

**GLOBE SPECIALTY METALS, INC.
AND SUBSIDIARY COMPANIES**

Condensed Consolidated Financial Statements

(Unaudited)

March 31, 2009 and 2008

**GLOBE SPECIALTY METALS, INC.
AND SUBSIDIARY COMPANIES**
Condensed Consolidated Balance Sheets
March 31, 2009 and June 30, 2008
(In thousands, except share and per share amounts)

	<u>March 31, 2009</u>	<u>June 30, 2008</u>
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 45,022	73,994
Accounts receivable, net of allowance for doubtful accounts of \$1,542 and \$1,021 at March 31, 2009 and June 30, 2008, respectively	30,724	53,801
Inventories	77,000	63,568
Prepaid expenses and other current assets	23,100	25,223
Total current assets	<u>175,846</u>	<u>216,586</u>
Property, plant, and equipment, net	214,777	180,659
Goodwill	53,068	107,257
Other intangible assets	3,157	16,884
Investments in unconsolidated affiliates	7,906	7,965
Deferred tax assets	1,882	2,720
Other assets	14,752	16,103
Total assets	<u>\$ 471,388</u>	<u>548,174</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 19,535	40,493
Current portion of long-term debt	19,719	17,045
Short-term debt	11,666	20,140
Accrued expenses and other current liabilities	42,856	26,841
Total current liabilities	<u>93,776</u>	<u>104,519</u>
Long-term liabilities:		
Long-term debt	38,510	52,020
Deferred tax liabilities	18,185	22,756
Other long-term liabilities	10,437	22,642
Total liabilities	<u>160,908</u>	<u>201,937</u>
Commitments and contingencies (note 14)		
Minority interest	6,278	3,956
Stockholders' equity:		
Common stock, \$0.0001 par value. Authorized 150,000,000 shares; issued 63,496,978 and 63,050,416 shares at March 31, 2009 and June 30, 2008, respectively	6	6
Additional paid-in capital	301,674	296,137
Retained earnings	3,022	46,641
Accumulated other comprehensive loss	(496)	(503)
Treasury stock at cost, 1,000 shares and 0 shares at March 31, 2009 and June 30, 2008, respectively	(4)	-
Total stockholders' equity	<u>304,202</u>	<u>342,281</u>
Total liabilities and stockholders' equity	<u>\$ 471,388</u>	<u>548,174</u>

See accompanying notes to condensed consolidated financial statements.

GLOBE SPECIALTY METALS, INC.
AND SUBSIDIARY COMPANIES
Condensed Consolidated Statements of Operations
Nine Months Ended March 31, 2009 and 2008
(In thousands, except per share amounts)
(UNAUDITED)

	Nine Months Ended March 31	
	2009	2008
Net sales	\$ 344,610	316,751
Cost of goods sold	257,714	251,378
Selling, general, and administrative expenses	48,475	34,303
Research and development	1,122	407
Restructuring charges	1,387	-
Goodwill and intangible asset impairment	69,704	-
Operating (loss) income	<u>(33,792)</u>	<u>30,663</u>
Other income (expense):		
Interest income	630	2,295
Interest expense, net of capitalized interest of \$737 and \$226, respectively	(5,596)	(7,598)
Foreign exchange (loss) gain	(2,961)	24
Other income	2,368	176
(Loss) income before provision for income taxes and minority interest	<u>(39,351)</u>	<u>25,560</u>
Provision for income taxes	7,290	7,343
Net (loss) income before minority interest	<u>(46,641)</u>	<u>18,217</u>
Losses attributable to minority interest, net of tax	3,022	26
Net (loss) income	<u>\$ (43,619)</u>	<u>18,243</u>
Weighted average shares outstanding:		
Basic	63,820	57,636
Diluted	63,820	69,765
(Loss) earnings per common share:		
Basic	\$ (0.68)	0.32
Diluted	(0.68)	0.26

See accompanying notes to condensed consolidated financial statements.

**GLOBE SPECIALTY METALS, INC.
AND SUBSIDIARY COMPANIES**
Condensed Consolidated Statement of Changes in Stockholders' Equity
Nine Months Ended March 31, 2009
(In thousands)
(UNAUDITED)

	Common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive (loss) income	Treasury stock at cost	Total stockholders' equity
	Shares	Amount					
Balance at June 30, 2008	63,051	\$ 6	296,137	46,641	(503)	—	342,281
Warrants exercised	203	—	833	—	—	—	833
UPOs exercised	243	—	—	—	—	—	—
Share-based compensation	—	—	4,704	—	—	—	4,704
Treasury stock acquired	—	—	—	—	—	(4)	(4)
Comprehensive income (loss):							
Foreign currency translation adjustment	—	—	—	—	40	—	40
Unrealized loss on available for sale securities (net of income tax benefit of \$17)	—	—	—	—	(33)	—	(33)
Net loss	—	—	—	(43,619)	—	—	(43,619)
Total comprehensive loss							(43,612)
Balance at March 31, 2009	<u>63,497</u>	<u>\$ 6</u>	<u>301,674</u>	<u>3,022</u>	<u>(496)</u>	<u>(4)</u>	<u>304,202</u>

See accompanying notes to condensed consolidated financial statements.

