GLOBE SPECIALTY METALS, INC.
AND SUBSIDIARY COMPANIES

Consolidated Financial Statements

June 30, 2008 and 2007

(With Report of Independent Registered Public Accounting Firm Thereon)

GLOBE SPECIALTY METALS, INC.
AND SUBSIDIARY COMPANIES

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Consolidated Balance Sheets	2
Consolidated Income Statement	3
Consolidated Statements of Changes in Stockholders' Equity	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6

KPMG LLP
Suite 500
191 West Nationwide Boulevard
Columbus, OH 43215-2568

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Globe Specialty Metals, Inc.:

We have audited the accompanying consolidated balance sheets of Globe Specialty Metals, Inc. and subsidiary companies (the Company) as of June 30, 2008 and 2007, and the related consolidated statements of income, changes in stockholders equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Globe Specialty Metals, Inc. and subsidiary companies as of June 30, 2008 and 2007, and the results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Columbus, Ohio
October 31, 2008

KPMG LLP, a U.S. limited liability partnership, is the U.S.
member firm of KPMG International, a Swiss cooperative.

GLOBE SPECIALTY METALS, INC.
AND SUBSIDIARY COMPANIES

Consolidated Balance Sheets
June 30, 2008 and 2007
(In thousands, except share and per share amounts)

	2008	2007
Assets		
Current assets:		
Cash and cash equivalents	$ 73,994	67,741
Accounts receivable, net of allowance for doubtful accounts of $1,021 and $116 at June 30, 2008 and 2007, respectively	53,801	38,092
Inventories	63,568	39,093
Prepaid expenses and other current assets	25,223	10,350
Total current assets	216,586	155,276
Property, plant, and equipment, net of accumulated depreciation	180,659	149,648
Goodwill	107,257	48,527
Other intangible assets	16,884	8,602
Investments in affiliates	7,965	7,552
Deferred tax assets	2,720	9,486
Other assets	16,103	10,252
Total assets	$548,174	389,343
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 40,493	40,495
Current portion of long-term debt	17,045	6,370
Short-term debt	20,140	23,450
Accrued expenses and other current liabilities	26,841	15,321
Total current liabilities	104,519	85,636
Long-term liabilities:		
Long-term debt	52,020	46,057
Deferred tax liabilities	22,756	19,591
Other long-term liabilities	22,642	15,438
Total liabilities	201,937	166,722
Commitments and contingences (note 15)		
Minority interest	3,956	—
Stockholders' equity:		
Common stock, $0.0001 par value. Authorized 150,000,000 shares; issued and outstanding 63,050,416 and 56,672,188 shares at June 30, 2008 and 2007, respectively	6	5
Additional paid-in capital	296,137	211,861
Retained earnings	46,641	10,178
Accumulated other comprehensive (loss) income	(503)	577
Total stockholders' equity	342,281	222,621
Total liabilities and stockholders' equity	$548,174	389,343

See accompanying notes to consolidated financial statements.

GLOBE SPECIALTY METALS, INC.
AND SUBSIDIARY COMPANIES

Consolidated Income Statements
Years ended June 30, 2008 and 2007
(In thousands, except per share amounts)

	2008	2007
Net sales	$452,639	221,928
Cost of goods sold	345,165	184,122
Selling, general, and administrative expenses	49,610	18,541
Research and development	901	120
Operating income	56,963	19,145
Other income (expense):		
Interest income	2,626	5,851
Interest expense, net of capitalized interest of $255 and $66, respectively	(9,652)	(5,228)
Foreign exchange gain	642	688
Other income (expense)	1,099	(807)
Income before provision for income taxes, deferred interest attributable to common stock subject to redemption, and losses attributable to minority interest	51,678	19,649
Provision for income taxes	15,936	7,047
Net income before deferred interest attributable to common stock subject to redemption, and losses attributable to minority interest	35,742	12,602
Deferred interest attributable to common stock subject to redemption	—	(768)
Losses attributable to minority interest	721	—
Net income attributable to common stock	$ 36,463	11,834
Weighted average shares outstanding:		
Basic	58,982	46,922
Diluted	72,954	50,231
Earnings per common share:		
Basic	$ 0.62	0.25
Diluted	0.50	0.24

See accompanying notes to consolidated financial statements.

GLOBE SPECIALTY METALS, INC.
AND SUBSIDIARY COMPANIES

Consolidated Statements of Changes in Stockholders' Equity
Years ended June 30, 2008 and 2007
(In thousands)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance at June 30, 2006	41,358	$ 4	149,005	1,601	—	150,610
Shares issued in acquisition of Globe Metallurgical, Inc.	8,642	1	47,960	—	—	47,961
Retirement of shares converted or redeemed	(7,529)	(1)	(4,561)	—	—	(4,562)
Cash dividend paid	—	—	—	(3,257)	—	(3,257)
Warrants exercised	14,201	1	19,457	—	—	19,458
Comprehensive income:						
Pension liability adjustment (net of income taxes of $316)	—	—	—	—	516	516
Unrealized gain on available for sale securities (net of income taxes of $32)	—	—	—	—	61	61
Net income attributable to common stock	—	—	—	11,834	—	11,834
Total comprehensive income						12,411
Balance at June 30, 2007	56,672	5	211,861	10,178	577	222,621
Warrants exercised	700	—	3,497	—	—	3,497
UPOs exercised	50	—	—	—	—	—
Shares issued in acquisition of Solsil, Inc.	5,629	1	72,091	—	—	72,092
Share-based compensation	—	—	8,688	—	—	8,688
Comprehensive income:						
Foreign currency translation adjustment	—	—	—	—	71	71
Pension liability adjustment (net of income tax benefit of $686)	—	—	—	—	(1,117)	(1,117)
Unrealized loss on available for sale securities (net of income tax benefit of $17)	—	—	—	—	(34)	(34)
Net income attributable to common stock	—	—	—	36,463	—	36,463
Total comprehensive income						35,383
Balance at June 30, 2008	63,051	$ 6	296,137	46,641	(503)	342,281

See accompanying notes to consolidated financial statements.

GLOBE SPECIALTY METALS, INC.
AND SUBSIDIARY COMPANIES

Consolidated Statements of Cash Flows
Years ended June 30, 2008 and 2007
(In thousands)

	2008	2007
Cash flows from operating activities:		
Net income attributable to common stock	$ 36,463	11,834
Adjustments to reconcile net income attributable to common stock to net cash provided by operating activities:		
Depreciation and amortization of intangible assets	19,339	10,641
Amortization of customer contracts liability	(3,039)	(3,849)
Share-based compensation	8,176	512
Losses attributable to minority interest	(721)	—
Loss (gain) on sale of assets	100	(2)
Deferred taxes	2,265	306
Deferred interest attributable to common stock subject to redemption	—	768
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable, net	(18,173)	515
Inventories	(17,730)	(2,650)
Prepaid expenses and other current assets	(5,993)	(2,193)
Accounts payable	(2,381)	1,308
Accrued expenses and other current liabilities	8,930	5,416
Other	4,970	(3,933)
Net cash provided by operating activities	32,206	18,673
Cash flows from investing activities:		
Capital expenditures	(22,357)	(8,629)
Purchase of held-to-maturity treasury securities	(2,987)	—
Acquisition of businesses, net of cash acquired of $1,319 and $6,750 during the years ended June 30, 2008 and 2007, respectively	246	(104,894)
Note receivable from Solsil, Inc.	(1,500)	—
Investments in affiliates	(10)	(5,963)
Purchase of investments held in trust	—	(3,038)
Funds released from trust	—	190,192
Net cash (used in) provided by investing activities	(26,608)	67,668
Cash flows from financing activities:		
Proceeds from warrants exercised	3,497	19,458
Net borrowings of long-term debt	13,722	1,544
Net (payments) borrowings of short-term debt	(15,247)	5,431
Solsil, Inc. common share issuance	509	—
Dividends paid	—	(3,257)
Purchase of redeemed shares	—	(42,802)
Other financing activities	(1,876)	(970)
Net cash provided by (used in) financing activities	605	(20,596)
Effect of exchange rate changes on cash and cash equivalents	50	—
Net increase in cash and cash equivalents	6,253	65,745
Cash and cash equivalents at beginning of period	67,741	1,996
Cash and cash equivalents at end of period	$ 73,994	67,741
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 7,091	4,166
Cash paid for income taxes	13,833	4,685

See accompanying notes to consolidated financial statements.

(1) Organization and Business Operations

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

GSM was incorporated in Delaware on December 23, 2004, under the name International Metal Enterprises, Inc., to serve as a vehicle for the acquisition of operating companies in the metals and mining industry.

On November 13, 2006, the Company acquired 100% of the outstanding stock of Globe Metallurgical, Inc. (GMI), a manufacturer of silicon metal and silicon-based alloys. GMI owns and operates plants in Ohio, West Virginia and Alabama. GMI also owns a currently idle silicon metal and ferroalloy manufacturing plant located in Niagara Falls, New York. GMI's products are sold primarily to the silicone chemical, aluminum, metal casting, and solar cell industries, primarily in the United States, Canada and Mexico. GMI also owns 50% of the outstanding stock of Norchem, Inc. (Norchem). Norchem manufactures and sells additives that enhance the durability of concrete, refractory material and oil well conditioners. GMI sells silica fume (also known as microsilica), a by-product of its ferrosilicon metal and silicon metal production process, to Norchem as well as other companies.

