Plan is not, an Assumed Plan;

(iii) all employee- and/or labor-related Liabilities (including workers' compensation Liabilities) other than those assumed by the Buyer pursuant to Section 5.7;

(iv) all Liabilities (including with respect to loss of life, personal injury, damage to any Business Real Property, Environmental Claims, or natural resource damages) arising out of or resulting from (A) any violation of any Environmental Law that occurred prior to the Closing Date in connection with the Business Real Property, operations of the Sold Assets or operation of the Business, (B) any Release of any Hazardous Materials into the Environment at, on, under or from the Business Real Property that occurred prior to the Closing Date, (C) any Release of any Hazardous Material into the Environment at, on, under or from any property formerly owned, leased or operated by the Asset Sellers in connection with the operation of the Business prior to the Closing Date (but not including the Business Real Property), and (D) any off-site disposal of any Hazardous Material prior to the Closing Date from the Business Real Property;

(v) (A) all Liabilities of or imposed on any of the Asset Sellers related or attributable to Taxes and (B) all Periodic Taxes related or attributable to the Sold Assets for all Pre-Closing Periods and, with respect to any Straddle Period, the portion of such Straddle Period ending on the Closing Date (determined in accordance with Section 5.3(e));

(vi) all Liabilities arising out of any Debt Obligations of any of the Asset Sellers (including the Recourse Financing and related notes receivable bad debt reserve);

(vii) all Liabilities to the Company or any of its Affiliates;

(viii) all Liabilities for any Third Party Expenses, severance pay obligations with respect to terminations on or prior to the Closing Date, and Change of Control Payments;

(ix) all Liabilities arising out of or relating to accidents, occurrences and other incidents (including all Proceedings relating thereto) occurring on or prior to the Closing (whether known or unknown and whether or not reported) that result in (A) personal injury, (B) property damage or (C) any other Losses and, in each case, that result from, are caused by or arise out of, or are alleged to have resulted from, been caused by or arisen out of, directly or indirectly, (1) use of, exposure to or otherwise on account of any Product manufactured, sold or distributed, or any service rendered, by or on behalf of any Asset Seller on or prior to the Closing Date; (2) automobile liability occurrences relating to any Asset Seller on or prior to the Closing Date; or (3) workers' compensation occurrences relating to any Asset Seller on or prior to the Closing Date;

(x) all Liabilities for outstanding checks and other draws and drafts (including overdrafts) of the Asset Sellers; and

(xi) all Liabilities under a U.S. Company Benefit Plan in connection with any obligation to indemnify any Person for any penalties or taxes and underpayment or interest penalties under Section 409A of the Code.

(c) Further Assurances. Each party hereto covenants that it will do, execute and deliver, or will cause to be done, executed and delivered, all such further acts and instruments that the other party hereto or any of its successors or permitted assigns may reasonably request in order to more fully evidence the assumption of the Assumed Liabilities provided for in this Section 2.4 and the sale and transfer of the Sold Assets and the Shares. With regard to the Sold Assets of Harsco GmbH, Harsco GmbH shall transfer the possession to the Buyer on the Closing Date. If certain assets sold pursuant to Section 2.1 are in the possession of third parties on the Closing Date, the transfer of possession shall be replaced by the assignment of the revindication right ("Herausgabeanspruch") of Harsco GmbH to the Buyer.

2.5 Purchase Price. On the Closing Date and subject to the terms and conditions set forth in this Agreement, in consideration of the sale, assignment and transfer of the Shares and the Sold Assets, the Buyer shall on the Closing Date (a) pay to the Sellers (in a manner consistent with the allocation of the Purchase Price determined in accordance with Section 2.8) or their respective designee(s) (as agent for such Sellers) an aggregate amount equal to $340,000,000 payable as follows: (i) $300,000,000 in cash (A) plus (to the extent the value thereof is a positive number) or minus (to the extent the value thereof is a negative number) the Estimated Cash, and (B) plus (to the extent the value thereof is a positive number) or minus (to the extent the value thereof is a negative number) the amount by which the Estimated Net Working Capital is greater than or less than the Reference Working Capital; provided, however, that any positive adjustment pursuant to this Section 2.5(a)(i)(B) shall not exceed three million dollars ($3,000,000) (such positive or negative number, the "Closing NWC Adjustment"), by wire transfer of immediately available funds in U.S. dollars to one or more accounts of the Sellers designated at least two Business Days prior to the Closing Date (the amount determined pursuant to this Section 2.5(a)(i), the "Closing Purchase Price"), and (ii) $40,000,000 pursuant to a Series A Preferred Earnout Right (the "Preferred Rights") set forth in the Amended and Restated Limited Liability Company Agreement of Buyer in the form attached hereto as Exhibit F (the "Operating Agreement"); and (b) assume the Assumed Liabilities (the payment, delivery and assumption described in Section 2.5(a) and 2.5(b), collectively, the "Total Consideration"). The Closing Purchase Price shall be adjusted after the Closing pursuant to Sections 2.6 and 2.7. The Closing Purchase Price, plus or minus the adjustment amounts determined pursuant to Sections 2.6 and 2.7, shall be the "Purchase Price." For purposes of Sections 2.6 and 2.7, any monetary conversion from the currency of a foreign country to U. S. dollars shall be calculated using the applicable exchange rates set forth in *The Wall Street Journal*, Eastern Edition as of the applicable measurement date.

2.6 Cash Adjustment.

(a) Estimated Cash. No later than three Business Days prior to the Closing Date, the Company shall prepare and deliver to the Buyer a good faith estimate of the amount of Cash of the Sold Companies anticipated to exist immediately prior to the Closing (the "Estimated Cash").

(b) Initial Cash Statement. Within 60 days after the Closing Date, Buyer shall cause to be prepared and delivered to the Company a statement (the "Initial Cash Statement") setting forth the amount of Cash of the Sold Companies actually existing on the Closing Date (the "Final Cash"). The Company will assist and cooperate with Buyer in the preparation of the Initial Cash Statement.

(c) Dispute. Within 10 days following receipt by the Company of the Initial Cash Statement, the Company shall deliver written notice to Buyer of any dispute it has with respect to the Initial Cash Statement (the "Cash Statement Objection") setting forth a specific description of the basis of the Cash Statement Objection, the adjustments to the Initial Cash Statement which the Company believes should be made, and the Company's calculation of the Final Cash. The Buyer will assist and cooperate with the Company in the preparation of any Cash Statement Objection. During such 10-day period, subject to the Company's confidentiality obligations under the Non-Compete Agreement, the Buyer shall, at the request of the Company, on reasonable prior notice from the Company and during normal business hours, afford the Company reasonable access to the books and records with respect to the Business (to the extent relevant to the determination of the Final Cash) and otherwise reasonably cooperate with the Company in connection with its preparation of any Cash Statement Objection. The Company shall be deemed to have accepted any items not specifically disputed in the Cash Statement Objection. Failure to so notify Buyer within such 10-day period shall constitute acceptance and approval of Buyer's calculation of the Final Cash. Buyer shall have 10 days following the date it receives the Cash Statement Objection to review and respond to the Cash Statement Objection. If the Company and the Buyer are unable to resolve all of their disagreements with respect to the determination of the foregoing items by the 10th day following Buyer's response thereto, after having used their commercially reasonable efforts to reach a resolution, they shall refer their remaining differences to Ernst & Young LLP or, if such firm refuses to accept such engagement (or such firm is, at the relevant time, doing any work for the Buyer or the Company), another nationally recognized firm of independent public accountants as to which the Company and the Buyer mutually agree acting promptly and in good faith (in either case, the "CPA Firm"). The CPA Firm shall, acting as experts in accounting and not as arbitrators, determine on a basis consistent with the calculation of the Estimated Cash, and only with respect to the specific remaining accounting-related differences so submitted, whether and to what extent, if any, the Initial Cash Statement requires adjustment. The Buyer and the Company each agree to execute, if requested by the CPA Firm, a reasonable engagement letter. The Company and the Buyer shall request the CPA Firm to render its determination within 45 days. All fees and expenses of the CPA Firm relating to this work shall be borne 50% by the Company and 50% by the Buyer. All determinations made by the CPA Firm will be limited to the matters submitted to the CPA Firm by the Buyer and the Company and shall be final, conclusive and binding on the parties and neither the Buyer nor the Company nor any of their respective Affiliates shall seek further recourse to courts or other tribunals, other than to enforce the CPA Firm's determination. Judgment may be entered to enforce such report in any court of competent jurisdiction. The Company and the Buyer shall make reasonably available to the CPA Firm all relevant books and records, any work papers (including those of the parties' respective accountants) and supporting documentation relating to the Initial Cash Statement and all other items reasonably requested by the CPA Firm. The "Final Cash Statement" shall be (i) the Initial Cash Statement in the event that (A) no Cash Statement Objection is delivered to Buyer during the initial 10-day period specified above or (B) the Company and the Buyer so agree, (ii) the Initial Cash Statement, adjusted in accordance with the Cash Statement Objection, in the event that (A) Buyer does not respond to the Cash Statement Objection during the 10-day period specified above following receipt by Buyer of the Cash Statement Objection or (B) the Company and the Buyer so agree or (iii) the Initial Cash Statement, as adjusted pursuant to the agreement of the Buyer and the Company or as adjusted by the CPA Firm together with any other modifications to the Initial Cash Statement agreed upon by the Company and the Buyer.

(d) Downward Adjustment. If the Final Cash (as set forth on the Final Cash Statement) is less than the Estimated Cash, then the Closing Purchase Price shall be adjusted downward by an amount equal to (i) the amount of the deficiency between the Estimated Cash and the Final Cash plus (ii) interest computed at the rate declared from time to time by Citibank, N.A. as its "base rate" (calculated on the basis of 365 days and the actual number of days elapsed, the "Prime Rate") for the period from the Closing Date to the date of such payment of the deficiency amount, and the Company shall pay or cause to be paid such amount by wire transfer of immediately available funds to an account designated by the Buyer. Such payment shall be made within three Business Days after the date on which the Final Cash Statement is determined.

(e) Upward Adjustment. If the Final Cash (as set forth on the Final Cash Statement) is greater than the Estimated Cash, then the Closing Purchase Price shall be adjusted upward by an amount equal to (i) the amount of the excess between the Final Cash and the Estimated Cash plus (ii) interest computed at the Prime Rate for the period from the Closing Date to the date of such payment of the excess amount, and the Buyer shall pay or cause to be paid such amount by wire transfer of immediately available funds to an account designated by the Company. Such payment shall be made within three Business Days after the date on which the Final Cash Statement is determined.

2.7 Net Working Capital.

(a) Estimated Net Working Capital. No later than three Business Days prior to the Closing Date, the Company shall prepare and deliver to the Buyer a good faith estimate of the Net Working Capital as of the Closing Date, together with all calculations related thereto (the "Estimated Net Working Capital"). "Net Working Capital" shall mean (i) the total current assets of the Business, including the Recourse Financing Receivables but excluding (A) Cash, (B) all assets related or attributable to Taxes, except any value added Tax or other comparable indirect Tax actually paid by the Sold Companies on or prior to the Closing Date for which the Sold Companies will be entitled to input credit or other offset against Tax that otherwise would be required to be paid by the Sold Companies subsequent to the Closing Date, (C) prepaid insurance maintained on the books of the Company and (D) Excluded Assets, less (ii) the current liabilities of the Business, including all accrued vacation Liabilities with respect to employees of the Business but excluding (A) all liabilities related or attributable to Taxes other than payroll taxes attributable to the Sold Companies, (B) unclaimed property reserve, (C) accrued salaries and wages, bonus accrual and incentive accrual with respect to the Business' U.S. employees and employees of Harsco GmbH (it being understood that such items are Excluded Liabilities pursuant to Section 2.4(b)(iii)), (D) insurance liabilities maintained on the books of the Company (it being understood that such items are Excluded Liabilities), (E) long-term disability accrual (it being understood that the corresponding liability is an Excluded Liability), and (F) Excluded

Liabilities, in each case, as of 11:59 p.m. (Eastern Time) on the Closing Date and giving effect to the transactions described in Section 5.16, determined (i) in accordance with the Special Purpose Accounting Principles applied on a basis consistent with the Audited Financial Statements, as modified by the accounting principles set forth on Schedule 2.7(a) (including with respect to inventories), and (ii) consistent with the calculation of Reference Working Capital, which calculation is attached hereto as Schedule 1.2 (the "Agreed Principles").

(b) Closing Balance Sheet; Net Working Capital Statement. Within 90 days after the Closing Date, Buyer shall cause to be prepared and delivered to the Company and the Company will reasonably cooperate with Buyer in connection with such preparation as reasonably requested by Buyer: (i) a consolidated balance sheet (the "Closing Balance Sheet") of the Business as of 11:59 p.m. (Eastern Daylight Saving Time) on the Closing Date in accordance with the Agreed Principles; and (ii) a net working capital statement (the "Net Working Capital Statement"), setting forth the Net Working Capital (the "Final Net Working Capital") determined based on the Closing Balance Sheet. During the 30 days following receipt by the Company of the Net Working Capital Statement, Buyer shall, at the request of the Company, on reasonable prior notice from the Company and during normal business hours, afford the Company access to the books and records with respect to the Business and otherwise reasonably cooperate with the Company in connection with its evaluation of the Net Working Capital Statement.

(c) Dispute. Within 30 days following receipt by the Company of the Net Working Capital Statement, the Company shall deliver written notice to Buyer of any dispute it has with respect to the Net Working Capital Statement (the "Net Working Capital Objection") setting forth a specific description of the basis of the Net Working Capital Objection, the adjustments to the Net Working Capital Statement that the Company believes should be made, and the Company's calculation of the Final Net Working Capital. The Buyer will assist and cooperate with the Company in the preparation of any Net Working Capital Objection. During such 30-day period, subject to the Company's confidentiality obligations under the Non-Compete Agreement, the Buyer shall, at the request of the Company, on reasonable prior notice from the Company and during normal business hours, afford the Company reasonable access to the books and records with respect to the Business (to the extent relevant to the determination of the Final Net Working Capital) and otherwise reasonably cooperate with the Company in connection with its preparation of any Net Working Capital Objection. The Company shall be deemed to have accepted the Net Working Capital Statement except to the extent specifically disputed in the Net Working Capital Objection. The Company shall not dispute the accounting principles and adjustments used in preparing the Net Working Capital Statement and the Final Net Working Capital if such principles and adjustments are consistent with the Agreed Principles. Failure to so notify Buyer within such 30-day period shall constitute acceptance and approval of Buyer's calculation of the Final Net Working Capital. Buyer shall have 30 days following the date it receives the Net Working Capital Objection to review and respond to the Net Working Capital Objection. If the Company and the Buyer are unable to resolve all of their disagreements with respect to the items specified in the Net Working Capital Objection by the 30th day following Buyer's response thereto, after having used their commercially reasonable efforts to reach a resolution, they shall refer their remaining differences to the CPA Firm, which shall, acting as experts in accounting and not as arbitrators, determine on a basis consistent with the Agreed Principles, and only with respect to the specific remaining accounting-related differences so submitted, whether and to what extent, if any, the Net Working Capital Statement requires adjustment. The Buyer and the Company each agree to execute, if requested by the CPA Firm, a reasonable engagement letter. The Company and the Buyer shall request the CPA Firm to render its determination within 45 days. All fees and expenses of the CPA Firm relating to this work shall be borne equally by the Company and the Buyer. All determinations made by the CPA Firm will be limited to the matters submitted to the CPA Firm by the Buyer and the Company and shall be final, conclusive and binding on the parties and neither the Buyer nor the Company nor any of their respective Affiliates shall seek further recourse to courts or other tribunals, other than to enforce the CPA Firm's determination. Judgment may be entered to enforce such report in any court of competent jurisdiction. The Company and the Buyer shall make reasonably available to the CPA Firm all relevant books and records, any work papers (including those of the parties' respective accountants) and supporting documentation relating to the Net Working Capital Statement and all other items reasonably requested by the CPA Firm. The "Final Statement of Net Working Capital" shall be (i) the Net Working Capital Statement in the event that (A) no Net Working Capital Objection is delivered to Buyer during the initial 30-day period specified above with respect thereto or (B) the Company and the Buyer so agree, (ii) the Net Working Capital Statement, adjusted in accordance with the Net Working Capital Objection, in the event that (A) Buyer does not respond to the Net Working Capital Objection during the 30-day period specified above following receipt by Buyer of the Net Working Capital Objection or (B) the Company and the Buyer so agree or (iii) the Net Working Capital Statement, as adjusted pursuant to the agreement of the Buyer and the Company or as adjusted by the CPA Firm together with any other modifications to the Net Working Capital Statement agreed upon by the Company and the Buyer.

(d) Adjustment. For purposes of this Agreement, (i) the term "Final NWC Adjustment" shall mean the amount by which the Final Net Working Capital (as set forth on the Final Statement of Net Working Capital) is greater than or less than the Reference Working Capital; provided, however, that any positive Final NWC Adjustment shall not exceed three million dollars ($3,000,000), and (ii) the term "NWC True-Up" shall mean the amount equal to the Final NWC Adjustment (expressed as a positive number, if such adjustment amount was positive, and as a negative number, if such adjustment amount was negative) *minus* the Closing NWC Adjustment (expressed as a positive number, if such adjustment amount was positive, and as a negative number, if such adjustment amount was negative). For example, if the Closing NWC Adjustment was a three million dollar increase, and the Final NWC Adjustment is a two million dollar increase, then the NWC True-Up would be negative one million dollars; and if the Closing NWC Adjustment was a three million dollar decrease, and the Final NWC Adjustment is a two million dollar increase, then the NWC True-Up would be a positive five million dollars (i.e., subtracting a negative number converts it into a positive number). If the NWC True-Up amount is a positive number, the Buyer shall pay such positive amount, plus interest computed at the Prime Rate for the period from the Closing Date to the date of such payment, by wire transfer of immediately available funds to an account designated by the Company. If the NWC True-Up amount is a negative number, the Company shall pay such negative amount, plus interest computed at the Prime Rate for the period from the Closing Date to the date of such payment, by wire transfer of immediately available funds to an account designated by the Buyer. In each case, such payment shall be made within three Business Days after the date on which the Final Net Working Capital Statement is determined.

2.8 Allocation of Total Consideration.

(a) Prior to the Closing, the Company and the Buyer shall determine in good faith the preliminary manner in which the Closing Purchase Price shall be allocated among each of the Sellers, which determination shall be reflected on Schedule 2.8(a) (the "Schedule 2.8(a) Allocation Statement"). In the event that the Company and the Buyer cannot agree on the Schedule 2.8(a) Allocation Statement prior to the Closing, the Company and the Buyer shall each submit its proposed Schedule 2.8(a) Allocation Statement to each other at the Closing, and any remaining disputes shall be settled after the Closing by the parties and the CPA Firm in accordance with the principles of Section 2.8(b). The Buyer and the Company shall request the CPA Firm to render its determination within 45 days.

(b) Within thirty (30) Business Days after the later of the final resolution of the adjustments provided pursuant to Section 2.6 and Section 2.7 on the one hand, or any other adjustment, including any payment by Buyer in respect of the Preferred Rights, on the other hand, the Company shall provide to the Buyer (i) a revised Schedule 2.8(a) Allocation Statement (such revised Schedule 2.8(a) Allocation Statement shall be prepared in a manner consistent with the preliminary Schedule 2.8(a) Allocation Statement but adjusted solely to take into account the final determination of the adjustments pursuant to Section 2.6 and Section 2.7 (or otherwise pursuant to this Agreement and taking into account any payments by Buyer with respect to the Preferred Rights (other than the portion of any such payments characterized as interest)), provided, however, that any such adjustments or payments shall be allocated among the Sellers in the same manner (proportionately) in which the preliminary Schedule 2.8(a) Allocation Statement was prepared) and (ii) the manner in which the sum of the portion of the Purchase Price allocated to each Seller (in accordance with the revised Schedule 2.8(a) Allocation Statement) and the Assumed Liabilities (as agreed to by the parties) of each Seller (and, for U.S. federal income Tax purposes and applicable state and local income Tax purposes, the liabilities of the Sold Companies, as the case may be) shall be allocated among the Sold Assets (and, for U.S. federal income Tax purposes and applicable state and local income Tax purposes, the assets of the Sold Companies) of each Seller that will be acquired by the Buyer (or its assignees), which allocations shall be made in accordance with Section 1060 of the Code and the applicable Treasury Regulations and, to the extent not inconsistent therewith, any other applicable Tax Law (the "Schedule 2.8(b) Allocation Statement" and together with the Schedule 2.8(a) Allocation Statement, the "Schedule 2.8 Allocation Statements"); provided, however, that the Schedule 2.8 Allocation Statements shall be subject to the review and approval of the Buyer, which approval shall not be unreasonably withheld, delayed or conditioned. The Buyer shall have the right to withhold its approval to any portion of the Schedule 2.8 Allocation Statements by written notice to the Company. If the Buyer does not object to the Schedule 2.8 Allocation Statements by written notice to the Company within thirty (30) days after receipt by the Buyer of the Schedule 2.8 Allocation Statements, then the Schedule 2.8 Allocation Statements shall be deemed to have been accepted and agreed upon, and final and conclusive, for all purposes of this Agreement; provided, however, that such Schedule 2.8 Allocation Statements shall be subject to adjustment upon and as a result of any adjustment to the amounts used to determine the allocations used to prepare the Schedule 2.8 Allocation Statements under this Agreement and including any payments by the Buyer with respect to the Preferred Rights (other than the portion of any such payments characterized as interest). If the Buyer objects to the Schedule 2.8 Allocation

Statements, it shall notify the Company in writing of its objection to the Section 2.8 Allocation Statements and shall set forth in such written notice the disputed item or items and the basis for its objection and the Company and the Buyer shall act in good faith to resolve any such dispute for a period of thirty (30) days thereafter. If, within thirty (30) days of the Buyer's delivery of a valid written notice of objection to the Schedule 2.8 Allocation Statements, the Company and the Buyer have not reached an agreement regarding the disputed item or items specified in such written notice, the dispute shall be presented to the CPA Firm, whose determination shall be binding upon the parties. The Buyer and the Company shall request the CPA Firm to render its determination within 45 days. The fees and expenses of the CPA Firm in connection with the resolution of any dispute under this Section 2.8 shall be paid 50% by the Company and 50% by the Buyer. In the event that any adjustment to the Total Consideration is paid between the parties pursuant to the terms of this Agreement (and taking into account any payments by the Buyer with respect to the Preferred Rights (other than the portion of any such payments characterized as interest)), the Company shall promptly provide the Buyer revised Schedule 2.8 Allocation Statements and the principles of this Section 2.8 shall apply to each of the revised Schedule 2.8 Allocation Statements. The parties agree to report (and cause their Affiliates to report) any payment with respect to the Preferred Rights in accordance with Section 4.5(e) of the Operating Agreement.

(c) Each of the parties and their respective Affiliates shall, unless otherwise required by a final "determination" (within the meaning of Section 1313(a) of the Code), (i) prepare and file all Tax Returns, including all IRS Forms 8594, in a manner consistent with (x) the Schedule 2.8 Allocation Statements as finally determined pursuant to this Section 2.8 (subject to adjustment in accordance with this Section 2.8 in the event of any adjustment to the Total Consideration), (y) the Real Property Allocation Statement, and (z) Section 4.5(e) of the Operating Agreement and (ii) take no position in any Tax Return, Proceeding, Tax contest or otherwise that is inconsistent with (x) the Schedule 2.8 Allocation Statements as finally determined pursuant to this Section 2.8 (subject to adjustment in accordance with this Section 2.8 in the event of any adjustment to the Total Consideration), (y) the Real Property Allocation Statement, or (z) Section 4.5(e) of the Operating Agreement. In the event that any of the allocations set forth in the Schedule 2.8 Allocation Statements are disputed by any Taxing Authority, the party receiving notice of such dispute shall promptly notify and consult with the other party concerning the resolution of such dispute.

(d) Prior to the Closing, the Company and the Buyer shall determine in good faith the portion of the Total Consideration that will be allocated among the properties set forth on Schedule 2.8(d) (such allocation, the "Real Property Allocation Statement"). Notwithstanding anything to the contrary contained here, the Schedule 2.8 Allocation Statements shall be prepared in a manner consistent with the Real Property Allocation Statement. In the event that the Company and the Buyer cannot agree on the Real Property Allocation Statement prior to the Closing, the Buyer and the Company shall each submit its proposed Real Property Allocation Statement to each other at the Closing, and any remaining disputes shall be settled after the Closing by the parties and the CPA Firm in accordance with the principles of Section 2.8(b).

2.9 <u>The Closing</u>. Unless this Agreement shall have been terminated pursuant to ARTICLE VIII, subject to ARTICLE VI and ARTICLE VII, the closing (the "<u>Closing</u>") of the transactions contemplated by this Agreement shall take place at the offices of Reed Smith LLP, 10 S. Wacker Drive, 40th Floor, Chicago, IL 60606, on the third Business Day following the satisfaction or waiver of all of the conditions set forth in ARTICLE VI and ARTICLE VII (other than those conditions that are to be satisfied at the Closing) (the "Closing Date"), or at such other place and time as may be agreed upon by the parties hereto. All proceedings to be taken and all documents to be executed and delivered by all parties at the Closing shall be deemed to have been taken and executed and delivered simultaneously and no proceedings shall be deemed to have been taken nor documents executed or delivered until all have been taken, executed and delivered. Legal title, equitable title and risk of loss with respect to the Shares and the Sold Assets will be deemed transferred to or vested in the Buyer, and the transactions contemplated by this Agreement will be deemed effective for Tax, accounting and other computational purposes, and the parties will treat the Closing as if it had occurred, as of 11:59 p.m. (Eastern Time) on the Closing Date. Without limitation of any other provision hereof, the Company covenants and agrees to operate the Business in the ordinary course on the Closing Date.

2.10 Deliveries at the Closing.

(a) Deliveries by the Company. At or prior to the Closing, the Company shall deliver or cause to be delivered to the Buyer the following:

(i) either (A) stock certificates (or local legal equivalent) evidencing the Shares to be sold by the Equity Sellers duly endorsed in blank (and undated), or accompanied by stock powers duly executed in blank and with any required stock transfer tax stamps affixed, or (B) share transfer forms in respect of the Shares to be sold by the Equity Sellers, duly executed by the applicable Equity Sellers;

(ii) the Ancillary Agreements to which the Company or any of its Affiliates is a party, duly executed by the Company or such Affiliates, including the following documents pertaining to the transfer of each of the Company Owned Real Property and the Company Leased Real Property, as applicable:

(A) Company Owned Real Property Documents.

(B) Deed. The Deeds in recordable form executed and acknowledged by the Company in favor of Buyer (or Buyer's nominee), in form and substance reasonably acceptable to Buyer and its counsel and Chicago Title Insurance Company (the "Title Insurer"), the delivery and recordation of which will vest in the Buyer (or the Buyer's nominee) good, marketable and indefeasible fee title in and to the such real property and improvements, subject only to the Permitted Encumbrances;

(C) Title Policy. At the Company's and the Buyer's equally shared cost and expense, an ALTA Form 2006 owner's policy of title insurance, if available, and if unavailable, an ALTA Form 10-17-92 owner's policy of title insurance, dated the date and time of the Closing (or a written binding commitment from the Title Insurer to deliver the policy of title insurance at a future date), with an amount of insurance equivalent to the allocation of Purchase

Price as set forth herein, insuring the Buyer (or its nominee) as sole owner of good, marketable and indefeasible fee title to said real property and improvements, subject only to the Permitted Encumbrances, and containing such customary endorsements as are reasonably acceptable to the Company and the Buyer, of which the following shall be deemed reasonably acceptable if available in the applicable jurisdiction: a) extended coverage over standard or general exceptions; b) access; c) location; d) survey equivalency; e) utility facility; f) zoning 3.1 with parking; g) restrictions; h) deletion of creditor's rights; i) encroachment, if applicable; j) subdivision, if applicable; k) mineral rights, if applicable; and l) contiguity, if applicable;

(D) Survey. At the Company's and the Buyer's equally shared cost and expense, a land title survey of the real property in accordance with current ALTA/ACSM standards, made by a surveyor or civil engineer reasonably acceptable to the Buyer, duly licensed in the jurisdiction in which the real property is located, setting forth: (A) the location of all easements, rights of way, set-back lines and other encumbrances and matters of record affecting or appurtenant to the real property; (B) the courses and measured distances of exterior property lines and the established building line(s) and side yard line(s), if any; (C) the location of the line of the street or streets abutting the real property or any portion thereof; (D) any and all encroachments (and the extent thereof in feet and inches) upon the real property or any easement appurtenant thereto; (E) the location of all improvements on the real property, the dimensions thereof and the distance therefrom to the facing exterior property lines and other buildings; and (F) whether the real property is located in a flood plain. The survey shall also contain the following Table A items: 1, 2, 3, 4, 6, 7(a), 7(b)(i), 8, 9, 10, 11(a), 14, 16 and 18. The survey shall be certified to the Buyer, the Company and the Title Insurer and be in form and substance reasonably acceptable to the Buyer, the Company and the Title Insurer; and

(E) Transfer Tax Forms. All state, city and/or county transfer tax forms and returns required to be completed, filed or recorded at the Closing with respect to said owned real property.

(F) Other Title and Escrow Documents. Such other documents as may be reasonably necessitated by the Title Insurer in connection with effectuating the issuance of the Title Policy and any related closing escrows, including an owner's affidavit or statement in customary and commercially reasonable form; provided, that this delivery shall not require any special or exception-specific indemnifications to permit the deletion or "insuring over" of any non-standard title exception.

(G) Company Leased Real Property Documents.

(H) Assignment of Lease. A good and sufficient assignment of all right, title and interest of the applicable Asset Seller in and to the lease of the real property; and

(I) Transfer Tax Forms. All state, city and/or county transfer tax forms and returns required to be completed, filed or recorded at the Closing with respect to said leased real property.

(iii) possession and occupancy of the Company Owned Real Property and the Company Leased Real Property;

(iv) a certificate of good standing (if applicable) of each Seller and each Sold Company, issued by the secretary of state (or similar Governmental Authority) of its jurisdiction of incorporation or formation, dated as of the most recent practicable date;

(v) certified copies of resolutions duly adopted by the Board of Directors of each Seller, and certified copies of resolutions duly adopted by the shareholders of each Seller (to the extent such resolutions are required under applicable Law) evidencing the taking of all corporate action necessary to authorize the execution, delivery and performance of this Agreement and the Ancillary Agreements to which it is a party (to the extent applicable) and the consummation of the transactions contemplated hereby and thereby;

(vi) a certificate of an officer of each of the Company and Harsco Technologies Corp., a Minnesota corporation, certifying, pursuant to Treasury Regulations Section 1.1445-2(b)(2), that such entity is not a foreign person within the meaning of Sections 1445 and 897 of the Code (each such certificate, a "FIRPTA Certificate");

(vii) a certificate of an officer of the Company certifying that none of the assets to be sold by Harsco GmbH hereunder is a "U.S. real property interest" (as defined in Section 897(c)(i)(A) of the Code);

(viii) a certificate of the Secretary or Assistant Secretary of the Company identifying the name and title and bearing the signatures of the officers of the Company authorized to execute this Agreement and the other agreements and instruments contemplated hereby;

(ix) a cross-receipt for the Closing Purchase Price paid on the Closing Date;

(x) a "pay-off" letter in respect of each Debt Obligation of the Asset Sellers (with respect to the Business) and the Sold Companies (including the Recourse Financing), each in form and substance reasonably acceptable to the Buyer and the Title Insurer (as applicable) and duly executed by the administrative agent or each of the lenders party thereto, as applicable, certifying as to the aggregate amount owed under such Debt Obligation as of immediately prior to the Closing (including any per diem amounts, if applicable) and agreeing that, among other things, upon the payment of such amount to the administrative agent or the lenders, as applicable at the Closing in accordance with the "pay-off" letter, (A) all amounts due and owing under such Debt Obligations will be satisfied in full and (B) all Encumbrances granted in favor of any Person under such Debt Obligations shall be released;

(xi) forms of UCC-3 Termination Statements in proper form for filing upon the Closing and such other release documents and/or forms as the Buyer deems reasonably necessary to validly terminate or release all Encumbrances (other than Permitted Encumbrances) granted by any Seller or any of its Affiliates in favor of any Person against any of the Sold Assets or any of the assets of the Sold Companies;

(xii) evidence reasonably satisfactory to the Buyer of the payments required under Section 5.16;

(xiii) a Non-Compete, Non-Solicitation and Confidentiality Agreement, in the form attached hereto as Exhibit D (the "Non-Compete Agreement"), duly executed by the Sellers;

(xiv) a Waiver and Release, in the form attached hereto as Exhibit E (the "Waiver and Release"), duly executed by the Sellers;

(xv) evidence reasonably satisfactory to the Buyer of the termination of all agreements, if any, by and among any of the Sold Companies or any of the Asset Sellers (with respect to the Business), on the one hand, and the Company or any of its Affiliates (other than any such agreements by and among two or more Sold Companies), on the other hand ("Related Party Agreements");

(xvi) articles of incorporation, bylaws (or the equivalent applicable organizational documents) for each of the Sold Companies, certified by the jurisdiction of incorporation;

(xvii) minute books, stock record books, and all other books and records relating to the Sold Companies;

(xviii) evidence reasonably acceptable to Buyer of the consents set forth on Schedule 2.10(a)(xviii); and

(xix) Intellectual Property assignments, in form and substance reasonably satisfactory to the Buyer and executed by the applicable Seller(s), assigning the Seller's entire right, title and interest in, to and under the trademarks, patents and domain names listed on Schedule 3.13 (but excluding those set forth on Schedule 3.13(o)).