GLOBE SPECIALTY METALS, INC.
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Condensed Consolidated Statements of Cash Flows
Nine Months Ended March 31, 2009 and 2008
(In thousands)
(UNAUDITED)

	Nine Months Ended March 31	
	2009	2008
Cash flows from operating activities:		
Net (loss) income	\$ (43,619)	18,243
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	14,740	14,255
Amortization of customer contracts	(434)	(2,809)
Share-based compensation	4,704	6,617
Goodwill and intangible asset impairment	69,704	-
Losses attributable to minority interest, net of tax	(3,022)	(26)
Deferred taxes	(4,077)	373
Changes in operating assets and liabilities:		
Accounts receivable, net	22,666	(13,467)
Inventories	(15,428)	(14,258)
Prepaid expenses and other current assets	(1,761)	247
Accounts payable	(21,158)	(2,192)
Accrued expenses and other current liabilities	16,914	2,216
Other	(7,590)	(4,519)
Net cash provided by operating activities	31,639	4,680
Cash flows from investing activities:		
Capital expenditures	(46,507)	(13,098)
Held-to-maturity treasury securities	2,987	(2,987)
Acquisition of businesses, net of cash acquired of \$0 and \$87	(74)	(277)
Note receivable from Solsil, Inc.	-	(1,500)
Other investing activities	339	(10)
Net cash used in investing activities	(43,255)	(17,872)
Cash flows from financing activities:		
Proceeds from warrants exercised	833	3,498
Net (payments) borrowings of long-term debt	(10,856)	13,631
Net (payments) borrowings of short-term debt	(6,900)	2,700
Solsil, Inc. common share issuance	1,570	374
Other financing activities	(2,045)	-
Net cash (used in) provided by financing activities	(17,398)	20,203
Effect of exchange rate changes on cash and cash equivalents	42	-
Net (decrease) increase in cash and cash equivalents	(28,972)	7,011
Cash and cash equivalents at beginning of period	73,994	67,741
Cash and cash equivalents at end of period	\$ 45,022	74,752
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 5,737	5,357
Cash paid for income taxes	9,242	7,684

See accompanying notes to condensed consolidated financial statements.

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Notes to Condensed Consolidated Financial Statements
March 31, 2009 and 2008
(Dollars in thousands, except share and per share data)
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(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 silicone chemical, aluminum and steel manufacturers, auto companies and their suppliers, ductile iron foundries, manufacturers of photovoltaic solar cells and computer chips, and concrete producers.

(2) Summary of Significant Accounting Policies

a. Basis of Presentation

In the opinion of the Company's management, the accompanying condensed consolidated financial statements include all adjustments necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) of the results for the interim periods presented and such adjustments are of a normal, recurring nature. The accompanying condensed consolidated financial statements should be read in conjunction with the notes to the consolidated financial statements of the Company for the years ended June 30, 2008 and 2007. There have been no material changes to the Company's significant accounting policies during the nine months ended March 31, 2009, except as discussed below under Recently Implemented Accounting Pronouncements.

b. Reclassifications

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

c. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect amounts reported in the condensed consolidated financial statements and related notes. Significant estimates and assumptions in these condensed consolidated financial statements include 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, restructuring charges, income taxes and deferred tax valuation allowances, valuation of derivative instruments, the determination of the discount rate and the rate of return on plan assets for pension expense (benefit), 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.

d. Revenue Recognition

Revenue is recognized in accordance with the U.S. Securities and Exchange Commission Staff Accounting Bulletin No. 104 (SAB 104) 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 condensed consolidated statements of operations. When the Company provides a combination of products and services to customers, the arrangement is evaluated under Emerging Issues Task Force Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables* (EITF 00-21).

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EITF 00-21 addresses certain aspects of accounting by a vendor for arrangements under which the vendor will perform multiple revenue-generating activities. If the Company cannot objectively determine the fair value of any undelivered elements under an arrangement, the Company defers revenue until all elements are delivered and services have been performed, or until fair value can objectively be determined for any remaining undelivered elements.

e. Restructuring Charges

Restructuring activities are programs planned and controlled by management that materially change either the scope of the business undertaken by the Company or the manner in which business is conducted. Restructuring activities include, but are not limited to, one-time termination benefits provided to current employees that are involuntarily terminated, costs to terminate a contract that is not a capital lease, and costs to consolidate facilities and relocate employees. Restructuring charges are recognized in accordance with Statement of Financial Accounting Standards (SFAS) No. 146 *Accounting for Costs Associated with Exit or Disposal Activities* (SFAS 146), which requires a liability for a cost associated with an exit or disposal activity to be recognized at its fair value in the period in which the liability is incurred, except for a liability for one-time termination benefits that is incurred over time. In periods subsequent to initial measurement, changes to a restructuring liability are measured using the credit-adjusted risk-free rate that was used to measure the liability initially.

f. Recently Implemented Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). The Company partially adopted SFAS 157 on July 1, 2008. This adoption did not have a material impact to the Company's consolidated results of operations or financial condition. Pursuant to FASB Staff Position No. 157-2, the Company deferred adopting SFAS 157 as it relates to fair value measurement requirements for nonfinancial assets and liabilities that are not remeasured at fair value on a recurring basis until July 1, 2009. These include property, plant, and equipment, goodwill, other intangible assets, and investments in unconsolidated affiliates. 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 carries its derivative agreements, as well as available-for-sale and trading securities, at fair value, determined using observable market based inputs. See Note 18.

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. The Company elected to not fair value existing eligible items. Accordingly, the adoption of SFAS 159 had no impact to the Company's consolidated results of operations or financial condition.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133* (SFAS 161). 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, *Accounting for Derivative Instruments and Certain Hedging Activities* (SFAS 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. The Company has provided the enhanced disclosures required by SFAS 161 in Note 11.

