

GLOBE SPECIALTY METALS INC
Form 10-Q
May 09, 2012

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-Q

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

For the quarterly period ended March 31, 2012

Commission File Number 001-34420

Globe Specialty Metals, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

20-2055624
(I.R.S. Employer
Identification No.)

One Penn Plaza
250 West 34th Street, Suite 4125
New York, NY 10119
(Address of principal executive offices, including zip code)

(212) 798-8122
(Registrant's telephone number, including area code)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common stock, \$0.0001 par value	The NASDAQ Global Select Market

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

None

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

As of May 7, 2012, the registrant had 75,048,873 shares of common stock outstanding.

Globe Specialty Metals, Inc.

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PART I

Item 1. Financial Statements

1

GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Condensed Consolidated Balance Sheets
 March 31, 2012 and June 30, 2011
 (In thousands, except share and per share amounts)
 (Unaudited)

	March 31, 2012	June 30, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 140,655	166,208
Accounts receivable, net of allowance for doubtful accounts of \$957 and \$715 at March 31, 2012 and June 30, 2011, respectively	72,385	60,871
Inventories	111,656	109,292
Prepaid expenses and other current assets	27,808	27,876
Total current assets	352,504	364,247
Property, plant, and equipment, net of accumulated depreciation, depletion and amortization	333,737	229,977
Goodwill	53,715	53,503
Other intangible assets	477	477
Investments in unconsolidated affiliates	9,036	8,640
Deferred tax assets	304	217
Other assets	26,782	21,208
Total assets	\$ 776,555	678,269
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 39,331	39,947
Current portion of long-term debt	22,222	-
Short-term debt	1,403	1,094
Revolving credit agreements	12,000	12,000
Accrued expenses and other current liabilities	29,870	34,475
Total current liabilities	104,826	87,516
Long-term liabilities:		
Revolving credit agreements	39,989	34,989
Long-term debt	27,778	-
Deferred tax liabilities	25,347	23,264
Other long-term liabilities	27,681	17,224
Total liabilities	225,621	162,993
Commitments and contingencies (note 11)		
Stockholders' equity:		
Common stock, \$0.0001 par value. Authorized, 150,000,000 shares; issued, 75,331,310 and 75,289,614 shares at March 31, 2012 and June 30, 2011, respectively	8	8
Additional paid-in capital	405,007	399,900
Retained earnings	111,043	80,300
Accumulated other comprehensive loss	(2,347)	(2,995)

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Treasury stock at cost, 282,437 shares at March 31, 2012 and June 30, 2011	(4)	(4)
Total Globe Specialty Metals, Inc. stockholders' equity	513,707	477,209
Noncontrolling interest	37,227	38,067
Total stockholders' equity	550,934	515,276
Total liabilities and stockholders' equity	\$ 776,555	678,269

See accompanying notes to condensed consolidated financial statements.

GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Condensed Consolidated Income Statements
 Three and nine months ended March 31, 2012 and 2011
 (In thousands, except per share amounts)
 (Unaudited)

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2012	2011	2012	2011
Net sales	\$ 173,437	172,802	\$ 513,846	465,929
Cost of goods sold	139,408	121,621	396,506	361,722
Selling, general, and administrative expenses	13,979	14,396	43,096	38,920
Research and development	100	32	103	77
Business interruption insurance recovery	-	-	(450)	-
Gain on sale of business	-	-	(54)	-
Operating income	19,950	36,753	74,645	65,210
Other income (expense):				
Interest income	129	24	145	83
Interest expense, net of capitalized interest	(1,698)	(521)	(4,545)	(2,210)
Foreign exchange (loss) gain	(191)	125	825	(251)
Other income	48	94	408	644
Income before provision for income taxes	18,238	36,475	71,478	63,476
Provision for income taxes	5,972	12,982	23,530	23,479
Net income	12,266	23,493	47,948	39,997
Income attributable to noncontrolling interest, net of tax	(653)	(100)	(2,198)	(2,734)
Net income attributable to Globe Specialty Metals, Inc.	\$ 11,613	23,393	\$ 45,750	37,263
Weighted average shares outstanding:				
Basic	75,049	75,078	75,035	74,922
Diluted	76,617	76,868	76,639	76,574
Earnings per common share:				
Basic	\$ 0.15	0.31	\$ 0.61	0.50
Diluted	0.15	0.30	0.60	0.49
Cash dividends declared per common share	-	-	0.20	0.15

See accompanying notes to condensed consolidated financial statements.

GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Condensed Consolidated Statement of Changes in Stockholders' Equity

Nine months ended March 31, 2012

(In thousands)

(Unaudited)

Globe Specialty Metals, Inc. Stockholders' Equity									
	Common Shares	Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock at Cost	Noncontrolling Interest	Comprehensive Income	Total Stockholders' Equity
Balance at June 30, 2011	75,290	\$ 8	399,900	80,300	(2,995)	(4)	38,067		515,276
Share-based compensation		—	1,814	—	—	—	—		1,814
Stock option exercises	38	—	195	—	—	—	—		195
Sale of noncontrolling interest	—	—	210	—	—	—	—		210
Cash dividend	—	—	—	(15,007)	—	—	—		(15,007)
Solsil shares purchased	—	—	2,888	—	—	—	(3,038)		(150)
Comprehensive income:									
Foreign currency translation adjustment	—	—	—	—	686	—	—	686	686
Unrealized loss on available-for-sale securities, net of tax	—	—	—	—	(38)	—	—	(38)	(38)
Net income	—	—	—	45,750	—	—	2,198	47,948	47,948
Total comprehensive								48,596	48,596

income								
Balance								
at								
March								
31, 75,332			111,043					
2012	\$	8	405,007	(2,347)	(4)	37,227	48,596	550,934

See accompanying notes to condensed consolidated financial statements.

GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Condensed Consolidated Statements of Cash Flows

Nine months ended March 31, 2012 and 2011

(In thousands)

(Unaudited)

	Nine Months Ended March 31,	
	2012	2011
Cash flows from operating activities:		
Net income	\$ 47,948	39,997
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	23,990	18,350
Depletion	494	-
Share-based compensation	1,814	3,875
Gain on sale of business	(54)	-
Deferred taxes	2,775	8,580
Changes in operating assets and liabilities:		
Accounts receivable, net	(11,036)	(5,583)
Inventories	(1,496)	(14,752)
Prepaid expenses and other current assets	(4,798)	(2,426)
Accounts payable	(5,351)	(3,246)
Accrued expenses and other current liabilities	(1,343)	(2,323)
Other	(5,272)	201
Net cash provided by operating activities	47,671	42,673
Cash flows from investing activities:		
Capital expenditures	(38,325)	(26,776)
Acquisition of business, net of cash acquired of \$5 and \$0, respectively	(73,194)	-
Sale of businesses, net of cash disposed of \$0 and \$0, respectively	-	2,500
Working capital adjustments from acquisition of businesses, net	-	(2,038)
Other investing activities	-	(16,935)
Net cash used in investing activities	(111,519)	(43,249)
Cash flows from financing activities:		
Borrowings of long-term debt	50,000	-
Payments of long-term debt	-	(17,002)
Borrowings of short-term debt	1,048	4,196
Payments of short-term debt	(739)	(11,731)
Borrowings on revolving credit agreements	8,000	35,989
Payments on revolving credit agreements	(3,000)	(5,000)
Dividend payment	(15,007)	(11,269)
Proceeds from stock option exercises	195	4,989
Other financing activities	(2,149)	(869)
Net cash provided by (used in) financing activities	38,348	(697)
Effect of exchange rate changes on cash and cash equivalents	(53)	(443)
Net decrease in cash and cash equivalents	(25,553)	(1,716)
Cash and cash equivalents at beginning of period	166,208	157,029
Cash and cash equivalents at end of period	\$ 140,655	155,313

Supplemental disclosures of cash flow information:

Cash paid for interest, net of capitalized interest	\$	3,302	1,685
Cash paid for income taxes, net of refunds totaling \$1,954 and \$534, respectively		21,144	4,442

See accompanying notes to condensed consolidated financial statements.

GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Notes to Condensed Consolidated Financial Statements
Three and nine months ended March 31, 2012 and 2011
(Dollars in thousands, except per share amounts)
(Unaudited)

(1) Organization and Business Operations

Globe Specialty Metals, Inc. and subsidiary companies (the Company, we, or our) is among the world's largest producers of silicon metal and silicon-based alloys, important ingredients in a variety of industrial and consumer products. The Company's customers include major silicone chemical, aluminum and steel manufacturers, auto companies and their suppliers, ductile iron foundries, manufacturers of photovoltaic solar cells and computer chips, and concrete producers.

(2) Summary of Significant Accounting Policies

a. Basis of Presentation

In the opinion of the Company's management, the accompanying condensed consolidated financial statements include all adjustments necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) of the results for the interim periods presented and such adjustments are of a normal, recurring nature. The accompanying condensed consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2011. There have been no material changes to the Company's significant accounting policies during the nine months ended March 31, 2012.

b. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect amounts reported in the condensed consolidated financial statements and related notes. Significant estimates and assumptions in these condensed consolidated financial statements include the valuation of inventories; the carrying amount of property, plant, and equipment; estimates of fair value associated with accounting for business combinations; goodwill and long-lived asset impairment tests; estimates of fair value of investments; income taxes and deferred tax valuation allowances; valuation of derivative instruments; the determination of the discount rate and the rate of return on plan assets for pension expense; and the determination of the fair value of share-based compensation involving assumptions about forfeiture rates, stock volatility, discount rates, and expected time to exercise. During interim periods, provision for income taxes is recognized using an estimated annual effective tax rate. Due to the inherent uncertainty involved in making estimates, actual results could differ from these estimates.

c. Revenue Recognition

Revenue is recognized in accordance with Financial Accounting Standards Board (FASB) ASC Topic 605, Revenue Recognition, when a firm sales agreement is in place, delivery has occurred and title and risks of ownership have passed to the customer, the sales price is fixed or determinable, and collectability is reasonably assured. Shipping and other transportation costs charged to buyers are recorded in both net sales and cost of goods sold. Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and, therefore, are excluded from net sales. When the Company provides a combination of products and services to customers, the arrangement is evaluated under ASC Subtopic 605-25, Revenue Recognition — Multiple Element Arrangements (ASC 605.25). ASC

605.25 addresses certain aspects of accounting by a vendor for arrangements under which the vendor will perform multiple revenue-generating activities. If the Company cannot objectively determine the fair value of any undelivered elements under an arrangement, the Company defers revenue until all elements are delivered and services have been performed, or until fair value can objectively be determined for any remaining undelivered elements.

d. Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost. Depreciation is calculated using the straight-line method based on the estimated useful lives of assets. The estimated useful lives of property, plant, and equipment are as follows:

Asset type:	Range of Useful Lives
	20 to
Land improvements and land use rights	36 years
	35 to
Buildings	40 years
	5 to
Manufacturing equipment	25 years
	10 to
Furnaces	20 years
	2 to
Other	5 years

Costs that do not extend the life of an asset, materially add to its value, or adapt the asset to a new or different use are considered repair and maintenance costs and expensed as incurred.