(b) Deliveries by the Buyer. At or prior to the Closing, the Buyer shall deliver or cause to be delivered to the Company (on its own behalf and as agent for the other Sellers) the following:

(i) the Closing Purchase Price by wire transfer of immediately available funds to an account or accounts designated by the Sellers, payable in accordance with Section 2.5(a) hereof;

(ii) the Ancillary Agreements to which the Buyer or any of its Affiliates is a party, duly executed by the Buyer or such Affiliates;

(iii) a certificate of good standing of the Buyer, issued by the Secretary of State of the State of Delaware, dated as of the most recent practicable date;

(iv) a copy of the certificate of formation (or equivalent document) of the Buyer, certified by the Delaware Secretary of State, dated as of the most recent practicable date;

(v) certified copies of resolutions duly adopted by the Board of Directors of the Buyer evidencing the taking of all corporate or other action necessary to authorize the execution, delivery and performance of this Agreement and the Ancillary Agreements and the consummation of the transactions contemplated hereby and thereby;

(vi) a certificate of the Secretary or Assistant Secretary of the Buyer identifying the name and title and bearing the signatures of the officers of the Buyer authorized to execute this Agreement and the other agreements and instruments contemplated hereby; and

(vii) a cross-receipt for the Sold Assets and the Shares delivered to the Buyer on the Closing Date.

2.11 Post-Closing Share Transfer Filings. Without limiting the generality of Section 2.4(c), the Buyer hereby covenants to and for the benefit of each of the Equity Sellers that it will, on or as soon as is reasonably practicable after the Closing Date, do and execute and deliver, or cause to be done and executed and delivered, all such further acts, deeds and instruments that may be necessary in the applicable jurisdiction to transfer to the Buyer the full legal title to the Shares, including (a) properly completing and submitting all administrative forms and other documentation required by the applicable Governmental Authority to legally recognize the transfer of such Shares to the Buyer (including corporate authorizations, financial statements, organizational documents and any other materials that may be required by the applicable Governmental Authority to determine the amount of any Duty that may be payable in connection with such transfer of Shares), (b) promptly responding to all questions of the applicable Governmental Authority with respect to the transfer of such Shares to the Buyer, and (c) upon the final determination of any applicable Duty, duly stamping the relevant documentation and submitting the same, as applicable, to the company secretary of the relevant company for registration. The Company covenants to and for the benefit of the Buyer that it will provide at the sole cost of the Buyer such reasonable assistance as is requested by the Buyer in relation to the Buyer's obligations set out in this Section 2.11.

2.12 Tax Withholding. Notwithstanding anything contained herein to the contrary, the Buyer will be entitled to deduct, withhold and remit (or cause to be deducted, withheld and remitted) to the appropriate Taxing Authority from the Closing Purchase Price (or any adjustment thereto including any payment by the Buyer with respect to the Preferred Rights) and any other payments contemplated by this Agreement or the Operating Agreement such amounts as the Buyer, in its reasonable discretion, determines are required to be deducted, withheld and remitted with respect to the making of such payment under the Code, or any provision of state, local or foreign Tax Law (including as a result of the failure of the Asset Sellers to deliver FIRPTA Certificates to the extent required pursuant to Section 2.10(a)(vi)).

The Buyer shall notify the Company in writing of its intent to deduct, withhold and remit to the appropriate Taxing Authority pursuant to this Section 2.12 promptly upon the Buyer's discovery of any withholding tax obligation under this Agreement. The Buyer shall provide the Company with all reasonable opportunities to take appropriate action to avoid any such withholding obligation prior to the Closing Date. To the extent that amounts are deducted, withheld and remitted to the appropriate Taxing Authority pursuant to this Section 2.12, such amounts will be treated for all purposes of this Agreement or otherwise as having been paid to the Company or a Seller (as applicable) in respect of whom such deduction and withholding were made by Buyer or other Person. The Buyer shall provide the Company with appropriate documentation of all amounts so withheld, deducted and remitted pursuant to this Section 2.12.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents and warrants to the Buyer as follows:

3.1 Organization. Each of the Sellers and the Sold Companies is a corporation or company, as applicable, duly incorporated, formed or organized, as applicable, validly existing and (to the extent any such jurisdiction recognizes the concept of good standing) in good standing under the Laws of its jurisdiction of incorporation, formation or organization, as applicable. Each of the Sellers and the Sold Companies has all requisite corporate power and authority to own, lease and operate its assets and to carry on its business as now being conducted and is duly qualified or licensed to do business and is in good standing in the jurisdictions in which the ownership of its property or the conduct of its business requires such qualification or license, except where the failure to be so qualified or licensed would not have and could not reasonably be expected to have a Business Material Adverse Effect or a material adverse effect on the ability of the Sellers to consummate the transactions contemplated by this Agreement.

3.2 Authorization; Enforceability. Each of the Sellers has the corporate power and authority to execute and deliver this Agreement (to the extent party hereto) and each Ancillary Agreement to which it is a party and perform its obligations hereunder and thereunder. The execution and delivery of this Agreement and the Ancillary Agreements by each of the Sellers, as applicable, and the performance by each of them of their respective obligations hereunder and thereunder have been duly authorized by all necessary corporate action on the part of such party. This Agreement has been duly executed and delivered by the Company and, assuming due authorization, execution and delivery by the Buyer, constitutes a valid and binding agreement of the Company, enforceable against it in accordance with its terms.

3.3 Capital Stock of Sold Companies. Schedule 3.3 sets forth for each of the Sold Companies (a) its jurisdiction of incorporation, formation or organization, as applicable, and (b) the number of authorized, issued and outstanding shares of each class of its capital stock or other authorized, issued and outstanding equity interests, as applicable, the names of the holders thereof, and the number of shares or percentage interests, as applicable, held by each such holder. All the issued and outstanding shares of capital stock or other equity interests of the Sold Companies are owned of record free and clear of any Encumbrances. All of the issued and outstanding shares of capital stock or other equity interests of the Sold Companies have been validly issued, are fully paid and nonassessable and have not been issued in violation of any preemptive or similar rights. There are no outstanding options, warrants, calls, rights or any other agreements relating to the sale, issuance or voting of any shares of the capital stock or other equity interests of the Sold Companies, or any securities or other instruments convertible into, exchangeable for or evidencing the right to purchase any shares of capital stock or other equity interests of the Sold Companies. The Sold Companies do not own any equity interest in any other Person (other than in another Sold Company).

3.4 Financial Statements.

(a) Attached as Schedule 3.4 are the (i) audited special purpose combined balance sheets of Harsco GasServ, a division of the Company, as of December 31, 2006 and 2005 (such balance sheet as of December 31, 2006, the "Balance Sheet"), and the related special purpose combined statements of income, comprehensive income, owner's equity and cash flows for the years then ended (collectively, the "Audited Financial Statements") and (ii) unaudited combined balance sheet of the Business as of October 31, 2007 and the related statements of income and cash flow for the ten-month period ended October 31, 2007 (the "Interim Financial Statements"). The foregoing income statements and statements of cash flow included in the Audited Financial Statements and the Interim Financial Statements present fairly, in all material respects, the combined results of operations and cash flow of the Business for the respective periods covered thereby, and the foregoing balance sheets included in the Audited Financial Statements and the Interim Financial Statements present fairly, in all material respects, the combined financial condition of the Business as of their respective dates, in each case, except as set forth on Schedule 3.4, in accordance with the Special Purpose Accounting Principles applied on a consistent basis (subject, in the case of the Interim Financial Statements, to the absence of footnotes and to normal quarter-end and year-end adjustments). Attached as Schedule 3.4(a) is a correct and complete statement in all material respects of: (i) the corporate charges allocated to the Business in the Audited Financial Statements and in the Interim Financial Statements; and (ii) the insurance expense allocated to the Business in the Audited Financial Statements and in the Interim Financial Statements.

(b) The Business has not operated as a separate "stand alone" business within the Company. As a result, the Business, including the Sold Companies, have been allocated certain charges and credits as discussed more fully in the notes accompanying the Audited Financial Statements. Such charges and credits do not necessarily reflect the amounts that would have resulted from arms-length transactions.

3.5 Sufficiency of the Assets. Except for the Excluded Assets and as set forth on Schedule 3.5, but giving effect to all transactions contemplated hereby (including, without limitation, the contemplated sale of a portion of the Harrisburg facility in accordance with the terms of the definitive agreement related thereto), the assets owned or held by the Sold Companies and the Sold Assets constitute all of the properties and assets necessary to conduct the Business as conducted by the Company and its Affiliates. The Sold Companies are not engaged in any activities other than the Business.

3.6 No Approvals or Conflicts. Except as set forth on Schedule 3.6, the execution, delivery and performance by the Sellers of this Agreement and the Ancillary Agreements to which they are a party and the consummation by the Sellers of the transactions contemplated hereby and thereby do not and will not (a) violate, conflict with or result in a breach by any Seller or any Sold Company of its organizational documents (including its certificate of incorporation and by-laws and similar documents), (b) violate, conflict with or result in a breach of, or constitute a default by any of the Sellers or the Sold Companies (or create an event which, with notice or lapse of time or both, would constitute a default) or give rise to any payment or other penalty or any right of termination, cancellation or acceleration under, or result in the creation of any Encumbrance upon any of the properties of the Sellers, the Sold Companies or on the Shares or the Sold Assets under, any material note, bond, mortgage, indenture, deed of trust, license, franchise, permit (including the permits listed on Schedule 3.15), lease, contract, Sold Contract or other material instrument to which any of the Sellers or the Sold Companies or any of their respective properties may be bound, (c) violate or result in a material breach of any Governmental Order or Law applicable to any of the Sellers or the Sold Companies or any of their respective properties or (d) except for filings for payment of Duty or required under any Competition/Foreign Investment Law or ERISA (each such requirement being identified on Schedule 3.6), and filings or approvals that may be required under the Exchange Act and as may be required by the nature of the business or ownership of the Buyer, require any order, consent, approval or authorization of, or notice to, or declaration, filing, application, qualification or registration with, any Governmental Authority.

3.7 Compliance with Law; Permits. Except as set forth on Schedule 3.7 (and except with respect to compliance with Environmental Laws, which is covered solely by Section 3.15), since January 1, 2005, the Sellers and the Sold Companies have conducted the Business, and the Sold Assets have been maintained, and the Sold Companies and the Asset Sellers (with respect to the Business) are currently, in compliance in all material respects with all Laws (including all Customs and International Trade Laws). Except with respect to Permits required under Environmental Laws (which are covered solely by Section 3.15), each of the Sold Companies possesses all material Permits necessary to conduct the Business as conducted and the Asset Sellers possess all of the material Permits necessary to conduct the Business as conducted and necessary to own, lease and operate the Sold Assets. All Permits described in the immediately preceding sentence are listed on Schedule 3.7. All such Permits necessary to conduct the Business as conducted are in full force and effect, and, except as set forth on Schedule 3.6 or Schedule 3.7, are transferable to the Buyer at the Closing. The Business has been conducted in accordance in all material respects with the requirements of such Permits.

3.8 Proceedings. Except as set forth on Schedule 3.8 (and except with respect to Environmental Claims, which are covered solely by Section 3.15), there are no Proceedings pending or, to the Knowledge of the Company, threatened against the Business or any of the Sellers or the Sold Companies.

3.9 Absence of Certain Changes. During the period from January 1, 2007 through the date of this Agreement, except as set forth on Schedule 3.9 (a) the Business has been conducted only in the ordinary course consistent in all material respects with past practice (other than data room assembly and maintenance, participation in management presentations, purchase agreement negotiations, and other similar activities undertaken by employees of the Business in connection with the process of selling the Business, which are not in the ordinary course) and (b) neither the Company (with respect to the Business) nor any Sold Company took any action that, if Section 5.1 had applied in such period, would have constituted a breach thereof. Since

January 1, 2007, there has not been a Business Material Adverse Effect or any event which reasonably could be expected to have a Business Material Adverse Effect.

3.10 Tax Matters. Except as set forth on Schedule 3.10:

(a) Each of the Sellers has: (i) timely filed all income, sales and other material Tax Returns that relate to the Business or the Sold Assets, and all such Tax Returns have been properly completed in compliance with all applicable Laws, and are true, correct and complete; and (ii) timely paid all Taxes shown to be due on any such Tax Return, and all other Taxes due and payable related or attributable to the Sold Assets or the Business, except for Taxes being contested in good faith and for which adequate reserves have been established and maintained in accordance with GAAP and specifically listed on Schedule 3.10.

(b) Each of the Sellers has duly and timely collected and remitted all sales, use, excise or similar Taxes related or attributable to the Sold Assets or the Business in accordance with applicable Law, and none of the Sellers has any liability for the Taxes of any third Person with respect to the Sold Assets as a transferee or successor, by contract or otherwise.

(c) Solely with respect to the Sold Companies: (i) no Tax audits or administrative or judicial Proceedings are being conducted with respect to Taxes of any of the Sold Companies; (ii) there are no pending or threatened claims by any Taxing Authority with respect to Taxes that are related or attributable to the Sold Companies; (iii) there is no deficiency for any Tax, claim for additional Taxes, or other dispute or claim concerning any Tax liability of any of the Sellers that is related or attributable to the Sold Companies claimed, issued or raised by any Taxing Authority that has not been properly reflected in the Audited Financial Statements and/or the Interim Financial Statements; and (iv) none of the Sellers or Sold Companies has waived any statute of limitations in respect of Taxes that is related or attributable to the Sold Companies or agreed to any extension of time with respect to a Tax assessment or deficiency that is related or attributable to the Sold Companies.

(d) No material reassessments (for property, ad valorem or other Tax purposes) of any of the Sold Assets have been proposed in writing.

(e) No payments (or portion of any payments) resulting from, or in connection with, any transaction contemplated by this Agreement to any employee of the Business by the Company or any Affiliate thereof pursuant to any Company Benefit Plan or other arrangement will be considered “excess parachute payments” under Section 280G of the Code.

(f) All Tax Returns required to be filed by or on behalf of each of the Sold Companies on or prior to the Closing Date has been or shall be timely filed (subject to permitted extensions applicable to such filings), and all such Tax Returns are and shall be correct and complete. Each of the Sold Companies has timely paid all Taxes shown as due and payable on such Tax Returns and all other Taxes due and payable, other than Taxes that are being contested in good faith for which adequate reserves have been established in accordance with GAAP and which reserves are specifically disclosed on Schedule 3.10.

(g) The Sold Companies have established reserves (which may be zero) in accordance with GAAP that are adequate for the payment of all Taxes not yet due and payable or that are being contested in good faith and all such reserves, if any, are specifically disclosed on Schedule 3.10. Since the date of the Audited Financial Statements, none of the Sold Companies have incurred any liability for Taxes other than in the ordinary course of business consistent with past practice.

(h) Each of the Sold Companies has timely withheld and paid over to the appropriate Taxing Authority all Taxes which it is required to withhold from amounts paid or owing to any employee, shareholder, creditor, holder of securities or other third party, and each of the Sold Companies has complied with all information reporting (including Forms 1099) and backup withholding requirements under applicable Law, including maintenance of required records with respect thereto.

(i) There are no Encumbrances relating to Taxes encumbering any of the Sold Assets or any assets of the Sold Companies, except for Permitted Encumbrances. There are no Encumbrances relating to Taxes encumbering any of the Shares.

(j) Reserved.

(k) None of the Sold Companies is the beneficiary of any extension of time within which to file any Tax Return.

(l) There are no: (i) examinations, audits, actions, Proceedings, investigations or disputes pending with respect to Taxes of the Sold Companies; (ii) deficiencies for any Tax, claims for Tax, or other dispute or claim concerning any Tax liability of any of the Sold Companies claimed, issued or raised by any Taxing Authority that has not been properly reflected (in accordance with GAAP) on Schedule 3.10; or (iii) written claims for Taxes asserted against the Sold Companies that, in each case, would reasonably be expected to result in Taxes of the Sold Companies except for Taxes which individually or in the aggregate would not reasonably be expected to be material, and none of the Sellers (with respect to the Business) or the Sold Companies has received from any Taxing Authority any written notice indicating an intent to open or initiate a Proceeding with respect to Tax matters.

(m) None of the Sold Companies has waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency, which period (after giving effect to such extension or waiver) has not yet expired.

(n) None of the Sold Companies has any liability for the Taxes of any Person under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign Law), as a transferee, successor or as a result of similar liability, operation of Law, by contract (including any Tax Sharing Agreement) or otherwise.

(o) None of the Sold Companies is a party to or has any obligation under any Tax Sharing Agreement.

(p) No power of attorney that currently is in effect has been granted by any of the Sold Companies with respect to any Tax matter.

(q) None of the Sold Companies will be required to include any item of income in, or exclude any item of deduction from, taxable income for any period ending after the Closing Date as a result of any: (i) change in method of accounting for any period beginning on or prior to the Closing Date pursuant to Section 481 of the Code (or any similar provision of state, local or foreign Law); (ii) "closing agreement" as described in Section 7121 of the Code (or any similar provision of state, local or foreign Law) executed on or prior to the Closing Date; (iii) intercompany transactions or excess loss accounts described in Treasury Regulation Section 1.1502-13, 1.1502-14 or 1.1502-19; (iv) installment sale or open transaction disposition made during a Pre-Closing Period; (v) prepaid income received or accrued on or prior to the Closing Date; or (vi) method of accounting that defers the recognition of income to any period ending after the Closing Date.

(r) None of the Sold Companies (i) has taken a reporting position on a Tax Return that, if not sustained, could be reasonably likely to give rise to a penalty for substantial understatement of federal income Tax under Section 6662 of the Code (or any similar provision of state, local or foreign Law) or (ii) has entered into any transaction identified as a "listed transaction" for purposes of Treasury Regulations Section 1.6011-4(b)(2) or 301.6111-2(b)(2), or any other transaction that required or will require the filing of an IRS Form 8886.

(s) The Company has delivered or made available to the Buyer: (i) correct and complete copies of all Tax Returns required to be filed by each of the Sold Companies for which the statute of limitations has not expired; (ii) all ruling requests, technical advice memoranda, closing agreements or similar documents relating to each of the Sold Companies that could reasonably be expected to affect any period ending after the Closing Date or for which the statute of limitations has not expired; and (iii) all revenue agent's reports, notices or proposed notices of deficiency or assessment, audit reports, information document requests, material correspondence and other similar documentation relating to Taxes or Tax Returns of each of the Sold Companies relating to any period for which the statute of limitations has not expired.

(t) None of the Sold Companies have or has had taxable presence in any jurisdiction other than jurisdictions for which Tax Returns have been duly filed, and Taxes have been duly paid, and no claim has been made by a Taxing Authority in a jurisdiction where any of the Sold Companies does not file Tax Returns and pay Taxes that any such Sold Company is or may be subject to any Tax Return filing requirements or subject to taxation by that jurisdiction.

(u) None of the Sold Companies is a party to any joint venture, partnership, other arrangement or contract which may reasonably be expected to be treated as a partnership for U.S. federal income Tax purposes.

(v) Each of the Asset Sellers other than Harsco GmbH is a United States person within the meaning of Section 7701(a)(30) of the Code. None of the Sold Assets of Harsco GmbH is a United States real property interest (within the meaning of Section 897(c) of the Code).

(w) Except as set forth on Schedule 3.103.10(w), none of the Company or its Affiliates or the Sold Companies has made an election with respect to any of the Sold Companies pursuant to Treasury Regulations Section 301.7701-3. For U.S. federal income tax purposes, the

Company has treated each of the Sold Companies, and each of the Sold Companies is properly treated, as a disregarded entity (and not as a corporation or partnership).

3.11 Employee Benefits.

(a) Schedule 3.11(a) sets forth a list of (i) each "employee benefit plan" (within the meaning of Section 3(3) of ERISA), (ii) all other severance, salary continuation, Change of Control Payment, employment, incentive, bonus, stock option, stock purchase, restricted stock, retirement, pension, redundancy, profit sharing or deferred compensation plans, programs, agreements or policies and (iii) all other employee benefit plans or programs, in each case (A) in which Active Employees participate (other than any such plans, programs, agreements or policies required by Law to be provided to any such employees, including workers' compensation or similar benefits) sponsored or maintained by the Company with respect to the Sold Assets or the Sold Companies or (B) with respect to which the Sold Companies or the Company have made or are required to make payments, transfers or contributions for employees of the Business (collectively, the "Company Benefit Plans"). Company Benefit Plans that are maintained in the United States are referred to as "U.S. Company Benefit Plans" and Company Benefit Plans that are not U.S. Company Benefit Plans are referred to as "Foreign Plans". For purposes of this Section 3.11, the term "Company" includes any ERISA Affiliate.

(b) Copies of the following materials have been delivered or made available to the Buyer with respect to each Company Benefit Plan to the extent applicable: (i) current plan documents; (ii) the most recent determination letter from the Internal Revenue Service ("IRS"); and (iii) the most recent summary plan description and summary of material modifications to the extent not included in the summary plan description.

(c) The U.S. Company Benefit Plans are in material compliance with their terms and applicable requirements of ERISA, the Code and other Laws.

(d) Except as set forth on Schedule 3.11(d), there are no pending or, to the Knowledge of the Company, threatened Proceedings, government audits or government investigations with respect to any Assumed Plans, other than routine claims for benefits by participants and beneficiaries.

(e) Except as set forth on Schedule 3.11(e) or as required by Law, no benefit under any of the Assumed Plans which is a U.S. Company Benefit Plan or under any employment-related agreement which is assumed by the Buyer in connection with the transaction contemplated by this Agreement, including any severance payment plan or agreement, will be provided or become accelerated, vested or payable solely by reason of any transaction contemplated by this Agreement.

(f) With regard to each Foreign Plan that is not a government scheme or program, except as set forth on Schedule 3.11(f) and except as would not reasonably be expected to have a Business Material Adverse Effect: (i) all contributions to, and payments from, such Foreign Plan that may have been required to be made in accordance with the terms of such Foreign Plan, and, when applicable, the Laws of the jurisdiction in which such Foreign Plan is maintained, have been timely made; (ii) the Company and each subsidiary of the Company (in each case, with respect to the Business) has complied with all applicable reporting and notice requirements, and such Foreign Plan has obtained from the Governmental Authority having jurisdiction with respect to such Foreign Plan all required determinations, if any, that such Foreign Plan is in compliance with the Laws of the relevant jurisdiction if such determinations are required in order to give effect to such Foreign Plan; (iii) such Foreign Plan has been administered in all material respects in accordance with its terms and all applicable Laws; (iv) the consummation of the transactions contemplated by this Agreement will not create or otherwise result in any Liabilities with respect to such Foreign Plan; and (v) except as required by applicable Laws, no condition exists that would prevent the Company from terminating or amending any Foreign Plan at any time for any reason without the payment of any fees, costs or expenses (other than the payment of benefits accrued thereunder and any reasonable expenses typically incurred in a termination event). Except as would not reasonably be expected to have a Business Material Adverse Effect, no Foreign Plan has unfunded liabilities that will not be offset by insurance or that are not fully accrued on the financial statements of the Assets Sellers or the Sold Companies.

(g) With respect to each Assumed Plan which is a U.S. Company Benefit Plan, within the past six (6) years there has occurred no non-exempt "prohibited transaction" (within the meaning of Section 4975 of the Code or Section 406 of ERISA) or breach of any fiduciary duty described in Section 404 of ERISA that could, if successful, reasonably be expected to result in any liability, direct or indirect, for the Company.

(h) The Company has paid all amounts that the Company is required to pay as contributions to the U.S. Company Benefit Plans as of the last day of the most recent fiscal year of each of such U.S. Company Benefit Plans; except as set forth on Schedule 3.11(h), all benefits accrued under any funded or unfunded U.S. Company Benefit Plan will have been paid, accrued or otherwise adequately reserved in accordance with GAAP as of the Closing Date, and all monies withheld from employee paychecks with respect to U.S. Company Benefit Plans have been transferred to the appropriate U.S. Company Benefit Plan in a timely manner as required by the Code, ERISA or other Laws.

(i) The Company has made no plan or commitment, whether or not legally binding, to create any additional Company Benefit Plan with respect to employees of the Business or, except as may be required by Law, to modify or change any Assumed Plan. No statement, either written or oral, has been made by the Company to any individual employed in the Business with regard to any Company Benefit Plan that was not in accordance with the Company Benefit Plans and that could reasonably be expected to have a Business Material Adverse Effect.

(j) With respect to the U.S. Asset Sellers, all individuals employed in the Business by the U.S. Asset Sellers as of the Closing and classified by the U.S. Asset Sellers as independent contractors satisfy the requirements under the Law to be so classified. No individuals are currently providing services to the Business pursuant to a leasing agreement or similar type of arrangement with the Company, nor has the Company (with respect to the Business) entered into any arrangement whereby services will be provided by such individuals.

(k) Within the last six (6) years, there have been no accumulated funding deficiencies (as defined in Section 412 of the Code or Section 302 of ERISA) with respect to any Assumed Plan that is a U.S. Pension Plan and the Company made no request to the IRS for a waiver from any minimum funding requirement under Section 412 of the Code.

(l) With respect to any Company Benefit Plan that is a U.S. Pension Plan, the Company has not incurred any liability to the Pension Benefit Guaranty Corporation (the "PBGC") under Section 4001 et seq. of ERISA other than with respect to the payment of premiums in the ordinary course, and no condition exists with respect to such Assumed Plan that could reasonably be expected to result in the Company incurring material liability to the PBGC under Title IV of ERISA. All premiums payable to the PBGC with respect to any Assumed Plan that is a U.S. Pension Plan have been paid when due.

(m) The term "Pension Plan" means all Company Benefit Plans that are defined benefit pension plans or that are otherwise subject to Section 412 of the Code or Title IV of ERISA. Within the past three (3) years, there has not been, with regard to any U.S. Pension Plan that is an Assumed Plan, any reportable event, as defined in Section 4043 of ERISA, which is required to be reported to the PBGC by Law.

(n) No U.S. Company Benefit Plan is a "multiemployer plan" as defined in Section 3(37) of ERISA.

(o) No Assumed Plan provides medical or other health benefits to retired or other former employees of the Asset Sellers or any Affiliate, except pursuant to COBRA or similar temporary continuation coverage provisions of state insurance law.

3.12 Labor Relations. Except as set forth on Schedule 3.12: (a) none of the Sold Companies or the Asset Sellers (with respect to the Business) is a party to any collective bargaining agreement applicable to employees of the Sold Companies or the Asset Sellers (with respect to the Business), nor is any such contract or agreement presently being negotiated; (b) there is no material unfair labor practice charge or complaint pending or, to the Knowledge of the Company, threatened against any of the Sold Companies or the Asset Sellers (with respect to the Business); (c) there have been no material grievances, arbitrations or other similar proceedings during the past three (3) years under, or pertaining to, any collective bargaining agreement or any associated side letters or agreements applicable to employees of the Sold Companies or the Asset Sellers (with respect to the Business); and (d) there is no labor strike, slowdown, work stoppage, or lockout in effect, or, to the Knowledge of the Company, threatened against or otherwise affecting the Sold Companies or the Asset Sellers (with respect to the Business). To the Knowledge of the Company, there is no effort to organize employees of any of the Sold Companies or the Asset Sellers (with respect to the Business) which is pending or threatened as of the date hereof.

3.13 Intellectual Property.

(a) Notwithstanding anything to the contrary contained in this Agreement, only the representations and warranties contained in this Section 3.13 shall apply to the Acquired Intellectual Property.

(b) Schedule 3.13 is a complete and correct list of all of the registered forms (including all applications for registration) and all material unregistered forms of the Acquired Intellectual Property, and indicates the "owner of record" for each of the registered forms of the Acquired Intellectual Property (including all applications for registration).

(c) Except as otherwise specifically identified on Schedule 3.13, all registered forms (including all applications for registration) of the Acquired Intellectual Property identified on Schedule 3.13 have been duly issued (or in the case of applications for registration, duly filed) and have not been cancelled, abandoned or otherwise terminated.

(d) None of the unregistered forms of the Acquired Intellectual Property identified on Schedule 3.13 have been abandoned.

(e) Except as otherwise specifically set forth on Schedule 3.13, all actions required to record each owner throughout the entire chain of title of all of the Acquired Intellectual Property required to have been listed on Schedule 3.13 with each applicable Governmental Authority up to the date hereof has been taken, including payment of all costs, fees, taxes and expenses associated with such recording activities.

(f) The Sold Companies and/or the Asset Sellers are the sole owners of all right, title and interest in and to all of the registered forms (including all applications for registration) and all of the material unregistered forms of the Acquired Intellectual Property, free and clear of all Encumbrances other than Permitted Encumbrances, and all governmental fees associated therewith and due as of the date of this Agreement have been paid in full.

(g) Schedule 3.13 sets forth a complete and correct list of maintenance, renewal and other due dates for all registered forms (including all applications for registration) of the Acquired Intellectual Property through December 31, 2007.

(h) Except as otherwise specifically set forth on Schedule 3.13, to the Knowledge of the Company, the Sold Companies and the Asset Sellers have used commercially reasonable efforts to protect the secrecy and confidentiality of the trade secrets used or held for use primarily in the Business.

(i) Set forth on Schedule 3.13 is a complete and correct list of all proprietary software included in the Acquired Intellectual Property.

(j) Except pursuant to a contract set forth in subsection 3.14(a)(v) of Schedule 3.14(a), neither the Sold Companies nor the Asset Sellers (with respect to the Business) have licensed any material Intellectual Property from any Person.

(k) Except pursuant to a contract set forth in subsection 3.14(a)(v) of Schedule 3.14(a), neither the Sold Companies nor the Asset Sellers (with respect to the Business) have granted any license or other right that does or that will, subsequent to the Closing, permit or enable any third Person other than the Buyer to use any Acquired Intellectual Property.

(l) Except as set forth on Schedule 3.8 within the last three (3) years, none of the Sold Companies or the Asset Sellers have received any written notice of any claim and, to the

Knowledge of the Company, there is no threatened claim, against the Sold Companies or the Asset Sellers asserting that any of the Acquired Intellectual Property infringes upon or otherwise conflicts with the Intellectual Property of any Person, nor have the Sold Companies or the Asset Sellers within the last three (3) years given any notice to any Person asserting infringement by such Person of any of the Acquired Intellectual Property.

