GLOBE SPECIALTY METALS INC
Form 10-K
August 27, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-K

(Mark One)

þ	ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended June 30, 2015
	OR
o	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from to

Commission File Number 001-34420
Globe Specialty Metals, Inc.
(Exact name of registrant as specified in its charter)

Delaware	20-2055624
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

600 Brickell Ave., Suite 3100
Miami, FL 33131
(Address of principal executive offices, including zip code)

(786) 509-6900
(Registrant's telephone number, including area code)

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

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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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 þ	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o

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

As of August 17, 2015, the registrant had 73,749,990 shares of common stock outstanding. As of December 31, 2014 (the last business day of the Registrant's most recently completed second fiscal quarter), the aggregate market value of such shares held by non-affiliates of the Registrant was approximately $1,119.7 million.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement relating to the 2015 Annual Meeting of Stockholders, filed with the Securities and Exchange Commission, are incorporated by reference in Part III, Items 10 - 14 of this Annual Report on Form 10-K as indicated herein.

Globe Specialty Metals, Inc.
Form 10-K
For the Fiscal Year Ended June 30, 2015

TABLE OF CONTENTS

PART I

Special Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains "forward-looking statements" as that term is used in the Private Securities Litigation Reform Act of 1995. The forward-looking statements are contained principally in the sections entitled "Business," "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations." In some cases, you can identify forward-looking statements by terms such as "anticipates," "believes," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "should," "will," "would" and similar expression identify forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors which may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. Forward-looking statements include statements about:

- the expected timing, completion and effects of the proposed business combination with FerroAtlántica;
- the parties' ability to consummate the business combination;
- the anticipated benefits and risks associated with our business strategy;
- our future operating results and the future value of our common stock;
- the anticipated size or trends of the markets in which we compete and the anticipated competition in those markets;
- our ability to attract customers in a cost-efficient manner;
- our ability to attract and retain qualified management personnel;
- our future capital requirements and our ability to satisfy our capital needs;
- the potential for additional issuances of our securities; and
- the possibility of future acquisitions of businesses or assets.

Forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties including, but not limited to:

- the historic cyclicality of the metals industry and the attendant swings in market price and demand;
- increases in energy costs and the effect on our cost of production;
- disruptions in the supply of power;
- availability of raw materials or transportation;
- cost of raw material inputs and our ability to pass along those costs to customers;
- costs associated with labor disputes and stoppages;
-

the concentration of our sales to a limited number of customers and the potential loss of a portion of sales to those customers;

- our ability to generate sufficient cash to service our indebtedness;
- integration and development of prior and future acquisitions;
- our ability to effectively implement strategic initiatives and actions taken to increase sales growth;
- our ability to compete successfully;
- availability and cost of maintaining adequate levels of insurance;
- our ability to protect our trade secrets or maintain our trademarks and other intellectual property;
- equipment failures, delays in deliveries or catastrophic loss at any of our manufacturing facilities;
- our ability to satisfy the conditions to the completion of the business combination, including the receipt of approval of the Company's stockholders;
- our ability to obtain regulatory approvals required for the business combination on the terms expected and on the anticipated schedule;
- our ability to meet expectations regarding the timing, completion and other aspects of the business combination;
- the outcome of pending or potential litigation, including the ongoing shareholder litigation related to the business combination with FerroAtlántica;
- the risk that the pendency of the business combination with FerroAtlántica could have an adverse impact on our relationships with employees, customers, prospective customers and suppliers;
- the risk that the pendency of the business combination with FerroAtlántica could divert the attention of employees and management from day-to-day operations;
- that the failure to consummate the business combination with FerroAtlántica could have a material adverse effect on our share price, business and cash flows, results of operations and financial position;
- changes in laws protecting U.S. and Canadian companies from unfair foreign competition or the measures currently in place or expected to be imposed under those laws;
- compliance with, potential liability under, and risks related to environmental, health and safety laws and regulations (and changes in such laws and regulations, including their enforcement or interpretation);

- risks from our international operation, such as foreign exchange, tariff, tax, inflation, increased costs, political risks and our ability to expand in certain international markets; and

- other risks described from time to time in our filings with the United States Securities and Exchange Commission (SEC), including the risks discussed under the heading “Risk Factors” in this Annual Report.

Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our estimates and assumptions only as of the date the statements are made. The forward looking statements do not take into account the proposed business combination with FerroAtlántica and do not address possible future combined results of operations of the Company and FerroAtlántica after the business combination. You should read this Annual Report on Form 10-K and the documents that we have filed as exhibits completely and with the understanding that our actual future results may be materially different from what we expect. Except as required by law, we assume no obligation to update any forward-looking statements publicly or to update the reasons actual results could differ materially from those anticipated in any forward-looking statements, even if new information becomes available in the future.

Item 1. Business

Overview

Globe Specialty Metals, Inc. (GSM, Globe, the Company, we, us, or our) is one of the world’s largest and most efficient producers of silicon metal and silicon-based alloys, with approximately 140,000 metric tons (MT) of silicon metal capacity (excluding Dow Corning Corporation’s portion of the capacity of our Alloy, West Virginia and Becancour, Quebec plants) and 158,000 MT of silicon-based alloys capacity. Silicon metal, our principal product, is used as a primary raw material in making silicone compounds, aluminum and polysilicon. Our silicon-based alloys are used as raw materials in making steel, automotive components and ductile iron. We control the supply of most of our raw materials, and we capture, recycle and sell most of the by-products generated in our production processes.

Our products are currently produced in eight principal operating facilities located in the United States, Canada, Argentina and South Africa. Additionally, we operate facilities in Poland and China. Our flexible manufacturing capabilities allow us to optimize production and focus on products that enhance profitability. We also benefit from having some of the lowest average operating costs of any large producer of silicon metal in the world, according to CRU International Limited (CRU), a leading metals industry consultant.

Fiscal 2015 was a year of record shipments and record net sales as demand for silicon metal and silicon-based alloys remained strong. Our average selling prices in fiscal 2015 increased for silicon metal and remained flat for silicon-based alloys compared to the prior year.

We experienced an increase of 5% in our average selling prices in fiscal year 2015, with a 5% increase in silicon metal pricing, while silicon-based alloys pricing remained flat compared to the prior year. This increase was driven by higher pricing in the first half of the fiscal year. During the second half of fiscal year 2015, silicon metal and silicon-based alloys pricing declined due to increased import competition. Our fixed-price contracts were negotiated in November 2014 for the 2015 calendar year and were not affected by the recent decline in pricing. However, we have some exposure to these recent pricing fluctuations with respect to our contracts that are index-linked and spot priced.

Volumes increased 3% year-over-year, driven by a 14% increase in silicon metal metric tons sold, offset by a 8% decrease in silicon-based alloys metric tons sold. Customer demand continued to improve for silicon metal and silicon-based alloys in our major end markets, which include chemical, aluminum, automotive, steel, housing and solar. The sales mix shifted in fiscal year 2015 as we shipped more silicon metal than the prior year. The increase in silicon metal metric tons sold was primarily due to increased demand from the solar, auto and housing sectors in the U.S. and in Europe. With this increase in demand for silicon metal, at a time when ferrosilicon prices were declining, we converted a silicon-based alloys furnace to a silicon metal furnace at one of our U.S. plants.

Proposed Business Combination

On February 23, 2015, the Company, Grupo Villar Mir, S.A.U., a public limited company (sociedad anónima) incorporated under the laws of Spain ("Grupo VM"), Grupo FerroAtlántica, S.A.U., a Spanish public limited liability company in the form of a sociedad anónima and wholly owned subsidiary of Grupo VM ("FerroAtlántica"), VeloNewco Limited, a newly formed private UK holding company and wholly owned subsidiary of Grupo VM ("VeloNewco"), and Gordon Merger Sub, Inc., a newly formed Delaware corporation and a direct wholly owned subsidiary of VeloNewco ("Merger Sub"), entered into a Business Combination Agreement (the "Original Business Combination Agreement") pursuant to which the parties agreed, subject to the terms and conditions of the Original Business Combination Agreement, to combine the businesses of the Company and FerroAtlántica under VeloNewco as described below (the "Business Combination"). The Original Business Combination Agreement was amended and restated on May 5, 2015. The Original Business Combination Agreement, as so amended and restated, is referred to as the "Business Combination Agreement".

Transaction Overview

Subject to the terms and conditions of the Business Combination Agreement, VeloNewco agreed to acquire from Grupo VM all of the issued and outstanding ordinary shares of FerroAtlántica in exchange for an aggregate of 98,078,161 newly issued VeloNewco Class A ordinary shares (each an "A Ordinary Share"), which will result in FerroAtlántica becoming a wholly owned subsidiary of VeloNewco (the "Stock Exchange"). After consummation of the Stock Exchange, Merger Sub will merge with and into the Company, with the Company surviving the merger as a wholly owned subsidiary of VeloNewco (the "Merger").

In the Stock Exchange, Grupo VM may be required to pay to VeloNewco as additional consideration for the A Ordinary Shares an amount in cash, if any, based upon FerroAtlántica's net debt at closing. In the Merger, each share of common stock of the Company will be converted into the right to receive one VeloNewco ordinary share (each an "Ordinary Share"). The A Ordinary Shares and the Ordinary Shares will have the same rights, powers and preferences, and vote together as a single class, except for the right of the holders of Ordinary Shares to the R&W Proceeds as described below.

In connection with the transaction, VeloNewco expects to purchase a buy side representations and warranties insurance policy (the "R&W Policy") to insure against certain breaches of certain representations and warranties made by FerroAtlántica and Grupo VM in the Business Combination Agreement. Under the terms of the Articles of Association of VeloNewco (the "VeloNewco Articles"), if VeloNewco receives proceeds under the R&W Policy (after deduction of taxes applicable to such proceeds, if any) (the "R&W Proceeds"), VeloNewco is required to distribute the aggregate R&W Proceeds to the holders of the Ordinary Shares. Each A Ordinary Share automatically converts into one Ordinary Share upon the earlier to occur of: (a) the expiration of the R&W Policy; and (b) its transfer to any person or group which is not Grupo VM, any Grupo VM family member or any affiliate of Grupo VM or a Grupo VM family member.

Completion of the Business Combination is subject to Globe shareholder approval, regulatory approvals and customary closing conditions. The special meeting of Globe shareholders to consider adoption of the business combination agreement is scheduled for Thursday, September 10, 2015.

2

Business segments

GMI

GMI currently operates six principal production facilities in the United States located in Beverly, Ohio, Alloy, West Virginia, Selma, Alabama, Niagara Falls, New York and Bridgeport, Alabama and one production facility in Canada located in Becancour, Quebec. GMI also operates coal mines and coal preparation plants in Kentucky, open-pit quartzite mines in Alabama and a concession to mine quartzite in Saint-Urbain, Quebec.

Globe Metales

Globe Metales operates a production facility in Mendoza, Argentina. Globe Metales specializes in producing silicon-based alloy products, either in lump form or in cored-wire, a delivery method preferred by some manufacturers of steel, ductile iron, machine and auto parts and industrial pipe.

Solsil

Solsil is continuing to develop its technology to produce upgraded metallurgical grade silicon metal (UMG) manufactured through a proprietary metallurgical process, which is primarily used in silicon-based photovoltaic (solar) cells. Solsil is located in Beverly, Ohio and is currently focused on research and development projects and is not producing material for commercial sale. We own a 97.25% interest in Solsil, Inc. (Solsil).

Corporate

The corporate office, located in Miami, Florida, includes general expenses, investments, and related investment income.

Other

Ningxia Yonvey Coal Industrial Co., Ltd. (Yonvey). Yonvey produces carbon electrodes, an important input in our production process, at a production facility in Shizuishan in the Ningxia Hui Autonomous Region of China. We currently consume internally all of Yonvey’s output of electrodes. We hold a 98% ownership interest in Yonvey.

Ultracore Polska Sp.z.o.o (UCP). UCP produces cored-wire silicon-based alloy products. The fabrication facility is located in Police in northern Poland.

Silicon Technology (Pty) Ltd. (Siltech). Siltech is a silicon-based alloy producer with a facility located in the village of Newcastle, South Africa.

See our June 30, 2015 consolidated financial statements for financial information with respect to our segments.

Products and Operations

The following chart shows the location of our primary facilities, the products produced at each facility and each facility’s production capacity.

3

Customers and Markets

The following table details our shipments and average selling price per MT over the last eight quarters through June 30, 2015. See note 22 (Operating Segments) to our June 30, 2015 consolidated financial statements for additional information.

	Quarter Ended							
	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013
Shipments (MT) (a)								
Silicon metal	39,536	38,285	38,436	39,416	36,884	36,530	31,631	31,619
Silicon-based alloys	32,615	30,949	32,450	33,900	38,530	37,396	34,985	30,416
Total	72,151	69,234	70,886	73,316	75,414	73,926	66,616	62,035
Average selling price ($/MT) (a)								
Silicon metal	$ 2,932	2,934	2,916	2,807	2,797	2,791	2,766	2,699
Silicon-based alloys	$ 1,962	2,008	2,030	2,048	2,009	2,001	1,983	2,019
Silicon metal and silicon-based alloys	$ 2,491	2,520	2,511	2,456	2,395	2,391	2,355	2,365

(a) Shipments and average selling price exclude coal, silica fume, other by-products and electrodes.

During the year ended June 30, 2015, our customers engaged primarily in the manufacture of silicone chemicals and polysilicon (36% of revenue), foundry alloys (17% of revenue), aluminum (17% of revenue) and steel (15% of revenue). Our customer base is geographically diverse, and includes North America, Europe, Asia and South America, which for the year ended June 30, 2015, represented 91%, 4%, 1% and 3% of our revenue, respectively.

For the year ended June 30, 2015, one customer accounted for more than 10% of revenues: Dow Corning, represented approximately 21% of revenues (approximately 77% of which was a result of the manufacturing joint ventures at our Alloy, West Virginia and Becancour, Quebec plants). Our ten largest customers account for approximately 53% of our revenue. These percentages include sales made under our joint venture agreements to Dow Corning.

Silicon Metal

We are among the world's largest and most efficient producers of silicon metal. Silicon-based products are classified by the approximate percentage of silicon contained in the material and the levels of trace impurities. We produce specialty-grade, high quality silicon metal with silicon content generally greater than 99.25%. We produce the majority of this high-grade silicon metal for three industries: (i) the aluminum industry; (ii) the chemical industry; and (iii) polysilicon producers in the photovoltaic (solar)/semiconductor industry.

We market to primary and secondary aluminum producers who require silicon metal with certain purity requirements for use as an alloy, as well as to the secondary aluminum industry where specifications are not as stringent. Aluminum is used to manufacture a variety of automobile and truck components, including engine pistons, housings, and cast aluminum wheels and trim, as well as uses in high tension electrical wire, aircraft parts, beverage containers and other products which require optimal aluminum properties. The addition of silicon metal reduces shrinkage and the hot cracking tendencies of cast aluminum and improves the castability, hardness, corrosion resistance, tensile strength, wear resistance and weldability of the end products.

Purity and quality control are important. For instance, the presence of iron in aluminum alloys, in even small quantities, tends to reduce its beneficial mechanical properties as well as reduce its lustrous appearance, an important consideration when producing alloys for aluminum wheels. We have the ability to produce silicon metal with especially low iron content as a result of our precisely controlled production processes and use of metallurgical grade coal.

We market to all the major silicone chemical producers. Silicone chemicals are used in a broad range of applications, including personal care items, construction-related products, health care products and electronics. In construction and equipment applications, silicones promote adhesion, act as a sealer and have insulating properties. In personal care and health care products, silicones add a smooth texture, protect against ultra violet rays and provide moisturizing and cleansing properties. Silicon metal is an essential component of the manufacture of silicones, accounting for approximately 20% of the cost of production.

We market to producers of polysilicon and solar cells who utilize silicon metal as the core ingredient of their product. These manufacturers employ processes to further purify the silicon metal and then use the material to grow crystals. These crystals are then cut into wafers, which are capable of converting sunlight to electricity. The individual wafers are then soldered together to make solar cells.

Silicon-Based Alloy Products

We make ferrosilicon by combining silicon dioxide (quartzite) with iron in the form of scrap steel and iron oxides. To produce our high-grade silicon-based alloys, we combine ferrosilicon with other additions that can include precise measured quantities of other metals and rare earths to create alloys with specific metallurgical characteristics. Our silicon-based alloy products can be divided into four general categories: (i) ferrosilicon, (ii) magnesium-ferrosilicon-based alloys, (iii) ferrosilicon-based alloys and (iv) calcium silicon.

Magnesium-ferrosilicon-based alloys are known as “nodularizers” because, when combined with molten grey iron, they change the graphite flakes in the iron into spheroid particles, or “nodules,” thereby increasing the iron’s strength and resilience. The resulting product is commonly known as ductile iron. Ductile iron is employed in numerous applications, such as the manufacture of automobile crankshafts and camshafts, exhaust manifolds, hydraulic valve bodies and cylinders, couplings, sprockets and machine frames, as well as in commercial water pipes. Ductile iron is lighter than steel and provides better castability (i.e., intricate shapes are more easily produced) than untreated iron.

Ferrosilicon-based alloys (without or with very low concentrations of magnesium) are known as “inoculants” and can contain any of a large number of combinations of metallic elements. Inoculants act to evenly distribute the graphite particles found in both grey and ductile iron and refine other microscopic structures, resulting in a product with greater strength and improved casting and machining properties.

Calcium silicon is widely used to improve the quality, castability and machinability of steel. Calcium is a powerful modifier of oxides and sulfides. It improves the castability of the steel in a continuous casting process by keeping nozzles from clogging. Calcium also improves the machinability of steel, increasing the life of cutting tools.

By-Products

We capture, recycle and sell most of the by-products generated in our production processes. The largest volume by-product not recycled into the manufacturing process is silica fume. This dust-like material, collected in our air filtration systems, is sold to end users or to companies that process, package and market it for use as a concrete additive, refractory material or oil well conditioner. The other major by-products of our manufacturing processes are “fines,” the fine material resulting from crushing, and dross, which results from the purification process during smelting. The fines and dross that are not recycled into our own production processes are generally sold to customers who utilize these products in other manufacturing processes, including steel production.

Raw Material Supply

We control the supply of most of our raw materials. All of our products require coal or charcoal, quartzite, woodchips and electrodes in their manufacture. Alden Resources provides a stable and long-term supply of low ash metallurgical grade coal supplying a substantial portion of our requirements to our operations in the U.S., Canada and South Africa. We have reduced our use of charcoal because of the increased coal supply from Alden Resources. We also obtain low ash metallurgical grade coal from other sources in the U.S. We use charcoal from South American suppliers for our Argentine operations. We have quartzite mining operations located in Billingsley, Alabama and a concession to mine quartzite in Saint-Urbain, Québec (we are not the operator of the mine, we utilize the services of a third party miner to extract the quartzite). These mines supply our U.S. and Canada operations with a substantial portion of our requirements for quartzite, the principal raw material used in the manufacturing of all of our products. We believe that these mines, together with additional leasing opportunities in the vicinity, should cover our needs well into the future. We also obtain quartzite from other sources in the U.S and Canada. The quartzite is mined, washed and screened to our specifications by our suppliers. Woodchips are sourced locally by each plant, and we maintain a wood chipping operation at certain plants in the U.S and Canada, which allows us to either buy logs or chips based on market pricing and availability. Carbon electrodes are supplied by Yonvey and are also purchased from several other suppliers on annual contracts and spot purchases. Most of our metal purchases are made on the spot market or from scrap dealers, with the exception of magnesium, which is purchased under a fixed duration contract for our U.S. business. Our principal iron source for producing ferrosilicon-based alloys has been scrap steel. Magnesium and other additives are obtained from a variety of sources producing or dealing in these products. We also obtain raw materials from a variety of other sources. Rail and truck are our principal transportation methods for gravel and coal. We have rail spurs at all of our plants. Other materials arrive primarily by truck. We require our suppliers, whenever feasible, to use statistical process control procedures in their production processes to conform to our own processes.

We enter into long-term electric power supply contracts. Our power supply contracts result in stable, favorably priced, long-term commitments of power at reasonable rates, and we believe that most of our long-term power supply contracts provide us with a cost advantage. In West Virginia, we have a contract with Brookfield Energy to provide approximately 45% of our power needs, from a dedicated hydroelectric facility, at a fixed rate through December 2021. The remainder of our power needs in West Virginia, Ohio and Alabama are sourced through contracts that provide tariff rates at historically competitive levels. In connection with the reopening of our Niagara Falls, New York plant, and as an incentive to reopen the plant, we obtained a public-sector package including 40 megawatts of hydropower through 2013, which was subsequently extended to 2021. We have entered into power hedge agreements, the most recent of which ended in June 2013, for approximately 20% of the total power required by our Niagara Falls, New York plant. In Newcastle, South Africa, we have a contract with Eskom public utility company to supply 70 megawatts of electricity at the industrial tariff rate.

Mining Information

The following table provides a summary of our coal operations as of June 30, 2015:

(Thousands of net tons)	Proven Reserves	Annual Production	Mining Capacity	Mining Method	Btu content per pound
Morgan Hollow/Colonel Hollow	364	144	150	Surface	14,000
Log Cabin	181	58	80	Underground	14,000
Maple Creek	331	140	150	Surface	14,000
Bain Branch No. 3	3,518	42	120	Underground	14,000
Engle Hollow	234	12	24	Underground	14,000
Harpes Creek 4A	1,131	72	100	Underground	14,000
Total	5,759	468	624		

Net sales for the twelve months ended June 30:

	2015		2014	
	$ (in 000s)	MT	$ (in 000s)	MT
External Net Sales*	$ 14,530	136,075	$ 16,957	178,218
Internal Net Sales	79,893	248,798	60,103	201,386
Total Net Sales	$ 94,423	384,873	$ 77,060	379,604

*Includes by-products and other

As of June 30, 2015, we had six active coal mines (two surface mines and four underground mines), located in Kentucky. We also had six inactive permitted coal mines available for extraction located in Kentucky and Alabama. All of our coal mines are leased and the remaining term of the leases range from 2 to 40 years. The majority of the coal production is consumed internally in the production of silicon metal and silicon-based alloys. Reserves are defined by SEC Industry Standard Guide 7 as a mineral deposit that could be economically and legally extracted and produced at the time of the reserve determination. The estimate of proven and probable reserves is of recoverable tons, which represents the tons of product that can be used internally or delivered to the customer. The average mining recovery rate is approximately 60%. At June 30, 2015, we estimate our proven and probable reserves to be approximately 16,504,000 tons with an average permitted life of approximately 35 years at present operating levels. Present operating levels are determined based on a three-year annual average production rate. Reserve estimates were made by our geologists, engineers and third parties based primarily on drilling studies performed. These estimates are reviewed and reassessed from time to time. Reserve estimates are based on various assumptions, and any material changes in these assumptions could have a material impact on the accuracy of our reserve estimates.

We currently have two coal processing facilities, one of which is inactive. The active facility processes approximately 720,000 tons of coal annually, with a capacity of 2,500,000 tons. The average coal processing recovery rate is approximately is 65%.

Sales and Marketing Activities

Our silicon metal and silicon-based alloys are sold to a diverse base of customers worldwide. Our products are typically sold on annual and quarterly contracts, with some capacity for spot sales. These contracts are fixed price or priced based on index, generally with firm volume commitments from the customers.

Our marketing strategy is to maximize profitability by varying the balance of our product mix among the various silicon-based alloys and silicon metal. Our products are sold directly by our own sales staff located in Buenos Aires, Argentina, Police, Poland, and at various locations in the United States and Canada, who work together to optimize the sales efforts.

We also employ customer service representatives. Order receiving, entry, shipment coordination and customer service is handled primarily from the Beverly, Ohio facility for our U.S. operations, and in Buenos Aires, Argentina, and Police, Poland for our non U.S. operations. In addition to our direct sales force, we sell through distributors in various U.S. regions, Canada, Southern and Northern Mexico, Australia, South America and Europe.

We maintain credit insurance for the majority of our customer receivables to mitigate collection risk.

Competition

The silicon metal market and the silicon-based and manganese-based alloys markets are capital intensive, global and highly competitive. We have historically proven to be a highly efficient, low cost producer, with competitive pricing and manufacturing processes that capture most of our production by-products for reuse or resale. We also have the flexibility to adapt to current market demands by switching certain furnaces between silicon-based alloy and silicon metal production with economical switching costs. We face continual threats from existing and new competition. Nonetheless, certain factors can affect the ability of competition to enter or expand. These factors include (i) lead time of three to five years to obtain the necessary governmental approvals and construction completion; (ii) construction costs; (iii) the need to situate a manufacturing facility proximate to raw material sources, and (iv) energy supply for manufacturing purposes.

Competitive Strengths

We believe that we possess a number of competitive strengths that position us well to continue as one of the leading global suppliers of silicon metal and silicon-based alloys.

- Leading Market Positions. We hold leading market positions in our primary geography, North America, and in a majority of our products. According to data from CRU, we believe our silicon metal capacity of approximately 140,000 MT annually (excluding Dow Corning's portion of the capacity of our Alloy, West Virginia and Becancour, Quebec plants), represents approximately 15% of the total Western World capacity.

- Low Cost Producer. We are among the lowest cost silicon metal producers in the world. Our low operating costs are primarily a result of our access to attractively priced power, proximity to, and ownership of, raw materials, and our efficient production process and skilled labor.

- Highly Variable Cost Structure. We operate with a largely variable cost of production and have the ability to rapidly turn furnaces on and off to react to changes in customer demand. During the global economic recession, we were able to quickly idle certain furnaces as demand declined and then quickly re-start them at minimal cost as demand returned.

- Long-Term Power Contracts. Electricity is the largest component of our production costs. Electricity accounted for approximately 22% of our total cost of production for the fiscal year 2015. Our power supply contracts result in stable, favorably priced, long-term commitments of power at reasonable rates.

- Vertically Integrated Business Model. To further enhance our cost position and increase operational and financial stability, we have increased our vertical integration over time through strategic acquisitions of providers of our principal raw materials. We now have captive sources for a majority of our raw material inputs on a cost basis, including each of our three primary inputs: Coal, woodchips and quartz, each in close proximity to our production facilities. Through our acquisition of Alden Resources, we are the only significant North American supplier of specialty low ash metallurgical coal which is used in the production of silicon metal and silicon-based alloys. We believe that the other available alternatives for low ash metallurgical coal include charcoal, which is more expensive, and Colombian coal, which is less reactive with quartz, not as pure, requires additional handling and is more costly to ship to North American production facilities. We believe our integrated business model and ownership of raw materials provides us with an advantage over our competitors. We have stable, long-term access to critical raw materials for our production processes and do not have to compete with our competitors for supply. We also supply low ash metallurgical coal to our competitors. In addition, we are not reliant on any single supplier for our raw materials providing our business model with stability.