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In March 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (SFAS 162). 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. The adoption of SFAS 162 had no impact to the Company's consolidated results of operations or financial condition.

g. Accounting Pronouncements to be Implemented

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* (SFAS 160). 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.

(3) Business Combinations

Solsil Acquisition:

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 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 condensed consolidated statements of operations 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 approximate 19% interest in Solsil following the transaction, are entitled to certain preemptive rights on the future sale of equity securities of Solsil. These preemptive 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

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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 the Solsil acquisition, the Company:

- Earned \$3,287 under an operating and lease agreement in which Solsil was provided administrative and operating support, plus facility space.
- Sold \$2,580 of metallurgical grade silicon to Solsil.
- Purchased \$1,798 of silicon from Solsil.
- 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 principal outstanding at the end of each quarter in lieu of payment in cash. The note, including accrued interest, was repayable in full on October 24, 2008.

In February 2009, the allocation of the purchase price of the Solsil acquisition was finalized. In finalizing the purchase price allocation, deferred tax liabilities were increased \$144 with a corresponding increase in goodwill. The following table summarized the final 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	57,656
Unpatented technology	10	13,143
Noncurrent assets		3,896
Total assets acquired		85,184
Current liabilities		7,102
Noncurrent liabilities		5,038
Total liabilities assumed		12,140
Minority interest		385
Net assets acquired		72,659
Debt assumed		3,000
Total purchase price		\$ 75,659

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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. See Note 4 for discussion regarding the subsequent impairment of goodwill and intangible assets arising from the Solsil acquisition.

During October 2008, Solsil issued an additional 315.75394 shares of common stock at a price of \$53,839.39 per share to existing Solsil shareholders to fund Solsil's capital expansion and research and development activities. 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. The remaining funding of \$13,826, including conversion of \$1,603 of existing debt, was made by GSM, and thus is eliminated in consolidation. There was no change in the Company's percentage ownership in Solsil as a result of this share issuance.

Yonvey acquisition:

On May 15, 2008, the Company entered into a business combination pursuant to which it acquired a 58% ownership interest in Ningxia Yonvey Coal Industrial Co., Ltd (Yonvey). Yonvey is engaged in the production of carbon electrodes, an important input in the Company's production process. Yonvey principally supplies its electrodes to our subsidiaries. Yonvey's operating results are included in the condensed consolidated statements of operations from the date of acquisition.

Based on the terms of the business combination agreement, the Company's total consideration was \$11,172, of which \$6,158, including direct costs of \$458, was paid through June 30, 2008, with the remainder of \$5,014 paid during the nine months ended March 31, 2009.

On November 28, 2008, the Company entered into a subscription agreement for capital increase. Under the terms of this agreement, the Company agreed to contribute an additional \$10,236 in specified installments in exchange for an additional 12% interest in Yonvey. As of March 31, 2009, the Company had made additional contributions totaling \$7,700. The Company expects to remit the remaining balance of the capital increase by the end of its current fiscal year. The subscription agreement provides a call option such that within a period of three years from the agreement's effective date, the minority shareholder may repurchase up to a maximum 12% ownership interest in Yonvey at a subscription price equal to the relevant percentage of the additional \$10,236 registered capital plus a premium calculated using specified interest rate. The related liability of \$1,166 is recorded in other long-term liabilities at March 31, 2009. The reduction in minority interest associated with our additional share purchase is reflected in the condensed consolidated statement of operations from the date of the subscription agreement.

Based on the preliminary purchase price allocation, \$7,270 in goodwill has been assigned to the silicon metal and silicon-based specialty alloys operating segment related to the Yonvey acquisitions.

(4) Goodwill and Intangible Asset Impairment

In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS 142), the Company applies a fair value based impairment test to the net book value of goodwill and indefinite-lived intangible assets on an annual basis and on an interim basis if certain events or circumstances indicate that an impairment loss may have occurred. During the second quarter of fiscal 2009, the Company experienced a decrease in profitability, and a significant decline in demand for high purity solar-grade silicon. Consistent with the guidance in SFAS 142, the Company performed an interim impairment test of goodwill and indefinite-lived intangible assets at the end of the second quarter of fiscal 2009. In performing this test, the Company made a substantial downward revision in the forecasted cash flows from its Solsil reporting unit as a result of a decrease in the market price for solar-grade

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silicon and weakness in demand for solar products. The Company finalized this impairment analysis during the third quarter of fiscal 2009 and has recorded an impairment charge totaling \$65,340, comprised of the write-off of \$57,656 of goodwill and \$12,048 of unpatented technology offset by the write-off of associated deferred taxes totaling \$4,364. These impairment charges are entirely associated with its Solsil business unit, acquired in February 2008 as discussed in Note 3.

(5) Restructuring Charges

During the third quarter of fiscal 2009, the Company implemented formal restructuring programs, including the temporary shutdown of certain furnace operations, and furloughing or terminating employees. Cash payments associated with these restructuring programs are expected to be completed in fiscal 2010. The restructuring programs include employee severance and benefits, as well as costs associated with lease termination obligations. Restructuring charges are accounted for in accordance with SFAS 146.