(m) Except as otherwise specifically set forth on Schedule 3.13 or in subsection 3.14(a)(v) of Schedule 3.14(a), immediately upon Closing, the Buyer shall own all registered forms of (including all applications for registration) and all unregistered forms of Intellectual Property included in the Acquired Intellectual Property.

(n) Except as otherwise specifically set forth on Schedule 3.13 or in subsection 3.14(a)(v) of Schedule 3.14(a), the Acquired Intellectual Property and the contracts set forth in subsection 3.14(a)(v) of Schedule 3.14(a), constitutes all of the Intellectual Property necessary to conduct the Business as conducted by the Company, its Affiliates and the Sold Companies.

(o) Subsection 3.13(o) of Schedule 3.13 is a complete and correct list of all registered trademarks and domain names (including applications for registration) owned by the Company that include both the “Harsco” and “GasServ” names. The continued ownership and the use after the Closing of such trademarks and domain names shall be governed by Sections 2.3(c) and 5.14, respectively.

3.14 Contracts.

(a) Schedule 3.14(a) sets forth all of the following contracts and agreements to which any of the Sold Companies or an Asset Seller (with respect to the Business) is a party or by which any of them is bound as of the date of this Agreement, other than Company Benefit Plans (collectively, the “Material Contracts”):

(i) contracts involving the expenditure by the Sold Companies or the Asset Sellers (with respect to the Business) of more than $1,000,000 in any instance for the purchase of materials (other than raw materials, which is covered by clause (xii) below), supplies, equipment or services, excluding any such contracts that are terminable by the Sold Companies or the Asset Sellers without penalty on not more than 90 days’ notice;

(ii) indentures, mortgages, loan agreements, capital leases, security agreements, or other agreements for the borrowing of money in excess of $250,000;

(iii) guarantees of the obligations of other Persons (other than the Sold Companies) involving the potential expenditure by the Sold Companies or the Asset Sellers (with respect to the Business) after the date of this Agreement of more than $250,000 in any instance;

(iv) contracts that restrict the Sold Companies or the assignees of the Asset Sellers after the date of this Agreement from engaging in any line of business in any geographic area or competing with any Person, in each case, that materially impairs the operation of the Business;

(v) contracts under which (A) any of the Sold Companies have licensed material Intellectual Property to or from any other Person (including Affiliates of the Company) or (B) the Asset Sellers (with respect to the Business) have licensed material Intellectual Property to or from any other Person (including Affiliates of the Company);

(vi) partnership, limited liability company, joint venture agreements or other agreements involving a sharing of the profits or expenses by the Sold Companies or the Asset Sellers (with respect to the Business);

(vii) contracts under which the Sold Companies or the Asset Sellers (with respect to the Business) will have obligations or contingent Liabilities after the date of this Agreement relating to the acquisition or sale of any business enterprise;

(viii) Related Party Agreements;

(ix) any contract (including employment and consulting contracts) with any current or former director, officer or employee of any of the Sold Companies or the Asset Sellers (with respect to the Business) or any current or former shareholder or holder of options, warrants or other rights to acquire shares of capital stock or other equity interests of any of the Sold Companies;

(x) distributor, dealer or similar contracts under which any of the Sold Companies or the Asset Sellers (with respect to the Business) would be obligated to pay more than $100,000 to terminate or non-renew such contract; and

(xi) except as set forth with respect to clause (v) above, any contract providing that a Sold Company or an Asset Seller (with respect to the Business) will receive future payments aggregating more than $1,000,000 per annum prior to the expiration of such contract; and

(xii) “take or pay” contracts and contracts involving the expenditure by the Sold Companies or the Asset Sellers (with respect to the Business) of more than $100,000 in any instance for the purchase of raw materials, excluding any such contracts that are terminable by the Sold Companies or the Assets Sellers without penalty on not more than 30 days’ notice.

(b) True and complete copies (or, if oral, written summaries) of each of the Material Contracts have been made available to the Buyer or its representatives consistent with applicable Competition/Foreign Investment Laws.

(c) Except as set forth on Schedule 3.14(c), each Material Contract is in full force and effect, and is a valid and binding agreement of the applicable Sold Company or Asset Seller and, to the Knowledge of the Company, each of the other parties thereto, enforceable by or against such Sold Company or Asset Seller, and, to the Knowledge of the Company, each of such other parties thereto in accordance with its terms, subject to the General Enforceability Exceptions. Except as set forth on Schedule 3.14(c), no condition exists or event has occurred that (whether with or without notice or lapse of time or both) would constitute a material default by (i) any of the Sold Companies or the Asset Sellers under any Material Contract or (ii) to the Knowledge of the Company, any other party to any Material Contract.

3.15 Environmental Matters.

(a) Except as set forth on Schedule 3.15, to the Knowledge of the Company

(i) Each of the Sold Companies and the Asset Sellers (with respect to the Business Real Property and the Business) is in material compliance with all Environmental Laws.

(ii) The Sold Companies and the Asset Sellers (with respect to the Business Real Property and the Business) have not expressly assumed, by contract, provided an indemnity with respect to, or, to the Knowledge of the Company, otherwise become subject to any material liability of any other Person relating to Environmental Laws.

(iii) There has been no Release of any Hazardous Material at, from, in, on or under the Business Real Property that requires investigation, assessment, cleanup or remediation by any of the Sold Companies or the Asset Sellers pursuant to any Environmental Law.

(iv) Each of the Sold Companies and the Asset Sellers has provided or made available all material environmental audits or assessments (including soil and groundwater sampling results) with respect to the Sold Companies, the Business Real Property and the Business in its possession or custody.

(b) Except as set forth on Schedule 3.15,

(i) Each of the Sold Companies and the Asset Sellers (with respect to the Business Real Property and the Business) possesses all material Permits required for its operations as conducted under all applicable Environmental Laws. Schedule 3.15 contains a complete list of all such material Permits.

(ii) None of the Sold Companies or the Asset Sellers (with respect to the Business Real Property or the Business) is subject to any pending Environmental Claim or has received written notice of any threatened Environmental Claim.

(iii) None of the Business Real Property is subject to any Encumbrance arising under or pursuant to any Environmental Law.

No representations or warranties in this Agreement other than in this Section 3.15 will be deemed to relate to Environmental Laws, Releases of Hazardous Materials or other environmental matters.

3.16 Insurance. Schedule 3.16 lists all insurance policies and self-insurance programs covering the assets, employees and operations of any of the Sold Companies or the Asset Sellers (with respect to the Business) as of the date hereof. As applicable, all such policies are held in the name of the Company and are in full force and effect, all premiums due thereon have been paid, there are no claims pending as to which coverage has been denied or disputed by the underwriter(s) of such policies, no notice of cancellation or termination has been given under such policies, and (as applicable) the Company and its Affiliates have complied in all material respects with the provisions thereof. All such insurance policies will remain in full force and effect until the Closing, at which time, coverage thereunder will no longer be applicable with respect to the Sold Companies and the Asset Sellers (with respect to the Business).

3.17 Personal Property Assets. Except as set forth on Schedule 3.17, (a) the Sold Companies and the Asset Sellers (with respect to the Sold Assets) have good title to, or hold by valid and existing lease or license, all the material tangible personal property assets reflected as assets on the Balance Sheet or acquired after December 31, 2006, except with respect to assets disposed of in the ordinary course of business consistent with past practice since such date, free and clear of all Encumbrances except for Permitted Encumbrances, and (b) all such assets are free from any material defects, are in reasonably good maintenance, operating condition and repair, normal wear and tear excepted and are reasonably suitable for the purposes for which such personal property is presently used.

3.18 Real Property.

(a) Leased Properties. Schedule 2.1(g) (Company Leased Real Property) and Schedule 3.18(a), which sets forth all real property leased or subleased by any of the Sold Companies (the "Sold Companies' Leased Real Property"), sets forth all leases and subleases covering leased or subleased real property used in the Business, including the following information: the name of landlord and tenant and a brief description of the leased premises. The Company has made available to the Buyer true and complete copies of the leases and subleases covering the Company Leased Real Property and the Sold Companies' Leased Real Property. With respect to each such lease and sublease, and except as otherwise specified on Schedule 3.18(a):

(i) such leasehold or subleasehold interest is held subject to a written lease or sublease which is valid, in full force and effect, and enforceable in accordance with its terms, subject to the General Enforceability Exceptions;

(ii) such lease or sublease has not been assigned, modified, supplemented, amended, mortgaged or deeded in trust by the Sold Companies or the Asset Sellers, except as otherwise disclosed to the Buyer in Schedule 3.18(a);

(iii) there are no existing material defaults or events of default, or events which with notice or lapse of time or both would constitute material defaults, thereunder on the part of the Sold Companies or the relevant Asset Seller, and none of the foregoing have been asserted in writing; the Company has no Knowledge of any material default or claimed or purported or alleged material default on the part of any other party in the performance of any obligation to be performed or paid by such other party under any such lease or sublease;

(iv) the relevant Asset Seller or the Sold Companies, as applicable, enjoy peaceful and undisturbed possession in all material respects of the leased real property;

(v) no construction, alteration or other leasehold improvement work with respect to such leased real property remains to be paid for or performed;

(vi) no leasing or brokerage commissions are due or payable to any brokers or other parties in connection with a renewal or expansion of the leased premises; and

(vii) to the Knowledge of the Company, all facilities leased or subleased under said lease or sublease are supplied by utilities and other services which are adequate in all material respects for the operation of the facilities.

(b) Owned Properties. Schedule 2.1(f) (Company Owned Real Property) and Schedule 3.18(b), which sets forth all real property owned by any of the Sold Companies (together with all buildings, structures, fixtures and improvements thereon, the "Sold Companies' Owned Real Property"), together with the real property to be leased by the Company to the Buyer pursuant to the Harrisburg Lease and the property located in Lockport, New York, collectively set forth all real property owned by the Company or any of its Affiliates and used in the Business. With respect to each parcel of Company Owned Real Property and Sold Companies' Owned Real Property, and except as otherwise specified on Schedule 3.18(b):

(i) the identified owner has good and marketable fee simple title to the parcel of real property, free and clear of any Encumbrances, except for Permitted Encumbrances;

(ii) there are no pending or, to the Knowledge of the Company, threatened Proceedings (including condemnation or land use or zoning related actions) affecting the real property, except for such Proceedings as would not have a material adverse effect on the portion of the Business that is conducted on such parcel of Company Owned Real Property or Sold Companies' Owned Real Property, as the same Proceedings are set forth on Schedule 3.8;

(iii) neither the Company nor the Sold Companies has received notice of any pending or threatened special assessment proceedings affecting the real property;

(iv) except for Permitted Encumbrances, none of the Company Owned Real Property or the Sold Companies' Owned Real Property is subject to a lease, sublease, license or other agreement, written or, to the Knowledge of the Company, oral, granting any Person any right to the use, occupancy or enjoyment thereof (or any portion thereof);

(v) to the Knowledge of the Company, water, electric, gas and sewer utility services and septic tank and storm drainage facilities currently available are adequate in all material respects for the present use thereof in the conduct of the Business; and

(vi) the electrical, mechanical, plumbing, heating, air conditioning, ventilation, fire detection and sprinkler systems in the buildings, and the boilers, and the roofs and walls and foundations of the buildings, are in reasonably good maintenance, operating condition and repair, subject to ordinary wear and tear.

3.19 No Brokers' or Other Fees. Except for Citigroup Global Markets, Inc., whose fees and expenses will be paid by the Company, no Person has acted, directly or indirectly, as a broker, finder, financial advisor or investment banker for the Company in connection with the transactions contemplated by this Agreement and no Person is entitled to any fee or commission or like payment in respect thereof.

3.20 Undisclosed Liabilities. Except (i) for liabilities reflected or reserved against on the Interim Financial Statements, (ii) for liabilities or obligations arising under any contract or agreement (excluding any liability for a breach of any such contract or agreement) to which any of the Sold Companies or any Asset Seller (with respect to the Business) is a party, (iii) for liabilities incurred in the ordinary course of business since the date of the Interim Financial Statements, or (iv) specifically disclosed on Schedule 3.20 or any other Schedule to this Agreement, no Sold Company and no Asset Seller (with respect to the Business) has any Liabilities required to be set forth on a balance sheet prepared in accordance with GAAP subject to the Special Purpose Accounting Principles.

3.21 Customers and Suppliers. Schedule 3.21 lists the 10 largest customers of each of the Taylor-Wharton business unit of the Business, the American Welding & Tank business unit of the Business, the Structural Composites Industries business unit of the Business and the Sherwood business unit of the Business (in each case, based on gross sales) during the prior fiscal year (the "Customers") and the 10 largest suppliers of goods or services (the "Suppliers") to each of the foregoing business units of the Business (in each case, based on expenditures) during the prior fiscal year, and with respect to each, the name and dollar volume involved. Since January 1, 2007, except as set forth on Schedule 3.21, no Customer or Supplier has terminated or materially and adversely altered its relationship with the Business. No Customer or Supplier has, to the Knowledge of the Company, advised the Business of its intention to terminate or materially and adversely alter its relationship with the Business.

3.22 Product and Services Liability. The information previously provided to the Buyer by the Company and set forth on Schedule 3.22 is an accurate and complete statement in all material respects of claims brought against the Business during the past 3 years for personal injury, property damage or any other Losses and that resulted from, were caused by or arose out of, or were alleged to have resulted from, been caused by or arisen out of, directly or indirectly, use of, exposure to or otherwise on account of any Product manufactured, sold or distributed, or any service rendered, by or on behalf of any Seller or Sold Company. To the Knowledge of the Company, none of the Business' products or services are currently the subject of claims of a type or character different from those identified in Schedule 3.22.

3.23 Inventories. All of the Inventories and all of the inventories of raw material, work in progress, finished goods, spare parts, replacement and component parts, packaging, office and other supplies and all inventory of the Sold Companies, whether held by a Sold Company, or a third party on consignment or otherwise (collectively, the "Acquired Inventories"), are in good and usable condition, are saleable and are carried on the books and records of the Company (including the Audited Financial Statements and the Interim Financial Statements) at the lower of cost (determined on a first-in-first-out basis) or market value in accordance with GAAP, subject to any reserves (determined in accordance with GAAP) for obsolete or slow-moving inventory set forth on such financial statements. Since December 31, 2006, there has not been a material change in the method of valuing the Inventories or in the determination of how and whether costs or other items are capitalized into inventory. Schedule 3.23 sets forth all material consignment agreements pursuant to which Acquired Inventories have been consigned to others. All Acquired Inventories (other than Acquired Inventories in transit or Acquired Inventories consigned to others) are located at the facilities identified in Schedules 2.1(g), 3.18(a), 2.1(f) and 3.18(b).

3.24 Accounts Receivable.

(a) Schedule 3.24(a) sets forth a true, correct and complete list as of a date set forth thereon of the accounts, notes and other receivables carried on the books of the Asset Sellers (with respect to the Business) and the accounts, notes and other receivables of the Sold Companies (collectively, the "Acquired AR"). Schedule 3.24(a) includes an aging of all such accounts and notes receivable showing amounts due in 30-day aging categories. Not less than 5 Business Days prior to the Closing Date, the Company shall deliver to the Buyer a true, complete and correct list of all Acquired AR, including an aging in 30-day categories, as of a date not more than 10 Business Days prior to the Closing Date, which shall be attached to Schedule 3.24(a).

(b) The Acquired AR represents or will represent valid obligations arising solely out of bona fide sales, performance of services and other business transactions in the ordinary course of business consistent with past practice, and is not subject to set-offs, counterclaims or valid defenses, subject to allowances for bad debt recorded on the Interim Financial Statements.

3.25 Acquisitions and Divestitures.

(a) Schedule 3.25(a) lists and identifies all acquisitions of or investments in the business, assets, capital stock or other equity interests of any other entity conducted at any time in the past three (3) years by the Business, whether by purchase, merger, consolidation, or any other form of transaction, as well as all divestitures or sales of any business, subsidiary, division, or material assets or equity of the Business at any time in the past three (3) years other than sales of inventory and dispositions of personal property in the ordinary course of business (such transactions referred to as "Acquisitions and Divestitures"); and for each Acquisition or Divestiture, sets forth the date of the transaction, the interests acquired or sold, the parties to the transaction and the consideration.

(b) There are not now, nor have there been for the past two (2) years, any claims for indemnification, adjustment, rescission, disputes, arbitration, accounting or breach or default, by the Business or any other party, under any agreement relating to any Acquisition or Divestiture.

3.26 Books and Records. The Company and its Affiliates maintain accurate books and records and internal accounting controls which provide reasonable assurance that (a) all transactions to which any Sold Company or any Asset Seller (with respect to the Business) is a party or by which its properties are bound are executed with management's authorization; (b) the reported accountability of the assets of the Business is compared with existing assets at regular intervals; (c) access to the assets of the Business is permitted only in accordance with management's authorization; and (d) all transactions to which any such Person is a party, or by which its properties are bound, are recorded as necessary to permit preparation of the financial statements of the Business in accordance with GAAP.

3.27 Certain Business Relationships with the Company. Except as disclosed on Schedule 3.27, no current director or officer of the Business (each, a "Related Party"): (a) owns, directly or indirectly, any interest in any Person which is a competitor, supplier or customer of the Business; (b) owns, directly or indirectly, in whole or in part, any material property, asset or right, real, personal or mixed, tangible or intangible which is utilized by or in connection with the Business (including any of the Acquired Intellectual Property); (c) is a customer or supplier of the Business; or (d) directly or indirectly has an interest in or is a party to any contract, agreement, lease, arrangement or understanding, whether or not in writing, pertaining or relating to the Business, except for employment, consulting or other personal service agreements; provided, however, the beneficial ownership of not more than 2% of securities of any entity that are traded on a national securities exchange or over-the-counter market shall not be deemed to breach this Section 3.27.

3.28 Employees; Employment Matters.

(a) Compliance with Laws. Except as set forth on Schedule 3.28(a), since January 1, 2005, the Sold Companies and the Asset Sellers (with respect to the Business) have complied in all material respects with all applicable Laws relating to labor or labor relations and employment standards, including any provisions thereof relating to wages, hours, immigration control, discrimination, accommodation, retaliation or "whistle-blowing", employee safety and health, termination pay, vacation pay, fringe benefits, employee benefits, collective bargaining and the payment and/or accrual of the same and all insurance and all other costs and expenses applicable thereto.

(b) WARN Act. With respect to the transactions contemplated by this Agreement, any notice required under any Law or collective bargaining agreement has been given, and all bargaining obligations with any employee representative have been, or prior to the Closing Date will be, satisfied. Except as set forth on Schedule 3.28(b), within the past three (3) years, none of the Sold Companies, nor the Asset Sellers (with respect to the Business) has implemented any plant closing or layoff of employees that could implicate the Worker Adjustment and Retraining Notification Act of 1988, as amended, or any similar foreign, state or local law, regulation or ordinance (collectively the "WARN Act"); provided, however, that the foregoing representation shall not be deemed breached by the Company because of any action taken by the Buyer after the Closing that, when combined with any action taken by the Sellers prior to the Closing, triggers, results in or causes to arise a Liability or obligation of any of the Sellers under the WARN Act.

3.29 No Other Representations or Warranties. Except for the representations and warranties contained in this ARTICLE III (as modified by the Schedules hereto as supplemented or amended), neither the Company nor any other Person makes any other express or implied representation or warranty with respect to the Company, the other Sellers, the Business, the Sold Assets, the Assumed Liabilities or the transactions contemplated by this

Agreement, and the Company disclaims any other representations or warranties, whether made by the Company, any Affiliate of the Company or any of their respective officers, directors, employees, agents or representatives. Except for the representations and warranties contained in this ARTICLE III (as modified by the Schedules hereto as supplemented or amended), the Company (a) expressly disclaims any representation or warranty, express or implied, at common law, by statute or otherwise relating to the condition of the Sold Assets (including any implied or expressed warranty of merchantability or fitness for a particular purpose, or of conformity to models or samples of materials) and (b) hereby disclaims all liability and responsibility for any representation, warranty, statement or information made, communicated or furnished (orally or in writing) to the Buyer or its Affiliates or representatives (including any opinion, information or advice that may have been or may be provided to the Buyer by any director, officer, employee, agent, consultant or representative of the Company or any of its Affiliates). The Company makes no representations or warranties to the Buyer regarding the probable success or profitability of the Business.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF THE BUYER

The Buyer hereby represents and warrants to the Company as follows:

4.1 Organization. The Buyer is a limited liability company duly formed, validly existing and in good standing under the Laws of its jurisdiction of incorporation. The Buyer has all requisite limited liability company power and authority to own, lease or operate its assets and to carry on its business as now being conducted and is duly qualified or licensed to do business and is in good standing in the jurisdictions in which the ownership of its property or the conduct of its business requires such qualification or license, except where the failure to be so qualified or licensed would not reasonably be expected, individually or in the aggregate, to have a material adverse effect on the ability of the Buyer to consummate the transactions contemplated by this Agreement, including obtaining the financing contemplated by the Commitment Letters or any Substitute Financing.

4.2 Authorization; Enforceability. The Buyer has the limited liability company power and authority to execute and deliver this Agreement and the Ancillary Agreements to which it is a party and perform its obligations hereunder and thereunder. The execution and delivery of this Agreement and the Ancillary Agreements to which it is a party by the Buyer and the performance by it of its obligations hereunder and thereunder have been duly authorized by all necessary limited liability company action by the Buyer. This Agreement has been duly executed and delivered by the Buyer and, assuming due authorization, execution and delivery by the Company, constitutes a valid and binding agreement of the Buyer, enforceable against it in accordance with its terms.

4.3 No Approvals or Conflicts. The execution, delivery and performance by the Buyer of this Agreement and the Ancillary Agreements to which it is a party and the consummation by the Buyer of the transactions contemplated hereby and thereby do not and will not (a) violate, conflict with or result in a breach by the Buyer of its organizational documents (including its certificate of formation, operating agreement or similar documents), (b) violate, conflict with or result in a breach of, or constitute a default by the Buyer (or create an event which, with notice or lapse of time or both, would constitute a default) or give rise to any payment or other penalty or any right of termination, cancellation or acceleration under, or result in the creation of any Encumbrance (other than the Encumbrances to be created pursuant to the Transaction Financing) upon any of the properties of the Buyer under, any material note, bond, mortgage, indenture, deed of trust, license, franchise, Permit, lease, contract, agreement or other material instrument to which the Buyer or any of its properties may be bound, (c) violate or result in a material breach of any Governmental Order or Law applicable to the Buyer or any of its properties or (d) except for applicable requirements of the HSR Act or any Competition/Foreign Investment Law, require any order, consent, approval or authorization of, or notice to, or declaration, filing, application, qualification or registration with, any Governmental Authority.

4.4 Proceedings. There are no Proceedings pending or, to the Knowledge of the Buyer, threatened against the Buyer or any of its subsidiaries that would have a material adverse effect on the ability of the Buyer to consummate the transactions contemplated by this Agreement, including obtaining the financing contemplated by the Commitment Letters or any Substitute Financing. The Buyer is not subject to any Governmental Order that would have a material adverse effect on the ability of the Buyer to consummate the transactions contemplated by this Agreement, including obtaining the financing contemplated by the Commitment Letters or any Substitute Financing.

4.5 Compliance with Laws; Permits. Neither the Buyer nor any of its subsidiaries is in violation of any Governmental Order or Law applicable to them or any of their respective properties, except where noncompliance would not have a material adverse effect on the ability of the Buyer to consummate the transactions contemplated by this Agreement, including obtaining the financing contemplated by the Commitment Letters or any Substitute Financing. The Buyer and its subsidiaries have all Permits necessary to conduct their business as conducted, except where the failure to have such Permits would not have a material adverse effect on the ability of the Buyer to consummate the transactions contemplated by this Agreement, including obtaining the financing contemplated by the Commitment Letters or any Substitute Financing.

4.6 Financing. Attached as Schedule 4.6 are true and correct copies of (a) commitment letters to provide debt financing to the Buyer (the "Debt Commitment Letters") and (b) commitment letters to provide equity financing to the Buyer (the "Equity Commitment Letters" and, together with the Debt Commitment Letters, the "Commitment Letters"). Upon funding of the debt and equity investments contemplated by the Commitment Letters, the Buyer will have sufficient funds at the Closing to pay the Purchase Price and all related transaction expenses incurred by or on behalf of the Buyer and to consummate the transactions contemplated hereby (the "Transaction Financing"). The Commitment Letters are in full force and effect, have not been amended or modified in any material respect, and have not been withdrawn or rescinded. There are no conditions precedent or other contingencies related to the funding of the full amount of the Transaction Financing other than as set forth in the Commitment Letters. All fees required to be paid by the Buyer on or prior to the date hereof in respect of the Commitment Letters have been paid. The Buyer is not aware of any facts or circumstances that create a reasonable basis to believe that it will be unable to obtain the financing contemplated by the Commitment Letters.

4.7 No Brokers' or Other Fees. No Person has acted, directly or indirectly, as a broker, finder, financial advisor or investment banker for the Buyer in connection with the transactions contemplated by this Agreement and no Person is entitled to any fee or commission or like payment in respect thereof.

4.8 Condition of the Business. Notwithstanding anything contained in this Agreement to the contrary, the Buyer acknowledges and agrees that the Company is not making any representations or warranties whatsoever, express or implied, beyond those expressly given by the Company in ARTICLE III (as modified by the Schedules hereto as supplemented or amended), and the Buyer acknowledges and agrees that, except for the representations and warranties contained in ARTICLE III, the Sold Assets, the Shares and the Business are being transferred on a "where is" and, as to condition, "as is" basis. Any claims the Buyer may have for breach of representation or warranty shall be based solely on the representations and warranties of the Company set forth in ARTICLE III (as modified by the Schedules hereto as supplemented or amended). The Buyer further represents that neither the Company nor any of its Affiliates nor any other Person has made any representation or warranty, express or implied, as to the accuracy or completeness of any information regarding the Company or any of the other Sellers, the Business or the transactions contemplated by this Agreement not expressly set forth in ARTICLE III, and none of the Company, any of its Affiliates or any other Person will have or be subject to any liability to the Buyer or any other Person resulting from the distribution to the Buyer or its representatives or the Buyer's use of any such information, including any confidential memoranda distributed on behalf of the Company relating to the Business or other publications or data room information provided to the Buyer or its representatives, or any other document or information in any form provided to the Buyer or its representatives, including management presentations, in connection with the sale of the Business and the transactions contemplated hereby. The Buyer acknowledges that it has conducted to its satisfaction its own independent investigation of the Business and, in making the determination to proceed with the transactions contemplated by this Agreement, the Buyer has relied on the results of its own independent investigation.

4.9 Solvency.

(a) Immediately after giving effect to the consummation of the transactions contemplated by this Agreement (including the debt and equity financings being entered into in connection therewith), and assuming the accuracy of the Company's representations and warranties contained herein;

(i) the fair saleable value (determined on a going concern basis) of the assets of the Buyer shall be greater than the total amount of its Liabilities (including all Liabilities, whether or not reflected in a balance sheet prepared in accordance with GAAP);

(ii) the Buyer shall be able to pay its debts and obligations in the ordinary course of business as they become due; and

(iii) the Buyer shall have adequate capital to carry on its businesses and all businesses in which it is about to engage.

(b) In completing the transactions contemplated by this Agreement, the Buyer does not intend to hinder, delay or defraud any present or future creditors of the Buyer or the Company or any other Seller.

4.10 Capitalization. After giving effect to the transactions contemplated by this Agreement, the authorized limited liability company interests of the Buyer shall consist of 30,000 Class A Common Units, all of which will be issued and outstanding. Except as described on Schedule 4.10, the Buyer will have no other equity securities of any class issued, reserved for issuance or outstanding. Except as described on Schedule 4.10, there are (i) no outstanding options, offers, warrants, conversion rights, contracts or other rights to subscribe for or to purchase from the Buyer, or commitments by the Buyer to issue, transfer or sell (whether formal or informal, written or oral, firm or contingent), limited liability company interests of the Buyer or obligating the Buyer to grant, extend or enter into any such agreement or commitment, (ii) other than as permitted in the Operating Agreement, no contracts or other understandings (whether formal or informal, written or oral, firm or contingent) which require or may require the Buyer to repurchase any of its limited liability company interests. Except as set forth on Schedule 4.10, there are no preemptive or similar rights with respect to the Buyer's limited liability company interests. Except as set forth in the Operating Agreement or on Schedule 4.10, the Buyer is not a party to any voting agreements, voting trusts, proxies or any other agreements, instruments or understandings with respect to the voting of any limited liability company interests of the Buyer, or any agreement with respect to the transferability, purchase or redemption of any limited liability company interests of the Buyer. Schedule 4.10 identifies each direct and indirect subsidiary of Buyer as of immediately prior to the Closing.

ARTICLE V
COVENANTS AND AGREEMENTS

5.1 Conduct of Business Prior to the Closing. Without the consent of the Buyer, which consent shall not be unreasonably withheld, conditioned or delayed, except as contemplated by this Agreement or as disclosed on Schedule 5.1, from and after the date of this Agreement and until the Closing, the Company (with respect to the Business) shall, and the Company shall cause the Sold Companies and the other Asset Sellers (with respect to the Business) to, (i) conduct the operations of the Business in the ordinary course consistent in all material respects with past practice and (ii) use their commercially reasonable efforts to maintain satisfactory relationships with suppliers, customers and others having material business relationships with the Business. Without limiting the generality of the foregoing, except as contemplated by this Agreement and except as set forth on Schedule 5.1, the Company (with respect to the Business) shall not (except for clauses (a) and (d), which are inapplicable to the Company), and the Company shall cause the Sold Companies and the other Asset Sellers (with respect to the Business) not to, do any of the following without the prior written consent of the Buyer, which consent shall not be unreasonably withheld, conditioned or delayed:

(a) purchase or sell any of their capital stock or other equity interests or grant or make any option, subscription, warrant, call, commitment or agreement of any character in respect of their capital stock or other equity interests;

(b) sell or otherwise dispose of any Sold Assets or assets of any Sold Company having an aggregate value exceeding $250,000, excluding sales of inventory in the ordinary course of business consistent with past practice;

(c) acquire assets having an aggregate value exceeding $250,000, excluding (i) acquisitions of inventory in the ordinary course of business consistent with past practice, and (ii) capital expenditures permitted by clause (e) below;

(d) merge or consolidate with any Person;

(e) make any material capital commitments in excess of the $14.2 million budgeted for fiscal year 2007;

(f) (i) in the case of any Sold Company, incur, assume or guarantee any Debt Obligation and (ii) in the case of the Asset Sellers (with respect to the Business), incur, assume or guarantee any Debt Obligation that would become an Assumed Liability, in each case, other than Intercompany Obligations;

(g) incur any Encumbrance on any material assets of any Sold Company or any material Sold Asset, in each case, other than Permitted Encumbrances;

(h) increase the cash compensation of employees of the Business other than (i) in the ordinary course of business or (ii) as required by any agreement in effect as of the date hereof and listed on Schedule 3.14(a) or as required by Law;

(i) incur any Encumbrance on any of the Shares;

(j) make any material change in the accounting methods or practices followed by the Business (other than such changes required by Law or GAAP);

(k) enter into any contract that restricts or will restrict any Sold Company or the Business after the date of this Agreement from engaging in any line of business in any geographic area or competing with any Person that materially impairs the operation of the Business;

(l) enter into any partnership, limited liability company or joint venture agreement that materially affects the operation of the Business;

(m) terminate, fail to renew or make any material amendment to or waive any material rights under a Material Contract;

(n) other than (i) in the ordinary course of business, (ii) as required by any agreement in effect as of the date hereof and listed on Schedule 3.14(a) or (iii) as required by Law, enter into, adopt, terminate, or amend in any material respect, any material employment agreement or Company Benefit Plan;

(o) enter into or renew any collective bargaining agreements;

(p) amend any organizational documents of any Sold Company;

(q) agree or commit to do any of the foregoing; or

(r) solely with respect to the Sold Companies, make any Tax election, change any annual accounting period, adopt or change any method of accounting or reverse of any accruals (except as required by a change in Law or GAAP), file any amended Tax Returns, sign or enter into any closing agreement, settlement or compromise any claim or assessment of Tax liability, surrender any right to claim a refund, offset or other reduction in liability, consent to any extension or waiver of the limitations period applicable to any claim or assessment, in each case with respect to Taxes, or act or omit to act where such action or omission to act could reasonably be expected to have the effect of increasing any present or future Tax liability or decreasing any present or future Tax benefit for the Sold Companies or the Buyer or its Affiliates.