- Efficient and Environmentally Sensitive By-Product Usage. We utilize or sell most of our manufacturing processes' by-products, which reduces costs and limits environmental impact.

- Diverse Customers and End Markets. Our wide range of customers, products, and end markets provides significant diversity and stability to our business. Our products are used in a wide range of end products spanning a broad variety of industries, including personal care and healthcare products, aluminum, automobiles, carbon and stainless steel, water pipe, solar, semiconductor, oil and gas, infrastructure and construction. We are also diversified geographically and sell our products to customers in over 30 countries. While our largest customer concentration is in the United States, we also have customers in Europe and South America. Although some of our end markets have similar growth drivers, others are less correlated and offer diversification benefits. We have the flexibility to adapt to current market demands by switching furnaces between silicon-based alloys and silicon metal production with low switching costs. This allows us to capitalize on our diversity and serve markets with the largest growth prospects. We have considerable diversification of customers across our primary end-markets. While our largest end-market is silicones, there is significant diversity within the silicones sector. Silicone chemicals are included in applications across a variety of industries, including healthcare, personal care, paints and coatings, sealants and adhesives, construction, electronics, transportation sectors, sports and fashion. Similarly, within each of our other primary end-markets, we observe considerable diversity in the end-use of our product. We believe that the variety of industries which our product ultimately serves results in revenue stability and insulation from significant changes in demand or product pricing within any particular industry.

- Experienced, Highly Qualified Management Team. We have assembled a highly qualified management team. Alan Kestenbaum has over 25 years of experience in metals trading, distribution, finance and manufacturing, including as the founder of leading international metals trader Marco International. Joe Ragan, our CFO, brings significant experience as the CFO of Boart Longyear, with over 10 years of experience in the metals and manufacturing industry. Our Chief Legal Officer, Stephen Lebowitz, brings deep private practice and in-house experience, spending seven years as part of BP plc's in-house legal department prior to joining GSM. We believe that our management team has operational and technical skills to continue to operate our business at world class levels of efficiency and to consistently produce silicon metal and silicon-based alloys at the lowest costs. Additionally, our Board of Directors, led by Alan Kestenbaum, is comprised of six seasoned executives with strong management, metals, finance and international experience.

Business Strategy

- Focus on Core Businesses. We differentiate ourselves on the basis of our technical expertise and high product quality and use these capabilities to retain existing accounts and cultivate new business. As part of this strategy, we are focusing our production and sales efforts on our silicon metal and silicon-based alloys end markets where we may achieve the highest profitability. We continue to evaluate our core business strategy and may divest certain non-core and lower margin businesses to improve our financial and operational results.

- Maintain Low Cost Position While Controlling Inputs. We intend to maintain our position as one of the lowest cost producers of silicon metal in the world by continuing to control the cost of our raw material inputs through our captive sources and long-term supply contracts. We continue to focus on reducing our fixed costs in order reduce unit costs of silicon metal and silicon-based alloy sold.

• Focus on financial metrics and conservative balance sheet. We measure our success by reviewing pertinent financial metrics such as Reported and Adjusted EBITDA.

Reported and Adjusted EBITDA are pertinent non-GAAP financial metrics we utilize to measure our success and are included in our quarterly press releases. These financial metrics are used to provide supplemental measures of our performance which we believe are important because they eliminate items that have less bearing on our current and future operating performance and highlights trends in our core business that may not otherwise be apparent when relying solely on GAAP financial measures. Reconciliations of these measures to the comparable GAAP financial measures are provided below.

	Twelve Months	
	FY 2015	FY 2014
	(Dollars in thousands)	
Net income	$ 34,627	25,906
Provision for income taxes	21,651	7,705
Net interest expense	4,076	7,955
Depreciation, depletion, amortization and accretion	52,006	45,228
Reported EBITDA	$ 112,360	86,794

	Twelve Months	
	FY 2015	FY 2014
	(Dollars in thousands)	
Reported EBITDA	$ 112,360	86,794
Transaction and due diligence expenses	16,734	1,081
Siltech idling/start-up costs	6,474	1,583
Business interruption	5,252	2,454
Divestiture indemnification payment	4,559	—
Plant relocation	568	—
Lease termination	457	—
Remeasurement of stock option liability	(3,410)	27,042
Contract acquisition cost	—	16,000
Quebec Silicon lockout costs	—	6,645
Quebec Silicon curtailment gain	—	(5,831)
Remeasurement/true-up of equity compensation	—	200
Variable compensation	—	3,885
Bargain purchase gain	—	(29,538)
Adjusted EBITDA	$ 142,994	110,315

Reported and Adjusted EBITDA have limitations as analytical tools, and you should not rely upon them or consider them in isolation or as a substitute for GAAP measures, such as net income and other consolidated income or other cash flows statement data prepared in accordance with GAAP. In addition, these non-GAAP measures may not be comparable to other similarly titled measures of other companies. Because of these limitations, Reported and Adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business.

• Continue Pursuing Strategic Acquisition Opportunities. We continue to pursue complementary acquisitions at appropriate valuations. We are actively reviewing several possible transactions to expand our strategic capabilities and leverage our products and operations. We intend to build on our history of successful acquisitions by continuing to evaluate attractive acquisition opportunities for the purpose of increasing our capacity, increasing our access to raw materials and other inputs and acquiring further refined products for our customers. In particular, we will consider acquisitions or investments that will enable us to leverage our expertise in silicon metal and silicon-based alloy products and to grow in these markets, as well as enable us to enter new markets or sell new products. We believe our overall metallurgical expertise and skills in lean production technologies position us well for future growth.

- Leverage Flexible Manufacturing and Expand Other Lines of Business. We plan to leverage our flexible manufacturing capabilities to optimize the product mix produced while expanding the products we offer. Additionally, we intend to leverage our broad geographic manufacturing reach to ensure that production of specific metals is in the most appropriate facility/region. In addition to our principal silicon metal products, we have the capability to produce silicon-based alloys, such as silicomanganese, using the same facilities. Our business philosophy is to allocate our furnace capacity to the products which we expect will maximize profitability.

Employees

As of June 30, 2015, we had 1,684 employees. We have 1,014 employees in the United States, 178 employees in Canada, 140 employees in Argentina, 217 employees in South Africa, 28 employees in Poland and 107 employees in China. Our total employees consist of 532 salaried employees and 1,152 hourly employees. We are a party to several collective bargaining agreements. We believe that relations with our employees are satisfactory.

Our hourly employees at our Selma, Alabama facility are covered by a collective bargaining agreement with the Industrial Division of the Communications Workers of America, under a contract running through April 2, 2017. Our hourly employees at our Alloy, West Virginia, Niagara Falls, New York and Bridgeport, Alabama facilities are covered by collective bargaining agreements with The United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union under contracts running through April 27, 2017, July 30, 2017, and March 3, 2018, respectively. Union employees in Argentina are working under a contract running through April 30, 2016. Our operations in Poland and China are not unionized. Our union employees in Canada work at the Bécancour, Québec, plant and are covered by a Union Certification held by the Communications, Energy and Paper Workers Union of Canada (“CEP”), Local 184. The corresponding collective bargaining agreement at our Bécancour facility runs through April 30, 2017.

Proprietary Rights and Licensing

The majority of our intellectual property relates to process design and proprietary know-how. Our intellectual property strategy is focused on developing and protecting proprietary know-how and trade secrets, which are maintained through employee and third-party confidentiality agreements and physical security measures. Although we have some patented technology, our businesses or profitability does not rely fundamentally upon such technology.

Regulatory Matters

We operate facilities in the U.S. and abroad, which are subject to foreign, federal, national, state, provincial and local environmental, health and safety laws and regulations, including, among others, those governing the discharge of materials into the environment, hazardous substances, land use, reclamation and remediation and the health and safety of our employees. These laws and regulations require us to obtain from governmental authorities permits to conduct certain regulated activities, which permits may be subject to modification or revocation by such authorities.

We are subject to the risk that we have not been or will not be at all times in complete compliance with such laws, regulations and permits. Failure to comply with these laws, regulations and permits may result in the assessment of administrative, civil and criminal penalties or other sanctions by regulators, the imposition of remedial obligations, the issuance of injunctions limiting or preventing our activities and other liabilities. Under these laws, regulations and permits, we could also be held liable for any and all consequences arising out of human exposure to hazardous substances or environmental damage we may cause or that relates to our operations or properties. Environmental, health and safety laws are likely to become more stringent in the future. Our costs of complying with current and future environmental, health and safety laws, and our liabilities arising from past or future releases of, or exposure to, hazardous substances, may adversely affect our business, results of operations and financial condition.

There are a variety of laws and regulations in place or being considered at the international, federal, regional, state, provincial and local levels of government that restrict or are reasonably likely to restrict the emission of carbon dioxide and other greenhouse gases. These legislative and regulatory developments may cause us to incur material costs to reduce the greenhouse gas emissions from our operations (through additional environmental control equipment or retiring and replacing existing equipment) or to obtain emission allowance credits, or result in the incurrence of material taxes, fees or other governmental impositions on account of such emissions. In addition, such developments may have indirect impacts on our operations, which could be material. For example, they may impose significant additional costs or limitations on electricity generators, which could result in a material increase in our energy costs.

Certain environmental laws assess liability on current or previous owners or operators of real property for the cost of removal or remediation of hazardous substances. In addition to cleanup, cost recovery or compensatory actions brought by foreign, federal, state, provincial and local agencies, neighbors, employees or other third parties could make personal injury, property damage or other private claims relating to the presence or release of hazardous substances. Environmental laws often impose liability even if the owner or operator did not know of, or was not responsible for, the release of hazardous substances. Persons who arrange for the disposal or treatment of hazardous substances also may be responsible for the cost of removal or remediation of these substances. Such persons can be responsible for removal and remediation costs even if they never owned or operated the disposal or treatment facility. In addition, such owners or operators of real property and persons who arrange for the disposal or treatment of hazardous substances can be held responsible for damages to natural resources.

Soil or groundwater contamination resulting from historical, ongoing or nearby activities is present at certain of our current and historical properties, and additional contamination may be discovered at such properties in the future. Based on currently available information, we do not believe that any costs or liabilities relating to such contamination will have a material adverse effect on our financial condition, results of operations or liquidity.

Under current federal black lung benefits legislation, each coal mine operator is required to make certain payments of black lung benefits or contributions to:

• current and former coal miners totally disabled from black lung disease (pneumoconiosis);

• certain survivors of a miner who dies from black lung disease or pneumoconiosis; and

• a trust fund for the payment of benefits and medical expenses to claimants whose last mine employment was before January 1, 1970, where no responsible coal mine operator has been identified for claims (where a miner's last coal employment was after December 31, 1969), or where the responsible coal mine operator has defaulted on the payment of such benefits. The trust fund is funded by an excise tax on U.S. production of up to $1.10 per ton for deep mined coal and up to $0.55 per ton for surface-mined coal, neither amount to exceed 4.4% of the gross sales price.

The Patient Protection and Affordable Care Act (PPACA), which was implemented in 2010, made two changes to the Federal Black Lung Benefits Act. First, it provided changes to the legal criteria used to assess and award claims by creating a legal presumption that miners are entitled to benefits if they have worked at least 15 years in underground coal mines, or in similar conditions, and suffer from a totally disabling lung disease. To rebut this presumption, a coal company would have to prove that a miner did not have black lung or that the disease was not caused by the miner's work. Second, it changed the law so black lung benefits will continue to be paid to dependent survivors when the miner passes away, regardless of the cause of the miner's death. In addition to the federal legislation, we are also liable under various state statutes for black lung claims. Based on currently available information, we do not believe that any costs or liabilities relating to such matters will have a material adverse effect on our financial condition, results of operations or liquidity.

Other Information

Globe Specialty Metals, Inc. was incorporated in December 2004 pursuant to the laws of the State of Delaware under the name "International Metal Enterprises, Inc." for the initial purpose to serve as a vehicle for the acquisition of companies operating in the metals and mining industries. In November 2006, we changed our name to "Globe Specialty Metals, Inc."

Our internet website address is www.glbsm.com. Copies of the following reports are available free of charge through the internet website, as soon as reasonably practicable after they have been electronically filed with or furnished to the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended: the Annual Report on Form 10-K; quarterly reports on Form 10-Q; current reports on Form 8-K; any amendments to such reports; and proxy statements. Information on the website does not constitute part of this or any other report filed with or furnished to the SEC. The public may read and copy any materials we have filed with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains our reports, proxy and information statements, and our other SEC filings. The address of the SEC's web site is www.sec.gov.

Item 1A. Risk Factors

You should consider and read carefully all of the risks and uncertainties described below, together with all of the other information contained in this Annual Report on Form 10-K, including the consolidated financial statements and the related notes to consolidated financial statements. If any of the following events actually occur, our business, business prospects, financial condition, results of operations or cash flows could be materially affected. In any such case, the trading price of our common stock could decline, and you could lose all or part of your investment.

The metals industry, including silicon-based metals, is cyclical and has been subject in the past to swings in market price and demand which could lead to volatility in our revenues.

Our business has historically been subject to fluctuations in the price of our products and market demand for them, caused by general and regional economic cycles, raw material and energy price fluctuations, competition and other factors. Historically, our subsidiary, Globe Metallurgical, Inc., has been particularly affected by recessionary conditions in the end-markets for its products, such as automotive and construction. In April 2003, Globe Metallurgical, Inc. sought protection under Chapter 11 of the United States Bankruptcy Code following its inability to restructure or refinance its indebtedness in light of the confluence of several negative economic and other factors, including an influx of low-priced, dumped imports, which caused it to default on then-outstanding indebtedness. A recurrence of such economic factors could have a material adverse effect on our business prospects, condition (financial or otherwise) and results of operations.

In calendar 2009, the global silicon metal and silicon-based alloys industries suffered from unfavorable market conditions. The weakened economic environment of national and international metals markets that occurred during that time may return; any decline in the global silicon metal and silicon-based alloys industries could have a material adverse effect on our business prospects, condition (financial or otherwise), and results of operations. In addition, our business is directly related to the production levels of our customers, whose businesses are dependent on highly cyclical markets, such as the automotive, residential and nonresidential construction, consumer durables, polysilicon, steel, and chemical markets. In response to unfavorable market conditions, customers may request delays in contract shipment dates or other contract modifications. If we grant modifications, these could adversely affect our anticipated revenues and results of operations. Also, many of our products are internationally traded products with prices that are significantly affected by worldwide supply and demand. Consequently, our financial performance will fluctuate with the general economic cycle, which could have a material adverse effect on our business prospects, condition (financial or otherwise) and results of operations.

Our business is particularly sensitive to increases in energy costs, which could materially increase our cost of production.

Electricity is one of our largest production cost components, comprising approximately 22% of cost of goods sold. The level of power consumption of our submerged electric arc furnaces is highly dependent on which products are being produced and typically fall in the following ranges: (i) silicon-based alloys require between 3.5 and 8 megawatt hours to produce one MT of product and (ii) silicon metal requires approximately 11 megawatt hours to produce one MT of product. Accordingly, consistent access to low cost, reliable sources of electricity is essential to our business.

Electrical power to our U.S. and Canada facilities is supplied mostly by AEP, Alabama Power, Brookfield Power, Hydro Quebec, Tennessee Valley Authority and Niagara Mohawk Power Corporation through dedicated lines. Our Alloy, West Virginia facility obtains approximately 45% of its power needs under a fixed-price contract with a nearby hydroelectric facility. This facility is over 70 years old and any breakdown could result in the Alloy facility having to pay much higher rates for electric power from third parties. Our energy supply for our facilities located in Argentina is supplied through the Edemsa hydroelectric facilities located in Mendoza, Argentina, under a month-to-month arrangement. Our power need in Newcastle, South Africa is supplied by Eskom public utility company at the industrial tariff rate. Because energy constitutes such a high percentage of our production costs, we are particularly vulnerable to cost fluctuations in the energy industry. Accordingly, the termination or non-renewal of any of our energy contracts, or an increase in the price of energy could materially adversely affect our future earnings, if any, and may prevent us from effectively competing in our markets.

Losses caused by disruptions in the supply of power would reduce our profitability.

Our operations are heavily dependent upon a reliable supply of electrical power. We may incur losses due to a temporary or prolonged interruption of the supply of electrical power to our facilities, which can be caused by unusually high demand, blackouts, equipment failure, natural disasters or other catastrophic events, including failure of the hydroelectric facilities that currently provide power under contract to our West Virginia, New York, Quebec and Argentina facilities. Large amounts of electricity are used to produce silicon metal and silicon-based alloys, and any interruption or reduction in the supply of electrical power would adversely affect production levels and result in reduced profitability. Our insurance coverage does not cover all events and may not be sufficient to cover any or all losses. Certain of our insurance policies will not cover any losses that may be incurred if our suppliers are unable to provide power during periods of unusually high demand.

Investments in Argentina’s electricity generation and transmission systems have been lower than the increase in demand in recent years. If this trend is not reversed, there could be electricity supply shortages as the result of inadequate generation and transmission capacity. Given the heavy dependence on electricity of our manufacturing operations, any electricity shortages could adversely affect our financial results.

Government regulations of electricity in Argentina give priority access of hydroelectric power to residential users and subject violators of these restrictions to significant penalties. This preference is particularly acute during Argentina’s winter months due to a lack of natural gas. We have previously successfully petitioned the government to exempt us from these restrictions given the demands of our business for continuous supply of electric power. If we are unsuccessful in our petitions or in any action we take to ensure a stable supply of electricity, our production levels may be adversely affected and our profitability reduced.

Any decrease in the availability, or increase in the cost, of raw materials or transportation could materially increase our costs.

Principal components in the production of silicon metal and silicon-based alloys include metallurgical-grade coal, charcoal, carbon electrodes, quartzite, wood chips, steel scrap, and other metals, such as magnesium. We buy some raw materials on a spot basis. We are dependent on certain suppliers of these products, their labor union relationships, mining and lumbering regulations and output and general local economic conditions, in order to obtain raw materials in a cost efficient and timely manner. An increase in costs of raw materials or transportation, or the decrease in their production or deliverability in a timely fashion, or other disruptions in production, could result in increased costs to us and lower productivity levels. We may not be able to obtain adequate supplies of raw materials from alternative sources on terms as favorable as our current arrangements or at all. Any increases in the price or shortfall in the production and delivery of raw materials, could materially adversely affect our business prospects, condition (financial or otherwise) or results of operation.

Cost increases in raw material inputs may not be passed on to our customers, which could negatively impact our profitability.

The availability and prices of raw material inputs may be influenced by supply and demand, changes in world politics, unstable governments in exporting nations and inflation. The market prices of our products and raw material inputs are subject to change. We may not be able to pass a significant amount of increased input costs on to our customers. Additionally, we may not be able to obtain lower prices from our suppliers should our sale prices decrease.

9

Compliance with and changes in environmental laws, including proposed climate change laws and regulations, could adversely affect our performance.

The principal environmental risks associated with our operations are emissions into the air and releases into the soil, surface water, or groundwater. Our operations are subject to extensive foreign, federal, state, provincial and local environmental laws and regulations, including those relating to the discharge of materials into the environment, waste management, pollution prevention measures and greenhouse gas emissions. If we violate or fail to comply with these laws and regulations, we could be fined or otherwise sanctioned. Because environmental laws and regulations are becoming more stringent and new environmental laws and regulations are continuously being enacted or proposed, such as those relating to greenhouse gas emissions and climate change, the level of expenditures required for environmental matters could increase in the future. Future legislative action and regulatory initiatives could result in changes to operating permits, additional remedial actions, material changes in operations, increased capital expenditures and operating costs, increased costs of the goods we sell, and decreased demand for our products that cannot be assessed with certainty at this time.

Some of the proposed federal cap-and-trade legislation would require businesses that emit greenhouse gases to buy emission credits from the government, other businesses, or through an auction process. As a result of such a program, we may be required to purchase emission credits for greenhouse gas emissions resulting from our operations. Although it is not possible at this time to predict the final form of a cap-and-trade bill (or whether such a bill will be passed), any new restrictions on greenhouse gas emissions – including a cap-and-trade program – could result in material increased compliance costs, additional operating restrictions for our business, and an increase in the cost of the products we produce, which could have a material adverse effect on our financial position, results of operations, and liquidity.

Several Canadian provinces have implemented cap-and-trade programs. Our facility in Canada may be required to purchase emission credits in the future which could result in material increased compliance costs, additional operating restrictions for our business, and an increase in the cost of the products we produce, which could have a material adverse effect on our financial position, results of operations, and liquidity.

We make a significant portion of our sales to a limited number of customers, and the loss of a portion of the sales to these customers could have a material adverse effect on our revenues and profits.

In the year ended June 30, 2015, we made approximately 53% of our consolidated net sales to our top ten customers and approximately 31% to our two top customers (14%, excluding sales made under our joint venture agreements with Dow Corning). We expect that we will continue to derive a significant portion of our business from sales to these customers. If we were to experience a significant reduction in the amount of sales we make to some or all of these customers and could not replace these sales with sales to other customers, it could have a material adverse effect on our revenues and profits.

Our U.S.-based businesses benefit from U.S. antidumping duties and laws that protect U.S. companies by taxing unfairly traded imports from foreign companies. If these duties or laws change, foreign companies will be able to compete more effectively with us. Conversely, our foreign operations may be adversely affected by these U.S. duties and laws.

Antidumping duties are currently in place in the United States covering silicon metal imports from China and Russia. In addition, antidumping and countervailing duties are in place in Canada covering imports of Chinese silicon metal into that country. Antidumping orders normally benefit domestic producers by reducing the volume of unfairly traded imports and increasing market prices and sales of the domestic product. In the United States, rates of duty can change as a result of "administrative reviews" of antidumping orders. These orders can also be revoked as a result of periodic "sunset reviews," which determine whether the orders will continue to apply to imports from particular countries. Antidumping and countervailing duties in Canada also are subject to periodic reviews. Sunset reviews of the U.S. orders covering silicon metal imports from China and Russia completed in 2012 and 2014, respectively, resulted in those orders remaining in place for an additional five years. However, the current orders may not remain in effect and continue to be enforced from year to year, the goods and countries now covered by antidumping and countervailing duty orders may no longer be covered, and duties may not continue to be assessed at the same rates. Changes in any of these factors could adversely affect our business and profitability. Finally, at times, in filing trade actions, we find ourselves acting against the interests of our customers. Some of our customers may not continue to do business with us because of our having filed a trade action.

Products we manufacture may be subject to unfair import competition that may affect our profitability.

A number of the products we manufacture, including silicon metal and ferrosilicon, are globally traded commodities that are sold primarily on the basis of price. As a result, our sales volumes and prices may be adversely affected by influxes of imports of these products that are dumped (sold at unfairly low prices) or are subsidized by foreign governments. Our silicon metal and ferrosilicon operations have been injured by such unfair import competition in the past. The antidumping and countervailing duty laws provide a remedy for unfairly traded imports in the form of special duties imposed to offset the unfairly low pricing or subsidization. However, the process for obtaining such relief is complex and uncertain. As a result, while we have sought and obtained such relief in the past, in some cases we have not been successful. Thus, there is no assurance that such relief will be obtained, and if it is not, unfair import competition could have a material adverse effect on our business, financial condition and results of operations.

We may be unable to successfully integrate and develop our prior and future acquisitions.

We acquired six private companies between November 2006 and June 2011, entered into business combinations in May 2008 and November 2013, and entered into joint venture agreements in November 2009 and June 2012. In addition, we purchased the remaining 50% interest in an existing equity investment to become the sole owner in December 2012. We expect to acquire additional companies in the future. Integration of our prior and future acquisitions with our existing business is a complex, time-consuming and costly process requiring the employment of additional personnel, including key management and accounting personnel. Additionally, the integration of these acquisitions with our existing business may require significant financial resources that would otherwise be available for the ongoing development or expansion of existing operations. Unanticipated problems, delays, costs or liabilities may also be encountered in the development of these acquisitions. Failure to successfully and fully integrate and develop these businesses and operations may have a material adverse effect on our business, financial condition, results of operations and cash flows. The difficulties of combining the acquired operations include, among other things:

- operating a significantly larger combined organization;
- coordinating geographically disparate organizations, systems and facilities;
- consolidating corporate technological and administrative functions;
- integrating internal controls and other corporate governance matters;
- the diversion of management's attention from other business concerns;
- unexpected customer or key employee loss from the acquired businesses;
- hiring additional management and other critical personnel;

- negotiating with labor unions;
- a significant increase in our indebtedness; and
- potential environmental or regulatory liabilities and title problems.

In addition, we may not realize all of the anticipated benefits from any prior and future acquisitions, such as increased earnings, cost savings and revenue enhancements, for various reasons, including difficulties integrating operations and personnel, higher than expected acquisition and operating costs, unknown liabilities, inaccurate reserve estimates and fluctuations in markets. If these benefits do not meet the expectations of financial or industry analysts, the market price of our shares may decline.

We are subject to the risk of union disputes and work stoppages at our facilities, which could have a material adverse effect on our business.

Our hourly employees at our Selma, Alabama facility are covered by a collective bargaining agreement with the Industrial Division of the Communications Workers of America, under a contract running through April 2, 2017. Our hourly employees at our Alloy, West Virginia, Niagara Falls, New York and Bridgeport, Alabama facilities are covered by collective bargaining agreements with The United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union under contracts running through April 27, 2017, July 30, 2017, and March 3, 2018, respectively. Our union employees in Argentina are working under a contract running through April 30, 2016. Our union employees in Canada work at the Bécancour, Québec, plant and are covered by a Union Certification held by the Communications, Energy and Paper Workers Union of Canada ("CEP"), Local 184. The corresponding collective bargaining agreement at our Bécancour facility expired on April 30, 2013 and by effect of a "bridging clause" continued to apply until the union or the Company exercised its right to strike or to declare a lockout. We exercised such a right and declared a lockout on May 3, 2013. The lockout remained in effect until December 27, 2013. The CEP, Local 184 and the Company continued bargaining throughout this period with the assistance of a conciliator appointed by the Ministry of Labour. On December 21, 2013, the parties reached an agreement in principle on the new terms of a collective agreement which was put to a ratification vote of the union membership on December 27, 2013. The proposed collective agreement was ratified with a vote of 76%. The collective agreement was executed by the parties on January 3, 2014 with retroactive effect to January 1, 2014. The lockout was lifted by the Company upon the date of ratification of the collective agreement. On January 3, 2014, the plant began to normalize operations, according to the terms of a back-to-work protocol agreed to by the parties. Since that time, the new collective agreement has been in place and will run through April 30, 2017.

