GENESIS ENERGY LP
Form S-3
April 15, 2008
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**As filed with the Securities and Exchange Commission on April 15, 2008.**

**Registration No. 333-______**

# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**WASHINGTON, D.C. 20549**

# FORM S-3

# REGISTRATION STATEMENT

***UNDER***

***THE SECURITIES ACT OF 1933***

# Genesis Energy, L.P.

***(Exact name of registrant as specified in its charter)***

| **Delaware** | **5171** | **76-0513049** |
|---|---|---|
| ***(State or other jurisdiction of incorporation or organization)*** | ***(Primary Industrial Classification Code Number)*** | ***(IRS Employer Identification No.)*** |

**500 Dallas, Suite 2500**

**Houston, Texas 77002**

**(713) 860-2500**

***(Address, including zip code, and telephone number, including***

***area code, of registrant s principal executive offices)***

**Ross A. Benavides**

**500 Dallas, Suite 2500**

**Houston, Texas 77002**

**Telephone: (713) 860-2500**

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**number, including area code, of agent for service)**

***Copy To:***

**J. Vincent Kendrick**

**Akin Gump Strauss Hauer & Feld LLP**

**1111 Louisiana Street, 44th Floor**

**Houston, Texas 77002**

**Telephone: (713) 220-5839**

**Approximate Date of Commencement of Proposed Sale to the Public:** From time to time after the registration statement becomes effective.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ¨

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. ¨

If this form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. ¨

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

Large accelerated filer ¨ Accelerated filer x Non-accelerated filer ¨ Smaller reporting company ¨

**(Do not check if a smaller reporting company)**

**CALCULATION OF REGISTRATION FEE**

| Title of Each Class of Securities to be Registered | Amount to be Registered(1) | Proposed Maximum Offering Price Per Unit(2) | Proposed Maximum Aggregate Offering Price(2) | Amount of Registration Fee(3) |
|---|---|---|---|---|
| Secondary Offering of Common Units | 13,459,209 | $19.70 | $265,146,417 | $10,421.00 |
| Total | | | $265,146,417 | $10,421.00 |

(1) The securities registered consist of 13,459,209 common units of limited partner interests authorized by the company s partnership agreement as may be sold by the selling unitholders described herein from time to time at indeterminate prices. Pursuant to Rule 416(a), the number of common units being registered shall be adjusted to include any additional common units that may become issuable as a result of any unit distribution, split, combination or similar transactions.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933 on the basis of the average of the high and low sales prices for a common unit on April 11, 2008 as reported on the American Stock Exchange.

(3) A filing fee of $10,421.00 has been transmitted to the Securities and Exchange Commission in connection with the securities offered pursuant to the prospectus contained in this Registration Statement.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission acting pursuant to said Section 8(a), may determine.**

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**The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**Subject to Completion, Dated April 15, 2008**

**PROSPECTUS**

# Genesis Energy, L.P.

## 13,459,209 Common Units

### Representing Limited Partner Interests

This prospectus relates to 13,459,209 of our common units that may be offered from time to time up to specified limits by one or more of the selling unitholders identified in this prospectus or in any supplement to this prospectus. See the sections of this prospectus entitled Selling Unitholders and Plan of Distribution.

The common units are being registered to permit the selling unitholders to sell the common units from time to time in the public market. The selling unitholders may sell the common units through ordinary brokerage transactions, directly to market makers or through any other means described in the section of this prospectus entitled Plan of Distribution, including through sales to underwriters or dealers (in which case this prospectus will be accompanied by a prospectus supplement listing any underwriters, the compensation to be received by the underwriters, and the total amount of money that the selling unitholders will receive in such sale after expenses of the offering are paid).

Each selling unitholder may elect to sell all, a portion or none of the common units it offers hereby. Each selling unitholder will determine the prices and terms of the sales at the time of each offering made by it, and will be responsible for any fees, discounts or selling commissions due to brokers, dealers or agents. We will pay all of the other offering expenses. We will not receive any of the proceeds from any sale of the common units sold pursuant to this prospectus.

You should carefully read this prospectus and any supplement before you invest. You also should read the documents we have referred you to in the section of this prospectus entitled Where You Can Find More Information for information on us and our financial statements. This prospectus may not be used to consummate sales of securities unless accompanied by a prospectus supplement.

Our common units are listed on the American Stock Exchange under the symbol GEL.

**Investing in our common units involves risks. Limited partnerships are inherently different from corporations. You should carefully consider the Risk Factors beginning on page 3 of this prospectus and contained in any applicable prospectus supplement and in the documents incorporated by reference herein and therein before you make an investment in our common units.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The date of this prospectus is , 2008.

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You should rely only on the information contained in this prospectus, any prospectus supplement and the documents we have incorporated by reference. We have not authorized anyone else to provide you different information. We are not making an offer of these securities in any state where the offer is not permitted. We will disclose any material changes in our affairs in an amendment to this prospectus, a prospectus

supplement or a future filing with the Securities and Exchange Commission incorporated by reference in this prospectus and any prospectus supplement. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of those documents.

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## ABOUT THIS PROSPECTUS

This prospectus, including any information incorporated by reference herein, is part of a registration statement on Form S-3 that we have filed with the Securities and Exchange Commission or the Commission, using a shelf registration or continuous offering process. Under this shelf registration process, the selling unitholders named in this prospectus or in any supplement to this prospectus may offer from time to time up to 13,459,209 common units representing limited partner interests. This prospectus provides you with a general description of the common units the selling unitholders may offer. A selling unitholder may sell none, some or all of its common units offered by this prospectus. A selling unitholder may provide a prospectus supplement containing specific information about the terms of a particular offering. A prospectus supplement may also add to, update or change information in this prospectus. The information in this prospectus is accurate as of the date on the cover page. If the description of the offering varies between the prospectus supplement and this prospectus, you should rely on the information in the prospectus supplement. Therefore, you should carefully read both this prospectus and any applicable prospectus supplement, together with additional information described under the heading Where You Can Find More Information before you invest in our common units.

*Unless the context otherwise requires, references in this prospectus to Genesis Energy, L.P., Genesis, we, our, us or like terms refer to Genesis Energy, L.P. and its operating subsidiaries; Denbury or Denbury Resources means Denbury Resources Inc. and its subsidiaries;* $CO_2$ *means carbon dioxide; and NaHS, which is commonly pronounced as nash, means sodium hydrosulfide.*

## GENESIS ENERGY, L.P.

We are a growth-oriented limited partnership focused on the midstream segment of the oil and gas industry in the Gulf Coast region of the United States, primarily Texas, Louisiana, Arkansas, Mississippi, Alabama and Florida. We were formed in 1996 as a master limited partnership, or MLP. We have a diverse portfolio of customers, operations and assets, including refinery-related plants, pipelines, storage tanks and terminals, and trucks and truck terminals. We provide services to refinery owners; oil, natural gas and $CO_2$, producers; industrial and commercial enterprises that use $CO_2$ and other industrial gases; and individuals and companies that use our dry-goods trucking services. Substantially all of our revenues are derived from providing services to integrated oil companies, large independent oil and gas or refinery companies, and large industrial and commercial enterprises.

We manage our businesses through four divisions which constitute our reportable segments:

*Pipeline Transportation*: We transport crude oil and, to a lesser extent, natural gas and $CO_2$ for others for a fee in the Gulf Coast region of the U.S. through approximately 500 miles of pipeline. We own and operate three crude oil common carrier pipelines, a small $CO_2$ pipeline and several small natural gas pipelines. Our 235-mile Mississippi System provides shippers of crude oil in Mississippi indirect access to refineries, pipelines, storage, terminaling and other crude oil infrastructure located in the Midwest. Our 100-mile Jay System originates in southern Alabama and the panhandle of Florida and can deliver crude oil to a terminal near Mobile, Alabama. Our 90-mile Texas System transports crude oil from West Columbia to Webster, Webster to Texas City and Webster to Houston. Our crude oil pipeline systems include a total of approximately 0.7 million barrels of leased and owned tankage.

*Refinery Services*: We provide services to eight refining operations located predominantly in Texas, Louisiana and Arkansas. These refineries generally are owned and operated by large companies, including ConocoPhillips, CITGO and Ergon. Our refinery services primarily involve processing high sulfur (or sour ) natural gas streams, which are separated from hydrocarbon streams, to remove the sulfur. Our refinery services contracts, which usually have an initial term of two to ten years, have an average remaining term of five years.

*Supply and Logistics*: We provide terminaling, blending, storing, marketing, gathering and transporting (by trucks), and other supply and logistics services to third parties, as well as to support our other businesses. Our terminaling, blending, marketing and gathering activities are focused on crude oil and petroleum products, primarily fuel oil. We own or lease approximately 300 trucks, 600 trailers and almost 1.5 million barrels of liquid storage capacity at eleven different locations. We also conduct certain crude oil aggregating operations, including purchasing, gathering and transporting (by

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trucks and pipelines operated by us and trucks, pipelines and barges operated by others), and reselling that crude oil to help ensure (among other things) a base supply source for our crude oil pipeline systems. Usually, our supply and logistics segment experiences limited commodity price risk because it generally involves back-to-back purchases and sales, matching our sale and purchase volumes on a monthly basis.

*Industrial Gases*:

*$CO_2$*: We supply $CO_2$ to industrial customers under seven long-term contracts, with an average remaining contract life of 8 years. We acquired those contracts, as well as the $CO_2$ necessary to satisfy substantially all of our expected obligations under those contracts, in three separate transactions with affiliates of our general partner. Our compensation for supplying $CO_2$ to our industrial customers is the effective difference between the price at which we sell our $CO_2$ under each contract and the price at which we acquired our $CO_2$ pursuant to our volumetric production payments (also known as VPPs), minus transportation costs.

*Syngas*: Through our 50% interest in a joint venture, we receive a proportionate share of fees under a processing agreement covering a facility that manufactures syngas (a combination of carbon monoxide and hydrogen) and high-pressure steam. Under that processing agreement, Praxair provides the raw materials to be processed and receives the syngas and steam produced by the facility. Praxair has the exclusive right to use that facility through at least 2016, and Praxair has the option to extend that contract term for two additional five year periods. Praxair also is our partner in the joint venture and owns the remaining 50% interest.

*Sandhill Group LLC*: Through our 50% interest in a joint venture, we process raw $CO_2$ for sale to other customers for uses ranging from completing oil and natural gas producing wells to food processing. The Sandhill facility acquires $CO_2$ from us under one of the long-term supply contracts described above.

**General Partner Relationship**

We conduct our operations through subsidiaries and joint ventures. As is common with publicly-traded partnerships, or MLPs, our general partner is responsible for operating our business, including providing all necessary personnel and other resources. Genesis Energy, Inc. serves as our sole general partner. Our general partner is an indirect, wholly-owned subsidiary of Denbury Resources Inc.

**Acquisition of Refinery Services Division and Other Businesses**

On July 25, 2007, we acquired five energy-related businesses, including the operations that comprise our refinery services division, from several entities owned and controlled by the Davison family of Ruston, Louisiana. The other acquired businesses, which transport, store, procure and market petroleum products and other bulk commodities, are included in our supply and logistics segment.

Our acquisition agreement with the Davisons provided that we would deliver to them $563 million of consideration, half in common units (13,459,209 common units at an agreed-to value of $20.8036 per unit) and half in cash, subject to specified purchase price adjustments. Our financial statements at December 31, 2007 reflect a total acquisition price of $631.5 million, which includes purchase price adjustments, our transaction costs of $8.9 million, working capital acquired, net of cash acquired, and a valuation of the units at $24.52 per unit, which was the average closing price of our units during the five trading day period ending two days after we signed the acquisition agreement.

The Davison family was our largest unitholder at December 31, 2007, with a 33.0% interest in us (represented by 12,619,069 of our common units). It has designated two of the members of the board of directors of our general partner, and as long as it maintains a specified minimum ownership percentage of our common units, it will have the continuing right to designate up to two directors. The Davison family has agreed to restrictions that limit its ability to sell specified percentages of its common units through July 26, 2010. Prior to July 25, 2008, the Davison family may not sell more than 20% of its common units. On that date, an additional 20% of its units will be released. An

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additional 20%, 30% and 10% of its issued units will be released 18, 24 and 36 months after closing, at which point the Davisons will be free to sell or otherwise dispose of all of their units. Pursuant to a registration right agreement between us and the Davison unitholders, the Davison unitholders have registration rights with respect to their common units. These rights include the right to require us to file a Form S-3 shelf registration statement, if we are eligible, on or before April 15, 2008, and we must use our best efforts to cause this registration statement to be declared effective prior to June 16, 2008.

Additionally, under the registration rights agreement, we have agreed to indemnify the selling unitholders against liabilities arising out of any untrue or alleged untrue statement of material fact contained in any registration statement (or an amendment thereto), prospectus or preliminary prospectus (or an amendment or supplement thereto), or issuer free writing prospectus (or amendment or supplement thereto) or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in case of a prospectus or preliminary prospectus, in the light of the circumstances under which they were made) not misleading, except insofar as the same are caused by or contained in any information with respect to such selling unitholder furnished in writing to us by such selling unitholder expressly for use therein.

The selling unitholders have agreed to indemnify us and our general partner against liabilities arising out of any untrue or alleged untrue statement of a material fact or any omission or alleged omission of a material fact required to be stated in registration statement (or an amendment thereto), prospectus or preliminary prospectus (or an amendment or supplement thereto), or issuer free writing prospectus (or amendment or supplement thereto) or any amendment thereof or supplement thereto or necessary to make the statements therein (in the case of a prospectus or preliminary prospectus, in the light of the circumstances under which they were made) not misleading, to the extent, but only to the extent, that such untrue statement or omission is contained in any information with respect to such selling unitholder so furnished in writing by such selling unitholder expressly for use therein. The indemnification obligation is capped at the amount of the net proceeds received by such selling unitholder upon the sale of the common units pursuant to the registration statement giving rise to such claim.