On November 20, 2006, the Company acquired 100% of the outstanding stock of Stein Ferroaleaciones S.A. (SFA), an Argentine manufacturer of silicon-based alloys, and SFA's two affiliates, UltraCore Polska Sp.z.o.o. (UCP), a Polish manufacturer of cored wire alloys, and Ultra Core Corporation (UCC), a U.S.-based alloy distributor (collectively, Stein). SFA, incorporated in Argentina in 1974, is among Latin America's leading producers of silicon-based specialty alloys. Headquartered in Buenos Aires, Argentina, it operates an alloy manufacturing plant in Mendoza province, Argentina and cored wire packing plants in San Luis province, Argentina and Police, Poland. Stein's products are important ingredients in the manufacturing of steel, ductile iron, machine and auto parts and pipe. SFA has been renamed Globe Metales S.A. (Metales).

On January 31, 2007, the Company acquired 100% of the outstanding stock of Camargo Correa Metais S.A. (CCM), one of Brazil's largest producers of silicon metal and silica fume. CCM has been renamed Globe Metais Indústria e Comércio S.A. (Globe Metais). Globe Metais operates a manufacturing facility located in Breu Branco, Para, Brazil. It also operates quartzite mining and forest reserves operations in Para, Brazil. Through our Brazilian operations, we are one of Brazil's largest producers of silicon metal and silica fume, raw materials used in the chemical, metallurgical, semiconductors, cement and firebrick industries. The silicon metal produced at our Brazilian facility supplies industries worldwide.

On February 29, 2008, the Company completed the acquisition of approximately 81% of Solsil, Inc. (Solsil). Solsil is engaged in the production of upgraded metallurgical grade silicon manufactured through a proprietary metallurgical process for use in photovoltaic (solar) cells. Solsil supplies its silicon to several leading global manufacturers of photovoltaic cells, ingots and wafers, and the acquisition will allow the Company to become a significant supplier in the higher purity solar-grade silicon market.

On May 15, 2008, the Company entered into a business combination which provided an ownership interest of approximately 58% of Ningxia Yongvey Coal Industrial Co., Ltd (Yongvey). Yongvey is a producer of carbon electrodes, an important input in the silicon metal production process. Prior to the business combination, Yongvey's predecessor was one of the Company's electrode suppliers. Yongvey's operations are located in Chonggang Industrial Park, Shizuishan in the Ningxia Hiu Autonomous Region of China.

See note 3 (Business Combinations) for additional information regarding the GMI, Stein, CCM, Solsil, and Yongvey business combinations.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation and Principles of Consolidation

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). When the Company does not have a controlling interest in an entity, but exerts significant influence over the entity, the Company applies the equity method of accounting. For investments in which the Company owns less than 20% of the voting shares and does not have significant influence, the cost method of accounting is used.

The Company also evaluates the consolidation of entities under Financial Accounting Standards Board (FASB) Interpretation No. 46, *Consolidation of Variable Interest Entities* (FIN 46). FIN 46 requires management to evaluate whether an entity or interest is a variable interest entity and whether the Company is the primary beneficiary. Consolidation is required if both of these criteria are met. The Company does not have any variable interest entities requiring consolidation.

All intercompany balances and transactions have been eliminated in consolidation.

Certain reclassifications have been made to prior year amounts to conform to current year presentation.

(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 consolidated financial statements and related notes. Significant estimates and assumptions in these consolidated financial statements include valuation allowances for 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, asset retirement obligations, income taxes and deferred tax valuation allowances, valuation of derivative instruments, the determination of discount and other rate assumptions 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. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be different from these estimates.

(c) Revenue Recognition

Revenue is recognized 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 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 sales in the consolidated income statements.

(d) Foreign Currency Translation

The determination of the functional currency for the Company's foreign subsidiaries is made based on appropriate economic factors, including the currency in which the subsidiary sells its products, the sales market in which the subsidiary operates, and the currency in which the subsidiary's financing is denominated.

Based on these factors, management has determined that the U.S. dollar is the functional currency for Metales and Globe Metais. The functional currency for Yongvey is the Chinese Renminbi. Yongvey's assets and liabilities are translated using current exchange rates in effect at the balance sheet date and for income and expense accounts using average exchange rates. Resulting translation adjustments are reported as a separate component of stockholders' equity. Translation gains and losses are recognized on transactions in currencies other than the U.S. dollar and included in the consolidated income statements for the period in which the exchange rates changed.

(e) Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments that are readily convertible into cash. Securities with contractual maturities of three months or less, when purchased, are cash equivalents. The carrying amount of these securities approximates fair value because of the short-term maturity of these instruments.

Refer to note 3 (Business Combinations) and note 16 (Stockholders' Equity) for supplemental disclosures of noncash investing and financing activities.

(f) Inventories

Inventories are stated at the lower of cost or market value. Cost is determined by the first-in, first-out method or the average cost method.

(g) 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 follow:

	Range of Useful Lives
Asset type:	
Land improvements and land use rights	20 to 36 years
Buildings	35 to 40 years
Manufacturing equipment	5 to 25 years
Furnaces	10 to 20 years
Other	3 to 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.

(h) Business Combinations

When the Company acquires a business, the purchase price is allocated to the tangible assets, identifiable intangible assets and liabilities acquired. Any residual purchase price is recorded as goodwill. If the fair value of the net assets acquired exceeds the purchase price and any contingent considerations issuable, the resulting negative goodwill is allocated as a pro rata reduction of the values of acquired non-monetary assets. Management generally engages independent third-party appraisal firms to assist in determining the fair values of assets acquired. Such a valuation requires management to make significant estimates, especially with respect to intangible assets. These estimates are based on historical experience and information obtained from

the management of the acquired companies. These estimates can include, but are not limited to, the cash flows that an asset is expected to generate in the future, the appropriate weighted average cost of capital, and the cost savings expected to be derived from acquiring an asset. These estimates are inherently uncertain. For all acquisitions, operating results are included in the consolidated income statements from the date of acquisition.

(i) Goodwill and Other Intangible Assets

Goodwill is the excess of cost of an acquired entity over the amounts assigned to assets acquired and liabilities assumed in a business combination. In accordance with Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets,* goodwill is tested for impairment annually at the end of the third quarter, and will be tested for impairment between annual tests if an event occurs or circumstances change that more likely than not would indicate the carrying amount may be impaired. Impairment testing for goodwill is done at a reporting unit level. Reporting units are one level below the operating segment level and are aligned with our geographical regions. Goodwill relates and is assigned directly to a specific reporting unit. An impairment loss generally would be recognized when the carrying amount of the reporting unit's net assets exceeds the estimated fair value of the reporting unit. Refer to note 3 (Business Combinations) and note 8 (Goodwill and Other Intangibles) for additional information.

Other intangible assets include electricity and other supplier contracts, customer relationships, trade names and other intangible assets acquired from an independent party. Except for trade names, our intangible assets have a definite life and are amortized on a straight-line basis over their estimated useful lives as follows:

	Range of Useful Lives
Asset type:	
Electricity contracts	3 to 11 years
Unpatented technology	10 years
Supplier contracts	2 years
Customer relationships	1 year
Software	1 year

Trade names have indefinite lives and are not amortized but rather tested annually for impairment and written down to fair value as required.

(j) Impairment of Long-Lived Assets

In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* the Company reviews the recoverability of its long-lived assets, such as plant and equipment and definite-lived intangible assets, when events or changes in circumstances occur that indicate that the carrying value of the asset or asset group may not be recoverable. The assessment of possible impairment is based on the Company's ability to recover the carrying value of the asset or asset group from the expected future pre-tax cash flows (undiscounted and without interest charges) of the related operations. The Company assesses the recoverability of the carrying value of long-lived assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. If these cash flows are less than the carrying value of such asset or asset group, an impairment loss is measured based on the difference between estimated fair value and carrying value. Assets to be disposed are written-down to the greater of their fair

value or salvage value. Fair values are based on assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates, reflecting varying degrees of perceived risk.

(k) Share-Based Compensation

Effective July 1, 2006, the Company adopted the provisions of SFAS No. 123 (revised 2004), *Share-Based Payment* (SFAS 123(R)) as no share-based compensation awards were granted prior to July 1, 2006. The Company recognizes compensation expense based on the estimated grant date fair value using the Black-Scholes option-pricing model. Prior to vesting, cumulative compensation cost equals the proportionate amount of the award earned to date. The Company has elected to treat each award as a single award and recognize compensation cost on a straight-line basis over the requisite service period of the entire award.

Prior to March 30, 2008, awards were liability-classified given net cash settlement provisions contained in the Company's stock option plan and awards were required to be remeasured to fair value each reporting period. Effective March 30, 2008, the Company agreed to amend the terms of its share-based compensation plan to remove the cash settlement provisions. Based on this amendment, all outstanding awards were converted from liability-classified awards to equity-classified awards. In accordance with SFAS 123(R), when a liability-classified award is modified so that it becomes equity-classified without changing any of the other terms of the award, the fair value of the award at the date of the modification becomes its measurement basis from that point forward. Additionally, as of the date of modification, the Company reclassified its accumulated liability for share-based compensation from other long-term liabilities to additional paid-in capital.

Refer to note 18 (Share-Based Compensation) for further information on the Company's accounting for share-based compensation.

(l) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

(m) Financial Instruments

The Company accounts for derivatives and hedging activities in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Certain Hedging Activities*, (SFAS 133), as amended by SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities.* SFAS 133 requires that all derivative instruments be recorded on the balance sheet at their respective fair values. The Company's sole derivative instrument consists of an interest rate swap employed to manage interest rate exposures on 50% of the original Senior Term Loan discussed in note 10 (Debt).

(n) Fair Value of Financial Instruments

Management believes that the carrying values of financial instruments, including cash and cash equivalents, accounts receivable, marketable securities, accounts payable, and accrued expenses and other

current liabilities approximate fair value as a result of the short-term maturities of these instruments. We believe the recorded carrying values of our debt balances approximate fair value given the majority of our debt is at variable rates tied to market indicators or short-term in nature.