5.2 Access to Books and Records; Cooperation. Except as provided in Section 5.3 and in clause (e) of this Section 5.2 and subject to the obligations of the Company and its Affiliates under the Non-Compete Agreement:

(a) Each of the Buyer and the Company agrees that from the Closing and until the tenth anniversary of the Closing, during normal business hours, it shall permit, and (i) in the case of the Buyer, shall cause the Sold Companies to permit and (ii) in the case of the Company, shall cause the other Asset Sellers to permit, at no cost to the "visited" party and without disruption of the business of that party, the other party and its counsel, accountants and other authorized representatives to have reasonable access to the officers, directors, employees, accountants and other advisors and agents, properties, books, records and contracts of (x) in the case of a visit by the Company, the Sold Companies and the Business and (y) in the case of a visit by the Buyer, the Asset Sellers (each with respect only to the Business), and the right (at the expense of the "visiting" party) to make copies and extracts from such books, records and contracts, in each case to the extent necessary to facilitate the resolution of any claims made by or against or incurred by the Company or the Buyer, as the case may be, with respect to the Business.

(b) Until the tenth anniversary of the Closing, each of the Buyer and the Company agrees not to, and to cause its respective Affiliates not to, destroy at any time any files or records which are subject to Section 5.2(a) without giving written notice to the other party and giving that party 60 days following receipt of such notice to request in writing that all or a portion of the records intended to be destroyed be delivered to that party at the recipient's expense.

(c) During the period commencing on the date hereof and ending on the Closing, the Company shall, and shall cause the Sold Companies and the other Asset Sellers to, afford the Buyer and its counsel, accountants and other authorized representatives, and the Buyer shall afford the Company and its counsel, accountants and other authorized representatives, reasonable access, consistent with applicable Competition/Foreign Investment Laws, during normal business hours, upon reasonable advance notice to the officers, directors, employees, accountants and other advisors and agents, properties, books, records and contracts of the Asset

Sellers (with respect to the Business) and the Sold Companies (except that the Buyer shall not conduct any environmental sampling or testing without the prior written consent of the Company), on the one hand, or the Buyer and its subsidiaries, on the other hand, provided, that such access does not interfere in any material respect with normal business operations. The parties agree that the provisions of the Confidentiality Agreement shall continue in full force and effect following the execution and delivery of this Agreement as provided in Section 5.18. All information obtained by the Buyer and its counsel, accountants and representatives pursuant to this Section 5.2(c) shall be kept confidential in accordance with Section 5.18.

(d) The Company shall, and shall cause the Sold Companies and the other Asset Sellers, on the one hand, to use, and the Buyer, on the other hand, shall use, all commercially reasonable efforts to obtain and to cooperate in obtaining any consent, approval, authorization or order of, and in making any registration or filing with, any Governmental Authority or other Person required in connection with the execution, delivery or performance of this Agreement by such party. The parties agree to cause to be made all required notifications under the HSR Act within five Business Days following the date of this Agreement and to request early termination of the waiting period under the HSR Act. The parties agree to cause to be made all appropriate filings under any other applicable Competition/Foreign Investment Law as soon as is reasonably practicable. The Company shall, and shall cause the Sold Companies and the other Asset Sellers, on the one hand, to, and the Buyer, on the other hand, shall, respond as promptly as is reasonably practicable to any inquiries or requests for additional information or documentation received from any Governmental Authority charged with enforcing Competition/Foreign Investment Laws. The Buyer agrees to use its best commercially reasonable efforts to avoid or eliminate each and every impediment under any Competition/Foreign Investment Law that is asserted by any Governmental Authority with respect to the transactions contemplated hereby so as to enable the transactions contemplated hereby to occur as expeditiously as possible. The Buyer shall use its best commercially reasonable efforts to contest and resist any action, including any legislative, administrative or judicial action, and to have vacated, lifted, reversed or overturned any decree, judgment, injunction or other order (whether temporary, preliminary or permanent), that restricts, prevents or prohibits the consummation of the transactions contemplated by this Agreement. The Buyer agrees to propose, negotiate and effect, by consent decree, hold separate order or otherwise, the sale, divestiture, license or other disposition of such assets or businesses of the Buyer (including the Sold Assets) or any of the Sold Companies (or otherwise take any action that limits the freedom of action with respect to, or its ability to retain, any of the businesses, product lines or assets of any of the Sold Assets or the Sold Companies) as may be required in order to avoid the entry of, or to effect the dissolution of, any injunction, temporary restraining order, or other order in any suit or proceeding, which would otherwise have the effect of preventing or delaying the consummation of the transactions contemplated hereby; provided, however, that the Buyer shall not be required to take any action that it determines in its sole discretion could have a material and adverse effect on the intended benefits to it of the transactions described herein. The parties hereto shall consult and cooperate with one another, and consider in good faith the views of one another, in connection with, and provide to the other parties in advance, subject to the applicable Competition/Foreign Investment Laws, any analyses, appearances, presentations, correspondence, memoranda, briefs, arguments, opinions and proposals made or submitted by or on behalf of any party hereto in connection with proceedings under or relating to any applicable Competition/Foreign Investment Law. Each party agrees to furnish the other party or its outside counsel, consistent with applicable Competition/Foreign Investment Laws, with copies of all documents and correspondence (i) prepared by or on behalf of such party for submission to any Governmental Authority and (ii) received by or on behalf of such party from any Governmental Authority, in each case in connection with the transactions contemplated hereby. Each party agrees to use its commercially reasonable efforts to consult with and keep the other party informed as to the status of such matters. The Buyer shall pay the filing fees required to be paid in connection with filings to be made under the HSR Act and each other applicable Competition/Foreign Investment Law.

(e) Nothing in this Agreement shall impose obligations on any of the Sellers to give the Buyer or its counsel, accountants or other authorized representatives access to information if such access could reasonably be expected to cause any of the Sellers to be in breach of any duty of confidence or any other duty or obligation under applicable Law (including Laws affecting privacy, personal information and the collection, handling, storage, processing, use or disclosure of data).

5.3 Tax Matters: Cooperation; Preparation and Filing of Tax Returns; Transfer Taxes and other Tax Matters.

(a) Conduct of Business with respect to Taxes. During the period from the date hereof to the Closing Date, the Company shall cause each of the Sold Companies to: (i) timely file all Tax Returns required to be filed by it and all such Tax Returns shall be prepared in a manner consistent with past practice, (ii) timely pay all Taxes due and payable; and (iii) promptly notify the Buyer of any income, franchise or similar (or other material) Tax claim, investigation or audit pending against or with respect to each of the Sold Companies in respect of any Tax matters (or any significant developments with respect to ongoing Tax matters), including material Tax liabilities and material Tax refund claims.

(b) Cooperation. Subject to the other provisions of this Agreement, the Buyer and the Company agree to furnish or cause to be furnished to each other, upon request, as promptly as practicable, such information and assistance relating to any of the Sold Companies or the Sold Assets (including access to books and records, employees, contractors and representatives) as is reasonably necessary for the filing of all Tax Returns, the making of any election related to Taxes, the preparation for any audit by any Taxing Authority, and the prosecution or defense of any claim, suit or proceeding relating to any Tax Return. Further, the Company shall be permitted to retain, in its discretion, copies of any such books and records relating to any of the Sold Companies or the Sold Assets as is reasonably necessary for any of such purposes as set forth above. The Buyer and the Company shall retain all books and records with respect to Taxes pertaining to the Sold Companies and the Sold Assets until the expiration of all relevant statutes of limitations (and, to the extent notified by the Buyer and the Company, any extensions thereof). At the end of such period, each party shall provide the other with at least 60 days prior written notice before destroying any such books and records, during which period the party receiving such notice can elect to take possession, at its own expense, of such books and records.

(c) Preparation and Filing of Pre-Closing Period Tax Returns of the Sold Companies. The Company shall prepare, or cause to be prepared, at the Company's cost and expense, all Pre-Closing Period Tax Returns required to be filed by or on behalf of each of the Sold Companies. All such Pre-Closing Period Tax Returns shall be prepared and filed in a manner that is consistent with the prior practice of the Sold Companies, except as required by applicable Law. The Company shall deliver or cause to be delivered drafts of all such Pre-Closing Period Tax Returns to Buyer for its review at least thirty (30) days prior to the Due Date of any such Pre-Closing Period Tax Return; provided, however, that such drafts of any such Pre-Closing Period Tax Return shall be subject to the Buyer's review and approval, which shall not be unreasonably withheld, conditioned or delayed. If Buyer disputes any item on such Pre-Closing Period Tax Return, it shall notify the Company (by written notice within fifteen (15) days of receipt of such draft of such Pre-Closing Period Tax Return) of such disputed item (or items) and the basis for its objection. If the Buyer does not object by written notice within such period, the amount of Taxes shown to be due and payable on such Pre-Closing Period Tax Return shall be deemed to be accepted and agreed upon, and final and conclusive, for purposes of this Section 5.3(c). The Buyer and the Company shall act in good faith to resolve any dispute prior to the Due Date of any such Pre-Closing Period Tax Return. If the Buyer and the Company cannot resolve any disputed item, the item in question shall be resolved by the CPA Firm, as promptly as practicable, whose determination shall be final and conclusive for purposes of this Section 5.3(c). The fees and expenses of the CPA Firm shall be paid fifty percent (50%) by the Buyer and fifty percent (50%) by the Company. The Company shall timely file all such Pre-Closing Period Tax Returns; provided, however, if any such Pre-Closing Period Tax Return is filed after the Closing and the Company is not authorized to file (and execute) such Pre-Closing Period Tax Return by applicable Law, the Buyer shall file (or cause to be filed) such Pre-Closing Period Tax Return (as finally determined pursuant to this Section 5.3(c)) with the appropriate Taxing Authority. The Company shall pay all Taxes due and payable in respect of all Pre-Closing Taxes and Pre-Closing Period Tax Returns of each of the Sold Companies; provided, however, that if (i) any Pre-Closing Period Income Tax Return is due after the Closing and is to be filed (or caused to be filed) by the Buyer, the Company shall pay (in immediately available funds) all Income Taxes due and payable in respect of such Pre-Closing Period Income Tax Return to the Buyer no later than three (3) Business Days prior to the earlier of the date such Pre-Closing Period Income Tax Return is filed or the Due Date of such Pre-Closing Period Income Tax Return, and (ii) any Pre-Closing Period Tax Return (other than Pre-Closing Period Income Tax Returns) is due after the Closing and is to be filed (or caused to be filed) by the Buyer, the Buyer shall provide an accounting of all such Taxes owed by the Company to the Buyer (or, in the case of a refund due, owed by the Buyer to the Company pursuant to Section 5.6), not more frequently than once each month, and the Seller shall pay to Buyer (in immediately available funds) the total amount of Taxes due and payable in respect of Pre-Closing Periods reflected in each such accounting within (five) 5 Business Days of the Company's receipt of such accounting. In the event that the accounting reflects any refund, the provisions of Section 5.6 shall control.

(d) Preparation and Filing of Straddle Period Tax Returns of the Sold Companies. The Buyer shall, at its expense, prepare and timely file, or cause to be prepared and timely filed, all Straddle Period Tax Returns required to be filed by the Sold Companies. All Straddle Period Tax Returns shall be prepared and filed in a manner that is consistent with the prior practice of the Sold Companies, except as required by applicable Law. The Buyer shall deliver or cause to be delivered drafts of all Straddle Period Tax Returns to the Company for its review at least thirty (30) days prior to the Due Date of any such Straddle Period Tax Return and shall notify the Company of the Buyer's calculation of the Company's share of the Taxes of such Sold Company for such Straddle Period (determined in accordance with Section 5.4(b)); provided, however, that such drafts of any such Straddle Period Tax Returns and such calculations of the Company's share of the Tax liability for such Straddle Period (determined in accordance with Section 5.4(b)) shall be subject to the Company's review and approval, which approval shall not be unreasonably withheld or delayed. If the Company disputes any item on such Straddle Period Tax Return, it shall notify the Buyer (by written notice within fifteen (15) days of receipt of such Straddle Period Tax Return and calculation) of such disputed item (or items) and the basis for its objection. If the Company does not object by written notice within such period, such draft of such Straddle Period Tax Return and calculation of the Company's share of the Taxes for such Straddle Period shall be deemed to have been accepted and agreed upon, and final and conclusive, for purposes of this Section 5.3(d). The Buyer and the Company shall act in good faith to resolve any such dispute prior to the Due Date of such Straddle Period Tax Return. If the Buyer and the Company cannot resolve any disputed item, the item in question shall be resolved by the CPA Firm as promptly as practicable, whose determination shall be final and conclusive for purposes of this Section 5.3(d). The fees and expenses of the CPA Firm shall be paid fifty percent (50%) by the Buyer and fifty percent (50%) by the Company. No later than three (3) Business Days prior to the earlier of the date a Straddle Period Income Tax Return of any of the Sold Companies is filed or the Due Date of such Straddle Period Income Tax Return, the Company shall pay to the Buyer in immediately available funds the amount of the Company's share of the Tax liability for the Straddle Period determined pursuant to this Section 5.3(d) and Section 5.4(b). With regard to any Straddle Period Tax Return (other than Straddle Period Income Tax Returns), the Buyer shall provide an accounting of all such Taxes owed by the Company to the Buyer (or, in the case of a refund due, owed to the Company by the Buyer) not more frequently than once each month, and the Company shall pay to the Buyer (in immediately available funds) the total amount of Taxes due and payable in respect of Straddle Periods reflected in each such accounting within (five) 5 Business Days of the Company's receipt of such accounting. In the event that the accounting reflects any refund, the provisions of Section 5.6 shall control. With respect to each Straddle Period Tax Return for a Sold Company, the Company's net share of the Tax liability pursuant to this Section 5.3(d) shall be determined by subtracting from the Company's gross share of Tax liability determined pursuant to this Section 5.3(d) the amount of such Tax liability with respect to such Straddle Period Tax Return that was actually paid by such sold Company to a Governmental Authority on or prior to the Closing Date.

(e) Periodic Taxes Related to Sold Assets. The Company shall be responsible for and shall pay all Taxes imposed on a periodic basis with respect to the Sold Assets, including Taxes related to real property (including any payments in lieu of Taxes) ("Periodic Taxes"), relating or attributable to (i) any Pre-Closing Period and (ii) with respect to any Straddle Period, the product of the entire amount of the Periodic Taxes for such Straddle Period multiplied by a fraction, the numerator of which is the number of calendar days in such Straddle Period ending on (and including) the Closing Date and the denominator of which is the number of days in the entire Straddle Period. To the extent not filed on or prior to the Closing Date, all Tax Returns relating to Periodic Taxes for Pre-Closing Periods and Straddle Periods shall be filed by the Buyer, and the principles of Section 5.3(d) shall apply. The Buyer shall provide an accounting of all such Periodic Taxes owed by the Company to the Buyer (or, in the case of a refund due, from the Buyer to the Company) not more frequently than once each month after the Closing, and the Company shall pay to the Buyer (in immediately available funds) the total amount of Taxes due and payable in respect of Straddle Periods reflected in each such accounting within (five) 5 Business Days of the Company's receipt of such accounting. In the event that the accounting reflects any refund, the provisions of Section 5.6 shall control. The Company and the Buyer shall cooperate with each other in the preparation of Tax Returns relating to Periodic Taxes. All determinations necessary to give effect to the foregoing allocations shall be made in a manner consistent with the past practice of the Asset Sellers with respect to the Sold Assets.

(f) Transfer Taxes. The Buyer shall pay fifty percent (50%) of and the Company shall pay fifty percent (50%) of all (i) transfer, real property transfer, documentary, sales, use, stamp, recording and similar Taxes (including all applicable real estate transfer Taxes, but excluding any Taxes based on or attributable to income or gains) and related fees (including any penalties, interest and additions to Tax) incurred in connection with this Agreement and the transactions contemplated hereby and (ii) Duties that may be imposed by any Governmental Authority in connection with the sale and transfer of the Shares by the Equity Sellers to the Buyer pursuant to the terms of this Agreement (together, "Transfer Taxes"). The Buyer shall be responsible for preparing and filing all Tax Returns or other applicable documents in connection therewith, to the extent permitted by applicable Law. The Sellers shall cooperate with the Buyer in the preparation and filing of all Tax Returns or other applicable documents for or with respect to Transfer Taxes.

(g) Termination of Tax Sharing Agreements. Effective as of the Closing, any and all Tax Sharing Agreements between the Company and/or any of its Affiliates (other than the Sold Companies) and the Sold Companies shall be terminated and shall have no further effect thereafter and thereafter each of the Sold Companies shall not be bound thereby or have any liability thereunder.

(h) German VAT. With regard to the Sold Assets, the parties hereto assume that the sale of these assets is a sale of an entire business that is not subject to VAT pursuant to Section 1 Para. 1a of the German Act on VAT. In the event that the competent Taxing Authorities, contrary to such expectations, take a different position, the Sellers shall be entitled to charge legally owed VAT to the Buyer in addition to the Purchase Price.

5.4 Tax Indemnity.

(a) Indemnification by the Company. The Company shall indemnify the Buyer and its Affiliates (including, after the Closing Date, the Sold Companies) and each of their respective officers, directors, employees and agents and hold them harmless from, against and in respect of (i) any and all Liabilities for any and all Pre-Closing Taxes and (ii) any and all Liabilities, costs, expenses (including reasonable expenses of investigation and attorneys' fees and expenses), losses, damages, assessments, settlements or judgments arising out of or incident to the imposition, assessment or assertion of any and all Pre-Closing Taxes. The Tax indemnity provided under this Section 5.4(a) shall not cover Tax liabilities resulting from any transactions of any of the Sold Companies that are not in the ordinary course of business and that occur on the Closing Date (after the Closing) (other than transactions contemplated by this Agreement) and not as a result of an action of the Company or any of its Affiliates but that are caused by an action of the Buyer. Unless otherwise required by Law, the parties agree that the Tax consequences of any such transaction described in the immediately preceding sentence shall be reflected on a Tax Return for a Post-Closing Period (or the portion of a Straddle Period beginning the day after the Closing Date) of the Sold Companies as provided under Treasury Regulation Section 1.1502-76(b)(1)(ii)(B) and any similar state, local or foreign Tax provisions.

(b) Computation of Liabilities. To the extent permitted or required, the taxable year of each of the Sold Companies that includes the Closing Date shall close as of the end of the Closing Date. For any taxable period of the Sold Companies that does not close on the Closing Date, the portion of any Taxes for a Straddle Period allocable to the portion of such Straddle Period ending on the Closing Date shall be deemed to equal (i) in the case of Taxes that (x) are based upon or related to income or receipts or (y) imposed in connection with any sale or other transfer or assignment of property, the amount which would be payable (as determined from the books and records of the Company and the Sold Companies) if the taxable year ended on (and included) the Closing Date, and (ii) in the case of Taxes not described in Section 5.4(b)(i) (including Taxes imposed on a periodic basis (such as real property Taxes)), the amount of such Taxes for the entire period multiplied by a fraction, the numerator of which is the number of calendar days in the period ending on (and including) the Closing Date and the denominator of which is the number of calendar days in the entire period. All determinations necessary to give effect to the foregoing allocations shall be made in a manner consistent with the past practice of the Sold Companies.

(c) Indemnification by the Buyer. Subject to the provisions set forth in this Agreement, the Buyer and the Sold Companies shall indemnify the Company and its Affiliates against all (i) Taxes imposed on any of the Sold Companies for a Post-Closing Period and, with respect to any Straddle Period, the portion of such Straddle Period beginning after the Closing Date (determined in accordance with the principles of Section 5.4(b)), in each case, to the extent such Taxes are not Pre-Closing Taxes or Taxes for which the Company is responsible (or required to indemnify Buyer) pursuant to this Agreement as a result of a breach of a representation or warranty, or an obligation or covenant (or a breach thereof) or otherwise, and (ii) Periodic Taxes with respect to the Sold Assets for any Post-Closing Period and, with respect to any Straddle Period, the portion of such Straddle Period beginning after the Closing Date (determined in accordance with the principles of Section 5.3(e)), in each case, to the extent that such Periodic Taxes are not Pre-Closing Taxes or Taxes for which the Company is responsible (or required to indemnify the Buyer) pursuant to this Agreement as a result of a breach of a representation or warranty, or a covenant or obligation (or a breach thereof) or otherwise.

(d) Payment by the indemnitor of any amount due under Sections 5.3 or 5.4 shall be made within five (5) Business Days following written notice by the indemnitee that payment of such amounts to the appropriate Taxing Authority is due (or, in connection with Sections 5.3(c), (d), (e) and (f), are required to be paid by the Company to the Buyer or are the responsibility of the Company in whole or in part), provided that the indemnitor shall not be required to make any payment earlier than three Business Days before it is due (without regard to any extensions for filing the applicable Tax Return) to the appropriate Taxing Authority. In the case of a Tax that is contested in accordance with the provisions of Section 5.5, payment of the Tax to the appropriate Taxing Authority shall not be considered to be due earlier than the date a final determination to such effect is made or agreed to by the appropriate Taxing Authority or court. Amounts required to be paid by the Company for Taxes or otherwise pursuant to Sections 5.3 or 5.4 that are not paid on or prior to the date specified herein shall accrue interest at the Prime Rate until paid in full.

5.5 Procedures Relating to Indemnity of Tax Claims.

(a) If a claim shall be made against one party hereto or any of its Affiliates (the "Tax Indemnitee") by any Taxing Authority, which, if successful, would result in an indemnity payment by the other party or one of its Affiliates (the "Tax Indemnitor") pursuant to Section 5.4(a), Section 5.4(c) or pursuant to ARTICLE IX that is related or attributable to Taxes (other than any claim under ARTICLE IX that is related to a breach of a representation or warranty set forth in Section 3.11) (a "Tax Claim"), the Tax Indemnitee shall promptly notify the Tax Indemnitor in writing of such Tax Claim stating the nature and basis of such Tax Claim and the amount thereof, to the extent known; provided, however, that the failure or delay by the Tax Indemnitee to so notify the Tax Indemnitor shall not relieve the Tax Indemnitor of any obligation or liability that the Tax Indemnitor may have to the Tax Indemnitee, except to the extent that the Tax Indemnitor is adversely prejudiced as a result thereof.

(b) With respect to any Tax Claim that relates solely to a Pre-Closing Period, the Company shall have the exclusive right (at its own cost and expense) within the Tax Notice Period to assume and control the defense of and conduct negotiations in all Proceedings taken in connection with such Tax Claim (including selection of counsel) and, without limiting the foregoing, may in its sole discretion pursue or forego any and all administrative appeals, proceedings, hearings and conferences with any Taxing Authority with respect thereto and may, in its sole discretion, either pay the Tax claimed and sue for a refund where applicable Law permits such refund suits or contest the Tax Claim in any permissible manner; provided, however, that the Company shall not take or advocate any action or position that could reasonably be expected to result in an increase in Taxes (or a reduction in a Tax attribute) of the Buyer or any of its Affiliates (including the Sold Companies) without the consent of the Buyer, which consent shall not be unreasonably withheld or delayed. With respect to any Tax Claim that relates solely to a Post-Closing Period, the Buyer shall have the exclusive right within the Tax Notice Period to elect to assume and control the defense of and conduct negotiations in all Proceedings taken in connection with such Tax Claim (including selection of counsel) and, without limiting the foregoing, may in its sole discretion pursue or forego any and all administrative appeals, proceedings, hearings and conferences with any Taxing Authority with respect thereto and may, in its sole discretion, either pay the Tax claimed and sue for a refund where applicable Law permits such refund suits or contest the Tax Claim in any permissible manner; provided, however, that the Buyer shall not take or advocate any position that could reasonably be expected to result in an increase in Taxes of the Company or any of its Affiliates (including the Sold Companies with respect to a Pre-Closing Period) without the consent of the Company, which consent shall not be unreasonably withheld or delayed. With respect to any Tax Claim that relates to a Straddle Period, the parties shall cooperate within the Tax Notice Period to mutually assume and control the defense of and conduct negotiations in Proceedings taken in connection with such Tax Claim (including selection of counsel); provided, however, that if, with the consent of the other party, one party is permitted to assume and control the defense of and conduct negotiations in all Proceedings taken in connection with such Tax Claim, the controlling party shall not take or advocate any position that could reasonably be expected to result in an increase in Taxes of the other party or any of its Affiliates (including the Sold

Companies), without the consent of the other party or any of its Affiliates, which consent shall not be unreasonably withheld or delayed. The Tax Indemnitor shall, within 15 Business Days of receipt of a notice with respect to a Tax Claim (the "Tax Notice Period"), notify the Tax Indemnitee in writing of its election to assume and control the defense of the Proceedings and conduct negotiations in connection with such Tax Claim to the extent permitted pursuant to this Section 5.5. In the event that the Tax Indemnitor does timely notify the Tax Indemnitee of its election to assume and control the conduct of Proceedings and negotiations in connection with any Tax Claim as provided above, the Tax Indemnitee shall have the right to fully participate in such Proceedings and negotiations (including with counsel of its choice), at its sole expense, and the Tax Indemnitor shall cooperate with the Tax Indemnitee and its accountants and other representatives in connection with such participation and shall keep the Tax Indemnitee informed of all material developments and events relating to such Tax Claim (including promptly forwarding copies to the Tax Indemnitee of any related correspondence and shall provide the Tax Indemnitee with an opportunity to review and comment on any material correspondence before the Tax Indemnitor sends such correspondence to any Taxing Authority). If the Tax Indemnitor does not deliver to the Tax Indemnitee within the Tax Notice Period written notice that it will assume and control the defense of the Proceedings and negotiations in connection with a Tax Claim, (i) the Tax Indemnitee may assume and control the defense, or cause any of its Affiliates (as applicable) to assume and control the defense, and conduct such Proceedings and negotiations in such manner as it may deem appropriate (and the Tax Indemnitor shall reimburse the Tax Indemnitee for all reasonable costs and expenses incurred in connection therewith), and (ii) the Tax Indemnitor shall have the right to fully participate in such Proceedings and negotiations (including with counsel of its choice), at its sole expense, and the Tax Indemnitee shall cooperate with the Tax Indemnitor and its accountants and other representatives in connection with such participation, and shall keep the Tax Indemnitor informed of all material developments and events relating to such Tax Claim (including promptly forwarding copies to the Tax Indemnitor of any related correspondence and shall provide the Tax Indemnitor with an opportunity to review and comment on any material correspondence before the Tax Indemnitee sends such correspondence to any Taxing Authority).

(c) Notwithstanding anything to the contrary contained in this Agreement, the procedures for all Tax Claims relating to the Sold Companies shall be governed exclusively by this Section 5.5 (and not ARTICLE IX).

5.6 Refunds; Treatment of Payments.

(a) The Buyer may, at its option, cause the Sold Companies to elect, where permitted by applicable Law, to carry forward or carry back any Tax attribute carryover that would, absent such election, be carried back to a Pre-Closing Period or Straddle Period. The Buyer shall promptly notify the Company of and pay (or cause to be paid) to the Company (i) any refund of Taxes paid by any of the Sold Companies for any Pre-Closing Period actually received by the Buyer or any of its Affiliates or the Sold Companies and (ii) a portion of any refund of Taxes paid by a Sold Company for any Straddle Period (such portion to be allocated consistent with the principles set forth in Section 5.4(b)) actually received by the Buyer or any of its Affiliates or the Sold Companies, in each case, net of any Tax liabilities or increase in Tax liabilities imposed on the Buyer or its Affiliates or the Sold Companies resulting from such refund; provided, however, that the Company shall not be entitled to any refund to the extent such refund relates to (y) a carryback of a Tax attribute from any period ending after the Closing Date or (z) value added Tax or other comparable indirect Tax paid that was taken into account for the purposes of calculating the Final Net Working Capital. The Buyer shall pay (or cause to be paid) the amounts described in the first sentence of this Section 5.6(a) within thirty (30) days after the actual receipt of the Tax refund giving rise to the Buyer's obligation to make payment hereunder with respect thereto. At the Company's request, the Buyer shall reasonably cooperate with the Company in obtaining such refunds, including through the filing of amended Tax Returns or refund claims as prepared by the Company, at the Company's expense; provided, however, that the Buyer shall not be required to cooperate with the Company in obtaining such refunds if such refund could reasonably be expected to adversely effect the Buyer or its Affiliates (or any of the Sold Companies) in any Straddle Period (relating to the portion of such Straddle Period beginning after the Closing Date) or Post-Closing Period.

(b) Adjustments to the Purchase Price. The Buyer and the Company agree to treat any amounts payable after the Closing by the Company to Buyer (or by Buyer to the Company) pursuant to this Agreement as an adjustment to the Purchase Price, unless a final determination by the appropriate Taxing Authority or court causes any such payment not to be treated as an adjustment to the Purchase Price for Tax purposes.

5.7 Employees; Employment Matters.

(a) Employees. For purposes of this Agreement, an "Active Employee" means (i) any employee of any Sold Company, other than those persons set forth on Schedule 5.7(a)(i) who shall be terminated by the Company prior to Closing and other than persons who have received notice of termination prior to the Closing and who are still employed on the Closing Date and (ii) any employee of any of the Asset Sellers who is employed in the Business on the Closing Date, including, in each case, the following employees, each of whom will be listed on Schedule 5.7(a), which shall be delivered to the Buyer at least five Business Days prior to the Closing Date: (A) who are temporarily absent due to FMLA, military or other approved leave or absence in compliance with the applicable written policies of the Sold Companies or the Asset Sellers and listed on Schedule 3.11(a), applicable Law, or the applicable collective bargaining agreement for Union Employees; (B) who are on short- or long-term disability leave; (C) who are receiving workers' compensation payments as required by Law and have the right to re-employment in accordance with applicable Law or the applicable collective bargaining agreement for Union Employees; or (D) are listed on the payroll of any Sold Company as of the Closing Date. Subject to Section 5.7(o), the Buyer shall cause the Sold Companies not to terminate the employment of their respective employees on the Closing Date. In addition, on or prior to the Closing Date, the Buyer shall make offers of ongoing employment at substantially the same level of compensation as in effect immediately prior to the Closing to all Active Employees of the Asset Sellers who are located in the United States as of the Closing (conditional upon the Closing), other than those persons set forth on Schedule 5.7(a)(ii) and other than persons who have received notice of termination prior to the Closing and who are still employed on the Closing Date. All Active Employees of the Asset Sellers described in the immediately preceding sentence who accept the Buyer's offer of employment as of the Closing Date are hereinafter referred to collectively as the "Transferred Employees."

(b) Cessation of Active Participation in Company Benefit Plans. Effective as of the Closing Date all Transferred Employees will cease active participation in, and any benefit accrual under, each of the Company Benefit Plans (other than the Assumed Plans), except as required by law or collective bargaining agreement or as otherwise provided below in this Section 5.7 with respect to transition services to be provided by the Company or its Affiliates.

(c) Continuation of Comparable Benefit Plans/Prior Service. As of the Closing Date and for a period of one year thereafter, for so long as a Transferred Employee continues employment during such period, the Buyer shall, or shall cause its Affiliates to, maintain employee benefit plans, programs, policies and arrangements for Transferred Employees (other than Transferred Employees who are subject to a collective bargaining agreement (such employees, the "Union Employees")) that, in the aggregate, are substantially comparable to the Company Benefit Plans covering such Transferred Employees as in effect immediately prior to the Closing. To the extent not otherwise required by or resulting from the operation of Law, the Buyer shall recognize each Transferred Employee's service with the applicable Asset Seller or any of its Affiliates or predecessors as of the Closing as service with the Buyer for purposes of vesting and eligibility to participate in any applicable benefit plan established by the Buyer after the Closing, but only to the extent such prior service is credited under the corresponding Company Benefit Plan as of the Closing. As of the Closing Date and for a period of one year thereafter, for so long as an Active Employee continues employment during such period, the Buyer shall cause the Sold Companies to maintain employee benefit plans, programs, policies and arrangements for Active Employees that, in the aggregate, are substantially comparable to the Company Benefit Plans covering such Active Employees as in effect immediately prior to the Closing.