**Offices**

Our executive offices are located at 500 Dallas, Suite 2500, Houston, Texas 77002, and our telephone number is (713) 860-2500.

## RISK FACTORS

*An investment in our common units involves risks. You should consider carefully the following risk factors, together with all of the other information included in, or incorporated by reference into, this prospectus and any applicable prospectus supplement in evaluating an investment in our common units. This prospectus also contains forward-looking statements that involve risks and uncertainties. Please read Forward-Looking Statements. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this prospectus. If any of these risks occur, our business, financial condition or results of operation could be adversely affected.*

**Risks Related to Our Business**

***We may not be able to fully execute our growth strategy if we are unable to raise debt and equity capital at an affordable price.***

Our strategy contemplates substantial growth through the development and acquisition of a wide range of midstream and other energy infrastructure assets while maintaining a strong balance sheet. This strategy includes constructing and acquiring additional assets and businesses to enhance our ability to compete effectively, diversify our asset portfolio and, thereby, provide more stable cash flow. We regularly consider and enter into discussions regarding, and are currently contemplating, additional potential joint ventures, stand-alone projects and other transactions that we believe will present opportunities to realize synergies, expand our role in the energy infrastructure business, and increase our market position and, ultimately, increase distributions to unitholders.

We will need new capital to finance the future development and acquisition of assets and businesses. The downturn in the economy today makes it more difficult to raise capital in equity offerings and to obtain funds

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through public debt offerings and commercial banking arrangements. Limitations on our access to capital will impair our ability to execute this strategy. Expensive capital will limit our ability to develop or acquire accretive assets. Although we intend to continue to expand our business, this strategy may require substantial capital, and we may not be able to raise the necessary funds on satisfactory terms, if at all.

In addition, we are experiencing increased competition for the assets we purchase or contemplate purchasing. Increased competition for a limited pool of assets could result in our not being the successful bidder more often or our acquiring assets at a higher relative price than that which we have paid historically. Either occurrence would limit our ability to fully execute our growth strategy. Our ability to execute our growth strategy may impact the market price of our securities.

***We may not have sufficient cash from operations to pay the current level or to raise the level of quarterly distribution following the establishment of cash reserves and payment of fees and expenses, including payments to our general partner.***

The amount of cash we distribute on our units principally depends upon margins we generate from our refinery services, pipeline transportation, logistics and supply and industrial gases businesses which will fluctuate from quarter to quarter based on, among other things:

- the volumes and prices at which we purchase and sell crude oil, refined products, and caustic soda;
- the volumes of sodium hydrosulfide, or NaHS, that we receive for our refinery services and the prices at which we sell NaHS;
- the demand for our trucking and pipeline transportation services;
- the volumes of $CO_2$ we sell and the prices at which we sell it;
- the demand for our terminal storage services;
- the level of our operating costs;
- the level of our general and administrative costs; and
- prevailing economic conditions.

In addition, the actual amount of cash we will have available for distribution will depend on other factors that include:

- the level of capital expenditures we make, including the cost of capital, which impacts the cost of acquisitions (if any);
- our debt service requirements;
- fluctuations in our working capital;

- restrictions on distributions contained in our debt instruments;

- our ability to borrow under our working capital facility to pay distributions; and

- the amount of cash reserves established by our general partner in its sole discretion in the conduct of our business.

Our ability to pay distributions each quarter depends primarily on our cash flow, including cash flow from financial reserves and working capital borrowings, and is not solely a function of profitability, which will be

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affected by non-cash items. As a result, we may make cash distributions during periods when we record losses and we may not make distributions during periods when we record net income.

***Our indebtedness could adversely restrict our ability to operate, affect our financial condition, and prevent us from complying with our requirements under our debt instruments and could prevent us from paying cash distributions to our unitholders.***

We have outstanding debt and the ability to incur more debt. As of December 31, 2007, we had approximately $80 million outstanding of senior secured indebtedness.

We must comply with various affirmative and negative covenants contained in our credit facilities. Among other things, these covenants limit our ability to:

- incur additional indebtedness or liens;
- make payments in respect of or redeem or acquire any debt or equity issued by us;
- sell assets;
- make loans or investments;
- make guarantees;
- enter into any hedging agreement for speculative purposes;
- acquire or be acquired by other companies; and
- amend some of our contracts.

The restrictions under our indebtedness may prevent us from engaging in certain transactions which might otherwise be considered beneficial to us and could have other important consequences to unitholders. For example, they could:

- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to make distributions; to fund future working capital, capital expenditures and other general partnership requirements; to engage in future acquisitions, construction or development activities; or to otherwise fully realize the value of our assets and opportunities because of the need to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness or to comply with any restrictive terms of our indebtedness;
- limit our flexibility in planning for, or reacting to, changes in our businesses and the industries in which we operate; and

place us at a competitive disadvantage as compared to our competitors that have less debt.

We may incur additional indebtedness (public or private) in the future, under our existing credit facilities, by issuing debt instruments, under new credit agreements, under joint venture credit agreements, under capital leases or synthetic leases, on a project-finance or other basis, or a combination of any of these. If we incur additional indebtedness in the future, it likely would be under our existing credit facility or under arrangements which may have terms and conditions at least as restrictive as those contained in our existing credit facilities. Failure to comply with the terms and conditions of any existing or future indebtedness would constitute an event of default. If an event of default occurs, the lenders will have the right to accelerate the maturity of such indebtedness and foreclose upon the collateral, if any, securing that indebtedness. If an event of default occurs under our joint ventures credit facilities, we may be required to repay amounts previously distributed to us and our subsidiaries. In addition, if there is a change of control as described in our credit facility, that would be an event of default, unless our creditors

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agreed otherwise, under our credit facility, any such event could limit our ability to fulfill our obligations under our debt instruments and to make cash distributions to unitholders which could adversely affect the market price of our securities.

***Our profitability and cash flow are dependent on our ability to increase or, at a minimum, maintain our current commodity - oil, refined products, NaHS, natural gas and CO2 - volumes, which often depends on actions and commitments by parties beyond our control.***

Our profitability and cash flow are dependent on our ability to increase or, at a minimum, maintain our current commodity - oil, refined products, NaHS, natural gas and $CO_2$- volumes. We access commodity volumes through two sources, producers and service providers (including gatherers, shippers, marketers and other aggregators). Depending on the needs of each customer and the market in which it operates, we can either provide a service for a fee (as in the case of our pipeline transportation operations) or we can purchase the commodity from our customer and resell it to another party (as in the case of oil marketing and $CO_2$ operations).

Our source of volumes depends on successful exploration and development of additional oil and natural gas reserves by others and other matters beyond our control.

The oil, natural gas and other products available to us are derived from reserves produced from existing wells, and these reserves naturally decline over time. In order to offset this natural decline, our energy infrastructure assets must access additional reserves. Additionally, some of the projects we have planned or recently completed are dependent on reserves that we expect to be produced from newly discovered properties that producers are currently developing.

Finding and developing new reserves is very expensive, requiring large capital expenditures by producers for exploration and development drilling, installing production facilities and constructing pipeline extensions to reach new wells. Many economic and business factors out of our control can adversely affect the decision by any producer to explore for and develop new reserves. These factors include the prevailing market price of the commodity, the capital budgets of producers, the depletion rate of existing reservoirs, the success of new wells drilled, environmental concerns, regulatory initiatives, cost and availability of equipment, capital budget limitations or the lack of available capital, and other matters beyond our control. Additional reserves, if discovered, may not be developed in the near future or at all. We cannot assure unitholders that production will rise to sufficient levels to allow us to maintain or increase the commodity volumes we are experiencing.

***We face intense competition to obtain commodity volumes.***

Our competitors gatherers, transporters, marketers, brokers and other aggregators include independents and major integrated energy companies, as well as their marketing affiliates, who vary widely in size, financial resources and experience. Some of these competitors have capital resources many times greater than ours and control substantially greater supplies of crude oil.

Even if reserves exist, or refined products are produced, in the areas accessed by our facilities, we may not be chosen by the producers or refiners to gather, refine, market, transport, store or otherwise handle any of these reserves, NaHS or refined products produced. We compete with others for any such volumes on the basis of many factors, including:

- geographic proximity to the production;
- costs of connection;
- available capacity;
- rates;
- logistical efficiency in all of our operations;

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- operational efficiency in our refinery services business;
- customer relationships; and
- access to markets.

Additionally, third-party shippers do not have long-term contractual commitments to ship crude oil on our pipelines. A decision by a shipper to substantially reduce or cease to ship volumes of crude oil on our pipelines could cause a significant decline in our revenues. In Mississippi, we are dependent on interconnections with other pipelines to provide shippers with a market for their crude oil, and in Texas, we are dependent on interconnections with other pipelines to provide shippers with transportation to our pipeline. Any reduction of throughput available to our shippers on these interconnecting pipelines as a result of testing, pipeline repair, reduced operating pressures or other causes could result in reduced throughput on our pipelines that would adversely affect our cash flows and results of operations.

Fluctuations in demand for crude oil or availability of refined products or NaHS, such as those caused by refinery downtime or shutdowns, can negatively affect our operating results. Reduced demand in areas we service with our pipelines and trucks can result in less demand for our transportation services. In addition, certain of our field and pipeline operating costs and expenses are fixed and do not vary with the volumes we gather and transport. These costs and expenses may not decrease ratably or at all should we experience a reduction in our volumes transported by truck or transmitted by our pipelines. As a result, we may experience declines in our margin and profitability if our volumes decrease.

***Fluctuations in commodity prices could adversely affect our business.***

Oil, natural gas, other petroleum products, and $CO_2$ prices are volatile and could have an adverse effect on our profits and cash flow. Our operations are affected by price reductions in those commodities. Price reductions in those commodities can cause material long and short term reductions in the level of throughput, volumes and margins in our logistic and supply businesses. Price changes for NaHS and caustic soda affect the margins we achieve in our refinery services business acquired from the Davison family.

Prices for commodities can fluctuate in response to changes in supply, market uncertainty and a variety of additional factors that are beyond our control.

***Our pipeline transportation operations are dependent upon demand for crude oil by refiners in the Midwest and on the Gulf Coast.***

Any decrease in this demand for crude oil by those refineries or connecting carriers to which we deliver could adversely affect our pipeline transportation business. Those refineries need for crude oil also is dependent on the competition from other refineries, the impact of future economic conditions, fuel conservation measures, alternative fuel requirements, government regulation or technological advances in fuel economy and energy generation devices, all of which could reduce demand for our services.

***We are exposed to the credit risk of our customers in the ordinary course of our crude oil gathering and marketing activities.***

When we market any of our products or services, we must determine the amount, if any, of the line of credit we will extend to any given customer. Since typical sales transactions can involve very large volumes, the risk of nonpayment and nonperformance by customers is an important consideration in our business. In those cases where we provide division order services for crude oil purchased at the wellhead, we may be responsible for distribution of proceeds to all parties. In other cases, we pay all of or a portion of the production proceeds to an operator who distributes these proceeds to the various interest owners. These arrangements expose us to operator credit risk. As a result, we must determine that operators have sufficient financial resources to make such payments and distributions and to indemnify and defend us in case of a protest, action or complaint. Even if our credit review and analysis mechanisms work properly, we could still experience losses in dealings with other parties.

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***Our operations are subject to federal and state environmental protection and safety laws and regulations***

Our operations are subject to the risk of incurring substantial environmental and safety related costs and liabilities. In particular, our operations are subject to environmental protection and safety laws and regulations that restrict our operations, impose relatively harsh consequences for noncompliance, and require us to expend resources in an effort to maintain compliance. Moreover, our operations, including the transportation and storage of crude oil and other commodities involves a risk that crude oil and related hydrocarbons or other substances may be released into the environment, which may result in substantial expenditures for a response action, significant government penalties, liability to government agencies for natural resources damages, liability to private parties for personal injury or property damages, and significant business interruption. These costs and liabilities could rise under increasingly strict environmental and safety laws, including regulations and enforcement policies, or claims for damages to property or persons resulting from our operations. If we are unable to recover such resulting costs through increased rates or insurance reimbursements, our cash flows and distributions to our unitholders could be materially affected.

***FERC Regulation and a changing regulatory environment could affect our cash flow.***

The FERC extensively regulates certain of our energy infrastructure assets engaged in interstate operations. Our intrastate pipeline operations are regulated by state agencies. This regulation extends to such matters as:

- rate structures;
- rates of return on equity;
- recovery of costs;
- the services that our regulated assets are permitted to perform;
- the acquisition, construction and disposition of assets; and
- to an extent, the level of competition in that regulated industry.

Given the extent of this regulation, the extensive changes in FERC policy over the last several years, the evolving nature of federal and state regulation and the possibility for additional changes, the current regulatory regime may change and affect our financial position, results of operations or cash flows.

***A substantial portion of our CO2 operations involves us supplying CO2 to industrial customers using reserves attributable to our volumetric production payment interests, which are a finite resource and projected to terminate around 2016.***

The cash flow from our $CO_2$ operations involves us supplying $CO_2$ to industrial customers using reserves attributable to our volumetric production payments, which are projected to terminate around 2016. Unless we are able to obtain a replacement supply of $CO_2$ and enter into sales arrangements that generate substantially similar economics, our cash flow could decline significantly around 2016.