(o) Recently Implemented Accounting Pronouncements

In February 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments — an amendment of FASB Statements No. 133 and 140* (SFAS 155). SFAS 155 is effective for all financial instruments acquired or issued after July 1, 2007, and amends SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133), and SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities.* This statement resolves issues addressed in Statement 133 Implementation Issue No. D1, *Application of Statement 133 to Beneficial Interests in Securitized Financial Assets.* The adoption of SFAS 155 had no impact to the Company's consolidated results of operations or financial condition.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109* (FIN 48). This interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109 *Accounting for Income Taxes* (SFAS 109). This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The adoption of FIN 48 was not material to the Company's consolidated results of operations or financial condition. See note 14 (Income Taxes) for further information relating to the implementation of this interpretation.

(p) Accounting Pronouncements to be Implemented

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for the measurement of fair value, and enhances disclosures about fair value measurements. The statement does not require any new fair value measures. The Company is required to adopt SFAS 157 beginning on July 1, 2008. However, the FASB deferred the effective date of SFAS 157, until July 1, 2009 for the Company, as it relates to fair value measurement requirements for nonfinancial assets and liabilities that are not remeasured at fair value on a recurring basis. SFAS 157 is required to be applied prospectively, except for certain financial instruments. Any transition adjustment will be recognized as an adjustment to opening retained earnings in the year of adoption. The Company currently estimates that the impact of adopting SFAS 157 will not be material to its results of operations and financial position.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115* (SFAS 159). This statement permits companies, at their option, to choose to measure many financial instruments and certain other items at fair value. If the option to use fair value is chosen, the statement requires additional disclosures related to the fair value measurements included in the financial statements. This statement is effective on July 1, 2008 for the Company. The Company currently estimates that the impact of adopting SFAS 159 will not be material to its results of operations and financial position.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations.* The objective of this statement is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its

effects. This statement establishes principles and requirements for how the acquirer (i) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquired entity, (ii) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and (iii) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This statement applies prospectively to the Company's business combinations for which the acquisition date is on or after July 1, 2009.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51.* The objective of this statement is to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. This statement is effective for the Company on July 1, 2009. The Company is currently assessing the potential effect of SFAS 160 on its results of operations and financial position.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133*. This statement changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company is currently assessing the potential effect of SFAS 161 on its financial statements.

In March 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*. This statement identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with U.S. GAAP. This statement is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles.* The Company does not expect the implementation of this statement to have an impact on its results of operations or financial position.

(3) Business Combinations

Solsil Acquisition:

On February 29, 2008, the Company completed the acquisition of approximately 81% of Solsil. Solsil is engaged in the production of upgraded metallurgical grade silicon manufactured through a proprietary metallurgical process for use in silicon-based solar cells. Solsil supplies its silicon to several leading global manufacturers of photovoltaic cells, ingots and wafers, and the acquisition will allow the Company to become a significant supplier in the high purity solar-grade silicon market. Solsil's operating results are included in the consolidated income statement from the date of acquisition.

Based on the terms of the acquisition agreement, GSM issued 5,628,657 new shares of common stock to shareholders and optionholders of Solsil in exchange for the approximate 81% interest in Solsil. These shares were valued at $72,092 based on an average share price of $12.81 two days before and after the acquisition announcement on January 31, 2008. Related acquisition costs were $567.

The former shareholders of Solsil, including certain GSM directors and officers who owned approximately 28% of Solsil, agreed to lock-up 50% of the GSM shares received in the transaction for six months and the remaining 50% of the shares received in the transaction for nine months. Certain institutional shareholders of Solsil, who retained an approximately 19% interest in Solsil following the transaction, are entitled to certain preemptive rights on the future sale of equity securities of Solsil. These pre-emptive rights provide the shareholders of Solsil a right to participate in any issuance by Solsil of any equity securities, or securities convertible or exchangeable into equity securities, on a pro rata basis on terms no less favorable than those received by third party purchasers. They also agreed to certain "tag-along" rights and "drag-along" obligations in the event of the sale of Solsil.

Alan Kestenbaum, Executive Chairman, and Arden Sims, Chief Operating Officer, were previously affiliated with Solsil. In addition, during the eight months ended February 29, 2008, prior to our acquisition of Solsil, and the year ended June 30, 2007, the Company:

- Earned $3,287 and $2,205, respectively, under an operating and lease agreement in which Solsil was provided administrative and operating support, plus facility space. At June 30, 2007, Solsil owed $1,186 under the agreement.
- Sold $2,580 and $1,512, respectively, of metallurgical grade silicon grade material to Solsil. At June 30, 2007, Solsil owed $571 under the agreement.
- Purchased $1,798 and $954, respectively, in silicon from Solsil. At June 30, 2007, GMI owed $137 under the agreement.
- Provided a $1,500 loan to Solsil on October 24, 2007. The note accrued interest at LIBOR plus 3.0% through February 29, 2008, with interest payable in kind and capitalized as outstanding principal at the end of each quarter in lieu of payment in cash. As a result of our acquisition of Solsil, this note is eliminated in consolidation at June 30, 2008.

The following table reflects the preliminary purchase price allocation associated with the Solsil acquisition:

	Amortization Life (in Years)	Balance Sheet Amounts
Current assets		$ 3,551
Property, plant, and equipment		6,938
Intangible assets:		
Goodwill	Indefinite	57,512
Unpatented technology	10	13,143
Noncurrent assets		3,896
Total assets acquired		85,040
Current liabilities		7,102
Noncurrent liabilities		4,894
Total liabilities assumed		11,996
Minority interest		385
Net assets acquired		72,659
Debt assumed		3,000
Total purchase price		$75,659

The goodwill amount has been assigned to the silicon metal and silicon-based specialty alloys operating segment, which is the Company's only business segment.

The unaudited pro forma financial information in the table below summarizes the combined results of the operations of GSM and Solsil, on a pro forma basis, as though the companies had been combined as of the beginning of the fiscal years presented. The unaudited pro forma financial information combines the historical results of operations of the Company, which includes the results of operations of Solsil subsequent to the acquisition date, and the historical results of operations of Solsil for the periods from July 1, 2007 to February 29, 2008 and July 1, 2006 to June 30, 2007, respectively.

This information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition of Solsil had taken place at the beginning of the fiscal years presented. The unaudited pro forma financial information includes the purchase accounting adjustments on historical Solsil inventory balances, adjustments to depreciation on acquired property, plant, and equipment, adjustments to amortization expense for acquired intangible assets, adjustments to eliminate the impact of transactions between the Company and Solsil prior to the acquisition date, and related minority interest and tax effects of these pro forma adjustments.

The following table summarizes the unaudited pro forma financial information as if the Solsil acquisition was consummated at the beginning of fiscal years 2008 and 2007:

	Unaudited 2008	Unaudited 2007
Net sales	$453,860	222,110
Net income attributable to common stock	33,262	7,448
Earnings per common share:		
Basic	$ 0.53	0.14
Diluted	0.43	0.13

During March 2008, Solsil issued an additional 37.14753 shares of common stock at a price of $53,839.39 per share to existing Solsil shareholders. Total proceeds of the offering were $2,000, including proceeds received from minority shareholders totaling $374. There was no change in the Company's percentage ownership in Solsil as a result of this share issuance. During April 2008, Solsil issued an additional 17.59159 shares of common stock at a price of $53,839.39 per share to existing Solsil shareholders. Total proceeds of the offering were $947, including proceeds received from minority shareholders totaling $135. There was no significant change in the Company's percentage ownership in Solsil as a result of this share issuance.

Yongvey acquisition:

On May 15, 2008, the Company entered into a business combination pursuant to which it acquired an approximately 58% ownership interest in Yongvey. Yongvey is engaged in the production of carbon electrodes, an important input in the Company's production process. Yongvey principally supplies its electrodes to our subsidiaries. Yongvey's operating results are included in the consolidated income statement from the date of acquisition.

Based on the terms of the business combination agreement, the Company's total consideration is approximately $11,172, of which approximately $6,158 including direct costs of $458, was paid through June 30, 2008, with the remainder of $5,014 to be paid in fiscal 2009.

Based on the preliminary purchase price allocation, $3,947 in goodwill has been assigned to the silicon metal and silicon-based specialty alloys operating segment related to the Yongvey acquisition.

2007 acquisitions:

On November 13, 2006, the Company acquired 100% of the outstanding stock of GMI, a manufacturer of silicon metal and silicon-based alloys. On November 20, 2006, the Company acquired 100% of the outstanding stock of SFA, an Argentine manufacturer of silicon-based alloys, and SFA's two affiliates, UltraCore Polska Sp.z.o.o., a Polish manufacturer of cored wire alloys, and Ultra Core Corporation, a U.S.-based alloy distributor. SFA has been renamed Globe Metales S.A. On January 31, 2007, the Company acquired 100% of the outstanding stock of CCM, one of Brazil's largest producers of silicon metal and silica fume. CCM has been renamed Globe Metais Indústria e Comércio S.A.

The allocation of the purchase price of the GMI, SFA and CCM acquisitions to assets acquired and liabilities assumed was finalized during the year ended June 30, 2008. A $128 increase in goodwill associated with the SFA acquisition resulted from the finalization of the purchase price allocation to trade names classified within other intangible assets. Further, upon resolution of certain pre-acquisition contingencies associated with the SFA acquisition, $2,987 was released from escrow and returned to the Company during

fiscal 2008 and reflected as a reduction of goodwill. The fair value of net assets acquired relating to the CCM acquisition exceeded the purchase price. As such, the excess cost was allocated as a pro rata reduction to property, plant, and equipment and purchased intangible assets. In finalizing the purchase price allocation for the CCM acquisition, the Company recorded a $476 increase in inventory, a $2,971 increase in property, plant, and equipment, a $973 increase in intangible assets, a $66 increase in accrued liabilities, and a net $4,354 decrease in deferred tax assets. As a result of these final purchase price allocation adjustments, the Company incurred additional cost of goods sold totaling $1,257, reduced selling, general, and administrative expenses by $193, reduced foreign exchange gain by $921 and recorded an additional $66 in provision for income taxes during the year ended June 30, 2008.