New labor contracts will have to be negotiated to replace expiring contracts from time to time. If we are unable to satisfactorily renegotiate those labor contracts on terms acceptable to us or without a strike or work stoppage, the effects on our business could be materially adverse. Any strike or work stoppage could disrupt production schedules and delivery times, adversely affecting sales. In addition, existing labor contracts may not prevent a strike or work stoppage, and any such work stoppage could have a material adverse effect on our business.

We are dependent on key personnel.

Our operations depend to a significant degree on the continued employment of our core senior management team. In July 2015, Jeff Bradley advised the Company that he desired to step down from his position as Chief Executive Officer and Chief Operating Officer effective August 31, 2015, to pursue other interests. At the time of Mr. Bradley's departure, Mr. Kestenbaum will assume the additional role of CEO through the transaction close of the Business Combination with FerroAtlántica. It is important that we retain the other members of our core senior management team following this change. In particular, we are dependent on the skills, knowledge and experience of Alan Kestenbaum, our Executive Chairman, Joseph Ragan, our Chief Financial Officer and Stephen Lebowitz, our Chief Legal Officer. If these employees are unable to continue in their respective roles, or if we are unable to attract and retain other skilled employees, our results of operations and financial condition could be adversely affected. We currently have employment agreements with Alan Kestenbaum, Joseph Ragan and Stephen Lebowitz, each of which contains non-compete provisions. Such provisions may not be enforceable by us. Additionally, we are substantially dependent upon key personnel in our financial and information technology staff that enables us to meet our regulatory, contractual and financial reporting obligations, including reporting requirements under our credit facilities.

Metals manufacturing is an inherently dangerous activity.

Metals manufacturing generally, and smelting, in particular, is inherently dangerous and subject to fire, explosion and sudden major equipment failure. This can and has resulted in accidents resulting in the serious injury or death of production personnel and prolonged production shutdowns. We have experienced fatal accidents and equipment malfunctions in our manufacturing facilities in recent years, including a fire at our Bridgeport, Alabama facility in November 2011 and a fatality at our Selma, Alabama facility in October 2012, and may experience fatal accidents or equipment malfunctions again, which could materially affect our business and operations.

Our mining operations are subject to risks that are beyond our control, which could result in materially increased expenses and decreased production levels.

We mine coal and quartzite at underground and surface mining operations. Certain factors beyond our control could disrupt our mining operations, adversely affect production and shipments and increase our operating costs, such as: a major incident at the mine site that causes all or part of the operations of the mine to cease for some period of time; mining, processing and plant equipment failures and unexpected maintenance problems; changes in reclamation costs; and, adverse weather and natural disasters, such as heavy rains or snow, flooding and other natural events affecting operations, transportation or customers. For example, the recent installation of additional capacity at our quartz mine in Alabama took longer and was more costly than expected. Federal or state regulatory agencies have the authority under certain circumstances following significant health and safety incidents, such as fatalities, to order a mine to be temporarily or permanently closed. If this occurred, we may be required to incur capital expenditures to re-open the mine. Environmental regulations could impose costs on our mining operations, and future regulations could increase those costs or add new costs or limit our ability to produce and sell coal. Our failure to obtain and renew permits necessary for our mining operations could negatively affect our business.

Equipment failures may lead to production curtailments or shutdowns.

Many of our business activities are characterized by substantial investments in complex production facilities and manufacturing equipment. Because of the complex nature of our production facilities, any interruption in manufacturing resulting from fire, explosion, industrial accidents, natural disaster, equipment failures or otherwise could cause significant losses in operational capacity and could materially and adversely affect our business and operations.

We depend on proprietary manufacturing processes and software. These processes may not yield the cost savings that we anticipate and our proprietary technology may be challenged.

We rely on proprietary technologies and technical capabilities in order to compete effectively and produce high quality silicon metal and silicon-based alloys. Some of these proprietary technologies that we rely on are:

- computerized technology that monitors and controls production furnaces;
- production software that monitors the introduction of additives to alloys, allowing the precise formulation of the chemical composition of products; and
- flowcaster equipment, which maintains certain characteristics of silicon-based alloys as they are cast.

We are subject to a risk that:

-

we may not have sufficient funds to develop new technology and to implement effectively our technologies as competitors improve their processes;

- if implemented, our technologies may not work as planned; and
- our proprietary technologies may be challenged and we may not be able to protect our rights to these technologies.

11

Patent or other intellectual property infringement claims may be asserted against us by a competitor or others. Our intellectual property may not be enforceable, and it may not prevent others from developing and marketing competitive products or methods. An infringement action against us may require the diversion of substantial funds from our operations and may require management to expend efforts that might otherwise be devoted to operations. A successful challenge to the validity of any of our proprietary intellectual property may subject us to a significant award of damages, or we may be enjoined from using our proprietary intellectual property, which could have a material adverse effect on our operations.

We also rely on trade secrets, know-how and continuing technological advancement to maintain our competitive position. We may not be able to effectively protect our rights to unpatented trade secrets and know-how.

We are subject to environmental, health and safety regulations, including laws that impose substantial costs and the risk of material liabilities.

We are subject to extensive foreign, federal, national, state, provincial and local environmental, health and safety laws and regulations governing, among other things, the generation, discharge, emission, storage, handling, transportation, use, treatment and disposal of hazardous substances; land use, reclamation and remediation; and the health and safety of our employees. We are also required to obtain permits from governmental authorities for certain operations. We may not have been and may not be at all times in complete compliance with such laws, regulations and permits. If we violate or fail to comply with these laws, regulations or permits, we could be subject to penalties, fines, restrictions on operations or other sanctions. Under these laws, regulations and permits, we could also be held liable for any and all consequences arising out of human exposure to hazardous substances or environmental damage we may cause or that relates to our operations or properties. For example, we are subject to federal and state regulations that require payment of benefits related to black lung disease in coal miners, and our exposure may significantly increase if new or additional legislation is enacted at the federal or state level.

Under certain environmental laws, we could be required to remediate or be held responsible for all of the costs relating to any contamination at our or our predecessors' past or present facilities and at third party waste disposal sites. We could also be held liable under these environmental laws for sending or arranging for hazardous substances to be sent to third party disposal or treatment facilities if such facilities are found to be contaminated. Under these laws we could be held liable even if we did not know of, or were not responsible for, such contamination, or even if we never owned or operated the contaminated disposal or treatment facility.

There are a variety of laws and regulations in place or being considered at the international, federal, regional, state and local levels of government that restrict or are reasonably likely to restrict the emission of carbon dioxide and other greenhouse gases. These legislative and regulatory developments may cause us to incur material costs if we are required to reduce or offset greenhouse gas emissions and may result in a material increase in our energy costs due to additional regulation of power generators.

Environmental laws are complex, change frequently and are likely to become more stringent in the future. Therefore, our costs of complying with current and future environmental laws, and our liabilities arising from past or future releases of, or exposure to, hazardous substances may adversely affect our business, results of operations and financial condition.

We operate in a highly competitive industry.

The silicon metal market and the silicon-based and manganese-based alloys markets are global, capital intensive and highly competitive. Our competitors may have greater financial resources, as well as other strategic advantages, to maintain, improve and possibly expand their facilities, and as a result, they may be better positioned to adapt to changes in the industry or the global economy. The advantages that our competitors have over us could have a material adverse effect on our business. In addition, new entrants may increase competition in our industry, which could have a material adverse effect on our business. An increase in the use of substitutes for certain of our products also could have a material adverse effect on our financial condition and operations.

We have historically operated at near the maximum capacity of our operating facilities. Because the cost of increasing capacity may be prohibitively expensive, we may have difficulty increasing our production and profits.

Our facilities are able to manufacture, collectively, approximately 140,000 MT of silicon metal (excluding Dow Corning's portion of the capacity of our Alloy, West Virginia and Becancour, Quebec plants) and 158,000 MT of silicon-based alloys on an annual basis. Our ability to increase production and revenues will depend on expanding existing facilities or opening new ones. Increasing capacity is difficult because:

- adding new production capacity to an existing silicon plant to produce approximately 30,000 MT of metallurgical grade silicon would cost approximately $120,000,000 and take at least 12 to 18 months to complete once permits are obtained, which could take more than a year;

- a greenfield development project would take at least three to five years to complete and would require significant capital expenditure and environmental compliance costs; and

- obtaining sufficient and dependable power at competitive rates near areas with the required natural resources is difficult to accomplish.

We may not have sufficient funds to expand existing facilities or open new ones and may be required to incur significant debt to do so, which could have a material adverse effect on our business.

We are subject to restrictive covenants under credit facilities. These covenants could significantly affect the way in which we conduct our business. Our failure to comply with these covenants could lead to an acceleration of our debt.

We entered into credit facilities that contain covenants that at certain levels, among other things, restrict our ability to sell assets; incur, repay or refinance indebtedness; create liens; make investments; engage in mergers or acquisitions; pay dividends, including to us; repurchase stock; or make capital expenditures. These credit facilities also require compliance with specified financial covenants, including minimum interest coverage and maximum leverage ratios. We cannot borrow under the credit facilities if the additional borrowings would cause a breach to the financial covenants. Further, a significant portion of our assets are pledged to secure the indebtedness.

Our ability to comply with the applicable covenants may be affected by events beyond our control. The breach of any of the covenants contained in the credit facilities, unless waived, would be a default. This would permit the lenders to terminate their commitments to extend credit under, and accelerate the maturity of, the facility. The acceleration of debt could have a material adverse effect on our financial condition and liquidity. If we were unable to repay our debt to the lenders and holders or otherwise obtain a waiver from the lenders and holders, the lenders and holders could proceed against the collateral securing the credit facilities and exercise all other rights available to them. We may not have sufficient funds to make these accelerated payments and may not be able to obtain any such waiver on acceptable terms or at all.

The issuance of dividends may or may not occur in the foreseeable future

The decision to pay dividends is at the discretion of our Board of Directors and depends on our financial condition, results of operations, capital requirements, financial covenants and other factors that our Board of Directors deems relevant. In the future, we intend to continue to consider declaring dividends on an annual basis, subject to reviewing our earnings and then current circumstances, but there is no guarantee that we will continue to issue dividends.

12

Our insurance costs may increase, and we may experience additional exclusions and limitations on coverage in the future.

We have maintained various forms of insurance, including insurance covering claims related to our properties and risks associated with our operations. Our existing property and liability insurance coverage contains exclusions and limitations on coverage. From time-to-time, in connection with renewals of insurance, we have experienced additional exclusions and limitations on coverage, larger self-insured retentions and deductibles and significantly higher premiums. For example, as a result of the fire at our facility in Bridgeport, Alabama, our business interruption insurance premium has increased significantly. As a result, in the future, our insurance coverage may not cover claims to the extent that it has in the past and the costs that we incur to procure insurance may increase significantly, either of which could have an adverse effect on our results of operations.

We have operations and assets in the U.S., Argentina, Canada, South Africa, China and Poland, and may have operations and assets in other countries in the future. Our international operations and assets may be subject to various economic, social and governmental risks.

Our international operations and sales will expose us to risks that could negatively impact our future sales or profitability. Our operations may not develop in the same way or at the same rate as might be expected in a country with an economy similar to the United States. The additional risks that we may be exposed to in these cases include, but are not limited to:

- tariffs and trade barriers;
- currency fluctuations, which could decrease our revenues or increase our costs in U.S. dollars;
- regulations related to customs and import/export matters;
- tax issues, such as tax law changes and variations in tax laws;
- limited access to qualified staff;
- inadequate infrastructure;
- cultural and language differences;
- inadequate banking systems;
- different and/or more stringent environmental laws and regulations;
- restrictions on the repatriation of profits or payment of dividends;
- crime, strikes, riots, civil disturbances, terrorist attacks or wars;
- nationalization or expropriation of property;
- law enforcement authorities and courts that are weak or inexperienced in commercial matters; and
- deterioration of political relations among countries.

Our competitive strength as a low-cost silicon metal producer is partly tied to the value of the U.S. dollar compared to other currencies. The U.S. dollar has fluctuated significantly in value in comparison to major currencies in recent years.

Exchange controls and restrictions on transfers abroad and capital inflow restrictions have limited, and can be expected to continue to limit, the availability of international credit. Argentina continues to impose exchange controls and transfer restrictions substantially limiting the ability of companies to buy foreign currency and to make dividends payments abroad. In response to capital flight and important losses of foreign currency reserves at the Central Bank, Argentina has imposed stringent import controls and restrictions, which are affecting the ability of many firms to adequately obtain raw materials and parts for their production. On July 30, 2014, Argentina entered into a selective default of its restructured debt. These recent events and additional controls could have a negative effect on the economy and our Argentine business if imposed in an economic environment where access to local capital is substantially constrained. Moreover, in such event, restrictions on the transfers of funds abroad may impede our ability to receive more dividend payments from our Argentine subsidiaries.

Our stock price may be volatile, and purchasers of our common stock could incur substantial losses.

Our stock price may be volatile. The stock market in general has experienced extreme volatility that has often been unrelated to the operating performance of particular companies. As a result of this volatility, you may not be able to sell your common stock at or above the price at which you purchase the shares. The market price for our common stock may be influenced by many factors, including:

- the success of competitive products or technologies;
- regulatory developments in the United States and foreign countries;
- developments or disputes concerning patents or other proprietary rights;
- the recruitment or departure of key personnel;
- quarterly or annual variations in our financial results or those of companies that are perceived to be similar to us;
- market conditions in the industries in which we compete and issuance of new or changed securities analysts' reports or recommendations;
- the failure of securities analysts to cover our common stock or changes in financial estimates by analysts;
- the inability to meet the financial estimates of analysts who follow our common stock;
- developments in connection with the Business Combination with FerroAtlántica;
- investor perception of our company and of the industry in which we compete; and
- general economic, political and market conditions.

The concentration of our capital stock ownership among our largest stockholders, and their affiliates, may limit your ability to influence corporate matters.

To the best of our knowledge, our four largest stockholders, including our Executive Chairman, together beneficially own approximately 42% of our outstanding common stock. Consequently, these stockholders have significant influence over all matters that require approval by our stockholders, including the election of directors and approval of significant corporate transactions. This concentration of ownership may limit your ability to influence corporate matters, and as a result, actions may be taken that you may not view as beneficial.

Provisions of our certificate of incorporation and by-laws could discourage potential acquisition proposals and could deter or prevent a change in control.

Some provisions in our certificate of incorporation and by-laws, as well as Delaware statutes, may have the effect of delaying, deferring or preventing a change in control. These provisions, including those providing for the possible issuance of shares of our preferred stock and the right of our Board of Directors to amend the bylaws, may make it more difficult for other persons, without the approval of the Board of Directors, to make a tender offer or otherwise acquire a substantial number of shares of our common stock or to launch other takeover attempts that a stockholder might consider to be in his or her best interest. These provisions could limit the price that some investors might be willing to pay in the future for shares of our common stock.

Our entry into the Business Combination Agreement with FerroAtlántica may have adverse impacts.

On February 23, 2015, we entered into the Original Business Combination, which was amended and restated on May 5, 2015 by the Business Combination Agreement. Consummation of the Business Combination is subject to customary closing conditions, including approval and adoption of the Business Combination Agreement by our shareholders; approval by requisite governmental regulators and authorities, including approvals under applicable competition laws; approval for listing of the VeloNewco Ordinary Shares on the NASDAQ Global Select Market; and the absence of a material adverse effect on either our business or the business of FerroAtlántica. It is not certain that these conditions will be satisfied or waived, that the necessary approvals will be obtained, or that we will be able to successfully consummate the Business Combination, or at all. We face risks and uncertainties due both to the pendency of the Business Combination as well as the potential failure to consummate the business combination, including:

- We may not realize any or all of the potential benefits of the Business Combination that could result from combining the businesses of the Company and FerroAtlántica;

- We will remain liable for significant transaction costs, including legal, financial advisory, accounting, and other costs relating to the Business Combination even if it is not consummated;

- If the Business Combination Agreement is terminated before we complete the Business Combination, under some circumstances, we may have to pay a termination fee to FerroAtlántica of $25 million in cash;

- The pending Business Combination could have an adverse impact on the Company's relationships with employees, customers and suppliers, and prospective customers or other third parties may delay or decline entering into agreements with us as a result of the announcement of the proposed Business Combination; and

- The restrictions and limitations on our conduct of business pending the Business Combination may disrupt or otherwise adversely affect our business; and

- The attention of our management and employees may be diverted from day-to-day operations.

The occurrence of any of these events individually or in combination could have a material adverse effect on our share price, business and cash flows, results of operations and financial position.

Failure to complete the Business Combination could negatively impact the stock price of the Company and the future business and financial results of the Company.

If the Business Combination is not completed for any reason, including as a result of Company Shareholders failing to adopt the Business Combination Agreement, the ongoing business of the Company may be adversely affected and, without realizing any of the benefits of having completed the Business Combination, the Company would be subject to a number of risks, including the following:

- The Company may be required, under certain circumstances, to pay FerroAtlántica a termination fee of $25 million or reimburse FerroAtlántica for certain expenses;

- The Company is subject to certain restrictions on the conduct of its business prior to completing the Business Combination, which may adversely affect its ability to execute certain of its business strategies;

- The Company has incurred and will continue to incur significant costs and fees associated with the proposed Business Combination;

- The Company may experience negative reactions from the financial markets, including negative impacts on the Company's stock price;

- The Company may experience negative reactions from its customers, regulators and employees; and

- Matters relating to the Business Combination (including integration planning) will require substantial commitments of time and resources by Company management, which would otherwise have been devoted to day-to-day operations and other opportunities that may have been beneficial to the Company as an independent company.

In addition, the Company could be subject to litigation related to any failure to complete the Business Combination or related to any enforcement proceeding commenced against the Company to perform its obligations under the Business Combination Agreement. If the Business Combination is not completed, these risks may materialize and may adversely affect the Company's business, financial condition, financial results and stock price.

Legal proceedings in connection with the Business Combination, the outcomes of which are uncertain, could delay or prevent the completion of the Business Combination.

Since the announcement of the Business Combination, four putative class action lawsuits have been filed in the Court of Chancery of the State of Delaware on behalf of Company Shareholders alleging that members of the Company Board and/or Company management breached their fiduciary duties by failing to maximize the Company's value in agreeing to the Business Combination and that the Company, Grupo VM, FerroAtlántica, Merger Sub and VeloNewco aided and abetted these alleged breaches. The actions were captioned Fraser v. Globe Specialty Metals, Inc., et al., C.A. No. 10823- VCG, City of Providence v. Globe Specialty Metals, Inc., et al., C.A. No. 10865-VCG, Int'l Union of Operating Engineers Local 478 Pension Fund v. Globe Specialty Metals, Inc., et al., C.A. No. 10899-VCG and Cirillo v. Globe Specialty Metals, Inc., et al., C.A. No. 10929-VCG. The actions have been consolidated for all purposes into C.A. No. 10865-VCG, now captioned In re Globe Specialty Metals, Inc. Stockholders Litigation, Consolidated C.A. No. 10865-VCG. Plaintiffs filed a motion for a preliminary injunction seeking to enjoin the Company from convening a special meeting of Company Shareholders to vote on the proposal to adopt the Business Combination Agreement or consummating the Business combination. In addition, Plaintiffs filed a motion for expedited proceedings, and supporting brief, in which they requested that the Court schedule a trial in this action before the Company Shareholders vote on the Business Combination. Defendants filed an opposition brief in which they objected to Plaintiffs' motion for expedited proceedings to the extent it seeks expansive discovery and an expedited trial on the merits in lieu of a preliminary injunction hearing. Subsequently, the parties reached agreement on the scope of expedited discovery. The Court scheduled a hearing on Plaintiffs' motion for a preliminary injunction for August 26, 2015. On June 15, 2015, Plaintiffs filed an amended consolidated class action complaint, realleging, among other things, that the Company's board of directors and Chief Executive Officer, aided and abetted by Grupo VM, FerroAtlántica, Merger Sub and VeloNewco, breached their fiduciary duties by entering into the Business Combination for inadequate consideration and that certain provisions in the Business Combination Agreement unfairly deterred a potential alternative transaction. The amended complaint further alleges that, among other things, the Company's preliminary proxy statement/prospectus filed with the SEC on May 6, 2015, is materially misleading and incomplete, and that the Company board of directors and Chief Executive Officer breached their fiduciary duties by failing to disclose purportedly material information to Company Shareholders in connection with the Business Combination. The amended complaint seeks, among other relief, an order enjoining the Defendants from consummating the proposed Business Combination; a declaration that the disclosures contained in the preliminary proxy statement/prospectus are deficient; damages; and attorneys' fees and costs. On August 10, 2015, Plaintiffs filed their opening brief in support of their motion for preliminary injunction.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We believe our facilities are suitable and adequate for our business and current production requirements. The following tables describe our primary office space, manufacturing facilities and mining properties:

Location of Facility	Purpose	Square Footage	Number of Furnaces	Own/Lease	Business Segment Served
Miami, Florida	Office	10,566	—	Lease	Corporate
New York, New York	Office	13,958	—	Lease	Corporate

Beverly, Ohio	Manufacturing and other	273,377	5 *	Own	GMI
Selma, Alabama	Manufacturing and other	126,207	2	Own	GMI
Alloy, West Virginia	Manufacturing and other	1,063,032	5	Own	GMI
Niagara Falls, New York	Manufacturing and other	227,732	2	Own	GMI
Bridgeport, Alabama	Manufacturing and other	155,100	1	Own	GMI
Nevisdale, Kentucky	Manufacturing and other	723,096	—	Own	GMI
Becancour, Canada	Manufacturing and other	365,887	3	Own	GMI
Mendoza, Argentina	Manufacturing and other	138,500	2	Own	Globe Metales
Police, Poland	Manufacturing and other	43,951	—	Own	Other
Newcastle, South Africa	Manufacturing and other	395,100	2	**	Other
Shizuishan, China	Manufacturing and other	227,192	—	**	Other

* Excludes Solsil's seven smaller furnaces used to produce UMG for solar cell applications.

** We own the long-term land use rights for the land on which this facility is located. We own the building and equipment forming part of this facility.

Location of Mines	Product	Own/Lease	Business Segment Served
Alabama	Quartzite	Lease	GMI
Kentucky, Alabama and Tennessee	Coal	Lease	GMI
Saint-Urbain, Quebec	Quartzite	Lease	GMI

Item 3. Legal Proceedings

The Company is subject to various lawsuits, investigations, claims, and proceedings that arise in the normal course of business, including, but not limited to, labor and employment, commercial, environmental, safety, and health matters, as well as claims and indemnities 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, it is not reasonably possible that the ultimate disposition of these matters will have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity. During the fiscal year ended June 30, 2015, the Company recorded an expense of $4,559,000 with respect to an indemnification obligation from a prior divestiture, of which $1,659,000 is unpaid and is included in Other long-term liabilities at June 30, 2015.

Litigation Related to the Proposed Business Combination

On March 23, 2015, a putative class action lawsuit was filed on behalf of the Company's shareholders ("Company Shareholders") in the Court of Chancery of the State of Delaware. The action, captioned Fraser v. Globe Specialty Metals, Inc., et al., C.A. No. 10823-VCG, named as defendants the Company, the members of its board of directors, Grupo VM, FerroAtlántica, Merger Sub and VeloNewco. The complaint alleged, among other things, that the Company directors breached their fiduciary duties by failing to obtain the best price possible for Company Shareholders, that the proposed merger consideration to be received by Company Shareholders is inadequate and significantly undervalued the Company, that the Company directors failed to adequately protect against conflicts of interest in approving the transaction, and that the Business Combination Agreement unfairly deters competitive offers. The complaint also alleged that the Company, Grupo VM, FerroAtlántica, Merger Sub and VeloNewco aided and abetted these alleged breaches. The action sought to enjoin or rescind the Business Combination, damages, and attorneys' fees and costs.

On April 1, 2015, a purported Company Shareholder filed a putative class action lawsuit on behalf of Company Shareholders challenging the Business Combination in the Court of Chancery of the State of Delaware. The action, captioned City of Providence v. Globe Specialty Metals, Inc., et al., C.A. No. 10865-VCG, named as defendants the Company, the members of its board of directors, its Chief Executive Officer, Grupo VM, FerroAtlántica, Merger Sub and VeloNewco. The complaint alleged, among other things, that the Company's board of directors and Chief Executive Officer, aided and abetted by Grupo VM, FerroAtlántica, Merger Sub and VeloNewco, breached their fiduciary duties by entering into the Business Combination for inadequate consideration and that certain provisions in the Business Combination Agreement unfairly deterred a potential alternative transaction. The complaint further alleged, among other things, that the Company's Executive Chairman and Chief Executive Officer, aided and abetted by Grupo VM, FerroAtlántica, Merger Sub and VeloNewco, breached their fiduciary duties by negotiating the Business Combination Agreement, and, in the case of the Executive Chairman, by entering into a voting agreement in favor of the Business Combination Agreement, out of self-interest. The action sought to enjoin the Business Combination, to order the board of directors to obtain an alternate transaction, damages, and attorneys' fees and costs.

On April 10, 2015, a purported Company Shareholder filed a putative class action lawsuit on behalf of Company Shareholders challenging the Business Combination in the Court of Chancery of the State of Delaware. The action, captioned Int'l Union of Operating Engineers Local 478 Pension Fund v. Globe Specialty Metals, Inc., et al., C.A. No. 10899-VCG, named as defendants the Company, the members of its board of directors, its Chief Executive Officer, Grupo VM, FerroAtlántica, Merger Sub and VeloNewco. The complaint made identical allegations and sought the same relief sought in City of Providence v. Globe Specialty Metals, Inc., et al., C.A. No. 10865-VCG.

On April 21, 2015, a purported Company Shareholder filed a putative class action lawsuit on behalf of Company Shareholders challenging the Business Combination in the Court of Chancery of the State of Delaware. The action, captioned Cirillo v. Globe Specialty Metals, Inc., et al., C.A. No. 10929-VCG, named as defendants the Company, its board of directors, Grupo VM, FerroAtlántica, Merger Sub and VeloNewco. The complaint alleged, among other things, that the Company's directors, aided and abetted by the Company, Grupo VM, FerroAtlántica, Merger Sub and VeloNewco, breached their fiduciary duties in agreeing to the Business Combination for inadequate consideration and that certain provisions in the Business Combination Agreement unfairly deterred a potential alternative transaction. The action sought to enjoin or rescind the Business Combination, disclosure of information, damages, and attorneys' fees and costs.