Costs for mineral properties and mine development incurred to expand capacity of operating mines or to develop new mines are capitalized and charged to operations as the estimated tonnage of minerals are removed. Mine development costs include costs incurred for site preparation and development of the mines during the development stage.

e. Accounting Pronouncements to be Implemented

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income (ASU 2011-05). The objective of this amendment is to increase the prominence of other comprehensive income in the financial statements. The amendments require entities to report components of net income and the components of other comprehensive income either in a continuous statement of comprehensive income or in two separate but consecutive statements. Additionally, the amendments in ASU 2011-05 require an entity to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income are presented. In December 2011, the FASB issued Accounting Standards Update No. 2011-12, which deferred the specific requirements related to the presentation of reclassification adjustments. This amendment is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. We expect the adoption of this ASU will affect financial statement presentation only.

In September 2011, FASB issued Accounting Standards Update No. 2011-08, Testing Goodwill for Impairment (ASU 2011-08), which amends the guidance in ASC 350-20. The amendments in ASU 2011-08 provide entities with the option of performing a qualitative assessment before performing the first step of the two-step impairment test. If entities determine, on the basis of qualitative factors, it is not more likely than not that the fair value of the reporting unit is less than the carrying amount, then performing the two-step impairment test would be unnecessary. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step impairment test by

calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit. If the carrying amount of a reporting unit exceeds its fair value, then the entity is required to perform the second step of the goodwill impairment test to measure the amount of the impairment loss, if any. ASU 2011-08 also provides entities with the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to the first step of the two-step impairment test. ASU 2011-08 is effective for interim and annual periods beginning after December 15, 2011 but early adoption is permitted. The Company does not expect material financial statement implications relating to the adoption of this ASU.

(3) Business Combinations and Divestitures

Nigerian Mining Licenses:

In March 2011, the Company made irrevocable advances totaling approximately \$17,000 to acquire through transfer exploration mining licenses in Nigeria to mine for manganese ore, a raw material used in the production of certain silicon and manganese based alloys. The transfer process was subject to regulatory approvals, which approvals have been received. The transfer of the licenses is complete and the Company may now begin to execute its operational plans.

Alden Resources LLC:

On July 28, 2011, the Company, pursuant to three Membership Interest Purchase Agreements dated as of May 27, 2011 (the Purchase Agreements), purchased from NGPC Asset Holdings II, LP, NGP Capital Resources Company, and all other parties named in the Purchase Agreements 100% of the membership interest of Alden Resources, LLC (Alden) and Gatliff Services, LLC (Gatliff), as well as certain royalty interests held by NCP Capital Resources Company, for \$73,200 plus an additional \$6,800 that could be payable to NGP Capital Resources Company pursuant to an earn-out payment upon the achievement of certain financial results and operational metrics. The Company financed the acquisition with \$55,000 of bank debt and \$18,200 of cash. In connection with the bank debt, the Company entered into an interest rate swap effective from August 12, 2011 on a \$37,500 notional amount. Alden is North America's leading miner, processor and supplier of specialty metallurgical coal to the silicon and silicon-based alloy industries and also supplies thermal coal to the power industry. The acquisition was made in order to secure a stable, long-term and low-cost supply of specialty metallurgical coal, a key ingredient in the production of silicon metal and silicon-based alloys. The Company is in the process of finalizing the purchase price allocation. The results of the businesses acquired are included in the GMI operating segment.

(4) Inventories

Inventories comprise the following:

	March 31, 2012	June 30, 2011
Finished goods	\$ 39,761	29,570
Work in process	2,345	2,078
Raw materials	58,417	67,213
Parts and supplies	11,133	10,431
	111,656	109,292
Total	\$	

At March 31, 2012, \$104,477 in inventory is valued using the first-in, first-out method and \$7,179 using the average cost method. At June 30, 2011, \$102,478 in inventory is valued using the first-in, first-out method and \$6,814 using the average cost method.

(5) Property, Plant, and Equipment

Property, plant, and equipment, net of accumulated depreciation, depletion and amortization, comprise the following:

	March 31, 2012	June 30, 2011
Land, land improvements, and land use rights	\$ 7,910	6,907
Building and improvements	60,296	43,076
Machinery and equipment	134,536	93,891
		136,177
Furnaces	144,583	
Mineral reserves	61,769	—
Other	4,622	3,993
Construction in progress	24,462	23,743
		307,787
Property, plant, and equipment, gross	438,178	

	(104,441)	
Less accumulated depreciation, depletion and amortization		(77,810)
Property, plant, and equipment, net of accumulated depreciation, depletion and amortization	\$333,737	229,977

Depreciation, depletion and amortization expense for the three months and nine months ended March 31, 2012 was \$8,552 and \$24,484, of which \$8,361 and \$23,909 is recorded in cost of goods sold and \$191 and \$575 is recorded in selling, general, and administrative expenses, respectively. Depreciation, depletion and amortization expense for the three months and nine months ended March 31, 2011 was \$6,366 and \$18,350, of which \$6,187 and \$17,812 is recorded in cost of goods sold and \$179 and \$538 is recorded in selling, general, and administrative expenses, respectively.

Capitalized interest for the three months and nine months ended March 31, 2012 was \$1 and \$24, respectively. Capitalized interest for the three months and nine months ended March 31, 2011 was \$0 and \$15, respectively.

(6) Goodwill and Other Intangibles

Goodwill and other intangibles presented below have been allocated to the Company's operating segments.

a. Goodwill

Changes in the carrying amount of goodwill, by reportable segment, during the nine months ended March 31, 2012 are as follows:

	GMI	Globe Metales	Solsil	Other	Total
Goodwill	\$ 31,529	14,313	57,656	7,661	111,159
Accumulated impairment loss	—	—	(57,656)	—	(57,656)
Balance at June 30, 2011	31,529	14,313	—	7,661	53,503
Foreign exchange rate changes	—	—	—	212	212
Goodwill	31,529	14,313	57,656	7,873	111,371
Accumulated impairment loss	—	—	(57,656)	—	(57,656)
Balance at March 31, 2012	\$ 31,529	14,313	—	7,873	53,715

b. Other Intangible Assets

There were no changes in the value of the Company's indefinite lived intangible assets during the nine months ended March 31, 2012 and 2011.

c. Annual Impairment Tests

The Company performed its annual goodwill and indefinite lived intangible asset tests during the third quarter of fiscal year 2012. No adjustments to the carrying amount of these assets were required.

(7) Debt

a. Short-Term Debt

Short-term debt comprises the following:

	Outstanding Balance	Weighted Average Interest Rate	Unused Credit Line
March 31, 2012:			
Type debt:			
Export financing	\$ 1,014	7.00%	\$ 8,255
Other	389	8.00%	—
Total	\$ 1,403		\$ 8,255
June 30, 2011:			
Type debt:			
Export financing	\$ 731	2.75%	\$ 8,310
Other	363	8.00%	—
Total	\$ 1,094		\$ 8,310

Export Financing Agreements – The Company’s Argentine subsidiary maintains various short-term export financing agreements. Generally, these arrangements are for periods ranging between seven and eleven months, and require the Company to pledge as collateral certain export receivable.

b. Revolving Credit Agreements

A summary of the Company’s revolving credit agreements at March 31, 2012 is as follows:

	Outstanding Balance	Weighted Average Interest Rate	Unused Commitment	Total Commitment
Senior credit facility	\$ 39,989	2.49%	\$ 47,908	90,000
Revolving credit facility	12,000	2.49%	8,000	20,000

On March 30, 2011, certain of the Company’s domestic subsidiaries (the Borrowers) entered into an agreement to amend and restate the Company’s existing senior credit facility and senior term loan. The amended and restated senior credit agreement provides for a \$90,000 revolving credit facility, subject to a defined borrowing base, and matures on March 30, 2014. This facility includes a provision for the issuance of standby letters of credit and a \$10,000 sublimit for swingline loans. The facility may be increased from time to time by an amount up to \$10,000 in the aggregate at the Company’s election, subject to approval by the existing or additional lenders. Interest on borrowings under the credit agreement is payable, at the Company’s election, at either a base rate (the higher of the U.S. federal funds rate plus 0.50% per annum and the issuing bank’s “prime rate”) plus a margin of 1.50% per annum, or LIBOR plus a margin of 2.25% per annum. Certain commitment fees are also payable under the credit agreement. The facility is guaranteed by certain of the Borrowers’ subsidiaries, and borrowings under the credit agreement are collateralized by the Borrowers’ cash and cash equivalents, accounts receivable, and inventories, and the stock of their subsidiaries. The agreement contains certain restrictive and financial covenants, which include a maximum total debt to capitalization ratio and a minimum combined tangible net worth, as well as a minimum fixed charge coverage ratio and a maximum

annual capital expenditure level, both of which are only applicable if availability under the senior credit facility is below minimum levels specified in the credit agreement. The Company was in compliance with the loan covenants at March 31, 2012.

At March 31, 2012, there was a \$39,989 balance outstanding on the senior credit facility. The total commitment outstanding on this credit facility includes \$440 outstanding letters of credit associated with supplier contracts, a \$1,363 outstanding letter of credit associated with a power supply contract, and \$300 outstanding letters of credit associated with economic development.

The Company classifies borrowings under the senior credit facility as long-term liabilities given our ability to renew and extend borrowings under this agreement beyond one year from the balance sheet date.

On October 1, 2010, the Company entered into a \$15,000 revolving credit facility, and utilized proceeds from borrowings under the revolving credit facility to repay the Company's \$5,880 short-term notes payable to Dow Corning. On March 5, 2012, the Company entered into an agreement to amend the Company's existing revolving credit facility. The amended agreement provides for a \$20,000 revolving credit facility. Total borrowings under this revolving credit facility were \$12,000 at March 31, 2012. Interest on advances under the revolving credit facility accrues at LIBOR plus an applicable margin percentage or, at the Company's option, prime plus an applicable margin percentage. The credit facility is subject to certain restrictive and financial covenants, which include limits on additional debt, a maximum ratio of debt to earnings before interest, taxes, depreciation and amortization and minimum net worth. The Company was in compliance with the loan covenants at March 31, 2012.

The Company classifies borrowings under this revolving credit facility as current liabilities as the arrangement is payable in full upon the earlier of 10 business days following written demand by the lender or the agreement's expiration on June 30, 2013.

See note 8 (Derivative Instruments) for a discussion of derivative financial instruments entered into to reduce the Company's exposure to interest rate fluctuations on outstanding debt.

c. Long-Term Debt

Long-term debt comprises the following:

	March 31, 2012	June 30, 2011
Term loan	\$ 50,000	—
Less current portion of long-term debt	(22,222)	—
Long-term debt, net of current portion	\$ 27,778	—

Term Loan — The Company's subsidiary, GBG Holdings, LLC, entered into a three-year term loan in an aggregate principal amount of \$50,000 during July 2011. Interest on the term loan accrues at LIBOR plus an applicable margin percentage. Principal payments are due in quarterly installments of approximately \$5,556, commencing on June 30, 2012, and the unpaid principal balance is due in full in June 2014, subject to certain mandatory prepayments. The interest rate on this loan is 2.94% at March 31, 2012, which is equal to LIBOR plus an applicable margin. The term loan is secured by substantially all of the assets of GBG Holdings, LLC and is subject to certain restrictive and financial covenants, which include a minimum fixed charge coverage ratio, maximum leverage ratio, minimum current ratio, minimum tangible net worth, minimum cash balance and maximum gearing ratio limits. The Company was in compliance with the loan covenants at March 31, 2012.