(4) Treasury Securities

During March 2008, the Company purchased U.S. government treasury securities with a term to maturity of 125 days. These securities are valued at amortized cost, and the $2,987 balance of these securities at June 30, 2008 is recorded in prepaid expenses and other current assets.

(5) Inventories

Inventories comprise the following:

	2008	2007
Finished goods	$17,830	12,563
Work in process	7,267	778
Raw materials	32,068	18,277
Parts and supplies	6,403	7,475
Total inventory	$63,568	39,093

At June 30, 2008, $48,236 in inventory is valued using the first-in, first-out method and $15,332 using the average cost method. At June 30, 2007, $26,545 in inventory is valued using the first-in, first-out method and $12,548 using the average cost method.

(6) Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets comprise the following:

	2008	2007
Deferred taxes	$ 6,352	2,673
Value added and other non income tax receivables	3,475	2,347
Deferred registration costs	1,646	—
Treasury securities	2,987	—
Other	10,763	5,330
Total	$25,223	10,350

(7) Property, Plant, and Equipment

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

	2008	2007
Land, land improvements and land use rights	$ 13,605	11,368
Building and improvements	23,629	18,434
Machinery and equipment	48,551	32,604
Furnaces	95,925	83,546
Other	14,390	9,043
Construction in progress	6,678	2,351
Property, plant, and equipment, gross	202,778	157,346
Less accumulated depreciation	(22,119)	(7,698)
Property, plant, and equipment, net of accumulated depreciation	$180,659	149,648

Depreciation expense for the year ended June 30, 2008 was $15,083, of which $14,826 is recorded in cost of goods sold and $257 is recorded in selling, general, and administrative expenses. Depreciation expense for the year ended June 30, 2007 was $8,470, of which $7,665 recorded in cost of goods sold and $805 is recorded in selling, general, and administrative expenses.

(8) Goodwill and Other Intangibles

Goodwill and other intangibles presented below have been allocated to the silicon metal and silicon-based specialty alloys operating segment, which is the Company's sole operating segment.

(a) Goodwill

Changes in the carrying amount of goodwill for the years ended June 30, 2008 and 2007 follow:

	2008	2007
Balance at beginning of year	$ 48,527	—
Solsil acquisition	57,512	—
Yongvey acquisition	3,947	—
GMI acquisition	—	31,355
Stein acquisition	130	17,172
Purchase accounting adjustments	(2,859)	—
Balance at end of year	$107,257	48,527

(b) *Other Intangible Assets*

Changes in the carrying amounts of definite lived intangible assets for years ended June 30, 2008 and 2007 follow:

	Electricity Contracts	Unpatented Technology	Other
Cost:			
Balance at June 30, 2006	$ —	—	—
Acquisitions	9,856	—	595
Tax valuation allowance adjustments (see note 14)	(282)	—	—
Balance at June 30, 2007	9,574	—	595
Acquisitions	—	13,143	—
Purchase price allocation adjustments	1,239	—	(272)
Tax valuation allowance adjustments (see note 14)	(1,445)	—	—
Balance at June 30, 2008	9,368	13,143	323
Accumulated amortization:			
Balance at June 30, 2006	—	—	—
Amortization expense	1,915	—	256
Balance at June 30, 2007	1,915	—	256
Amortization expense	3,751	438	67
Balance at June 30, 2008	5,666	438	323
Net balance at June 30, 2008	$ 3,702	12,705	—

There were no changes in the value of the Company's indefinite lived intangible assets during the year ended June 30, 2008, except for the $128 adjustment resulting from the finalization of the purchase price allocation to trade names discussed in note 3 (Business Combinations). The trade name balance is $477 and $604 at June 30, 2008 and 2007, respectively.

Amortization expense of purchased intangible assets was $4,256 for the year ended June 30, 2008, of which $4,205 is recorded in cost of goods sold and $51 is recorded in selling, general, and administrative expenses. Amortization expense of purchased intangible assets was $2,171 for the year ended June 30, 2007, of which $1,946 is recorded in cost of goods sold and $225 is recorded in selling, general, and administrative expenses.

The estimated future amortization expense of purchased intangible assets as of June 30, 2008 follows:

2009	$2,679
2010	1,947
2011	1,663
2012	1,609
2013	1,567
Thereafter	6,942

(c) Customer Contract Liability

The Company has certain noncancelable executory customer contracts purchased as part of the Company's historical acquisitions with future cash flows below market rates. The related liability is being amortized over the contractual term of the individual contracts. For the years ended June 30, 2008 and 2007, $3,039 and $3,849, respectively, of this liability was amortized and included in net sales. The remaining unamortized liability of $411 and $3,450 at June 30, 2008 and 2007, respectively, is included in other long-term liabilities.

(9) Investments in Affiliates

Investments in affiliates comprise the following:

	Ownership Interest	Balance at June 30, 2008	Balance at June 30, 2007
Equity method investment:			
Norchem, Inc.	50.00%	$1,992	1,589
Other cost investments:			
Inversora Nihuiles S.A.(a)	9.75%	3,067	3,062
Inversora Diamante S.A.(b)	8.40%	2,906	2,901
Total investments in affiliates		$7,965	7,552

(a) This entity owns a 51% interest in Hidroelectrica Los Nihuiles S.A., which is a hydroelectric company in Argentina.

(b) This entity owns a 59% interest in Hidroelectrica Diamante S.A., which is a hydroelectric company in Argentina.

Equity income (loss) from our Norchem, Inc. investment was $403 and $(23), respectively, for the years ended June 30, 2008 and 2007, which is included in other income (expense).

(10) Debt

(a) Short-Term Debt

Short-term debt comprised the following:

	Outstanding Balance	Weighted Average Interest Rate	Unused Credit Line
June 30, 2008:			
Type debt:			
Revolving credit	$ 3,750	6.30%	$21,528
Export financing	7,030	6.46	951
Other	9,360	9.62	—
Total	$20,140		$22,479
June 30, 2007:			
Type debt:			
Revolving credit	$11,685	8.98%	$18,465
Export financing	11,185	5.33	—
Other	580	7.18	2,450
Total	$23,450		$20,915

Revolving Credit Agreements — A summary of the Company's revolving credit agreements at June 30, 2008 follows:

	Outstanding Balance	Unused Commitment	Total Commitment
Senior credit facility	$3,750	21,528	27,500

This credit facility of the Company's subsidiary, GMI, expires November 2009. Interest accrues at the London Interbank Offered Rate (LIBOR) or prime, at the Company's option, plus an applicable margin percentage. At June 30, 2008, the interest rate on the $3,750 outstanding revolver balance was 6.3%, equal to prime plus 1.25%. The total commitment on this credit facility includes $2,222 for letters of credit associated with foreign supplier contracts. The credit facility is secured by substantially all of the assets of GMI and is subject to certain restrictive and financial covenants, which include limits on additional debt, restrictions on capital expenditures, restrictions on dividend and other equity distributions, and certain minimum interest, debt service, and leverage ratios. The Company was in compliance with these loan covenants at June 30, 2008.

Export Financing Agreements — The Company's Argentine and Brazilian subsidiaries maintain various short-term export financing arrangements. The terms of these agreements are generally between six and twelve months. Interest accrues at rates ranging from 5.0% to 12.0% at June 30, 2008. Certain export accounts receivable balances are pledged as collateral against these borrowings.

Other — The Company's subsidiary, Yongvey, has $7,785 in outstanding promissory notes, which mature through April 2009. The notes accrue interest ranging from 9.8% to 11.63%. The promissory notes are secured by certain Yongvey assets. The Company's subsidiary, Solsil, has $1,500 in outstanding promissory notes, which mature on October 24, 2008. The notes accrue interest at LIBOR plus 3%, with interest payable in kind and capitalized as outstanding principal at the end of each quarter in lieu of payment in cash. The promissory

notes are secured by all property and assets of Solsil. In addition, Solsil is subject to restrictions on issuing dividend payments and securities. At June 30, 2008, the total debt balance was $1,575.

(b) Long-Term Debt

Long-term debt comprised the following:

	2008	2007
Senior term loan	$ 18,640	24,750
Junior subordinated term loan	8,500	8,500
Junior subordinated term loan	8,500	8,500
Export prepayment financing	20,000	—
Export financing	9,450	9,028
Other	3,975	1,649
Total long-term debt	69,065	52,427
Less current portion of long-term debt	(17,045)	(6,370)
Long-term debt, net of current portion	$ 52,020	46,057

Senior Term Loan — Loan principal and interest payments are due in quarterly installments of $750 plus interest at LIBOR or prime, at the Company's option, plus an applicable margin percentage. The interest rate on this loan was 5.98%, equal to LIBOR plus 3.5%, at June 30, 2008. The unpaid principal balance is due in full in November 2010. The loan is secured by substantially all of the assets of GMI and is subject to certain restrictive and financial covenants, which include limits on additional debt, restrictions on capital expenditures, restrictions on dividend and other equity distributions, and certain minimum interest, debt service, and leverage ratios. The Company was in compliance with these loan covenants at June 30, 2008.