On May 4, 2015, the Court of Chancery of the State of Delaware consolidated these four actions for all purposes into C.A. No. 10865-VCG, now captioned In re Globe Specialty Metals, Inc. Stockholders Litigation, Consolidated C.A. No. 10865-VCG. The Court further designated the complaint filed in C.A. No. 10865-VCG as the operative complaint in the consolidated action. Plaintiffs filed a motion for a preliminary injunction seeking to enjoin the Company from convening a special meeting of Company Shareholders to vote on the proposal to adopt the Business Combination Agreement or consummating the Business Combination. In addition, Plaintiffs filed a motion for expedited proceedings, and supporting brief, in which they requested that the Court schedule a trial in this action before the Company Shareholders vote on the Business Combination. Defendants, including Globe, filed an opposition brief in which they objected to Plaintiffs' motion for expedited proceedings to the extent it seeks expansive discovery and an expedited trial on the merits in lieu of a preliminary injunction hearing. Subsequently, the parties reached agreement on the scope of expedited discovery. The Court scheduled a hearing on Plaintiffs' motion for a preliminary injunction for August 26, 2015.

On June 15, 2015, Plaintiffs filed an amended consolidated class action complaint, realleging, among other things, that the Company's board of directors and Chief Executive Officer, aided and abetted by Grupo VM, FerroAtlántica, Merger Sub and VeloNewco, breached their fiduciary duties by entering into the Business Combination for inadequate consideration and that certain provisions in the Business Combination Agreement unfairly deterred a potential alternative transaction. The amended complaint further alleges that, among other things, the Company's preliminary proxy statement/prospectus filed with the SEC on May 6, 2015, is materially misleading and incomplete, and that the

Company's board of directors and Chief Executive Officer breached their fiduciary duties by failing to disclose purportedly material information to Company Shareholders in connection with the Business Combination. The amended complaint seeks, among other relief, an order enjoining the Defendants from consummating the proposed Business Combination; a declaration that the disclosures contained in the preliminary proxy statement/prospectus are deficient; damages; and attorneys' fees and costs.

On August 10, 2015, Plaintiffs filed their opening brief in support of their motion for preliminary injunction.

The amended complaint does not specify the amount of damages sought by Plaintiffs in the consolidated action and it is not presently possible to determine the outcome of these matters. Accordingly, the possible loss, if any, related to these matters is uncertain and cannot be reasonably estimated at this time.

Environmental Contingencies

At June 30, 2015, 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.

Asset Retirement Obligations

As of June 30, 2015 and 2014, the Company has recorded asset retirement obligation accruals for mine reclamation and preparation plant closure costs totaling $14,764,000 and $9,134,000, respectively. There were no assets that were legally restricted for purposes of settling asset retirement obligations at June 30, 2015 or 2014.

Item 4. Mine Safety Disclosure

This 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 this report.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Shares of our common stock are traded on the NASDAQ Global Select Market under the symbol "GSM."

Price Range of Common Stock

Our shares began trading on the NASDAQ Global Select Market on July 30, 2009. The price range per share of common stock presented below represents the highest and lowest sales prices for our common stock on the NASDAQ Global Select Market during each quarter of the last two fiscal years.

		Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Fiscal year 2015 price range per common share	$	17.41 – 21.99	15.11 – 19.43	15.41 – 19.01	17.84 – 21.41
Fiscal year 2014 price range per common share		18.42 – 21.97	16.80 – 22.00	15.21 – 18.37	10.80 – 15.69

Holders

As of August 21, 2015, there were approximately 18 holders of record of our common stock. The number of record holders does not include holders of shares in "street names" or persons, partnerships, associations, corporations or other entities identified in security position listings maintained by depositories.

Dividends and Dividend Policy

On February 3, 2015, the Company's Board of Directors approved an annual dividend of $0.32 per common share, payable quarterly.

On August 19, 2014, our Board of Directors approved an annual dividend per common share of $0.30.

On August 20, 2013, our Board of Directors approved an annual dividend per common share of $0.275, payable quarterly in September 2013, December 2013, March 2014 and June 2014. On February 10, 2014, the Company's Board of Directors approved an increase to the annual dividend to $0.30 per common share, payable quarterly in March 2014, June 2014, September 2014, and December 2014.

The table presented below represents the dividends declared per common share during each quarter of the last two fiscal years.

		Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Fiscal year 2015 dividends declared per common share	$	0.080	0.080	0.075	0.075
Fiscal year 2014 dividends declared per common share		0.075	0.075	0.069	0.069

The decision to pay dividends is at the discretion of our Board of Directors and depends on our financial condition, results of operations, capital requirements, and other factors that our Board of Directors deems relevant.

In the future, we intend to continue to consider declaring dividends on an annual basis, subject to reviewing our earnings and then current circumstances.

Purchases of Equity Securities by the Issuer and Affiliated Purchaser

We purchase shares of our common stock in the open market and through block purchases pursuant to a 10b5-1 plan. The table below sets forth information regarding our purchases of common stock during the quarter ended June 30, 2015:

Period	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar value of Shares that May Yet be Purchased Under Publicly Announced Plans or Programs
April 1, 2015 – April 30, 2015	$0.00	0	$45,780,000
May 1, 2015 – May 31, 2015	$0.00	0	$45,780,000
June 1, 2015 – June 30, 2015	$0.00	0	$45,780,000

Securities Authorized for Issuance Under Equity Compensation Plans

Plan Category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,589,136	$17.06	2,450,521
Equity compensation plans not approved by security holders	—	—	—
Total	1,589,136	$17.06	2,450,521

Item 6. Selected Financial Data

The following tables summarize certain selected consolidated financial data, which should be read in conjunction with our consolidated financial statements and the notes thereto and with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Annual Report on Form 10-K. The selected consolidated financial data presented below for the fiscal years ended June 30, 2015, 2014, 2013, 2012 and 2011 are derived from our audited consolidated financial statements.

	Year Ended June 30,				
	2015	2014	2013	2012	2011
	(Dollars in thousands, except per share data)				
Statement of operations data:					
Net sales	$ 800,773	752,817	757,550	705,544	641,863
Cost of goods sold	650,677	635,735	657,911	552,873	488,018
Selling, general and administrative expenses	88,205	92,103	64,663	61,623	54,739
Research and development	—	—	—	127	87
Contract acquisition cost	—	16,000	—	—	—
Curtailment gain	—	(5,831)	—	—	—
Business interruption insurance recovery	—	—	(4,594)	(450)	—
Goodwill and intangible asset impairment	—	—	13,130	—	—
Impairment of long-lived assets	—	—	35,387	—	—
(Gain) loss on sale of business	—	—	—	(54)	4,249
Operating income (loss)	61,891	14,810	(8,947)	91,425	94,770
Bargain purchase gain	—	29,538	—	—	—
Interest and other (expense) income	(5,613)	(10,737)	(8,128)	(4,789)	(2,056)
Income (loss) before income taxes	56,278	33,611	(17,075)	86,636	92,714
Provision for income taxes	21,651	7,705	2,734	28,760	35,988
Net income (loss)	34,627	25,906	(19,809)	57,876	56,726
Income attributable to noncontrolling interest, net of tax	(3,307)	(4,203)	(1,219)	(3,306)	(3,918)
Net income (loss) attributable to Globe Specialty Metals, Inc.	$ 31,320	21,703	(21,028)	54,570	52,808
Earnings (loss) per common share - basic	$ 0.42	0.29	(0.28)	0.73	0.70
Earnings (loss) per common share - diluted	$ 0.42	0.29	(0.28)	0.71	0.69
Cash dividends declared per common share	$ 0.31	0.29	0.38	0.20	0.15

	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011
	(Dollars in thousands)				
Balance sheet data:					
Cash and cash equivalents	$ 115,944	97,792	169,676	178,010	166,208
Total assets	829,360	845,126	871,623	936,747	678,269

Total debt, including current portion	101,048	125,204	139,534	140,703	48,083
Total stockholders' equity	512,502	520,528	546,080	603,799	515,276

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis together with "Selected Financial Data" and our consolidated financial statements and the notes to those statements included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements based on our current expectations, assumptions, estimates and projections about us and our industry. These forward-looking statements involve assumptions, risks and uncertainties. Our actual results could differ materially from those indicated in these forward-looking statements as a result of certain factors, as more fully described in the "Risk Factors" section and elsewhere in this Annual Report on Form 10-K. We undertake no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur in the future. The forward-looking statements do not take into account the proposed business combination with FerroAtlántica and do not address possible future combined results of operations of the Company and FerroAtlántica after the business combination.

Introduction

We are one of the leading manufacturers of silicon metal and silicon-based alloys. As of June 30, 2015, we owned and operated eight principal manufacturing facilities, in two primary operating segments: GMI, our North American operations, and Globe Metales, our Argentine operations.

Business Segments

We operate in five 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 Metales — a manufacturer of silicon-based alloys located in Argentina with a silicon-based alloys plant in Mendoza;
- Solsil — a developer of upgraded metallurgical grade silicon metal located 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 and a manufacturer of silicon-based alloys located in South Africa (Siltech). These operations do not fit into the above reportable segments and are immaterial for purposes of separate disclosure.

Overview and Recent Developments

Customer demand continues to improve for silicon metal and silicon-based alloys in our major end markets, which include chemical, aluminum, automotive, steel, housing and solar. The sales mix shifted in fiscal year 2015 as we shipped more silicon metal than the prior year. The increase in silicon metal tons sold was primarily due to increased demand from the solar, automotive and housing sectors in the U.S. and in Europe. With this increase in demand for silicon metal, at a time when ferrosilicon prices were declining, we converted a silicon-based alloys furnace to a silicon metal furnace at one of our U.S. plants. We partially offset the reduction in silicon-based alloys production with shipments from our Siltech facility in South Africa.

We experienced an increase of 5% in our average selling prices in fiscal year 2015, which was driven by an increase in pricing in the first half of the fiscal year. During the second half of fiscal year 2015, silicon metal and silicon-based alloys pricing declined due to increased import competition. Our fixed-price contracts were negotiated in November 2014 for the 2015 calendar year and were not affected by the recent decline in pricing. However, we have some exposure to these recent pricing fluctuations with respect to our contracts that are index-linked and spot priced.

Net sales for the fourth quarter increased $7,368,000 or 4% from the immediately preceding quarter as a result of a 4% increase in metric tons shipped and a 11% increase in silica fume and other products revenue due to improved pricing. Silicon metal volumes increased 3% while silicon-based alloys volumes increased 5% as a result of improved demand from the solar, automotive, and housing industries in North America and Europe. Silicon metal prices were flat and silicon-based alloys prices decreased 3% in the fourth quarter compared to the third quarter of fiscal year 2015.

During the quarter ended June 30, 2015, we temporarily idled our South African facility (Siltech) as a result of high winter electricity rates. Furthermore, we have begun to review strategic alternatives for the Siltech facility including, but not limited to, marketing the facility for potential sale.

Proposed Business Combination

On February 23, 2015, the Company, Grupo Villar Mir, S.A.U., a public limited company (sociedad anónima) incorporated under the laws of Spain (“Grupo VM”), Grupo FerroAtlántica, S.A.U., a Spanish public limited liability company in the form of a sociedad anónima and wholly owned subsidiary of Grupo VM (“FerroAtlántica”), VeloNewco Limited, a newly formed private UK holding company and wholly owned subsidiary of Grupo VM (“VeloNewco”), and Gordon Merger Sub, Inc., a newly formed Delaware corporation and a direct wholly owned subsidiary of VeloNewco (“Merger Sub”), entered into a Business Combination Agreement (the “Original Business Combination Agreement”) pursuant to which the parties agreed, subject to the terms and conditions of the Original Business Combination Agreement, to combine the businesses of the Company and FerroAtlántica under VeloNewco as described below (the “Business Combination”). The Original Business Combination Agreement was amended and restated on May 5, 2015. The Original Business Combination Agreement, as so amended and restated, is referred to as the “Business Combination Agreement”.

Transaction Overview

Subject to the terms and conditions of the Business Combination Agreement, VeloNewco agreed to acquire from Grupo VM all of the issued and outstanding ordinary shares of FerroAtlántica in exchange for an aggregate of 98,078,161 newly issued VeloNewco Class A ordinary shares (each an “A Ordinary Share”), which will result in FerroAtlántica becoming a wholly owned subsidiary of VeloNewco (the “Stock Exchange”). After consummation of the Stock Exchange, Merger Sub will merge with and into the Company, with the Company surviving the merger as a wholly owned subsidiary of VeloNewco (the “Merger”).

In the Stock Exchange, Grupo VM may be required to pay to VeloNewco as additional consideration for the A Ordinary Shares an amount in cash, if any, based upon FerroAtlántica’s net debt at closing. In the Merger, each share of common stock of the Company will be converted into the right to receive one VeloNewco ordinary share (each an “Ordinary Share”). The A Ordinary Shares and the Ordinary Shares will have the same rights, powers and preferences, and vote together as a single class, except for the right of the holders of Ordinary Shares to the R&W Proceeds as described below.

In connection with the transaction, VeloNewco expects to purchase a buy side representations and warranties insurance policy (the “R&W Policy”) to insure against certain breaches of certain representations and warranties made by FerroAtlántica and Grupo VM in the Business Combination Agreement. Under the terms of the Articles of Association of VeloNewco (the “VeloNewco Articles”), if VeloNewco receives proceeds under the R&W Policy (after deduction of taxes applicable to such proceeds, if any) (the "R&W Proceeds"), VeloNewco is required to distribute the aggregate R&W Proceeds to the holders of the Ordinary Shares. Each A Ordinary Share automatically converts into one Ordinary Share upon the earlier to occur of: (a) the expiration of the R&W Policy; and (b) its transfer to any person or group which is not Grupo VM, any Grupo VM family member or any affiliate of Grupo VM or a Grupo VM family member.

Completion of the Business Combination is subject to Globe shareholder approval, regulatory approvals and customary closing conditions. The special meeting of Globe shareholders to consider adoption of the business combination agreement is scheduled for Thursday, September 10, 2015.

Outlook

Customer demand for silicon in our end markets, including solar, automotive, and housing, are strong in the U.S. and improving in Europe, particularly automotive. Index pricing for silicon metal and silicon-based alloys has been declining, since the beginning of the 2015 calendar year, due to increased import competition. Our fixed-price contracts were negotiated in November 2014 for the 2015 calendar year and therefore, these contracts will not be affected by the recent decline in pricing for the first half of fiscal year 2016. However, we have some exposure with respect to these recent pricing fluctuations with our contracts that are index-linked and spot priced. We remain optimistic about the end-market demand, and for most of our products, anticipate the pricing in the U.S. and Europe will adjust to this strong demand. We are experiencing consistent demand and positive signs for the major end markets that use our products directly and indirectly. The imposition of Canadian anti-dumping and countervailing duties against imports of silicon metal from China will continue to positively impact pricing and opportunities in the Canadian market.

We experienced improvement in operational efficiency following the completion of the planned maintenance outages in fiscal 2014 and 2015. As a result, during fiscal 2015 normalized costs related to maintenance and furnace downtime were lower. With maintenance outages scheduled at five of our U.S. facilities in the first quarter of fiscal 2016, we anticipate similar improvement in operational efficiency.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). 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. We base our estimates and judgments on historical experience, known or expected trends and other factors that are believed to be reasonable under the circumstances. Actual results may differ materially from these estimates.

Business Combinations

We have completed a number of significant business acquisitions over the past several years. Our business strategy contemplates that we may pursue additional acquisitions in the future. When we acquire a business, the purchase price is allocated based on the fair value of tangible assets and identifiable intangible assets acquired and liabilities assumed. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Goodwill as of the acquisition date is measured as the residual of the excess of the consideration transferred, plus the fair value of any noncontrolling interest in the acquiree at the acquisition date, over the fair value of the identifiable net assets acquired. We generally engage independent third-party appraisal firms to assist in determining the fair value of assets acquired and liabilities assumed. Such a valuation requires management to make significant estimates, especially with respect to intangible assets. These estimates are based on historical experience and information obtained from the management of the acquired companies. These estimates are inherently uncertain and may impact reported depreciation and amortization in future periods, as well as any related impairment of goodwill or other long lived assets.

See note 3 to the accompanying audited consolidated financial statements for detailed disclosures related to our acquisitions.

Inventories

Cost of inventories is determined by the first-in, first-out method or, in certain cases, by the average cost method. Inventories are valued at the lower of cost or market value. Circumstances may arise (e.g., reductions in market pricing, obsolete, slow moving or defective inventory) that require the carrying amount of our inventory to be written down to net realizable value. We estimate market and net realizable value based on current and future expected selling prices, as well as expected costs to complete, including utilization of parts and supplies in our manufacturing process. We believe that these estimates are reasonable; however, future market price decreases caused by changing economic conditions, customer demand, or other factors could result in future inventory write-downs that could be material.

Long-Lived Assets

We review long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. Impairment losses are recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. The impairment loss is measured by comparing the fair value of the asset to its carrying amount. We consider various factors in determining whether an impairment test is necessary, including among other things, a significant or prolonged deterioration in operating results and projected cash flows, significant changes in the extent or manner in which assets are used, technological advances with respect to assets which would potentially render them obsolete, our strategy and capital planning, and the economic climate in the markets we serve. When estimating future cash flows and if necessary, fair value, we make judgments as to the expected utilization of assets and estimated future cash flows related to those assets. We consider historical and anticipated future results, general economic and market conditions, the impact of planned business and operational strategies and other information available at the time the estimates are made. We believe these estimates are reasonable; however, changes in circumstances or conditions could have a significant impact on our estimates, which might result in material impairment charges in the future.

As of June 30, 2015, the carrying value of property, plant and equipment at Yonvey is approximately $13,293,000. If market prices decrease below our cost to produce carbon electrodes at Yonvey, we could decide to purchase from third party producers. Such a decision would require us to assess the recoverability of Yonvey’s long-lived assets.

As of June 30, 2015, the carrying value of property, plant and equipment at Siltech is approximately $45,558,000. During the quarter ended June 30, 2015, we temporarily idled Siltech as a result of high winter electricity rates. We assessed the recoverability of the carrying value of the long-lived assets of Siltech and concluded that the undiscounted cash flows associated with the Siltech asset group exceeded the carrying value at June 30, 2015.

Income Taxes

The Company’s deferred tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, and applying enacted tax rates expected to be in effect for the year in which the differences are expected to reverse. If management determines it is more-likely-than-not that a portion of the Company’s deferred tax assets will not be realized, a valuation allowance is recorded. The provision for income taxes is based on domestic (including federal and state) and international statutory income tax rates in the tax jurisdictions where the Company operates, permanent differences between financial reporting and tax reporting, and available credits and incentives.

Significant judgment is required in determining income tax provisions and tax positions. The Company may be challenged upon review by the applicable taxing authorities, and positions taken may not be sustained. All, or a portion of, the benefit of income tax positions are recognized only when the Company has made a determination that it is more-likely-than-not that the tax position will be sustained based upon the technical merits of the position. For tax positions that are determined as more-likely-than-not to be sustained, the tax benefit recognized is the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The accounting for uncertain income tax positions requires consideration of timing and judgments about tax issues and potential outcomes and is a subjective estimate. In certain circumstances, the ultimate outcome of exposures and risks involves significant uncertainties. If actual outcomes differ materially from these estimates, they could have a material impact on the Company’s results of operations and financial condition. Interest and penalties related to uncertain tax positions are recognized in income tax expense. The U.S. is the Company’s most significant income tax jurisdiction.

Goodwill

Goodwill represents the excess purchase price of acquired businesses over fair values attributed to underlying net tangible assets and identifiable intangible assets. We test the carrying value of goodwill for impairment at a “reporting unit” level (which for the Company is represented by each reported segment and Core Metals (a component of GMI that produces silicon-based alloys), using a two-step approach, annually as of the last day of February, or whenever an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. If the fair value of a reporting unit is less than its carrying value, this is an indicator that the goodwill assigned to that reporting unit may be impaired. In this case, a second step is performed to allocate the fair value of the reporting unit to the assets and liabilities of the reporting unit as if it had just been acquired in a business combination, and as if the purchase price was equivalent to the fair value of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is referred to as the implied fair value of goodwill. The implied fair value of the reporting unit’s goodwill is then compared to the actual carrying value of goodwill. If the implied fair value is less than the carrying value, we would be required to recognize an impairment loss for that excess. The valuation of the Company's reporting units requires significant judgment in evaluation of, among other things, recent indicators of market activity and estimated future cash flows, discount rates and other factors. The estimates of cash flows, future earnings, and discount rate are subject to change due to the economic environment and business trends, including such factors as raw material and product pricing, interest rates, expected market returns and volatility of markets served, as well as our future manufacturing capabilities, government regulation and technological change. We believe that the estimates of future cash flows, future earnings, and fair value are reasonable; however, changes in estimates, circumstances or conditions could have a significant impact on our fair valuation estimation, which could then result in an impairment charge in the future.

As of February 28, 2015, the date of our most recent impairment test, the estimated fair value of each of our reporting units was in excess of their respective carrying values and no impairment charges were recorded during the year ended June 30, 2015.

Share-Based Compensation

Stock Options

Share-based payments are measured based on fair value using the Black-Scholes option-pricing model. The fair value of an award is affected by our stock price as well as other assumptions, including: (i) estimated volatility over the term of the awards (which is based upon the historical volatility of our common stock or stock of similar companies), (ii) estimated period of time that we expect participants to hold their stock options, (which is calculated using the simplified method allowed by SAB 107, or a participant-specific estimate for certain options), (iii) the risk-free interest rate (which we base upon United States Treasury interest rates appropriate for the expected term of the award), and (iv) our expected dividend yield. Certain of our share-based payment arrangements are liability-classified, which require adjustments to the fair value of the award and compensation expense based, in part, on the fair value of our stock and the assumptions discussed above at the end of each reporting period. Further, we estimate forfeitures for the purposes of expensing share-based payment awards that we ultimately expect to vest. The future value of our stock, the assumptions used, and changes to our estimated forfeitures could significantly impact the amount of share-based compensation expense we recognize in future periods.

Stock Appreciation Rights

Cash-settled stock appreciation rights are settled by cash transfer, based on the difference between our stock price on the date of exercise and the grant date. We estimate the fair value of stock appreciation rights using Black-Scholes option pricing model, which requires the use of the same assumptions utilized in valuing stock options. The future value of our stock and the assumptions used could significantly impact the amount of share-based compensation expense we recognize in future periods.

Results of Operations

Our results of operations are affected by our recent acquisition. We acquired Siltech on November 21, 2013. Results from Siltech for the year ended June 30, 2015 include results for the entire period and for the year ended June 30, 2014 include results for approximately seven months.

GSM Fiscal Year Ended June 30, 2015 vs. 2014

Consolidated Operations:

	Years Ended June 30, 2015	2014	Increase (Decrease)	Percentage Change
	(Dollars in thousands)			
Results of Operations				
Net sales	$ 800,773	752,817	47,956	6.4%
Cost of goods sold	650,677	635,735	14,942	2.4%
Selling, general and administrative expenses	88,205	92,103	(3,898)	(4.2%)
Contract acquisition cost	—	16,000	(16,000)	NA
Curtailment gain	—	(5,831)	5,831	NA
Operating income	61,891	14,810	47,081	317.9%
Bargain purchase gain	—	29,538	(29,538)	NA
Interest expense, net	(4,076)	(7,955)	3,879	(48.8%)
Other loss	(1,537)	(2,782)	1,245	(44.8%)
Income before provision for income taxes	56,278	33,611	22,667	67.4%
Provision for income taxes	21,651	7,705	13,946	181.0%
Net income	34,627	25,906	8,721	33.7%
Income attributable to noncontrolling interest, net of tax	(3,307)	(4,203)	896	(21.3%)
Net income attributable to Globe Specialty Metals, Inc.	$ 31,320	21,703	9,617	44.3%

Net Sales:

	Year Ended June 30, 2015 Net Sales			Year Ended June 30, 2014 Net Sales		
	$ (in 000s)	MT	$/MT	$ (in 000s)	MT	$/MT
Silicon metal	$ 450,788	155,673	$ 2,896	$ 377,954	136,664	$ 2,766
Silicon-based alloys	261,258	129,914	2,011	282,998	141,327	2,002
	712,046	285,587	2,493	660,952	277,991	2,378

Silicon metal and silicon-based alloys		
Silica fume and other	88,727	91,865
Total net sales	$ 800,773	$ 752,817

Net sales increased $47,956,000 or 6% from the prior year to $800,773,000 primarily as a result of a 5% increase in average selling prices and a 3% increase in metric tons sold. The increase in sales volume was driven by a 14% increase in silicon metal tons sold, offset by a 8% decrease in silicon-based alloys tons sold, resulting in an increase to net sales of $18,060,000. Additionally, a 5% increase in average selling prices resulted in an increase to net sales of $33,034,000, offset by a $3,138,000 decrease to net sales of other products. The increase in silicon metal tons sold was due to the unionized employee lockout at the Becancour Canada plant (the lockout concluded on December 27, 2013), which resulted in 17,453 fewer tons sold in the prior year.
The decrease in silicon-based alloys tons sold occurred as we converted one of our U.S. furnaces from silicon-based alloys to silicon metal when demand for silicon metal was strong and prices in the ferrosilicon market were deteriorating.

The average selling price of silicon metal increased 5% and the average selling price of silicon-based alloys remained approximately the same. The increase in silicon metal pricing was due to higher pricing on annual calendar 2015 contracts, including higher pricing on index-based contracts. The lack of change in silicon-based alloys pricing is due to an increase in import competition.

Other revenue decreased $3,138,000 in fiscal year 2015 primarily due to a decrease in fines sales.

Cost of Goods Sold:

The $14,942,000 or 2% increase in cost of goods sold was a result of a 3% increase in metric tons sold, offset by a 1% decrease in cost per ton sold. This decrease in cost per ton sold was primarily due to the ramp-up of production subsequent to the conclusion of the unionized employee lockout at the Becancour, Canada plant (the lockout concluded on December 27, 2013), which resulted in higher cost per ton sold in the third quarter of fiscal year 2014.

Gross margin represented approximately 19% of net sales in the twelve months ended June 30, 2015 and increased from 16% of net sales in the twelve months ended June 30, 2014. This increase was primarily as a result of an increase in average selling prices, an increase in metric tons sold and a decrease in cost per ton sold.

Selling, General and Administrative Expenses:

The decrease in selling, general and administrative expenses of $3,898,000 or 4% was primarily due to a decrease in stock-based compensation of approximately $30,579,000, primarily due to the re-measurement of liability based awards resulting from a decline in our stock price from June 2014 to June 2015. This decrease was offset by a divestiture indemnification payment of $4,559,000, an increase in accounting, legal and professional fees of $15,640,000 primarily related to the proposed Business Combination, an increase in salaries and benefits of $4,059,000, and an increase in variable based compensation of $3,944,000.