***Fluctuations in demand for CO2 by our industrial customers could have a material adverse impact on our profitability, results of operations and cash available for distribution.***

Our customers are not obligated to purchase volumes in excess of specified minimum amounts in our contracts. As a result, fluctuations in our customers demand due to market forces or operational problems could result in a reduction in our revenues from our sales of $CO_2$

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***Our wholesale CO2 industrial operations are dependent on five customers and our syngas operations are dependent on one customer.***

If one or more of those customers experience financial difficulties such that they fail to purchase their required minimum take-or-pay volumes, our cash flows could be adversely affected, and we cannot assure unitholders that an unanticipated deterioration in those customers ability to meet their obligations to us might not occur.

Our Syngas joint venture has dedicated 100% of its syngas processing capacity to one customer pursuant to a processing contract. The contract term expires in 2016, unless our customer elects to extend the contract for two additional five year terms. If our customer reduces or discontinues its business with us, or if we are not able to successfully negotiate a replacement contract with our sole customer after the expiration of such contract, or if the replacement contract is on less favorable terms, the effect on us will be adverse. In addition, if our sole customer for syngas processing were to experience financial difficulties such that it failed to provide volumes to process, our cash flow from the syngas joint venture could be adversely affected. We believe this customer is creditworthy, but we cannot assure unitholders that unanticipated deterioration of its ability to meet its obligations to the syngas joint venture might not occur.

***Our CO2 operations are exposed to risks related to Denbury s operation of its CO2 fields, equipment and pipeline as well as any of our facilities that Denbury operates.***

Because Denbury produces our $CO_2$ and transports it to our customers (including Denbury), any major failure of its operations could have an impact on our ability to meet our obligations to our $CO_2$ customers (including Denbury). We have no other supply of $CO_2$ or method to transport it to our customers. Sandhill relies on us for its supply of $CO_2$; therefore our share of the earnings of Sandhill would also be impacted by any major failure of Denbury s operations.

***Our refinery services division is dependent on contracts with less than fifteen refineries and much of its revenue is attributable to a few refineries.***

If one or more of our refinery customers that, individually or in the aggregate, generate a material portion of our refinery services revenue experience financial difficulties or changes in their strategy for sulfur removal such that they do not need our services, our cash flows could be adversely affected. For example, in the last five months of 2007, approximately 65% of our refinery services division NaHS by-product was attributable to Conoco s refinery located in Westlake, Louisiana. That contract requires Conoco to make available minimum volumes of acid gas to us (except during periods of force majeure). Although the primary term of that contract extends until 2018, if Conoco is excused from performing, or refuses or is unable to perform, its obligations under that contract for an extended period of time, such non-performance could have a material adverse effect on our profitability and cash flow.

***Our growth strategy may adversely affect our results of operations if we do not successfully integrate the businesses that we acquire or if we substantially increase our indebtedness and contingent liabilities to make acquisitions.***

We may be unable to integrate successfully businesses we acquire. We may incur substantial expenses, delays or other problems in connection with our growth strategy that could negatively impact our results of operations. Moreover, acquisitions and business expansions involve numerous risks, including:

- difficulties in the assimilation of the operations, technologies, services and products of the acquired companies or business segments;
- inefficiencies and complexities that can arise because of unfamiliarity with new assets and the businesses associated with them, including unfamiliarity with their markets; and
- diversion of the attention of management and other personnel from day-to-day business to the development or acquisition of new businesses and other business opportunities.

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If consummated, any acquisition or investment also likely would result in the incurrence of indebtedness and contingent liabilities and an increase in interest expense and depreciation, depletion and amortization expenses. A substantial increase in our indebtedness and contingent liabilities could have a material adverse effect on our business, as discussed above.

***Our actual construction, development and acquisition costs could exceed our forecast, and our cash flow from construction and development projects may not be immediate.***

Our forecast contemplates significant expenditures for the development, construction or other acquisition of energy infrastructure assets, including some construction and development projects with technological challenges. We may not be able to complete our projects at the costs currently estimated. If we experience material cost overruns, we will have to finance these overruns using one or more of the following methods:

- using cash from operations;
- delaying other planned projects;
- incurring additional indebtedness; or
- issuing additional debt or equity.

Any or all of these methods may not be available when needed or may adversely affect our future results of operations.

***Fluctuations in interest rates could adversely affect our business.***

In addition to our exposure to commodity prices, we also have exposure to movements in interest rates. The interest rates on our credit facility are variable. Our results of operations and our cash flow, as well as our access to future capital and our ability to fund our growth strategy, could be adversely affected by significant increases or decreases in interest rates.

***Our use of derivative financial instruments could result in financial losses.***

We use financial derivative instruments and other hedging mechanisms from time to time to limit a portion of the adverse effects resulting from changes in commodity prices, although there are times when we do not have any hedging mechanisms in place. To the extent we hedge our commodity price exposure, we forego the benefits we would otherwise experience if commodity prices were to increase. In addition, we could experience losses resulting from our hedging and other derivative positions. Such losses could occur under various circumstances, including if our counterparty does not perform its obligations under the hedge arrangement, our hedge is imperfect, or our hedging policies and procedures are not followed.

***A natural disaster, accident, terrorist attack or other interruption event involving us could result in severe personal injury, property damage and/or environmental damage, which could curtail our operations and otherwise adversely affect our assets and cash flow.***

Some of our operations involve significant risks of severe personal injury, property damage and environmental damage, any of which could curtail our operations and otherwise expose us to liability and adversely affect our cash flow. Virtually all of our operations are exposed to the elements, including hurricanes, tornadoes, storms, floods and earthquakes.

If one or more facilities that are owned by us or that connect to us is damaged or otherwise affected by severe weather or any other disaster, accident, catastrophe or event, our operations could be significantly interrupted. Similar interruptions could result from damage to production or other facilities that supply our facilities or other stoppages arising from factors beyond our control. These interruptions might involve significant damage to people, property or the environment, and repairs might take from a week or less for a minor incident to six months or more for a major interruption. Any event that interrupts the fees generated by our energy infrastructure assets, or which

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causes us to make significant expenditures not covered by insurance, could reduce our cash available for paying our interest obligations as well as unitholder distributions and, accordingly, adversely impact the market price of our securities. Additionally, the proceeds of any property insurance maintained by us may not be paid in a timely manner or be in an amount sufficient to meet our needs if such an event were to occur, and we may not be able to renew it or obtain other desirable insurance on commercially reasonable terms, if at all.

On September 11, 2001, the United States was the target of terrorist attacks of unprecedented scale. Since the September 11 attacks, the U.S. government has issued warnings that energy assets, specifically the nation s pipeline infrastructure, may be the future targets of terrorist organizations. These developments have subjected our operations to increased risks. Any future terrorist attack at our facilities, those of our customers and, in some cases, those of other pipelines, could have a material adverse effect on our business.

***We cannot cause our joint ventures to take or not to take certain actions unless some or all of the joint venture participants agree.***

Due to the nature of joint ventures, each participant (including us) in our joint ventures has made substantial investments (including contributions and other commitments) in that joint venture and, accordingly, has required that the relevant charter documents contain certain features designed to provide each participant with the opportunity to participate in the management of the joint venture and to protect its investment in that joint venture, as well as any other assets which may be substantially dependent on or otherwise affected by the activities of that joint venture.

These participation and protective features include a corporate governance structure that consists of a management committee composed of four members, only two of which are appointed by us. In addition, the other 50% owner in each of our joint ventures operates the joint venture facilities. Thus, without the concurrence of the other joint venture participant, we cannot cause our joint ventures to take or not to take certain actions, even though those actions may be in the best interest of the joint ventures or us.

***Our refinery services operations are dependent upon the supply of caustic soda and the demand for NaHS, as well as the operations of the refiners for whom we process sour gas.***

Caustic soda is a major component used in the provision of sour gas treatment services provided by us to refineries. NaHS, the resulting product from the refinery services we provide, is a vital ingredient in a number of industrial and consumer products and processes. Any decrease in the supply of caustic soda could affect our ability to provide sour gas treatment services to refiners and any decrease in the demand for NaHS by the parties to whom we sell the NaHS could adversely affect our business. The refineries need for our sour gas services is also dependent on the competition from other refineries, the impact of future economic conditions, fuel conservation measures, alternative fuel requirements, government regulation or technological advances in fuel economy and energy generation devices, all of which could reduce demand for our services.

***Our operating results from our trucking operations may fluctuate and may be materially adversely affected by economic conditions and business factors unique to the trucking industry.***

Our trucking business is dependent upon factors, many of which are beyond our control. Those factors include excess capacity in the trucking industry, difficulty in attracting and retaining qualified drivers, significant increases or fluctuations in fuel prices, fuel taxes, license and registration fees and insurance and claims costs, to the extent not offset by increases in freight rates. Our results of operations from our trucking operations also are affected by recessionary economic cycles and downturns in customers business cycles. Economic and other conditions may adversely affect our trucking customers and their ability to pay for our services.

In the past, there have been shortages of drivers in the trucking industry and such shortages may occur in the future. Periodically, the trucking industry experiences substantial difficulty in attracting and retaining qualified drivers. If we are unable to continue to retain angn="right" valign="bottom" width="9%">

15,636

14,595

10,568

35,682

Income attributable to noncontrolling interest, net of tax

(568)

(1,151)

(1,205)

(1,545)

Net income attributable to Globe Specialty Metals, Inc.

$ 15,068

13,444

$ 9,363

34,137

Weighted average shares outstanding:

Basic

75,174

75,038

75,112

75,029

Diluted

75,247

76,732

75,275

76,759

Earnings per common share:

Basic

$ 0.20

0.18

$ 0.12

0.45

Diluted

0.20

0.18

0.12

0.44

| | | | | |
|---|---|---|---|---|
| Cash dividends declared per common share | 0.19 | — | 0.25 | 0.20 |

See accompanying notes to condensed consolidated financial statements.

GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Condensed Consolidated Statements of Comprehensive Income
Three and six months ended December 31, 2012 and 2011
(In thousands)
(Unaudited)

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Net income | $ 15,636 | 14,595 | $ 10,568 | 35,682 |
| Other comprehensive (loss) income: | | | | |
| Foreign currency translation adjustment | (660) | 391 | 1,565 | 669 |
| Unrealized gain on available for sale securitites, net of tax | — | (19) | (1) | (38) |
| Total other comprehensive (loss) income | (660) | 372 | 1,564 | 631 |
| Comprehensive income | 14,976 | 14,967 | 12,132 | 36,313 |
| Comprehensive (loss) income attributable to noncontrolling interest | (28) | 1,151 | 1,721 | 1,545 |
| Comprehensive income attributable to Globe Specialty Metals, Inc. | $ 15,004 | 13,816 | $ 10,411 | 34,768 |

See accompanying notes to condensed consolidated financial statements.

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GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Condensed Consolidated Statement of Changes in Stockholders' Equity
Six months ended December 31, 2012
(In thousands)
(Unaudited)

| | Globe Specialty Metals, Inc. Stockholders' Equity | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Common Stock | | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive (Loss) Income | Treasury Stock at Cost | Noncontrolling Interest | Total Stockholders' Equity |
| | Shares | Amount | | | | | | |
| Balance at June 30, 2012 | 75,332 | $ 8 | 405,675 | 119,863 | (6,840) | (4) | 85,097 | 603,799 |
| Share-based compensation | 2 | — | (8,027) | — | — | — | — | (8,027) |
| Stock option exercises | 250 | — | 1,000 | — | — | — | — | 1,000 |
| Cash dividend | — | — | — | (18,794) | — | — | — | (18,794) |
| Comprehensive income | — | — | — | 9,363 | 1,048 | — | 1,721 | 12,132 |
| Balance at December 31, 2012 | 75,584 | $ 8 | 398,648 | 110,432 | (5,792) | (4) | 86,818 | 590,110 |

See accompanying notes to condensed consolidated financial statements.

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GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Condensed Consolidated Statements of Cash Flows
Six months ended December 31, 2012 and 2011
(In thousands)
(Unaudited)

| | Six Months Ended December 31, | |
|---|---|---|
| | 2012 | 2011 |
| Cash flows from operating activities: | | |
| Net income | $ 10,568 | 35,682 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 22,423 | 15,559 |
| Depletion | 810 | 373 |
| Share-based compensation | (8,027) | 1,147 |
| Gain on remeasurement of equity investment | (1,707) | — |
| Gain on sale of business | — | (54) |
| Amortization of deferred financing fees | 400 | — |
| Deferred taxes | (7,422) | 2,893 |
| Amortization of customer contract liabilities | (2,874) | — |
| Accretion | 128 | — |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | 7,924 | 553 |
| Inventories | (24,188) | (8,578) |
| Prepaid expenses and other current assets | 3,777 | (2,888) |
| Accounts payable | (2,411) | (8,838) |
| Accrued expenses and other current liabilities | 13,821 | (8,114) |
| Other | (466) | (3,095) |
| Net cash provided by operating activities | 12,756 | 24,640 |
| Cash flows from investing activities: | | |
| Capital expenditures | (18,204) | (27,046) |
| Acquisition of business, net of cash acquired of $3,656 and $5, respectively | (844) | (73,194) |
| Net cash used in investing activities | (19,048) | (100,240) |
| Cash flows from financing activities: | | |
| Borrowings of long-term debt | — | 50,000 |
| Payments of short-term debt | — | (709) |
| Borrowings under revolving credit agreements | 20,391 | 8,000 |
| Payments under revolving credit agreements | (8,228) | — |
| Dividend payment | (18,794) | (15,007) |
| Proceeds from stock option exercises | 1,000 | 195 |
| Other financing activities | (1,275) | (1,842) |
| Net cash (used in) provided by financing activities | (6,906) | 40,637 |
| Effect of exchange rate changes on cash and cash equivalents | (1,351) | (47) |
| Net decrease in cash and cash equivalents | (14,549) | (35,010) |
| Cash and cash equivalents at beginning of period | 178,010 | 166,208 |
| Cash and cash equivalents at end of period | $ 163,461 | 131,198 |
| | | |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest, net of capitalized interest | $ 2,414 | 2,121 |
| Cash paid for income taxes, net of refunds totaling $87 and $1,954, respectively | 11,651 | 19,809 |

See accompanying notes to condensed consolidated financial statements.