Activity during the period ended March 31, 2009 related to the restructuring liability follows:

	Liability at June 30, 2008	Restructuring charges	Cash payments	Liability at March 31, 2009
Severance and benefit related costs (1)	\$ -	1,374	(273)	1,101
Lease termination obligations (2)	-	13	(13)	-
Total restructuring	\$ -	1,387	(286)	1,101

(1) Includes severance payments made to employees, payroll taxes, and other benefit related costs in connection with the terminations of employees.

(2) Includes termination fees related to the cancellation of certain contractual lease obligations.

Total restructuring expenses of \$1,387 were incurred during the nine months ended March 31, 2009, and are included in restructuring charges in the condensed consolidated statements of operations. The remaining unpaid liability as of March 31, 2009 is included in accrued expenses and other current liabilities.

(6) Treasury Securities

During March 2008, the Company purchased U.S. government treasury securities with a term to maturity of 125 days. The securities were redeemed during the nine months ended March 31, 2009. These securities were valued at amortized cost, and the \$2,987 balance of these securities at June 30, 2008 was recorded in prepaid expenses and other current assets.

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(7) Inventories

Inventories comprise the following:

	March 31, 2009	June 30, 2008
Finished goods	\$ 30,786	17,830
Work in process	4,810	7,267
Raw materials	33,378	32,068
Parts and supplies	8,026	6,403
Total inventory	\$ 77,000	63,568

At March 31, 2009, \$56,494 in inventory is valued using the first-in, first-out method and \$20,506 using the average cost method. 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.

(8) Property, Plant, and Equipment

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

	March 31 2009	June 30, 2008
Land, land improvements, and land use rights	\$ 13,836	13,605
Building and improvements	24,155	23,629
Machinery and equipment	55,229	48,551
Furnaces	98,378	95,925
Other	14,761	14,390
Construction in progress	43,554	6,678
Property, plant, and equipment, gross	249,913	202,778
Less accumulated depreciation and amortization	(35,136)	(22,119)
Property, plant, and equipment, net of accumulated depreciation and amortization	\$ 214,777	180,659

Depreciation expense for the nine months ended March 31, 2009 was \$13,061, of which \$12,740 is recorded in cost of goods sold and \$321 is recorded in selling, general, and administrative expenses. Depreciation expense for the nine months ended March 31, 2008 was \$11,311, of which \$10,421 is recorded in cost of goods sold and \$890 is recorded in selling, general, and administrative expenses.

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(9) 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 during the nine months ended March 31, 2009 follow:

	Nine months ended March 31, 2009
Balance at June 30, 2008	\$ 107,257
Yonvey capital increase	3,479
Yonvey purchase price allocation adjustments	(156)
Solsil purchase accounting adjustments	144
Solsil goodwill impairment	<u>(57,656)</u>
Balance at March 31, 2009	<u><u>\$ 53,068</u></u>

b. Other Intangible Assets

Changes in the carrying amounts of definite lived intangible assets for nine months ended March 31, 2009 follow:

	Electricity contracts	Unpatented technology	Other
Cost:			
Balance at June 30, 2008	\$ 9,368	13,143	323
Solsil intangible asset impairment	<u>—</u>	<u>(13,143)</u>	<u>—</u>
Balance at March 31, 2009	<u><u>\$ 9,368</u></u>	<u><u>—</u></u>	<u><u>323</u></u>
Accumulated amortization:			
Balance at June 30, 2008	5,666	438	323
Amortization expense	1,022	657	—
Solsil intangible asset impairment	<u>—</u>	<u>(1,095)</u>	<u>—</u>
Balance at March 31, 2009	<u><u>6,688</u></u>	<u><u>—</u></u>	<u><u>323</u></u>
Net balance at March 31, 2009	<u><u>\$ 2,680</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

There were no changes in the value of the Company's indefinite lived intangible assets during the nine months ended March 31, 2009. The trade name balance at both March 31, 2009 and June 30, 2008 was \$477.

Amortization expense of purchased intangible assets was \$1,679 for the nine months ended March 31, 2009, which is recorded in cost of goods sold. Amortization expense of purchased intangible assets was \$2,944 for the

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nine months ended March 31, 2008, of which \$2,893 is recorded in cost of goods sold and \$51 is recorded in selling, general, and administrative expenses.

c. Customer Contracts

The Company has certain noncancelable executory customer contracts purchased as part of the Company's historical acquisitions with future cash flows differing from market rates. The related assets and liabilities are being amortized over the contractual term of the individual contracts. For the nine months ended March 31, 2009 and 2008, \$434 and \$2,809, respectively, of this net liability was amortized and included in net sales. The remaining unamortized net asset (liability) at March 31, 2009 and June 30, 2008 of \$23 and (\$411), respectively, is included in other assets and other long-term liabilities, respectively.

(10) Debt

a. Short-Term Debt

Short-term debt comprises the following:

	Outstanding balance	Weighted average interest rate	Unused credit line
March 31, 2009:			
Type debt:			
Revolving credit	\$ —	—%	\$ 34,560
Export financing	3,518	9.26	6,700
Other	8,148	9.81	—
Total	\$ 11,666		\$ 41,260
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

Revolving Credit Agreements – A summary of the Company's revolving credit agreements at March 31, 2009 follows:

	Outstanding balance	Unused commitment	Total commitment
Senior credit facility	\$ —	34,560	35,000

On September 18, 2008, the Company's subsidiary, Globe Metallurgical, Inc. (GMI), refinanced its revolving credit facility and senior term loan with a new \$75,000 credit facility, comprised of a five-year senior term loan in an aggregate principal amount of \$40,000 and a revolving credit facility of \$35,000. The credit facility expires September 2013. Interest on advances under the revolving credit facility accrues at LIBOR plus

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an applicable margin percentage or, at the Company'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. At March 31, 2009, there was no outstanding balance on this revolver. The total commitment on this credit facility includes \$440 outstanding letters of credit associated with foreign supplier contracts. The revolving 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. The Company was in compliance with these loan covenants, as subsequently amended to increase annual limits for capital expenditures, at March 31, 2009.