GMI entered into an interest rate swap to fix LIBOR on 50% of the original senior term loan balance. The agreement, which expires in March 2011, involves the exchange of the interest obligations relating to an initial $15,000 notional amount of debt, with the notional amount decreasing by $375 per quarter consistent with half of the debt amortization on the senior term loan. The remaining notional amount is $11,625 at June 30, 2008. Under the interest rate swap, GMI receives LIBOR in exchange for a fixed interest rate of 5.23% over the life of the agreement. The agreement provides for a net cash settlement. The Company believes it is not practical to designate the cash-settled interest rate swap agreement as a fair value hedge as defined under SFAS 133. Therefore, in accordance with SFAS 133, the Company adjusts the interest rate swap agreement to current market value through the consolidated income statement based on the fair value of the swap agreement as of each period end. The related increase (reduction) in interest expense totaled $481 and $(18), respectively, for the years ended June 30, 2008 and 2007. The fair value of this derivative is recorded in other long-term liabilities with a balance of $399 at June 30, 2008. The fair value of this derivative is recorded in other assets with a value of $40 at June 30, 2007.

Junior Subordinated Term Loans — These loans with a related party mature in full in November 2011. Interest on one loan accrues quarterly at prime plus 3.25%, with the aggregate rate not to be less than 10.25%. Interest on the other loan accrues monthly at LIBOR plus 8%. The interest rates on these loans were 10.48% and 10.25%, respectively, at June 30, 2008. Both of these loans are secured by substantially all of the assets of GMI on a subordinated basis and are subject to certain loan covenant restrictions. The Company was in compliance with the loan covenants at June 30, 2008.

Export Prepayment Financing — The Company's Brazilian subsidiary has entered into a $20,000 export financing arrangement maturing January 31, 2012. The arrangement carries an interest rate of LIBOR plus 2.5%, paid semi-annually. At June 30, 2008, the interest rate on this loan was 6.38%. The principal is payable in seven, semi-annual installments starting in February 2009, with six installments of $3,000 and one final installment of $2,000. As collateral, the Brazilian subsidiary has pledged certain third party customers' export receivables, 100% of the subsidiary's property, plant, and equipment, and 2,000 tons of metallic silicon with an approximate value of $3,800. The loan is subject to certain loan covenant restrictions such as limits on issuing dividends, disposal of pledged assets, and selling of forest areas. In addition, the proceeds from certain cash receipts during the sixty days prior to a loan installment payment date are restricted for payment of the respective installment.

Export Financing — The Company's Brazilian subsidiary maintains long-term export financing arrangements with four banks in Brazil. At June 30, 2008, interest accrues at rates ranging from 5.45% to 6.50%.

(c) Debt Maturities

The following table shows debt maturities by fiscal year at June 30, 2008:

2009	2010	2011	2012	2013	Total
$17,045	12,047	17,973	22,000	—	69,065

(11) Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities comprise the following:

	2008	2007
Accrued income taxes	$ 7,569	2,071
Accrued salaries, wages, and benefits	7,273	6,139
Customer advances	2,089	—
Accrued professional fees	2,038	734
Accrued insurance	1,313	740
Deferred taxes	77	1,923
Accrued property taxes	1,088	1,062
Other	5,394	2,652
Total	$26,841	15,321

(12) Other Long-Term Liabilities

Other long-term liabilities comprise the following:

	2008	2007
Customer advances	$10,000	—
Accrued pension liability	2,109	1,122
Customer contract liability	411	3,450
Accrued legal liability	1,119	3,800
Other	9,003	7,066
	$22,642	15,438

(13) Pension and Other Employee Benefit Plans

(a) Defined Benefit Pension Plans

The Company's subsidiary, GMI, which was acquired on November 13, 2006, sponsors three noncontributory defined benefit pension plans covering certain domestic employees. These plans were frozen in 2003.

The Company's funding policy has been to contribute, as necessary, an amount in excess of the minimum requirements in order to achieve the Company's long-term funding targets. In fiscal 2008 and 2007, the Company made contributions of $610 and $473, respectively, to the domestic pension plans.

The Company uses a June 30 measurement date for these defined benefit pension plans.

Obligation and Funded Status — The following provides a reconciliation of benefit obligations, plan assets and funded status of the plans at June 30, 2008 and 2007:

	2008	2007
Change in benefit obligation:		
Benefit obligation at beginning of year	$19,512	—
Benefit obligation acquired in business combinations	—	20,081
Interest cost	1,181	701
Actuarial gains	(1,098)	(608)
Benefits paid	(1,062)	(662)
Benefit obligation at end of year	$18,533	19,512
Change in plan assets:		
Fair value of plan assets at beginning of year	$18,390	—
Fair value of plan assets acquired in business combinations	—	17,518
Actual (loss) gain on plan assets	(1,514)	1,061
Employer contributions	610	473
Benefits paid	(1,062)	(662)
Fair value of plan assets at end of year	$16,424	18,390
Funded status at end of year:		
Fair value of plan assets	$16,424	18,390
Benefit obligation	18,533	19,512
Funded status	$ (2,109)	(1,122)
Amounts recognized in the consolidated balance sheet consist of:		
Noncurrent liability	$ (2,109)	(1,122)
Accumulated other comprehensive (loss) income	(601)	516
Amounts recognized in accumulated other comprehensive income at end of year consist of:		
Net actuarial (loss) gain	$ (1,803)	832

The accumulated benefit obligation for defined benefit pension plans was $18,533 and $19,512 at June 30, 2008 and 2007.

The following information is presented for pension plans where the projected benefit obligation and accumulated benefit obligation as of June 30, 2008 and 2007 exceeded the fair value of plan assets:

	2008	2007
Projected benefit obligation/accumulated benefit obligation	$18,553	16,715
Fair value of plan assets	16,424	15,524

Net Periodic Pension Benefit — The components of net periodic pension benefit for the defined benefit pension plans follow:

	2008	2007
Interest cost	$ 1,181	701
Expected return on plan assets	(1,460)	(923)
Amortization of net loss	74	86
Net periodic pension benefit	$ (205)	(136)

During the year ended June 30, 2009, the Company expects to recognize $225 in pre-tax accumulated other comprehensive loss, relating entirely to net losses, as net pension cost.

Assumptions and Other Data — The weighted average assumptions used to determine benefit obligations at June 30, 2008 and 2007 follow:

	2008	2007
Discount rate	6.75%	6.25%

The discount rate used in calculating the present value of our pension plan obligation is developed based on the Citigroup Pension Discount Curve and the expected cash flows of the benefit payments.

The weighted average assumptions used to determine net periodic benefit cost for year ended June 30, 2008 and 2007 follow:

	2008	2007
Discount rate	6.25%	5.75%
Expected return on plan assets	8.50	8.50

Expected return on plan assets is determined based on historical results adjusted for anticipated market movements.

The Company expects to contribute approximately $431 to the plans for the year ended June 30, 2009.

The following reflects the gross benefit payments which are expected to be paid for the pension plans the years ended June 30:

2009	$1,136
2010	1,204
2011	1,220
2012	1,242
2013	1,269
Years 2014-2018	6,570

The Company's overall strategy is to invest in high-grade securities and other assets with a limited risk of market value fluctuation. In general, the Company's goal is to maintain the following allocation ranges:

Equity securities	55-70%
Fixed income securities	30-40%
Real estate	5-10%

The weighted average asset allocation for the pension plans at June 30, 2008 and 2007 by asset category follows:

	2008	2007
Equity securities	60.9%	63.3%
Fixed income securities	33.8	31.6
Real estate	4.7	4.6
Other	0.6	0.5
Total	100.0%	100.0%

(b) Other Benefit Plans

The Company administers healthcare benefits for certain retired employees through a separate welfare plan requiring reimbursement from the retirees.

The Company provides two defined contribution plans (401(k) plans) that allow for employee contributions on a pre-tax basis. Employer contributions were suspended through June 30, 2007. During fiscal 2008, the Company agreed to match 25% of participants' contributions up to a maximum of 6% of compensation. Company contributions for the year ended June 30, 2008 were $114.

Other benefit plans offered by the Company include a Section 125 Cafeteria Plan for the pre-tax payment of healthcare costs and a flexible spending arrangement.

(14) Income Taxes

The sources of income before provision for income taxes, deferred interest attributable to common stock subject to redemption, and losses attributable to minority interest for the years ended June 30, 2008 and 2007 were as follows:

	2008	2007
U.S. operations	$28,061	19,288
Non-U.S. operations	23,617	361
Total	$51,678	19,649

Our tax provision consists of the following:

	2008	2007
Current:		
Federal	$ 9,038	4,419
State	1,677	1,118
Foreign	2,798	340
Total current	13,513	5,877
Deferred:		
Federal	(106)	633
State	109	348
Foreign	2,420	189
Total deferred	2,423	1,170
Total tax provision	$15,936	7,047

The following is a reconciliation, stated in percentage, of the U.S. statutory federal income tax rate to our effective tax rate:

	2008	2007
Federal statutory rate	35.0%	35.0
State taxes, net of federal benefit	2.3	4.9
Income from tax exempt investments	—	(5.4)
Foreign tax holiday	(6.4)	(0.6)
Foreign rate differential	0.1	0.2
Other items	(0.2)	1.8
Effective tax rate	30.8%	35.9

The Company currently operates under tax holidays in Brazil and Argentina. In Brazil, the Company is operating under a tax holiday which taxes the Company's manufacturing income at the preferential rate of 15.25% compared to a statutory rate of 35%. The tax holiday in Brazil expires in 2016. In Argentina, the Company's manufacturing income is taxed at a preferential rate which varies based on production levels from the Company's Argentine facilities. The statutory rate in Argentina is 34%. The tax holiday in Argentina expires in 2012.