(d) Collective Bargaining Agreements. The Buyer shall, or shall cause its subsidiaries to, assume or maintain the obligations pursuant to the terms of the collective bargaining agreements set forth on Schedule 3.12 with respect to Union Employees and shall employ all Union Employees covered by said agreements under the same terms and conditions of employment as existed at the Closing.

(e) Welfare Plans. On and after the Closing, to satisfy Section 5.7(c) the Buyer shall provide welfare benefit coverage for all Transferred Employees and their respective dependents to immediately continue or replace their welfare benefit coverages most recently in effect prior to the Closing Date under Company Benefit Plans that are welfare benefit plans by: (i) assuming the Assumed Plans that are welfare benefit plans (the "Buyer's Assumed Welfare Plans"); (ii) joining, pursuant to the Transition Services Agreement, as an additional participating Employer any or all Company Benefit Plans that are welfare benefit plans sponsored by the GasServ United States portion of the Business and maintained exclusively for employees of that portion of the Business (the "Buyer's Joined Welfare Plans"); and (iii) establishing such new Buyer welfare plans, or amending existing Buyer welfare plans (together the "Buyer's Replacement Welfare Plans"), as needed to provide welfare benefit coverage to Transferred Employees. Collectively the Buyer's Assumed, Joined and Replacement Welfare Plans shall be referred to herein as "Buyer's Welfare Plans." Coverage for all Transferred Employees and their respective dependents under the Company Benefit Plans that are not Buyer's Assumed Welfare Plans or Buyer's Joined Welfare Plans (the "Seller's Welfare Plans") shall cease to be effective as of the Closing Date. The "Buyer's Welfare Plans" shall provide coverage and benefits for all

Transferred Employees and their respective eligible spouses and other dependents effective as of the Closing. The Buyer, its Affiliates, the Sold Companies and the Buyer's Welfare Plans (including only the Buyer's portion of any Buyer's Joined Welfare Plans) shall be liable for all covered welfare benefit claims of any Transferred Employees and their respective eligible spouses and dependents on or after the Closing Date, to the extent such claims are incurred on or after the Closing Date, while the Asset Sellers shall retain exclusive responsibility and liability for all welfare benefit claims of the Transferred Employees and their respective eligible spouses and other dependents incurred before the Closing Date. For purposes of this Section 5.7(e), a claim shall be deemed "incurred" on the date that the event that gives rise to the claim occurs (for purposes of life insurance, severance, sickness, accident and disability programs) or on the date that the service was rendered or the supply was purchased (for purposes of health care programs). The Buyer shall, or shall cause the Sold Companies to, waive any pre-existing condition limitations and eligibility waiting periods under the Buyer's Welfare Plans (but only to the extent such pre-existing condition limitations and eligibility waiting periods were satisfied under the Company Benefit Plans as of the Closing Date) and shall recognize (or cause to be recognized) the dollar amount of all expenses covered under the relevant Company Benefit Plans and incurred prior to Closing Date by Transferred Employees and their respective spouses and other dependents during the calendar year in which the Closing Date occurs for purposes of satisfying the deductibles and co-payment or out-of-pocket limitations for such calendar year under the relevant Buyer's Welfare Plans.

(f) Assumed Plans. Effective as of the Closing Date, to satisfy Section 5.7(c) and the applicable collective bargaining agreements, the Buyer shall assume sponsorship of and all obligations under, Liabilities with respect to, and assets (if any) with respect to, the Company Benefit Plans set forth on Schedule 5.7(f), including retirement plans and a number of exclusively United States GasServ health and welfare benefit plans (the "Assumed Plans"); provided, however, that notwithstanding the foregoing, Harsco GmbH shall retain all pension liabilities related to former employees or managing directors (or their respective entitled dependents in each case) of Harsco GmbH that belonged to the Business and that, as of the Closing, are either pensioners, or former employees or managing directors with vested pension rights (or their respective entitled dependents in each case). The Company shall take all actions necessary to transfer such sponsorship, Liabilities, assets (if any), Plan records and Plan funding and service agreements to the Buyer as of the Closing Date and the Buyer shall reasonably cooperate with the Company in connection therewith. Prior to the Closing, the Company shall cause the members of any committee charged with administrative and/or fiduciary responsibility with respect to any of the Assumed Plans to relinquish their membership in such committee effective as of the Closing Date. The Buyer shall, or shall cause the Sold Companies to, appoint all administrators, fiduciaries and others responsible for the Assumed Plans on and after the Closing Date. As of the Closing Date or as soon as practicable thereafter, the Company shall direct the appropriate trustee (the "Trustee") of a trust which provides funding for such Assumed Plan and which trust is not also being assumed with the Assumed Plan (the "Trust") to transfer the assets held in the Trust with respect to such Assumed Plan in the form of cash (or other marketable assets reasonably acceptable to the Buyer) from such Trust to a trust (or trusts) or other funding vehicle acceptable to the Company maintained or established by the Buyer for such Assumed Plan that is tax-exempt (if the funding vehicle is a trust and is for a retirement plan) under Section 501(a) of the Code. The Company shall cause the Trustee to provide the Buyer with all pertinent information, reports and records held by the Trustee and reasonably requested by the Buyer documenting the value of the assets of the Trust and the transfer of same as set forth in this Section 5.7(f). Notwithstanding any other provision of this Agreement to the contrary, any transfer of assets from a Trust shall be effected in accordance with all applicable Laws. The Company shall cooperate with the Buyer to facilitate the assignment to, or assumption by, the Buyer of any trust (if not transferred as provided above), insurance policy or other Plan funding or service contract in effect at Closing with respect to any Assumed Plan.

(g) Retirement Plans. Upon the consummation of the transactions contemplated by this Agreement, the Company shall cause the Harsco Corporation Savings Plan, the Harsco Corporation Retirement Savings and Investment Plan and any other tax-qualified defined contribution or defined benefit Company Benefit Plan that is a retirement plan and not an Assumed Plan (the "Company's Retirement Plan") to provide that any Transferred Employee who was a participant in such a Company's Retirement Plan immediately prior to the Closing Date shall be entitled to receive a distribution of his or her benefits to the extent provided under the terms of such Company's Retirement Plan. The Buyer shall cause a defined contribution plan or plans sponsored by the Buyer or its Affiliates to accept direct rollovers (described in Section 402(c) of the Code) of distributions which the Transferred Employees elect to make from the Company's Retirement Plan to such Buyer's Plan in the form of cash, or in the case of Transferred Employees who have outstanding participant loans under the Company's Retirement Plan on the rollover date, in the form of a transfer of the promissory note for such participant loan (to the extent such in-kind rollover is permitted by the Buyer's Plan fiduciaries, which permission the Buyer shall use commercially reasonable efforts to procure), and the Company shall reasonably cooperate with the Buyer in connection with effectuating such rollovers.

(h) Accrued Vacation. The Buyer shall, or shall cause the Sold Companies to, credit each Transferred Employee with the accrued and unused vacation days to which such Person is entitled through the Closing, and any personal and sickness days accrued by such employees as of the Closing Date, in each case to the extent a corresponding accrual is included in the Final Net Working Capital. In the event the Company is required by Law to pay Transferred Employees at Closing for any such accrued and unused vacation days, Buyer shall reimburse the Company for such payments, but only to the extent a corresponding accrual is included in the Final Net Working Capital.

(i) Flexible Benefits. The Buyer shall permit the elections made by Transferred Employees for the plan year that contains the Closing Date under a flexible benefits program of the Asset Sellers (the "Company's Flexible Account Plan") to continue under one or more flexible benefits programs maintained by the Buyer for the benefit of the Transferred Employees (the "Buyer's Flexible Account Plan") which plan(s) shall be substantially comparable to the Company's Flexible Account Plan if it is not a Buyer's Assumed Welfare Plan or a Buyer's Joined Welfare Plan. After the Closing Date, the Buyer's Flexible Account Plan shall be liable for reimbursement of all reimbursable medical and dependent care claims incurred by Transferred Employees in the year in which the Closing occurs, to the extent that such claims are unpaid as of the Closing Date. As soon as practicable following the Closing, the Asset Sellers shall spin-off and transfer to any Buyer's Flexible Account Plan (which is not a Buyer's Assumed or Joined Welfare Plan) all obligations, liabilities and records of the Company's Flexible Account Plan attributable to Transferred Employees and their dependents and beneficiaries, together with assets equivalent to such Transferred Employees' flexible spending plan account balances determined immediately prior to the Closing, and the Buyer's Flexible Account Plan shall credit each such Transferred Employee's flexible spending account with the balance so transferred from the Asset Sellers. Each Transferred Employee eligible to participate in the Buyer's Flexible Account Plan shall be permitted to continue his or her election in effect under the Company's Flexible Account Plan for the remainder of the calendar year in which the Closing shall occur, and the Buyer's Flexible Account Plan shall honor any claims incurred by a Transferred Employee during the calendar year that would otherwise be an eligible expense under the Company's Flexible Account Plan, whether or not such expense was incurred before or after the Closing Date. The Asset Sellers shall provide the Buyer with all information reasonably requested by the Buyer in order for the Buyer and the Buyer's Flexible Account Plan to satisfy the obligations set forth in this Section 5.7(i).

(j) Continuation Coverage. The Company shall have the sole responsibility to offer "continuation coverage" benefits from and after the Closing Date to Transferred Employees and "qualified beneficiaries" of such Transferred Employees for whom a "qualifying event" occurs prior to or in connection with the Closing. With respect to individuals located in the United States, the Company shall be solely responsible for providing continuation coverage to all Active Employees of any Asset Seller who are not Transferred Employees and all individuals previously employed by any Asset Seller who are receiving or are eligible to receive continuation coverage as of the Closing Date based on a "qualifying event" that occurs prior to or in connection with the Closing. The terms "continuation coverage," "qualified beneficiaries" and "qualifying event" shall have the meanings ascribed to them under Section 4980B of the Code and Sections 601-608 of ERISA, and shall also include similar obligations arising under state insurance law with respect to insured health and welfare plans. Responsibility for any such continuation coverage shall not transfer to the Buyer, or to any of its benefit plans, in the event the Company discontinues any or all of its benefit plans before such continuation coverage obligation would otherwise expire.

(k) Workers' Compensation. The Asset Sellers will bear the entire cost and expense of workers' compensation claims arising out of injuries sustained before the Closing Date (including (A) injuries identifiably sustained within twelve (12) months after the Closing Date that are aggravations or reinjuries of injuries that were sustained before the Closing Date, and (B) treatment after the Closing required to treat injuries sustained before the Closing) by (i) Transferred Employees located in the United States, or (ii) former employees of the Asset Sellers who were employed in the Business and located in the United States as of their terminations of employment. The Buyer will bear the entire cost and expense of workers' compensation claims first arising out of injuries sustained on or after the Closing Date by Transferred Employees located in the United States (including injuries identifiably sustained more than twelve (12) months after the Closing Date that may be aggravations or reinjuries of injuries that were sustained before the Closing Date). With respect to workers' compensation claims referred to in the first sentence of this Section 5.7(k), the Company shall be responsible for handling and directing the administration of such claims, with the reasonable cooperation and assistance of the Buyer and its Affiliates pursuant to the Cooperation Agreement.

(l) Cooperation, Records and Privacy. The parties agree to furnish each other with such information concerning employees, employee payroll and employee benefit plans, subject to confidentiality and privacy considerations (including, where applicable, HIPAA privacy restrictions), and to take all such other action, as is necessary and appropriate to effect the transactions contemplated hereby.

(m) German Employment Matters. The Company and the Buyer agree that the employment agreements of the Active Employees who are located in Germany as of the Closing (the "German Transferred Employees") shall be subject to an automatic transfer pursuant to Section 613a of the German Civil Code to the Buyer or to an Affiliate of the Buyer. The names of the German Transferred Employees are listed on Schedule 5.7(m). The Company and the Buyer agree to jointly inform the German Transferred Employees with an information letter pursuant to Section 613a of the German Civil Code without undue delay. The Buyer shall assume the Liabilities vis-à-vis the German Transferred Employees to the extent required by Section 613a of the German Civil Code. Harsco GmbH shall retain all pension liabilities related to former employees or managing directors (or their respective entitled dependents in each case) of Harsco GmbH that belonged to the Business and that, as of the Closing, are either pensioners, or former employees or managing directors with vested pension rights (or their respective entitled dependents in each case). The Company and the Buyer agree that all employment-related costs until the transfer of the German Transferred Employees, including the salaries until the Closing Date and any severance Liabilities relating to pre-Closing terminations (even if payable post-Closing), shall be borne by Harsco GmbH, while the employment-related costs on and after the Closing Date shall be borne by the Buyer, including those costs that become due after the transfer but also relate to a time period prior to the Closing Date. To the extent that any provision of this Section 5.7(m) with respect to any German Transferred Employee conflicts with any other provision of Section 5.7, this Section 5.7(m) shall control.

(n) Buyer Indemnity. The Buyer agrees to indemnify and hold harmless the Company Indemnified Persons from and against any Liability or Loss suffered, paid or incurred by any Company Indemnified Person in relation to any Assumed Plan (to the extent such Liability is assumed hereunder) or in relation to the wages, salaries, remuneration, compensation or any other benefits accrued and arising out of the employment after the Closing of any Active Employees of any of the Sold Companies or any Transferred Employee and payable to or accrued by them on or after the Closing Date, including annual leave, leave loading, long service leave, sick leave and any entitlement to severance or redundancy payments; provided, however, that the foregoing indemnity shall not apply to (and Buyer is not assuming any Liability for) (i) any severance or other Liabilities arising out of terminations of any Active Employees of any of the Sold Companies or any Transferred Employee prior to the Closing, or (ii) the salaries and wages, bonus accrual or incentive accrual with respect to the employees of the Asset Sellers that were accrued as of the Closing Date.

(o) No Right to Employment. Nothing herein expressed or implied shall confer upon any of the employees of the Company, the Buyer, the Sold Companies or any of their respective Affiliates, any additional rights or remedies, including any additional right to employment, or continued employment for any specified period, of any nature or kind whatsoever under or by reason of this Agreement.

(p) No Third Party Beneficiary. No provision in this Section 5.7 shall (i) create any third party beneficiary or other rights in any employee or former employee (including any beneficiary or dependent thereof) of the Asset Sellers, the Buyer, the Sold

Companies or any other Person other than the parties hereto and their respective successors and permitted assigns, (ii) constitute or create, or be deemed to constitute or create, an employment agreement or (iii) constitute or be deemed to constitute an amendment to any employee benefit plan sponsored or maintained by the Company or any of its Affiliates.

5.8 Labor Matters. The Company shall take, or cause to be taken, any and all actions in connection with any required notification to, or any required consultation with, the employees, employee representatives, work councils, unions, labor boards and relevant government agencies concerning the transactions contemplated by this Agreement with respect to the employees of any of the Sold Companies, and the Buyer will reasonably cooperate with the Company in connection with the foregoing, including by providing any such notification requested by the Company, whether before or after the Closing. The Buyer shall be responsible for any Liability or obligation of any of the Sellers under the WARN Act that is triggered by, results from or arises out of any action taken by the Buyer after the Closing.

5.9 Financing. The Buyer shall use its best commercially reasonable efforts to obtain the financing on the terms described in the Commitment Letters. The Buyer shall use its best commercially reasonable efforts to maintain the Commitment Letters (other than the Commitment Letter provided by Wind Point Partners VI, L.P. (the "Wind Point Equity Commitment Letter")) in full force and effect. The Buyer shall maintain the Wind Point Equity Commitment Letter in full force and effect. If any Commitment Letter is terminated by the lender or equity provider thereunder or such funds shall not otherwise be available, the Buyer shall use its best commercially reasonable efforts to obtain an alternative source or sources for the corresponding amount of Transaction Financing on substantially similar terms ("Substitute Financing"). The Buyer shall, promptly following the Company's request, provide the Company with such information as the Company may reasonably request regarding the status of the Transaction Financing (but not including copies of the draft or definitive financing agreements). The Buyer will provide prompt written notice to the Company of any notice by the lender or equity provider under any Commitment Letter or the lender or lenders or equity providers of any Substitute Financing of its or their unwillingness or inability to provide the Transaction Financing and the stated reasons therefor, if known.

5.10 Contact With Customers and Suppliers. Prior to the Closing, the Buyer shall use commercially reasonable efforts to cooperate with and assist the Company in preserving each of the Sold Companies' business organization and operations and the goodwill of those having business relationships with such Sold Companies. Consistent with applicable Competition/Foreign Investment Laws, the Buyer and its representatives shall be permitted to contact and communicate with the employees, customers, suppliers and licensors of the Sold Companies and any Asset Seller (with respect to the Business) in connection with the transactions contemplated hereby only with the prior written consent of the Company, which consent may be conditioned upon a designee of the Company being present at any such meeting or conference.

5.11 Non-Solicitation. For a period of 12 months following the Closing Date, the Buyer agrees that, except as provided in Section 5.7(a), it shall not, and shall cause its Affiliates not to, solicit any employee of the Company or its Affiliates for employment by the Buyer or any of its Affiliates without the prior written consent of the Company. An employee shall be deemed not to have been solicited for employment if such employee responded to a general solicitation.

5.12 Closing and Disclosure Schedules. Each of the Buyer and the Company shall use commercially reasonable efforts to cause the conditions set forth in Sections 6.1 and 6.2 (in the case of the Buyer) and Sections 7.1 and 7.2 (in the case of the Company) to be satisfied by the Closing Date. From the date hereof until the Closing, each party shall disclose to the other party in writing (solely in the form of updated Disclosure Schedules) any material variances from the representations and warranties contained in ARTICLE III and/or ARTICLE IV hereof promptly upon discovery thereof. The Company shall deliver to the Buyer a supplement to the Disclosure Schedules specifying its additions or changes promptly upon discovery thereof; provided, however, that any such supplement shall not be taken into account for purposes of determining whether the condition in Section 7.1 is satisfied, whether a party has a right to terminate this Agreement under Article VIII hereof or whether a party has a right to indemnification under Article IX hereof.

5.13 Reserved.

5.14 Corporate Names.

(a) The Buyer shall remove or cover, or shall cause the Sold Companies to remove or cover, the names “Harsco” and “MultiServ” and any trademarks, trade names, brandmarks, brand names, trade dress or logos relating to such names, from all: (i) invoices, sales acknowledgement forms and other shipping documents (including bills of lading, packing lists and export documents) of the Sold Companies or the Sold Assets no later than ninety (90) days after the Closing Date, unless such period is extended with the consent of the Company, such consent not to be unreasonably withheld; (ii) signage, letterhead (including internal memo forms and fax forms), envelopes, business cards, sales literature, exhibits and displays and promotional items of the Sold Companies or the Sold Assets no later than one hundred and eighty (180) days after the Closing Date, unless such period is extended with the consent of the Company, such consent not to be unreasonably withheld. Buyer shall have the right to continue to manufacture or have manufactured the products (including identification plates) and packaging (including shipping boxes and packaging materials) bearing the names “Harsco” and “MultiServ” for a period not to exceed one hundred and eighty (180) days following the Closing Date and thereafter to continue to sell such products and packaging for a period not to exceed eighteen (18) months following the Closing Date, as reasonably required, to exhaust the inventory of such products and packaging existing as of one hundred and eighty (180) days following the Closing Date. Notwithstanding anything to the contrary herein, it is understood and agreed that the Buyer shall not have any obligation to remove or cover the names “Harsco” or “MultiServ” or any trademarks, trade names, brandmarks, brand names, trade dress or logos relating to such names from any products (including identification plates) or packaging (including shipping boxes and packaging materials) under a consignment agreement as of the Closing Date or at consignment locations as of the Closing Date or shipped to consignment locations in the first 180 days after the Closing Date. The Buyer shall have the right to continue to produce product instruction manuals and instruction sheets bearing the names “Harsco” and “MultiServ” for a period not to exceed thirty (30) days following the Closing Date and thereafter to continue to use such instruction manuals and instruction sheets following the Closing to exhaust the inventory of such instruction manuals and instruction sheets existing as of thirty (30) days following the Closing Date. Except as provided in this Section 5.14(a), the Buyer shall neither use nor permit any of the Sold Companies or any of its Affiliates to use the names "Harsco" and "MultiServ" or any trademark, trade name, brandmark, brand name, trade dress or logo relating or confusingly similar to such names, in connection with the businesses of the Sold Companies or otherwise. As soon as reasonably practicable after the Closing, but in any event no later than ninety (90) days thereafter, the Buyer shall cause each of the Sold Companies to amend its certificate of incorporation, partnership agreement, limited liability company agreement, constitutional documents and other applicable documents, subject to any required consent or approval of any other partner or member, which the Buyer shall use its commercially reasonable efforts to obtain, so as to delete any reference to "Harsco" and "MultiServ" in its legal name and, within such 90-day period, to make all required filings with Governmental Authorities to effect such amendments.

(b) As soon as reasonably practicable after the Closing Date, but in any event no later than ninety (90) days after the Closing Date unless such period is extended with the consent of the Buyer, such consent not to be unreasonably withheld, the Company shall (and shall cause its Affiliates to) remove or cover the names "GasServ", "Taylor-Wharton", "American Welding & Tank", "Structural Composites Industries", "Sherwood" and any other trademarks, trade names, brandmarks, brand names, trade dress or logos acquired by the Buyer hereunder, including without limitation those listed on Schedule 3.13, from all signs, billboards, advertising materials, telephone listings, labels, stationery, office forms, packaging or other materials of the Company and its Affiliates. Thereafter, the Company shall neither use nor permit any of its Affiliates to use such trademarks, trade names, brandmarks, brand names, trade dress or logos or any confusingly similar variation thereof in connection with its businesses or otherwise. As soon as reasonably practicable after the Closing Date, but in any event no later than ninety (90) days thereafter, the Company shall (and shall cause each of its Affiliates to) amend its certificate of incorporation, partnership agreement, limited liability company agreement, constitutional documents and other applicable documents so as to delete any reference to "GasServ", "Taylor-Wharton", "American Welding & Tank", "Structural Composites Industries", "Sherwood" or any other trademarks, trade names, brandmarks, brand names, trade dress or logos acquired by the Buyer hereunder, including without limitation those listed on Schedule 3.13, in its legal name and, within such 90-day period, to make all required filings with Governmental Authorities to effect such amendments.

(c) Notwithstanding anything to the contrary set forth in this Agreement, upon the Closing Date, the Company shall (and shall cause its Affiliates to) immediately cease all use of the trademarks and domain names set forth in subsection 3.13(o) of Schedule 3.13. Thereafter, the Company shall (and shall cause its Affiliates to) not take any action to further prosecute, register or renew any of the trademarks and domain names set forth in subsection 3.13(o) of Schedule 3.13. Buyer shall have the exclusive right, for a period not to exceed the lesser of six (6) months after the Closing Date or the expiration of the applicable domain name registration, to use the domain names set forth in subsection 3.13(o) of Schedule 3.13 for the purpose of automatically redirecting traffic to Buyer's "gasserv.com" Web Site or other Internet Web Site used by Buyer in connection with its business. Thereafter, the Buyer shall not take any action to renew or re-register any of the domain names identified in subsection 3.13(o) of Schedule 3.13.

5.15 Further Actions.

(a) Each of the parties hereto shall use commercially reasonable efforts to take, or cause to be taken, all appropriate action, do or cause to be done all things necessary, proper or advisable under applicable Law, and execute and deliver such documents and other papers, as may be reasonably required to consummate the transactions contemplated by this Agreement. Without limiting the generality of the foregoing, the Company agrees that it shall use its best commercially reasonable efforts to obtain prior to the Closing all consents and to deliver prior to the Closing all notices required in connection with the transactions contemplated hereby, including those listed on Schedule 3.6, and shall provide reasonable cooperation with respect to the conduct of the litigation matters described on Schedule 2.4(a)(v), governmental reporting obligations and accounting systems support. Moreover, the Company agrees that it will promptly, but in no event less than 2 days after receipt by it, forward to Buyer all written communications, correspondence, e-mail, notices and inquiries addressed to or relating to the Business.

(b) Notwithstanding anything in this Agreement to the contrary, this Agreement shall not constitute an agreement to sell, convey, assign or transfer any asset if any attempted sale, conveyance, assignment or transfer of such asset, without the consent of another Person to such transfer, would constitute a breach by the applicable Seller or the Buyer with respect to such asset if such consent shall not have been received. If any required consent is not obtained on or prior to the Closing, the Company shall, and shall cause the applicable Seller to, use its best commercially reasonable efforts to (i) provide to the Buyer the material benefits of the applicable contract, agreement, permit or other asset, (ii) cooperate in any reasonable and lawful arrangement designed to provide such material benefits to the Buyer and (iii) enforce at the request of the Buyer and for the account of the Buyer and at the Buyer's expense any rights of such Seller arising from any such contract or agreement (including the right to elect to terminate or renew such contract or agreement in accordance with the terms thereof upon the request of the Buyer). Without limiting the generality of the foregoing, the Company agrees that it will, if so requested by the Buyer, continue to sell Products and/or provide services to BOC Group, plc, BOC Group, Inc., and their respective Affiliates pursuant to the contracts set forth as items 6 and 12 on Schedule 3.6, with such Products and services being subcontracted to the Buyer in full at no cost to the Buyer. The Company will enter into similar subcontracting arrangements with respect to the other unassigned contracts at the Buyer's reasonable request.

(c) The parties shall cooperate to prepare as soon as reasonably practicable any and all Ancillary Agreements not prepared as of the date of this Agreement. In addition, the parties hereby agree that each agreement, arrangement or other instrument as shall be required under Law in order to transfer the Sold Assets, the Assumed Liabilities, and the Shares shall include only those representations, warranties and indemnities provided for in this Agreement and such other provisions as are required by Law to give effect to such transfer. It is the intention of the parties, notwithstanding the provisions of any such agreement, arrangement or other instrument, that no purchase and sale contemplated by any such agreement, arrangement or instrument shall be consummated earlier than simultaneous with the Closing. Accordingly, each of the parties will take such action as may be necessary to ensure that no closing under any such agreement, arrangement or instrument occurs prior to the Closing.

5.16 Elimination of Certain Obligations. (a) Immediately prior to the Closing, the Company shall cause all Intercompany Obligations payable or receivable as of and for all periods through the Closing Date to be paid, received or otherwise satisfied in full, with the result that as of and following the Closing, there shall be no further obligation or liability with respect to any Intercompany Obligations as of the Closing Date.

(b) At or prior to the Closing, the Company shall cause all Debt Obligations, if any, of the Sold Companies and of the Asset Sellers (with respect to the Business), including the Recourse Financing, to be repaid in full or otherwise satisfied or eliminated without any continuing liability or obligation of the Sold Companies or the Buyer.

(c) At or prior to the Closing, the Company shall cause all Third Party Expenses and Change of Control Payment obligations, if any, of the Sold Companies to be paid, received or otherwise satisfied in full, with the result that as of and following the Closing, there shall be no further obligation or liability of the Sold Companies or the Buyer with respect to any such Third Party Expenses or Change of Control Payment obligations as of the Closing Date.

(d) The Company shall cause an amount equal to all accrued salaries and wages through the Closing with respect to the employees of the Asset Sellers to be paid when due in the ordinary course of business. The Company shall cause an amount equal to any bonus and incentive pay accrued prior to Closing to be paid to employees of the Asset Sellers in accordance with the terms of the Company’s bonus and incentive pay plans.

5.17 Bulk Transfer Laws. Without limitation of Section 9.1(g), the Buyer and the Company hereby waive compliance with any bulk transfer Laws applicable to the transactions contemplated by this Agreement.

5.18 Confidentiality.

(a) The Buyer hereby confirms and agrees that, with respect to any information directly or indirectly furnished by or on behalf of any Seller, whether before, on or after the date hereof, the Buyer shall continue to be bound by the terms of the Confidentiality Agreement.

(b) The Buyer understands and agrees that the Sellers are making available confidential information and trade secrets to the Buyer concerning the operations of the Sellers and the Business, which information would be damaging to the Sellers and their Affiliates if disclosed to a competitor or made available to any other Person, and that such information has been divulged in confidence. The Buyer acknowledges that after the Closing the Company and its Affiliates could be irreparably damaged if any nonpublic or proprietary information about the Company or its Affiliates that does not relate to the Business, the Sold Assets, the Assumed Liabilities or the Sold Companies were disclosed by the Buyer or its Affiliates after the Closing to any Person other than the Company or its Affiliates, and the Buyer will not, and will cause its officers, directors, employees and other Affiliates not to, following the Closing Date, without the prior written consent of the Company, disclose or use (or permit to be disclosed or used) in any way any such information, unless (i) compelled to disclose such confidential information by judicial or administrative process or, in the opinion of its counsel, by other requirements of Law and, in any such event, the Buyer shall, to the extent practicable, give the Company prompt written notice of any such requirement prior to any such disclosure, (ii) such confidential information is generally available to the public through no fault of the Buyer or any of its Affiliates, or (iii) such confidential information is publicly disclosed by the Buyer or its Affiliates with the Company's prior written consent.

5.19 Exclusivity. From the date hereof until the Closing or the earlier termination of this Agreement pursuant to Section 8.1, the Company will not, and will not permit the Sellers or any Sold Company to, directly or indirectly: (a) solicit, initiate or encourage any inquiry, proposal or offer from any Person relating to any transaction involving the sale of all or any material part of the Business, the Shares or the Sold Assets (other than in the ordinary course of business), or any merger, consolidation, business combination, or similar transaction involving the Business, any Seller (other than the Company) or any Sold Company (an "Acquisition Transaction"); (b) participate in any discussions or negotiations or enter into any agreement with, or provide any non-public information to, any Person (other than the Buyer) relating to or in connection with a possible Acquisition Transaction or facilitate an Acquisition Transaction in any manner; or (c) accept any proposal or offer from any Person (other than the Buyer) relating to a possible Acquisition Transaction.

5.20 Capital Expenditures. From and after the date of this Agreement and until the Closing, the Company (with respect to the Business) shall, and the Company shall cause the Sold Companies and the other Asset Sellers (with respect to the Business) to, make such capital expenditures as are reasonably required to support the Business in the ordinary course of business consistent with past practice, including with respect to those projects identified on Schedule 5.20.

5.21 Post-Signing Statements. The Company shall promptly (but in no event more than 15 days after the end of the relevant period) deliver to the Buyer copies of monthly financial statements of the Business during the period from the date hereof through the Closing Date. All such monthly financial statements when delivered to the Buyer shall be included in the definition of "Interim Financial Statements" for purposes of Section 3.4.

ARTICLE VI
CONDITIONS TO THE COMPANY'S OBLIGATIONS

The obligation of the Company to effect the Closing under this Agreement is subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any and all of which may be waived by the Company in whole or in part to the extent permitted by applicable Law); provided, however, that the Company may not rely on the failure of any condition set forth in this ARTICLE VI if such failure was caused by the Company's failure to comply with any provision of this Agreement:

6.1 Representations and Warranties. The representations and warranties made by the Buyer in this Agreement shall be true and correct (provided that any representation and warranty contained herein that is subject to a materiality, material adverse effect or similar qualification will not be so qualified for purposes of determining the existence of any breach thereof on the part of the Buyer) as of the Closing Date as though such representations and warranties were made at such date (except to the extent such representations and warranties are made as of a specified date, which representations and warranties, subject to the elimination of any materiality qualifications as provided in the parenthetical above, shall be true and correct as of such earlier date), except for such breaches that would not, individually or in the aggregate with any other breaches on the part of the Buyer, reasonably be expected to materially and adversely affect the ability of the Buyer to consummate the transactions contemplated by this Agreement.

6.2 Performance. The Buyer shall have performed and complied in all material respects with all agreements and obligations required by this Agreement to be so performed or complied with by it prior to the Closing and shall have delivered the items in Section 2.10(b) hereof.