GLOBE SPECIALTY METALS, INC. AND SUBSIDIARY COMPANIES

Notes to Condensed Consolidated Financial Statements
Three and six months ended December 31, 2012 and 2011
(Dollars in thousands, expect per share amounts)
(Unaudited)

(1) Organization and Business Operations

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

(2) Summary of Significant Accounting Policies

a. Basis of Presentation

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

b. Use of Estimates

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

Nigeria Exploration Licenses

In 2011, we acquired exploration licenses related to certain mines located in Nigeria for approximately $17,000, which grant us the right to explore for, among other things, manganese ore, a raw material used in the production of certain silicon and manganese based alloys. Such licenses expire in August 2013, and are renewable for up to four years. In the event that we determine that we will be unable to recover the costs associated with these licenses (e.g., if we determine that the exploration of these mines is not feasible), we could incur an impairment charge for an amount up to the carrying amount of these licenses. Such amount is included within other assets.

Solsil Long-Lived Assets

Solsil is currently focused on research and development projects and is not producing material for commercial sale. Although we expect to expand operations through the construction of new facilities using new technologies, Solsil's financial prospects are uncertain. Solsil's expected future profitability is dependent upon its ability to produce solar grade silicon metal at significantly larger scales than it currently can produce today and with commercially viable costs. Failure to successfully address these and other challenges may hinder or prevent our ability to achieve our objectives in a timely manner, which may result in the impairment of Solsil's assets of up to the carrying amount of $20,000.

Yonvey Goodwill and Long-Lived Assets

The Company assesses impairment of goodwill at least annually during the third quarter for each of its reporting units. The valuation of the Company's reporting units requires significant judgment in evaluation of overall market conditions, estimated future cash flows, discount rates and other factors. During its most recent annual impairment test, the Company determined that the fair value of its Yonvey (electrode

manufacturing) reporting unit was not substantially in excess of its carrying amount. In estimating the fair value of Yonvey, the Company considered cash flow projections using assumptions about, among other things, overall market conditions and successful cost rationalization initiatives (principally through the development of new production methods that will enable sustainable quality and pricing). These assumptions also impact our assessment of the ability to recover Yonvey's long-lived assets. As of December 31, 2012, the carrying amounts of Yonvey goodwill (included within the Company's "Other" segment), and long-lived assets were approximately $7,800, and $17,700, respectively. Yonvey is currently testing new raw materials for use in new production methods. Deterioration in overall market conditions, or the Company's inability to execute its cost rationalization initiatives (through development of new production methods or other means) could have a negative effect on these assumptions, and might result in an impairment of Yonvey's goodwill and long lived assets in the future.

c. Revenue Recognition

Revenue is recognized in accordance with Financial Accounting Standards Board (FASB) ASC Topic 605, Revenue Recognition, when a firm sales agreement is in place, delivery has occurred and title and risks of ownership have passed to the customer, the sales price is fixed or determinable, and collectability is reasonably assured. Shipping and other transportation costs charged to buyers are recorded in both net sales and cost of goods sold. Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and, therefore, are excluded from net sales. When the Company provides a combination of products and services to customers, the arrangement is evaluated under ASC Subtopic 605-25, Revenue Recognition — Multiple Element Arrangements (ASC 605.25). ASC 605.25 addresses certain aspects of accounting by a vendor for arrangements under which the vendor will perform multiple revenue-generating activities. If the Company cannot objectively determine the fair value of any undelivered elements under an arrangement, the Company defers revenue until all elements are delivered and services have been performed, or until fair value can objectively be determined for any remaining undelivered elements.

d. Property, Plant, and Equipment

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

| | 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 | 2 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.

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

e. Recently Implemented Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (FASB) amended its accounting guidance on the presentation of comprehensive income in financial statements to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items that are recorded in other comprehensive income. The new accounting guidance requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. The provisions of the guidance were effective as of the beginning of our 2013 fiscal year. Accordingly, we have presented the components of net income and other comprehensive income for the three and six months ended December 31, 2012 and 2011 as two separate but consecutive statements. In June 2012, the FASB issued a new proposal that would require an entity to provide enhanced footnote disclosures to explain the effect of reclassification adjustments on other comprehensive income by component and provide a tabular disclosure in the footnotes showing the effect of items reclassified from accumulated other comprehensive income on the line items of net income. We will continue to monitor the FASB’s activities related to the proposed guidance.

In September 2011, the FASB issued new accounting guidance that permits an entity to first assess qualitative factors of whether it is more likely than not that a reporting unit’s fair value is less than its carrying amount before applying the two-step goodwill impairment test. An entity would continue to perform the historical first step of the impairment test if it fails the qualitative assessment, while no further analysis would be required if it passes. The provisions of the new guidance were effective for, and had no impact on, our 2012 annual goodwill impairment test results.

(3) Business Combinations and Divestitures

Quebec Silicon:

On June 13, 2012, the Company closed its acquisition of Becancour Silicon Metal Inc.'s ("BSI") 51% equity interest in Quebec Silicon Limited Partnership ("QSLP") and other working capital assets, collectively known as Quebec Silicon. The acquisition was financed using $31,800 from the Company's new $300,000 revolving credit facility discussed in note 7 (Debt) and $8,803 cash. The Company operates Quebec Silicon’s silicon metal plant and will purchase approximately 51% of its finished goods output at a price approximately equal to the fully loaded cost of production and sell the material to third party customers. Dow Corning has the right to purchase the other 49% of the plant's output at a price approximately equal to the fully loaded cost of production. This arrangement is similar to the Company's existing joint venture with Dow Corning at its Alloy, West Virginia plant. The Company has engaged a third-party appraisal firm to assist in the process of determining the estimated fair value of certain assets acquired. Based on the preliminary purchase price allocation, goodwill totaling $3,063 has been recorded in connection with the Quebec Silicon acquisition and assigned to the GMI operating segment.

Step Acquisition:

On December 20, 2012, the Company closed its stock purchase of the remaining 50% interest in an existing equity investment. The total purchase price was $5,000, of which $4,500 was financed using cash on hand and the remaining $500 is to be paid within six months subsequent to closing. The Company recognized a gain of approximately $1,707 on the fair value remeasurement (based on the transaction price) of its existing 50% equity investment. Based on the preliminary purchase price allocation, goodwill totaling $3,394 has been recorded and has been assigned to the GMI operating segment.

(4) Inventories

Inventories comprise the following:

| | December 31, 2012 | June 30, 2012 |
|---|---|---|
| Finished goods | $ 58,464 | 41,550 |
| Work in process | 5,481 | 403 |
| Raw materials | 68,908 | 62,957 |
| Parts and supplies | 13,752 | 14,531 |
| Total | $ 146,605 | 119,441 |

At December 31, 2012, $140,422 in inventory is valued using the first-in, first-out method and $6,183 using the average cost method. At June 30, 2012, $112,418 in inventory is valued using the first-in, first-out method and $7,023 using the average cost method.

(5) Property, Plant, and Equipment

Property, plant, and equipment, net, is comprise the following:

| | December 31, 2012 | June 30, 2012 |
|---|---|---|
| Land, land improvements, and land use rights | $ 10,358 | 10,831 |
| Building and improvements | 76,887 | 76,395 |
| Machinery and equipment | 181,814 | 175,305 |
| Furnaces | 198,019 | 193,055 |
| Mineral reserves | 55,843 | 55,843 |
| Mine development | 4,822 | 4,058 |
| Other | 8,222 | 4,852 |
| Construction in progress | 34,932 | 23,616 |
| Property, plant, and equipment, gross | 570,897 | 543,955 |
| Less accumulated depreciation, depletion and amortization | (134,708) | (111,194) |
| Property, plant, and equipment, net | $ 436,189 | 432,761 |

Depreciation, depletion and amortization expense for the three and six months ended December 31, 2012 was $11,550 and $23,233, of which $11,367 and $22,869 is recorded in cost of goods sold and $183 and $364 is recorded in selling, general, and administrative expenses, respectively. Depreciation, depletion and amortization expense for the three and six months ended December 31, 2011 was $8,554 and $15,932, of which $8,364 and $15,548 is recorded in cost of goods sold and $190 and $384 is recorded in selling, general, and administrative expenses, respectively.

Capitalized interest for the three and six months ended December 31, 2012 was $0 and $0, respectively. Capitalized interest for the three and six months ended December 31, 2011 was $11 and $23, respectively.

(6) Goodwill and Other Intangibles

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

a. Goodwill

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

| | GMI | Globe Metales | Other | Total |
|---|---|---|---|---|
| Goodwill at June 30, 2012 | $ 34,591 | 14,313 | 7,836 | 56,740 |
| Step acquisition | 3,394 | — | — | 3,394 |
| Foreign exchange rate changes | 87 | — | 48 | 135 |
| Goodwill at December 31, 2012 | $ 38,072 | 14,313 | 7,884 | 60,269 |

b. Other Intangible Assets

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

(7) Debt

a. Short-Term Debt

Short-term debt comprises the following:

| | Outstanding Balance | Weighted Average Interest Rate | Unused Credit Line |
|---|---|---|---|
| December 31, 2012: | | | |
| Type debt: | | | |

| | | | |
|---|---|---|---|
| Export financing | $ — | — | $ 9,739 |
| Other | 329 | 7.00% | — |
| Total | $ 329 | | $ 9,739 |
| | | | |
| June 30, 2012: | | | |
| Type debt: | | | |
| Export financing | $ — | — | $ 9,269 |
| Other | 317 | 5.00% | — |
| Total | $ 317 | | $ 9,269 |

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

b. Revolving Credit Agreements

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

| | Outstanding Balance | Weighted Average Interest Rate | Unused Commitment | Total Commitment |
|---|---|---|---|---|
| Revolving multi-currency credit facility | $ 136,370 | 2.22% | $ 162,890 | 300,000 |
| Revolving credit facility | 9,000 | 2.36% | 11,000 | 20,000 |
| Revolving credit agreement | 7,372 | 5.00% | 7,674 | 15,046 |

On May 31, 2012 the Company entered into a credit agreement which provides for a $300,000 five-year revolving multi-currency credit facility which includes provisions for the issuance of standby letters of credit, a $10,000 sublimit for swingline loans and a $25,000 sublimit letter of credit facility. The credit facility refinanced existing debt and closing costs of $96,550 and financed the acquisition of Quebec Silicon of $31,800. The credit facility currently provides an additional $162,890 of borrowing capacity as of December 31, 2012. At the Company’s election, the credit facility may be increased from time to time by an amount up to $125,000 in the aggregate; such increase may be in the form of term loans or increases in the revolving credit line, subject to lender commitments and certain conditions as described in the credit agreement. The agreement contains provisions for adding domestic and foreign subsidiaries of the Company as additional borrowers under the credit facility. The agreement terminates on May 31, 2017 and requires no scheduled prepayments before that date. The Company classifies borrowings under this credit facility as long-term liabilities.

Interest on borrowings under the credit agreement is payable, at the Company’s election, at either (a) a base rate (the higher of (i) the U.S. federal funds rate plus 0.50% per annum, (ii) the Administrative Agent’s prime rate or (iii) an adjusted London Interbank Offered Rate for loans with a one month interest period plus 1.00% per annum plus a margin ranging from 0.75% to 1.50% per annum (such margin determined by reference to the leverage ratio set forth in the credit agreement), or (b) the adjusted London Interbank Offered Rate plus a margin ranging from 1.75% to 2.50% per annum (such margin determined by reference to the leverage ratio set forth in the credit agreement). Certain commitment fees are also payable under the credit agreement. The credit agreement contains various covenants. They include, among others, a maximum total debt to earnings before income tax, depreciation and amortization ratio, a minimum interest coverage ratio and a maximum capital expenditures covenant. The credit facility is guaranteed by certain of the Company’s domestic subsidiaries (the “Guarantors”). Borrowings under the credit agreement are collateralized by substantially all of the assets of the Company and the Guarantors, including certain real property, equipment, accounts receivable and inventory and the stock of certain of the Company’s and the Guarantors’ subsidiaries. The Company was in compliance with the loan covenants at December 31, 2012.

At December 31, 2012, there was a $136,370 balance outstanding on the revolving multi-currency credit facility. The total commitment outstanding on this credit facility includes $440 outstanding letters of credit associated with supplier contracts and $300 outstanding letters of credit associated with economic development.

On October 1, 2010, the Company entered into a revolving credit facility, which was amended on March 5, 2012. The amended agreement provides for a $20,000 revolving credit facility. Total borrowings under this revolving credit facility were $9,000 at December 31, 2012. Interest on advances under the revolving credit facility accrues at LIBOR plus an applicable margin percentage or, at the Company’s option, prime plus an applicable margin percentage. The credit facility is subject to certain restrictive and financial covenants, which include limits on additional debt, a maximum ratio of debt to earnings before interest, taxes, depreciation and amortization and minimum net worth. The Company was in compliance with the loan covenants at December 31, 2012. The Company classifies borrowings under this revolving credit facility in current liabilities as the agreement expires on June 30, 2013.