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 9.0% to 10.0% at March 31, 2009. Certain export accounts receivable balances are pledged as collateral against these borrowings.

Other – The Company's subsidiary, Yonvey, has \$8,045 in outstanding promissory notes, which mature through August 2009. The notes accrue interest at rates ranging from 8.2% to 12.7%. The promissory notes are secured by certain Yonvey assets.

b. Long-Term Debt

Long-term debt comprises the following:

	March 31 2009	June 30, 2008
Senior term loan	\$ 35,789	18,640
Junior subordinated term loan	—	8,500
Junior subordinated term loan	—	8,500
Export prepayment financing	17,000	20,000
Export financing	3,000	9,450
Other	2,440	3,975
Total long-term debt	58,229	69,065
Less current portion of long-term debt	(19,719)	(17,045)
Long-term debt, net of current portion	\$ 38,510	52,020

Senior Term Loan – As discussed above, on September 18, 2008, GMI refinanced its revolving credit facility and senior term loan with a new \$75,000 credit facility, comprised of a five-year senior term loan in an aggregate principal amount of \$40,000 and a revolving credit facility of \$35,000. Interest on the senior term loan accrues at LIBOR plus an applicable margin percentage or, at the Company's option, prime plus an applicable margin percentage. Principal payments are due in quarterly installments of \$2,105, commencing on December 31, 2008, and the unpaid principal balance is due in full in September 2013, subject to certain mandatory prepayments. The interest rate on this loan was 2.77%, equal to LIBOR plus 2.25%, at March 31, 2009. The senior term loan is

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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. The Company was in compliance with these loan covenants, as subsequently amended to increase annual limits for capital expenditures, at March 31, 2009.

Junior Subordinated Term Loans – In connection with GMI's new \$75,000 credit facility, both of the Company's \$8,500 junior subordinated term loans were paid in full.

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 March 31, 2009, the interest rate on this loan was 4.15%. 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 \$5,402. 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. At March 31, 2009, there is no restricted cash balance.

Export Financing – The Company's Brazilian subsidiary maintains long-term export financing arrangements with banks in Brazil. At March 31, 2009, interest accrues at rates ranging from 5.45% to 5.60%.

See Note 11 for discussion of derivative financial instruments entered into to reduce the Company's exposure to interest rate fluctuations on outstanding long-term debt.

(11) Derivative Instruments

The Company enters into derivative instruments to hedge certain interest rate and foreign currency risks. The Company does not engage in interest rate, currency, or commodity speculation, and no derivatives are held for trading purposes. All derivatives are accounted for using mark-to-market accounting. The Company believes it is not practical to designate its derivative instruments as hedging instruments as defined under SFAS 133, as amended by SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*. Accordingly, the Company adjusts its derivative financial instruments to current market value through the condensed consolidated statement of operations based on the fair value of the agreement as of period end. Although not designated as hedged items as defined under SFAS 133, these derivative instruments serve to significantly offset the Company's interest rate and foreign exchange risks. Gains or losses from these transactions offset gains or losses on the assets, liabilities, or transactions being hedged. No credit loss is anticipated as the counterparties to these agreements are major financial institutions that are highly rated.

Interest Rate Risk:

We are exposed to market risk from changes in interest rates on certain of our long-term debt obligations.

In connection with GMI's new \$75,000 credit facility (Note 10), the Company entered into an interest rate cap arrangement and two interest rate swap agreements to reduce our exposure to interest rate fluctuations.

In October 2008, the Company entered into an interest rate cap arrangement to cap LIBOR on a \$20,000 notional amount of debt, with the notional amount decreasing by \$1,053 per quarter through the interest rate

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cap's expiration on June 30, 2013. Under the interest rate cap, the Company capped LIBOR at a maximum of 4.5% over the life of the agreement.

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

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

Pursuant to the establishment of the new \$75,000 credit facility, the Company terminated its then existing interest rate swap.

In connection with the Company's export prepayment financing arrangement (Note 10), the Company entered into an interest rate swap agreement involving the exchange of interest obligations relating to a \$14,000 notional amount of debt, with the notional amount decreasing by \$3,000 on a semi-annual basis through August 2011, and a final \$2,000 notional amount swapped for the six-month period ended January 2012. Under the interest rate swap, the Company receives LIBOR in exchange for a fixed interest rate of 2.66% over the life of the agreement.

Foreign Currency Risk:

We are exposed to market risk arising from changes in currency exchange rates as a result of our operations outside the United States, principally in Brazil, Argentina, and China. A portion of our sales generated from our non-U.S. operations is denominated in currencies other than the U.S. dollar. Most of our operating costs for our non-U.S. operations are denominated in local currencies, principally the Brazilian Real, Argentine Peso, and the Chinese Renminbi. Consequently, the translated U.S. dollar value of our non-U.S. dollar sales, and related accounts receivable balances, and our operating costs are subject to currency exchange rate fluctuations. Derivative instruments are not used extensively to manage this risk; however, the Company does utilize derivative financial instruments manage a portion of its net foreign currency exposure to the Brazilian Real. At March 31, 2009, the Company had entered into a series of foreign exchange forward contracts covering approximately 53,774 Reais, expiring at dates ranging from April 2009 to December 2009, at an average exchange rate of 2.41 Real to \$1.00 U.S. dollar.