Contract Acquisition Costs:

During the twelve months ended June 30, 2014, the Company acquired supply arrangements that resulted in a payment of $16,000,000.

Curtailment Gain:

The Company’s subsidiary, Quebec Silicon, sponsors a 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. On December 27, 2013, the Communications, Energy and Paper Workers Union of Canada (“CEP”) ratified a new collective bargaining agreement, which resulted in a curtailment pertaining to the closure of the postretirement benefit plan for union employees retiring after January 31, 2016. The Company remeasured the benefit obligations reflecting the curtailment which resulted in a curtailment gain of $5,831,000 in the fiscal year ended June 30, 2014.

Bargain Purchase Gain:

On November 21, 2013, the Company purchased 100% of the outstanding shares of Silicon Technology (Pty) Ltd. (Siltech) for $4,000,000. The Company paid for the acquisition from available cash. Siltech is a silicon-based alloy producer in South Africa with an annual production capacity of approximately 45,000 metric tons. The acquisition was made to increase the Company's current silicon-based alloy capacity by approximately 30% and its strategic location will enable the Company to supplement its existing facility to service the large European, Asian and Middle Eastern markets. The purchase price allocation for the Siltech acquisition was finalized during the quarter ended December 31, 2014 and the fair value of the identifiable net assets acquired of $33,538,000 exceeded the purchase price of $4,000,000 resulting in a gain on bargain purchase of $29,538,000.

Interest Expense, Net:

Net interest expense decreased $3,879,000 compared to the prior year primarily due to the write-off of deferred financing costs of approximately $3,354,000 in connection with the refinancing of our existing $300,000,000 Revolving Credit Facility in the prior year.

Other Loss:

Other expense decreased $1,245,000 primarily due to a higher foreign exchange gain of a U.S. dollar loan at a foreign subsidiary and holdings of the Argentine peso.

Provision for Income Taxes:

Provision for income taxes as a percentage of pre-tax income was approximately 38.5% or $21,651,000 in fiscal year 2015 and provision for income taxes as a percentage of pre-tax income was approximately 22.9% or $7,705,000 in fiscal year 2014. The tax rate increased compared to the prior year, this increase was the result in losses in jurisdictions where no tax benefit was provided. In the prior year, the tax rate was impacted by the nontaxable bargain purchase gain of $29,538,000 in connection with the acquisition of Siltech.

Segment Operations

GMI

	Years Ended June 30, 2015	2014	Increase (Decrease)	Percentage Change
	(Dollars in thousands)			
Results of Operations				
Net sales	$ 753,905	697,403	56,502	8.1%
Cost of goods sold	605,065	587,318	17,747	3.0%
Selling, general and administrative expenses	34,107	32,869	1,238	3.8%
Contract acquisition cost	—	16,000	(16,000)	NA
Curtailment gain	—	(5,831)	5,831	NA
Operating income	$ 114,733	67,047	47,686	71.1%

Net sales increased $56,502,000 or 8% from the prior year to $753,905,000. The increase was primarily attributable to a 2% increase in tons sold coupled with a 6% increase in average selling prices. Silicon metal volume increased 14% primarily due to the unionized employee lockout at the Becancour, Canada plant (the lockout concluded on December 27, 2013), which contributed 21,300 fewer tons during the twelve months ended June 30, 2014, and an increase due to the conversion of a silicon-based alloys furnace to a silicon metal furnace. Silicon-based alloys volume decreased 11%, as we converted a silicon-based alloys furnace to silicon metal. Silicon metal pricing increased 5% primarily due to higher pricing on annual calendar 2015 contracts, including higher pricing on index-based contracts. Silicon-based alloys pricing increased 3% from stronger pricing in the U.S., from higher end-user demand.

Cost of goods sold increased 3% while total tons shipped increased 2%.

Selling, general and administrative expenses increased $1,238,000 to $34,107,000. This increase was primarily due to increases in salaries and wages and professional fees.

During fiscal year 2014, the Company acquired supply arrangements that resulted in a payment of $16,000,000.

Our subsidiary, Quebec Silicon, sponsors a 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. On December 27, 2013, the Communications, Energy and Paper Workers Union of Canada ("CEP") ratified a new collective bargain agreement, which resulted in a curtailment pertaining to the closure of the postretirement benefit plan for union employees retiring after January 31, 2016. We remeasured the benefit obligations reflecting the curtailment which resulted in a curtailment gain of $5,831,000 during fiscal year 2014.

Operating income increased $47,686,000 from the prior year to $114,733,000. This increase was primarily due to higher average selling prices for silicon metal and silicon-based alloys and higher silicon metal volume.

Globe Metales

	Years Ended June 30, 2015	2014	Increase (Decrease)	Percentage Change
	(Dollars in thousands)			
Results of Operations				
Net sales	$ 44,945	51,213	(6,268)	(12.2%)
Cost of goods sold	40,007	42,179	(2,172)	(5.1%)
Selling, general and administrative expenses	3,587	3,288	299	9.1%
Operating income	$ 1,351	5,746	(4,395)	(76.5%)

Net sales decreased $6,268,000 or 12% from the prior year to $44,945,000. This decrease was due to a 12% decrease in silicon-based alloys tons sold, partially offset by a 1% increase in average selling prices. Overall volume decreased due to weaker demand from Europe, partially offset by an increase in demand from North America solar, automotive, and housing markets.

Operating income decreased $4,395,000. The decrease was due to the decrease in silicon-based alloys tons sold as well a 7% increase in cost per ton sold, driven by higher raw materials cost from higher inflation.

Solsil

	Years Ended June 30, 2015	2014	(Decrease)	Change
	(Dollars in thousands)			
Results of Operations				

Cost of goods sold	$	81	41	40	97.6%
Selling, general and administrative expenses		—	1	(1)	(100.0%)
Operating loss	$	(81)	(42)	(39)	92.9%

Solsil suspended commercial production during fiscal year 2010 as a result of a significant decline in the price of polysilicon and the decline in demand for upgraded metallurgical grade silicon.

Corporate

	Years Ended June 30, 2015	2014	Increase (Decrease)	Percentage Change
	(Dollars in thousands)			
Results of Operations				
Selling, general and administrative expenses	$ 45,533	53,680	(8,147)	(15.2%)
Operating loss	$ (45,533)	(53,680)	8,147	(15.2%)

Operating loss decreased $8,147,000 from the prior year to $45,533,000. Selling, general and administrative expenses decreased primarily due to a decrease in stock-based compensation of approximately $30,579,000, primarily due to the re-measurement of liability based awards resulting from a decline in our stock price from June 2014 to June 2015. This decrease was partially offset by a $4,559,000 divestiture indemnification payment and an increase of $14,334,000 in professional fees related to costs incurred in connection with the proposed Business Combination.

GSM Fiscal Year Ended June 30, 2014 vs. 2013

Consolidated Operations:

	Years Ended June 30, 2014	2013	Increase (Decrease)	Percentage Change
	(Dollars in thousands)			
Results of Operations				
Net sales	$ 752,817	757,550	(4,733)	(0.6%)
Cost of goods sold	635,735	657,911	(22,176)	(3.4%)
Selling, general and administrative expenses	92,103	64,663	27,440	42.4%
Contract acquisition cost	16,000	—	16,000	NA
Curtailment gain	(5,831)	—	(5,831)	NA
Business interruption insurance recovery	—	(4,594)	4,594	(100.0%)
Goodwill impairment	—	13,130	(13,130)	(100.0%)
Impairment of long-lived assets	—	35,387	(35,387)	(100.0%)
Operating income (loss)	14,810	(8,947)	23,757	(265.5%)
Bargain purchase gain	29,538	—	29,538	NA
Gain on remeasurement of equity investment	—	1,655	(1,655)	(100.0%)
Interest expense, net	(7,955)	(6,067)	(1,888)	31.1%
Other loss	(2,782)	(3,716)	934	(25.1%)
Income (loss) before provision for income taxes	33,611	(17,075)	50,686	(296.8%)
Provision for income taxes	7,705	2,734	4,971	181.8%
Net income (loss)	25,906	(19,809)	45,715	(230.8%)
Income attributable to noncontrolling interest, net of tax	(4,203)	(1,219)	(2,984)	244.8%
Net income (loss) attributable to Globe Specialty Metals, Inc.	$ 21,703	(21,028)	42,731	(203.2%)

Net Sales:

Year Ended June 30, 2014 Net Sales	Year Ended June 30, 2013 Net Sales

	$ (in 000s)	MT	$/MT	$ (in 000s)	MT	$/MT
Silicon metal	$ 377,954	136,664	$ 2,766	$ 422,564	150,369	$ 2,810
Silicon-based alloys	282,998	141,327	2,002	248,276	115,766	2,145
Silicon metal and silicon-based alloys	660,952	277,991	2,378	670,840	266,135	2,521
Silica fume and other	91,865			86,710		
Total net sales	$ 752,817			$ 757,550		

Net sales decreased $4,733,000 or 1.0% from the prior year to $752,817,000 primarily as a result of a 6% decrease in the average selling price offset by a 5% increase in sales volume. The decrease in the average selling price compared to the prior year was driven by a 2% decrease in silicon metal and a 7% decrease in silicon-based alloys, resulting in a decrease of $26,193,000. The increase in sales volume compared to the prior year was driven by a 22% increase in silicon-based alloys tons sold offset by a 9% decrease in silicon metal tons sold. The increase in silicon-based alloys tons sold was primarily due to increased demand from the steel and automotive industries in North America. Due to the increased demand for silicon-based alloys, we converted a silicon furnace to a ferrosilicon furnace at one of our U.S. plants. The decrease in silicon metal tons sold was due to lower sales volume at the Becancour, Canada facility as the sales volume for the year ended June 30, 2014 reflects the impact of a nearly eight month lockout and subsequent ramp up of production at the facility once the lockout ended in December 2013 compared to full production in the prior year period.

The average selling price of both silicon metal and silicon-based alloys decreased 2% and 7%, respectively, in fiscal year 2014 compared to the prior year period. The decrease in pricing was due to weaker pricing in the marketplace driven by import competition and end-user demand, particularly in Europe.

Other revenue increased $5,155,000 in fiscal year 2014 primarily due to increased shipments of silica fume as we realized a full year of benefit having purchased the remaining 50% interest in an existing equity investment in December 2012.

Cost of Goods Sold:

The $22,176,000 or 3% decrease in cost of goods sold was a result of a 7% decrease in cost per ton sold. The decrease in cost per ton sold is primarily due to a shift in mix from higher cost silicon products to lower cost ferrosilicon products and manufacturing cost improvement initiatives.

Gross margin represented approximately 16% of net sales in the fiscal year 2014, an increase from 13% of net sales in fiscal year 2013. This gross margin expansion was primarily a result of increased shipment volumes and manufacturing cost improvement initiatives which more than offset a 6% decline in the average selling price year-over-year.

Selling, General and Administrative Expenses:

The increase in selling, general and administrative expenses of $27,440,000, or 42%, was primarily due to an increase in stock based compensation of approximately $18,850,000. In addition, we had an increase in salaries and wages of $1,168,000 and an increase in variable-based compensation expense of $4,872,000.

Contract Acquisition Costs:

During the twelve months ended June 30, 2014, the Company acquired supply arrangements that resulted in a payment of $16,000,000.

Curtailment Gain:

The Company's subsidiary, Quebec Silicon, sponsors a 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. On December 27, 2013, the Communications, Energy and Paper Workers Union of Canada ("CEP") ratified a new collective bargaining agreement, which resulted in a curtailment pertaining to the closure of the postretirement benefit plan for union employees retiring after January 31, 2016. The Company remeasured the benefit obligations reflecting the curtailment which resulted in a curtailment gain of $5,831,000.

Bargain Purchase Gain:

On November 21, 2013, the Company purchased 100% of the outstanding shares of Silicon Technology (Pty) Ltd. (Siltech) for $4,000,000. The Company paid for the acquisition from available cash. Siltech is a silicon-based alloy producer in South Africa with an annual production capacity of approximately 45,000 metric tons. The acquisition was made to increase the Company's current silicon-based alloy capacity by approximately 30% and its strategic location will enable the Company to supplement its existing facility to service the large European, Asian and Middle Eastern markets. The fair value of the identifiable net assets acquired of $33,538,000 exceeded the purchase price of $4,000,000 resulting in a gain on bargain purchase of $29,538,000.

Net Interest Expense:

Net interest expense increased $1,888,000 in fiscal year 2014 compared to fiscal year 2013 primarily due to the write-off of deferred financing costs of $3,354,000 in connection with the refinancing of our existing $300 million Revolving Credit Facility, offset partially by a decrease of $941,000 attributable to loan repayment at Quebec Silicon.
Other Expense:

Other loss decreased $934,000 primarily due to foreign exchange loss on holdings of the Argentine peso partially offset by the elimination of a foreign exchange loss resulting from the revaluation of a U.S. dollar denominated loan at a foreign subsidiary in the prior year.

Provision for Income Taxes:

Provision for income taxes as a percentage of pre-tax income was approximately 22.9% or $7,705,000 in fiscal year 2014 and provision for income taxes as a percentage of pre-tax loss was approximately (16.0%) or $2,734,000 in fiscal year 2013. The tax rate increased compared to the prior year, due to increase in valuation allowance of $5,214,000 attributable to change in tax law that impacted the utilization of certain state tax credits offset by the nontaxable bargain purchase gain of $29,538,000 in connection with the acquisition of Siltech. In the prior year, the tax rate was impacted by certain nondeductible impairment charges recognized offset by a net reduction in valuation allowance associated with state tax credits due to an updated assessment regarding the likelihood of realization.

Segment Operations

GMI

	Years Ended June 30, 2014	2013	Increase (Decrease)	Percentage Change
	(Dollars in thousands)			
Results of Operations				
Net sales	$ 697,403	702,275	(4,872)	(0.7%)
Cost of goods sold	587,318	603,548	(16,230)	(2.7%)
Selling, general and administrative expenses	32,869	29,706	3,163	10.6%
Contract acquisition cost	16,000	—	16,000	NA
Curtailment gain	(5,831)	—	(5,831)	NA
Business interruption insurance recovery	—	(4,594)	4,594	(100.0%)
Operating income	$ 67,047	73,615	(6,568)	(8.9%)

Net sales decreased $4,872,000 or 1% from the prior year to $697,403,000. The decrease was primarily attributable to a 6% decrease in average selling prices. Silicon metal tons sold decreased 9% due to lower sales volume at the Becancour, Canada facility as the sales volume for the year ended June 30, 2014 reflects the impact of a nearly eight month lockout and subsequent ramp up of production at the facility once the lockout ended in December 2013 compared to full production in the prior year period. Silicon-based alloys tons sold increased 27% primarily due to increased demand from the steel and automotive industries in North America and from the conversion of a silicon furnace to a ferrosilicon furnace at one of our U.S. plants. Silicon metal pricing decreased 2% and silicon-based alloys pricing decreased 7% driven by pricing pressure from imports. Other revenue increased $4,685,000 primarily due to increased shipments of silica fume as we realized a full year of benefit having purchased the remaining 50% interest in an existing equity investment in December 2012.

Cost of goods sold decreased 3% while total tons shipped increased 5%. Cost per ton sold decreased in fiscal year 2014 primarily due to a shift in mix from higher cost silicon products to lower cost ferrosilicon products and manufacturing cost improvement initiatives.

Selling, general and administrative expenses increased $3,163,000 to $32,869,000. This increase was primarily due to increases in salaries and wages and professional fees.

During fiscal year 2014, the Company acquired supply arrangements that resulted in a payment of $16,000,000.

Our subsidiary, Quebec Silicon, sponsors a 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. On December 27, 2013, the Communications, Energy and Paper Workers Union of Canada (“CEP”) ratified a new collective bargain agreement, which resulted in a curtailment pertaining to the closure of the postretirement benefit plan for union employees retiring after January 31, 2016. We remeasured the benefit obligations reflecting the curtailment which resulted in a curtailment gain of $5,831,000 during the second quarter of fiscal year 2014.

Operating income decreased $6,568,000 from the prior year to $67,047,000. This decrease was primarily due to a $16,000,000 expense for supply arrangements acquired offset by a $5,831,000 curtailment gain discussed above and a 6% decrease in the average selling price.

Globe Metales

	Years Ended June 30, 2014	2013	Increase (Decrease)	Percentage Change
		(Dollars in thousands)		
Results of Operations				
Net sales	$ 51,213	51,266	(53)	(0.1%)
Cost of goods sold	42,179	44,753	(2,574)	(5.8%)
Selling, general and administrative expenses	3,288	2,901	387	13.3%
Goodwill impairment	—	6,000	(6,000)	(100.0%)
Operating (loss) income	$ 5,746	(2,388)	8,134	(340.6%)

Net sales were essentially the same in fiscal year 2014 compared to fiscal year 2013. Total tons shipped increased 5% while the average selling price decreased 6% primarily due to product mix. Overall demand increased due to stronger demand from the steel market and the European economy.

Operating income increased $8,134,000 from the prior year to $5,746,000. The increase was primarily due to increased volumes and lower costs due to the devaluation of the Argentine peso as well as the recognition of a goodwill impairment of $6,000,000 during fiscal year 2013.

Solsil

	Years Ended June 30, 2014	2013	Increase (Decrease)	Percentage Change
	(Dollars in thousands)			
Results of Operations				
Cost of goods sold	41	2,542	(2,501)	(98.4%)
Selling, general and administrative expenses	1	153	(152)	(99.3%)
Impairment of long-lived assets	—	18,452	(18,452)	(100.0%)
Operating loss	$ (42)	(21,147)	21,105	(99.8%)

Solsil suspended commercial production during fiscal year 2010 as a result of a significant decline in the price of polysilicon and the decline in demand for upgraded metallurgical grade silicon. Operating loss of ($21,147,000) from the prior year was related to the write-off of equipment as a result of our decision to indefinitely take these assets out of service in response to sustained pricing declines that have rendered its production methods uneconomical and inventory write-downs due to expected lower net realizable values for certain inventories.

Corporate

	Years Ended June 30, 2014	2013	Increase (Decrease)	Percentage Change
	(Dollars in thousands)			
Results of Operations				
Selling, general and administrative expenses	$ 53,680	30,699	22,981	74.9%
Impairment of long-lived assets	—	16,935	(16,935)	(100.0%)
Operating loss	$ (53,680)	(47,634)	(6,046)	12.7%

The operating loss increased $6,046,000 from the prior year to $53,680,000. Selling, general and administrative expenses increased $22,981,000 year over year primarily due to an increase in stock based compensation of approximately $18,850,000. The Company also had an increase in variable-based compensation of $5,147,000. These increases were offset by lower professional fees and the recognition of long-lived assets impairment of approximately $16,935,000 in the prior year.

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 June 30, 2015, our cash and cash equivalents balance was approximately $115,944,000, and we had $198,978,000 available for borrowing under our existing financing arrangements. We generated cash flows from operations totaling $109,249,000 during the year ended June 30, 2015.

As of June 30, 2015, the amount of cash and cash equivalents, included in the Company's consolidated cash that was held by foreign subsidiaries was approximately $11,155,000. If these funds are needed for operations in the U.S., the Company will be required to accrue and pay taxes in the U.S. to repatriate these funds. However, the Company's intent is to permanently reinvest these funds outside the U.S. and the Company's current plans do not indicate a need to repatriate them to fund operations in the U.S. We have provided for tax on earnings of $2,174,000 in Argentina that we do not consider permanently reinvested.

In the second quarter of fiscal 2015, the Company entered into an arrangement to have the option to sell selected accounts receivables up to a cap of $35,000,000 on a non-recourse basis to an unrelated financial institution under a receivables purchase arrangement in the U.S. An amendment to the agreement was entered into in the fourth quarter which raised the cap to $55,000,000. During fiscal 2015, the Company sold $175,592,000 of receivables under the arrangement and as of June 30, 2015, $46,567,000 of receivables was outstanding with the financial institution.

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.

On August 20, 2013, we refinanced our existing credit facility. The previous facility that was due to expire May 31, 2017, has been replaced with the new facility that extends the expiration to August 20, 2018, improves pricing and increases the flexibility we have to pursue our strategic objectives all while maintaining the capacity of the revolving credit facility at $300,000,000, plus an accordion feature of an additional $150,000,000. See note 10 (debt) to our June 30, 2015 consolidated financial statements for additional information.

Cash Flows

The following table summarizes our primary sources (uses) of cash during the periods presented:

	Year Ended June 30,		
	2015	2014	2013
		(Dollars in thousands)	
Cash and cash equivalents at beginning of period	$ 97,792	169,676	178,010
Cash flows provided by operating activities	109,249	62,556	72,740
Cash flows used in investing activities	(42,243)	(64,271)	(49,029)
Cash flows used in financing activities	(49,753)	(68,608)	(30,994)
Effect of exchange rate changes on cash	899	(1,561)	(1,051)
Cash and cash equivalents at end of period	$ 115,944	97,792	169,676

Fiscal Year Ended June 30, 2015 vs. 2014

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.

During fiscal year 2015, net cash provided by operating activities was $109,249,000, compared to $62,556,000 in the prior year. The increase in net cash provided by operating activities is primarily due to significant increase in operating results for fiscal year 2015 as compared to the prior year, which was partially offset by a decrease in working capital. In fiscal year 2015, inventory increased due to the start-up of the Siltech facility, increased production at Yonvey, and mine production at Alden.

Investing Activities:

During fiscal year 2015, net cash used in investing activities was $42,243,000, compared to $64,271,000 in the prior year. The decrease is primarily due to $13,396,000 used for the purchase of marketable securities in fiscal 2014, while fiscal 2015 included $7,776,000 in proceeds from the sale of marketable securities. In addition, the acquisition of Siltech in fiscal 2014 resulted in the use of approximately $3,800,000 in net cash. These decreases in cash used for investing activities were partially offset by capital expenditures. In fiscal year 2015, capital expenditures increased by approximately $2,944,000 primarily due to the start-up of the Siltech facility.

We expect the capital spending for fiscal year 2016 to be approximately $36,000,000, which we plan to fund primarily with cash from operations.

Financing Activities:

During fiscal year 2015, net cash used in financing activities was approximately $49,753,000, compared to $68,608,000 in the prior year. The decrease in net cash used in financing activities is primarily due to the decrease of $28,720,000 of stock repurchases made in the prior year which was partially offset by a $9,826,000 increase in net debt payments in fiscal 2015 when compared to the prior year.

Exchange Rate Change on Cash:

The effect of exchange rate changes on cash was related to fluctuations in renminbi, Canadian dollars and rand, the functional currency of our Chinese, Canadian and South African subsidiaries.

Fiscal Year Ended June 30, 2014 vs. 2013

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.

During fiscal year 2014, net cash provided by operating activities was $62,556,000, compared to $72,740,000 in the prior year. The decrease in net cash provided by operating activities is primarily attributable to payments made to acquire supply agreements and the cash settlement of stock appreciation rights exercised during the year, offset by favorable working capital comparisons to the prior year.

Investing Activities:

During fiscal year 2014, net cash used in investing activities was $64,271,000, compared to $49,029,000 in the prior year. During the year, $13,396,000 of cash was used to purchase marketable securities. In addition, $3,800,000 of cash was used, net of cash acquired, in the acquisition of Siltech.

Financing Activities:

During fiscal year 2014, net cash used in financing activities was approximately $68,608,000, compared to $30,994,000 in the prior year. The increase in net cash used in financing activities was mainly attributable to the utilization of $28,962,000 to purchase shares of our own common stock and the net repayment of $14,250,000 under our revolving credit agreements. These increases in cash used in financing activities were offset by a decrease in Dividend payments of $6,751,000 as a result of an additional dividend payment made during fiscal year 2013.

Exchange Rate Change on Cash:

The effect of exchange rate changes on cash was related to fluctuations in renminbi, Canadian dollars and rand, the functional currency of our Chinese, Canadian and South African subsidiaries.

Commitments and Contractual Obligations

The following tables summarize our contractual obligations at June 30, 2015 and the effects such obligations are expected to have on our liquidity and cash flows in future periods:

Contractual Obligations (as of June 30, 2015)	Total	2016	2017-2018	2019-2020	2021 and beyond

	(Dollars in thousands)				
Long-term debt obligations	$ 101,048	953	95	100,000	—
Power commitments (1)	17,794	17,794	—	—	—
Purchase obligations (2)	42,646	31,486	11,160	—	—
Operating lease obligations	8,472	2,247	2,048	1,052	3,125
Capital lease obligations	7,193	2,627	2,797	932	837

(1) Represents minimum charges that are enforceable and legally binding, and do not represent total anticipated purchases. Minimum charges requirements expire after providing one year notice of contract cancellation.

(2) The Company has outstanding purchase obligations with suppliers for raw materials in the normal course of business. These purchase obligation amounts represent on those items which are based on agreements that are enforceable and legally binding, and do not represent total anticipated purchases.

The table above also excludes certain other obligations reflected in our consolidated balance sheet, including estimated funding for pension obligations, for which the timing of payments may vary based on changes in the fair value of pension plan assets and actuarial assumptions. We expect to contribute approximately $1,237,000 to our pension plans for the year ended June 30, 2016.

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

The Company is subject to various lawsuits, investigations, claims, and proceedings that arise in the normal course of business, including, but not limited to, labor and employment, commercial, environmental, safety, and health matters, as well as claims and indemnities 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, it is not reasonably possible that the ultimate disposition of these matters will have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity. During the fiscal year ended June 30, 2015, the Company recorded an expense of $4,559,000 with respect to an indemnification obligation from a prior divestiture, of which $1,659,000 is unpaid and is included in Other long-term liabilities at June 30, 2015.

Litigation Related to the Proposed Business Combination

On March 23, 2015, a putative class action lawsuit was filed on behalf of the Company's shareholders ("Company Shareholders") in the Court of Chancery of the State of Delaware. The action, captioned Fraser v. Globe Specialty Metals, Inc., et al., C.A. No. 10823-VCG, named as defendants the Company, the members of its board of directors, Grupo VM, FerroAtlántica, Merger Sub and VeloNewco. The complaint alleged, among other things, that the Company directors breached their fiduciary duties by failing to obtain the best price possible for Company Shareholders, that the proposed merger consideration to be received by Company Shareholders is inadequate and significantly undervalued the Company, that the Company directors failed to adequately protect against conflicts of interest in approving the transaction, and that the Business Combination Agreement unfairly deters competitive offers. The complaint also alleged that the Company, Grupo VM, FerroAtlántica, Merger Sub and VeloNewco aided and abetted these alleged breaches. The action sought to enjoin or rescind the Business Combination, damages, and attorneys' fees and costs.