The Company’s subsidiary, Quebec Silicon, entered into a revolving credit agreement dated October 1, 2010, amended on November 23, 2011 and further amended and restated on September 20, 2012, which provides for up to $15,000 Canadian Dollars to fund Quebec Silicon’s working capital requirements. Funding under the revolving credit agreement is available upon request at any time, up to the full amount of the unused credit commitment and subject to continued compliance with the terms of the agreement. Interest on borrowings under the credit agreement is payable at a variable rate of Canadian prime plus 2.00% (5.00% at December 31, 2012), payable quarterly. The credit agreement expires on September 20, 2015, and may be terminated earlier, at the lender’s discretion subject to certain change in ownership conditions being met. All of Quebec Silicon’s assets, properties and revenues have been pledged as security for Quebec Silicon’s obligations under the revolving credit agreement. As of December 31, 2012, $7,372 ($7,350 Canadian Dollars) was outstanding under the facility.

c. Fair Value of Debt

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

(8) Derivative Instruments

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

Interest Rate Risk:

The Company is exposed to market risk from changes in interest rates on certain of its short-term and long-term debt obligations. The Company has historically utilized interest rate swaps and interest rate cap agreements to reduce its exposure to interest rate fluctuations. All interest rate derivatives were settled when the Company closed on the $300,000 revolving multi-currency credit facility discussed in note 7 (Debt).

Foreign Currency Risk:

The Company is exposed to market risk arising from changes in currency exchange rates as a result of its operations outside the United States, principally in Argentina, China and Canada. A portion of the Company’s net sales generated from its non-U.S. operations is denominated in currencies other than the U.S. dollar. Most of the Company’s operating costs for its non-U.S. operations are denominated in local currencies, principally the Canadian dollar, Argentine peso and the Chinese renminbi. Consequently, the translated U.S. dollar value of the Company’s non-U.S. dollar net sales, and related accounts receivable balances, and its operating costs are subject to currency exchange rate fluctuations. Derivative instruments are not used extensively to manage this risk. At December 31, 2012, the Company had foreign exchange forward contracts and options covering approximately 23,000 Euros, expiring at dates ranging from January 2013 to October 2013, at an average exchange rate of 1.28 Canadian dollar to 1.00 Euro.

Commodity Price Risk:

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

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

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

| | Gain (Loss) Recognized During the Three Months Ended December 31, | | Gain (Loss) Recognized During the Six Months Ended December 31, | | Location |
|---|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 | of Gain (Loss) |
| Interest rate derivatives | $ — | 14 | $ — | 26 | Interest expense |
| Foreign exchange forward and option contracts | (275) | — | (204) | — | Foreign exchange (loss) gain |
| Power hedges | (80) | (739) | 181 | (693) | Cost of goods sold |

The fair values of the Company's derivative instruments at December 31, 2012 are summarized in note 15 (Fair Value Measures). The liability associated with the Company's power hedge of $334 is included in accrued expenses and other current liabilities, and the asset associated the Company's foreign exchange forward and option contracts of $47 is included in prepaid expenses and other current assets. The company holds no interest rate derivatives at December 31, 2012.

(9) Pension Plans

The Company's subsidiary, Globe Metallurgical Inc. (GMI), sponsors three noncontributory defined benefit pension plans covering certain domestic employees. These plans were frozen in 2003. The Company's subsidiary, Core Metals, sponsors a noncontributory defined benefit pension plan covering certain domestic employees. This plan was closed to new participants in April 2009.

The Company's subsidiary, Quebec Silicon, sponsors a contributory defined benefit pension plan and postretirement benefit plan for certain employees, based on length of service and remuneration. Postretirement benefits consist of a group insurance plan covering plan members for life insurance, disability, hospital, medical, and dental benefits.

The components of net periodic pension expense for the Company's defined benefit pension plans are as follows:

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Interest cost | $ 799 | 387 | $ 1,609 | 773 |
| Service cost | 599 | 25 | 1,208 | 51 |
| Expected return on plan assets | (636) | (455) | (1,266) | (911) |
| Amortization of net loss | 332 | 151 | 769 | 302 |
| Net periodic pension expense | $ 1,094 | 108 | $ 2,320 | 215 |

The Company expects to make required and discretionary contributions of approximately $4,003 to the plans for the fiscal year ending June 30, 2013, of which $2,000 has been contributed through December 31, 2012.

(10) Income Taxes

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

The Company's effective tax rate for the six months ended December 31, 2012 was 28.0% compared to 33.0% for the six months ended December 31, 2011. The annual effective tax expense rate excluding discrete items is 31.2% for the six months ended December 31, 2012.

The Company maintains valuation allowances where it is more likely than not that all or a portion of a deferred tax asset will not be realized. In determining whether a valuation allowance is warranted, the Company evaluates factors such as prior earnings history, expected future earnings, carry back and carry forward periods, and tax strategies that could potentially enhance the likelihood of the realization of a deferred tax asset. During the six months ended December 31, 2012, the Company's net valuation allowances increased primarily due to the establishment of additional valuation allowances against net operating losses (NOLs) in China that may not be utilized.

The Company files a consolidated U.S. income tax return and tax returns in various state and local jurisdictions. Its subsidiaries also file tax returns in various foreign jurisdictions. The Company's principal jurisdictions include the U.S., Argentina, Canada, Poland, and China. A number of years may elapse before a tax return is audited and finally resolved. The open tax years subject to examination varies depending on the tax

jurisdiction. The Company's major taxing jurisdictions and the related open tax years subject to examination are as follows: the U.S. from 2009 to present, Argentina from 2006 to present, Poland from 2008 to present and China from 2009 to present.

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

(11) Commitments and Contingencies

a. Legal Contingencies

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

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

c. Employee Contracts

As of December 31, 2012, there are 315 employees that are covered by union agreements expiring within one year.

d. Power Commitments

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

(12) Stockholders’ Equity

Dividend

On August 17, 2012, the Company’s board of directors approved an annual dividend of $0.25 per common share, payable quarterly in September 2012, December 2012, March 2013 and June 2013. The September 2012 quarterly dividend of $0.0625 per share, totaling $4,691, was paid on September 19, 2012 to shareholders of record at the close of business on September 5, 2012. The December 2012 quarterly dividend of $0.0625 per share, totaling $4,691, was paid on December 14, 2012 to shareholders of record at the close of business on November 20, 2012. The Board of Directors approved an accelerated payment of the remaining annual quarterly dividends, and thus a dividend of $0.125 per share, totaling $9,412, was paid on December 28, 2012 to shareholders of record at the close of business on December 17, 2012.

(13) Earnings Per Share

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

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

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Basic earnings per share computation | | | | |
| Numerator: | | | | |
| Net income attributable to Globe Specialty Metals, Inc. | $ 15,068 | 13,444 | $ 9,363 | 34,137 |
| Denominator: | | | | |
| Weighted average basic shares outstanding | 75,173,832 | 75,037,691 | 75,112,196 | 75,028,586 |
| Basic earnings per common share | $ 0.20 | 0.18 | $ 0.12 | 0.45 |
| Diluted earnings per share computation | | | | |
| Numerator: | | | | |
| Net income attributable to Globe Specialty Metals, Inc. | $ 15,068 | 13,444 | $ 9,363 | 34,137 |
| Denominator: | | | | |
| Weighted average basic shares outstanding | 75,173,832 | 75,037,691 | 75,112,196 | 75,028,586 |
| Effect of dilutive securities | 72,697 | 1,694,172 | 162,820 | 1,729,989 |
| Weighted average diluted shares outstanding | 75,246,529 | 76,731,863 | 75,275,016 | 76,758,575 |
| Diluted earnings per common share | $ 0.20 | 0.18 | $ 0.12 | 0.44 |

Potential common shares associated with outstanding stock options totaling 108,578 and 1,060,094 for both the three and six months ended December 31, 2012 and 2011, respectively, were excluded from the calculation of diluted earnings per common share because their effect would be anti-dilutive.

(14) Share-Based Compensation

a. Stock Plan

The Company’s share-based compensation program consists of the Globe Specialty Metals, Inc. 2006 Employee, Director and Consultant Stock Plan (the Stock Plan). The Stock Plan was initially approved by the Company’s stockholders on November 10, 2006, and was amended and

approved by the Company's stockholders on December 6, 2010 to increase by 1,000,000 the number of shares of common stock authorized for issuance under the Stock Plan. The Stock Plan, as amended, provides for the issuance of a maximum of 6,000,000 shares of common stock for the granting of incentive stock options, nonqualified options, stock grants, and share-based awards. Any remaining shares available for grant, but not yet granted, will be carried over and used in the following fiscal years.

On August 17, 2012, the Board authorized the Company to offer to amend outstanding options representing the right to purchase shares issued to directors, officers and current employees pursuant to the Stock Plan, to permit these options alternatively to be settled for cash or exercised for the issuance of shares, at the election of the option holder. This modification of the outstanding options changed its classification from equity awards to liability awards and the fair value of the liability awards is remeasured at the end of each reporting period through settlement. For the three and six months ended December 31, 2012, the remeasurement of compensation cost for liability classified awards was ($3,488) and $20,088, respectively. The (income)/expense is reported within selling, general, and administrative expenses. These outstanding options are excluded from the weighted average diluted shares outstanding calculation in note 13 (Earnings Per Share). The Company believes the outstanding options will be settled in cash.

At December 31, 2012, there were 479,977 shares available for grant. All option grants have maximum contractual terms ranging from 5 to 10 years. It is the Company's policy to issue new shares to satisfy the requirements of its share-based compensation plan. The Company does not expect to repurchase shares in the future to support its share-based compensation plan.

During the six months ended December 31, 2012, share-based compensation awards consisted of the issuance of 13,188 nonqualified stock options and 4,468 restricted stock grants. A summary of the changes in options outstanding under the Stock Plan during the three months ended December 31, 2012 is presented below:

| | Number of Options | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term in Years | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding as of June 30, 2012 | 4,365,397 | $ 8.10 | 2.65 | $ 29,690 |
| Granted | 13,188 | 13.43 | | |
| Exercised | (553,333) | 4.03 | | |
| Forfeited and expired | — | — | | |
| Outstanding as of December 31, 2012 | 3,825,252 | $ 8.70 | 2.27 | $ 25,352 |
| | | | | |
| Exercisable as of December 31, 2012 | 3,108,934 | $ 6.48 | 1.94 | $ 25,348 |

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 options for the six months ended and as of December 31, 2012:

| | 2013 |
|---|---|
| Risk-free interest rate | 0.16 to 0.95% |
| Expected dividend yield | 1.82 |
| Expected volatility | 46.82 to 63.77 |
| Expected forfeiture rate | — |
| Expected term (years) | 1.30 to 5.80 |

The risk-free interest rate is based on the yield of zero coupon U.S. Treasury bonds with terms similar to the expected term of options. The expected dividend yield is based on the Company's current annual dividend yield of $0.25 per common share. The expected volatility is based on historical changes in stock prices or historical volatilities of similar companies since there is limited trading data related to the Company's common stock. The expected forfeiture rate and expected term are based on historical exercise behavior.

During the six months ended December 31, 2012, 125,078 options vested, resulting in total vested options of 3,108,934. There are 716,318 nonvested options outstanding at December 31, 2012.

For the three and six months ended December 31, 2012, pre-tax share-based compensation expense was ($3,415) and $20,641, respectively. For the three and six months ended December 31, 2011, pre-tax share-based compensation expense was $724 and $1,182, respectively. The expense is reported within selling, general, and administrative expenses.

b. Executive Bonus Plan

In addition to share-based awards issued under the Stock Plan, the Company issues restricted stock units under the Company's Executive Bonus Plan. These restricted stock units proportionally vest over three years, but are not delivered until the end of the third year. The Company will settle these awards by cash transfer, based on the Company's stock price on the date of transfer. During the six months ended December 31, 2012, there were no restricted stock units granted, and as of December 31, 2012, 487,367 restricted stock units were outstanding. For the three and six months ended December 31, 2012, pre-tax compensation expense for these restricted stock units was $322 and $1,151, respectively. The expense is reported within selling, general, and administrative expenses. The $2,370 liability associated with these restricted stock units is included in other long-term liabilities at December 31, 2012.

(15) Fair Value Measures

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

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

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

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

The following table summarizes assets measured at fair value on a recurring basis at December 31, 2012:

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Foreign exchange forward and option contracts | $ 47 | — | 47 | — |
| Total | $ 47 | — | 47 | — |

The following table summarizes liabilities measured at fair value on a recurring basis at December 31, 2012:

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Power hedge | $ 334 | — | 334 | — |
| Liability classified stock options | 25,302 | — | 25,302 | — |
| Restricted stock units | 2,502 | 2,502 | — | — |
| Total | $ 28,138 | 2,502 | 25,636 | — |

The Company does not have any assets that are required to be remeasured at fair value at June 30, 2012. The following table summarizes liabilities measured at fair value on a recurring basis at June 30, 2012:

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Foreign exchange forward and option contracts | $ 20 | — | 20 | — |
| Power hedge | 742 | — | 742 | — |
| Restricted stock units | 1,282 | 1,282 | — | — |
| Total | $ 2,044 | 1,282 | 762 | — |

Derivative assets and liabilities related to the foreign exchange forward and option contracts and power hedge agreement are summarized in note 8 (Derivative Instruments). Fair values are determined by independent brokers using quantitative models based on readily observable market data.

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

See note 14 (Share-Based Compensation) for information regarding the fair value of our liability classified stock options.