Significant components of the Company's deferred tax assets and deferred tax liabilities at June 30, 2007 consist of the following:

	2008	2007
Deferred tax assets:		
Inventory reserves	$ 774	998
Accounts receivable	645	—
Accruals	2,460	2,983
Net operating losses and other carryforwards	51,620	40,748
Intangibles	—	1,050
Other assets	1,329	1,467
Share-based compensation	3,065	237
Gross deferred tax assets	59,893	47,483
Valuation allowance	(38,906)	(31,830)
Net deferred tax assets	20,987	15,653
Deferred tax liabilities:		
Fixed assets	(29,441)	(23,879)
Accounts receivable	—	(604)
Intangibles	(4,822)	—
Investments	(485)	(525)
Total deferred tax liabilities	(34,748)	(25,008)
Net deferred tax liabilities	$(13,761)	(9,355)

During the year ended June 30, 2007, the Company adopted a policy of permanent reinvestment of earnings from foreign subsidiaries in accordance with APB Opinion No. 23, *Accounting for Income Taxes — Special Areas* (APB 23). As a result, U.S. taxes have not been provided on unremitted earnings of our foreign subsidiaries. Unremitted earnings of foreign subsidiaries are determined to be permanently reinvested in accordance with APB 23.

The Company has tax benefits for net operating loss carryforwards (NOLs) which expire at various dates in the future. The Company's NOLs and expiration dates at June 30, 2008 are as follows:

	Amount	Expires
Federal	$14,815	Various dates through 2026
State	2,313	Various dates
Foreign	32,849	No expiration

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. Changes in valuation allowances are included in our tax provision in the period of change, unless such valuation allowances were established in purchase accounting for a business combination. 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. During fiscal 2008, the Company's valuation allowance increased by $8,521 primarily due to foreign exchange fluctuations associated with our foreign NOLs as well as the finalization of the purchase price allocation for the CCM acquisition. The Company decreased its valuation allowance during the years ended June 30, 2008 and 2007 by $1,445 and $282, respectively, based on the actual usage of NOLs as well as projections of future profitability. The decrease was reflected as a reduction in the intangible assets related to Globe Metais in accordance with SFAS 109 as the valuation allowance was established at the time of the CCM acquisition. At June 30, 2008, $6,590 of valuation allowance would be allocated to goodwill or other noncurrent assets if the benefits were subsequently recognized. The total valuation allowance at June 30, 2008 and 2007 is $38,906 and $31,830, respectively, and consists of the following:

	2008	2007
Federal NOLs	$ 3,848	3,848
State NOLs	295	292
Foreign NOLs	33,336	26,263
Federal credits	1,336	1,336
Capital loss carryover	91	91

Effective July 1, 2007, the Company adopted FIN 48 which provides a comprehensive model for the recognition, measurement and disclosure in financial statements of uncertain income tax positions that a company has taken or expects to take on a tax return. Under FIN 48, a company can recognize the benefit of an income tax position only if it is more likely than not (greater than 50%) that the tax position will be sustained upon tax examination, based solely on the technical merits of the tax position. Otherwise, no benefit can be recognized. The tax benefits recognized are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. Additionally, companies are required to accrue interest and related penalties, if applicable, on all tax exposures for which reserves have been established consistent with jurisdictional tax laws. The Company has elected to recognize interest expense and penalties related to uncertain tax positions as a component of income tax expense. As a result of the

implementation of FIN 48, the Company recognized no change in the liability for uncertain tax benefits in the consolidated financial statements.

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., Brazil, and Argentina. A number of years may elapse before a tax return is audited and finally resolved. The number of years with open tax audits varies depending on the tax jurisdiction. The Company's major taxing jurisdictions and the related open tax audits are: the U.S. from 2005 to present and Argentina and Brazil from 2002 to present.

The Company is subject to income taxes in the United States and other foreign jurisdictions. In the ordinary course of business, there are transactions and calculations that involve uncertain tax implications. The Company believes that it has adequate support for the positions taken on its tax returns and that adequate provisions have been made for all outstanding issues for all jurisdictions and all open years.

(15) Commitments and Contingencies

(a) Legal Contingencies

The Company's subsidiary, GMI, was sued by Westbrook Resources Limited (Westbrook), an English company, in respect of an alleged failure by GMI to perform under a contract entered into in January 2005 to acquire 30,000 tons of manganese ore. Through June 30, 2008, the Company paid an aggregate amount of $2,680, pursuant to a judgment, including damages, Westbrook's legal fees and related interest. In April 2008, the Company appealed this judgment, but there is no assurance that we will be successful in our appeal. A hearing for the appeal is scheduled in November 2008.

The Company is subject to various lawsuits, claims, and proceedings that arise in the normal course of business, including employment, commercial, environmental, safety and health matters. 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.

(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 June 30, 2008, there are no 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) Power Commitments

Electric power is a major cost of the Company's production process, as large amounts of electricity are required to operate arc furnaces. A summary of electric power purchase commitments follows:

Facility	Supplier	Terms	Price Structure	Capacity
Beverly, Ohio	American Electric Power	Evergreen, 1-year termination notice	Published tariff rate	2.5 MW firm 85 MW interruptible
Breu Branco, Brazil	Electronorte	Through June 30, 2018	Fixed rate until June 2008, then regulated price with specified discount	73 MW firm
Mendoza, Argentina	EDEMSA	Through October 31, 2009	Specified discount from established price	24 MW firm 2.5 MW interruptible
Selma, Alabama	Alabama Power	Evergreen, 1-year termination notice	Published tariff rate	2.15 MW firm 40.85 MW interruptible
Alloy, West Virginia	Appalachian Power	Through October 30, 2012, with option to renew for 1-year	Published tariff rate	110 MW interruptible
Alloy, West Virginia	Brookfield Power	Through December 31, 2021	Fixed rate	100 MW (hydro power)

On May 20, 2008, Empire State Development and New York Power Authority announced that hydropower from the Niagara Power Project would be supplied to the Company to enable it to reopen and expand its currently idle manufacturing facility in Niagara Falls, New York. The Company plans to reopen its silicon production facility and invest in upgrading its equipment to produce approximately 30,000 metric tons of metallurgical grade silicon annually. In conjunction with the reopening and expansion of our Niagara Falls facility, a portion of the facility will be used for our Solsil operations and when completed, is expected to permit us to produce annually approximately 4,000 metric tons of solar grade silicon. Empire State Development and New York Power Authority have created an incentive package to the Company that provides 40 megawatts of hydropower over five years, with a potential five year extension, and up to $25,000 in Empire Zone tax benefits recognized over ten years subject to achieving specified employment and investment targets.

(d) Operating Lease Commitments

The Company leases certain machinery and equipment, automobiles and rail cars. For the years ended June 30, 2008 and 2007, lease expense was $2,107 and $281, respectively.

Minimum rental commitments under noncancelable leases outstanding at June 30, 2008 for the years of 2009 onward are as follows:

2009	2010	2011	2012	2013	Thereafter
$1,126	466	125	—	—	—

(e) Purchase Commitments

The Company's subsidiary, GMI, has entered into agreements to purchase a minimum of approximately $553 and $1,056 of magnesium per month during calendar years 2008 and 2009, respectively. In addition, GMI has entered into an agreement to purchase a minimum of approximately $650, $700, $750 and $750 of coal per month during calendar years 2008 through 2011, respectively. These products will be utilized as raw materials in GMI's manufacturing process.

(f) Guarantees

As of June 30, 2008, the Company's subsidiary, Yongvey, has provided guarantees, either directly or indirectly, of $4,082 for notes and other contractual obligations for a third party. There are no amounts being carried as liabilities for Yongvey's obligations under these guarantees as management believes the likelihood of performing under these guarantees is remote. These guarantees are provided to allow the third party to secure financing arrangements. Yongvey would be required to perform under the terms of the guarantees should the third party be in default of its contractual obligations, for the full amounts disclosed, as well as any interest and penalties related to these obligations. These guarantees expire on dates ranging from November 2008 to May 2009.

(g) Employee Contracts

As of June 30, 2008, we had 1,373 employees. The Company's total employees consist of 789 salaried employees and 584 hourly employees and include 592 unionized employees. 43.1% of the workforce is covered by collective bargaining agreements and 16.5% of the workforce is covered by collective bargaining agreements expiring within one year.

(h) Energy Recycling Agreement

In January 2008, GMI entered into an agreement with Recycled Energy Development (RED), a company that develops power related recycling projects, to recycle hot exhaust from our West Virginia facility. The project is anticipated to be in operation in 2010. RED is required to supply all capital and energy expertise to design, permit, construct, test, and commission the project, is entitled to receive a return on capital and is obligated to share certain financial benefits of the project with us. This agreement is subject to additional feasibility studies being conducted by RED.

(i) Joint Development Supply Agreement

On April 24, 2008, Solsil and GMI entered into a joint development supply agreement with BP Solar International Inc. (BP Solar) for the sale of solar grade silicon. BP Solar and Solsil will also deploy certain existing BP Solar technology at Solsil's facility and the two entities will jointly develop new technology to enhance Solsil's proprietary upgraded solar silicon metallurgical process. Solsil and BP Solar will both contribute towards the costs of the technology development. In conjunction with the reopening and expansion of our Niagara Falls facility discussed below, a portion of the facility will be dedicated to our Solsil operations. As part of this agreement, BP Solar paid Solsil $10,000 as an advance for research and development services and facilities construction. A portion of this amount would be refundable to BP Solar if the Company fails to perform under certain terms of the agreement. No revenue associated with this agreement has been recognized in earnings as of June 30, 2008.

(16) Stockholders' Equity

(a) Preferred Stock

The Company is authorized to issue 1 million shares of preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by the Board of Directors. To date, no preferred stock has been issued by the Company.