On April 1, 2015, a purported Company Shareholder filed a putative class action lawsuit on behalf of Company Shareholders challenging the Business Combination in the Court of Chancery of the State of Delaware. The action, captioned City of Providence v. Globe Specialty Metals, Inc., et al., C.A. No. 10865-VCG, named as defendants the Company, the members of its board of directors, its Chief Executive Officer, Grupo VM, FerroAtlántica, Merger Sub and VeloNewco. The complaint alleged, among other things, that the Company's board of directors and Chief Executive Officer, aided and abetted by Grupo VM, FerroAtlántica, Merger Sub and VeloNewco, breached their fiduciary duties by entering into the Business Combination for inadequate consideration and that certain provisions in the Business Combination Agreement unfairly deterred a potential alternative transaction. The complaint further alleged, among other things, that the Company's Executive Chairman and Chief Executive Officer, aided and abetted by Grupo VM, FerroAtlántica, Merger Sub and VeloNewco, breached their fiduciary duties by negotiating the Business Combination Agreement, and, in the case of the Executive Chairman, by entering into a voting agreement in favor of the Business Combination Agreement, out of self-interest. The action sought to enjoin the Business Combination, to order the board of directors to obtain an alternate transaction, damages, and attorneys' fees and costs.

On April 10, 2015, a purported Company Shareholder filed a putative class action lawsuit on behalf of Company Shareholders challenging the Business Combination in the Court of Chancery of the State of Delaware. The action, captioned Int'l Union of Operating Engineers Local 478 Pension Fund v. Globe Specialty Metals, Inc., et al., C.A. No. 10899-VCG, named as defendants the Company, the members of its board of directors, its Chief Executive Officer, Grupo VM, FerroAtlántica, Merger Sub and VeloNewco. The complaint made identical allegations and sought the same relief sought in City of Providence v. Globe Specialty Metals, Inc., et al., C.A. No. 10865-VCG.

On April 21, 2015, a purported Company Shareholder filed a putative class action lawsuit on behalf of Company Shareholders challenging the Business Combination in the Court of Chancery of the State of Delaware. The action, captioned Cirillo v. Globe Specialty Metals, Inc., et al., C.A. No. 10929-VCG, named as defendants the Company, its board of directors, Grupo VM, FerroAtlántica, Merger Sub and VeloNewco. The complaint alleged, among other things, that the Company's directors, aided and abetted by the Company, Grupo VM, FerroAtlántica, Merger Sub and VeloNewco, breached their fiduciary duties in agreeing to the Business Combination for inadequate consideration and that certain provisions in the Business Combination Agreement unfairly deterred a potential alternative transaction. The action sought to enjoin or rescind the Business Combination, disclosure of information, damages, and attorneys' fees and costs.

On May 4, 2015, the Court of Chancery of the State of Delaware consolidated these four actions for all purposes into C.A. No. 10865-VCG, now captioned In re Globe Specialty Metals, Inc. Stockholders Litigation, Consolidated C.A. No. 10865-VCG. The Court further designated the complaint filed in C.A. No. 10865-VCG as the operative complaint in the consolidated action. Plaintiffs filed a motion for a preliminary injunction seeking to enjoin the Company from convening a special meeting of Company Shareholders to vote on the proposal to adopt the Business Combination Agreement or consummating the Business Combination. In addition, Plaintiffs filed a motion for expedited proceedings, and supporting brief, in which they requested that the Court schedule a trial in this action before the Company Shareholders vote on the Business Combination. Defendants, including Globe, filed an opposition brief in which they objected to Plaintiffs' motion for expedited proceedings to the extent it seeks expansive discovery and an expedited trial on the merits in lieu of a preliminary injunction hearing. Subsequently, the parties reached agreement on the scope of expedited discovery. The Court scheduled a hearing on Plaintiffs' motion for a preliminary injunction for August 26, 2015.

On June 15, 2015, Plaintiffs filed an amended consolidated class action complaint, realleging, among other things, that the Company's board of directors and Chief Executive Officer, aided and abetted by Grupo VM, FerroAtlántica, Merger Sub and VeloNewco, breached their fiduciary duties by entering into the Business Combination for inadequate consideration and that certain provisions in the Business Combination Agreement unfairly deterred a potential alternative transaction. The amended complaint further alleges that, among other things, the Company's preliminary proxy statement/prospectus filed with the SEC on May 6, 2015, is materially misleading and incomplete, and that the Company's board of directors and Chief Executive Officer breached their fiduciary duties by failing to disclose purportedly material information to Company Shareholders in connection with the Business Combination. The amended complaint seeks, among other relief, an order enjoining the Defendants from consummating the proposed Business Combination; a declaration that the disclosures contained in the preliminary proxy statement/prospectus are deficient; damages; and attorneys' fees and costs.

On August 10, 2015, Plaintiffs filed their opening brief in support of their motion for preliminary injunction.

The amended complaint does not specify the amount of damages sought by Plaintiffs in the consolidated action and it is not presently possible to determine the outcome of these matters. Accordingly, the possible loss, if any, related to these matters is uncertain and cannot be reasonably estimated at this time.

Environmental Contingencies

At June 30, 2015, 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.

Asset Retirement Obligations

As of June 30, 2015 and 2014, the Company has recorded asset retirement obligation accruals for mine reclamation and preparation plant closure costs totaling $14,764,000 and $9,134,000, respectively. There were no assets that were legally restricted for purposes of settling asset retirement obligations at June 30, 2015 or 2014.

Accounting Pronouncements to be Implemented

In May 2014, the Financial Accounting Standards Board issued a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. This new guidance is effective for annual reporting periods beginning after December 15, 2016 and early adoption is not permitted. Companies may use either a full retrospective or a modified retrospective approach to adopt this new guidance and management is currently evaluating which transition approach to use. In July 2015, the FASB deferred the required implementation date one year to the first quarter of calendar 2018 but also agreed to allow companies to adopt the standard at the original effective date of 2017. Accordingly, we will adopt this new guidance beginning in fiscal 2019. We are currently evaluating the impact of this guidance on our consolidated results of operations, financial position and cash flows.

In April 2015, the FASB issued an accounting standards update relating to the presentation of debt issuance costs. The accounting update requires companies to present debt issuance costs related to a recognized debt liability presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The guidance is effective beginning fiscal 2017. In June 2015, the SEC clarified that revolver arrangement costs are not in the scope of the new guidance. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In July 2015, the FASB issued an accounting standards update relating to the measurement of inventory. The accounting update changes the subsequent measurement guidance from the lower of cost or market to the lower of cost and net realizable value for inventory measured using first-in, first-out (FIFO) or average cost. The guidance is effective beginning fiscal 2018. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks arising from adverse changes in:

- commodity prices,
- interest rates, and
- foreign exchange rates.

In the normal course of business, we manage these risks through a variety of strategies, including obtaining captive or long-term contracted raw material supplies and hedging strategies. Obtaining captive or long-term contracted raw material supplies involves the acquisition of companies or assets for the purpose of increasing our access to raw materials or the identification and effective implementation of long-term leasing rights or supply agreements. We entered into derivative instruments to hedge certain commodity price, interest rate, and foreign currency risks. We do not engage in commodity, interest rate, or currency speculation, and no derivatives are held for trading purposes.

All derivatives are accounted for using mark-to-market accounting. We believe it is not practical to designate our derivative instruments as hedging instruments as defined under ASC Subtopic 815-10, Derivatives and Hedging (ASC

815). Accordingly, we adjust our derivative financial instruments to current market value through the consolidated statement of income 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 our commodity, interest rate, and currency 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 our derivative agreements are major financial institutions that are highly rated.

Commodity Prices:

We are exposed to price risk for certain raw materials and energy used in our production process. The raw materials and energy which we use are largely commodities, subject to price volatility caused by changes in global supply and demand and governmental controls. Derivative financial instruments are not used extensively to manage our exposure to fluctuations in the cost of commodity products used in our operations. We attempt to reduce the impact of increases in our raw material and energy costs by negotiating long-term contracts and through the acquisition of companies or assets for the purpose of increasing our access to raw materials with favorable pricing terms. We have entered into long-term power supply contracts that result in stable, favorably priced long-term commitments for the majority of our power needs. Additionally, we have long-term lease mining rights in the U.S. that supply us with a substantial portion of our requirements for quartzite. We also have obtained a captive supply of electrodes through our 98% ownership interest in Yonvey.

In October 2010, we entered into a power hedge agreement on a 87,600 MWh notional amount of electricity. The agreement was effective July 1, 2012 and the notional amount decreased equally per month with a fixed power rate at $39.95 per MWh over the life of the contract. This contract expired on June 30, 2013. At June 30, 2015, we have no outstanding power hedge agreements.

To the extent that we have not mitigated our exposure to rising raw material and energy prices, we may not be able to increase our prices to our customers to offset such potential raw material or energy price increases, which could have a material adverse effect on our results of operations and operating cash flows.

Interest Rates:

We are exposed to market risk from changes in interest rates on certain of our short-term and long-term debt obligations. The Company had outstanding revolving multi-currency credit facility of $100,000,000 at June 30, 2015, with weighted average interest rate of 1.66%. The Company previously entered into interest rate cap arrangement and swap agreements to mitigate the risk of interest rate fluctuations on its recently terminated senior credit facility and long-term debt. The Company settled these agreements in connection with the termination of the senior credit facility and long-term debt. The Company would consider entering into hedge agreements to mitigate the interest rate risk, if conditions warrant. At June 30, 2015, we have no outstanding interest rate derivatives.

If market interest rates were to increase or decrease by 10% for the full 2015 fiscal year as compared to the rates in effect at June 30, 2015, we estimate that the change would not have a material impact to our cash flows or results of operations.

We are also subject to interest rate risk with respect to our pension and postretirement benefit obligations, as changes in interest rates will effectively increase or decrease our liabilities associated with these benefit plans, which also results in changes to the amount of pension and postretirement benefit expense recognized each period.

Foreign Currency Risk:

We are exposed to market risk arising from changes in currency exchange rates as a result of operations outside the United States, principally in Argentina, Canada, China and South Africa. A portion of our net sales generated from our non-U.S. operations is denominated in currencies other than the U.S. dollar. Most of our operating costs for our non-U.S. operations are denominated in local currencies, principally the Argentine peso, the Chinese renminbi, and the South African rand. Consequently, the translated U.S. dollar value of our non-U.S. dollar sales, and related accounts receivable balances, and our operating costs are subject to currency exchange rate fluctuations. Derivative instruments are not used extensively to manage this risk. At June 30, 2015, we have no outstanding foreign exchange forward and option contracts.

A hypothetical uniform 10% increase or decrease in the value of the dollar relative to all the currencies in which our transactions are denominated would not have a material impact to our cash flows or results of operations.

Item 8. Financial Statements and Supplementary Data

The financial statements appearing on pages 36 to 60 are incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. 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, we evaluated the effectiveness of our disclosure controls and procedures as such term is defined in Securities Exchange Act Rule 13a-15(e) or 15d-15(e). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective as of the end of the period covered by this report.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal controls over financial reporting. Our internal control system over financial reporting is a process designed under the supervision of our Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles.

The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the Company's financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In connection with the preparation of our annual consolidated financial statements, management has undertaken its assessment of the effectiveness of our internal control over financial reporting as of June 30, 2015, based on the criteria established in "Internal Control-Integrated Framework (1992)" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management's assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of those controls. Based on this assessment, management has concluded that the Company's internal control over financial reporting was effective as of June 30, 2015.

Report of Independent Registered Public Accounting Firm

Deloitte & Touche LLP, the independent registered public accounting firm that audited our consolidated financial statements included in this report, has issued its report on the effectiveness of our internal control over financial reporting, a copy of which appears on page 61 of this annual report.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2015, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Certain information required by Part III is omitted from this report in that we will file a definitive proxy statement pursuant to Regulation 14A with respect to our 2015 Annual Meeting (the "Proxy Statement") no later than 120 days after the end of the fiscal year covered by this report, and certain information included therein is incorporated herein by reference. Only those sections of the Proxy Statement which specifically address the items set forth herein are incorporated by reference.

Item 10. Directors, Executive Officers and Corporate Governance

Except as set forth below, the information required by this Item is hereby incorporated herein by reference to the Proxy Statement.

Set forth below is certain information about our executive officers:

Name	Age	Position
Alan Kestenbaum	53	Executive Chairman and Director
Jeff Bradley	55	Chief Executive Officer and Chief Operating Officer
Joseph Ragan	54	Chief Financial Officer
Stephen Lebowitz	50	Chief Legal Officer

Alan Kestenbaum has served as Executive Chairman and Director since our inception in December 2004, and served as Chief Executive Officer from our inception through May 2008. From June 2004, Mr. Kestenbaum served as Chairman of Globe Metallurgical, Inc., until its acquisition by us in November 2006. He has over 25 years of experience in metals including finance, distribution, trading and manufacturing. Mr. Kestenbaum is a founder and the Chief Executive Officer of Marco International Corp., and its affiliates, a finance trading group specializing in metals, minerals and other raw materials, founded in 1985. Mr. Kestenbaum was involved in the expansion by certain of Marco International's affiliates into China and the former Soviet Union. He also established affiliated private equity businesses in 1999 which were involved in sourcing and concluding a number of private equity transactions, including ones relating to McCook Metals, Scottsboro Aluminum and Globe Metallurgical, Inc. Mr. Kestenbaum began his career in metals with Glencore, Inc. and Philipp Brothers in New York City. He received his B.A. in Economics cum laude from Yeshiva University, New York.

Jeff Bradley has served as our Chief Executive Officer since May 2008 and our Chief Operating Officer since August 2010. From June 2005 until February 2008, Mr. Bradley served as Chairman, Chief Executive Officer and Director of Claymont Steel Holdings, Inc., a company specializing in the manufacture and sale of custom-order steel plate in the United States and Canada. Mr. Bradley was not employed after his February 2008 departure from Claymont Steel until he joined us in May 2008. Prior to joining Claymont Steel, from September 2004 to June 2005, Mr. Bradley served as Vice President of strategic planning for Dietrich Industries, a construction products subsidiary of Worthington Industries. From September 2000 to August 2004, Mr. Bradley served as a vice president and general manager for Worthington Steel, a diversified metal processing company. Mr. Bradley holds a B.S. in Business Administration from Loyola College in Baltimore, Maryland. In July 2015, Mr. Bradley advised the Company that he desired to step down from his position as Chief Executive Officer and Chief Operating Officer effective August 31, 2015, to pursue other interests. At the time of Mr. Bradley's departure, Mr. Kestenbaum will assume the additional role of CEO through the transaction close of the Business Combination.

Joseph Ragan joined our company as Chief Financial Officer in May 2013. Prior to that, Mr. Ragan served from 2008 to 2013 as Chief Financial Officer for Boart Longyear, the world's largest drilling services contractor for the global mining sector, operating in more than 40 countries and selling its products in nearly 100 countries. Prior to joining Boart Longyear, he held the position of Chief Financial Officer for the GTSI Corporation, a leading technology solutions provider for the public sector listed on NASDAQ. Earlier in his career, he held various international and domestic finance positions for PSEG, The AES Corporation, and Deloitte and Touche. He received his Bachelor of Science in Accounting from The University of the State of New York, his Master's degree in Accounting from George Mason University, and is a Certified Public Accountant in the commonwealth of Virginia.

Stephen Lebowitz has served as our Chief Legal Officer since July 2008. Prior to that, from 2001 to 2008, Mr. Lebowitz was in-house counsel at BP p.l.c., one of the world’s largest petroleum companies, to its jet fuel, marine and solar energy divisions. Prior to joining BP, Mr. Lebowitz was in private practice, both as a partner at the law firm Ridberg, Press and Aaronson, and as an associate with the law firm Kaye Scholer LLP. Mr. Lebowitz holds a B.A. from the University of Vermont, received a law degree from George Washington University, and while overseas as a Fulbright Scholar, obtained an L.L.M. in European law.

Item 11. Executive Compensation

The information required by this Item is hereby incorporated herein by reference to the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is hereby incorporated herein by reference to the Proxy Statement.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information required by this Item is hereby incorporated herein by reference to the Proxy Statement.

Item 14. Principal Accountant Fees and Services

The information required by this Item is hereby incorporated herein by reference to the Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this Annual Report on Form 10-K:

(1) Financial Statements

(2) Financial Statement Schedules

Not applicable.

(3) Exhibits

The following exhibits are filed with this Annual Report or incorporated by reference:

Exhibit Number		Description of Document
2	.1	Membership Interest Purchase Agreement dated May 27, 2011 by and among NGPC Asset Holdings II, LP,NGP Capital Resources Company and Globe BG, LLC relating to Alden Resources Inc. (7)
2	.2	Membership Interest Purchase Agreement dated May 27, 2011 by and among NGPC Asset Holdings II, LP,NGP Capital Resources Company and Globe BG, LLC relating to Gatliff Services, Inc. (7)
2	.3	Purchase Agreement dated May 27, 2011 by and among NGP Capital Resources Company, Globe BG, LLC and Globe Specialty Metals, Inc. regarding The Overriding Royalty Interests (7)
2	.4	Agreement of Purchase and Sale dated as of April 25, 2012 by and among Becancour Silicon Inc., Timminco Ltd., QSI Partners Ltd., and Globe Specialty Metals, Inc. (6)
2	.5	Amended and Restated Business Combination Agreement, dated as of May 5, 2015, by and between the Company, Grupo VM, FerroAtlántica, VeloNewco and Merger Sub (14)
		Articles of Incorporation and Bylaws
3	.1	Amended and Restated Certificate of Incorporation (1)
3	.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation (1)
3	.3	Amended and Restated Bylaws (2)
3	.4	First Amendment to the Amended and Restated Bylaws (15)
		Instruments Defining the Rights of Security Holders, Including Indentures
4	.1	

	Credit Agreement, dated as of August 20, 2013, among the Company, certain subsidiaries of the Company from time to time party thereto, Citizens Bank of Pennsylvania as Administrative Agent and L/C issuer, RBS Citizens, N.A., PNC Bank, National Association and Wells Fargo Securities, LLC as Joint Lead Arrangers and Joint Book Runners, PNC Bank, National Association and Wells Fargo Bank, National Association, as Co-Syndication Agents, and BBVA Compass Bank, as Documentation Agent, and the other lenders party thereto. (3)
	We are a party to other instruments defining the rights of holders of long-term debt. No such instrument authorizes an amount of securities in excess of 10 percent of the total assets of the company and its subsidiaries on a consolidated basis. We agree to furnish a copy of each such instrument to the Commission on request.
	Material Contracts
10 .1	Output and Supply Agreement, dated as of October 1, 2010, by and among Quebec Silicon Limited Partnership, Becancour Silicon Inc. (succeeded in interest by QSIP Canada ULC) and Dow Corning Corporation. (6)
10 .2	Shareholders Agree ment between all the Shareholders of Quebec Silicon General Partner Inc., dated as of October 1, 2010, by and among Becancour Silicon Inc. (succeeded in interest by QSIP Canada ULC), Dow Corning Netherlands, B.V., and Quebec Silicon General Partner Inc. (6)
10 .3	Amended and Restated Limited Partnership Agreement dated as of October 1, 2010, by and among Becancour Silicon Inc. (succeeded in interest by QSIP Canada ULC), Dow Corning Canada, Inc., and Quebec Silicon General Partner Inc. (6)
10 .4	Voting Agreement, dated as of February 23, 2015, by and between Alan Kestenbaum and Group VM (16)
	Management Contracts and Compensatory Plans
10 .5	2006 Employee, Director and Consultant Stock Option Plan (1)
10 .6	Amendments to 2006 Employee, Director and Consultant Stock Option Plan (8)
10 .7	2010 Annual Executive Bonus Plan (9)
10 .8	Chief Financial Officer and Chief Legal Officer Annual Bonus Plan (10)
10 .9	Framework for the 2011 Annual Executive Long Term Incentive Plan (11)
10 .10	2012 Long-Term Incentive Plan (17)
10 .11	Employment Agreement, dated January 27, 2011, between GSM and Alan Kestenbaum (11)
10 .12	Amendment, dated February 22, 2015, to Employment Agreement, dated January 27, 2011, between GSM and Alan Kestenbaum (18)
10 .13	Employment Agreement, dated July 5, 2011, between GSM and Jeff Bradley (12)
10 .14	Employment Agreement, dated November 30, 2011, between GSM and Malcolm Appelbaum (4)
10 .15	Amended and Restated Director Compensation Plan†
10 .16	Executive Deferred Compensation Plan (4)
10 .17	Director Deferred Compensation Plan (4)
10 .18	2012 Long-Term Incentive Plan (19)
10 .19	Employment Agreement, dated May 8, 2013, between GSM and Joseph Ragan (13)
10 .20	Separation Agreement, dated March 20, 2013, between GSM and Malcolm Appelbaum (13)
10 .21	Employment Agreement, dated July 8, 2013, between GSM and Stephen Lebowitz (13)
10 .22	Amendment to Employment Agreement dated August 21, 2013 between GSM and Stephen Lebowitz (5)

21	.1	Subsidiaries †
23	.1	Consent of Deloitte & Touche LLP †
23	.2	Consent of KPMG LLP †
31	.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 †
31	.2	Certification of the Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 †
32	.1	Certification of the Principal Executive Officers 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 Annual Report on Form 10-K for the fiscal year ended June 30, 2015 formatted in eXtensible Business Reporting Language ("XBRL"): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income (Loss), (iv) the Consolidated Statements of Changes in Stockholders' Equity, (v) the Consolidated Statements of Cash Flows, and (vi) notes to these consolidated financial statements.

---

† Filed herewith.

1 Incorporated by reference to the exhibit with the same designation filed with the Company's registration statement on Form S-1 (Registration No. 333-152513) filed on July 25, 2008.

2 Incorporated by reference to the exhibit with the same designation filed with Amendment No. 1 to the Company's registration statement on Form S-1 (Registration No. 333-152513) filed on November 4, 2008.

3 Incorporated by reference to exhibit to the Company's Form 8-K filed on August 21, 2013.

4 Incorporated by reference to exhibit to the Company's Form 10-Q filed on February 8, 2012.

5 Incorporated by reference to exhibit to the Company's Form 10-Q filed on November 6, 2013.

6 Incorporated by reference to exhibit to the Company's Form 10-K filed on August 28, 2012.

7 Incorporated by reference to exhibit to the Company's Form 8-K filed on June 3, 2011.

8 Incorporated by reference to exhibit to the Company's Form 10-Q filed on February 11, 2011.

9 Incorporated by reference to exhibit to the Company's Form 10-K filed on September 28, 2010.

10 Incorporated by reference to exhibit to the Company's Form 10-Q filed on November 12, 2010.

11 Incorporated by reference to exhibit to the Company's Form 10-Q filed on May 12, 2011.

12 Incorporated by reference to exhibit to the Company's Form 10-K filed on August 26, 2011.

13 Incorporated by reference to exhibit to the Company's Form 10-K filed on August 28, 2013

14 Incorporated by reference to exhibit to the Company's Form 8-K Filed on May 6, 2015.

15 Incorporated by reference to exhibit to the Company's Form 8-K Filed on February 23, 2015.

16 Incorporated by reference to exhibit to the Company's Form 8-K Filed on February 23, 2015.

17 Incorporated by reference to Exhibit B to the Company's Proxy Statement Filed on October 28, 2011.

18 Incorporated by reference to exhibit to the Company's Form 8-K Filed on February 23, 2015.

19 Incorporated by reference to exhibit to the Company's Proxy Statement Filed on October 28, 2011.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Globe Specialty Metals, Inc. (Registrant)

By:	/s/ Joseph Ragan Joseph Ragan Chief Financial Officer

August 26, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Alan Kestenbaum Alan Kestenbaum	Executive Chairman and Director	August 26, 2015
/s/ Jeff Bradley Jeff Bradley	Chief Executive Officer, Chief Operating Officer and Principal Executive Officer	August 26, 2015
/s/ Joseph Ragan Joseph Ragan	Chief Financial Officer, Principal Financial Officer and Principal Accounting Officer	August 26, 2015
/s/ Stuart E. Eizenstat Stuart E. Eizenstat	Director	August 26, 2015
/s/ Franklin Lavin Franklin Lavin	Director	August 26, 2015
/s/ Donald Barger	Director	

Donald Barger		August 26, 2015
/s/ Bruce Crockett	Director	August 26, 2015
Bruce Crockett		
/s/ Alan Schriber	Director	August 26, 2015
Alan Schriber		

32

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

GLOBE SPECIALTY METALS, INC.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Globe Specialty Metals, Inc.
Miami, Florida

We have audited the accompanying consolidated balance sheets of Globe Specialty Metals, Inc. and subsidiaries (the "Company") as of June 30, 2015 and 2014, and the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity, and cash flows for each of the years in the two-year period ended June 30, 2015. We also have audited the Company's internal control over financial reporting as of June 30, 2015, based on criteria established in Internal Control — Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Globe Specialty Metals, Inc. and subsidiaries as of June 30, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the two-year period ended June 30, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2015 based on the criteria established in Internal Control — Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ DELOITTE & TOUCHE LLP

Certified Public Accountants

Miami, Florida
August 26, 2015

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows of Globe Specialty Metals, Inc. and subsidiaries (the Company) for the year ended June 30, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Globe Specialty Metals, Inc. and subsidiaries for the year ended June 30, 2013, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

New York, New York

August 28, 2013

GLOBE SPECIALTY METALS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
June 30, 2015 and 2014
(In thousands, except share and per share amounts)

	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 115,944	97,792
Marketable securities	4,965	10,399
Accounts receivable, net of allowance for doubtful accounts of $778 and $811 at June 30, 2015 and 2014, respectively	54,815	100,829
Inventories	119,732	80,924
Deferred tax assets	6,385	7,042
Prepaid expenses and other current assets	20,501	26,259
Total current assets	322,342	323,245
Property, plant, and equipment, net of accumulated depreciation, depletion and amortization	454,769	469,169
Deferred tax assets	790	901
Goodwill	43,343	43,343
Other intangible assets	477	477
Investments in unconsolidated affiliates	5,973	5,973
Other assets	1,667	2,018
Total assets	$ 829,361	845,126
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 63,807	46,613
Short-term debt	953	59
Share-based liabilities	4,851	12,552
Accrued expenses and other current liabilities	43,687	38,758
Total current liabilities	113,298	97,982
Long-term liabilities:		
Revolving credit agreements and other long-term debt	100,095	125,145
Deferred tax liabilities	50,861	50,845
Other long-term liabilities	52,605	50,626
Total liabilities	316,859	324,598
Commitments and contingencies (note 16)		
Stockholders' equity:		
Common stock, $0.0001 par value. Authorized, 150,000,000 shares; issued, 75,637,059 and 75,623,454 shares at June 30, 2015 and 2014, respectively	8	8
Additional paid-in capital	403,413	398,685
Retained earnings	79,332	70,875
Accumulated other comprehensive loss:		
Foreign currency translation adjustment	(21,766)	(1,832)
Pension liability adjustment, net of tax	(5,399)	(3,689)
Unrealized (loss) gain on available for sale securities, net of tax	(711)	144

Total accumulated other comprehensive loss	(27,876)	(5,377)
Treasury stock at cost, 1,887,069 and 1,874,003 shares at June 30, 2015 and 2014 , respectively	(29,208)	(28,966)
Total Globe Specialty Metals, Inc. stockholders' equity	425,669	435,225
Noncontrolling interest	86,833	85,303
Total stockholders' equity	512,502	520,528
Total liabilities and stockholders' equity	$ 829,361	845,126

See accompanying notes to consolidated financial statements.