6.3 Officer's Certificate. The Buyer shall have delivered to the Company a certificate, dated as of the Closing Date and executed by an executive officer of the Buyer, certifying to the fulfillment of the conditions specified in Sections 6.1 and 6.2.

6.4 HSR Act; Competition/Foreign Investment Law. All applicable waiting periods under the HSR Act with respect to the transactions contemplated hereby shall have expired or been terminated and all approvals or clearances under any other applicable Competition/Foreign Investment Law shall have been obtained and all applicable waiting periods shall have expired or been terminated.

6.5 Governmental Orders. At the Closing there shall not be in effect any Governmental Order restraining, enjoining or otherwise prohibiting the transactions contemplated hereby.

ARTICLE VII
CONDITIONS TO THE BUYER'S OBLIGATIONS

The obligation of the Buyer to effect the Closing under this Agreement is subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any and all of which may be waived by the Buyer in whole or in part to the extent permitted by applicable Law); provided, however, that the Buyer may not rely on the failure of any conditions set forth in this ARTICLE VII if such failure was caused by the Buyer's failure to comply with any provision of this Agreement:

7.1 Representations and Warranties. The representations and warranties made by the Company in this Agreement shall be true and correct (provided that any representation or warranty of the Company contained herein that is subject to a materiality, Business Material Adverse Effect, material adverse effect or similar qualification will not be so qualified for purposes of determining the existence of any breach thereof on the part of the Company) as of the Closing Date as though such representations and warranties were made at such date (except to the extent such representations and warranties are made as of a specified date, which representations and warranties, subject to the elimination of any materiality qualifications as provided in the parenthetical above, shall be true and correct as of such earlier date), except for such breaches that would not, individually or in the aggregate with any other breaches on the part of the Company, reasonably be expected to have a Business Material Adverse Effect; provided, however, that the foregoing limitation shall not apply to the Special Warranties, which must be true and correct in all material respects as of the Closing Date (except to the extent such representations and warranties are made as of a specified date, which representations and warranties must be true and correct in all material respects as of such specified date).

7.2 Performance. The Company shall have performed and complied in all material respects with all agreements and obligations required by this Agreement to be performed or complied with by it prior to the Closing and shall have delivered the items in Section 2.10(a) hereof.

7.3 Officer's Certificate. The Company shall have delivered to the Buyer a certificate, dated as of the Closing Date and executed by an executive officer of the Company, certifying to the fulfillment of the conditions specified in Sections 7.1 and 7.2.

7.4 HSR Act; Competition/Foreign Investment Law. All applicable waiting periods under the HSR Act with respect to the transactions contemplated hereby shall have expired or been terminated and all approvals or clearances under any other applicable Competition/Foreign Investment Law shall have been obtained and all applicable waiting periods shall have expired or been terminated.

7.5 Governmental Orders. At the Closing there shall not be in effect any Governmental Order restraining, enjoining or otherwise prohibiting the transactions contemplated hereby.

7.6 Financing. The Buyer shall have received the proceeds set forth in the Commitment Letters (other than the Wind Point Equity Commitment Letter) or any Substitute Financing.

7.7 Business Material Adverse Effect. Since the date of this Agreement, there shall not have occurred any Business Material Adverse Effect or any event that would reasonably be expected to result in a Business Material Adverse Effect.

ARTICLE VIII
TERMINATION

8.1 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by the mutual written consent of the Company and the Buyer;

(b) by Buyer, at any time prior to the Closing in the event that the Company is in breach of any representation, warranty or covenant made by it in this Agreement and such breach renders the conditions set forth in ARTICLE VII incapable of being satisfied absent a written waiver of such conditions by Buyer; provided, however, that the Company shall have 30 days to cure such breach (which cure period shall be tolled if, during such 30-day period, the Company shall have undertaken commercially reasonable efforts to cure such breach and such breach is in the process of being cured at the end of such 30-day period, provided that such breach must in any event be actually cured within 60 days), following the receipt of written notice of the Buyer's election to terminate;

(c) by the Company, at any time prior to the Closing in the event that Buyer is in breach of any representation, warranty or covenant made by it in this Agreement and such breach renders the conditions set forth in ARTICLE VI incapable of being satisfied absent a written waiver of such conditions by the Company; provided, however, that Buyer shall have 30 days to cure such breach (which cure period shall be tolled if, during such 30-day period, the Buyer shall have undertaken commercially reasonable efforts to cure such breach and such breach is in the process of being cured at the end of such 30-day period, provided that such breach must in any event be actually cured within 60 days), following the receipt of written notice of the Company's election to terminate;

(d) by the Company or the Buyer if the Closing has not occurred on or before December 31, 2007 (the "Outside Date"), unless the failure of such consummation shall be due to the failure of the party attempting to terminate to comply in all material respects with the agreements and covenants contained herein; or

(e) by either the Company or the Buyer if any Governmental Authority of competent jurisdiction shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the transactions contemplated hereby and such order, decree or ruling or other action shall have become final and nonappealable.

8.2 Procedure and Effect of Termination.

(a) A party desiring to terminate this Agreement pursuant to Section 8.1 must give written notice of such termination to the other party in accordance with Section 10.8, specifying the provision hereof pursuant to which such termination is effective. If this Agreement is terminated as provided herein:

(i) the Buyer will redeliver to the Company all documents, work papers and other material of the Company, the other Sellers, the Sold Companies and the Sold Assets relating to the transactions contemplated hereby, whether so obtained before or after the execution hereof;

(ii) the provisions of the Confidentiality Agreement shall continue in full force and effect; and

(iii) no party to this Agreement shall have any liability under this Agreement to any other party except (A) that nothing herein shall relieve any party from any liability for any willful breach of any of the representations or warranties or breach of any covenants or agreements set forth in this Agreement (and the damages recoverable by the non-breaching party shall include all attorneys' fees reasonably incurred by such party in connection with the transactions contemplated by this Agreement), (B) as contemplated by ARTICLE X and (C) as contemplated by Section 5.18 and by clause (ii) above.

ARTICLE IX
INDEMNIFICATION

9.1 Indemnification by the Company. From and after the Closing, the Company agrees to indemnify and hold the Buyer and its Affiliates (including, after the Closing, the Sold Companies) and each of their respective equity holders, officers, directors, managers, members, employees, agents and representatives (collectively, the "Buyer Indemnified Persons") harmless from and against any and all losses, damages, costs and expenses (including reasonable fees and expenses of attorneys) (collectively, "Losses"), that any Buyer Indemnified Person actually suffers or incurs arising out of or resulting from:

(a) any breach, inaccuracy or misrepresentation of any representation or warranty made by the Company in ARTICLE III; provided, however, that for purposes of this Section 9.1(a), all "materiality", "Business Material Adverse Effect" and similar qualifiers shall be disregarded (other than those set forth in the last sentence of Section 3.4(a), the second sentence of Section 3.7, the second sentence of Section 3.9, Section 3.12, Sections 3.13(b) and 3.13(j), Sections 3.14(a)(iv) and (v), the second sentence of Section 3.15(b)(i), Section 3.20 (only with respect to the materiality standard included in the Special Purpose Accounting Principles), the penultimate sentence of Section 3.21, the penultimate sentence of Section 3.23, Section 3.25(a) and Section 3.27(b));

(b) the failure to perform any covenant or agreement of the Company contained in this Agreement;

(c) any Excluded Liability;

(d) all Liabilities arising out of or relating to accidents, occurrences and other incidents (including all Proceedings relating thereto) occurring on or prior to the Closing (whether known or unknown and whether or not reported) that result in (A) personal injury, (B) property damage or (C) any other Losses and, in each case, that result from, are caused by or arise out of, or are alleged to have resulted from, been caused by or arisen out of, directly or indirectly, (1) use of, exposure to or otherwise on account of any Product manufactured, sold or distributed, or any service rendered, by or on behalf of any Sold Company on or prior to the Closing Date; (2) automobile liability occurrences relating to any Sold Company on or prior to the Closing Date; or (3) workers' compensation occurrences relating to any Sold Company on or prior to the Closing Date;

(e) all Liabilities of the Sold Companies (including with respect to loss of life, personal injury and/or damage to any Business Real Property, Environmental Claims, or natural resource damages) arising out of or resulting from (A) any violation of any Environmental Law that occurred prior to the Closing Date in connection with the Business Real Property or operation of the Business, (B) any Release of any Hazardous Materials into the Environment at, on, under or from the Business Real Property that occurred prior to the Closing Date, (C) any Release of any Hazardous Material into the Environment at, on, under or from any property formerly owned, leased or operated by the Sold Companies in connection with the operation of the Business prior to the Closing Date (but not including the Business Real Property), and (D) any off-site disposal of any Hazardous Material prior to the Closing Date from the Business Real Property;

(f) any current liabilities of the Business not included in the Final Statement of Net Working Capital; and

(g) any Liability arising out of any bulk transfer Laws in connection with the transfer of the Sold Assets under this Agreement.

Notwithstanding anything to the contrary contained in this ARTICLE IX: (i) none of the Buyer Indemnified Persons shall be entitled to recover from the Company for any Losses under Section 9.1(a): (A) in respect of any individual item, or group of items arising out of the same event, where the Loss relating thereto is less than $25,000 (the "Sub-Basket"); provided, however, that such Sub-Basket may be invoked no more than ten times in the aggregate (the "Sub-Basket Limitation"), and (B) in respect of each individual item, or group of items arising out of the same event, where the Loss relating thereto is equal to or greater than the Sub-Basket (but subject to the Sub-Basket Limitation), unless the total of all Losses exceeds $2,625,000 (the "Basket"), in which event the Buyer Indemnified Persons will be entitled to indemnification only for such Losses in excess of the Basket; (ii) the Buyer Indemnified Persons shall not be entitled to recover more than an aggregate of $34,000,000 (the "Cap" and, together with the Sub-Basket and the Basket, the "Indemnity Limitations") from the Company with respect to all Losses indemnifiable pursuant to Section 9.1(a); and (iii) the Indemnity Limitations shall not apply to breaches, inaccuracies or misrepresentations with respect to any Special Warranties, the representations and warranties set forth in Section 3.5, 3.10 or 3.11(a) with respect to undisclosed severance obligations, or to any claim based on intentional misrepresentation. For the avoidance of doubt, the Indemnity Limitations shall not apply to Losses indemnifiable under Section 9.1 other than Losses indemnifiable under Section 9.1(a) as provided above. Any claim that may be asserted pursuant to Section 9.1(a) that may also be asserted pursuant to Section 9.1(b) solely as a result of the Sellers' failure to provide notice as required pursuant to Section 5.12 shall be asserted solely pursuant to Section 9.1(a). Notwithstanding anything to the contrary contained in this ARTICLE IX: (i) none of the Buyer Indemnified Persons shall be entitled to recover from the Company for any Losses under Section 9.1(e) or under Section 9.1(c) with respect to Liabilities described in Section 2.4(b)(iv) unless the total of all such Losses in the aggregate exceeds $500,000 (the "Environmental Basket"), and then the Buyer and the Company will each be responsible for 50% of such aggregate Losses that exceed the Environmental Basket up to an aggregate of $1,000,000 in excess of the Environmental Basket (the "Shared Losses"), and then the Company will be responsible for 100% of such Losses up to the Environmental Cap; and (ii) the Buyer Indemnified Persons shall not be entitled to recover more than an aggregate amount equal to the Cap plus an additional $20,000,000 (collectively, the "Environmental Cap") from the Company with respect to all Losses indemnifiable pursuant to Section 9.1(e) or Section 9.1(c) with respect to Liabilities described in Section 2.4(b)(iv), provided that any such Losses shall first be counted against the additional $20,000,000 portion of the Environmental Cap, provided further that, for the avoidance of doubt, any and all such Losses counted against the Cap pursuant to this sentence shall also count against the Cap for all other purposes under this Agreement. It is acknowledged and agreed that (x) any Losses within the Environmental Basket and Buyer's portion of the Shared Losses shall also count toward the Basket; and (y) the Sub-Basket does not apply to Losses under Section 9.1(e) or Section 9.1(c) with respect to Liabilities described in Section 2.4(b)(iv).

9.2 Indemnification by the Buyer. From and after the Closing, the Buyer agrees to indemnify and hold the Company and its Affiliates and their respective officers, directors, employees, agents and representatives (collectively, the "Company Indemnified Persons") harmless from and against any and all Losses that any Company Indemnified Person actually suffers or incurs arising out of or resulting from:

(a) any breach, inaccuracy or misrepresentation of any representation or warranty of the Buyer contained in ARTICLE IV;

(b) the failure to perform any covenant or agreement of the Buyer contained in this Agreement;

(c) any Assumed Liability; and

(d) the possession, ownership, use, operation and management of the Sold Companies (including while payment of any Duties required to be paid in connection with the transfer of the Shares by the Equity Sellers to the Buyer and registration of the transfer of legal title of the Shares to the Buyer is pending), the Sold Assets or the Business by the Buyer after the Closing.

Notwithstanding anything to the contrary contained in this ARTICLE IX: (i) none of the Company Indemnified Persons shall be entitled to recover from the Buyer for any Losses under Section 9.2(a) (A) in respect of any individual item, or group of items arising out of the same event, where the Loss relating thereto is less than the Sub-Basket, subject to the Sub-Basket Limitation, and (B) in respect of each individual item, or group of items arising out of the same event, where the Loss relating thereto is equal to or greater than the Sub-Basket (but subject to the Sub-Basket Limitation), unless the total of all Losses exceeds the Basket, in which event the Company Indemnified Persons will be entitled to indemnification only for such Losses in excess of the Basket; (ii) the Company Indemnified Persons shall not be entitled to recover more than an aggregate equal to the Cap from the Buyer with respect to all Losses indemnifiable pursuant to Section 9.2(a); and (iii) the Indemnity Limitations shall not apply to breaches, inaccuracies or misrepresentations with respect to any of the representations or warranties set forth in Sections 4.1, 4.2, 4.7 and 4.10 or to any claim based on intentional misrepresentation. Each Buyer Subsidiary shall be jointly and severally liable for the obligations of Buyer under this Section 9.2 (subject to all the limitations and conditions contained in this Section 9.2); provided that, upon a Disposition of a Buyer Subsidiary, such Buyer Subsidiary shall be released from any obligations or liabilities hereunder.

9.3 Indemnification as Exclusive Remedy. The indemnification provided in Sections 5.4(a) and 5.7(n) and this ARTICLE IX, subject to the limitations set forth herein, shall be the sole and exclusive post-Closing remedy available to any party in connection with any Losses arising out of or resulting from this Agreement, the transactions contemplated hereby, or the Buyer's ownership or operation of the Business, whether based in contract or tort; provided, however, that the provisions of this Section 9.3 shall not prevent or limit a cause of action at Law or in equity (a) under Sections 5.2(c), 5.10, 5.11, or 5.18 or under the Non-Compete Agreement to obtain an injunction or injunctions to prevent breaches of this Agreement or the Non-Compete Agreement, as applicable, and to enforce specifically the terms and provisions hereof and thereof or (b) based upon intentional misrepresentation by the Company of any representation or warranty made by the Company in ARTICLE III or by the Buyer of any representation or warranty made by the Buyer in ARTICLE IV, nor shall such provision prevent or limit the rights of the parties hereto with respect to Section 2.6(c) or Section 2.7(c). Except with respect to its rights under this ARTICLE IX, the Buyer Indemnified Persons expressly waive any and all rights and remedies against the Company under the Comprehensive Environmental Response, Compensation and Liability Act and other Environmental Laws in connection with any Losses arising out of or resulting from this Agreement, the transactions contemplated hereby, or the ownership or operation of the Business or the Sold Assets.

9.4 Environmental Indemnification Claims.

(a) In addition to any other limitations on indemnification that may apply as set forth in this Agreement, the Company's indemnification obligations under Section 9.1 for Losses arising out of or resulting from any breach of the representations and warranties contained in Section 3.15, and/or the Excluded Liabilities under Section 2.4(b)(iv) and/or Section 9.1(e), shall only apply to claims that arise from circumstances or conditions discovered or alleged (i) by Persons other than the Buyer Indemnified Persons, (ii) by Buyer Indemnified Persons in the normal and ordinary course of the use and operation of Business Real Property, including expansion, renovation, maintenance and/or repair thereof, or (iii) in connection with the compliance work referred to in Schedule 9.4(a)(iii). Buyer Indemnified Persons recognize that the Business Real Property, has been, and will continue to be used as industrial facilities and agree that they shall use or agree to (with respect to matters for which the Company has assumed control pursuant to Section 9.4(e)) where permitted, in an effort to mitigate the cost of any post-Closing cleanup, response or remedial action, risk-based cleanup standards, including utilizing engineered barriers, institutional controls and other reasonable means, provided that such restrictions or controls do not prevent or inhibit any continued use of the Business Real Property in the normal course of the conduct of the acquired Business. It is the intention of the parties, and the agreement of Buyer Indemnified Persons, not to "prospect" on environmental matters (including in connection with conducting diligence in a sale, financing or other transfer of interests) and it is recognized that this provision is intended in part to protect Buyer Indemnified Persons in the event of the inadvertent discovery of environmental problems at the Business Real Property and, in part, to protect the Company from Buyer's "prospecting."

(b) The Buyer Indemnified Persons agree to cooperate with the Company and to take all commercially reasonable actions to avoid and minimize Losses that would otherwise be subject to indemnification under this ARTICLE IX regarding Environmental Laws or Hazardous Materials, including conducting sampling of the Environment only when required to do so by Environmental Laws, or as necessary to address the inadvertent discovery of an apparent and potentially substantial Release of any Hazardous Material into the Environment. Buyer Indemnified Persons further agree not to solicit or importune any Governmental Authority to require any environmental correction, investigation, monitoring or remediation unless affirmatively required to do so by Environmental Laws.

(c) In addition to any other limitations on indemnification that may apply as set forth in this Agreement, with respect to any claim for indemnification any Buyer Indemnified Person may assert regarding Environmental Laws or Hazardous Materials, the Company shall not have any obligation with respect to such claim to the extent that the Losses for which indemnification is sought (i) arise out of any action not required by Environmental Law or arise out of any action to meet a cleanup standard under Environmental Law that is more stringent or costly than required for the continued use, including expansion, renovation, repair and maintenance, of any property in the normal course of the acquired Business (ii) are ordinary costs (as distinguished from the extra costs associated with the cleanup or remediation of a pre-Closing Release of Hazardous Materials into the Environment) of any post-Closing construction, demolition or renovation of facilities on the Business Real Property, including any asbestos abatement obligations arising from such activities or (iii) arise out of or result from any violation of Environmental Law or any Release of any Hazardous Material or any other environmental condition to the extent caused in whole, contributed to or exacerbated by operations of the Business or by actions or omissions of any Persons other than the Company after Closing (for the avoidance of doubt, in the absence of any contribution to a pre-Closing Release of any Hazardous Materials arising out of or resulting from operations of the Business or from actions or omissions of any Persons other than the Company post-Closing, the exclusion in Section 9.4(c)(iii) shall not apply to the non-negligent, non-willful exacerbation by Buyer Indemnified Persons or any Persons acting on their behalf to such pre-Closing Release of any Hazardous Materials not specifically identified on Schedule 3.15, or otherwise known to any Buyer Indemnified Persons, during the normal and ordinary course of the use and operation of the Business Real Property).

(d) It is a condition precedent to any right of any Buyer Indemnified Person to indemnification regarding Environmental Laws or Hazardous Materials that prior to incurring substantial costs with respect to any such claim for which any Buyer Indemnified Person may seek indemnification, the Buyer shall notify the Company of such claim and afford the Company the reasonable opportunity to promptly evaluate the conditions giving rise to such claim (unless more immediate action is required by Law or is necessary to address an imminent threat to human health or the environment, in which case such notification must be provided as promptly thereafter as practicable). In the absence of any applicable requirement under Environmental Law pursuant to Section 9.4(c)(i), if sampling of the Environment at, on or under the Business Real Property conducted in accordance with Section 9.4(b) identifies a human exposure pathway and levels of Hazardous Materials contamination which present a substantial threat to human health, then the Company shall take commercially reasonable steps to mitigate such substantial threat to human health. In the event of disagreement between Buyer and the Company on whether such a substantial threat exists, and the Company fails to act to mitigate such threat as requested by Buyer, the Company hereby waives as a defense to any indemnity claim made by Buyer associated with such alleged threat that Buyer may not be indemnified against its own negligence with respect to such failure to act.

(e) In the absence of any reasonably apparent and related post-Closing Release of any Hazardous Materials into the Environment, any Release of Hazardous Materials into the Environment found to exist at, on, under or emanating from the Business Real Property and reported in writing to the Company during the three years after the Closing Date will be presumed to have arisen in whole prior to the Closing Date, unless rebutted by the Company by a preponderance of the evidence.

9.5 Procedures for Environmental Response Action.

Subject to all other provisions of this Section, the Company and its agents shall be entitled, but not obligated, to undertake any investigation, remediation or other action required by Environmental Law ("Response Action"), and any negotiation with Governmental Authorities or third parties regarding same, with respect to such matter, using commercially reasonable efforts to avoid any undue interference with the operations of the Buyer, and the Buyer shall afford the Company and its agents reasonable access to the Business Real Property to undertake such Response Action.

(a) Buyer shall have the right to reasonably comment on the proposed Response Action (which comment shall not be unreasonably delayed), and the Company shall in good faith consider such comments and accept such comments as are consistent with the Company's indemnification obligations under this Agreement. The Company will select environmental consultants that are reasonably acceptable to Buyer (which approval shall not be unreasonably withheld, conditioned or delayed). The Company shall, to the extent practical, provide Buyer with reasonable advance notice of, and an opportunity to comment on, any planned material activities, and any material documents proposed to be submitted to Governmental Authorities or other involved third parties and shall notify Buyer of, and provide Buyer the opportunity to participate in, any material meetings or negotiations with any such Governmental Authority or third party (excluding meetings involving only counsel, consultants, contractors or other experts retained by the Company).

(b) The Company and the Buyer Indemnified Persons agree to maintain in strict confidence, and to similarly bind all consultants or others acting in its interest, all information concerning any environmental matters relating to the real property, plants, assets or business of Buyer relating to the Business unless, and only to the extent, that disclosure is required by law.

(c) For the duration of the Response Action the Company shall have a license to enter the Business Real Property that is the subject of the Response Action, during normal business hours, after reasonable notice to Buyer, as may be necessary to evaluate, sample, plan, document, and perform the Response Action, including confirmatory monitoring. The Company shall coordinate all such activities in advance with a liaison to be designated by Buyer.

(d) Subject to any limitations contained elsewhere in this Agreement, the Response Action shall be undertaken and diligently prosecuted with a view towards completion in a commercially reasonable time frame practical consistent with the Company's duties hereunder. Any contractors and consultants retained by the Company shall be appropriately insured and the certificates of the applicable policy or policies of insurance showing aggregate limits of coverage shall be submitted in advance to Buyer. At Buyer's request the Company shall request that any such contractors cause Buyer to be identified as an additional named insured under such policy or policies.

(e) The Company and Buyer Indemnified Persons agree to promptly exchange copies of all sampling plans, sampling results, data and work plans generated in any Response Action hereunder. The Company and Buyer Indemnified Persons agree to promptly exchange copies of all correspondence and documents exchanged with Governmental Authority with respect to any Response Action prior to delivery of such correspondence or documents to the Governmental Authority.

(f) In the event that the Company requests that any Buyer Indemnified Persons sign or participate in an agreement or order between the Company and a Governmental Authority or third party, Buyer Indemnified Persons shall not unreasonably withhold their consent to the Company's request, provided, however, that Buyer Indemnified Persons' consent shall not waive any of Buyer Indemnified Persons' rights under this Agreement and provided that the Company shall reimburse Buyer Indemnified Persons for the reasonable out-of-pocket costs Buyer Indemnified Persons incur as a result of Buyer Indemnified Persons' participation in said agreement or order. In no event shall the Company insist on, nor shall Buyer Indemnified Persons be bound to approve, any document or proposal, including any "engineered barrier" or "institutional control" that would materially prevent or inhibit any continued use of the Business Real Property in the normal course of the conduct of the acquired Business.

(g) In the event that Buyer requests in writing that the Company perform work to carry out a Response Action that increases the costs of the Company's Response Action, the Company shall acknowledge such request in writing and shall perform, or agree that Buyer may perform, the work requested and Buyer shall reimburse the Company on a monthly basis for the increased cost of the work attributable to Buyer's request.

(h) In the event the Company has assumed control of a Response Action pursuant to this Section 9.5, the following dispute resolution provisions shall be used to resolve any dispute or controversy between the parties regarding whether a Response Action proposed by the Company complies with the provisions of this Agreement, including Sections 9.4 and 9.5:

(i) If, within seven (7) Business Days after receiving the Company's response to Buyer's comments on the proposed Response Action in accordance with Section 9.5(b), Buyer provides a written notice of objection to the Company claiming that the proposed Response Action does not meet the standards for a Response Action provided for in this Agreement, and providing in reasonable detail the basis for such objection, (a "<u>Notice of Objection</u>") and the parties are unable in good faith to informally resolve such objection within fourteen (14) Business Days thereafter, then, notwithstanding any other provision of this Agreement, Buyer may submit the Notice of Objection to arbitration in accordance with the provisions of this Section 9.5(i) (a "<u>Fast-Track Environmental Arbitration Submission</u>").

For purposes of any Fast-Track Environmental Arbitration Submission, (A) within twenty (20) Business Days of the receipt of the Fast-Track Environmental Arbitration Submission, the Company shall submit a statement setting forth the Company's response (the "<u>Fast-Track Environmental Arbitration Answer</u>"); (B) there shall be a single neutral and independent arbitrator who, unless the Company and Buyer jointly agree otherwise, shall be a licensed attorney having experience with and knowledge of Environmental Law with no employment by Buyer Indemnified Persons, the Company or any of their Affiliates within five years of his or her selection or any other basis for disqualification under Rule 17 of the American Arbitration Association's Commercial Arbitration Rules, and who shall agree to the time periods and other arbitration provisions provided for herein (the "Fast-Track Environmental Arbitrator"); (C) the Fast-Track Environmental Arbitrator shall be jointly selected by Buyer and the Company within ten (10) Business Days of the Fast-Track Environmental Arbitration Submission (or if Buyer and the Company are unable to so agree upon a Fast-Track Environmental Arbitrator, within five (5) Business Days thereafter, they each shall select one arbitrator from the AAA, and those two arbitrators shall, within five (5) Business Days thereafter, select the Fast-Track Environmental Arbitrator); (D) except as modified in this Section 9.5(h), the arbitration shall be conducted in accordance with the AAA Rules; (E) each party shall provide to the Fast-Track Environmental Arbitrator such written submissions and other information requested by the Fast-Track Environmental Arbitrator; (F) the Fast-Track Environmental Arbitrator's determination with respect to the Fast-Track Environmental Arbitration Submission shall be in writing and shall be made expeditiously and in any event within forty-five (45) Business Days of the appointment of the Fast-Track Environmental Arbitrator (unless such longer time period is jointly agreed to by the parties); (G) the Fast Track Environmental Arbitrator's sole responsibility shall be to determine whether a proposed Response Action proposal meets the requirements for a Response Action under the terms of this Agreement, including Sections 9.4 and 9.5 (the "Fast-Track Standard"); and (H) the provisions of Section 10.15(b) are incorporated by reference herein.

If the Fast-Track Environmental Arbitrator determines that the Fast-Track Standard has been met with respect to the Fast-Track Environmental Arbitration Submission, then the Company will be entitled to proceed with such Response Action, subject to the other terms and conditions of this Agreement. If the Fast-Track Environmental Arbitrator determines that the Fast-Track Standard has not been met with respect to the Fast-Track Environmental Arbitration Submission, then absent agreement of the parties on an alternative approach, the Response Action proposal shall not be executed by the Company and the Company shall thereafter either timely submit a Response Action proposal that fully addresses the issues identified by the Fast-Track Environmental Arbitrator or, following written advance notice and a reasonable cure period under the circumstances, Buyer shall be entitled to proceed with the Response Action (limited in scope to the decision of the Fast-Track Environmental Arbitrator) in accordance with the provisions contained in Section 9.4 and subject to any other applicable limitations contained in this Agreement.

No determination of the Fast-Track Environmental Arbitrator with respect to any Fast-Track Environmental Arbitration Submission shall be final or binding on Buyer or the Company with respect to any issue other than presented in the Fast-Track Environmental Arbitration Submission, nor shall any such determination in any way limit or otherwise affect the Company's or Buyer Indemnified Persons' indemnification obligations or limitations hereunder.

9.6 Indemnification Calculations. The amount of any Losses for which indemnification is provided under this ARTICLE IX shall be computed net of any insurance proceeds received by the Indemnified Party (as defined below) in connection with such Losses. If an Indemnified Party receives insurance proceeds in connection with Losses for which it has received full indemnification hereunder, such party shall refund to the Indemnifying Party (as defined below) the amount of such insurance proceeds when received, up to the amount of indemnification received, less any increases in insurance premiums that result from the making of such claim. If an Indemnified Party receives insurance proceeds in connection with Losses for which it has received partial indemnification hereunder, such party shall refund to the Indemnifying Party (as defined below) the amount of such insurance proceeds when received, in excess of the amount necessary to provide the Indemnified Party with a full recovery when combined with the partial indemnification hereunder, less any increases in insurance premiums that result from the making of such claim. An Indemnified Party shall use its commercially reasonable efforts to pursue insurance claims with respect to any Losses; provided, however, that (a) the pendency of such pursuit shall not hinder, delay or reduce the payment obligations of the Indemnifying Party hereunder with respect to any Loss, and (b) the reasonable costs and expenses associated with the pursuit of such insurance claim shall be Losses hereunder. The Buyer and the Company agree to treat any amounts payable pursuant this ARTICLE IX as an adjustment to the Purchase Price, unless a final determination by the appropriate Taxing Authority or court causes any such payment not to be treated as an adjustment to the Purchase Price for Tax purposes.

9.7 Survival. The representations and warranties contained in this Agreement will survive the Closing Date until the eighteen-month anniversary of the Closing Date, except that claims based on intentional misrepresentation shall survive indefinitely and the following representations and warranties (the "Special Warranties") shall survive for the following specified periods: (a) the representations and warranties set forth in Sections 3.1, 3.2, 3.3, 3.17(a) and 3.19 shall survive indefinitely; (b) the representations and warranties set forth in Sections 4.1, 4.2, 4.7 and 4.10 shall survive indefinitely; and (c) the representations and warranties set forth in Section 3.10 shall survive for the applicable statute of limitations period (taking into account all extensions) plus 30 days. The covenants and agreements contained in this Agreement to be performed following the Closing Date will survive the Closing Date in accordance with their terms. For the avoidance of doubt, the indemnities provided in Section 9.1 survive indefinitely (including those indemnities that may cover the same or similar topic areas (*e.g.*, environmental liabilities) as those covered by a representation that is subject to a survival period pursuant to this Section 9.7). All claims for indemnification based on a breach of a representation or warranty must be asserted on or prior to the date of the termination of the respective survival periods set forth in this Section 9.7, except such claims may be pursued thereafter if written notice thereof (specifying in reasonable detail the basis for such claim) was duly given within such period. Any claim for indemnification based on a breach of a representation or warranty not made by the Buyer on or prior to the date of termination of the applicable survival period will be irrevocably and unconditionally released and waived, whether or not a longer period would be permitted by applicable Law.