Commodity Price Risk:

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

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

	Gain (loss) recognized during nine months ended March 31,		Location of gain (loss)
	2009	2008	
Interest rate derivatives	\$ (1,082)	(880)	Interest expense
Foreign exchange forward contracts	1,012	—	Foreign exchange (loss) gain

The fair values of Company's derivative instruments at March 31, 2009 are summarized in Note 18. The \$530 liability associated with the Company's interest rate derivatives is included in other long-term liabilities. The \$900 asset associated with the Company's foreign exchange forward contracts is included in prepaid expenses and other current assets.

(12) Pension Plans

The components of net periodic pension expense (benefit) for the Company's defined benefit pension plans follow for the nine months ended March 31, 2009 and 2008:

		Nine months ended March 31,	
		2009	2008
Interest cost	\$	918	886
Expected return on plan assets		(927)	(1,095)
Amortization of net loss		172	55
Net periodic pension expense (benefit)	\$	163	(154)

The Company expects to contribute approximately \$414 to the plans for the year ended June 30, 2009, of which \$317 has been contributed through March 31, 2009.

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(13) Income Taxes

The following is a reconciliation, stated in percentage, of the U.S. statutory federal income tax rate to our effective tax rate for the nine months ended March 31, 2009 and 2008:

	Nine months ended			
	March 31			
	<u>2009</u>		<u>2008</u>	
Federal statutory rate	35.0	%	35.0	%
State taxes, net of federal benefit	(1.0)		1.8	
Goodwill impairment	(51.3)		—	
Foreign tax holiday and rate differential	3.4		(7.6)	
Other items	(4.6)		(0.5)	
	<u>(18.5)</u>	<u>%</u>	<u>28.7</u>	<u>%</u>
Effective tax rate				

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 34%. 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 35%. The tax holiday in Argentina expires in 2012.

The Company maintains valuation allowances where it is more likely than not that all or a portion of a deferred tax asset will not be realized. 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 the nine months ended March 31, 2009, the Company's valuation allowances decreased due to foreign exchange fluctuations associated with our Brazilian net operating loss carryforwards and increased due to our inability to utilize net losses associated with our Chinese operations. There were no other significant changes in the Company's valuation allowances during the nine months ended March 31, 2009.

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 2006 to present, Argentina from 2004 to present, and Brazil from 2004 to present.

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

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(14) 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. The Company disputes this claim and contends that the quality, quantity, and delivery schedules maintained by Westbrook were in breach of the contract. Through March 31, 2009, 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 and a hearing for the appeal was held in April 2009. The appeal was dismissed and the Company was ordered to pay \$117 to Westbrook for their legal fees associated with the appeal.

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 March 31, 2009, 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. Employee Contracts

Certain employees of our Brazilian operations were covered by a collective bargaining agreement which expired October 31, 2008. These employees agreed to a new union contract commencing November 1, 2008 and ending October 31, 2009. At March 31, 2009, 105 employees of our Argentine operations are covered by a collective bargaining agreement which expires in April 2009. The Company expects a new collective bargaining agreement with these employees to be ratified in May 2009.

d. Guarantees

As of March 31, 2009, the Company's subsidiary, Yonvey, has provided guarantees, either directly or indirectly, of \$2,744 for notes and related interest obligations for a third party. There are no amounts being carried as liabilities for Yonvey'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. Yonvey 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 additional interest and penalties related to these obligations. These guarantees expire on dates ranging from April 2009 to May 2009. Subsequent to March 31, 2009, the financing arrangements secured by the guarantees were repaid, and the guarantees expired.

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e. Commodity Purchase Agreement

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. On January 30, 2009, the Company entered into a commodity purchase agreement with New York Power Authority and Niagara Mohawk Power Corporation where the Company will be supplied up to a maximum of 40,000 kW of hydropower from the Niagara Power Project to operate its Niagara Falls facility. The hydropower will be supplied at preferential power rates plus market-based delivery charges for a period of up to 5 years. Under the terms of the contract, the Company has committed to a \$60,000 capital expansion program and specified employment levels, which, if not met, could reduce the Company's power allocation from the Niagara Power Project. As of March 31, 2009, the Company has spent approximately \$19,954 related to the capital expansion of our Niagara facility.

f. 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. As part of this agreement, BP Solar paid Solsil \$10,000 as an advance for research and development services and facilities construction. 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 March 31, 2009 in accordance with EITF 00-21.

g. Deferred Revenue

In January 2009, the Company entered into a warehousing arrangement with a customer whereby we agreed to deliver and store uncrushed silicon metal based on the customer's purchase instructions. The customer is required to pay for delivered material within 30 days from the date the material is placed in our warehouse. Further, the customer is required to pay a monthly storage fee based on the quantity stored. As the transactions do not meet the revenue recognition criteria contained in SAB 104, no revenue has been recognized under this warehousing arrangement as of March 31, 2009. A liability of \$6,810 for unearned revenue is recorded in accrued expenses and other current liabilities at March 31, 2009.