See note 8 (Derivative Instruments) for a discussion of derivative financial instruments entered into to reduce the Company's exposure to interest rate fluctuations on outstanding debt.

d. Fair Value of Debt

The recorded carrying values of our debt balances approximate fair value given our debt is at variable rates tied to market indicators or is short-term in nature.

(8) Derivative Instruments

The Company enters into derivative instruments to hedge certain interest rate, currency, and commodity price risks. The Company does not engage in interest rate, currency, or commodity speculation, and no derivatives are held for trading purposes. All derivatives are accounted for using mark-to-market accounting. The Company believes it is not practical to designate its derivative instruments as hedging instruments as defined under ASC Subtopic 815-10, Derivatives and Hedging (ASC 815). Accordingly, the Company adjusts its derivative financial instruments to current market value through the condensed consolidated income statement based on the fair value of the agreement as of period-end. Although not designated as hedged items as defined under ASC 815, these derivative instruments serve to significantly offset the Company's interest rate, currency, and commodity risks. Gains or losses from these transactions offset gains or losses on the assets, liabilities, or transactions being hedged. No credit loss is anticipated as the counterparties to these agreements are major financial institutions that are highly rated.

Interest Rate Risk:

The Company is exposed to market risk from changes in interest rates on certain of its debt obligations.

In connection with GMI's senior credit facility and senior term loan (note 7), the Company entered into an interest rate cap arrangement and three interest rate swap agreements to reduce our exposure to interest rate fluctuations.

In October 2008, the Company entered into an interest rate cap arrangement to cap LIBOR on a \$20,000 notional amount of debt, with the notional amount decreasing by \$1,053 per quarter through the interest rate cap's expiration on June 30, 2013. Under the interest rate cap, the Company capped LIBOR at a maximum of 4.5% over the life of the agreement.

In November 2008, the Company entered into an interest rate swap agreement involving the exchange of interest obligations relating to a \$13,333 notional amount of debt, with the notional amount decreasing by \$702 per quarter. Under the interest rate swap, the Company receives LIBOR in exchange for a fixed interest rate of 2.85% over the life of the agreement. The agreement expires in June 2013.

In January 2009, the Company entered into a second interest rate swap agreement involving the exchange of interest obligations relating to a \$12,632 notional amount of debt, with the notional amount decreasing by \$702 per quarter. Under the interest rate swap, the Company receives LIBOR in exchange for a fixed interest rate of 1.66% over the life of the agreement. The agreement expires in June 2013.

In April 2009, the Company entered into a third interest rate swap agreement involving the exchange of interest obligations relating to an \$11,228 notional amount of debt, with the notional amount decreasing by \$702 per quarter. Under the interest rate swap, the Company receives LIBOR in exchange for a fixed interest rate of 2.05% over the life of the agreement. The agreement expires in June 2013.

In connection with GBG Holdings, LLC's term loan (note 7), the Company entered into an interest rate swap agreement to reduce our exposure to interest rate fluctuations.

In August 2011, the Company entered into an interest rate swap agreement involving the exchange of interest obligations relating to a \$37,500 notional amount of debt, with the notional amount decreasing by approximately \$4,167 per quarter, beginning in the first quarter of fiscal year 2013. Under the interest rate swap, the Company receives LIBOR in exchange for a fixed interest rate of 0.42% over the life of the agreement. The agreement expires in June 2014.

Foreign Currency Risk:

The Company is exposed to market risk arising from changes in currency exchange rates as a result of its operations outside the United States, principally in Argentina and China. A portion of the Company's net sales generated from its non-U.S. operations is denominated in currencies other than the U.S. dollar. Most of the Company's operating costs for its non-U.S. operations are denominated in local currencies, principally the Argentine peso and the Chinese renminbi. Consequently, the translated U.S. dollar value of the Company's non-U.S. dollar net sales, and related accounts receivable balances, and our operating costs are subject to currency exchange rate fluctuations. Derivative instruments are not used extensively to manage this risk. The Company may utilize derivative financial instruments, including foreign exchange forward contracts, to manage a portion of its net foreign currency exposure. No foreign currency derivative financial instruments are outstanding at March 31, 2012.

Commodity Price Risk:

The Company is exposed to price risk for certain raw materials and energy used in its production process. The raw materials and energy that the Company uses are largely commodities subject to price volatility caused by changes in global supply and demand and governmental controls. Derivative financial instruments are not used extensively to manage the Company's exposure to fluctuations in the cost of commodity products used in its operations. The Company attempts to reduce the impact of increases in its raw material and energy costs by negotiating long-term contracts and through the acquisition of companies or assets for the purpose of increasing its access to raw materials with favorable pricing terms.

In June 2010, the Company entered into a power hedge agreement on a 175,440 MWh notional amount of electricity, representing approximately 20% of the power required by our Niagara Falls, New York plant not supplied by the facility's long-term power contract over the term of the hedge agreement. The notional amount decreases equally per month through the agreement's expiration on June 30, 2012. Under the power hedge agreement, the Company fixed the power rate at \$39.60 per MWh over the life of the contract. In October 2010, the Company entered into a power hedge agreement on an 87,600 MWh notional amount of electricity, also for power required at our Niagara Falls, New York plant. The notional amount decreases equally per month from the agreement's July 1, 2012 effective date through its expiration on June 30, 2013. Under this power hedge agreement, the Company fixed the power rate at \$39.95 per MWh over the life of the contract.

The effect of the Company's derivative instruments on the condensed consolidated income statement is summarized in the following table:

	Gain (Loss) Recognized During the Three Months Ended March 31,		Gain (Loss) Recognized During the Nine Months Ended March 31,		Location of Gain (Loss)
	2012	2011	2012	2011	
Interest rate derivatives	\$ (103)	(21)	\$ (77)	(186)	Interest expense
Foreign exchange forward contracts	—	—	—	(190)	Foreign exchange (loss) gain
Power hedges	(966)	(71)	(1,659)	99	Cost of goods sold

The fair values of the Company's derivative instruments at March 31, 2012 are summarized in note 15 (Fair Value Measures). The liabilities associated with the Company's interest rate derivatives and power hedges of \$154 and \$1,401, respectively, are included in other long-term liabilities.

(9) Pension Plans

The Company's subsidiary, GMI, sponsors three noncontributory defined benefit pension plans covering certain domestic employees. These plans were frozen in 2003. The Company's subsidiary, Core Metals, sponsors a noncontributory defined benefit pension plan covering certain domestic employees. This plan was closed to new participants in April 2009. The components of net periodic pension expense for the Company's defined benefit pension plans are as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
Interest cost	\$ 391	359	\$ 1,164	1,079
Service cost	26	29	77	86
Expected return on plan assets	(392)	(371)	(1,303)	(1,114)
Amortization of net loss	349	170	651	508
Net periodic pension expense	\$ 374	187	\$ 589	559

The Company expects to make discretionary contributions of approximately \$2,466 to the plans for the fiscal year ending June 30, 2012, of which \$1,911 has been contributed through March 31, 2012.

(10) Income Taxes

The provision for income taxes is based on the current estimate of the annual effective tax rate, adjusted as necessary for quarterly events. In accordance with ASC Topic 740, Income Taxes — Accounting for Income Taxes in Interim Periods, the Company's quarterly effective tax rate does not reflect a benefit associated with losses related to certain foreign subsidiaries. The effective tax rates for the nine months ended March 31, 2012 and 2011 were based on our forecasted annualized effective tax rates, adjusted for discrete items that occurred within the respective periods.

The Company's effective tax rate for the nine months ended March 31, 2012 was 32.9% compared to 37.0% for the nine months ended March 31, 2011. The decrease in the effective tax rate is primary due to discrete items associated with stock option exercises and reduced state tax expenses. The annual effective rate excluding discrete items is 33.6% for the nine months ended March 31, 2012.

The Company maintains valuation allowances where it is more likely than not that all or a portion of a deferred tax asset will not be realized. In determining whether a valuation allowance is warranted, the Company evaluates factors such as prior earnings history, expected future earnings, carry back and carry forward periods, and tax strategies that could potentially enhance the likelihood of the realization of a deferred tax asset.

The Company files a consolidated U.S. income tax return and tax returns in various state and local jurisdictions. Our subsidiaries also file tax returns in various foreign jurisdictions. The Company's principal jurisdictions include the U.S., Argentina, Poland, and China. A number of years may elapse before a tax return is audited and finally resolved. The open tax years subject to examination varies depending on the tax jurisdiction. The Company's major taxing jurisdictions and the related open tax years subject to examination are as follows: the U.S. from 2008 to present, Argentina from 2006 to present, Poland from 2006 to present, and China from 2008 to present.

The Company regularly evaluates its tax positions for additional unrecognized tax benefits and associated interest and penalties, if applicable. There are many factors that are considered when evaluating these tax positions including: interpretation of tax laws, recent tax litigation on a position, past audit or examination history, and subjective estimates and assumptions that have been deemed reasonable by management. However, if management's estimates are not representative of actual outcomes, the Company's results could be materially impacted. There were no material changes in the Company's uncertain tax positions during the nine months ended March 31, 2012.

(11) Commitments and Contingencies

a. Legal Contingencies

The Company is subject to various lawsuits, investigations, claims, and proceedings that arise in the normal course of business, including, but not limited to, employment, commercial, environmental, safety, and health matters, as well as claims associated with our historical acquisitions and divestitures. Although it is not presently possible to determine the outcome of these matters, in the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity.

Subsequent to March 31, 2012, the Company suspended its plans to build a silicon metal plant in Iceland. The Company's joint venture partner asserted that the Company's actions constitute breaches of various agreements. Management is of the opinion that the joint venture partner's claims are without merit and the Company will prevail if the joint venture partner files a lawsuit. The Company is unable to estimate the possible loss or range of loss at this early stage of the matter.

b. Environmental Contingencies

It is the Company's policy to accrue for costs associated with environmental assessments, remedial efforts, or other environmental liabilities when it becomes probable that a liability has been incurred and the costs can be reasonably estimated. When a liability for environmental remediation is recorded, such amounts will be recorded without giving effect to any possible future recoveries. At March 31, 2012, there are no significant liabilities recorded for environmental contingencies. With respect to the cost for ongoing environmental compliance, including maintenance and monitoring, such costs are expensed as incurred unless there is a long-term monitoring agreement with a governmental agency, in which case a liability is established at the inception of the agreement.

c. Employee Contracts

As of March 31, 2012, there are 232 employees that are covered by union agreements expiring within one year.

d. Power Commitments

On February 24, 2011, the Company entered into a hydropower contract extension agreement with the New York Power Authority. Under the terms of this commodity purchase agreement, the Company will be supplied up to a maximum of 40,000 kW of hydropower from the Niagara Power Project to operate its Niagara Falls, New York facility. The hydropower will be supplied at preferential power rates plus market-based delivery charges through September 30, 2021. Under the terms of the contract, the Company has committed to specified employment, power utilization, and capital investment levels, which, if not met, could reduce the Company's power allocation from the Niagara Power Project.