9.8 Notice and Opportunity to Defend.

(a) If there occurs an event which a party asserts is an indemnifiable event pursuant to Section 5.4(a), 5.7(n), 9.1, 9.2, or 9.11, the party or parties seeking indemnification (the "Indemnified Party") shall promptly notify the other party or parties obligated to provide indemnification (the "Indemnifying Party"), which notice shall specify the nature and basis of such claim and the amount thereof, to the extent known. If such event involves any claim or the commencement of any action or proceeding by a third Person (a "Third Party Claim"), the Indemnified Party will give such Indemnifying Party prompt written notice (the "Claim Notice") of such claim or the commencement of such action or proceeding, which notice shall specify the nature and basis of such claim and the amount thereof, to the extent known, and shall be accompanied by copies of all relevant documentation with respect to such claim, including any summons, complaint or other pleadings that may have been served, any written demand or any other relevant document or instrument; provided, however, that the failure to provide such prompt notice will not relieve the Indemnifying Party of its obligations hereunder unless such failure prejudices the Indemnifying Party hereunder. In the case of a Third Party Claim, the Indemnifying Party shall be entitled to assume the defense thereof, with counsel selected by the Indemnifying Party and, after notice from the Indemnifying Party to the Indemnified Party of such election so to assume the defense thereof (an "Indemnification Acknowledgement"), the Indemnifying Party shall not be liable to the Indemnified Party for any legal expenses of other counsel or any other expenses subsequently incurred by such Indemnified Party in connection with the defense thereof. The Indemnifying Party and the Indemnified Party agree to cooperate reasonably with each other and their respective counsel in connection with the defense, negotiation or settlement of any such action or asserted liability. Notwithstanding anything else set forth in this Section 9.8, the Indemnified Party shall at all times have the right to participate at its own expense in the defense of such action or asserted liability. If the Indemnifying Party assumes the defense of an action, no settlement or compromise thereof may be effected (i) by the Indemnifying Party without the written consent of the Indemnified Party (which consent shall not be unreasonably withheld or delayed) unless the settlement involves solely money damages and all such relief is paid or satisfied in full by the Indemnifying Party and the Indemnified Party receives a full release from all claimants or (ii) by the Indemnified Party without the consent of the Indemnifying Party. In no event shall an Indemnifying Party be liable for any settlement effected without its written consent. In the event of any conflict between the provisions of this Section 9.8 and either of Section 5.5 or Section 9.4, then the provisions of Section 5.5 or Section 9.4 (as applicable) shall control with respect to the specific matters contemplated by those Sections.

(b) Notwithstanding anything else in this Section 9.8, the Indemnified Party shall have the right, upon written notice to the Indemnifying Party, to employ its own counsel in respect of any indemnifiable Losses at the sole cost and expense of the Indemnifying Party in the event that: (i) an Indemnification Acknowledgement is not given within 10 Business Days after notice from the Indemnified Party of a claim; (ii) the Indemnifying Party does not offer reasonable assurances to the Indemnified Party as to the Indemnifying Party's financial capacity to satisfy any final judgment or settlement; (iii) the employment of such counsel and the payment of such fees and expenses are specifically authorized in writing by the Indemnifying Party; (iv) the Indemnifying Party has failed to diligently defend the claim; (v) the Indemnified Party is advised by counsel in writing that there may be specific defenses available to the Indemnified Party which are different from or in addition to those available to the Indemnifying Party which could have a material impact on the defense of such case and which, if asserted, would result in a conflict of interest between the Indemnified Party and the Indemnifying Party; (vi) more than twenty-five percent (25%) of the damages sought by the claimant (or, if unknown, the probable damage recovery of the claimant) reasonably would be expected to exceed the Cap; or (vii) the claimant seeks (in whole or in material part) non-monetary relief.

9.9 Additional Limitations.

(a) Except for Losses resulting from an action brought by a third party against a Buyer Indemnified Person or a Company Indemnified Person, no such party shall be entitled to indemnification under ARTICLE IX for punitive damages, or for lost revenues, income or profits, consequential, incidental, exemplary or special damages.

(b) Notwithstanding anything in this ARTICLE IX to the contrary, no Buyer Indemnified Person is entitled to make any claim under any provision of this Agreement for reimbursement or indemnification for any Losses pursuant to this ARTICLE IX to the extent such Losses have been reflected in the adjustment to the Purchase Price pursuant to Section 2.5, Section 2.6 or Section 2.7. In addition, no party shall be entitled to be compensated more than once for the same Loss.

(c) Neither party shall be entitled to recover any indemnification payment or other amounts due from the other party hereunder by retaining and setting off the amounts (whether or not such amounts are liquidated or reduced to judgment) against any amounts due or to become due from such party hereunder or under any document delivered pursuant hereto or in connection herewith, including any Ancillary Agreement.

9.10 Subrogation. Nothing in this Agreement shall limit or be construed to limit the right of the Company to assert any claims, demands or rights by subrogation against any Person (other than a Buyer Indemnified Person) for any amounts paid or reimbursed in respect of Losses successfully asserted by a Buyer Indemnified Person pursuant to Section 9.1 or Section 5.3(h).

9.11 Taylor-Wharton Asia.

(a) If, notwithstanding the Buyer's efforts pursuant to clause (b) below, the Buyer or any Affiliate of the Buyer is required to sell shares in Taylor-Wharton Asia (M) Sdn. Bhd. ("TW Asia") in order to comply with the equity condition imposed on the Manufacturing License No. A 007540 dated December 30, 1991 granted to TW Asia by the Ministry of International Trade and Industry ("MITI") that at least 30% of the shares of TW Asia must be acquired and held by Malaysians (the "Equity Condition" and such sale, an "Equity Condition Sale"), then the Company shall pay to the Buyer, within five Business Days after notice to the Company of completion of such Equity Condition Sale, by wire transfer of immediately available funds to an account designated in writing by the Buyer an amount equal to (A) $23,787,525 multiplied by the percentage of shares of TW Asia sold by the Buyer in order to comply with the Equity Condition plus the Buyer's documented out of pocket expenses (including reasonable attorneys' fees) incurred in connection with such sale minus (B) the aggregate consideration received by the Buyer for such shares.

(b) The Buyer shall use its commercially reasonable efforts to obtain a waiver of the Equity Condition from MITI prior to pursuing the sale of TW Asia shares. The Company shall assist Buyer in these efforts and shall pay the Buyer's documented out of pocket expenses incurred in pursuing such waiver and the Company shall make any payments to MITI (or any other applicable Malaysian Governmental Authority) required to obtain such waiver. If, notwithstanding such efforts, a waiver is not obtained by January 1, 2008, then the Buyer shall use its commercially reasonable efforts to complete a sale of the TW Asia shares sufficient to satisfy the Equity Condition in a manner such that the Buyer shall retain substantially all of the economic and voting interest in the shares that are sold to the extent permitted by MITI and not prohibited by Malaysian law (an "Alternative Sale"). If an Alternative Sale is completed, then the Company shall pay to the Buyer, within five Business Days after notice to the Company of such completion, by wire transfer of immediately available funds to an account designated in writing by the Buyer an amount equal to $23,787,525 multiplied by the percentage of shares of TW Asia sold by the Buyer to comply with the Equity Condition for which it did not retain economic and/or voting control. If the Buyer is unable to complete an Alternative Sale by February 28, 2008, then the Buyer shall use its commercially reasonable efforts to obtain the most favorable terms (taking price, transfer restrictions, economic attributes of the equity, and voting control and other management and control issues into account) for the TW Asia shares sold to unaffiliated Malaysians to satisfy the Equity Condition. The Buyer shall provide updates to the Company upon request with respect to the status of obtaining a waiver and/or pursuing and completing an Alternative Sale or an Equity Condition Sale. If the Buyer determines not to attempt to satisfy the Equity Condition by August 10, 2008, then the Company shall have no further obligations under this Section 9.11.

(c) The Company agrees to indemnify and hold the Buyer Indemnified Persons harmless from and against any and all Losses that any Buyer Indemnified Person actually suffers or incurs arising out of or resulting from fines or penalties or other amounts payable to MITI (or any other applicable Malaysian Governmental Authority) as a result of TW Asia's failure to comply with the Equity Condition.

ARTICLE X
MISCELLANEOUS

10.1 Fees and Expenses. Except as otherwise provided in this Agreement, each party hereto shall bear its own expenses and the expenses of its Affiliates in connection with the preparation and negotiation of this Agreement and the consummation of the transactions contemplated by this Agreement.

10.2 Governing Law. This Agreement shall be construed under and governed by the Laws of the State of Delaware applicable to contracts made and performed in such State, without giving effect to the choice of laws principles of such State that would require or permit application of the Laws of another jurisdiction.

10.3 Projections. In connection with the Buyer's investigation of the Sold Companies, the Sold Assets and the Business the Buyer may have received, or may receive, from the Company, the Sold Companies and/or their respective representatives certain projections and other forecasts for the Business, and certain business plan and budget information. The Buyer acknowledges that (a) there are uncertainties inherent in attempting to make such projections, forecasts, plans and budgets, (b) the Buyer is familiar with such uncertainties, (c) the Buyer is taking full responsibility for making its own evaluation of the adequacy and accuracy of all estimates, projections, forecasts, plans and budgets so furnished to it, and (d) the Buyer will not assert any claim against the Company or any of its directors, officers, employees, Affiliates or representatives, or hold the Company or any such Persons liable, with respect thereto.

Accordingly, the Buyer acknowledges that the Company makes no representation or warranty with respect to such estimates, projections, forecasts, plans or budgets and that the Company makes only those representations and warranties explicitly set forth in ARTICLE III.

10.4 Certain Interpretive Matters.

(a) Unless otherwise expressly provided, for purposes of this Agreement, the following rules of interpretation shall apply:

(i) When calculating the period of time before which, within which or following which, any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded. If the last day of such period is a non-Business Day, the period in question shall end on the next succeeding Business Day.

(ii) Any reference in this Agreement to $ shall mean U.S. dollars.

(iii) The Exhibits and Disclosure Schedules to this Agreement are hereby incorporated and made a part hereof and are an integral part of this Agreement. All Exhibits and Disclosure Schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any matter or item disclosed on one Disclosure Schedule shall be deemed to have been disclosed on each other Disclosure Schedule, but only to the extent that such disclosure provides a reasonable correlation identifiable on its face (without the need for investigation or inquiry by the Buyer) to the subject matter of the representations and warranties underlying such other Disclosure Schedule. No disclosure on a Disclosure Schedule relating to a possible breach or violation of any contract, Law or Order shall be construed as an admission or indication that such breach or violation exists or has actually occurred. Any capitalized terms used in any Disclosure Schedule or Exhibit but not otherwise defined therein shall be defined as set forth in this Agreement.

(iv) Any reference in this Agreement to gender shall include all genders.

(v) The provision of a Table of Contents, the division of this Agreement into Articles, Sections and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect or be utilized in construing or interpreting this Agreement. All references in this Agreement to any “Section” are to the corresponding Section of this Agreement unless otherwise specified.

(vi) The words such as “herein,” “hereinafter,” “hereof” and “hereunder” refer to this Agreement as a whole and not merely to a subdivision in which such words appear unless the context otherwise requires.

(vii) The word “including” or any variation thereof means (unless the context of its usage otherwise requires) “including, without limitation” and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it.

(viii) For purposes of this Agreement, the term "commercially reasonable efforts" shall not be deemed to require any Person to give any guarantee or other consideration of any nature, including in connection with obtaining any consent or waiver, or to consent to any change in the terms of any agreement or arrangement.

(b) The parties hereto have participated jointly in the negotiation and drafting of this Agreement and, in the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

10.5 Amendment. This Agreement may not be amended, modified or supplemented except upon the execution and delivery of a written agreement executed by the parties hereto.

10.6 No Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any party hereto without the prior written consent of the Buyer, in the case of any assignment by the Company, and the Company, in the case of any assignment by the Buyer, provided that Buyer may assign its rights hereunder (a) to any financing source providing financing for the transactions contemplated hereby, (b) to any of its Affiliates (provided further that Buyer shall not be released from its obligations hereunder), and (c) in connection with a sale of all or substantially all of the Business or any Disposition. Subject to the foregoing sentence, this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Any purported assignment in contravention of this Section 10.6 shall be void and of no force or effect. No assignment of any obligations hereunder shall relieve the parties hereto of any such obligations.

10.7 Waiver. Any of the terms or conditions of this Agreement which may be lawfully waived may be waived in writing at any time by each party which is entitled to the benefits thereof. Any waiver of any of the provisions of this Agreement by any party hereto shall be binding only if set forth in an instrument in writing signed on behalf of such party. No failure to enforce any provision of this Agreement shall be deemed to or shall constitute a waiver of such provision and no waiver of any of the provisions of this Agreement shall be deemed to or shall constitute a waiver of any other provision hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

10.8 Notices. Any notice, demand, or communication required or permitted to be given by any provision of this Agreement shall be deemed to have been sufficiently given or served for all purposes if (a) personally delivered, (b) sent by a nationally recognized overnight courier service to the recipient at the address below indicated or (c) delivered by facsimile which is confirmed in writing by sending a copy of such facsimile to the recipient thereof pursuant to clause (a) or (b) above:

If to the Buyer:

Taylor-Wharton International LLC
c/o Wind Point Partners
676 W. Michigan Ave., Suite 3700
Chicago, IL 60611
Attn: Nathan A. Brown
Facsimile: (312) 255- 4820

With a copy to:

Reed Smith LLP
10 S. Wacker Dr., 40th Floor
Chicago, IL 60606
Attn: Bradley S. Schmarak
Facsimile: (312) 207-6400

If to the Company:

Harsco Corporation
350 Poplar Church Road
Camp Hill, PA 17011
Attn: General Counsel
Facsimile: (717) 763-6424

With a copy to:

Jones Day
901 Lakeside Avenue
Cleveland, OH 44114
Attn: Patrick J. Leddy, Esq.
Facsimile: (216) 579-0212

or to such other address or facsimile number as any party hereto may, from time to time, designate in a written notice given in like manner. Except as otherwise provided herein, any notice under this Agreement will be deemed to have been duly given (x) on the date such notice is personally delivered or delivered by facsimile or (y) the next succeeding Business Day after the date such notice is delivered to the overnight courier service if sent by overnight courier; provided that in each case notices received after 4:00 p.m. (local time of the recipient) shall be deemed to have been duly given on the next Business Day.

10.9 Complete Agreement. This Agreement (including the Disclosure Schedules and Exhibits hereto), the Confidentiality Agreement and the Ancillary Agreements contain the entire understanding of the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.

10.10 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and each of which shall be deemed an original.

10.11 Publicity. The Company and the Buyer will consult with each other and will mutually agree upon any publication or press release of any nature with respect to this Agreement or the transactions contemplated hereby and shall not issue any such publication or press release prior to such consultation and agreement except as may be required by applicable Law or by obligations pursuant to any listing agreement with any securities exchange or any securities exchange regulation, in which case the party proposing to issue such publication or press release shall make all commercially reasonable efforts to consult in good faith with the other party or parties before issuing any such publication or press release and shall provide a copy thereof to the other party or parties prior to such issuance.

10.12 Severability. Any provision of this Agreement which is invalid, illegal or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability, without affecting in any way the remaining provisions hereof in such jurisdiction or rendering that or any other provision of this Agreement invalid, illegal or unenforceable in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

10.13 Third Parties. Nothing herein expressed or implied is intended or shall be construed to confer upon or give to any Person, other than the parties hereto and their permitted successors or assigns, any rights or remedies under or by reason of this Agreement.

10.14 Non-Recourse. No past, present or future director, officer, employee, incorporator, member, partner, individual stockholder, agent, attorney or representative of the Company or its Affiliates, on the one hand, or Buyer or its Affiliates, on the other hand, shall have any liability for any obligations or liabilities of the Company or Buyer (as applicable) under this Agreement or the Ancillary Agreements or for any claim based on, in respect of, or by reason of, the transactions contemplated hereby and thereby.

10.15 Arbitration.

(a) *General*. If any dispute, controversy or claim arises between the parties to this Agreement relating to or in connection with this Agreement and/or any Ancillary Agreements, but excluding any disputes, controversies or claims regarding the Cash adjustment or Net Working Capital, which shall be resolved in accordance with Sections 2.6(c) and 2.7(c), respectively, and also excluding the Tax related disputes addressed in Section 2.8 and 5.3 hereof, and except as set forth in clause (b)(v) of this Section 10.15, the parties to this Agreement shall arbitrate such dispute, controversy or claim to final resolution (the "Arbitration") in accordance with the following procedures:

(i) Initiation of the Arbitration. The party or parties on one side of the dispute(s) (collectively the "Claimant") may initiate the Arbitration by sending to the party or parties on the other side of the dispute(s) (collectively the "Respondent") written notice identifying the matter(s) in dispute and invoking the procedures of this Section 10.15 (the "Demand"). The Demand shall include a statement setting forth the nature of the dispute(s), the amount in controversy, if any, and the remedy sought. Within fifteen (15) Business Days of receipt of the Demand, the Respondent shall submit a statement (the "Answer"), that shall set forth the Respondent's response(s) to the Claimant's claim(s) and the nature of any counterclaim(s) asserted by the Respondent, the amount of such counterclaim(s), if any, and the remedy sought by the Respondent.

(ii) Selection of the Arbitrator. Within ten (10) Business Days after the due date of Respondent's Answer (the "Answering Date"), the parties shall make a *bona fide* attempt to agree upon an independent third-party arbitrator to whom to submit the matter in dispute for final and binding arbitration (the "Arbitrator"). In the event the parties cannot do so, on the eleventh (11th) Business Day following the Answering Date, the parties shall submit the Demand and Answer, along with required fees, to the American Arbitration Association ("AAA"), and select the Arbitrator in accordance with the Commercial Arbitration Rules of the AAA (Procedures for Large, Complex Commercial Disputes), or any successor thereto, in effect at the time the relevant dispute, controversy, difference or claim is submitted for arbitration pursuant to this Agreement (the "AAA Rules"). However chosen, the parties shall use commercially reasonable efforts to engage the Arbitrator within twenty (20) Business Days of the Answering Date. The Arbitrator shall have general familiarity and experience with merger and acquisition transactions of the type set forth in this Agreement.

(iii) Rules of Procedure. The Arbitration proceeding shall be conducted in accordance with the AAA Rules, except as modified in this Section 10.15 (collectively, the "Arbitration Rules").

(iv) Discovery. The parties shall have the twenty (20) Business Days following the date the Arbitrator is engaged (the "Arbitrator Engagement Date") to serve written document requests and not more than ten (10) interrogatories (including subparts). Responses to written discovery shall be due on the twenty-eighth (28th) day after service on the party(ies) from whom such discovery is sought. The party(ies) on each side of the dispute shall have the opportunity to take up to ten (10) depositions, including expert witness depositions. Such depositions shall be completed within ninety (90) days of the Arbitrator Engagement Date. The Arbitrator, using his or her reasonable discretion, shall determine the scope of discovery available to the parties, and for good cause shown by the requesting party(ies), can modify the discovery schedule and scope set forth herein.

(v) The Arbitration Hearing. On the first (1st) Business Day following the 120th day following the Arbitrator Engagement Date, the Arbitrator shall commence the arbitration hearing (the "Arbitration Hearing"). The Arbitration Hearing shall take place in Wilmington, Delaware or at such other location as the parties may agree. The Arbitration Hearing need not run for consecutive days but must be completed on or before the first (1st) Business Day following the twentieth (20th) day after the Arbitration

Hearing begins. At the Arbitration Hearing, the parties to this Agreement shall follow the Federal Rules of Evidence, together with such exceptions as mutually agreed to in writing by the parties. Upon a showing of good cause by the requesting party(ies), the Arbitrator, using his or her reasonable discretion, shall determine the need to modify the time limits and rules set forth in this Section 10.15(a)(v).

(vi) Form of Decision. The Arbitrator shall render his or her decision in writing, setting forth solely his or her finding on the issue(s) in dispute, without explanation for such finding(s), and the relief to be granted to the party(ies) on each side of the dispute (the "Arbitrator's Award"), no later than the twentieth (20th) Business Day following the last day of the Arbitration Hearing. In no event shall the Arbitrator award punitive damages to any of the parties involved in the dispute. The Arbitrator shall be allowed to grant injunctive relief. The Arbitrator's decision shall be a final and binding determination of the dispute. Judgment upon the Arbitrator's Award may be entered in any court having jurisdiction and venue over the party(ies) against whom the execution is sought, or in any jurisdiction in which such party's (parties') assets are located.

(b) Miscellaneous Provisions.

(i) Payment of Arbitration Expenses. The parties shall pay the Arbitrator's fees and expenses while the Arbitration is pending in accordance with the AAA Rules or as directed by the Arbitrator. At the conclusion of the Arbitration, the Arbitrator shall reallocate such expenses as follows: the portion of the Arbitrator's fees and expenses to be borne by the party(ies) on each side of the dispute shall be determined by reference to the portion of the overall award granted to such party(ies) (or the relative value of any injunctive relief granted such party(ies)) by the Arbitrator (e.g., if the party(ies) on one side of the dispute is(are) granted fifteen percent (15%) of the overall award granted, such party(ies) shall bear eighty-five percent (85%) of the Arbitrator's fees and expenses).

(ii) Submission to Jurisdiction. To the extent any party seeks to challenge or dispute the scope, jurisdiction, conduct or result of the Arbitration, or requires judicial intervention in aid or furtherance of the Arbitration, such party(ies) shall bring such action in a state or federal court located in Wilmington, Delaware, including the United States District Court for the District of Delaware. With respect to any such action, the parties irrevocably submits to the exclusive jurisdiction of the state and federal courts located in Wilmington, Delaware; irrevocably and unconditionally waive any objection to the laying of venue of any such action in the state or federal courts located in Wilmington, Delaware; and hereby further irrevocably and unconditionally agree not to plead or claim that any such action in such court has been brought in an inconvenient forum or to raise any similar defense or objection.

(iii) Attorneys Fees and Costs. The prevailing party in the Arbitration shall be entitled to payment of its reasonable costs and expenses (including reasonable and documented fees and disbursements of counsel and other professionals). To the extent the Arbitrator awards less than all of the relief requested, the Arbitrator shall award the reasonable costs and expenses of a party in proportion to the extent such party prevailed in the Arbitration. If a party fails to proceed with the Arbitration in good faith, unsuccessfully challenges the Arbitrator's Award, or fails to comply with the Arbitrator's Award, the party(ies) on the other side of the dispute shall be entitled to recover its(their) costs of suit including reasonable attorneys' fees for having to compel arbitration or defend or enforce the Arbitrator's Award.

(iv) Uniform Arbitration Act. The Arbitration shall be subject to the provisions of the Uniform Arbitration Act.

(v) Access to Courts. The obligation to arbitrate as set forth herein shall not preclude either party from seeking temporary restraining orders, preliminary injunctions or other procedures in a court of competent jurisdiction to obtain interim relief when needed to preserve the status quo or prevent irreparable harm or injury pending resolution of the dispute between the parties by arbitration or otherwise.

[Signatures are on the following page]

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by its duly authorized officer, in each case as of the date first above written.

HARSCO CORPORATION

By: /s/ Derek C. Hathaway
Name: Derek C. Hathaway
Title: Chairman and CEO

TAYLOR-WHARTON INTERNATIONAL LLC

By: /s/ Nathan A. Brown
Name: Nathan A. Brown
Title: Vice President

Joinder

The undersigned hereby joins as a party to that certain Asset and Stock Purchase Agreement dated November 28, 2007, by and between Harsco Corporation and Taylor-Wharton International LLC (the "Purchase Agreement") and, in consideration of the business being transferred to it at the Closing (as such term is defined in the Purchase Agreement), hereby agrees to be bound by Section 9.2 thereof as a "Buyer Subsidiary" thereunder (subject to the terms and conditions of such Section).

TW CYLINDERS LLC

By: /s/ Nathan A. Brown

Name: Nathan A. Brown

Title: Vice President

Joinder

The undersigned hereby joins as a party to that certain Asset and Stock Purchase Agreement dated November 28, 2007, by and between Harsco Corporation and Taylor-Wharton International LLC (the "Purchase Agreement") and, in consideration of the business being transferred to it at the Closing (as such term is defined in the Purchase Agreement), hereby agrees to be bound by Section 9.2 thereof as a "Buyer Subsidiary" thereunder (subject to the terms and conditions of such Section).

TW CRYOGENICS LLC

By: /s/ Nathan A. Brown

Name: Nathan A. Brown

Title: Vice President

Joinder

The undersigned hereby joins as a party to that certain Asset and Stock Purchase Agreement dated November 28, 2007, by and between Harsco Corporation and Taylor-Wharton International LLC (the "Purchase Agreement") and, in consideration of the business being transferred to it at the Closing (as such term is defined in the Purchase Agreement), hereby agrees to be bound by Section 9.2 thereof as a "Buyer Subsidiary" thereunder (subject to the terms and conditions of such Section).

SHERWOOD VALVE LLC

By: /s/ Nathan A. Brown
Name: Nathan A. Brown
Title: Vice President

Joinder

The undersigned hereby joins as a party to that certain Asset and Stock Purchase Agreement dated November 28, 2007, by and between Harsco Corporation and Taylor-Wharton International LLC (the “Purchase Agreement”) and, in consideration of the business being transferred to it at the Closing (as such term is defined in the Purchase Agreement), hereby agrees to be bound by Section 9.2 thereof as a “Buyer Subsidiary” thereunder (subject to the terms and conditions of such Section).

AMERICAN WELDING & TANK LLC

By: /s/ Nathan A. Brown

Name: Nathan A. Brown

Title: Vice President

Joinder

The undersigned hereby joins as a party to that certain Asset and Stock Purchase Agreement dated November 28, 2007, by and between Harsco Corporation and Taylor-Wharton International LLC (the "Purchase Agreement") and, in consideration of the business being transferred to it at the Closing (as such term is defined in the Purchase Agreement), hereby agrees to be bound by Section 9.2 thereof as a "Buyer Subsidiary" thereunder (subject to the terms and conditions of such Section).

STRUCTURAL COMPOSITES INDUSTRIES LLC

By: /s/ Nathan A. Brown

Name: Nathan A. Brown

Title: Vice President

EXHIBIT 10(w)

HARSCO CORPORATION
1995 EXECUTIVE INCENTIVE COMPENSATION PLAN
As Amended and Restated

RESTRICTED STOCK UNIT AGREEMENT
FOR INTERNATIONAL EMPLOYEES

This Restricted Stock Unit Agreement (the "Agreement") is made on this ____ day of _______, 2008 (the "Date of Grant") by and between Harsco Corporation, a Delaware corporation (the "Company") and «Name», (the "Grantee").

1. **Grant of Restricted Stock Units.** Subject to and upon the terms, conditions and restrictions set forth in this Agreement (including the country-specific terms for the Grantee's country of residence set forth in the Appendix to this Agreement) and in the Company's 1995 Executive Incentive Compensation Plan (as amended and restated January 27, 2004) and any sub-plan to the 1995 Executive Incentive Compensation Plan (as amended and restated January 27, 2004) for the Grantee's country of residence (together, the "Plan"), the Company hereby grants to the Grantee as of the Date of Grant «Number_of_RSUs» Restricted Stock Units (the "Restricted Stock Units"), which shall become vested in accordance with Section 3 hereof. Each Restricted Stock Unit shall represent one share of Common Stock, $1.25 par value, of the Company (the "Common Stock") and shall at all times be equal in value to one share of Common Stock. The Restricted Stock Units will be credited to the Grantee in an account established for the Grantee until payment in accordance with Section 4 hereof.

Except as expressly provided in this Agreement, capitalized terms used herein will have the meaning ascribed to such terms in the Plan.

2. **Restrictions on Transfer of Restricted Stock Units.** Neither the Restricted Stock Units granted hereby nor any interest therein or in the Common Stock related thereto shall be transferable prior to issuance of the Common Stock in settlement of the Restricted Stock Unit Award other than by will or pursuant to the laws of descent and distribution (or to a designated Beneficiary in the event of the Grantee's death).

3. **Vesting of Restricted Stock Units.**

(a) The Restricted Stock Units shall vest as to one-third of such Restricted Stock Units on the first anniversary of the Date of Grant and as to an additional one-third on each succeeding anniversary date (each such date a "Vesting Date"), so as to be 100% vested on the third anniversary thereto, conditioned upon the Grantee's continued employment with the Company or a subsidiary as of each Vesting Date. Any Restricted Stock Units not vested will be forfeited, except as provided in Section 3(b) below, if the Grantee ceases to be continuously employed by his/her employer (the "Employer") or the Company or any of its subsidiaries prior to each Vesting Date. For purposes of this Agreement, "continuously employed" shall mean the absence of any interruption or termination of employment with the Company or with a subsidiary of the Company. Continuous employment shall not be considered interrupted or terminated in the case of sick leave, military leave or any other leave of absence approved by the Company or in the case of transfers between locations of the Company and its subsidiaries.

(b) Notwithstanding the provisions of Section 3(a), all of the Restricted Stock Units shall immediately vest and become non-forfeitable upon the occurrence of any of the following events (each, a "Vesting Event"): (i) the Grantee's death or becoming Disabled, (ii) a Change in Control, or (iii) the Grantee's retirement after age 62.

(c) For purposes of this Section 3, the Grantee shall be considered "Disabled" if the Grantee is: (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (ii) by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Company.

4. **Issuance of the Common Stock.**

(a) The Company will issue to the Grantee the Common Stock underlying the vested Restricted Stock Units on the applicable Vesting Date or, if earlier, upon the occurrence of a Vesting Event.

(b) Except to the extent provided by Section 409A of the Code and permitted by the Company, no Stock may be issued to the Grantee at a time earlier than otherwise expressly provided in this Agreement.

(c) The Company's obligations to the Grantee with respect to the Restricted Stock Units will be satisfied in full upon the issuance of shares of Common Stock corresponding to such Restricted Stock Units.

5. **Dividend, Voting and Other Rights.**

(a) The Grantee shall have no rights of ownership in the shares of Common Stock underlying the Restricted Stock Units and shall have no right to dividends and no right to vote such shares until the date on which the Restricted Stock Units are vested and a stock certificate (or certificates) representing such shares of Common Stock is issued to the Grantee pursuant to Section 4 above.

(b) The obligations of the Company under this Agreement will be merely that of an unfunded and unsecured promise of the Company to deliver shares of Common Stock in the future, and the rights of the Grantee will be no greater than that of an unsecured general creditor. No assets of the Company will be held or set aside as security for the obligations of the Company under this Agreement.

6. **Adjustments.** The number of shares of Common Stock issuable pursuant to the Restricted Stock Units is subject to adjustment as provided in Section 4(c) of the Plan.

7. **Compliance with Law.** The Company shall make reasonable efforts to comply with all applicable local and United States federal and state securities laws; provided, however, notwithstanding any other provision of this Agreement, the Company shall not be obligated to issue any shares of Common Stock pursuant to this Agreement if the issuance thereof would result in a violation of any such law.

8. **Compliance with Section 409A of the Code.** To the extent applicable, it is intended that this Agreement and the Plan comply with the provisions of Section 409A of the Code. This Agreement and the Plan shall be administered in a manner consistent with this intent, and any provision that would cause this Agreement or the Plan to fail to satisfy Section 409A of the Code shall have no force or effect until amended to comply with Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Company without the consent of the Grantee). In particular, to the extent that the Vesting Event (and the right to

receive payment of the shares of Common Stock underlying the Restricted Stock Units) occurs pursuant to Section 3(b)(iii) or pursuant to an event that would subject the Grantee to penalties under Section 409A(a)(1) of the Code, then notwithstanding anything to the contrary in Section 4 above, payment will be made to the Grantee on the earlier of (a) the Grantee's "separation from service" with the Company (determined in accordance with Section 409A); provided, however, that if the Grantee is a "specified employee" (within the meaning of Section 409A), the date of payment shall be made on the date which is six (6) months after the date of the Grantee's separation from service with the Company or (b) the Grantee's death.

9. **Interpretation.** Any reference in this Agreement to Section 409A of the Code will also include the final regulations, or any other guidance, promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.

10. **No Employment Rights.** This award will not confer upon the Grantee any right with respect to continuance of employment by the Employer, nor will it interfere in any way with any right of the Employer to terminate the Grantee's employment at any time.