(15) Stockholders' Equity

a. Warrants

In connection with the Company's initial public offering on October 3, 2005, the Company sold 33,500,000 units consisting of one share of the Company's common stock and two redeemable common stock purchase warrants. Also in connection with its initial public offering, the Company issued an option 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 and two redeemable common stock purchase warrants. All of the Company's warrants have an exercise price of \$5.00 per common share and expire on October 3, 2009.

During the nine months ended March 31, 2009, 166,668 of the warrants issued in connection with the Company's initial public offering were exercised and an additional 485,505 warrants and 242,753 common shares were issued in connection with a cashless exercise of 282,128 UPOs.

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In the third quarter of fiscal 2009, the Company executed a warrant exchange program under which it agreed to exchange 5.5 warrants for one share of the Company's common stock. Warrant holders holding approximately 19.1 million warrants accepted the exchange offer. As of March 31, 2009, 204,274 warrants have been converted to 37,141 common shares under this exchange program. The remaining warrants redeemed under the exchange program will be converted to common shares in the fourth quarter of fiscal 2009.

At March 31, 2009, 19,161,473 warrants and 1,325,414 UPOs remain outstanding.

b. Share Repurchase Program

In December 2008, the Company's Board of Directors approved a share repurchase program that authorizes the Company to repurchase up to \$25,000 of the Company's common stock during the ensuing six months. The program does not obligate the Company to acquire any particular amount of shares and may be modified or suspended at any time at the Company's sole discretion. As of March 31, 2009, 1,000 shares had been repurchased at \$4.00 per share under this program.

(16) Earnings Per Share

Basic earnings per common share is calculated based on the weighted average number of common shares outstanding during the nine months ended March 31, 2009 and 2008, 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 (loss) earnings per common share for the nine months ended March 31, 2009 and 2008 follows:

	Nine months ended March 31	
	2009	2008
Basic (loss) earnings per share computation		
Numerator:		
Net (loss) income	\$ (43,619)	18,243
Denominator:		
Weighted average basic shares outstanding	63,819,677	57,636,156
Basic (loss) earnings per common share	\$ (0.68)	0.32
Diluted (loss) earnings per share computation		
Numerator:		
Net (loss) income	\$ (43,619)	18,243
Denominator:		
Weighted average basic shares outstanding	63,819,677	57,636,156
Effect of dilutive securities	—	12,128,756
Weighted average diluted shares outstanding	63,819,677	69,764,912
Diluted (loss) earnings per common share	\$ (0.68)	0.26

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The Company has 1,837,000 and 1,023,335 potential common shares associated with outstanding employee stock options which are excluded from the calculation of diluted (loss) earnings per common share because their effect would be anti-dilutive at March 31, 2009 and 2008, respectively. In addition, the Company has 19,161,473 warrants and 1,325,414 UPOs outstanding at March 31, 2009 which are excluded from the calculation of diluted loss per common share at March 31, 2009 because their effect would be anti-dilutive.

(17) Share-Based Compensation

The Company's share-based compensation program comprises 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 fiscal years. During the nine months ended March 31, 2009, share-based compensation awards were limited to the issuance of nonqualified stock options. No other share-based compensation awards were issued.

At March 31, 2009, there were 3,163,000 shares available for grant. 1,737,000 option grants vest and become exercisable in equal one-third increments on the first, second, and third anniversaries of the date of grant. 25,000 option grants vest and become exercisable in equal one-fourth increments on the first, second, third, and fourth 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 the nine months ended March 31, 2009 is presented below:

	<u>Number of options</u>	<u>Weighted- average exercise price</u>	<u>Weighted- average remaining contractual term in years</u>	<u>Aggregate intrinsic value</u>
Outstanding as of June 30, 2008	1,635,000	\$ 13.46		
Granted	268,000	25.85		
Exercised	—	—		
Forfeited and expired	(66,000)	20.84		
Outstanding as of March 31, 2009	<u>1,837,000</u>	<u>\$ 15.00</u>	<u>5.41</u>	<u>\$ —</u>
Exercisable as of March 31, 2009	<u>909,996</u>	<u>\$ 7.32</u>	<u>4.17</u>	<u>\$ —</u>

As of March 31, 2009, there were 927,004 nonvested options outstanding with a grant date fair value of \$5.45.

The Company estimates the fair value of grants using the Black-Scholes option pricing model. The following assumptions were used to estimate the fair value of stock option awards granted during the nine months ended March 31, 2009:

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Risk-free interest rate	1.48% to 3.47%
Expected dividend yield	—
Expected volatility	50.00% to 57.00%
Expected forfeiture rate	—
Expected term (years)	5.00 to 6.25
Weighted average per share fair value of stock option grants	\$ 6.81

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 nine months ended March 31, 2009 and 2008, share-based compensation expense was \$4,704 (\$2,538 after tax) and \$6,617 (\$3,570 after tax), respectively. The expense is reported within selling, general, and administrative expenses.

As of March 31, 2009, the Company has unearned compensation expense of \$6,848, before income taxes, related to nonvested stock option awards. The unrecognized compensation expense is expected to be recognized over the following periods:

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Share-based compensation (pre-tax)	\$ 1,542	3,381	1,418	335	172

A total of 503,332 option awards vested during the nine months ended March 31, 2009.