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

(16) Related Party Transactions

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

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

- Entered into agreements with Marco International to purchase carbon electrodes. Marco International billed $8,175 and $4,613 during the three months ended December 31, 2012 and 2011, respectively, and $25,522 and $6,216 during the six months ended December 31, 2012 and 2011, respectively, under these agreements. At December 31, 2012 and June 30, 2012, payables to Marco International under these agreements totaled $1,039 and $962, respectively.

- Entered into an agreement to sell ferrosilicon to Marco International. Net sales were $274 and $192 during the three months ended December 31, 2012 and 2011, respectively, and $411 and $384 during the six months ended December 31, 2012 and 2011, respectively, under this agreement. At December 31, 2012 and June 30, 2012, receivables from Marco International under this agreement totaled $137 and $0, respectively.

- Entered into an agreement to sell calcium silicon powder to Marco International. Net sales were $450 and $138 during the three months ended December 31, 2012 and 2011, respectively, and $914 and $2,253 during the six months ended December 31, 2012 and 2011, respectively, under this agreement. At December 31, 2012 and June 30, 2012, payables to Marco International under these agreements totaled $271 and $1,115, respectively.

Prior to the Company’s purchase of a majority interest in Ningxia Yonvey Coal Industrial Co., Ltd (Yonvey), Yonvey’s predecessor had entered into a lending agreement with the remaining minority stockholder. At December 31, 2012 and June 30, 2012, $1,119 and $1,112, respectively, remained payable to Yonvey from this related party.

(17) Operating Segments

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

- GMI — a manufacturer of silicon metal and silicon-based alloys and a provider of specialty metallurgical coal for the silicon metal and silicon-based alloys industries located in North America.

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

- Globe Metales — a manufacturer of silicon-based alloys located in Argentina.

- Solsil — a manufacturer of upgraded metallurgical grade silicon metal located in the United States.

- Corporate — general corporate expenses, investments, and related investment income.

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

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

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Silicon metal | $ 102,584 | 85,496 | $ 215,496 | 175,450 |
| Silicon-based alloys | 57,455 | 61,675 | 124,596 | 128,823 |
| Other | 19,901 | 18,376 | 40,556 | 36,136 |
| Total | $ 179,940 | 165,547 | $ 380,648 | 340,409 |

a. Segment Data

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

| | Three Months Ended December 31, 2012 | | | Three Months Ended December 31, 2011 | | |
|---|---|---|---|---|---|---|
| | Net Sales | Operating Income (Loss) | Income (Loss) Before Income Taxes | Net Sales | Operating Income (Loss) | Income (Loss) Before Income Taxes |
| GMI | $ 164,799 | 22,783 | 22,140 | $ 146,539 | 21,575 | 20,681 |
| Globe Metais | — | — | — | — | (1) | (1) |
| Globe Metales | 13,492 | 1,258 | 659 | 16,069 | 2,904 | 2,555 |
| Solsil | — | (262) | (262) | — | (287) | (287) |
| Corporate | — | (307) | (674) | — | (6,067) | (5,973) |
| Other | 2,981 | (801) | (740) | 7,225 | 1,814 | 1,398 |
| Eliminations | (1,332) | (115) | (114) | (4,286) | 2,292 | 2,292 |
| | $ 179,940 | 22,556 | 21,009 | $ 165,547 | 22,230 | 20,665 |

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| | Six Months Ended December 31, 2012 | | | | Six Months Ended December 31, 2011 | | |
|---|---|---|---|---|---|---|---|
| | Net Sales | Operating Income (Loss) | Income (Loss) Before Income Taxes | Total Assets | Net Sales | Operating Income (Loss) | Income (Loss) Before Income Taxes |
| GMI | $ 349,537 | 46,429 | 45,985 | 690,929 | $ 301,467 | 56,709 | 55,017 |
| Globe Metais | — | — | — | — | — | (2) | (2) |
| Globe Metales | 27,838 | 2,697 | 1,823 | 81,900 | 33,166 | 6,421 | 5,702 |
| Solsil | — | (435) | (435) | 29,846 | — | (506) | (506) |
| Corporate | — | (29,736) | (30,590) | 434,855 | — | (12,484) | (11,245) |
| Other | 5,463 | (1,764) | (1,824) | 38,697 | 14,489 | 1,407 | 1,124 |
| Eliminations | (2,190) | (287) | (287) | (329,210) | (8,713) | 3,150 | 3,150 |
| | $ 380,648 | 16,904 | 14,672 | 947,017 | $ 340,409 | 54,695 | 53,240 |

The accounting policies of our operating segments are the same as those disclosed in note 2 (Summary of Significant Accounting Policies) to our June 30, 2012 financial statements. We evaluate segment performance principally based on operating income (loss).

b. Geographic Data

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

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| United States | $ 134,797 | 146,491 | $ 291,377 | 301,275 |
| Argentina | 12,160 | 13,477 | 25,648 | 28,699 |
| Canada | 30,002 | — | 58,160 | — |
| China | 86 | 1,810 | 204 | 2,287 |
| Poland | 2,895 | 3,769 | 5,259 | 8,148 |
| Total | $ 179,940 | 165,547 | $ 380,648 | 340,409 |

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

| | December 31, 2012 | June 30, 2012 |
|---|---|---|
| United States | $ 337,208 | 330,724 |
| Argentina | 30,840 | 31,185 |
| Canada | 102,536 | 100,842 |
| China | 25,442 | 26,288 |
| Poland | 909 | 939 |
| Total | $ 496,935 | 489,978 |

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

c. Major Customer Data

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

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Dow Corning | 20% | 12% | 21% | 12% |
| All other customers | 80 | 88 | 79 | 88 |

| Total | 100% | 100% | 100% | 100% |
|---|---|---|---|---|

The majority of sales to Dow Corning for the three and six months ended December 31, 2012 and 2011 are associated with Dow Corning's 49% ownership interest in WVA LLC and QSLP. Sales to Dow Corning are included in the GMI segment.

(18) Subsequent Events

On February 4, 2013, the Company's Board of Directors approved a dividend of $0.0625 per common share. The dividend is payable on March 25, 2013 to shareholders of record at the close of business on March 15, 2013.

In January 2013, the Company purchased an additional 28% ownership interest in Yonvey for $2,330, bringing the Company's ownership interest in Yonvey to 98%.

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

This Quarterly Report on Form 10-Q contains "forward-looking statements" as that term is used in the Private Securities Litigation Reform Act of 1995. Certain statements made in this quarterly report involve risks and uncertainties. These forward-looking statements reflect the Company's best judgment based on our current expectations, assumptions, estimates, and projections about us and our industry, and although we base these statements on circumstances that we believe to be reasonable when made, there can be no assurance that future events will not affect the accuracy of such forward-looking information. As such, the forward-looking statements are not guarantees of future performance, and actual results may vary materially from the results and expectations discussed in this report. Factors that might cause the Company's actual results to differ materially from those anticipated in forward-looking statements are more fully described in the "Risk Factors" sections contained in our Annual Report on Form 10-K for the fiscal year ended June 30, 2012 and in this Quarterly Report. The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto included elsewhere in this report, as well as the more detailed information in our Annual Report on Form 10-K for the fiscal year ended June 30, 2012.

Introduction

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

Business Segments

We operate in six reportable segments:

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

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

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

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

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

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

Overview and Recent Developments

We are experiencing the continuation of an upturn in most of our end markets for silicon metal and silicon-based alloys, which include chemicals, steel, aluminum and foundry, which all appear to be improving. Customers are generally reporting an increase in volumes and the need for additional Globe products. Certain price indexes are also showing modest increase.

Shipments for the second quarter increased 21% compared to the second quarter of fiscal 2012, mostly as a result of the acquisition of Quebec Silicon in June 2012 and an 8% increase in silicon-based alloy shipments from higher customer demand. Silicon metal average selling prices declined 9% in the quarter compared to the second quarter of last year as our annual contracts renewed at lower prices for calendar 2012 and the average selling price contains the cost-plus arrangement with our joint venture partner at the newly acquired Quebec Silicon plant. Silicon-based alloy average selling prices declined 14% in the quarter due to a mix shift towards ferrosilicon and pricing declines in each product.

Net sales for the quarter ended December 31, 2012 increased $14,393,000, or 9%, from the quarter ended December 31, 2011, as a result of a 21% increase in tons shipped partially offset by a reduction in average selling price of silicon metal and silicon-based alloys. Excluding the Quebec Silicon acquisition, sales would have declined by about 9% from the prior year period mostly as a result of lower average selling prices.

We achieved operating cost reductions and efficiencies at most of our domestic plants during the quarter but had a setback at Quebec Silicon which led to higher than expected costs at that plant. We remedied the situation at Quebec Silicon and expect efficiencies to lead to lower costs in our third quarter. We continue to pursue lower production costs through improved operating efficiencies and lowered input costs.

Income before provision for income taxes totaled $21,009,000 in the quarter ended December 31, 2012. During the quarter ended December 31, 2012, the re-measurement of our liability-classified stock option awards added $3,673,000 to pre-tax income, a gain on the re-measurement of an equity investment added $1,707,000 to pre-tax income and transaction and due diligence expenses negatively impacted pre-tax income by $1,336,000. This compares to income before provision for income taxes in the quarter ended December 31, 2011 of $20,665,000, which included pre-tax transaction and due diligence costs of $846,000 and $5,000,000 of pre-tax impact from the Bridgeport fire.

Outlook

Customer demand continues to recover and we presently have entered into contracts to sell the vast majority of our silicon metal capacity for calendar 2013. More than half of those contracts are index-based containing monthly or quarterly adjustments tied to those indices. Indications are that the silicon metal indices may rise in calendar 2013 but they are presently approximately $0.20 per pound lower than the beginning of calendar 2012. The current average price of our total book of fixed-priced contracts and index-based contracts is higher than the current spot index. The actual price we realize on silicon metal sales during calendar 2013 will vary based on movements in spot prices and the indices. Demand is also improving for our silicon-based alloy business with indications that the two main end users - steel mills and foundries - will be up in 2013. Pricing on the foundry business continues to be at healthy levels and ferrosilicon pricing is showing recent strength based on global steel capacity utilization.

We anticipate only modest planned maintenance outages in our fiscal third and fourth quarters. Overall, we expect earnings in the third and fourth quarters to be lower than our first and second quarters due to the re-pricing of our fixed priced silicon metal contracts. However, the lower pricing should be somewhat offset by results of our cost reduction initiatives, a renewed emphasis on byproduct sales and pricing and other initiatives we are taking.

Critical Accounting Policies

We prepare our financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Management bases our estimates and judgments on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from the estimates used under different assumptions or conditions. We have provided a description of significant accounting policies in the notes to our condensed consolidated financial statements and our Annual Report on Form 10-K for the fiscal year ended June 30, 2012. Our critical accounting policies have not significantly changed from those discussed in "Part II — Item 7. — Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies" of our Annual Report on Form 10-K for the fiscal year ended June 30, 2012. Matters that, in future periods, may result in updates to certain estimates and assumptions involving the application of certain of the Company's critical accounting policies are presented below.

Nigeria Exploration Licenses

In 2011, we acquired exploration licenses related to certain mines located in Nigeria for approximately $17,000,000, which grant us the right to explore for, among other things, manganese ore, a raw material used in the production of certain silicon and manganese based alloys. Such licenses expire in August 2013, and are renewable for up to four years. In the event that we determine that we will be unable to recover the costs associated with these licenses (e.g., if we determine that the exploration of these mines is not feasible), we could incur an impairment charge for an amount up to the carrying amount of these licenses. Such amount is included within other assets.

Solsil Long-Lived Assets

Solsil is currently focused on research and development projects and is not producing material for commercial sale. Although we expect to expand operations through the construction of new facilities using new technologies, Solsil's financial prospects are uncertain. Solsil's expected future profitability is dependent upon its ability to produce solar grade silicon metal at significantly larger scales than it currently can produce today and with commercially viable costs. Failure to successfully address these and other challenges may hinder or prevent our ability to achieve our objectives in a timely manner, which may result in the impairment of Solsil's assets of up to the carrying amount of $20,000,000.

Yonvey Goodwill and Long-Lived Assets

The Company assesses impairment of goodwill at least annually during the third quarter for each of its reporting units. The valuation of the Company's reporting units requires significant judgment in evaluation of overall market conditions, estimated future cash flows, discount rates and other factors. During its most recent annual impairment test, the Company determined that the fair value of its Yonvey (electrode manufacturing) reporting unit was not substantially in excess of its carrying amount. In estimating the fair value of Yonvey, the Company considered cash flow projections using assumptions about, among other things, overall market conditions and successful cost rationalization initiatives (principally through the development of new production methods that will enable sustainable quality and pricing). These assumptions also impact our assessment of the ability to recover Yonvey's long-lived assets. As of December 31, 2012, the carrying amounts of Yonvey goodwill (included within the Company's "Other" segment), and long-lived assets were approximately $7,800,000, and $17,700,000, respectively. Yonvey is currently testing new raw materials for use new production methods. Deterioration in overall market conditions, or the Company's inability to execute its cost rationalization initiatives (through development of new production methods or other means) could have a negative effect on these assumptions, and might result in an impairment of Yonvey's goodwill and long lived assets in the future.