(12) Stockholders' Equity

Dividend

On September 21, 2011, the Company's board of directors approved a dividend of \$0.20 per common share. The dividend, totaling \$15,007, was paid on October 28, 2011, to stockholders of record as of October 14, 2011.

Solsil Share Purchase

On December 6, 2011, the Company purchased all the shares held by one of Solsil's minority partners for \$150. Additionally, Solsil issued and sold new shares to the Company for \$3,500. Subsequent to these stock purchase transactions the Company owns 97.25% of Solsil.

(13) Earnings Per Share

Basic earnings per common share are calculated based on the weighted average number of common shares outstanding during the three and nine months ended March 31, 2012 and 2011, respectively. Diluted earnings per common share assumes the exercise of stock options or the vesting of restricted stock grants, provided in each case the effect is dilutive.

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The reconciliation of the amounts used to compute basic and diluted earnings per common share for the three and nine months ended March 31, 2012 and 2011 is as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
Basic earnings per share computation				
Numerator:				
Net income attributable to Globe Specialty Metals, Inc.	\$ 11,613	23,393	\$ 45,750	37,263
Denominator:				
Weighted average basic shares outstanding	75,048,873	75,077,739	75,035,299	74,922,377
Basic earnings per common share	\$ 0.15	0.31	\$ 0.61	0.50
Diluted earnings per share computation				
Numerator:				
Net income attributable to Globe Specialty Metals, Inc.	\$ 11,613	23,393	\$ 45,750	37,263
Denominator:				
Weighted average basic shares outstanding	75,048,873	75,077,739	75,035,299	74,922,377
Effect of dilutive securities	1,568,407	1,789,845	1,603,903	1,651,128
Weighted average diluted shares outstanding	76,617,280	76,867,584	76,639,202	76,573,505
Diluted earnings per common share	\$ 0.15	0.30	\$ 0.60	0.49

Potential common shares associated with outstanding stock options totaling 1,229,808 and 100,000 for the three and nine months ended March 31, 2012 and 2011, respectively, were excluded from the calculation of diluted earnings per common share because their effect would be anti-dilutive.

(14) Share-Based Compensation

The Company's share-based compensation program consists of the Globe Specialty Metals, Inc. 2006 Employee, Director and Consultant Stock Plan (the Stock Plan). The Stock Plan was initially approved by the Company's stockholders on November 10, 2006, and was amended and approved by the Company's stockholders on December 6, 2010 to increase by 1,000,000 the number of shares of common stock authorized for issuance under the Stock Plan. The Stock Plan, as amended, provides for the issuance of a maximum of 6,000,000 shares of common stock for the granting of incentive stock options, nonqualified options, stock grants, and share-based awards. Any remaining shares available for grant, but not yet granted, will be carried over and used in the following fiscal years.

At March 31, 2012, there were 497,633 shares available for grant. All option grants have maximum contractual terms ranging from 5 to 10 years. It is the Company's policy to issue new shares to satisfy the requirements of its share-based compensation plan. The Company does not expect to repurchase shares in the future to support its share-based compensation plan.

During the nine months ended March 31, 2012, share-based compensation awards consisted of the issuance of 1,013,270 nonqualified stock options and 2,676 restricted stock grants. A summary of the changes in options outstanding under the Stock Plan during the nine months ended March 31, 2012 is presented below:

Number of Options	Weighted- Average	Weighted- Average Remaining Contractual	Aggregate Intrinsic Value
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		Exercise Price	Term in Years	
Outstanding as of June 30, 2011	3,390,127	\$ 4.93	3.18	\$ 59,643
Granted	1,013,270	18.58		
Exercised	(38,000)	5.12		
Forfeited and expired	—	—		
Outstanding as of March 31, 2012	4,365,397	\$ 8.10	2.90	\$ 34,371
Exercisable as of March 31, 2012	3,470,535	\$ 5.41	2.51	\$ 34,340

The Company estimates the fair value of grants using the Black-Scholes option pricing model. The following assumptions were used to estimate the fair value of stock option awards granted during the nine months ended March 31, 2012:

Risk-free interest rate	2012 0.30% to 0.64%
Expected dividend yield	—
Expected volatility	66.00 to 70.00
Expected forfeiture rate	—
Expected term (years)	3.0 to 4.4

The risk-free interest rate is based on the yield of zero coupon U.S. Treasury bonds with terms similar to the expected term of options. The expected dividend yield for grants is zero given the Company's limited history of dividend issuances and the uncertainty of any future dividend amounts, if any. Since there is limited trading data related to the Company's common stock, the expected volatility over the term of the options is estimated using the historical volatilities of similar companies. Given that the options granted are under a new plan and there is relatively no historical data, the expected forfeiture rate is zero, and the expected term is the average of the vesting period and contractual term.

During the nine months ended March 31, 2012, 172,658 options vested, resulting in total vested options of 3,470,535. There are 894,862 nonvested options outstanding with a grant date fair value of \$8.94. The weighted average per share fair value of stock option grants outstanding at March 31, 2012 is \$4.13.

For the three and nine months ended March 31, 2012, pre-tax share-based compensation expense was \$670 and \$1,814, respectively. For the three and nine months ended March 31, 2011, pre-tax share-based compensation expense was \$1,326 and \$3,875, respectively. The expense is reported within selling, general, and administrative expenses.

As of March 31, 2012, the Company has unearned compensation expense of \$7,589, before income taxes, related to nonvested stock option awards. The unrecognized compensation expense is expected to be recognized over the following periods ending on June 30:

	2012	2013	2014	2015	2016
Share-based compensation (pretax)	\$ 603	2,352	2,238	2,156	240

In addition to share-based awards issued under the Stock Plan, the Company issues restricted stock units under the Company's Executive Bonus Plan. These restricted stock units proportionally vest over three years, but are not delivered until the end of the third year. The Company will settle these awards by cash transfer, based on the Company's stock price on the date of transfer. During the nine months ended March 31, 2012, 452,142 restricted stock units were granted, and as of March 31, 2012, 487,367 restricted stock units were outstanding. For the three and nine months ended March 31, 2012, pre-tax compensation expense for these restricted stock units was \$585 and \$619, respectively. The expense is reported within selling, general, and administrative expenses. The \$749 liability associated with these restricted stock units is included in other long-term liabilities at March 31, 2012.

(15) Fair Value Measures

ASC 820, Fair Value Measures and Disclosures, establishes a fair value hierarchy for disclosure of fair value measurements. The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to value the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. The three levels are defined as follows:

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.

Level 3 — Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. For example, cash flow modeling using inputs based on management's assumptions.

The Company does not have any assets that are required to be remeasured at fair value at March 31, 2012. The following table summarizes liabilities measured at fair value on a recurring basis at March 31, 2012:

	Total	Level 1	Level 2	Level 3
Interest rate derivatives	\$ 154	—	154	—
Power hedge	1,401	—	1,401	—
Restricted stock units	782	782	—	—
Total	\$ 2,337	782	1,555	—

The Company does not have any assets that are required to be remeasured at fair value at June 30, 2011. The following table summarizes liabilities measured at fair value on a recurring basis at June 30, 2011:

	Total	Level 1	Level 2	Level 3
Interest rate derivatives	\$ 320	—	320	—
Power hedge	110	—	110	—
Restricted stock units	130	130	—	—
Total	\$ 560	130	430	—

Derivative liabilities related to the interest rate cap and interest rate swap agreements and power hedge agreement are summarized in note 8 (Derivative Instruments). Fair values are determined by independent brokers using quantitative models based on readily observable market data.

The fair value of restricted stock units is based on quoted market prices of the Company stock at the end of each reporting period.

See note 7 (Debt) for information regarding the fair value of our outstanding debt.

(16) Related Party Transactions

From time to time, the Company enters into transactions in the normal course of business with related parties. Management believes that such transactions are at arm's length and for terms that would have been obtained from unaffiliated third parties.

A current and a former member of the board of directors are affiliated with Marco International. During the three and nine months ended March 31, 2012 and 2011, the Company:

Entered into agreements with Marco International to purchase carbon electrodes and rare earth. Marco International billed \$7,219 and \$6,344 during the three months ended March 31, 2012 and 2011, respectively, and \$16,056 and \$16,209 during the nine months ended March 31, 2012 and 2011, respectively, under these agreements. At March 31, 2012 and June 30, 2011, payables to Marco International under these agreements totaled \$3,615 and \$3,953, respectively.

Entered into an agreement to sell ferrosilicon to Marco International. Net sales were \$192 and \$187 during the three months ended March 31, 2012 and 2011, respectively, and \$576 and \$511 during the nine months ended March 31, 2012 and 2011, respectively, under this agreement.

Entered into an agreement to sell calcium silicon powder to Marco International. Net sales were \$2,011 and \$859 during the three months ended March 31, 2012 and 2011, respectively, and \$4,264 and \$3,354 during the nine months ended March 31, 2012 and 2011, respectively, under this agreement. At March 31, 2012 and June 30, 2011, payables to Marco International under these agreements totaled \$892 and \$0, respectively.

The Company is affiliated with Norchem, Inc. (Norchem) through its 50.0% equity interest. During the three months ended March 31, 2012 and 2011, the Company sold Norchem product valued at \$1,480 and \$1,271, respectively. During the nine months ended March 31, 2012 and 2011, the Company sold Norchem product valued at \$4,298 and \$4,029, respectively. At March 31, 2012 and June 30, 2011, receivables from Norchem totaled \$342 and \$576, respectively.

Prior to the Company's purchase of a majority interest in Ningxia Yonvey Coal Industrial Co., Ltd (Yonvey), Yonvey's predecessor had entered into a lending agreement with the remaining minority stockholder. At March 31, 2012 and June 30, 2011, \$1,115 and \$1,086, respectively, remained payable to Yonvey from this related party.

(17) Operating Segments

Operating segments are based upon the Company's management reporting structure and include the following six reportable segments:

• **GMI** — a manufacturer of silicon metal and silicon-based alloys and a provider of specialty metallurgical coal for the silicon metal and silicon-based alloys industries located in the United States.

• **Globe Metais** — a distributor of silicon metal manufactured in Brazil. This segment includes the historical Brazilian manufacturing operations, comprised of a manufacturing plant in Breu Branco, mining operations, and forest reserves, which were sold on November 5, 2009.

- **Globe Metales** — a manufacturer of silicon-based alloys located in Argentina.
- **Solsil** — a manufacturer of upgraded metallurgical grade silicon metal located in the United States.
- **Corporate** — general corporate expenses, investments, and related investment income.

• **Other** — operations that do not fit into the above reportable segments and are immaterial for purposes of separate disclosure. The operating segments include Yonvey's electrode production operations and certain other distribution operations for the sale of silicon metal and silicon-based alloys.