(b) Conversion and Redemption of Common Stock

In connection with the Company's initial public offering in October 2005, $184,100 of the net proceeds of the offering were placed in a trust account (the Trust Fund) to be held there until the earlier of the (i) consummation of the Company's first business combination or (ii) liquidation of the Company. Trust funds were invested in U.S. municipal, tax-exempt securities with a maturity of 180 days or less. The Company, after signing a definitive agreement for the acquisition of a target business, was required to submit such transaction for stockholder approval. In the event that stockholders owning 20% or more of the outstanding stock, excluding, for this purpose, those persons who were stockholders prior to the initial public offering, voted against the proposed business combination and exercised their conversion rights, the business combination would not have been consummated and the Company would have been liquidated at dates specified in the Company's amended and restated certificate of incorporation.

Under the provisions of the Company's amended and restated certificate of incorporation, any stockholder who voted against the Company's acquisition of GMI, the Company's first business combination, had the option to demand that the Company convert common stock held by the dissenting stockholder to cash. In addition, the Company's Board of Directors opted to permit each stockholder holding offering shares to vote "for" the business combination while at the same time electing to redeem his shares for cash. Approximately 8.4% of stockholders voted against the GMI acquisition and approximately 9.8% voted for the acquisition but elected to redeem their shares. A total of 7,528,857 of common shares were redeemed for cash payments totaling $42,802. As of June 30, 2006, 6,699,999 of the redeemed shares, representing one share less than 20% of the Company's then outstanding common stock, were recorded outside of permanent equity. The Trust Fund income associated with these shares was recorded as a reduction of income attributable to common stock in the consolidated income statement under the title "deferred interest attributable to common stock subject to redemption." The redemption of the additional 828,858 shares was treated as a reduction of stockholders' equity in fiscal 2007, with a final adjustment made to deferred interest attributable to common stock subject to redemption to reflect the Trust Fund income associated with the actual shares redeemed.

(c) Warrants

In connection with the Company's initial public offering on October 3, 2005, the Company sold 33,500,000 units (individually, Unit) in the offering at a price of $6.00 per Unit, generating gross offering proceeds of $201,000. Each Unit consisted of one share of the Company's common stock, having a par value of $0.0001 per share, and two redeemable common stock purchase warrants. The warrants became exercisable at the later of the completion of a business combination or October 3, 2006. With the acquisition of GMI completed on November 13, 2006, the warrants became exercisable at that date. The warrants have an exercise price of $5.00 per common share, and expire on October 3, 2009.

During fiscal 2007, the Company executed public and private tender offers to repurchase, redeem or convert outstanding warrants. As a result of these tender offers, 47,353,912 of the 67,000,000 warrants issued in connection with the Company's initial public offering were repurchased, redeemed or converted, resulting in remaining outstanding warrants of 19,646,088 at June 30, 2007. The tender offers resulted in the issuance of additional 14,201,302 shares of common stock and proceeds of $19,458.

Also in connection with its initial public offering, the Company issued, for minimal consideration, an option to the representative of the underwriters to purchase 1,675,000 units (individually, UPO) at an exercise price of $7.50 per UPO. Each UPO consists of one share of the Company's common stock, having a par value of $0.0001 per share, and two redeemable common stock purchase warrants. The warrants became exercisable at the later of the completion of a business combination or October 3, 2006. With the acquisition of GMI completed on November 13, 2006, the warrants became exercisable at that date. The warrants have an exercise price of $5.00 per common share, and expire on October 3, 2009. At June 30, 2007, all 1,675,000 UPOs remain outstanding.

During the year ended June 30, 2008, 699,440 of the warrants issued in connection with the Company's initial public offering were exercised and an additional 100,262 warrants and 50,131 common shares were issued in connection with a cashless exercise of 67,458 UPOs. At June 30, 2008, 1,607,542 UPOs remain outstanding.

The Company has accounted for all warrant transactions as a component of stockholders' equity.

(d) Cash Dividend

A cash dividend of $0.07 per share was declared for stockholders of record as of November 17, 2006. The $3,257 dividend was distributed on December 8, 2006.

(17) Earnings Per Share

Basic earnings per common share is based on the weighted average number of common shares outstanding during the years ended June 30, 2008 and 2007, respectively. Diluted earnings per common share assumes the exercise of stock options, the conversion of warrants, and the exercise of the UPOs, provided in each case the effect is dilutive.

The reconciliation of the amounts used to compute basic and diluted earnings per common share follows for the years ended June 30, 2008 and 2007:

	2008	2007
Basic earnings per share computation		
Numerator:		
Net income attributable to common stock	$ 36,463	11,834
Denominator:		
Basic shares outstanding	58,982,325	46,922,343
Basic earnings per common share	$ 0.62	0.25
Diluted earnings per share computation		
Numerator:		
Net income attributable to common stock	$ 36,463	11,834
Denominator:		
Basic shares outstanding	58,982,325	46,922,343
Effect of dilutive securities	13,971,532	3,308,970
Diluted shares outstanding	72,953,857	50,231,313
Diluted earnings per common share	$ 0.50	0.24

The following potential common shares were excluded from the calculation of diluted earnings per common share because their effect would be anti-dilutive:

	2008	2007
Stock options	295,000	1,220,000
UPOs	—	5,025,000
Total	295,000	6,245,000

(18) Share-Based Compensation

The Company's share-based compensation program comprises of the Globe Specialty Metals, Inc. 2006 Employee, Director and Consultant Stock Plan (the Stock Plan), which was approved by the Company's stockholders on November 10, 2006. The Stock Plan provides for the issuance of a maximum of 5,000,000 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 years. During the years ended June 30, 2008 and 2007, share-based compensation awards were limited to the issuance of nonqualified stock options. No other share-based compensation awards were issued.

At June 30, 2008, there were 3,365,000 shares available for grant. 1,560,000 option grants vest and become exercisable in equal one-third increments on the first, second, and third anniversaries of the date of grant. The remaining 75,000 option grants vest and become exercisable in equal one-fifth increments on the first, second, third, fourth, and fifth anniversaries of the date of grant. All option grants have maximum contractual terms ranging from 5 to 10 years.

A summary of the changes in options outstanding under the Stock Plan for years ended June 30, 2008 and 2007 is presented below:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term in Years	Aggregate Intrinsic Value
Outstanding as of June 30, 2006	—	$ —		
Granted	1,220,000	7.88		
Exercised	—	—		
Forfeited and expired	—	—		
Outstanding as of June 30, 2007	1,220,000	$ 7.88	5.28	$ 536
Outstanding as of June 30, 2007	1,220,000	$ 7.88		
Granted	415,000	29.86		
Exercised	—	—		
Forfeited and expired	—	—		
Outstanding as of June 30, 2008	1,635,000	$13.46	5.52	$30,305
Exercisable as of June 30, 2008	406,664	$ 6.21	4.28	$ 9,878

No options were exercisable at June 30, 2007. The weighted average grant date fair value of stock options granted during the years ended June 30, 2008 and 2007 was $8.32 and $1.71, respectively. As of June 30, 2008, there were 1,228,336 nonvested options outstanding with a grant date fair value of $3.81.

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 for the years ended June 30, 2008 and 2007, respectively:

	2008	2007
Risk-free interest rate	2.87%-3.87%	4.84%-4.97%
Expected dividend yield	—	—
Expected volatility	43.00	43.00
Expected forfeiture rate	—	—
Expected term (years)	4.0 to 6.5	4.0 to 6.5
Weighted average per share fair value of stock option grants at June 30, 2008	$12.59	2.57

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 the options. The expected dividend yield is zero based on our current expectation to not pay dividends to the Company's common stockholders for the foreseeable future. Since there is limited historical 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 that 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.

For the years ended June 30, 2008 and 2007, share-based compensation expense was $8,176 ($2,903 after tax) and $512 ($312 after tax), respectively. The expense is reported within selling, general, and administrative expenses.

As of June 30, 2008, the Company has unearned compensation expense of $11,899, before income taxes, related to nonvested stock option awards. The unrecognized compensation expense is expected to be recognized over the following periods:

	2009	2010	2011	2012	2013
Share-based compensation (pre-tax)	$6,754	3,884	940	163	158

The total fair value of shares vested during the years ended June 30, 2008 and 2007 was $6,026 and $0, respectively.

It is the Company's policy to issue new shares to satisfy the requirements of its share-based compensation plans. The Company does not expect to repurchase shares in the future to support its share-based compensation plans.

(19) 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.

Two members of the Board of Directors are affiliated with Marco International, Marco Realty, and MI Capital. During the years ended June 30, 2008 and 2007, the Company:

- Paid Marco Realty $160 and $105, respectively, to rent office space for its corporate headquarters in New York City, New York.
- Entered into agreements with Marco International to purchase graphitized carbon electrodes. Marco International billed $9,133 and $4,847 respectively, under these agreements.
- Entered into agreements to sell calcium silicon powder to Marco International. Under certain agreements, Marco International agreed to pay 80% of the price in advance in return for interest at LIBOR + 5.0%. Interest was payable until Marco International was paid by its customer. During the years ended June 30, 2008 and 2007, sales under these agreements totaled $1,152 and $1,438. At June 30, 2008, there were no receivables from Marco International. At June 30, 2007, Metales owed $111 under the agreements.
- Recognized $421 in interest expense on an $8,500 financing arrangement, entered into on November 10, 2005 with MI Capital and GMI. On April 17, 2007, the loan was sold to D.E. Shaw.

The Company is affiliated with Norchem through its 50.0% equity interest. During year ended June 30, 2008 and 2007, the Company sold Norchem product valued at $4,041 and $2,403, respectively. At June 30, 2008 and 2007, receivables from Norchem totaled $117 and $711, respectively.