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

(18) Fair Value Measures

Effective July 1, 2008, the Company partially adopted SFAS 157, which establishes a fair value hierarchy for disclosure of fair value measurements. The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to value the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. The three levels are defined as follows:

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

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

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

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The following table summarizes assets and liabilities measured at fair value on a recurring basis at March 31, 2009:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<i>Assets</i>				
Foreign exchange forward contracts	\$ 900	—	900	—
Available-for-sale securities	227	227	—	—
Trading securities	1,382	1,382	—	—
	<u>2,509</u>	<u>1,609</u>	<u>900</u>	<u>—</u>
<i>Liabilities</i>				
Interest rate derivatives	\$ <u>530</u>	<u>—</u>	<u>530</u>	<u>—</u>

Derivative assets and liabilities relate to the interest rate cap and interest rate swap agreements and the foreign exchange forward contracts summarized in Note 11. Fair values are determined by independent brokers using quantitative models based on readily observable market data.

Available-for-sale and trading securities relate to investments in equity securities. Their fair values are determined based on quoted market prices.

(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.

A current and a former member of the Board of Directors are affiliated with Marco International and Marco Realty. During the nine months ended March 31, 2009 and 2008, the Company:

- Paid Marco Realty \$144 and \$114, 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 \$0 and \$7,997, respectively, under these agreements.
- Entered into an agreement to sell Marco International ferrosilicon. Sales were \$250 and \$0, respectively, under this agreement.
- Entered into agreements to purchase sodium carbonate from Marco International. Purchases under this agreement totaled \$126 and \$0, respectively.
- 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 plus 5.0%. Interest was payable until Marco International was paid by its customer. Sales under these agreements totaled \$0 and \$1,152, respectively.

The Company is affiliated with Norchem, Inc. (Norchem) through its 50.0% equity interest. During the nine months ended March 31, 2009 and 2008, the Company sold Norchem product valued at \$3,218 and \$3,161, respectively. At March 31, 2009 and June 30, 2008, receivables from Norchem totaled \$630 and \$117, respectively.

**GLOBE SPECIALTY METALS, INC.
AND SUBSIDIARY COMPANIES**

Notes to Condensed Consolidated Financial Statements – (Continued)
March 31, 2009 and 2008
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Certain entities of the D.E. Shaw group are shareholders of the Company. The Company had outstanding financing arrangements totaling \$17,000 with certain entities of the D.E. Shaw group at June 30, 2008. The notes were paid in full in September 2008. Interest expense on these financing arrangements totaled \$389 and \$1,512 during the nine months ended March 31, 2009 and 2008, respectively.

Prior to the Yonvey business combination, Yonvey's predecessor had entered into borrowing and lending agreements with affiliates of former and remaining minority shareholders. At March 31, 2009, \$146 in loans and related interest was payable to these parties. At March 31, 2009, \$828 remained payable to Yonvey 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 condensed consolidated statement of operations are the following amounts related to geographic data for the nine months ended March 31, 2009 and 2008:

Nine months ended March 31, 2009			
	Net sales	Depreciation and amortization	Operating (loss) income
United States	\$ 265,912	10,239	(54,325)
Argentina	34,178	1,789	13,043
Brazil	35,877	1,760	13,770
China	3,171	918	(6,347)
Poland	5,472	34	67
	\$ 344,610	14,740	(33,792)
Nine months ended March 31, 2008			
	Net sales	Depreciation and amortization	Operating income
United States	\$ 253,679	9,300	11,080
Argentina	26,045	1,508	3,440
Brazil	32,342	3,388	16,087
Poland	4,685	59	56
	\$ 316,751	14,255	30,663

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

**GLOBE SPECIALTY METALS, INC.
AND SUBSIDIARY COMPANIES**

Notes to Condensed Consolidated Financial Statements – (Continued)
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Long-lived assets by geographical region at March 31, 2009 and June 30, 2008 consist of the following:

	<u>March 31</u> <u>2009</u>	<u>June 30,</u> <u>2008</u>
United States	\$ 179,636	221,854
Argentina	32,840	34,435
Brazil	30,541	29,679
China	27,134	17,996
Poland	851	836
	<u>\$ 271,002</u>	<u>304,800</u>

Long-lived assets consist of property, plant, and equipment, net of accumulated depreciation and amortization, 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 nine months ended March 31, 2009 and 2008:

	<u>Nine months ended</u> <u>March 31</u>	
	<u>2009</u>	<u>2008</u>
Dow Corning	16%	15%
Wacker Chemie AG	10	9
All other customers	74	76
Total	<u>100%</u>	<u>100%</u>

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 calendar year through December 31, 2010. This contract was amended in November 2008 to provide for the sale of an additional 17,000 metric tons of silicon metal to be purchased in calendar year 2009. Under the second arrangement, effective December 1, 2007 through January 31, 2009, the Company supplied Dow Corning 13,000 metrics tons of silicon metal.

(21) Subsequent Events

To further reduce our exposure to interest rate fluctuations associated with GMI's \$75,000 credit facility, the Company entered into a third interest rate swap agreement in April 2009. The agreement, which expires in June 2013, involves the exchange of the interest obligations relating to an \$11,228 notional amount of debt, with the notional amount decreasing by \$702 per quarter. Under the interest rate swap, the Company receives LIBOR in exchange for a fixed interest rate of 2.05% over the life of the agreement.

Subsequent to March 31, 2009, the Company's Board of Directors approved modifications to the terms of 1,037,000 outstanding incentive stock options. The modifications reduced the exercise price of these options to \$4.00 per common share, and amended the vesting period of the awards. The modified awards vest in 25% increments every six months from the date of modification. Further, an additional 2,478,000 incentive stock options were granted, at exercise prices ranging from \$4.00 to \$5.00 per common share.