Results of Operations

GSM Three Months Ended December 31, 2012 vs. 2011

Consolidated Operations:

| | Three Months Ended December 31, | | Increase | Percentage |
|---|---|---|---|---|
| | 2012 | 2011 | (Decrease) | Change |
| | (Dollars in thousands) | | | |
| Results of Operations | | | | |
| Net sales | $ 179,940 | 165,547 | 14,393 | 8.7% |
| Cost of goods sold | 148,331 | 129,448 | 18,883 | 14.6% |
| Selling, general and administrative expenses | 9,053 | 14,316 | (5,263) | (36.8%) |
| Research and development | — | 3 | (3) | (100.0%) |
| Business interruption insurance recovery | — | (450) | 450 | (100.0%) |
| Operating income | 22,556 | 22,230 | 326 | 1.5% |

| | | | | |
|---|---|---|---|---|
| Gain on remeasurement of equity investment | 1,707 | — | 1,707 | NA |
| Interest expense, net | (1,609) | (1,455) | (154) | 10.6% |
| Other loss | (1,645) | (110) | (1,535) | 1,395.5% |
| Income before provision for income taxes | 21,009 | 20,665 | 344 | 1.7% |
| Provision for income taxes | 5,373 | 6,070 | (697) | (11.5%) |
| Net income | 15,636 | 14,595 | 1,041 | 7.1% |
| Income attributable to noncontrolling interest, net of tax | (568) | (1,151) | 583 | (50.7%) |
| Net income attributable to Globe Specialty Metals, Inc. | $ 15,068 | 13,444 | 1,624 | 12.1% |

Net Sales:

| | Three Months Ended December 31, 2012 | | | Three Months Ended December 31, 2011 | | |
|---|---|---|---|---|---|---|
| | | Net Sales | | | Net Sales | |
| | $ (in 000s) | MT | $/MT | $ (in 000s) | MT | $/MT |
| Silicon metal | $ 102,584 | 35,273 | $ 2,908 | $ 85,496 | 26,647 | $ 3,208 |
| Silicon-based alloys | 57,455 | 26,699 | 2,152 | 61,675 | 24,659 | 2,501 |
| Silicon metal and silicon-based alloys | 160,039 | 61,972 | 2,582 | 147,171 | 51,306 | 2,868 |
| Silica fume and other | 19,901 | | | 18,376 | | |
| Total net sales | $ 179,940 | | | $ 165,547 | | |

Net sales increased $14,393,000 or 9% from the prior year to $179,940,000 primarily as a result of a 21% increase in metric tons sold, offset by a 10% decrease in average selling prices. The increase in sales volume was driven by a 32% increase in silicon metal tons sold and an 8% increase in silicon-based alloys tons sold, resulting in an increase of $32,780,000. The increase in silicon metal volume was due to the acquisition of Quebec Silicon on June 13, 2012 which contributed 9,497 tons during the second quarter of fiscal 2013. The increase in silicon-based alloys was primarily due to demand from the steel and automotive industries in North America.

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The average selling price of silicon metal decreased 9% and the average selling price of silicon-based alloys decrease 14%. The decrease in silicon metal pricing was due to lower pricing on annual calendar 2012 contracts, including lower pricing on index-based contracts, and the effect of selling 49% of the silicon metal volume from the new Quebec Silicon plant joint venture at cost plus a modest margin. The decrease in silicon-based alloys pricing was due to weaker pricing in the marketplace driven by end-user demand, particularly in Europe and a mix shift to lower price ferrosilicon products.

Other revenue increase $1,525,000 due to an increase in third party coal sales from Alden Resources and the acquisition of Quebec Silicon.

Cost of Goods Sold:

The $18,883,000 or 15% increase in cost of goods sold was a result of a 21% increase in metric tons sold and 5% decrease in cost per ton sold. The decrease in cost per ton sold is primarily due to the impact of the planned major maintenance performed on six of our fourteen domestic furnaces and the costs associated with the fire at our Bridgeport, Alabama ferrosilicon facility in the second quarter of fiscal year 2012. This was offset by the acquisition of Quebec Silicon which increased the mix of silicon metal which has higher production costs and higher sales price than silicon-based alloys.

Gross margin represented approximately 18% of net sales in the second quarter of fiscal year 2013 and decreased from 22% of net sales in the second quarter of fiscal year 2012. This decrease was primarily as a result of lower silicon metal and silicon-based alloy selling prices, partially offset by a lower costs per ton sold.

Selling, General and Administrative Expenses:

The decrease in selling, general and administrative expenses of $5,263,000 or 37% was primarily due to a decrease in stock based compensation expense of $3,795,000 from the remeasurement of outstanding liability classified option awards. Additionally, there was a reduction in variable-based compensation of $1,830,000.

Business interruption insurance recovery:

In the second quarter of fiscal year 2012, we recognized business interruption proceeds of $450,000.

Gain on remeasurement of equity investment:

In second quarter of fiscal year 2013, we purchased the remaining 50% interest in an existing equity investment. We recognized a gain on the fair value remeasurement on our existing 50% equity investment.

Net Interest Expense:

Net interest expense increased by $154,000 primarily due higher average debt outstanding following the acquisition of Quebec Silicon on June 13, 2012 offset by the refinancing to the multi-currency revolving credit facility at a lower interest rate.

Other loss:

Other loss increased by $1,535,000 primarily due to the revaluation of a U.S. dollar loan at a foreign subsidiary, the devaluation of the Argentine peso and the mark-to-market of foreign exchange contracts.

Provision for Income Taxes:

Provision for income taxes as a percentage of pre-tax income was approximately 26% or $5,373,000 in the second quarter of fiscal year 2013 and was approximately 29% or $6,070,000 in the second quarter of fiscal year 2012. The decrease in the effective tax rate is mainly attributable to the reversal of deferred tax liability that was no longer required when we acquired the remaining 50% of an equity investment in the second quarter of fiscal year 2013 and the exclusion of the book gain recorded as a result of the remeasurement on our existing 50% equity investment.

Segment Operations

GMI

| | Three Months Ended December 31, | | Increase | Percentage |
|---|---|---|---|---|
| | 2012 | 2011 | (Decrease) | Change |
| | (Dollars in thousands) | | | |

| Results of Operations | | | | |
|---|---|---|---|---|
| Net sales | $ 164,799 | 146,539 | 18,260 | 12.5% |
| Cost of goods sold | 134,382 | 119,002 | 15,380 | 12.9% |
| Selling, general and administrative expenses | 7,634 | 6,412 | 1,222 | 19.1% |
| Business interruption insurance recovery | — | (450) | 450 | (100.0%) |
| Operating income | $ 22,783 | 21,575 | 1,208 | 5.6% |

Net sales increased by $18,260,000 or 13% from the prior year to $164,799,000. The increase was primarily attributable to a 22% increase in tons sold, offset by a 9% decrease in average selling prices. Silicon metal volume increased 32% primarily due to the acquisition of Quebec Silicon on June 13, 2012 which contributed 9,497 tons during the second quarter of fiscal 2013. Silicon-based alloys volume increased 8% primarily due to demand from the steel and automotive industries. Silicon metal pricing decreased 9% primarily due to lower pricing on annual calendar 2012 contracts, including lower pricing on index-based contracts, and the effect of selling 49% of the silicon metal volume from the new Quebec Silicon plant joint venture at cost plus a modest margin. Silicon-based alloys pricing decreased 12% due to weaker pricing and a mix shift to lower price ferrosilicon products.

Operating income increased by $1,208,000 from the prior year to $22,783,000. This increase was primarily due to higher volume of silicon metal and silicon-based alloys and, offset by a decrease in average selling price. Cost of goods sold increase by 13% while volumes increased by 22%. The decrease in cost per ton sold is primarily due to the impact of the fire at our Bridgeport facility and the planned major maintenance in the prior year period. This decrease in cost per ton was partially offset by the acquisition of Quebec Silicon which increased the mix of silicon metal sales, which has a higher cost of production. The increase in selling, general and administrative expenses is mainly attributable to an increase of $619,000 from the acquisition of Quebec Silicon.

Globe Metales

| | Three Months Ended December 31, 2012 | 2011 | Increase (Decrease) | Percentage Change |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| Results of Operations | | | | |
| Net sales | $ 13,492 | 16,069 | (2,577) | (16.0%) |
| Cost of goods sold | 11,514 | 12,161 | (647) | (5.3%) |
| Selling, general and administrative expenses | 720 | 1,004 | (284) | (28.3%) |
| Operating income | $ 1,258 | 2,904 | (1,646) | (56.7%) |

Net sales decreased $2,577,000 or 16% from the prior year to $13,492,000. This decrease was primarily due to a 17% decrease in average selling price. Pricing decreased on calcium silicon primarily due to weaker demand from the steel market and a continued weakness in Europe. Overall pricing decreased due to a mix shift from calcium silicon to ferrosilicon, a product with lower margin.

Operating income decreased by $1,646,000 or 57% from the prior year to $1,258,000. The decrease was primarily due lower average selling prices. Cost of goods sold decreased by 5% while volumes remained flat was as a result from a mix shift to ferrosilicon, a lower margin product.

Solsil

| | Three Months Ended December 31, 2012 | 2011 | Increase (Decrease) | Percentage Change |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| Results of Operations | | | | |
| Cost of goods sold | $ 212 | 129 | 83 | 64.3% |
| Selling, general and administrative expenses | 50 | 155 | (105) | (67.7%) |
| Research and development | — | 3 | (3) | (100.0%) |
| Operating loss | $ (262) | (287) | 25 | 8.7% |

Net sales remained constant from the prior year at $0. Solsil suspending commercial production during the fiscal year 2010 as a result of a significant decline the price of polysilicon and the decline in demand for upgraded metallurgical silicon. We are concentrating our efforts on research and development activities focused on reducing the cost of production.

Operating loss decreased by $25,000 to $262,000. This was due to a decrease in selling, general and administrative expenses offset by an increase in cost of goods sold.

Corporate

| | Three Months Ended December 31, 2012 | 2011 | Increase (Decrease) | Percentage Change |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| Results of Operations | | | | |
| Selling, general and administrative expenses | $ 307 | 6,067 | (5,760) | (94.9%) |
| Operating loss | $ (307) | (6,067) | 5,760 | 94.9% |

The operating loss decrease of $5,760,000 was primarily due to a decrease in stock based compensation of $3,795,000 from the remeasurement of outstanding liability classified option awards. Additionally, operating loss decreased due to a reduction in variable-based compensation of $1,768,000.

GSM Six Months Ended December 31, 2012 vs. 2011

Consolidated Operations:

| | Six Months Ended December 31, 2012 | 2011 | Increase (Decrease) | Percentage Change |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |

| Results of Operations | | | | |
|---|---|---|---|---|
| Net sales | $ 380,648 | 340,409 | 40,239 | 11.8% |
| Cost of goods sold | 316,971 | 257,098 | 59,873 | 23.3% |
| Selling, general and administrative expenses | 46,773 | 29,117 | 17,656 | 60.6% |
| Research and development | — | 3 | (3) | (100.0%) |
| Business interruption insurance recovery | — | (450) | 450 | (100.0%) |
| Gain on sale of business | — | (54) | 54 | (100.0%) |
| Operating income | 16,904 | 54,695 | (37,791) | (69.1%) |
| Gain on remeasurement of equity investment | 1,707 | — | 1,707 | NA |
| Interest expense, net | (2,954) | (2,831) | (123) | 4.3% |
| Other (loss) income | (985) | 1,376 | (2,361) | (171.6%) |
| Income before provision for income taxes | 14,672 | 53,240 | (38,568) | (72.4%) |
| Provision for income taxes | 4,104 | 17,558 | (13,454) | (76.6%) |
| Net income | 10,568 | 35,682 | (25,114) | (70.4%) |
| Income attributable to noncontrolling interest, net of tax | (1,205) | (1,545) | 340 | (22.0%) |
| Net income attributable to Globe Specialty Metals, Inc. | $ 9,363 | 34,137 | (24,774) | (72.6%) |

Net Sales:

| | Six Months Ended December 31, 2012 | | | Six Months Ended December 31, 2011 | | |
|---|---|---|---|---|---|---|
| | | Net Sales | | | Net Sales | |
| | $ (in 000s) | MT | $/MT | $ (in 000s) | MT | $/MT |
| Silicon metal | $ 215,496 | 75,760 | $ 2,844 | $ 175,450 | 54,081 | $ 3,244 |
| Silicon-based alloys | 124,596 | 56,242 | 2,215 | 128,823 | 51,510 | 2,501 |
| Silicon metal and silicon-based alloys | 340,092 | 132,002 | 2,576 | 304,273 | 105,591 | 2,882 |
| Silica fume and other | 40,556 | | | 36,136 | | |
| Total net sales | $ 380,648 | | | $ 340,409 | | |

Net sales increased $40,239,000 or 12% from the prior year to $380,648,000 primarily as a result of a 25% increase in metric tons sold, offset by an 11% decrease in average selling prices. The increase in sales volume was driven by a 40% increase in silicon metal tons sold and a 9% increase in silicon-based alloys tons sold, resulting in an increase of $82,168,000. The increase in silicon metal volume was due to the acquisition of Quebec Silicon on June 13, 2012 which contributed 19,107 tons during the first half of fiscal 2013 and an increase due to the timing of shipments from our Alloy, West Virginia joint venture. The increase in silicon-based alloys was primarily due to increased demand from the steel and automotive industries in North America.

The average selling price of silicon metal decreased by 12%, and the average selling price of silicon-based alloys decrease by 11% in the first half of fiscal 2013 as compared to first half of fiscal 2012. The decrease in silicon metal pricing was due to lower pricing on annual calendar 2012 contracts, including lower pricing on index-based contracts, and the effect of selling 49% of the silicon metal volume from the Becancour, Quebec plant joint venture at cost plus a modest margin. The decrease in silicon-based alloys pricing was due to weaker pricing in the marketplace driven by end-user demand, particularly in Europe and a mix shift to lower price ferrosilicon products.

Other revenue increase $4,420,000 due to an increase in third party coal sales from Alden Resources and the acquisition of Quebec Silicon.