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Each of our reportable segments distributes its products in both its country of domicile, as well as to other international customers. The following presents the Company's consolidated net sales by product line:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
Silicon metal	\$ 87,653	99,084	\$ 263,103	248,149
Silicon-based alloys	70,039	61,149	198,862	174,120
Other	15,745	12,569	51,881	43,660
Total	\$ 173,437	172,802	\$ 513,846	465,929

a. Segment Data

Summarized financial information for our reportable segments as of, and for, the three and nine months ended March 31, 2012 and 2011, is shown in the following tables:

	Three Months Ended March 31,			Three Months Ended March 31,		
	2012	Income (Loss)		2011	Income (Loss)	
	Net Sales	Operating Income (Loss)	Before Income Taxes	Net Sales	Operating Income (Loss)	Before Income Taxes
GMI	\$ 156,745	22,482	21,329	\$ 155,638	40,625	40,373
Globe Metais	-	-	-	-	449	449
Globe Metales	15,035	2,424	1,879	16,712	4,279	4,160
Solsil	-	(280)	(280)	20	(201)	(201)
Corporate	-	(4,755)	(4,718)	-	(6,723)	(6,768)
Other	7,831	(566)	(617)	7,570	(1,790)	(1,652)
Eliminations	(6,174)	645	645	(7,138)	114	114
Total	\$ 173,437	19,950	18,238	\$ 172,802	36,753	36,475

	Nine Months Ended March 31,				Nine Months Ended March 31,			
	2012	Income (Loss)			2011	Income (Loss)		
	Net Sales	Operating Income (Loss)	Before Income Taxes	Total Assets	Net Sales	Operating Income (Loss)	Before Income Taxes	Total Assets
GMI	\$ 458,212	79,191	76,346	519,321	\$ 392,007	66,866	65,881	519,321
Globe Metais	-	(2)	(2)	52	15,421	377	378	15,421
Globe Metales	48,201	8,845	7,581	83,618	46,455	9,823	9,099	83,618
Solsil	-	(786)	(786)	29,638	9,420	8,876	8,876	29,638

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Corporate	-	(17,239)	(15,963)	364,839	-	(17,763)	(18,135)
Other	22,320	841	507	43,396	24,222	(1,225)	(879)
Eliminations	(14,887)	3,795	3,795	(264,309)	(21,596)	(1,744)	(1,744)
Total	\$ 513,846	74,645	71,478	776,555	\$ 465,929	65,210	63,476

The accounting policies of our operating segments are the same as those disclosed in note 2 (Summary of Significant Accounting Policies) to our June 30, 2011 financial statements. We evaluate segment performance principally based on operating income (loss).

b. Geographic Data

Net sales are attributed to geographic regions based upon the location of the selling unit. Net sales by geographic region for the three and nine months ended March 31, 2012 and 2011 consist of the following:

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2012	2011	2012	2011
United States	\$ 156,694	155,614	\$ 457,969	416,770
Argentina	13,520	13,758	42,219	40,540
China	209	158	2,496	369
Poland	3,014	3,272	11,162	8,250
Total	\$ 173,437	172,802	\$ 513,846	465,929

Long-lived assets by geographical region at March 31, 2012 and June 30, 2011 consist of the following:

	March	
	31, 2012	June 30, 2011
United States	\$ 328,983	224,556
Argentina	31,112	31,054
China	26,924	27,524
Poland	910	823
Total	\$ 387,929	283,957

Long-lived assets consist of property, plant, and equipment, net of accumulated depreciation, depletion and amortization, and goodwill and other intangible assets.

c. Major Customer Data

The following is a summary of the Company's major customers and their respective percentages of consolidated net sales for the three and nine months ended March 31, 2012 and 2011:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
Dow Corning	13%	20%	12%	18%
All other customers	87	80	88	82
Total	100%	100%	100%	100%

The majority of sales to Dow Corning for the three and nine months ended March 31, 2012 and 2011 are associated with Dow Corning's 49% ownership interest in WVA LLC. In addition, the Company maintained a four year arrangement in which Dow Corning was to purchase 30,000 metric tons of silicon metal per calendar year through March 31, 2011. This contract was amended in November 2008 to provide for the sale of an additional 17,000 metric tons of silicon metal to be purchased in calendar year 2009. The contract was further amended to reduce the amount required to be sold in calendar year 2010 to 20,000 metric tons of silicon metal. In December 2010, the Company agreed to pay \$4,276 to Dow Corning to settle certain remaining sales obligations under this contract. The settlement cost was recorded in cost of goods sold in December 2010.

Sales to Dow Corning are included in the GMI segment.

(18) Business Interruption Insurance Recovery

In November 2011, there was a fire at the Bridgeport, Alabama ferrosilicon plant. The Company recorded a business interruption insurance receivable in the amount of \$450 at December 31, 2011, which is included in the line item prepaid expenses and other current assets on our condensed consolidated balance sheets. The insurance receivable was subsequently collected during the third quarter of fiscal year 2012.

(19) Subsequent Events

On April 26, 2012, the Company was declared the winning bidder for certain assets of Becancour Silicon Inc. ("BSI") including its 51% ownership interest in Quebec Silicon Limited Partnership which owns a silicon metal plant in Becancour, Quebec, Canada. The cash purchase price for the acquisition is \$31,875 and it is scheduled to close in June, 2012. The Company previously provided \$4,250 of debtor-in-possession financing to BSI which will be repaid to the Company, plus interest, and applied to the cash purchase price. The acquisition is subject to several conditions including approval by the Ontario Canada Superior Court of Justice (Commercial Division).

The Company has evaluated subsequent events through the date these financial statements were issued.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q contains "forward-looking statements" as that term is used in the Private Securities Litigation Reform Act of 1995. Certain statements made in this quarterly report involve risks and uncertainties. These forward-looking statements reflect the Company's best judgment based on our current expectations, assumptions, estimates, and projections about us and our industry, and although we base these statements on circumstances that we believe to be reasonable when made, there can be no assurance that future events will not affect the accuracy of such forward-looking information. As such, the forward-looking statements are not guarantees of future performance, and actual results may vary materially from the results and expectations discussed in this report. Factors that might cause the Company's actual results to differ materially from those anticipated in forward-looking statements are more fully described in the "Risk Factors" sections contained in our Annual Report on Form 10-K for the fiscal year ended June 30, 2011 and in this Quarterly Report. The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto included elsewhere in this report, as well as the more detailed information in our Annual Report on Form 10-K for the fiscal year ended June 30, 2011.

Introduction

Globe Specialty Metals, Inc., together with its subsidiaries (collectively, "we" or "our") is one of the leading manufacturers of silicon metal and silicon-based alloys. As of March 31, 2012, we owned and operated six principal manufacturing facilities and coal mines, in two primary operating segments: GMI, our U.S. operations and, Globe Metales, our Argentine operations.

Business Segments

We operate in six reportable segments:

• **GMI** — a manufacturer of silicon metal and silicon-based alloys located in the United States with plants in Beverly, Ohio, Alloy, West Virginia, Niagara Falls, New York, Selma, Alabama and Bridgeport, Alabama and a provider of specialty metallurgical coal for the silicon metal and silicon-based alloys industries located in Corbin, Kentucky;

• **Globe Metais** — a distributor of silicon metal manufactured in Brazil. This segment includes the historical Brazilian manufacturing operations, previously comprised of a manufacturing plant in Breu Branco and mining operations and forest reserves, which were all sold on November 5, 2009;

• **Globe Metales** — a manufacturer of silicon-based alloys located in Argentina with a silicon-based alloys plant in Mendoza and a cored-wire fabrication facility in San Luis;

• **Solsil** — a developer and manufacturer of upgraded metallurgical grade silicon metal located in the United States with operations in Beverly, Ohio;

- **Corporate** — a corporate office including general expenses, investments, and related investment income; and

• **Other** — includes an electrode production operation in China (Yonvey) and a cored-wire production facility located in Poland. These operations do not fit into the above reportable segments, and are immaterial for purposes of separate disclosure.

Overview and Recent Developments

Our end markets for silicon metal and silicon-based alloys, which include chemicals, steel, aluminum, foundry and solar, all appear to be improving as the general economy in the U.S. recovers and, in particular, as auto production

grows. For example, the World Steel Association is forecasting steel use in the U.S. to grow by 5.7% this year driven largely by the auto and energy sectors. Shipments in the third quarter increased almost 20% as a result of higher customer demand combined with our ability to produce more material as a result of the restart of the Bridgeport plant after the fire and the completion of the many maintenance and upgrade outages at the end of calendar 2011.

Silicon metal average selling prices declined 10% in the quarter as our annual contracts renewed at lower prices for calendar 2012. Silicon-based alloy average selling prices declined 9% in the quarter due to a mix shift towards ferrosilicon and modest pricing declines in each product.

In January we restarted our Bridgeport, Alabama ferrosilicon plant after extensive repairs from the fire that occurred in the prior quarter. The restart occurred more quickly than expected but we still had more cost and less output in the quarter than normal. Also, in March we operated the plant at a lower production rate to correct elevated temperatures in the electrode columns. We made the necessary upgrades to the columns to correct the condition. We filed a business interruption insurance claim which our insurance carriers are processing. We received a modest advance of \$450,000 in the second quarter, and expect the final claim to be paid by the first quarter of fiscal 2013.

Net sales for the quarter ended March 31, 2012 increased \$7,890,000, or 5%, from the preceding quarter ended December 31, 2011, as a result of an almost 20% increase in tons shipped partially offset by a reduction in average selling price of silicon metal and silicon-based alloys.

The change in the mark-to-market of our power hedge and foreign currency translation negatively impacted pre-tax income by \$899,000. Additionally, we incurred \$1,047,000 of transaction and due diligence-related professional fees in the quarter.

Income before provision for income taxes totaled \$18,238,000 in the quarter ended March 31, 2012, and included the costs of restarting the Bridgeport plant and the curtailment of production in March, the mark-to-market of the power hedge and foreign currency translation and the transaction and due-diligence-related expenses. This compares to income before provision for income taxes in the preceding quarter ended December 31, 2011 of \$20,665,000, which included pre-tax transaction and due diligence costs of \$846,000 and \$5,000,000 of pre-tax impact from the Bridgeport fire.

Outlook

Customer demand continues to recover and we presently have entered into contracts to sell the vast majority of our silicon metal capacity for calendar 2012. Pricing on the silicon metal contracts, however, declined from calendar 2011 levels and, including the approximately forty percent of our volume that was contracted on indexed pricing, averages in the low \$1.40's per pound. The actual price we realize on silicon metal sales during calendar 2012 will vary based on movements in spot prices and the indices. Demand is also improving for our silicon-based alloy business with indications that the two main end users - steel mills and foundries - will be up in 2012. Pricing on the foundry business continues to be at healthy levels but ferrosilicon pricing, despite good fundamentals and recent strength, continues to remain under pressure due to imports at price levels that are difficult to understand based on production costs around the world.