GLOBE SPECIALTY METALS, INC. AND SUBSIDIARIES

Consolidated Statements of Operations
Years ended June 30, 2015, 2014, and 2013
(In thousands, except per share amounts)

	2015	2014	2013
Net sales	$ 800,773	752,817	757,550
Cost of goods sold	650,677	635,735	657,911
Selling, general, and administrative expenses	88,205	92,103	64,663
Contract acquisition cost	—	16,000	—
Curtailment gain	—	(5,831)	—
Business interruption insurance recovery	—	—	(4,594)
Goodwill impairment	—	—	13,130
Impairment of long-lived assets	—	—	35,387
Operating income (loss)	61,891	14,810	(8,947)
Other income (expense):			
Gain on remeasurement of equity investment	—	—	1,655
Bargain purchase gain	—	29,538	—
Interest income	267	67	820
Interest expense, net of capitalized interest	(4,343)	(8,022)	(6,887)
Foreign exchange loss	(2,669)	(3,121)	(4,360)
Other income	1,132	339	644
Income (loss) before provision for income taxes	56,278	33,611	(17,075)
Provision for income taxes	21,651	7,705	2,734
Net income (loss)	34,627	25,906	(19,809)
Income attributable to noncontrolling interest, net of tax	(3,307)	(4,203)	(1,219)
Net income (loss) attributable to Globe Specialty Metals, Inc.	$ 31,320	21,703	(21,028)
Weighted average shares outstanding:			
Basic	73,751	74,674	75,207
Diluted	73,892	74,793	75,207
Earnings (loss) per common share:			
Basic	$ 0.42	0.29	(0.28)
Diluted	0.42	0.29	(0.28)
Cash dividends declared per common share	0.31	0.29	0.38

See accompanying notes to consolidated financial statements.

GLOBE SPECIALTY METALS, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)
Years ended June 30, 2015, 2014, and 2013
(In thousands)

	2015	2014	2013
Net income (loss)	$ 34,627	25,906	(19,809)
Other comprehensive (loss) income			
Foreign currency translation adjustment	(21,474)	(2,232)	(1,642)
Pension liability adjustment, net of tax (benefit) expense of ($735), $635, and $2,053, respectively	(1,947)	1,597	2,954
Unrealized (loss) gain on available for sale securitites, net of tax (benefit) expense of ($300), $49, and $13, respectively	(855)	144	38
Total other comprehensive (loss) income	(24,276)	(491)	1,350
Comprehensive income (loss)	10,351	25,415	(18,459)
Comprehensive income attributable to noncontrolling interest	1,530	4,171	647
Comprehensive income (loss) attributable to Globe Specialty Metals, Inc.	$ 8,821	21,244	(19,106)

See accompanying notes to consolidated financial statements.

GLOBE SPECIALTY METALS, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity
Years ended June 30, 2015, 2014, and 2013
(In thousands)

	Globe Specialty Metals, Inc. Stockholders' Equity							
	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock at Cost	Noncontrolling Interest	Total Stockholders' Equity
Balance at June 30, 2012	75,332	$ 8	405,675	119,863	(6,840)	(4)	85,097	603,799
Share-based compensation	2	—	(5,525)	—	—	—	—	(5,525)
Stock option exercises	255	—	1,023	—	—	—	—	1,023
Yonvey shares purchased	—	—	(1,939)	—	—	—	(1,510)	(3,449)
Quebec Silicon purchase price allocation adjustments	—	—	—	—	—	—	(3,102)	(3,102)
Cash dividend	—	—	—	(28,207)	—	—	—	(28,207)
Comprehensive (loss) income	—	—	—	(21,028)	1,922	—	647	(18,459)
Balance at June 30, 2013	75,589	8	399,234	70,628	(4,918)	(4)	81,132	546,080
Share-based compensation	4	—	(729)	—	—	—	—	(729)
Stock option exercises	30	—	180	—	—	—	—	180
Share repurchase	—	—	—	—	—	(28,962)	—	(28,962)
Cash dividend	—	—	—	(21,456)	—	—	—	(21,456)
Comprehensive income (loss)	—	—	—	21,703	(459)	—	4,171	25,415
Balance at June 30, 2014	75,623	8	398,685	70,875	(5,377)	(28,966)	85,303	520,528
Share-based compensation	7	—	4,648	—	—	—	—	4,648
Stock option exercises	7	—	80	—	—	—	—	80
Share repurchase	—	—	—	—	—	(242)	—	(242)

Cash dividend	—	—	—	(22,863)	—	—	—	(22,863)
Comprehensive income (loss)	—	—	—	31,320	(22,499)	—	1,530	10,351
Balance at June 30, 2015	75,637	$ 8	403,413	79,332	(27,876)	(29,208)	86,833	512,502

See accompanying notes to consolidated financial statements.

GLOBE SPECIALTY METALS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
Years ended June 30, 2015, 2014, and 2013
(In thousands)

	2015	2014	2013
Cash flows from operating activities:			
Net income (loss)	$ 34,627	25,906	(19,809)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	51,029	43,822	45,108
Depletion	752	1,151	1,513
Share-based compensation	4,648	(729)	(5,525)
Curtailment gain	—	(5,831)	—
Bargain purchase gain	—	(29,538)	—
Gain on remeasurement of equity investment	—	—	(1,655)
Goodwill impairment	—	—	13,130
Impairment of long-lived assets	—	—	35,387
Amortization of deferred financing fees	191	3,668	812
Unrealized foreign exchange loss	183	373	1,635
Deferred taxes	4,117	3,731	(3,541)
Amortization of customer contract liabilities	(3,727)	(7,183)	(6,626)
Accretion	225	255	267
Changes in operating assets and liabilities:			
Accounts receivable, net	43,309	(16,673)	3,513
Inventories	(45,000)	21,973	16,588
Prepaid expenses and other current assets	1,798	4,074	(4,533)
Accounts payable	15,116	7,251	(14,161)
Accrued expenses and other current liabilities	(486)	6,080	10,565
Other	2,467	4,226	72
Net cash provided by operating activities	109,249	62,556	72,740
Cash flows from investing activities:			
Capital expenditures	(50,019)	(47,075)	(44,509)
Acquisition of businesses, net of cash acquired of $0, $200, and $3,656 during the years ended June 30, 2015, 2014, and 2013, respectively	—	(3,800)	(4,520)
Proceeds from sale (purchase) of marketable securities	7,776	(13,396)	—
Net cash used in investing activities	(42,243)	(64,271)	(49,029)
Cash flows from financing activities:			
Borrowings of long-term debt	894	145	—
Payments of short-term debt	(50)	(225)	(39)
Borrowings under revolving credit agreements	—	156,400	20,391
Payments under revolving credit agreements	(25,000)	(170,650)	(21,616)
Debt issuance costs	—	(1,080)	—
Dividend payments	(22,863)	(21,456)	(28,207)
Proceeds from stock option exercises	80	180	1,023

Purchase of treasury shares	(242)	(28,962)	—
Other financing activities	(2,572)	(2,960)	(2,546)
Net cash used in financing activities	(49,753)	(68,608)	(30,994)
Effect of exchange rate changes on cash and cash equivalents	899	(1,561)	(1,051)
Net increase (decrease) in cash and cash equivalents	18,152	(71,884)	(8,334)
Cash and cash equivalents at beginning of year	97,792	169,676	178,010
Cash and cash equivalents at end of year	$ 115,944	97,792	169,676
Supplemental disclosures of cash flow information:			
Cash paid for interest, net of capitalized interest	$ 1,855	3,938	5,492
Cash paid (refunded) for income taxes, net of refunds totaling $554, $8,708, and $626 during the years ended June 30, 2015, 2014, and 2013, respectively	11,513	(6,212)	13,303

See accompanying notes to consolidated financial statements.

GLOBE SPECIALTY METALS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
June 30, 2015, 2014, and 2013
(Dollars in thousands, except share and per share data)

(1) Organization and Business Operations

Globe Specialty Metals, Inc. and subsidiaries (GSM, 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.

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

On November 20, 2006, the Company acquired Stein Ferroaleaciones S.A. (SFA), an Argentine manufacturer of silicon-based alloys, and SFA's affiliate, UltraCore Polska Sp.z.o.o. (UCP), a Polish manufacturer of cored wire alloys. SFA was renamed Globe Metales S.A. (Globe Metales). Globe Metales is headquartered in Buenos Aires, Argentina and operates a silicon-based alloy manufacturing plant in Mendoza province, Argentina and a cored wire packing plant in Police, Poland. Globe Metales' products are important ingredients in the manufacturing of steel, ductile iron, machine and auto parts, and pipe.

On January 31, 2007, the Company acquired Camargo Correa Metais S.A. (CCM), one of Brazil's largest producers of silicon metal and silica fume. CCM was renamed Globe Metais Indústria e Comércio S.A. (Globe Metais). On November 5, 2009, the Company sold 100% of its interest in Globe Metais. The sale of the Company's equity interest in Globe Metais was executed in connection with the sale of a 49% membership interest in WVA Manufacturing, LLC (WVA LLC), a newly formed entity by the Company, to Dow Corning Corporation (Dow Corning).

On February 29, 2008, the Company completed the acquisition of approximately 81% of Solsil, Inc. (Solsil). Solsil is continuing to develop its technology to produce upgraded metallurgical grade silicon through a proprietary metallurgical process for use in photovoltaic (solar) cells. Solsil is not presently producing material for commercial sale. The Company owns 97.25% of Solsil.

On May 15, 2008, the Company purchased an ownership interest of approximately 58% of Ningxia Yonvey Coal Industrial Co., Ltd (Yonvey). Yonvey is a producer of carbon electrodes, an important input in the silicon metal production process. Yonvey now principally supplies its electrodes to our subsidiaries. Yonvey's operations are located in Chonggang Industrial Park, Shizuishan in the Ningxia Hui Autonomous Region of China. On November 28, 2008, the Company increased its interest by an additional 12%. In January 2013, the Company purchased an additional 28% ownership interest in Yonvey, bringing the Company's ownership interest in Yonvey to 98%.

On April 1, 2010, the Company acquired Core Metals Group Holdings LLC (Core Metals). Core Metals is a leading producer, marketer, and distributor of ferroalloys and specialty materials for the North American steel and foundry industry. The acquisition was made to strengthen the Company's growing ferrosilicon business and expand the line of products and services it offers to steel markets around the world.

On July 28, 2011, the Company acquired Alden Resources, LLC (Alden) and Gatliff Services, LLC (Gatliff), collectively known as Alden. Alden is North America's leading miner, processor and supplier of specialty metallurgical coal to the silicon and silicon-based alloy industries. The acquisition was made in order to secure a stable, long-term and low-cost supply of specialty metallurgical coal, a key ingredient in the production of silicon metal and silicon-based alloys.

On June 13, 2012, the Company acquired Becancour Silicon Metal Inc.'s (BSI) 51% equity interest in Quebec Silicon Limited Partnership (QSLP), collectively known as Quebec Silicon. The Company operates Quebec Silicon's silicon metal plant located in Becancour, Quebec with its joint venture partner Dow Corning.

On November 21, 2013, the Company purchased 100% of the outstanding shares of Silicon Technology (Pty) Ltd. (Siltech). Siltech is a silicon-based alloy producer in South Africa. The acquisition was made to increase the Company's current silicon-based alloy capacity.

See note 3 (Business Combinations) for additional information regarding business combinations.

Proposed Business Combination

On February 23, 2015, the Company, Grupo Villar Mir, S.A.U., a public limited company (sociedad anónima) incorporated under the laws of Spain ("Grupo VM"), Grupo FerroAtlántica, S.A.U., a Spanish public limited liability company in the form of a sociedad anónima and wholly owned subsidiary of Grupo VM ("FerroAtlántica"), VeloNewco Limited, a newly formed private UK holding company and wholly owned subsidiary of Grupo VM ("VeloNewco"), and Gordon Merger Sub, Inc., a newly formed Delaware corporation and a direct wholly owned subsidiary of VeloNewco ("Merger Sub"), entered into a Business Combination Agreement (the "Original Business Combination Agreement") pursuant to which the parties agreed, subject to the terms and conditions of the Original Business Combination Agreement, to combine the businesses of the Company and FerroAtlántica under VeloNewco as described below (the "Business Combination"). The Original Business Combination Agreement was amended and restated on May 5, 2015. The Original Business Combination Agreement, as so amended and restated, is referred to as the "Business Combination Agreement".

Transaction Overview

Subject to the terms and conditions of the Business Combination Agreement, VeloNewco agreed to acquire from Grupo VM all of the issued and outstanding ordinary shares of FerroAtlántica in exchange for an aggregate of 98,078,161 newly issued VeloNewco Class A ordinary shares (each an "A Ordinary Share"), which will result in FerroAtlántica becoming a wholly owned subsidiary of VeloNewco (the "Stock Exchange"). After consummation of the Stock Exchange, Merger Sub will merge with and into the Company, with the Company surviving the merger as a wholly owned subsidiary of VeloNewco (the "Merger").

In the Stock Exchange, Grupo VM may be required to pay to VeloNewco as additional consideration for the A Ordinary Shares an amount in cash, if any, based upon FerroAtlántica's net debt at closing. In the Merger, each share of common stock of the Company will be converted into the right to receive one VeloNewco ordinary share (each an "Ordinary Share"). The A Ordinary Shares and the Ordinary Shares will have the same rights, powers and preferences, and vote together as a single class, except for the right of the holders of Ordinary Shares to the R&W Proceeds as described below.

41

In connection with the transaction, VeloNewco expects to purchase a buy side representations and warranties insurance policy (the “R&W Policy”) to insure against certain breaches of certain representations and warranties made by FerroAtlántica and Grupo VM in the Business Combination Agreement. Under the terms of the Articles of Association of VeloNewco (the “VeloNewco Articles”), if VeloNewco receives proceeds under the R&W Policy (after deduction of taxes applicable to such proceeds, if any) (the “R&W Proceeds”), VeloNewco is required to distribute the aggregate R&W Proceeds to the holders of the Ordinary Shares. Each A Ordinary Share automatically converts into one Ordinary Share upon the earlier to occur of: (a) the expiration of the R&W Policy; and (b) its transfer to any person or group which is not Grupo VM, any Grupo VM family member or any affiliate of Grupo VM or a Grupo VM family member.

Completion of the Business Combination is subject to Globe shareholder approval, regulatory approvals and customary closing conditions. The special meeting of Globe shareholders to consider adoption of the business combination agreement is scheduled for Thursday, September 10, 2015.

(2) Summary of Significant Accounting Policies

a. Basis of Presentation and Principles of Consolidation

The Company’s consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and present the accounts of Globe Specialty Metals, Inc. and its consolidated subsidiaries. When the Company does not have a controlling interest in an entity, but exerts significant influence over the entity, the Company applies the equity method of accounting. For investments in which the Company does not have significant influence, the cost method of accounting is used.

All intercompany balances and transactions have been eliminated in consolidation.

b. Use of Estimates

The Company prepares its consolidated financial statements in accordance with U.S. GAAP. 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. The Company based its estimates and judgments on historical experience, known or expected trends and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

c. Revenue Recognition

Revenue is recognized when title, ownership, and risk of loss pass to the customer, all of which occurs when products are delivered to the Company’s customers or when products are picked up by a customer or a customer’s carrier. Written sales terms, including the selling price, are determined at the time of shipment or delivery. We have not experienced significant credit issues with our customers. 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.

d. Foreign Currency Translation

The determination of the functional currency for the Company’s subsidiaries is made based on appropriate economic factors, including the currency in which the subsidiary sells its products, the market in which the subsidiary operates, and the currency in which the subsidiary’s financing is denominated. Based on these factors, management has determined that the U.S. dollar is the functional currency for Globe Metales. The functional currency for Yonvey is the Chinese renminbi. Yonvey's assets and liabilities are translated using current exchange rates in effect at the balance sheet date and for income and expense accounts using average exchange rates. The functional currency for Quebec Silicon is the Canadian dollar. Quebec Silicon's assets and liabilities are translated using current exchange rates in effect at the balance sheet date and for income and expense accounts using average exchange rates. The functional currency for Siltech is the South African rand. Siltech's assets and liabilities are translated using current exchange rates in effect at the balance sheet date and for income and expense accounts using average exchange rates. Resulting translation adjustments are reported as a separate component of stockholders' equity. Translation gains and losses are recognized on transactions in currencies other than the subsidiary's functional currency and included in the consolidated statement of operations for the period in which the exchange rates changed.

e. Cash and Cash Equivalents

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

f. Receivables Sale Arrangement

The Company has the option to sell certain accounts receivables up to a cap of $35,000 on a non-recourse basis to an unrelated financial institution under a receivables purchase arrangement in the U.S. An amendment to the agreement was entered into in the fourth quarter which raised the cap to $55,000. The Company accounts for this transaction as a sale of receivables, removes receivables sold from its financial statements, and records cash proceeds when received by the Company as cash provided by operating activities in the Consolidated Statement of Cash Flows. The receivables are sold at a discount rate of 30 day LIBOR plus 1.25% per annum discounted upfront on the date of purchase. The Company entered into the arrangement in the second quarter of fiscal 2015. The arrangement has a term of twelve months and will be renewed for an additional twelve month period in the absence of written termination notice provided by the Company no later than sixty days prior to the termination date of the arrangement. During fiscal 2015, the Company sold $175,592 of receivables under the arrangement and as of June 30, 2015, $46,567 of receivables was outstanding with the financial institution.

g. Marketable Securities

Marketable securities consist of trading and available-for-sale securities. Trading securities are bought and held principally for the purpose of selling them in the near term. Available-for-sale securities are not classified as either trading securities or as held-to-maturity securities. Unrealized holding gains and losses for trading securities are included in earnings. Unrealized holding gains and losses for available-for-sale securities are excluded from earnings and reported in other comprehensive income until realized.

h. Inventories

Cost of inventories is determined by the first-in, first-out method or, in certain cases, by the average cost method. Inventories are valued at the lower of cost or market value. Circumstances may arise (e.g., reductions in market pricing, obsolete, slow moving or defective inventory) that require the carrying amount of our inventory to be written down to net realizable value. The Company estimates market and net realizable value based on current and future expected selling prices, as well as expected costs to complete, including utilization of parts and supplies in the manufacturing process.

i. 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 10 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, which are incurred to expand capacity of operating mines, are capitalized and charged to operations based on the units-of production method over the estimated proven and probable reserve tons and based on the average useful life of the mine, respectively. Mine development costs include costs incurred for site preparation and development of the mines during the development stage, and are charged to operations on a straight-line basis over the estimated operational life of the mine.

j. Business Combinations

When the Company acquires a business, the purchase price is allocated based on the fair value of tangible assets and identifiable intangible assets acquired, and liabilities assumed. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Goodwill as of the acquisition date is measured as the residual of the excess of the consideration transferred, plus the fair value of any noncontrolling interest in the acquiree at the acquisition date, over the fair value of the identifiable net assets acquired. If the fair value of the net assets acquired exceeds the purchase price, the resulting bargain purchase is recognized as a gain in the consolidated statement of operations. Prior to the adoption of ASC Subtopic 805-10, Business Combinations (ASC 805-10), the resulting negative goodwill was allocated as a pro rata reduction of the values of acquired nonmonetary assets. The Company generally engages independent, third-party appraisal firms to assist in determining the fair value of assets acquired and liabilities assumed. Such a valuation requires management to make significant estimates, especially with respect to intangible assets. These estimates are based on historical experience and information obtained from the management of the acquired companies. These estimates are inherently uncertain. For all acquisitions, operating results are included in the consolidated statement of operations from the date of acquisition.

k. Goodwill and Other Intangible Assets

Impairment testing for goodwill is performed at the reporting unit level. In accordance with ASC Topic 350, Intangibles — Goodwill and Other (ASC 350), goodwill is tested for impairment annually during the third quarter, and will be tested for impairment between annual tests if an event occurs or circumstances change that more likely than not would indicate the carrying amount of a reporting unit may be impaired. Reporting units are at the reportable segment level, or one level below the reportable segment level for our GMI and Other reportable segments, and are aligned with our management reporting structure. Goodwill relates and is assigned directly to a specific reporting unit.

Impairment is the condition that exists when the carrying amount of goodwill exceeds its implied fair value. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. The excess of the fair value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. An impairment loss would be recognized when the carrying amount of goodwill exceeds the implied fair value of goodwill of the reporting unit. Refer to note 3 (Business Combinations) and note 7 (Goodwill and Other Intangibles) for additional information.

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

l. Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. Impairment losses are recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. The impairment loss is measured by comparing the fair value of the asset to its carrying amount. The Company considers various factors in determining whether an impairment test is necessary, including among other things, a significant or prolonged deterioration in operating results and projected cash flows, significant changes in the extent or manner in which assets are used, technological advances with respect to assets which would potentially render them obsolete, our strategy and capital planning, and the economic climate in the markets we serve. When estimating future cash flows and if necessary, fair value, the Company makes judgments as to the expected utilization of assets and estimated future cash flows related to those assets, considering historical and anticipated future results, general economic and market conditions, the impact of planned business and operational strategies and other information available at the time the estimates are made.

m. Mineral Reserves

Mineral reserves are recorded at fair value at the date of acquisition. Depletion of mineral reserves is computed using the units-of-production method utilizing only proven and probable reserves (as adjusted for recoverability factors) in the depletion base. Mineral reserves are included in Property, plant and equipment, net of accumulated depreciation, depletion and amortization in the consolidated balance sheets.

n. Exploration Costs

Costs incurred to maintain current production capacity at a mine and exploration expenditures are charged to operating costs as incurred, including costs related to drilling and study costs incurred.

o. Share-Based Compensation

The Company recognizes share-based compensation expense based on the estimated grant date fair value of share-based awards using a Black-Scholes option pricing model. Prior to vesting, cumulative compensation cost equals the proportionate amount of the award earned to date. The Company has elected to treat each award as a single award and recognize compensation cost on a straight-line basis over the requisite service period of the entire award. If the terms of an award are modified in a manner that affects both the fair value and vesting of the award, the total amount of remaining unrecognized compensation cost (based on the grant-date fair value) and the incremental fair value of the modified award are recognized over the amended vesting period.

On August 17, 2013, the Company amended certain outstanding options pursuant to the Company's 2006 Employee, Director and Consultant 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 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.

Refer to note 19 (Share-Based Compensation) for further information on the Company's accounting for share-based compensation.

p. Income Taxes

The Company's deferred tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, and applying enacted tax rates expected to be in effect for the year in which the differences are expected to reverse. If management determines it is more-likely-than-not that a portion of the Company's deferred tax assets will not be realized, a valuation allowance is recorded. The provision for income taxes is based on domestic (including federal and state) and international statutory income tax rates in the tax jurisdictions where the Company operates, permanent differences between financial reporting and tax reporting, and available credits and incentives.

Significant judgment is required in determining income tax provisions and tax positions. The Company may be challenged upon review by the applicable taxing authorities, and positions taken may not be sustained. All, or a portion of, the benefit of income tax positions are recognized only when the Company has made a determination that it is more-likely-than-not that the tax position will be sustained based upon the technical merits of the position. For tax positions that are determined as more-likely-than-not to be sustained, the tax benefit recognized is the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The accounting for uncertain income tax positions requires consideration of timing and judgments about tax issues and potential outcomes, and is a subjective estimate. In certain circumstances, the ultimate outcome of exposures and risks involves significant uncertainties. If actual outcomes differ materially from these estimates, they could have a material impact on the Company's results of operations and financial condition. Interest and penalties related to uncertain tax positions are recognized in income tax expense.

q. Financial Instruments

The Company accounts for derivatives and hedging activities in accordance with ASC Topic 815, Derivatives and Hedging (ASC 815). ASC 815 requires that all derivative instruments be recorded on the balance sheet at their respective fair values. On a historical basis, the Company has used interest rate caps and interest rate swaps to manage interest rate exposures on long-term debt, a power hedge to manage commodity price risk, and foreign exchange forward and option contracts to manage foreign currency exchange exposures as discussed in note 13 (Derivative Instruments). As of June 30, 2015, we had no outstanding derivative instruments.

r. Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. This new guidance is effective for annual reporting periods beginning after December 15, 2016 and early adoption is not permitted. Companies may use either a full retrospective or a modified retrospective approach to adopt this new guidance and management is currently evaluating which transition approach to use. In July 2015, the FASB deferred the required implementation date one year to the first quarter of calendar 2018 but also agreed to allow companies to adopt the standard at the original effective date of 2017. Accordingly, we will adopt this new guidance beginning in fiscal 2019. We are currently evaluating the impact of this guidance on our consolidated results of operations, financial position and cash flows.

In April 2015, the FASB issued an accounting standards update relating to the presentation of debt issuance costs. The accounting update requires companies to present debt issuance costs related to a recognized debt liability presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The guidance is effective beginning fiscal 2017. In June 2015, the SEC clarified that revolver arrangement costs are not in the scope of the new guidance. The adoption of this guidance is not expected to have a material impact on the

Company's consolidated financial statements.

In July 2015, the FASB issued an accounting standards update relating to the measurement of inventory. The accounting update changes the subsequent measurement guidance from the lower of cost or market to the lower of cost and net realizable value for inventory measured using first-in, first-out (FIFO) or average cost. The guidance is effective beginning fiscal 2018. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

(3) Business Combinations

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 was subject to the finalization of the working capital settlement. The Company recognized a gain of approximately $1,655 on the fair value remeasurement (based on the transaction price) of its existing 50% equity investment. The Company finalized the purchase price allocation in December 2013. Total goodwill of $3,371 was recorded in connection with the acquisition, which was assigned to the GMI operating segment.