Cost of Goods Sold:

The $59,873,000 or 23% increase in cost of goods sold was a result of a 25% increase in metric tons sold and 1% decrease in cost per ton sold. The decrease in cost per ton sold is primarily due to the impact of the planned major maintenance performed on six of our fourteen domestic furnaces and the costs associated with the fire at our Bridgeport, AL ferrosilicon facility in the first half of fiscal 2012. This was offset by the effect of storm related power outages at our Alloy, WV and Bridgeport, AL plants in July 2012 as well as the acquisition of Quebec Silicon, which increased the mix of silicon metal sales which has higher production costs than silicon-based alloys.

Gross margin represented approximately 17% of net sales in the first half of fiscal year 2013 and decreased from 24% of net sales in the first half of fiscal year 2012. This decrease was as a result of lower silicon metal and silicon-based alloy selling prices, partially offset by a lower costs per ton sold.

Selling, General and Administrative Expenses:

The increase in selling, general and administrative expenses of $17,656,000 or 61% was primarily due to an increase in stock based compensation expense of approximately $20,678,000 of which $20,088,000 represents the remeasurement of compensation cost resulting from the remeasurement of outstanding liability classified option awards. This was offset by a reduction in variable-based compensation of $2,045,000 and a reduction of due diligence and transaction related costs of $539,000.

Gain on Sale of Business:

The gain on sale of business for the first half of fiscal year 2012 was the result of a subsequent settlement associated with the sale of our Brazilian manufacturing operations on November 5, 2009.

Business interruption insurance recovery:

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

Gain on remeasurement of equity investment:

In the first half of fiscal year 2013, we purchased the remaining 50% interest in an existing equity investment. We recognized a gain on the fair value remeasurement on our existing 50% equity investment.

Net Interest Expense:

Net interest expense increased by $123,000 primarily due higher average debt outstanding following the acquisition of Quebec Silicon on June 13, 2012 offset by the refinancing to the multi-currency revolving credit facility at a lower interest rate.

Other (loss) income:

Other (loss) income decreased by $2,361,000 primarily due to the revaluation of a U.S. dollar loan at a foreign subsidiary, the inclusion of foreign exchange gains from the revaluation of long-term Brazilian reais denominated liabilities in the prior year, the devaluation of the Argentine peso and the mark-to-market of foreign exchange contracts.

Provision for Income Taxes:

Provision for income taxes as a percentage of pre-tax income was approximately 28% or $4,104,000 in the first half of fiscal year 2013 and was approximately 33% or $17,558,000 in the first half of fiscal year 2012. The decrease in the effective tax rate was mainly attributable to the reversal of deferred tax liability that was no longer required when we acquired the remaining 50% of an equity investment and the exclusion of the book gain recorded as a result of the remeasurement on our existing 50% equity investment in the first half of fiscal year 2013.

Segment Operations

GMI

| | Six Months Ended December 31, 2012 | 2011 | Increase (Decrease) | Percentage Change |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| Results of Operations | | | | |
| Net sales | $ 349,537 | 301,467 | 48,070 | 15.9% |
| Cost of goods sold | 288,404 | 232,148 | 56,256 | 24.2% |
| Selling, general and administrative expenses | 14,704 | 13,060 | 1,644 | 12.6% |
| Business interruption insurance recovery | — | (450) | 450 | (100.0%) |
| Operating income | $ 46,429 | 56,709 | (10,280) | (18.1%) |

Net sales increased by $48,070,000 or 16% from the prior year to $349,537,000. The increase was primarily attributable to a 28% increase in tons sold, offset by a 10% decrease in average selling prices. Silicon metal volume increase 40% primarily due to the acquisition of Quebec Silicon on June 13, 2012 which contributed 19,107 tons during the first half of fiscal 2013 and an increase due to the timing of shipments from our Alloy, West Virginia joint venture. Silicon-based alloys volume increased 11% primarily due to increased demand from the steel and automotive industries. Silicon metal pricing decreased by 12% primarily due to lower pricing on annual calendar 2012 contracts, including lower pricing on index-based contracts, and the effect of selling 49% of the silicon metal volume from the Becancour, Quebec joint venture at cost plus a modest margin. Silicon-based alloys pricing decreased 8% due to a mix shift to lower price ferrosilicon products.

Operating income decreased by $10,280,000 from the prior year to $46,429,000. This decrease was primarily due to lower average selling prices for silicon metal and silicon-based alloys offset by an increase in volume. Cost of goods sold increased by 24% while shipments increased by 28%. The decrease in cost per ton sold is primarily due to the impact of the fire at our Bridgeport facility and the planned major maintenance in the prior year period. This decrease in cost per ton was partially offset by the acquisition of Quebec Silicon, which increased the mix of silicon metal sales, a product with higher cost of production. Additionally, selling, general and administrative expenses increased by $1,089,000 as a result of the acquisition of Quebec Silicon.

Globe Metales

| | Six Months Ended December 31, 2012 | 2011 | Increase (Decrease) | Percentage Change |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| Results of Operations | | | | |
| Net sales | $ 27,838 | 33,166 | (5,328) | (16.1%) |
| Cost of goods sold | 23,556 | 24,752 | (1,196) | (4.8%) |
| Selling, general and administrative expenses | 1,585 | 1,993 | (408) | (20.5%) |
| Operating income | $ 2,697 | 6,421 | (3,724) | (58.0%) |

Net sales decreased $5,328,000 or 16% from the prior year to $27,838,000. This decrease was primarily due to a 15% decrease in average selling price and a 3% decrease in shipments. Pricing decreased on calcium silicon primarily due to weaker demand from the steel market and a continued weakness in Europe. Overall pricing decreased due to a mix shift from calcium silicon to ferrosilicon, a lower margin product.

Operating income decreased by $3,724,000. The decrease was attributable to lower average selling prices and decreased shipments. Cost of goods sold decreased by 5% while shipments decreased by 3% due to a mix shift to ferrosilicon with lower margin.

Solsil

| | Six Months Ended December 31, 2012 | 2011 | Increase (Decrease) | Percentage Change |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| Results of Operations | | | | |
| Cost of goods sold | $ 336 | 277 | 59 | 21.3% |
| Selling, general and administrative expenses | 99 | 226 | (127) | (56.2%) |
| Research and development | — | 3 | (3) | (100.0%) |
| Operating loss | $ (435) | (506) | 71 | 14.0% |

Net sales remained constant from the prior year at $0. This was attributable to Solsil suspending commercial production during the fiscal year 2010 as a result of a significant decline the price of polysilicon and the decline in demand for upgrades metallurgical silicon. We are concentrating our efforts on research and development activities focused on reducing the cost of production.

Operating loss decreased by $71,000 to $435,000. This was due to a decrease in selling, general and administrative expenses offset by an increase in cost of goods sold.

Corporate

| | Six Months Ended December 31, 2012 | 2011 | Increase (Decrease) | Percentage Change |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| Results of Operations | | | | |
| Selling, general and administrative expenses | $ 29,736 | 12,538 | 17,198 | 137.2% |
| Gain on sale of business | — | (54) | 54 | (100.0%) |
| Operating loss | $ (29,736) | (12,484) | (17,252) | (138.2%) |

Operating loss increased by $17,252,000 from the prior year to $29,736,000. Selling, general and administrative expenses increased by $17,198,000 year over year primarily due to an increase in stock based compensation expense of approximately $20,678,000 of which $20,088,000 represents the remeasurement of liability classified option awards. This was offset by a reduction in variable-based compensation of $2,039,000 and a reduction of due diligence and transaction related costs of $539,000.

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Liquidity and Capital Resources

Sources of Liquidity

Our principal sources of liquidity are our cash and cash equivalents balance, cash flows from operations, and unused commitments under our existing credit facilities. At December 31, 2012, our cash and cash equivalents balance was approximately $163,461,000, and we had $181,564,000 available for borrowing under our existing financing arrangements. We generated cash flows from operations totaling $12,756,000 during the six months period ended December 31, 2012.

Certain of our subsidiaries borrow funds in order to finance working capital requirements and capital expansion programs. The terms of certain of our financing arrangements place restrictions on distributions of funds to us, however, we do not expect this to have an impact on our ability to meet our cash obligations. We believe we have access to adequate resources to meet our needs for normal operating costs, capital expenditure, and working capital for our existing business. Our ability to fund planned capital expenditures and make acquisitions will depend upon our future operating performance, which will be affected by prevailing economic conditions in our industry as well as financial, business and other factors, some of which are beyond our control.

Cash Flows

The following table is a summary of consolidated cash flows:

| | Six Months Ended December 31, | |
|---|---|---|
| | 2012 | 2011 |
| | (Dollars in thousands) | |
| Cash and cash equivalents at beginning of period | $ 178,010 | 166,208 |
| Cash flows provided by operating activities | 12,756 | 24,640 |
| Cash flows used in investing activities | (19,048) | (100,240) |
| Cash flows (used in) provided by financing activities | (6,906) | 40,637 |
| Effect of exchange rate changes on cash | (1,351) | (47) |
| Cash and cash equivalents at end of period | $ 163,461 | 131,198 |

Operating Activities:

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

Net cash provided by operating activities was $12,756,000 and $24,640,000 during the first six months of fiscal years 2013 and 2012, respectively. The $11,884,000 decrease in net cash provided by operating activities was due to an increase in net working capital. Accounts receivable decreased due to a decrease in average selling prices in the first six months of fiscal 2013. These changes were offset by a decrease in accounts payable due to timing of payments and an increase in inventories primarily attributable to increased raw materials inventory at the Becancour facility, which must stockpile raw materials for the winter season, and the timing of finished goods shipments to customers.

Investing Activities:

Net cash used in investing activities was approximately $19,048,000 and $100,240,000 during the first six months of fiscal years 2013 and 2012, respectively. The $81,192,000 decrease was due to the acquisition of Alden Resources, LLC in the first six months of fiscal 2012 which resulted in the use of approximately $73,194,000 in cash and a decrease in year over year capital expenditures decreased from $27,046,000 to $18,204,000, which was attributable to furnace overhauls during the first six months of fiscal 2012.

Financing Activities:

Net cash (used in) provided by financing activities was approximately ($6,906,000) and $40,637,000 during the first six months of fiscal years 2013 and 2012, respectively.  Net borrowings of approximately $12,163,000 of long-term and short-term debt occurred during the first six months of fiscal year 2013, as compared to net borrowings of $57,291,000 in the first six months of fiscal 2012.  The net borrowings during the first six months of fiscal year 2012 included $55,000,000 for the acquisition of Alden Resources, LLC.  Dividend payments of $18,794,000 and $15,007,000 were paid to our common stockholders during the first six months of fiscal year 2013 and 2012, respectively. Proceeds from stock option exercises contributed $1,000,000 and $195,000 during the first six months of fiscal year 2013 and 2012, respectively.

Exchange Rate Changes on Cash:

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

Commitments and Contractual Obligations

Our commitments and contractual obligations have not changed significantly from those disclosed in “Part II — Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Commitments and Contractual Obligations” of our Annual Report on Form 10-K for the fiscal year ended June 30, 2012.

Off-Balance Sheet Arrangements

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

Litigation and Contingencies

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

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

Recently Implemented Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (FASB) amended its accounting guidance on the presentation of comprehensive income in financial statements to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items that are recorded in other comprehensive income. The new accounting guidance requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. The provisions of the guidance were effective as of the beginning of our 2013 fiscal year. Accordingly, we have presented the components of net income and other comprehensive income for the three and six months ended December 31, 2012 and 2011 as two separate but consecutive statements. In June 2012, the FASB issued a new proposal that would require an entity to provide enhanced footnote disclosures to explain the effect of reclassification adjustments on other comprehensive income by component and provide a tabular disclosure in the footnotes showing the effect of items reclassified from accumulated other comprehensive income on the line items of net income. We will continue to monitor the FASB’s activities related to the proposed guidance.

In September 2011, the FASB issued new accounting guidance that permits an entity to first assess qualitative factors of whether it is more likely than not that a reporting unit’s fair value is less than its carrying amount before applying the two-step goodwill impairment test. An entity would continue to perform the historical first step of the impairment test if it fails the qualitative assessment, while no further analysis would be required if it passes. The provisions of the new guidance were effective for, and had no impact on, our 2012 annual goodwill impairment test results.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our market risks have not changed significantly from those disclosed in "Part II — Item 7A. — Quantitative and Qualitative Disclosures About Market Risk" of our Annual Report on Form 10-K for the fiscal year ended June 30, 2012.

Item 4. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

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

Changes in Internal Control Over Financial Reporting

In the first six months of fiscal year 2013, we implemented an SAP enterprise resource planning software system at our U.S. subsidiaries. SAP replaced our accounting and other systems that were used to record and report our financial results and associated disclosures. In conjunction with the SAP implementation, we modified the design, operation and documentation of our internal controls over financial reporting. During the second quarter of fiscal year 2013, we migrated certain financial and sales processing systems in the United States to SAP. While certain deficiencies during the implementation period have been noted, the Company believes it is taking the necessary precautions to ensure that during the transition to SAP, there will not be a negative impact on the internal control environment. The Company expects the transition to SAP to be completed by the end of the current fiscal year. The Company will continue to monitor and test these systems as part of management's annual evaluation of internal control over financial reporting.

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

PART II

Item 1.  Legal Proceedings

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

Item 1A.  Risk Factors

A description of the risks associated with our business, financial condition, and results of operations is set forth in “Part I — Item 1A. — Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended June 30, 2012. There have been no material changes in our risks from such description.

Item 4. Mine Safety Disclosure

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

Item 6.  Exhibits

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

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† Filed herewith.

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

SIGNATURES

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

Globe Specialty Metals, Inc.
(Registrant)

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

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

February 11, 2013

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