11. **Taxes.** Regardless of any action the Company or the Employer takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related withholding ("Tax-Related Items"), the Grantee acknowledges that the ultimate liability for all Tax-Related Items legally due by him or her is and remains the Grantee's responsibility and that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Restricted Stock Units, including the grant or vesting of the Restricted Stock Units, the settlement of the Restricted Stock Units in shares of Common Stock upon vesting, the subsequent sale of any shares of Common Stock acquired at vesting and the receipt of any dividends or Dividend Equivalents; and (2) do not commit to structure the terms of the grant or any aspect of the Restricted Stock Units to reduce or eliminate the Grantee's liability for Tax-Related Items.

Prior to the taxable event, the Grantee shall pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all tax withholding and payment on account obligations of the Company and/or the Employer that arise in connection with the Restricted Stock Units. In this regard, if permissible under local law, the Grantee authorizes the Company and/or the Employer, at its discretion, to satisfy the obligations with regard to all Tax-Related Items legally payable by the Grantee by withholding a number of shares of Common Stock otherwise issuable to the Grantee under the Restricted Stock Units, provided, however, that no shares of Common Stock are withheld with a value exceeding the minimum withholding amount (or such other amount as is required to avoid adverse accounting implications). If the foregoing method of withholding is prohibited or insufficient to satisfy all Tax-Related Items legally payable by the Grantee, then the Grantee hereby authorizes the Company and/or the Employer to satisfy the Grantee's obligation for Tax-Related Items by any one or a combination of the following methods: (i) by withholding from the Grantee's wages or other cash compensation paid to the Grantee by the Company and/or the Employer; or (ii) by selling shares or arranging for the sale of shares of Common Stock (in either case on the Grantee's behalf and at the Grantee's direction pursuant to this authorization) issued in settlement of the Restricted Stock Units. If the obligation for Tax-Related Items is satisfied by withholding a number of shares of Common Stock as described herein, the Grantee will be deemed to have been issued the full number of shares of Common Stock under the Restricted Stock Units, notwithstanding that a number of the shares of Common Stock is held back solely for the purpose of paying the Tax-Related Items due as a result of the vesting of the Restricted Stock Units.

Finally, the Grantee will pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold as a result of the Grantee's participation in the Plan or his/her acquisition of shares of Common Stock that cannot be satisfied by the means previously described. The Company shall not be required to issue shares of Common Stock pursuant to this Agreement unless and until such obligations are satisfied.

12. **Nature of Grant.** In accepting the grant of Restricted Stock Units, the Grantee acknowledges and agrees that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and the Agreement;

(b) the Award is voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Stock Units, or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been granted repeatedly in the past;

(c) all decisions with respect to future grants of Restricted Stock Units or other awards, if any, will be at the sole discretion of the Company;

(d) the Grantee is voluntarily participating in the Plan;

(e) the award of Restricted Stock Units is not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company or the Employer;

(f) the award of Restricted Stock Units and the Grantee's participation in the Plan will not be interpreted to form an employment contract or relationship with the Company or any of its subsidiaries;

(g) the future value of the shares of Common Stock underlying the Award is unknown and cannot be predicted with certainty;

(h) in consideration of the grant of the Restricted Stock Units, no claim or entitlement to compensation or damages shall arise from termination of the Award or diminution in value of the Award or shares of Common Stock acquired pursuant to the Award resulting from termination of the Grantee's employment by the Company or the Employer (for any reason whatsoever and whether or not in breach of local labor laws) and the Grantee irrevocably releases the Company and the Employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, then, by accepting the Award, the Grantee will be deemed irrevocably to have waived the Grantee's entitlement to pursue such claim;

(i) in the event of termination of the Grantee's employment (whether or not in breach of local labor laws), the Grantee's right to receive the Award and vest in the Award under the Plan, if any, will terminate effective as of the date that the Grantee is no longer actively employed and will not be extended by any notice period mandated under local law (*e.g.*, active employment would not include a period of "garden leave" or similar period pursuant to local law); the Committee shall have the exclusive discretion to determine when the Grantee is no longer actively employed for purposes of the Grantee's Award;

(j) the Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Grantee's participation in the Plan, or the Grantee's acquisition or sale of the underlying shares of Common Stock; and

(k) the Grantee is hereby advised to consult with the Grantee's personal tax, legal and financial advisors regarding the Grantee's participation in the Plan before taking any action related to the Plan.

13. **Data Privacy.** The Grantee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Grantee's personal data as described in the Agreement by and among, as applicable, the Employer, and the Company and its subsidiaries for the exclusive purpose of implementing, administering and managing the Grantee's participation in the Plan.

The Grantee understands that the Company and the Employer may hold certain personal information about the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any stock or directorships held in the Company, details of all Restricted Stock Units or any other entitlement to shares Common Stock awarded, canceled, exercised, vested, unvested or outstanding in the Grantee's favor, for the purpose of implementing, administering and managing the Plan ("Data"). The Grantee understands that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Grantee's country or elsewhere including outside the European Economic Area, and that the recipients' country (*e.g.*, the United States) may have different data privacy laws and protections than the Grantee's country. The Grantee understands that the Grantee may request a list with the names and addresses of any potential recipients of the Data by contacting the Grantee's local human resources representative. The Grantee authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing the Grantee's participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the Grantee may elect to deposit any shares of Common Stock acquired pursuant to the Award. The Grantee understands that Data will be held only as long as is necessary to implement, administer and manage the Grantee's participation in the Plan. The Grantee understands that the Grantee may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Grantee's local human resources representative. The Grantee understands, however, that refusing or withdrawing the Grantee's consent may affect the Grantee's ability to participate in the Plan. For more information on the consequences of the Grantee's refusal to consent or withdrawal of consent, the Grantee understands that the Grantee may contact the Grantee's local human resources representative.

14. **Governing Law.** The Restricted Stock Unit grant and the provisions of this Agreement are governed by, and subject to, the Delaware General Corporation law and the laws of the State of Pennsylvania (with the exception of its conflict of law provisions), as provided in the Plan.

For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by this grant or the Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of Pennsylvania and agree that such litigation shall be conducted only in the courts of Cumberland County, Pennsylvania, or the federal courts for the United States for the Middle District of Pennsylvania, and no other courts, where this grant is made and/or to be performed.

15. **Language.** If the Grantee has received this Agreement or any other document related to the Plan translated into a language other than English and if the translated version is different than the English version, the English version will control, unless otherwise prescribed by local law.

16. **Electronic Delivery.** The Company may, in its sole discretion, decide to deliver any documents related to the Restricted Stock Units granted under and participation in the Plan or future Restricted Stock Units that may be granted under the Plan by electronic means or to request the Grantee's consent to participate in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

17. **Appendix.** Notwithstanding any provisions in this Agreement or the Plan, the grant of Restricted Stock Units shall be subject to any special terms and conditions set forth in the Appendix to this Agreement for the Grantee's country of residence, if any. The Appendix constitutes part of this Agreement.

18. **Amendments.** Any amendment to the Plan shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however, that no amendment shall adversely affect the rights of the Grantee under this Agreement without the Grantee's consent.

19. **Severability.** In the event that one or more of the provisions of this Agreement shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

20. **Relation to Plan.** This Agreement is subject to the terms and conditions of the Plan. In the event of any inconsistency between the provisions of this Agreement and the Plan, the Plan shall govern. The Board acting pursuant to the Plan, as constituted from time to time, shall, except as expressly provided otherwise herein, have the right to determine any questions which arise in connection with the grant of the Restricted Stock Units.

This Agreement is executed by the Company on the day and year first set forth above.

HARSCO CORPORATION

By: ____________________________________

Mark E. Kimmel
General Counsel and Corporate Secretary

The undersigned hereby acknowledges receipt of an executed original of this Agreement and accepts the award of Restricted Stock Units granted hereunder on the terms and conditions set forth in this Agreement, the Appendix, the Company's 1995 Executive Incentive Compensation Plan (as Amended and Restated) and any sub-plan to the 1995 Executive Incentive Compensation Plan.

Date: ________________, 2008

____
Name

APPENDIX

ADDITIONAL TERMS AND CONDITIONS OF THE HARSCO CORPORATION 1995 EXECUTIVE INCENTIVE COMPENSATION PLAN RESTRICTED STOCK UNIT AGREEMENT FOR INTERNATIONAL EMPLOYEES

TERMS AND CONDITIONS

This Appendix includes additional terms and conditions that govern the Restricted Stock Units granted to the Grantee under the Plan if he or she resides in one of the countries listed below. This Appendix is part of the Agreement. Unless otherwise defined, capitalized terms used but not defined in this Appendix have the meanings set forth in the Plan and/or the Agreement.

NOTIFICATIONS

This Appendix also includes information regarding exchange controls and certain other issues of which the Grantee should be aware with respect to participation in the Plan. The information is based on the securities, exchange control, and other laws in effect in the respective countries as of January 2008. Such laws are often complex and change frequently. As a result, the Company strongly recommends that the Grantee not rely on the information in this Appendix as the only source of information relating to the consequences of his or her participation in the Plan because the information may be out of date at the time that the Grantee vests in the Restricted Stock Units or sell shares of Common Stock acquired under the Plan.

In addition, the information contained herein is general in nature and may not apply to the Grantee's particular situation, and the Company is not in a position to assure the Grantee of a particular result. Accordingly, the Grantee is advised to seek appropriate professional advice as to how the relevant laws in his or her country may apply to the Grantee's situation.

Finally, if the Grantee is a citizen or resident of a country other than the one in which he or she is currently working, the information contained herein may not be applicable.

AUSTRALIA

TERMS AND CONDITIONS

Restricted Stock Units Payable Only in Shares. Notwithstanding any discretion in the Plan or anything to the contrary in the Agreement, the grant of Restricted Stock Units does not provide any right for the Grantee to receive a cash payment and the Restricted Stock Units are payable in shares of Common Stock only.

BELGIUM

TERMS AND CONDITIONS

Tax Compliance. The Grantee is required to report any taxable income attributable to the Restricted Stock Units on his or her annual tax return. In addition, the Grantee is required to report any bank accounts opened and maintained outside Belgium on his or her annual tax return.

BRAZIL

TERMS AND CONDITIONS

Compliance with Law. By accepting the Restricted Stock Units, the Grantee acknowledges that he or she agrees to comply with applicable Brazilian laws and pay any and all applicable taxes associated with the vesting of the Restricted Stock Units, the receipt of any dividends, and the sale of shares of Common Stock acquired under the Plan.

NOTIFICATIONS

Exchange Control Information. If the Grantee is resident or domiciled in Brazil, he or she will be required to submit annually a declaration of assets and rights held outside of Brazil to the Central Bank of Brazil if the aggregate value of such assets and rights is equal to or greater than US$100,000. Assets and rights that must be reported include shares of Common Stock.

CANADA

TERMS AND CONDITIONS

The following provisions will apply to Grantees who are residents of Quebec:

Language Consent. The parties acknowledge that it is their express wish that this Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention ("Agreement"), ainsi que de tous documents exécutés, avis donnés et procédures judiciaries intentées, directement ou indirectement, relativement à ou suite à la présente convention.

Data Privacy Notice and Consent. This provision supplements Section 13 of the Agreement:

The Grantee hereby authorizes the Company and the Company's representatives to discuss with and obtain all relevant information from all personnel, professional or not, involved in the administration and operation of the Plan. The Grantee further authorizes the Company and any subsidiary and the administrator of the Plan to disclose and discuss the Plan with their advisors. The Grantee further authorizes the Company and any subsidiary to record such information and to keep such information in his or her Grantee file.

GERMANY

NOTIFICATIONS

Exchange Control Information. Cross-border payments in excess of €12,500 must be reported monthly to the German Federal Bank. If the Grantee uses a German bank to transfer a cross-border payment in excess of €12,500 in connection with the sale of shares of Common Stock acquired under the Plan, the bank will make the report for the Grantee. In addition, the Grantee must report any receivables or payables or debts in foreign currency exceeding €5,000,000 on a monthly basis.

MEXICO

TERMS AND CONDITIONS

Labor Law Policy and Acknowledgment. In accepting the grant of Restricted Stock Units, the Grantee expressly recognizes that Harsco Corporation, with registered offices at 350 Poplar Church Road, Camp Hill, Pennsylvania 17011, United States of America, is solely responsible for the administration of the Plan and that his or her participation in the Plan and acquisition of shares of Common Stock do not constitute an employment relationship between the Grantee and Harsco Corporation since the Grantee is participating in the Plan on a wholly commercial basis and his or her sole Employer is MultiServ Metals de Mexico SA de CV. Based on the foregoing, the Grantee expressly recognizes that the Plan and the benefits that he or she may derive from participating in the Plan do not establish any rights between the Grantee and the Employer, MultiServ Metals de Mexico SA de CV, and do not form part of the employment conditions and/or benefits provided by MultiServ Metals de Mexico SA de CV and any modification of the Plan or its termination shall not constitute a change or impairment of the terms and conditions of the Grantee's employment.

The Grantee further understands that his or her participation in the Plan is as a result of a unilateral and discretionary decision of Harsco Corporation; therefore, Harsco Corporation reserves the absolute right to amend and/or discontinue the Grantee's participation at any time without any liability to the Grantee.

Finally, the Grantee hereby declares that he or she does not reserve to him- or herself any action or right to bring any claim against Harsco Corporation for any compensation or damages regarding any provision of the Plan or the benefits derived under the Plan, and the Grantee therefore grants a full and broad release to Harsco Corporation, its affiliates, branches, representation offices, its shareholders, officers, agents, or legal representatives with respect to any claim that may arise.

Spanish Translation

MÉXICO

TÉRMINOS Y CONDICIONES

Política Laboral y Reconocimiento. Al aceptar el otorgamiento de las Acciones Restringidas, el Beneficiario expresamente reconoce que Harsco Corporation, con oficinas registradas en 350 Poplar Church Road, Camp Hill, Pennsylvania 17011, en los Estados Unidos de América, es el único responsable por la administración del Plan y que su participación en el Plan y la adquisición de Acciones no constituyen una relación de trabajo entre el Beneficiario y Harsco Corporation, ya que el Beneficiario participa en un marco totalmente comercial y que su único patrón lo es MultiServ Metals de Mexico SA de CV. Derivado de lo anterior, el Beneficiario expresamente reconoce que el Plan y los beneficios que deriven de su participación en el Plan no establecen derecho alguno entre el Beneficiario y el patrón, MultiServ Metals de Mexico SA de CV, y no forman parte de las condiciones de trabajo y/o prestaciones otorgadas por MultiServ Metals de Mexico SA de CV y cualquier modificación al Plan o su terminación no constituye un cambio o impedimento en los términos y condiciones de la relación de trabajo del Beneficiario.

Asimismo, el Beneficiario entiende que su participación en el Plan es resultado de una decisión unilateral y discrecional de Harsco Corporation; por lo tanto, Harsco Corporation se reserva el derecho absoluto de modificar y/o terminar la participación del Beneficiario en cualquier tiempo sin responsabilidad para con el mismo.

Finalmente, por medio del presente el Beneficiario manifiesta que no se reserva ninguna acción o derecho que ejercitar en contra de Harsco Corporation por cualquier compensación o daño en relación con cualquier disposición del Plan o de los beneficios derivado del mismo y el Beneficiario por lo tanto, otorga el finiquito más amplio que en derecho proceda a Harsco Corporation, sus afiliadas, sucursales, oficinas de representación, sus accionistas, funcionarios, agentes o representantes legales, con respecto a cualquier demanda que pudiera surgir.

NETHERLANDS

NOTIFICATIONS

Securities Law Information. The Grantee should be aware of Dutch insider trading rules which may impact the sale of shares of Common Stock acquired under the Plan. In particular, the Grantee may be prohibited from effecting certain transactions if he or she has insider information regarding the Company.

By accepting the grant of Restricted Stock Units and participating in the Plan, the Grantee acknowledges having read and understood this Securities Law Information and further acknowledges that it is the Grantee's responsibility to comply with the following Dutch insider trading rules:

Under Article 46 of the Act on the Supervision of the Securities Trade 1995, anyone who has "insider information" related to an issuing company is prohibited from effectuating a transaction in securities in or from the Netherlands. "Inside information" is defined as knowledge of details concerning the issuing company to which the securities relate that is not public and which, if published, would reasonably be expected to affect the stock price, regardless of the development of the price. The insider could be any Grantee of the Company or a subsidiary in the Netherlands who has inside information as described herein.

Given the broad scope of the definition of inside information, certain Grantees of the Company working at a subsidiary in the Netherlands (including a Grantee in the Plan) may have inside information and, thus, would be prohibited from effectuating a transaction in securities in the Netherlands at a time when the Grantee had such inside information.

POLAND

NOTIFICATIONS

Exchange Control Information. Polish residents holding foreign securities (including shares of Common Stock) and maintaining accounts abroad must report information to the National Bank of Poland on transactions and balances of the securities and cash deposited in such accounts if the value of such transactions or balances exceeds €10,000. If required, the reports are due on a quarterly basis by the 20th day following the end of each quarter. The reports are filed on special forms available on the website of the National Bank of Poland.

SLOVAK REPUBLIC

NOTIFICATIONS

Exchange Control Information. The Grantee is required to notify the Slovak National Bank with respect to the establishment of accounts abroad within 15 days after the end of the calendar year (effective from January 1, 2007). The notification forms may be found at the Slovak National Bank website as follows: www.nbs.sk. The Grantee should consult with a personal legal advisor to determine which forms the Grantee will be required to submit and when they will be due.

SOUTH AFRICA

TERMS AND CONDITIONS

Withholding Taxes. This provision supplements Section 11 of the Agreement:

By accepting the Restricted Stock Units, the Grantee agrees to notify the Employer of the amount of any gain realized upon vesting of the Restricted Stock Units. If the Grantee fails to advise the Employer of the gain realized at vesting, he or she may be liable for a fine. The Grantee will be responsible for paying any difference between the actual tax liability and the amount withheld.

Exchange Control Obligations. The Grantee is solely responsible for complying with applicable South African exchange control regulations. Since the exchange control regulations change frequently and without notice, the Grantee should consult his or her legal advisor prior to the acquisition or sale of Common Stock under the Plan to ensure compliance with current regulations. As noted, it is the Grantee's responsibility to comply with South African exchange control laws, and neither the Company nor the Employer will be liable for any fines or penalties resulting from failure to comply with applicable laws.

UNITED ARAB EMIRATES

There are no country specific provisions.

UNITED KINGDOM

TERMS AND CONDITIONS

Withholding Taxes. This provisions supplements Section 11 of the Agreement:

If payment or withholding of the Tax-Related Items is not made within 90 days of the event giving rise to the Tax-Related Items (the "Due Date") or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pension) Act 2003, the amount of any uncollected Tax-Related Items will constitute a loan owed by the Grantee to the Employer, effective on the Due Date. The Grantee agrees that the loan will bear interest at the then-current Official Rate of Her Majesty's Revenue and Customs ("HMRC"), it will be immediately due and repayable, and the Company or the Employer may recover it at any time thereafter by any of the means referred to in Section 11 of the Agreement. Notwithstanding the foregoing, if the Grantee is a director or executive officer of the Company (within the meaning of Section 13(k) of the U.S. Securities and Exchange Act of 1934, as amended), the Grantee will not be eligible for such a loan to cover the Tax-Related Items. In the event that the Grantee is a director or executive officer and the Tax-Related Items are not collected from or paid by the Grantee by the Due Date, the amount of any uncollected Tax-Related Items will constitute a benefit to the Grantee on which additional income tax and national insurance contributions will be payable. The Grantee will be responsible for reporting and paying any income tax and national insurance contributions due on this additional benefit directly to HMRC under the self-assessment regime.

Director Notification. If the Grantee is a director or shadow director of a U.K. subsidiary of the Company and the U.K. subsidiary is not wholly owned by the Company, the Grantee is subject to certain notification requirements under the Companies Act. Specifically, the Grantee must notify the U.K. subsidiary in writing of the Grantee's interest in the Company and the number and class of shares or rights to which the interest relates. The Grantee must also notify the U.K. subsidiary when the Grantee acquires or sells shares of Common Stock acquired under the Plan. This disclosure requirement also applies to any rights or shares acquired by the Grantee's spouse or children (under the age of 18).

Restricted Stock Units Payable Only in Shares. For Grantees who are resident and ordinarily resident in the U.K. at the time that this grant is made, Restricted Stock Units shall be payable in shares of Common Stock only and do not provide any right for the Grantee to receive a cash payment.

EXHIBIT 12

HARSCO CORPORATION

Computation of Ratios of Earnings to Fixed Charges

(Dollars in Thousands)

	YEARS ENDED DECEMBER 31				
	2007 (b)	**2006 (c)**	**2005 (c)**	**2004 (c)**	**2003 (c)**
Pre-tax income from continuing operations (net of minority interest in net income)	**$ 372,713**	$ 279,756	$ 203,610	$ 148,569	$ 114,363
Add fixed charges computed below	**129,233**	100,635	77,317	74,192	68,519
Net adjustments for equity companies	**(868)**	(192)	96	461	1,062
Net adjustments for capitalized interest	**(723)**	(1,114)	(567)	(124)	14
Consolidated Earnings Available for Fixed Charges	**$ 500,355**	$ 379,085	$ 280,456	$ 223,098	$ 183,958
Consolidated Fixed Charges:					
Interest expense per financial statements (a)	**$ 81,383**	$ 60,478	$ 41,918	$ 41,057	$ 40,513
Interest expense capitalized	**1,035**	1,325	677	251	101
Portion of rentals (1/3) representing a reasonable approximation of the interest factor	**46,815**	38,832	34,722	32,884	27,905
Consolidated Fixed Charges	**$ 129,233**	$ 100,635	$ 77,317	$ 74,192	$ 68,519
Consolidated Ratio of Earnings to Fixed Charges	**3.87**	3.77	3.63	3.01	2.68

(a) Includes amortization of debt discount and expense.
(b) Does not include interest related to FIN 48 obligations.
(c) Pre-tax income from continuing operations (net of minority interest in net income) restated to reflect the Gas Technologies business group as a Discontinued Operation. Portion of rentals revised to include recurring short-term rentals in the Access Services Segment.

EXHIBIT 21

HARSCO CORPORATION

Subsidiaries of the Registrant

Name	Country of Incorporation	Ownership Percentage
MultiServ Argentina S.A.	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 Raffia Pty. Ltd.	Australia	100%
Hünnebeck Austria Schalungstechnik GmbH	Austria	100%
AluServ Middle East W.L.L.	Bahrain	65%
La Louviere Logistique S.A.	Belgium	100%
MultiServ Sprl	Belgium	100%
SGB Belgium NV	Belgium	100%
Harsco (Bermuda) Limited	Bermuda	100%
MultiServ Limitada	Brazil	100%
Recmix DO Brazil SA	Brazil	100%
Sobremetal - Recuperacao de Metais Ltda.	Brazil	100%
3191285 Nova Scotia Company	Canada	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%
Materiaux Excell S.E.N.C.	Canada	100%
Melri, Inc.	Canada	100%
Recmix, Inc.	Canada	100%
Guernsey Plant Hire Ltd.	Channel Islands-Guernsey	100%
SGB (Channel Islands) Ltd.	Channel Islands-Jersey	100%
MultiServ Chile S.A.	Chile	100%
Inversiones Hünnebeck (Chile) LTDA	Chile	100%
MultiServ Tang Shan Iron & Steel Service Corp. Ltd.	China	100%
MultiServ Zhejiang Iron & Steel Service Corp. Ltd.	China	80%
Czech Slag - Nova Hut s.r.o.	Czech Republic	65%
MultiServ 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%
Hünnebeck SGB ApS	Denmark	100%
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	98.85%

EXHIBIT 21

HARSCO CORPORATION

Subsidiaries of the Registrant

Name	**Country of Incorporation**	**Ownership Percentage**
Slag Processing Company Egypt (SLAR) S.A.E.	Egypt	60%
Excell Materials Finland OY	Finland	100%
MultiServ Oy	Finland	100%
BC Nord S.A.S.	France	100%
Becema S.A.S.	France	100%
Evulca S.A.S.	France	100%
Excell Minerals France	France	100%
Floyequip S.A.	France	100%
Harsco France SAS	France	100%
Hünnebeck France S.A.S.	France	100%
MultiServ France S.A.S.U.	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%
SGB S.A.S.	France	100%
SMI Lorelev S.A.S.	France	100%
Solomat Industries S.A.S.U.	France	100%
Carbofer International GmbH	Germany	100%
Entsorgungsdienste & Metalischiackentechnologie Deutschland GmbH	Germany	100%
Harsco GmbH	Germany	100%
Hünnebeck GmbH	Germany	100%
SGB Cleton GmbH	Germany	100%
Hünnebeck Group GmbH	Germany	100%
MultiServ GmbH	Germany	100%
Harsco (Gibraltar) Holding Limited	Gibraltar	100%
Alexandros International Ltd	Greece	100%
MultiServ Guatemala S.A.	Guatemala	100%
Hünnebeck Hungaria Kft.	Hungary	100%
SGB Eventlink (Ireland) Ltd.	Ireland	100%
SGB Scafform Limited	Ireland	100%
Hünnebeck Italia S.p.A.	Italy	100%
MultiServ Italia SrL	Italy	100%
IlServ SrL	Italy	65%
SGB Baltics S.I.A.	Latvia	70%
Harsco Luxembourg SARL	Luxembourg	100%
Luxequip Holding S.A.	Luxembourg	100%
MultiServ S.A.	Luxembourg	100%
SGB Asia Pacific (M) Sdn Bhd.	Malaysia	100%
Andamios Patentados, S.A. de C.V.	Mexico	100%
Electroforjados Nacionales, S.A. de C.V.	Mexico	100%

EXHIBIT 21

HARSCO CORPORATION

Subsidiaries of the Registrant

Name	Country of Incorporation	Ownership Percentage
Irving, S.A. de C.V.	Mexico	100%
MultiServ Metals de Mexico, S.A. de C.V.	Mexico	100%
MultiServ Transport, BV	Netherlands	100%
Excell Materials Europe BV	Netherlands	100%
Gasserv (Netherlands) I BV	Netherlands	100%
Gasserv (Netherlands) II BV	Netherlands	100%
Gasserv (Netherlands) VII BV	Netherlands	100%
Gasserv (Netherlands) VI BV	Netherlands	100%
Harsco Investments Europe BV	Netherlands	100%
Harsco International Finance BV	Netherlands	100%
Harrie Scholten BV	Netherlands	100%
Harsco Europa B.V.	Netherlands	100%
Harsco Finance B.V.	Netherlands	100%
Harsco Nederland Slag BV	Netherlands	100%
Harsco (Mexico) Holdings BV	Netherlands	100%
Harsco (Peru) Holdings BV	Netherlands	100%
Heckett MultiServ China B.V.	Netherlands	100%
Heckett MultiServ Far East B.V.	Netherlands	100%
MultiServ (Holland) B.V.	Netherlands	100%
MultiServ Finance B.V.	Netherlands	100%
MultiServ International B.V.	Netherlands	100%
Oostellijk Staal International BV	Netherlands	100%
SGB Holland BV	Netherlands	100%
SGB Hünnebeck Formwork	Netherlands	100%
SGB Industrial Services B.V.	Netherlands	100%
SGB Cleton 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%
Patent Panama SA	Panama	100%
MultiServ Peru SA	Peru	100%
Alexander Mill Services International SP ZOO	Poland	100%
Hünnebeck Polska Sp zoo	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%
AMSI Romania SRI	Romania	100%
Hünnebeck Russia	Russia	100%

EXHIBIT 21

HARSCO CORPORATION

Subsidiaries of the Registrant

Name	Country of Incorporation	Ownership Percentage
Harsco Fairways Partnership	Scotland	100%
Harsco Highlands Partnership	Scotland	100%
Harsco York Place Limited	Scotland	100%
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%
MultiServ South Africa (Pty.) Limited	South Africa	100%
MultiServ Technologies (South Africa)	South Africa	100%
Recmix of South Africa (Pty) Ltd	South Africa	100%
SRH Mill Services (Pty.) Ltd.	South Africa	100%
SteelServ (Pty.) Ltd.	South Africa	100%
Heckett MultiServ (FS) (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%
Excell Americas Holdings, Ltd	St. Kitts & Nevis	100%
Excell Africa Holdings Ltd	St. Kitts & Nevis	100%
Hünnebeck Sverige A.B.	Sweden	100%
Montanus Industriforvaltning A.B.	Sweden	100%
MultiServ (Sweden) A.B.	Sweden	100%
MultiServ A.B.	Sweden	100%
MultiServ Nordiska A.B.	Sweden	100%
MultiServ Technologies (Sweden) AB	Sweden	100%
MultiServ (Thailand) Company Limited	Thailand	100%
Faber Prest Limited	U.K.	100%
Fourninezero Ltd.	U.K.	100%
Harsco (U.K.) Ltd.	U.K.	100%
Harsco Investment Ltd.	U.K.	100%
Harsco Leatherhead Limited	U.K.	100%
Harsco Mole Valley Limited	U.K.	100%
Harsco Track Technologies Ltd.	U.K.	100%
Harsco Surrey Holdings Limited	U.K.	100%
Harsco (UK) Group Ltd	U.K.	100%
Harsco (UK) Holdings Ltd	U.K.	100%
Heckett Limited	U.K.	100%
MultiServ Holding Limited	U.K.	100%
MultiServ Group Ltd.	U.K.	100%
MultiServ Investment Limited	U.K.	100%
MultiServ plc	U.K.	100%

EXHIBIT 21

HARSCO CORPORATION

Subsidiaries of the Registrant

Name	Country of Incorporation	Ownership Percentage
SGB Exclesio UA JV LTD	U.K.	71.55%
SGB Group Ltd.	U.K.	100%
SGB Investments Ltd.	U.K.	100%
SGB Middle East Limited	U.K.	100%
SGB Services Ltd.	U.K.	100%
Short Bros (Plant) Ltd.	U.K.	100%
Slag Reduction Overseas Limited	U.K.	100%
Ashland Recovery Inc.	U.S.A.	100%
Braddock Recovery Inc.	U.S.A.	100%
ECR Inc.	U.S.A.	100%
Excell Technologies, Inc.	U.S.A.	100%
Great Lakes Recovery Systems Inc.	U.S.A.	100%
Harsco Defense Holding, Inc.	U.S.A.	100%
Harsco Holdings, Inc.	U.S.A.	100%
Harsco Minnesota Corporation	U.S.A.	100%
Harsco Technologies Corporation	U.S.A.	100%
MultiServ General Corp.	U.S.A.	100%
MultiServ LLC	U.S.A.	100%
MultiServ Intermetal LLC	U.S.A.	100%
MultiServ Investment LLC	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%
Recmix of KY, Inc.	U.S.A.	100%
Recmix of PA, Inc.	U.S.A.	100%
SGB Holdings Inc.	U.S.A.	100%
Slag Reduction Investment LLC	U.S.A.	100%
SGB (Ukraine) LLC	Ukraine	100%
Hünnebeck Emirates LLC	United Arab Emirates	49%
Quebeisi SGB LLC	United Arab Emirates	49%
Hünnebeck Middle East FZE	United Arab Emirates	100%
Heckett MultiServ M.V. & M.S., C.A.	Venezuela	100%

EXHIBIT 21

HARSCO CORPORATION

Subsidiaries of the Registrant

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.	France	50%
Phooltas Tamper Private Limited	India	40%
p.t. Purna Baja Heckett	Indonesia	40%

EXHIBIT 23

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, 333-114958, 333-59832, 333-70710) and on Form S-3 (No. 33-56885) of Harsco Corporation of our report dated February 26, 2008 relating to the consolidated financial statements, financial statement schedule, and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
February 29, 2008

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 control 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.

February 29, 2008

/s/ Salvatore D. Fazzolari

Salvatore D. Fazzolari
Chief Executive Officer

EXHIBIT 31(b)

CERTIFICATIONS

I, Stephen J. Schnoor, 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 control 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.

February 29, 2008

/s/ Stephen J. Schnoor

Stephen J. Schnoor
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, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Salvatore D. Fazzolari, 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/ Salvatore D. Fazzolari

Salvatore D. Fazzolari
Chief Executive Officer

February 29, 2008

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, 2007 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Stephen J. Schnoor, 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/ Stephen J. Schnoor

Stephen J. Schnoor
Chief Financial Officer

February 29, 2008

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.