Certain entities of the D.E. Shaw group are shareholders of the Company. The Company has outstanding financing arrangements totaling $17,000 with certain entities of the D.E. Shaw group at June 30, 2008 and 2007, including the loan purchased from MI Capital discussed above. Interest expense on these financing arrangements totaled $1,975 and $928 during the year ended June 30, 2008 and 2007, respectively.

Solsil has outstanding loans with D.E. Shaw and Plainfield Direct, Inc., stockholders of the Company, totaling $1,500, with interest payable at LIBOR plus 3% and due on October 24, 2008. These notes also mature on October 24, 2008.

Prior to the Yongvey business combination, Yongvey's predecessor had entered into borrowing and lending agreements with affiliates of former and remaining minority shareholders. At June 30, 2008, $549 in loans and related interest was payable to these parties. At June 30, 2008, $875 remained payable to Yongvey from a related party.

(20) Operating Segments

The Company operates in one reportable segment, silicon metal and silicon-based specialty alloys.

(a) Geographic Data

Included in the consolidated income statements are the following amounts related to geographic data for the years ended June 30, 2008 and 2007:

	2008		
	Net Sales	Depreciation and Amortization	Operating Income
United States	$361,127	12,487	28,825
Argentina	35,281	2,110	5,512
Brazil	49,497	4,529	23,246
China	569	143	(671)
Poland	6,165	70	51
	$452,639	19,339	56,963

	2007		
	Net Sales	Depreciation and Amortization	Operating Income
United States	$172,158	7,494	16,277
Argentina	18,633	1,180	756
Brazil	27,606	1,940	2,361
Poland	3,531	27	(249)
	$221,928	10,641	19,145

Net sales are attributed to geographical regions based upon the location of the selling unit.

Long-lived assets by geographical region at June 30, 2008 and 2007 consist of the following:

	2008	2007
United States	$221,854	141,673
Argentina	34,435	36,242
Brazil	29,679	27,970
China	17,996	—
Poland	836	892
	$304,800	206,777

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

(b) Major Customer Data

The following is a summary of the Company's major customers and their respective percentages of consolidated net sales for the years ended June 30, 2008 and 2007:

	2008	2007
Dow Corning	15%	15
All other customers	85	85
Total	100%	100

The Company has two contracts with Dow Corning. The first agreement is a four year arrangement in which Dow Corning purchases 30,000 metric tons of silicon metal per year through December 31, 2010. Under the second arrangement, effective December 1, 2007 through January 31, 2009, the Company will supply Dow Corning 13,000 metrics tons of silicon metal.

(21) Parent Company Condensed Financial Information

As discussed in note 10 (Debt), certain of the Company's subsidiaries have long-term debt outstanding as of June 30, 2008 and 2007 which places restrictions on dividend and other equity distributions. As their restricted net assets represent a significant portion of the Company's consolidated net assets, the Company is presenting the following parent company only condensed financial information:

GLOBE SPECIALTY METALS, INC.
(Parent Company Only)

Condensed Balance Sheets
June 30, 2008 and 2007

	2008	2007
Assets		
Current assets:		
Cash and cash equivalents	$ 58,605	52,027
Due from affiliates	1,656	—
Prepaid expenses and other current assets	7,644	266
Total current assets	67,905	52,293
Property, plant, and equipment, net of accumulated depreciation	72	—
Investments in affiliates	284,601	153,874
Deferred tax assets	3,336	237
Due from affiliates	—	19,724
Other assets	994	833
Total assets	$356,908	226,961
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 1,001	11
Due to affiliates	3,935	190
Accrued expenses and other current liabilities	2,074	1,212
Total current liabilities	7,010	1,413
Long-term liabilities:		
Other long-term liabilities	3,661	2,927
Total liabilities	10,671	4,340
Minority interest	3,956	—
Stockholders' equity:		
Common stock, $0.0001 par value. Authorized 150,000,000 shares; issued and outstanding 63,050,416 and 56,672,188 shares at June 30, 2008 and 2007, respectively	6	5
Additional paid-in capital	296,137	211,861
Retained earnings	46,641	10,178
Accumulated other comprehensive (loss) income	(503)	577
Total stockholders' equity	342,281	222,621
Total liabilities and stockholders' equity	$356,908	226,961

GLOBE SPECIALTY METALS, INC.
(Parent Company Only)

Condensed Income Statement
Years ended June 30, 2008 and 2007

	2008	2007
Equity in income from operating subsidiaries, net of tax	$ 46,961	10,344
Selling, general, and administrative expenses	(17,588)	(3,040)
Interest income	2,012	5,243
Interest expense	(481)	—
Foreign exchange loss	(767)	—
Income before income taxes, deferred interest attributable to common stock subject to redemption, and losses attributable to minority interest	30,137	12,547
Income tax benefit	5,605	55
Net income before deferred interest attributable to common stock subject to redemption, and losses attributable to minority interest	35,742	12,602
Deferred interest attributable to common stock subject to redemption	—	(768)
Losses attributable to minority interest	721	—
Net income attributable to common stock	$ 36,463	11,834

GLOBE SPECIALTY METALS, INC.
AND SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements — (Continued)
June 30, 2008 and 2007
(Dollars in thousands, except share and per share data)

Condensed Statement of Cash Flows
Years ended June 30, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Net income attributable to common stock	$ 36,463	11,834
Adjustments to reconcile net income attributable to common stock to net cash provided by (used in) operating activities:		
Equity in income from operating subsidiaries	(46,961)	(10,344)
Share-based compensation	8,176	512
Deferred taxes	(3,099)	(237)
Losses attributable to minority interest	(721)	—
Deferred interest attributable to common stock subject to redemption	—	768
Changes in operating assets and liabilities:		
Due from affiliates	19,610	(19,724)
Prepaid expenses and other current assets	(3,040)	(266)
Accounts payable	990	(79)
Accrued expenses and other current liabilities	861	1,202
Due to affiliates	3,745	190
Other operating cash flows	1,087	(827)
Net cash provided by (used in) operating activities	17,111	(16,971)
Cash flows from investing activities:		
Capital expenditures	(72)	—
Purchase of held-to-maturity treasury securities	(2,987)	—
Investments in operating subsidiaries	(4,302)	—
Notes receivable from Solsil, Inc.	(1,500)	—
Acquisition of businesses	(3,742)	(92,581)
Purchase of cash equivalents held in trust	—	(3,038)
Funds released from trust	—	190,192
Other investing activities	(34)	—
Net cash (used in) provided by investing activities	(12,637)	94,573
Cash flows from financing activities:		
Dividends paid	—	(3,257)
Purchase of redeemed shares	—	(42,802)
Proceeds from warrants exercised	3,497	19,458
Other financing activities	(1,393)	(970)
Net cash provided by (used in) financing activities	2,104	(27,571)
Net increase in cash and cash equivalents	6,578	50,031
Cash and cash equivalents at beginning of year	52,027	1,996
Cash and cash equivalents at end of year	$ 58,605	52,027

(22) Subsequent Events

On July 11, 2008, the Company's subsidiary, GMI, entered into an agreement with the Ohio Power Company for the period commencing January 1, 2009 and ending December 31, 2018 providing 2.5 MW of firm power and 85 MW of interruptible power. The contract price of the power is based on a discounted rate from the prevailing tariff rate schedule.

On August 20, 2008, the Company's subsidiary, Solsil, entered into an agreement with the Columbus Southern Power Company for the period commencing January 1, 2009 and ending December 31, 2018 at a fixed capacity of 19,500 kVA with a minimum billing demand of 11,700 kVA. The contract price of the power is based on a discount benchmark of industrial market rates.

On September 18, 2008, the Company's subsidiary, GMI, refinanced its revolving credit facility and senior term loan with a new $75,000 credit facility, comprised of a five-year senior secured term loan in an aggregate principal amount of $40,000 and a revolving credit facility of $35,000. Interest on the term loan accrues at LIBOR plus an applicable margin percentage or, at GMI's option, prime plus an applicable margin percentage. Principal payments are due in quarterly installments of $2,100, commencing on December 31, 2008, and the unpaid principal balance is due in full in September 2013, subject to certain mandatory prepayments. Interest on advances under the revolving credit facility accrues at LIBOR plus an applicable margin percentage or, at GMI's option, prime plus an applicable margin percentage. The amount available under the revolving credit facility is subject to a borrowing base calculation, and the total commitment on the revolving credit facility includes $10,000 for letters of credit associated with foreign supplier contracts. The credit facility is secured by substantially all of the assets of GMI and its principal subsidiary, West Virginia Alloys, and is subject to certain restrictive and financial covenants, which include limits on additional debt, restrictions on capital expenditures, restrictions on dividend and other equity distributions, a maximum ratio of debt to earnings before interest, taxes, depreciation and amortization and minimum net worth and interest coverage requirements.

In connection with the new $75,000 credit facility, GMI terminated its existing interest rate swap and entered into an interest rate cap arrangement to cap LIBOR on an initial $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, GMI capped LIBOR at a maximum of 4.5% over the life of the agreement.

Also in connection with this refinancing, both of the Company's $8,500 junior subordinated term loans were paid in full.

During October 2008, the Company's subsidiary, Solsil, issued an additional 315.75394 shares of common stock at a price of $53,839.39 per share to existing Solsil shareholders. Total proceeds of the offering were $17,000, including the conversion of $3,207 of existing debt. The portion funded by minority shareholders totaled $3,174, including the conversion of $1,604 of existing debt. There was no change in the Company's percentage ownership in Solsil as a result of this share issuance. The subscription agreement allows Solsil to require Solsil shareholders to purchase up to an additional $8,000 of common shares at the same price per share as this offering for a period of up to 120 days after the initial closing.