Our furnaces are all presently operating and we expect, as a result of the completion of the planned maintenance and upgrade outages in 2011 and the restart of the Bridgeport plant in January 2012, to modestly lower our production costs and increase output in the fourth quarter. Overall, we expect earnings in the fourth quarter to be approximately equal to the third quarter as a result of higher shipments offset by modestly lower average selling prices. The lower prices are expected to stem from the portion of our silicon metal contracts which are priced on indices.

Critical Accounting Policies

We prepare our financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Management bases our estimates and judgments on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from the estimates used under different assumptions or conditions. We have provided a description of significant accounting policies in the notes to our condensed consolidated financial statements and our Annual Report on Form 10-K for the fiscal year ended June 30, 2011. Our critical accounting policies have not significantly changed from those discussed in “Part II — Item 7. — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies” of our Annual Report on Form 10-K for the fiscal year ended June 30, 2011, except as follows:

Income Taxes

In determining our quarterly provision for income taxes, we use an estimated annual effective tax rate, which is based on our expected annual income, statutory tax rates, and tax planning opportunities available to us in the various jurisdictions in which we operate. Subsequent recognition, derecognition, and measurement of a tax position taken in a previous period are separately recognized in the quarter in which they occur.

Results of Operations

GSM Three Months Ended March 31, 2012 vs. 2011

Consolidated Operations:

	Three Months Ended		Increase (Decrease)	Percentage Change
	2012	March 31, 2011		
(Dollars in thousands)				
Results of Operations				
Net sales	\$ 173,437	172,802	635	0.4%
Cost of goods sold	139,408	121,621	17,787	14.6%
Selling, general and administrative expenses	13,979	14,396	(417)	(2.9%)
Research and development	100	32	68	212.5%
Operating income	19,950	36,753	(16,803)	(45.7%)
Interest expense, net	(1,569)	(497)	(1,072)	215.7%
Other (loss) income	(143)	219	(362)	(165.3%)
Income before provision for income taxes	18,238	36,475	(18,237)	(50.0%)
Provision for income taxes	5,972	12,982	(7,010)	(54.0%)
Net income	12,266	23,493	(11,227)	(47.8%)
Income attributable to noncontrolling interest, net of tax	(653)	(100)	(553)	553.0%
Net income attributable to Globe Specialty Metals, Inc. \$	11,613	23,393	(11,780)	(50.4%)

Net Sales:

	Three Months Ended March 31, 2012			Three Months Ended March 31, 2011		
	Net Sales			Net Sales		
	\$ (in 000s)	MT	\$/MT	\$ (in 000s)	MT	\$/MT
Silicon metal	\$ 87,653	30,210	2,901	\$ 99,084	32,266	3,071
Silicon-based alloys	70,039	30,618	2,287	61,149	27,010	2,264
Silicon metal and silicon-based alloys	157,692	60,828	2,592	160,233	59,276	2,703
Silica fume and other	15,745			12,569		
Total net sales	\$ 173,437			\$ 172,802		

Net sales increased \$635,000 from the prior year to \$173,437,000 primarily as a result of 3% increase in metric tons sold, offset by a 4% decrease in average selling prices. The increase in sales volume was driven by a 13% increase in silicon-based alloys tons sold, while silicon metal tons sold decreased by 6%, resulting in an increase in net sales of \$1,855,000. We experienced a mix shift from silicon metal to silicon-based alloys primarily due to the conversion of one furnace from silicon metal to silicon-based alloys. Silicon-based alloys volume increased as a result of strong demand from the automotive industry.

The average selling price of silicon metal decreased by 6% and the average selling price of silicon-based alloys increased by 1%. The decrease in silicon metal pricing was primarily due to lower pricing on annual calendar 2012 contracts. The slight increase in silicon-based alloys pricing was due to an increase in magnesium ferrosilicon pricing as a result from strong demand from the automotive industry and a pass through of higher rare-earth costs. This impact was offset by lower calcium-silicon pricing due to softened demand from the steel industry.

Other revenue increased by \$3,176,000 primarily due to third party coal sales from the acquisition of Alden, and an increase in by-product pricing.

Cost of Goods Sold:

The \$17,787,000 or 15% increase in cost of goods sold was a result of a 12% increase in our cost per ton sold and a 3% increase in metric tons sold. The increase in cost per ton sold reflects the impact of higher raw material and production costs year over year, and higher production costs at our Bridgeport facility as production returned to normal following its restart on January 17, 2012.

Gross margin represented approximately 20% of net sales in the third quarter of fiscal year 2012 and decreased from 30% in the third quarter of fiscal year 2011, primarily as a result of lower silicon metal pricing, higher production costs, and a shift from higher margin silicon metal to lower margin silicon-based alloys.

Selling, General and Administrative Expenses:

The decrease in selling, general and administrative expenses of \$417,000 or 3% was primarily due a decrease in bonus expense due to a reduction in profitability year over year, offset by the impact of the acquisition of Alden which increased expense by \$589,000.

Net Interest Expense:

Interest expense increased by \$1,072,000 primarily due to debt acquired associated with the acquisition of Alden during the first quarter of fiscal 2012, which resulted in an increase in net interest expense of \$651,000 and a higher average outstanding balance on the senior credit facility during the third quarter of fiscal year 2012.

Other (loss) income:

Other (loss) income decreased by \$362,000 primarily due to the foreign exchange losses from currency fluctuations associated with the Chinese Renminbi, Euro and Polish Zloty.

Provision for Income Taxes:

Provision for income taxes as a percentage of pre-tax income was approximately 33% or \$5,972,000 in the third quarter of fiscal year 2012 and was approximately 36% or \$12,982,000 in the third quarter of fiscal year 2011. The decrease in the effective tax rate is primarily due to reduced state tax rates.

Segment Operations

GMI

	Three Months Ended		Increase (Decrease)	Percentage Change
	2012	March 31, 2011		
(Dollars in thousands)				
Results of Operations				
Net sales	\$ 156,745	155,638	1,107	0.7%
Cost of goods sold	126,541	108,885	17,656	16.2%
Selling, general and administrative expenses	7,722	6,128	1,594	26.0%
Operating income	\$ 22,482	40,625	(18,143)	(44.7%)

Net sales increased \$1,107,000 or 1%, from the prior year to \$156,745,000. The increase was primarily attributable to the acquisition of Alden during the first quarter of fiscal year 2012 which contributed third party coal sales in the third quarter of fiscal year 2012. Additionally, metric tons sold increased by 2%, which was offset by a 4% decrease in average selling average selling price. Silicon metal volume was lower by 6% primarily due to a conversion of one furnace from silicon metal to silicon-based alloys. Silicon-based alloys volume increased primarily as a result of the furnace conversion and strong demand from the automotive industry. Silicon metal pricing decreased by 6% primarily due to lower pricing on annual calendar 2012 contracts. This was offset by an increase in silicon-based alloys pricing which was due to an increase in magnesium ferrosilicon pricing resulting from strong demand from the automotive industry and a pass through of higher rare-earth costs.

Operating income decreased by \$18,143,000 or 45% from the prior year to \$22,482,000. This decrease was primarily due to a decrease in the average selling price and volume of silicon metal. Cost of goods sold increased by 16% while volume only increased by 2%. This caused an increase in the cost per ton sold which reflects higher raw material and production costs year over year, and the carryover impact of the fire at our Bridgeport facility. Cost per ton sold also increased as a result of higher rare earth prices, which were passed on to our customers. Additionally, selling, general and administrative expenses increased due to the impact of Alden which contributed \$589,000 in the third quarter of fiscal year 2012 and higher payroll and benefits related expenses of approximately \$938,000.

Globe Metais

	Three Months Ended		Increase (Decrease)	Percentage Change
	2012	March 31, 2011		
(Dollars in thousands)				
Results of Operations				
Net sales	\$ -	-	-	NA
Cost of goods sold	-	(448)	448	(100.0%)
Selling, general and administrative expenses	-	(1)	1	(100.0%)
Operating income	\$ -	449	(449)	(100.0%)

Net sales remained constant from the prior year at \$0. The lack of sales at Globe Metais was due to the sale of our Brazilian manufacturing operations on November 5, 2009. Subsequent to this divestiture, remaining Globe Metais sales related only to the fulfillment of certain retained customer contracts with product purchased from our former Brazilian manufacturing operations at a purchase price equal to our sales price. These customer contracts were fulfilled at the end of the second quarter of fiscal year 2011, and no further sales will be made under this arrangement.

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Operating income decreased by \$449,000 from the prior year to \$0. The decrease was due to the timing of the sale of our Brazilian manufacturing operations and final material cost adjustments associated with the fulfillment of customer contracts.

Globe Metales

	Three Months Ended		Increase (Decrease)	Percentage Change
	2012	March 31, 2011		
(Dollars in thousands)				
Results of Operations				
Net sales	\$ 15,035	16,712	(1,677)	(10.0%)
Cost of goods sold	11,621	11,473	148	1.3%
Selling, general and administrative expenses	990	960	30	3.1%
Operating income	\$ 2,424	4,279	(1,855)	(43.4%)

Net sales decreased \$1,677,000 or 10% from the prior year to \$15,035,000. This decrease was primarily due to a 6% decrease in average selling price and a 5% decrease in metric tons sold. Pricing decreased on calcium silicon primarily due to weaker demand from the steel market. Overall pricing decreased due to a mix shift from calcium silicon to ferrosilicon, which has lower margin. Volumes decreased primarily due to a softening of certain of our end markets due to uncertainty in Europe.

Operating income decreased by \$1,855,000. The decrease was primarily due lower average selling prices, lower volumes, higher raw material costs including charcoal and rare earth, and a mix shift from calcium silicon to lower margin ferrosilicon.

Solsil

	Three Months Ended		Increase (Decrease)	Percentage Change
	2012	March 31, 2011		
(Dollars in thousands)				
Results of Operations				
Net sales	\$ -	20	(20)	(100.0%)
Cost of goods sold	125	161	(36)	(22.4%)
Selling, general and administrative expenses	55	28	27	96.4%
Research and development	100	32	68	212.5%
Operating loss	\$ (280)	(201)	(79)	39.3%

Net sales decreased from \$20,000 in the prior year to \$0. This decrease was due to the timing of spot shipments of product during the third quarter of fiscal year 2011.

Operating loss increased by \$79,000 from the prior year to \$280,000. The primary driver of this increase was higher research and development cost of \$68,000 as a result of Solsil's enhanced focus on refining its production processes to improve yield and reduce the cost of production.

Corporate

	Three Months Ended		Increase (Decrease)	Percentage Change
	2012	March 31, 2011		
	(Dollars in thousands)			
Results of Operations				
Selling, general and administrative expenses	\$ 4,755	6,723	(1,968)	(29.3%)
Operating loss	\$ (4,755)	(6,723)	1,968	(29.3%)

Operating loss decreased by \$1,968,000 from the prior year to \$4,755,000. Selling, general and administrative expenses decreased by \$1,968,000 year over year primarily due to a decrease in bonus expense of \$849,000 due to decreased profitability year over year and a decrease in transaction related costs of approximately \$303,000.