Siltech:

On November 21, 2013, the Company purchased 100% of the outstanding shares of Silicon Technology (Pty) Ltd. (Siltech) for $4,000. The Company paid for the acquisition from available cash. Siltech is a silicon-based alloy producer in South Africa with an annual production capacity of approximately 45,000 metric tons. The acquisition was made to increase the Company’s current silicon-based alloy capacity by approximately 30% and its strategic location will enable the Company to supplement its existing facility to service the large and improving European, Asian and Middle Eastern markets.

The Siltech acquisition was recorded as a business combination under Accounting Standards Codification 805 (“ASC 805”), Business Combinations, with identifiable assets acquired and liabilities assumed provisionally recorded at their estimated fair values on the acquisition date while costs associated with the acquisition were expensed as incurred. The Company utilized the services of third-party valuation consultants, along with estimates and assumptions provided by the Company, to estimate the initial fair value of the assets acquired. The third-party valuation consultants utilized several appraisal methodologies including income, market and cost approaches to estimate the fair value of the identifiable net assets acquired.

Based on the final purchase price allocation, the fair value of the identifiable net assets acquired of $33,538 exceeded the purchase price of $4,000, resulting in a gain on bargain purchase of $29,538. The purchase price of $4,000 was allocated as follows:

		Amounts Recognized as of Acquisition Date
Assets		
Current assets	$	2,399
Property, plant and equipment		46,267
Total assets acquired	$	48,666
Liabilities		
Accounts payable	$	423
Accrued expenses		206
Deferred tax liabilities		13,346
Other long-term liabilities		1,153
Total liabilities assumed	$	15,128
Net assets acquired		33,538
Consideration paid		4,000
Gain on bargain purchase	$	29,538

ASC 805 requires that when the fair value of the net assets acquired exceeds the purchase price, resulting in a bargain purchase of a business, the acquirer must reassess the reasonableness of the values assigned to all of the net assets acquired, liabilities assumed and consideration transferred. The Company performed such reassessment and concluded that the values assigned for the Siltech acquisition are reasonable. The gain on bargain purchase was primarily attributable to the fact that Siltech was considered an ancillary business to the seller (Siltech being the seller’s only silicon-based alloys operation), coupled with the previous weaker silicon-based alloys pricing in the marketplace driven by end-user demand (which resulted in the idling of the facility by the seller in 2012).

The results of the acquired business are included within the Other operating segment. Pro forma results of operations and other disclosures for the Siltech acquisition have not been presented as they are not material in relation to the Company’s reported results.

(4) Inventories

Inventories comprise the following at June 30:

	2015	2014
Finished goods	$ 46,793	27,406
Work in process	5,120	5,120
Raw materials	53,105	33,843
Parts and supplies	14,714	14,555
Total	$ 119,732	80,924

At June 30, 2015, $107,992 in inventory is valued using the first-in, first-out method and $11,740 using the average cost method. At June 30, 2014, $73,894 in inventory is valued using the first-in, first-out method and $7,030 using the average cost method. During the year ended June 30, 2015, the Company recorded inventory write-downs totaling $1,109. During the year ended June 30, 2014, the Company did not record any inventory write-downs. During the year ended June 30, 2013, the Company recorded inventory write-downs totaling $1,922 due to expected lower net realizable values for certain Solsil inventories. These write-downs were recorded in cost of goods sold.

(5) Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets comprise the following at June 30:

	2015	2014
Value added and other non-income tax receivables	$ 5,965	3,376
Income tax receivables	2,522	6,786
Bond trade settlement receivable	—	4,163
Other	12,014	11,934
Total	$ 20,501	26,259

(6) Property, Plant, and Equipment

Property, plant, and equipment, net is comprised of the following at June 30:

	2015	2014
Land, land improvements, and land use rights	$ 12,530	13,615
Buildings and improvements	97,167	89,222
Machinery and equipment	241,949	217,358
Furnaces	228,423	208,368
Mineral reserves	55,843	55,843
Mine development	10,291	9,317
Other	22,483	14,712
Construction in progress	12,887	53,753
Property, plant, and equipment, gross	681,573	662,188
Less accumulated depreciation, depletion and amortization	(226,804)	(193,019)
Property, plant, and equipment, net	$ 454,769	469,169

Depreciation, depletion and amortization expense for the year ended June 30, 2015 was $51,781, of which $50,794 is recorded in cost of goods sold and $987 is recorded in selling, general, and administrative expenses, respectively. Depreciation, depletion and amortization expense for the year ended June 30, 2014 was $44,973, of which $43,902 is recorded in cost of goods sold and $1,071 is recorded in selling, general, and administrative expenses, respectively. Depreciation, depletion and amortization expense for the year ended June 30, 2013 was $46,621, of which $45,543 is recorded in cost of goods sold and $1,078 is recorded in selling, general, and administrative expenses, respectively.

Capitalized interest for the years ended June 30, 2015, 2014, and 2013 was $0, $103, and $9, respectively.

Mineral reserves are recorded at fair value at the date of acquisition. Mineral reserves are included in “Property, plant and equipment, net of accumulated depreciation, depletion and amortization” on the condensed consolidated balance sheets.

(7) 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 years ended June 30 are as follows:

	GMI	Globe Metales	Solsil	Other	Total
Balance at June 30, 2013					
Goodwill	$ 34,734	14,313	57,656	7,260	113,963
Accumulated impairment loss	—	(6,000)	(57,656)	(7,130)	(70,786)
	34,734	8,313	—	130	43,177
Goodwill impairment	—	—	—	—	—
Purchase price allocation adjustments	166	—	—	—	166
Step acquisition	—	—	—	—	—
Foreign exchange rate changes	—	—	—	—	—
Balance at June 30, 2014					
Goodwill	34,900	14,313	57,656	7,260	114,129
Accumulated impairment loss	—	(6,000)	(57,656)	(7,130)	(70,786)
	34,900	8,313	—	130	43,343
Goodwill impairment	—	—	—	—	—
Purchase price allocation adjustments	—	—	—	—	—
Step acquisition	—	—	—	—	—
Foreign exchange rate changes	—	—	—	—	—
Balance at June 30, 2015					
Goodwill	34,900	14,313	57,656	7,260	114,129
Accumulated impairment loss	—	(6,000)	(57,656)	(7,130)	(70,786)
	$ 34,900	8,313	—	130	43,343

b. Other Intangible Assets

There were no changes in the value of the Company’s indefinite lived intangible assets during the years ended June 30, 2015 or 2014. The trade name balance is $477 at June 30, 2015 and 2014.

c. Annual Impairment Tests

The Company performed its annual goodwill and indefinite-lived intangible asset tests as of February 28, 2015. In accordance with ASC Topic 350, Intangibles – Goodwill and Other, goodwill is tested for impairment annually and is tested for impairment between annual tests if an event occurs or circumstances change that more likely than not would indicate the carrying amount of a reporting unit may be impaired. Impairment testing for goodwill is done at a reporting unit level. 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. For the year ended June 30, 2015, all reporting units had fair values that exceeded carrying values and an impairment charge was not required.

Yonvey Goodwill

During the year ended June 30, 2013, the Company recognized an impairment charge to write-off goodwill associated with its electrode business in China (Yonvey) as a result of delays in the Company's ability to develop a new production method that caused it to revise its expected future cash flows. 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). The Company made a downward revision in the forecasted cash flows from its Yonvey reporting unit which resulted in an impairment of the entire goodwill balance of approximately $7,775 (impairment charge of $7,130, net of adjustments for foreign exchange rate changes). The impairment charge is recorded within the Other reporting segment.

Metales Goodwill

During the year ended June 30, 2013, in connection with our annual goodwill impairment test, the Company recognized an impairment charge of $6,000 related to the partial impairment of goodwill at its silicon-based alloy business in Argentina (Metales) resulting from sustained sales price declines that caused the Company to revise its expected future cash flows. The impairment charge is recorded within the Metales reporting segment. Fair value was estimated based on discounted cash flows and market multiples. Estimates under the Company's discounted income based approach involve numerous variables including anticipated sales price and volumes, cost structure, discount rates and long term growth that are subject to change as business conditions change, and therefore could impact fair values in the future. The remaining goodwill is $8,313 as of June 30, 2015.

(8) Impairment of Long-Lived Assets

In accordance with ASC Topic 360, Property, Plant and Equipment, the Company reviews the recoverability of its long-lived assets, such as plant and equipment and definite-lived intangible assets, when events or changes in circumstances occur that indicate that the carrying value of the asset or asset group may not be recoverable. The assessment of possible impairment is based on the Company's ability to recover the carrying value of the asset or asset group from the expected future undiscounted cash flow of the related operations. The Company assesses the recoverability of the carrying value of long-lived assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. If these cash flows are less than the carrying value of such asset or asset group, an impairment loss is measured based on the difference between estimated fair value and carrying value. No impairment charges were recorded during the year ended June 30, 2015.

Solsil Long-Lived Assets

In recent years, Solsil has been focused on research and development projects and was not producing material for commercial sale. Although the Company expected to expand operations through the construction of new facilities using new technologies, the falling prices of polysilicon make further research and development pursuits commercially not viable. During the year ended June 30, 2013, the Company recognized an impairment charge of $18,452 to write-off equipment related to Solsil as a result of its decision to indefinitely take these assets out of service which was done, in response to sustained pricing declines that have rendered its production methods uneconomical. The amount of the impairment charge was determined by comparing the estimated fair value of the assets using an in-exchange premise (assumed to be zero) to their carrying amount. The impairment is recorded within the Solsil reporting segment.

Nigeria Exploration Licenses

In 2011, the Company acquired exploration licenses related to certain mines located in Nigeria, which granted it the right to explore for, among other things, manganese ore, a raw material used in the production of certain silicon and manganese based alloys. During the year ended June 30, 2013, based upon difficulties encountered in gaining secure access to the mines, the Company determined that exploration of these mines is not feasible and decided to abandon its plan to conduct exploration activities. Accordingly, the Company recognized an impairment charge of $16,935 (representing the aggregate carrying amount of the licenses). The impairment has been recorded to the Corporate segment.

(9) Investments in Unconsolidated Affiliates

Investments in unconsolidated affiliates comprise the following at June 30:

	Ownership Interest	2015	2014
Inversora Nihuiles S.A.(a)	9.75%	$ 3,067	3,067
Inversora Diamante S.A.(b)	8.40%	2,906	2,906
Total		$ 5,973	5,973

(a) This entity owns a 51% interest in Hidroelectrica Los Nihuiles S.A., which is a hydroelectric company in Argentina.
(b) This entity owns a 59% interest in Hidroelectrica Diamante S.A., which is a hydroelectric company in Argentina.

(10) Debt

a. Short-Term Debt

Short-term debt comprises the following:

	Outstanding Balance	Weighted Average Interest Rate	Unused Credit Line
June 30, 2015:			
Type debt:			

Export financing	$	891	7.52%	$	2,989
Other		62	12.42%		—
Total	$	953		$	2,989
June 30, 2014:					
Type debt:					
Export financing	$	—	NA	$	9,208
Other		59	14.47%		—
Total	$	59		$	9,208

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 accounts receivable.

b. Revolving Credit Agreements

A summary of the Company's revolving credit agreements at June 30, 2015 is as follows:

		Outstanding Balance	Weighted Average Interest Rate		Unused Commitment	Total Commitment
Revolving multi-currency credit facility	$	100,000	1.66%	$	198,978	300,000
Revolving credit agreement		—	5.00%		12,025	12,025

On August 20, 2013, the Company entered into a $300,000 five-year revolving multi-currency credit facility, which includes a $10,000 sublimit for swing line loans and a $25,000 sublimit letter of credit facility. The credit facility refinanced existing debt under the revolving multi-currency credit agreement dated May 31, 2012 and closing costs. As a result of refinancing the previous credit facility, $3,354 of deferred financing costs were expensed in the year ended June 30, 2014. The current credit facility provides up to an additional $198,978 of borrowing capacity as of June 30, 2015. At the Company's election, the credit facility may be increased by an amount up to $150,000 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 August 20, 2018 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 multi-currency credit facility 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) a Eurocurrency Rate for loans with a one month interest period plus 1.00% per annum plus a margin ranging from 0.50% to 1.50% per annum (such margin determined by reference to the leverage ratio set forth in the credit agreement), or (b) the Eurocurrency Rate plus a margin ranging from 1.50% 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 net debt to earnings before income tax, depreciation and amortization ratio and a minimum interest coverage ratio. The credit facility is guaranteed by certain of the Company's domestic subsidiaries (the "Guarantors"). Borrowings under the credit agreement are collateralized by the assets of the Company and the Guarantors, including certain real property, equipment, accounts receivable, inventory and the stock of certain of the Company's and the Guarantors' subsidiaries. The Company was in compliance with its financial loan covenants at June 30, 2015.

At June 30, 2015, there was a $100,000 balance outstanding on the revolving multi-currency credit facility. The total commitment outstanding on this credit facility includes $722 outstanding letters of credit associated with landlord guarantees and $300 outstanding letters of credit associated with economic development.

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 June 30, 2015), 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 June 30, 2015, there was no outstanding balance under the facility.

c. Other Long-Term Debt

Other long-term debt comprises the following:

	Outstanding Balance	Weighted Average Interest Rate	Unused Credit Line
Other	$ 95	19.00%	$ —

d. Fair Value of Debt

The recorded carrying values of our debt balances approximate fair value given our debt is at variable rates tied to market indicators.

(11) Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities comprise the following at June 30:

	2015	2014
Accrued wages, bonuses, and benefits	$ 15,640	12,420
Accrued professional fees	5,225	1,183
Current portion of asset retirement obligations	4,092	125
Current portion of capital lease obligations	2,627	2,585
Accrued insurance	2,012	1,386
Accrued income taxes	1,502	3,153
Current portion of retained acquisition contingencies	750	812
Accrued property taxes	825	775
Deferred revenue	641	762
Deferred taxes	188	408
Acquired contract obligations	—	3,696
Other	10,185	11,453
Total	$ 43,687	38,758

(12) Other Long-Term Liabilities

Other long-term liabilities comprise the following at June 30:

	2015	2014
Pension and postretirement benefits liability	$ 21,055	20,890
Asset retirement obligations	10,672	9,009
Liability classified stock awards	5,529	5,019
Retained acquisition contingencies	5,328	4,953
Capital lease obligations	4,566	7,231
Environmental remediation obligation	1,179	1,111
Other	4,276	2,413
Total	$ 52,605	50,626

(13) 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 consolidated statement of operations based on the fair value of the agreement as of period-end. Although not designated as hedged items as defined under ASC 815, these derivative instruments serve to 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 our 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 10 (Debt). The Company currently has no interest rate derivatives to reduce exposure to interest rate fluctuations.

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, Canada, and South Africa. 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, Chinese renminbi, and South African rand. 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 June 30, 2015 and 2014, the Company had no outstanding foreign exchange forward or option contracts.

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. At June 30, 2015 and 2014, the Company had no outstanding power hedge agreements.

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

	(Loss) Gain Recognized During the Years Ended June 30			
	2015	2014	2013	Location of (Loss) Gain
Foreign exchange forward and option contracts	—	(603)	(701)	Foreign exchange (loss)
Power hedge	—	—	424	Cost of goods sold

At June 30, 2015, the Company had no outstanding derivative instruments.

(14) Benefit Plans

a. Defined Benefit Retirement and Postretirement Plans

The Company's subsidiary, Globe Metallurgical Inc. (GMI), sponsors three noncontributory defined benefit pension plans covering certain employees. These plans were frozen in 2003. The Company's subsidiary, Core Metals, sponsors a noncontributory defined benefit pension plan covering certain 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 contributory defined benefit pension plan was closed to new participants in December 2013. On December 27, 2013, the Communications, Energy and Paper Workers Union of Canada ("CEP") ratified a new collective bargaining agreement, which resulted in a curtailment pertaining to the closure of the postretirement benefit plan for union employees retiring after January 31, 2016. The Company remeasured the benefit obligations reflecting the curtailment which resulted in a curtailment gain of $5,831. The curtailment gain is included in operating income for the year ended June 30, 2014.

The Company's funding policy has been to contribute, as necessary, an amount in excess of the minimum requirements in order to achieve the Company's long-term funding targets. During the years ended June 30, 2015 and 2014, the Company made contributions of $1,303 and $2,971, respectively, to the pension and other benefit plans.

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

Benefit Obligations and Funded Status — The following provides a reconciliation of the benefit obligations, plan assets, and funded status of the plans at June 30, 2015 and 2014:

	Pension Plans		Nonpension Postretirement Plan	
	2015	2014	2015	2014
Change in benefit obligations:				
Benefit obligations at beginning of year	$ 62,525	59,542	$ 9,065	13,316
Interest cost	2,422	2,623	360	518
Service cost	413	414	339	640
Plan curtailments	—	—	—	(5,831)
Plan amendments	307	—	—	—
Employee contributions	43	52	—	—
Actuarial loss (gain)	1,939	3,063	(417)	758
Benefits paid	(2,802)	(2,789)	(116)	(109)
Net transfer in	229	—	—	—
Effect of exchange rate changes	(3,823)	(380)	(1,317)	(227)
Benefit obligations at end of year	$ 61,253	62,525	$ 7,914	9,065
Change in plan assets:				
Fair value of plan assets at beginning of year	$ 50,500	43,407	$ —	—
Actual return on plan assets	1,952	7,419	—	—
Employer contributions	1,187	2,862	116	109
Employee contributions	43	52	—	—
Benefits paid	(2,802)	(2,789)	(116)	(109)
Expenses paid	(240)	(209)	—	—
Net transfer in	80	—	—	—
Effect of exchange rate changes	(2,763)	(242)	—	—
Fair value of plan assets at end of year	$ 47,957	50,500	$ —	—
Funded status at end of year:				
Fair value of plan assets	$ 47,957	50,500	$ —	—
Benefit obligations	61,253	62,525	7,914	9,065
Funded status	$ (13,296)	(12,025)	$ (7,914)	(9,065)
Amounts recognized in the consolidated balance sheet consist of:				
Noncurrent liability	$ (13,296)	(12,025)	$ (7,715)	(8,865)
Current liability	—	—	(199)	(200)
Accumulated other comprehensive loss	12,253	9,310	277	779

At June 30, 2015 and 2014, the accumulated benefit obligations were $59,348 and $59,888, respectively, for the defined benefit pension plans.

All of our pension and postretirement plans are underfunded, and have been underfunded for all years presented. The amounts recognized in accumulated other comprehensive (loss) income consist primarily of net actuarial loss as well as a component related to prior service cost, which is not material. Reclassification adjustments out of accumulated other comprehensive (loss) income, which totaled $702 for the year ended June 30, 2015, are recognized as components of net periodic pension expense.

Net Periodic Pension Expense — The components of net periodic pension expense for the Company's defined benefit pension and postretirement plans are as follows:

	Pension Plans			Nonpension Postretirement Plans		
	2015	2014	2013	2015	2014	2013
Interest cost	$ 2,422	2,623	2,571	$ 360	518	617
Service cost	413	414	893	339	640	1,172
Expected return on plan assets	(3,146)	(2,791)	(2,516)	—	—	—
Amortization of net loss	702	1,054	1,608	—	—	—
Curtailment gain	—	—	—	—	(5,831)	—
Net periodic pension expense	$ 391	1,300	2,556	$ 699	(4,673)	1,789

In fiscal year 2016, net actuarial losses of approximately $1,248 are expected to be recognized into net periodic pension expense from accumulated other comprehensive income. The amount of prior service cost we expect to recognize in 2016 as a component of net periodic pension expense is not material.

Assumptions and Other Data — The assumptions used to determine benefit obligations at June 30, 2015 and 2014 follow:

	Pension Plans		Nonpension Postretirement Plans	
	2015	2014	2015	2014
Discount rate	4.00 to 4.15%	4.00 to 4.30%	4.20%	4.40%

The discount rate used in calculating the present value of our pension plan obligations is developed based on the Citigroup Pension Discount Curve for both the GMI plans and Core Metals plan, and the Mercer Yield Curve for Quebec Silicon pension and postretirement benefit plans and the expected cash flows of the benefit payments.

The assumptions used to determine net periodic expense for the Company's defined benefit pension plans for years ended June 30, 2015, 2014, and 2013 are as follows:

	Pension Plans			Nonpension Postretirement Plans		
	2015	2014	2013	2015	2014	2013
Discount rate	4.00 to 4.30%	3.75 to 4.75%	3.50 to 5.00%	4.40%	4.85%	5.10%
Expected return on plan assets	5.70 to 7.00%	5.70 to 7.00%	5.70 to 7.00%	NA	NA	NA

Expected return on plan assets is determined based on management's expectations of long-term average rates of return on funds invested to provide for benefits included in the projected benefit obligations. In determining the expected return on plan assets, the Company takes into account historical returns, plan asset allocations and related investment strategies, as well as the outlook for inflation and overall fixed income and equity returns.

The Company expects to make discretionary contributions of approximately $1,237 to the defined benefit pension and postretirement plans for the year ending June 30, 2016.

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

	Pension Plans	Nonpension Postretirement Plans
2016	$ 2,889	$ 199
2017	3,097	227
2018	3,194	241
2019	3,284	249
2020	3,345	253
Years 2021-2025	17,058	1,410

The accumulated nonpension postretirement benefit obligation has been determined by application of the provisions of the Company’s health care and life insurance plans including established maximums, relevant actuarial assumptions and health care cost trend rates projected at 6.0% for fiscal 2015 and decreasing to an ultimate rate of 4.3% in fiscal 2033. The effect of a 1% increase in health care cost trend rate on nonpension postretirement net periodic benefit costs and the benefit obligations is $179 and $1,509, respectively. The effect of a 1% decrease in health care cost trend rate on nonpension postretirement net periodic benefit costs and the benefit obligation is ($133) and ($1,178), respectively.

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

Equity securities	40 to 50%
Fixed income securities	40 to 50%
Real estate	5 to 10%

The fair values of the Company's pension plan assets at June 30:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	
	2015	2014
Cash and cash equivalents	$ 818	637
Equity securities:		
Domestic equity mutual funds	5,380	5,563
International equity mutual funds	4,707	4,890
Commingled domestic equity funds	3,634	4,036
Commingled international equity funds	8,849	10,255
Fixed income securities:		
Fixed income mutual funds	10,556	11,059
Commingled fixed income funds	12,813	12,857
Real estate mutual funds	1,200	1,203
Total	$ 47,957	50,500

Equity securities include domestic and international equity mutual funds and commingled domestic and international equity funds. Fixed income securities include fixed income mutual funds and commingled fixed income funds. In addition, a portion of the plan assets are in real estate mutual funds. For all plan assets, fair values were based on quoted prices in active markets and were therefore classified within Level 1 of the fair value hierarchy as of June 30, 2015. See note 20 (Fair Value Measures) for additional disclosures related to the fair value hierarchy. The Company held no level 2 or level 3 assets during the year ended June 30, 2015.

b. Other Benefit Plans

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

The Company's subsidiary, GMI, provides two defined contribution plans (401(k) plans) that allow for employee contributions on a pretax basis. The Company agrees to match 25% of participants' contributions up to a maximum of 6% of compensation. Company matching contributions for the years ended June 30, 2015, 2014, and 2013 were $579, $393, and $344, respectively. Additionally, subsequent to the acquisition of Core Metals, the Company began sponsoring the Core Metals defined contribution plan. Under the plan the Company may make discretionary payments to salaried and non-union participants in the form of profit sharing and matching funds. Company matching contributions for the years ended June 30, 2015, 2014, and 2013 were $142, $71, and $95, respectively.

Other benefit plans offered by the Company include a Section 125 cafeteria plan for the pretax payment of healthcare costs and flexible spending arrangements.

(15) Income Taxes

The sources of income (loss) before provision for income taxes and income attributable to noncontrolling interest for the years ended June 30, 2015, 2014, and 2013 were as follows:

	2015	2014	2013
U.S. operations	$ 54,999	1,822	17,541

Non-U.S. operations	1,279	31,789	(34,616)
Total	$ 56,278	33,611	(17,075)

The components of current and deferred income tax expense (benefit) are as follows:

	2015	2014	2013
Current:			
Federal	$ 13,402	(1,502)	3,120
State	1,355	1,428	696
Foreign	2,777	4,048	2,459
Total current	17,534	3,974	6,275
Deferred:			
Federal	2,942	(1,807)	2,440
State	642	3,875	(5,568)
Foreign	533	1,663	(413)
Total deferred	4,117	3,731	(3,541)
Total provision for income taxes	$ 21,651	7,705	2,734

The following is a reconciliation, stated in percentage, of the U.S. statutory federal income tax rate to our effective tax rate for the years ended June 30, 2015, 2014, and 2013:

	2015	2014	2013
Federal statutory rate	35.0%	35.0%	35.0%
State taxes, net of federal benefit	0.6	2.5	7.5
Bargain purchase gain	—	(30.8)	—
Foreign rate differential	(0.5)	0.5	(9.0)
Change in valuation allowance	2.0	16.0	3.4
Goodwill and other asset impairments	—	—	(57.4)
Domestic production activities deduction	(1.8)	—	1.7
Step acquisition	—	—	9.6
Foreign non-deductible loss	—	8.5	(10.9)
Uncertain tax position changes	(0.3)	(1.0)	(4.0)
Noncontrolling interest	(2.0)	(4.9)	5.3
Other	5.5	(2.9)	2.8
Effective tax rate	38.5%	22.9%	(16%)

During the year ended June 30, 2014, the Company recorded a nontaxable bargain purchase gain of $29,538 in connection with the acquisition of Siltech. See note 3 for additional information regarding the acquisition.

As of June 30, 2015, the Company had approximately $84,983 of undistributed foreign earnings. We intend to reinvest earnings outside the U.S. for the foreseeable future and, therefore, have not recognized any U.S. tax expense on these earnings. It is not practicable for the Company to determine the amount of unrecognized U.S. tax expense on these reinvested foreign earnings. We have provided for tax on earnings of $2,174 in Argentina that we do not consider permanently reinvested.

Significant components of the Company's deferred tax assets and deferred tax liabilities at June 30, 2015 and 2014 consist of the following:

	2015	2014
Deferred tax assets:		
Inventories	$ 1,955	1,173
Accounts receivable	197	530
Accruals	16,202	8,845
Deferred revenue	12	52
Net operating losses and other carryforwards	23,501	24,114
Share-based compensation	7,051	8,414
Other	3,033	3,804
Gross deferred tax assets	51,951	46,932
Valuation allowance	(20,934)	(18,531)
Net deferred tax assets	31,017	28,401
Deferred tax liabilities:		
Fixed assets	(71,737)	(69,929)
Prepaid expenses	(1,010)	(1,482)
Other	(2,142)	(300)
Total deferred tax liabilities		