GSM Nine Months Ended March 31, 2012 vs. 2011

Consolidated Operations:

	Nine Months Ended		Increase (Decrease)	Percentage Change
	2012	March 31, 2011		
	(Dollars in thousands)			
Results of Operations				
Net sales	\$ 513,846	465,929	47,917	10.3%
Cost of goods sold	396,506	361,722	34,784	9.6%
Selling, general and administrative expenses	43,096	38,920	4,176	10.7%
Research and development	103	77	26	33.8%
Business interruption insurance recovery	(450)	-	(450)	NA
Gain on sale of business	(54)	-	(54)	NA
Operating income	74,645	65,210	9,435	14.5%
Interest expense, net	(4,400)	(2,127)	(2,273)	106.9%
Other income	1,233	393	840	213.7%
Income before provision for income taxes	71,478	63,476	8,002	12.6%
Provision for income taxes	23,530	23,479	51	0.2%
Net income	47,948	39,997	7,951	19.9%
Income losses attributable to noncontrolling interest, net of tax	(2,198)	(2,734)	536	(19.6%)
Net income attributable to Globe Specialty Metals, Inc. \$	45,750	37,263	8,487	22.8%

Net Sales:

	Nine Months Ended March 31, 2012			Nine Months Ended March 31, 2011		
	Net Sales			Net Sales		
	\$ (in 000s)	MT	\$/MT	\$ (in 000s)	MT	\$/MT
Silicon metal	\$ 263,103	84,291	3,121	\$ 248,149	91,511	2,712
Silicon-based alloys	198,862	82,128	2,421	174,120	85,384	2,039
Silicon metal and silicon-based alloys	461,965	166,419	2,776	422,269	176,895	2,387
Silica fume and other	51,881			43,660		

Total net sales	\$ 513,846	\$ 465,929
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Net sales increased \$47,917,000 from the prior year to \$513,846,000 primarily as a result of a 16% increase in average selling prices, offset by a 6% decrease in metric tons sold. The increase in average selling prices resulted in an increase in net sales of \$65,914,000 and was due to a 15% increase in silicon metal and a 19% increase in silicon-based alloys. The increase in silicon metal pricing was primarily driven by higher pricing of annual calendar 2011 contracts as well as improved spot pricing in the first nine months of the fiscal year, partially offset by a decline in calendar 2012 contract pricing. The increase in silicon-based alloys pricing was primarily due to an increase in magnesium ferrosilicon pricing resulted from strong demand from the automotive industry and a pass through of higher rare-earth costs. Ferrosilicon and calcium silicon pricing improved as demand improved from the steel industry.

The decrease in metric tons sold resulted in a decrease in net sales of \$26,218,000 and was related to an 8% decline in silicon tons sold and a 4% decline in silicon-based alloys tons sold. This decline in volume was primarily due to the time of the sale of our Brazilian manufacturing operations on November 5, 2009. Subsequent to this divestiture, remaining Globe Metais sales related only to the fulfillment at the end of the second quarter of fiscal year 2011, and no further sales will be made under this arrangement. Additionally, metric tons sold decreased due to uncertainty in Europe and the reduction in solar subsidies which led to the softening of certain of the end markets for silicon metal and silicon-based alloys, and the November 2011 fire at our Bridgeport, Alabama ferrosilicon plant which halted production through the end of the calendar year 2011.

Other revenue increased by \$8,221,000 primarily due to third party coal sales from the acquisition of Alden in the nine months ended March 31, 2012.

Cost of Goods Sold:

The \$34,784,000 or 10% increase in cost of goods sold was a result of a 17% increase in our cost per ton sold, partially offset by a 6% decrease in metric tons sold. The increase in cost per ton sold reflects the impact of the planned major maintenance performed on six of our fourteen domestic furnaces, the costs associated with the fire at our Bridgeport, Alabama ferrosilicon facility, and the impact of higher raw material and production costs year over year.

Gross margin represented approximately 23% of net sales in the nine months ended March 31, 2012, and increased slightly from 22% of net sales during the first nine months of fiscal 2011 primarily as a result of increased average selling prices. The increase in prices was partially offset by the recognition of \$9,400,000 in previously deferred revenue in the prior year period, costs associated with our planned major maintenance at GMI, the fire at our Bridgeport, Alabama ferrosilicon facility, and higher power costs in the first nine months of fiscal year 2012.

Selling, General and Administrative Expenses:

The increase in selling, general and administrative expenses of \$4,176,000 or 11% was primarily due to an increase in bonus expense of \$1,930,000 due to profitability improvements year over year, higher due diligence and transaction-related costs of \$1,288,000, and the impact of Alden which increased expense by \$1,562,000. These increases were offset by a \$1,408,000 decrease in stock based compensation expense due to the completion of vesting of options granted during 2009.

Gain on Sale of Business:

Gain on sales of business for the first nine months of fiscal year 2012 was the result of a subsequent settlement associated with the sale of our Brazilian manufacturing operations on November 5, 2009.

Business Interruption Insurance Recovery:

In the first nine months of fiscal year 2012, we recognized business interruption proceeds of \$450,000.

Net Interest Expense:

Interest expense increased by \$2,273,000 primarily due to debt acquired associated with the acquisition of Alden during the first quarter of fiscal 2012, which resulted in an increase in net interest expense of \$1,586,000. Additionally, a higher average outstanding balance on the senior credit facility during the nine months ended March 31, 2012 resulted in a \$371,000 increase in interest expense as compared to the prior year.

Other income:

Other income increased by \$840,000 primarily due to the foreign exchange gains resulting from the revaluation of long-term reals denominated liabilities, offset by foreign exchange losses due to currency fluctuations associated with the Chinese Renminbi, Euro, and Polish Zloty.

Provision for Income Taxes:

Provision for income taxes as a percentage of pre-tax income was approximately 33% or \$23,530,000 in the first nine months of fiscal year 2012 and was approximately 37% or \$23,479,000 in the first nine months of fiscal year 2011. The decrease in the effective tax rate is primarily due to reduced state tax rates.

Segment Operations

GMI

	Nine Months Ended		Increase (Decrease)	Percentage Change
	2012	March 31, 2011		
	(Dollars in thousands)			
Results of Operations				
Net sales	\$ 458,212	392,007	66,205	16.9%
Cost of goods sold	358,689	308,743	49,946	16.2%
Selling, general and administrative expenses	20,782	16,398	4,384	26.7%
Business Interruption Insurance	(450)	-	(450)	NA
Operating income	\$ 79,191	66,866	12,325	18.4%

Net sales increased \$66,205,000 or 17% from the prior year to \$458,212,000. The increase was primarily attributable to a 17% increase in our average selling price, offset by a 2% decline in metric tons sold. The average selling price for silicon metal increased 14% and was primarily due to higher pricing of the annual calendar 2011 contracts and improved spot pricing in the second quarter of fiscal year 2012. The average selling price for silicon-based alloys increased 21% primarily due to an increase in magnesium ferrosilicon pricing driven by strong demand from the automotive industry and a pass through of higher rare-earth costs. Ferrosilicon pricing improved as demand improved from the steel industry. Silicon-based alloys volumes decreased 4% primarily due to the fire at our Bridgeport, Alabama ferrosilicon facility which halted production through the end of the calendar year 2011. Silicon metal volume decreased 1% primarily due to major maintenance on six of the fourteen domestic furnaces in the second quarter of fiscal year 2012. Additionally, the acquisition of Alden during the first quarter of fiscal year 2012 contributed to the increase in net sales in the first nine months of fiscal year 2012.

Operating income increased by \$12,325,000 from the prior year quarter to \$79,191,000. This increase was primarily due to higher average selling prices for silicon metal and silicon-based alloys. Cost of goods sold increased by 16% due to the impact of the fire at our Bridgeport facility, the planned major maintenance, and higher rare earth and power costs at GMI year over year, partially offset by 2% decrease in volume. These cost increases were partially

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offset by the impact of \$4,300,000 of expense related to the satisfaction of the long-term supply contract in the second quarter of fiscal year 2011. Additionally, selling, general and administrative expenses increased as a result from the Alden acquisition during the first quarter of fiscal year 2012 which contributed \$1,562,000 in the first nine months of fiscal year 2012.

Globe Metais

	Nine Months Ended		Increase (Decrease)	Percentage Change
	2012	March 31, 2011		
(Dollars in thousands)				
Results of Operations				
Net sales	\$ -	15,421	(15,421)	(100.0%)
Cost of goods sold	-	14,973	(14,973)	(100.0%)
Selling, general and administrative expenses	2	71	(69)	(97.2%)
Operating (loss) income	\$ (2)	377	(379)	(100.5%)

Net sales decreased \$15,421,000 from the prior year to \$0. The decrease was due to the timing of the sale of our Brazilian manufacturing operations on November 5, 2009. Subsequent to this divestiture, remaining Globe Metais sales related only to the fulfillment of certain retained customer contracts with product purchased from our former Brazilian manufacturing operations at a purchase price equal to our sales price. These customer contracts were fulfilled at the end of the second quarter of fiscal year 2011, and no further sales will be made under this arrangement.

Operating (loss) income decreased by \$379,000 from the prior year to (\$2,000). The decrease was due to the timing of the sale of our Brazilian manufacturing operations. Selling, general and administrative expenses decreased by \$69,000 primarily due to the timing of the sale of our Brazilian manufacturing operations on November 5, 2009.

Globe Metales

	Nine Months Ended		Increase (Decrease)	Percentage Change
	2012	March 31, 2011		
(Dollars in thousands)				
Results of Operations				
Net sales	\$ 48,201	46,455	1,746	3.8%
Cost of goods sold	36,374	33,928	2,446	7.2%
Selling, general and administrative expenses	2,982	2,704	278	10.3%
Operating income	\$ 8,845	9,823	(978)	(10.0%)

Net sales increased \$1,746,000 or 4% from the prior year nine month period to \$48,201,000. This increase was primarily attributable to a 12% increase in average selling prices offset by a 7% decrease in metric tons sold. Pricing increased on calcium silicon and magnesium ferrosilicon due to improving demand, especially in the steel and automotive markets. Volumes decreased primarily due to a softening of certain of our end markets due to uncertainty in Europe and the timing of shipments.

Operating income decreased by \$978,000 from the prior year to \$8,845,000. The decrease was primarily due to higher raw material costs including charcoal and rare earth and a mix shift from calcium silicon to lower margin ferrosilicon, offset by higher average selling prices.

Solsil

	Nine Months Ended		Increase (Decrease)	Percentage Change
	2012	March 31, 2011		
	(Dollars in thousands)			
Results of Operations				
Net sales	\$ -	9,420	(9,420)	(100.0%)
Cost of goods sold	402	331	71	21.5%
Selling, general and administrative expenses	281	136	145	106.6%
Research and development	103	77	26	33.8%
Operating (loss) income	\$ (786)	8,876	(9,662)	(108.9%)

Net sales decreased from \$9,420,000 in the prior year to \$0. This decrease was due to the termination of a technology license, joint development and supply agreement with BP Solar during the second quarter of fiscal year 2011 and the related recognition of \$9,400,000 in previously deferred revenue associated with this agreement.

Operating (loss) income decreased by \$9,662,000 from the prior year to (\$786,000). The primary driver of this decrease was the recognition of \$9,400,000 in previously deferred revenue as the BP Solar technology license, joint development and supply agreement was terminated during the second quarter of fiscal year 2011.

Corporate

	Nine Months Ended		Increase (Decrease)	Percentage Change
	2012	March 31, 2011		
	(Dollars in thousands)			
Results of Operations				
Selling, general and administrative expenses	\$ 17,293	17,763	(470)	(2.6%)
Gain on sale of business	(54)	-	(54)	NA
Operating loss	\$ (17,239)	(17,763)	524	(2.9%)

Operating loss decreased by \$524,000 from the prior year to \$17,239,000. Selling, general and administrative expenses decreased by \$470,000 year over year primarily due to an increase in bonus expense of \$1,476,000, due to profitability improvement year over year, partially offset by a decrease of \$1,408,000 in stock based compensation expense primarily due to the completion of vesting of options granted during 2009 and a decrease in audit fees of \$390,000.

Liquidity and Capital Resources

Sources of Liquidity

Our principal source of liquidity is our cash flows from operations. At March 31, 2012, our cash and cash equivalents balance was approximately \$140,655,000. Our subsidiaries borrow funds in order to finance capital expansion programs. The terms of certain of those financing arrangements place restrictions on distributions of funds to us, however, we do not expect this to have an impact on our ability to meet our cash obligations. We believe we have access to adequate resources to meet our needs for normal operating costs, capital expenditure, mandatory debt redemptions, and working capital for our existing business. These resources include cash and cash equivalents, cash provided by operating activities, and unused lines of credit. Given the current uncertainty in the financial markets, our ability to access capital and the terms under which we can do so may change. Should we be required to raise capital in

this environment, potential outcomes might include higher borrowing costs, less available capital, more stringent terms and tighter covenants, or in extreme conditions, an inability to raise capital. Our ability to satisfy debt service obligations, to fund planned capital expenditures, and make acquisitions will depend upon our future operating performance, which will be affected by prevailing economic conditions in our industry as well as financial, business and other factors, some of which are beyond our control.

See Long-Term Debt for a summary of our long-term debt agreements.

Cash Flows

The following table is a summary of consolidated cash flows:

	Nine Months Ended March 31,	
	2012	2011
	(Dollars in thousands)	
Cash and cash equivalents at beginning of period	\$ 166,208	157,029
Cash flows provided by operating activities	47,671	42,673
Cash flows used in investing activities	(111,519)	(43,249)
Cash flows provided by (used in) financing activities	38,348	(697)
Effect of exchange rate changes on cash	(53)	(443)
Cash and cash equivalents at end of period	\$ 140,655	155,313

Operating Activities:

Our business is cyclical and cash flows from operating activities may fluctuate during the year and from year-to-year due to economic conditions.

Net cash provided by operating activities was \$47,671,000 and \$42,673,000 during the first nine months of fiscal years 2012 and 2011, respectively. The \$4,998,000 increase in net cash provided by operating activities was due to improved operating results, partially offset by increased net working capital during the first nine months of fiscal year 2012 compared with the first nine months of fiscal year 2011. Accounts receivable increased due to high shipment levels at the end of the nine month period ended March 31, 2012. Accounts payables decreased because of lower purchases at the end of the period due to the completion of expenses associated with major maintenance and higher capital expenditure during calendar 2011. These year over year increases in cash used were offset by a lower electrode inventory levels.

Investing Activities:

Net cash used in investing activities was approximately \$111,519,000 and \$43,249,000 during the first nine months of fiscal years 2012 and 2011, respectively. In the first nine months of fiscal year 2012, \$73,194,000 of cash was used in the acquisition of Alden Resources LLC. Year over year capital expenditures increased from approximately \$26,776,000 to \$38,325,000 due to furnace overhauls at our GMI plants and the purchase and refurbishment of equipment at Alden Resources during the first nine months of fiscal year 2012.

Financing Activities:

Net cash provided by (used in) financing activities was approximately \$38,348,000 and (\$697,000) during the first nine months of fiscal years 2012 and 2011, respectively. Net borrowings of approximately \$55,309,000 of long-term and short-term debt occurred during the first nine months of fiscal year 2012, as compared to net borrowings of

\$6,452,000 in the first nine months of fiscal 2011. The net borrowings during the first nine months of fiscal year 2012 included \$55,000,000 for the acquisition of Alden Resources, LLC. A dividend payment of \$15,007,000 and \$11,269,000 was paid to our common stockholders during the first nine months of fiscal year 2012 and 2011, respectively. The exercise of stock options contributed \$195,000 and \$4,989,000 during the first nine months of fiscal year 2012 and 2011, respectively.

Exchange Rate Changes on Cash:

The effect of exchange rate changes on cash was related to fluctuations in renminbi, the functional currency of our Chinese subsidiary.

Commitments and Contractual Obligations

Our commitments and contractual obligations have not changed significantly from those disclosed in “Part II — Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Commitments and Contractual Obligations” of our Annual Report on Form 10-K for the fiscal year ended June 30, 2011.

Off-Balance Sheet Arrangements

We do not have any material off-balance sheet arrangements or relationships with unconsolidated entities of financial partnerships, such as entities often referred to as structured finance or special purpose entities.

Litigation and Contingencies

We are subject to various lawsuits, investigations, claims, and proceedings that arise in the normal course of business, including, but not limited to, employment, commercial, environmental, safety and health matters, as well as claims associated with our historical acquisitions and divestitures. Although it is not presently possible to determine the outcome of these matters, in the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on our consolidated financial position, results of operations, or liquidity.

At March 31, 2012 and June 30, 2011, there are no significant liabilities recorded for environmental contingencies. With respect to the cost for ongoing environmental compliance, including maintenance and monitoring, such costs are expensed as incurred unless there is a long-term monitoring agreement with a governmental agency, in which case a liability is established at the inception of the agreement.

Subsequent to March 31, 2012, the Company suspended its plans to build a silicon metal plant in Iceland. The Company’s joint venture partner asserted that the Company’s actions constitute breaches of various agreements. Management is of the opinion that the joint venture partner’s claims are without merit and the Company will prevail if the joint venture partner files a lawsuit. The Company is unable to estimate the possible loss or range of loss at this early stage of the matter.

Long-Term Debt

Long-term debt comprises the following:

	March 31, 2012	June 30, 2011
	(Dollars in thousands)	
Senior term loan	\$ 50,000	—
Less current portion of long-term debt	(22,222)	—
Long-term debt, net of current portion	\$ 27,778	—

Term Loan — The Company’s subsidiary, GBG Holdings, LLC, entered into a three-year term loan in an aggregate principal amount of \$50,000 during July 2011. Interest on the term loan accrues at LIBOR plus an applicable margin

percentage. Principal payments are due in quarterly installments of approximately \$5,556, commencing on June 30, 2012, and the unpaid principal balance is due in full in June 2014, subject to certain mandatory prepayments. The interest rate on this loan is 2.94% at March 31, 2012, which is equal to LIBOR plus an applicable margin. The term loan is secured by substantially all of the assets of GBG Holdings, LLC and is subject to certain restrictive and financial covenants, which include a minimum fixed charge coverage ratio, maximum leverage ratio, minimum current ratio, minimum tangible net worth, minimum cash balance and maximum gearing ratio limits. The Company was in compliance with the loan covenants at March 31, 2012.

Accounting Pronouncements to be Implemented

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income (ASU 2011-05). The objective of this amendment is to increase the prominence of other comprehensive income in the financial statements. The amendments require entities to report components of net income and the components of other comprehensive income either in a continuous statement of comprehensive income or in two separate but consecutive statements. Additionally, the amendments in ASU 2011-05 require an entity to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income are presented. In December 2011, the FASB issued Accounting Standards Update No. 2011-12, which deferred the specific requirements related to the presentation of reclassification adjustments. This amendment is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. We expect the adoption of this ASU will affect financial statement presentation only.

In September 2011, FASB issued Accounting Standards Update No. 2011-08, Testing Goodwill for Impairment (ASU 2011-08), which amends the guidance in ASC 350-20. The amendments in ASU 2011-08 provide entities with the option of performing a qualitative assessment before performing the first step of the two-step impairment test. If entities determine, on the basis of qualitative factors, it is not more likely than not that the fair value of the reporting unit is less than the carrying amount, then performing the two-step impairment test would be unnecessary. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit. If the carrying amount of a reporting unit exceeds its fair value, then the entity is required to perform the second step of the goodwill impairment test to measure the amount of the impairment loss, if any. ASU 2011-08 also provides entities with the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to the first step of the two-step impairment test. ASU 2011-08 is effective for interim and annual periods beginning after December 15, 2011 but early adoption is permitted. The Company does not expect material financial statement implications relating to the adoption of this ASU.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our market risks have not changed significantly from those disclosed in “Part II — Item 7A. — Quantitative and Qualitative Disclosures About Market Risk” of our Annual Report on Form 10-K for the fiscal year ended June 30, 2011.

Item 4. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer (our Principal Executive Officer and Principal Financial Officer, respectively), we have evaluated our disclosure controls and procedures (as defined in Securities Exchange Act Rule 13a-15(e)) as of March 31, 2012. Based upon that evaluation, our Principal Executive Officers and Principal Financial Officer have concluded that our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the period covered by the report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. Legal Proceedings

In the ordinary course of business, we are subject to periodic lawsuits, investigations, claims, and proceedings, including, but not limited to, contractual disputes, employment, environmental, health and safety matters, as well as claims associated with our historical acquisitions and divestitures. Although we cannot predict with certainty the ultimate resolution of lawsuits, investigations, claims, and proceedings asserted against us, we do not believe any currently pending legal proceeding to which we are a party will have a material adverse effect on our business, prospects, financial condition, cash flows, results of operations or liquidity.

Item 1A. Risk Factors

A description of the risks associated with our business, financial condition, and results of operations is set forth in “Part I — Item 1A. — Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended June 30, 2011. There have been no material changes in our risks from such description.

Item 4. Mine Safety Disclosure

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulations S-K (17 CFR 229.104) is included in exhibit 95 to the quarterly report.

Item 6. Exhibits

Exhibit Number	Description of Document
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002†
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002†
32.1	Certification of the Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002†
95	Mine Safety Disclosure†
101	The following materials from our Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 formatted in eXtensible Business Reporting Language (“XBRL”): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Income, (iii) the Condensed Consolidated Statements of Changes in Stockholders’ Equity, (iv) the Condensed Consolidated Statements of Cash Flows, and (v) notes to these consolidated financial statements. *

† Filed herewith.

* In accordance with Rule 406T of Regulation S-T, the XBRL related documents in Exhibit 101 to this Quarterly Report on Form 10-Q are deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or Section 12 of the Securities Act of 1933, as amended; are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended; and otherwise are not subject to liability under those Sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Globe Specialty Metals, Inc.
(Registrant)

By: /s/ Jeff Bradley
Jeff Bradley
Chief Executive Officer

By: /s/ Malcolm Appelbaum
Malcolm Appelbaum
Chief Financial Officer

May 9, 2012

