Neo Performance Materials Reports Second Quarter 2026 Results

written by Raj Shah | August 11, 2026

Neo Delivers Record Quarterly Adjusted EBITDA of $57 Million, Exceeding Expectations on Strong Demand and Sustained Favourable Pricing Environment

August 11, 2026 (Source) – Neo Performance Materials Inc. ("**Neo**" or the "**Company**") (TSX: NEO) (OTCQX: NOPMF) today announced its financial results for the second quarter of 2026. Neo's financial statements and management's discussion and analysis ("**MD&A**") for the three and six months ended June 30, 2026, are available at neomaterials.com and on SEDAR+ at sedarplus.ca. All financial amounts in this news release and the Company's financial disclosures are in United States dollars, unless otherwise stated.

Consolidated Financial Highlights

	Three Months EndedJune 30,		**Six Months EndedJune 30,**	
	2026	**2025**	**2026**	**2025**
Consolidated Revenue	$ 205,748	$ 114,700	$ 360,710	$ 236,310
Consolidated Operating Income	$ 41,769	$ 8,210	$ 68,326	$ 17,799
Consolidated Adjusted EBITDA (1)	$ 57,033	$ 18,968	$ 93,264	$ 36,102

Adjusted Net Income [1]	$ 23,694	$ 8,655	$ 38,558	$ 15,166
Adjusted earnings per share attributable to common shareholders:				
Basic	$ 0.55	$ 0.21	$ 0.91	$ 0.36
Diluted	$ 0.51	$ 0.20	$ 0.85	$ 0.35
Net Income	$ 17,463	$ 5,688	$ 15,823	$ 4,301
Income per share attributable to common shareholders				
Basic	$ 0.40	$ 0.14	$ 0.37	$ 0.10
Diluted	$ 0.38	$ 0.13	$ 0.35	$ 0.10

“Neo delivered outstanding second-quarter results, with Adjusted EBITDA of $57 million, up over 200% year-over-year. This represents our second straight record quarter and reflects continued strength in volumes across all of our segments, disciplined operational execution and a sustained favourable pricing environment,” said Rahim Suleman, President and Chief Executive Officer of Neo.

“On the back of this momentum and a healthy demand outlook, in early July we raised our full-year Adjusted EBITDA guidance to $140 million to $150 million, and we expect results at the high end of this range – this would represent close to double our full year 2025 Adjusted EBITDA of $76 million. The updated guidance also reflects higher contracted volumes of critical materials, including hafnium, for the second half of 2026 and into 2027. This gives us improved visibility, and it’s supported by a pricing environment that remains strong. As we continue to advance our strategic priorities, we are well-positioned to build on this progress through the remainder of 2026 and beyond."

Strategic and Operational Highlights

- **Neo Delivers Record Adjusted EBITDA:** Neo delivered $57.0 million in Adjusted EBITDA[1] for the three months ended June 30, 2026, an over 200% increase from the $19.0 million in the second quarter of last year. This was driven by strong demand across the business, disciplined execution and a sustained favourable pricing environment. **Magnequench** generated Adjusted EBITDA of $10.5 million, up 39% year-over-year. **Chemicals & Oxides** (**"C&O"**) generated Adjusted EBITDA of $8.5 million, up 56% from the same quarter last year. **Rare Metals** generated another record quarter with Adjusted EBITDA of $44.4 million, an increase of over 300% from the second quarter of last year.
- **Neo Raises Full Year 2026 Adjusted EBITDA Guidance on Continued Momentum:** In July 2026, Neo announced that the Company increased its full-year 2026 Adjusted EBITDA guidance, reflecting strong operating performance through the first half of the year, as well as sustained higher-than-expected pricing across its critical materials portfolio. Neo raised its full-year 2026 Adjusted EBITDA of $140 million to $150 million, up from its prior guidance range of $100 million to $110 million, and the Company now expects results at the high end of this range, which represents nearly double the full-year 2025 Adjusted EBITDA of $76 million.
- **European Permanent Magnet Facility Advances Toward Commercial Production:** The state-of-the-art permanent

magnet facility continues to advance through its planned ramp up to full commercial production later this year. The facility is producing and shipping qualification sample magnets in support of multiple awarded automotive platforms and remains on track for two to three customer programs to enter commercial production in 2026. Neo has begun advanced equipment purchases for its Phase 1B expansion, which is planned to increase the facility's nameplate capacity from approximately 2,000 metric tonnes ("**mt**") to approximately 5,000 mt annually. This is aligned with Neo's broader strategy to establish a scalable, fully integrated permanent magnet manufacturing platform capable of supporting long-term automotive and industrial demand.

- **Neo Completes C$115 Million Equity Offering to Accelerate Growth***:* In May 2026, Neo completed a bought deal treasury offering of common shares for total gross proceeds of C$115.1 million ($83.3 million), including the full exercise of the underwriters' over-allotment option. The offering positions the Company to accelerate its growth opportunities with a significant portion of the proceeds directed towards capacity expansion in magnetics. Specifically, this includes advanced purchasing of long-lead sintered magnet equipment for the proposed Phase 1B expansion of its European permanent magnet plant, as well as investment in expanding the bonded magnetics business.
- **Neo Successfully Commissions Heavy Rare Earth Separation Production Line in Europe**: In April 2026, Neo successfully commissioned a small-scale heavy rare earth element solvent extraction production line at its Silmet facility. This milestone validates the technical and operational performance of the heavy rare earth separation process under continuous operation and represents an important step toward establishing localized heavy rare earth processing capability in Europe. The commissioning

supports Neo's strategy to enhance security of supply for critical rare earth inputs used in high-performance permanent magnets and provides a foundation for potential future commercial-scale expansion.

Consolidated Financial Highlights

- *Revenue* for Q2 2026 was $205.7 million, compared to $114.7 million for Q2 2025.
- *Operating income* for Q2 2026 was $41.8 million, compared to $8.2 million for Q2 2025.
- *Adjusted EBITDA* for Q2 2026 was $57.0 million compared to $19.0 million for Q2 2025. This resulted in Adjusted EBITDA margin of 27.7% for the quarter, representing an improvement of 1,240 basis points over 2025.
- *Adjusted Net Income*[(1)] for Q2 2026 was $23.7 million, or $0.55 earnings per share, compared to Adjusted Net Income of $8.7 million or $0.21 earnings per share for Q2 2025.
- *Operating Cash Flow* for the six months ended June 30, 2026, was an outflow of $49.6 million in cash from operating activities, driven by higher strategic inventory held, higher costs in inventory due to material pricing, higher receivables due to timing of sales, as well as the settlement of the European patent litigation in January 2026. As of June 30, 2026, Neo had $96.2 million in cash and $157.2 million in gross debt on its balance sheet.
- *Capital investment* for the six months ended June 30, 2026 was $5.2 million (net of government grant proceeds received), with funds used primarily to advance the European Permanent Magnet facility and heavy rare earth production line in Europe.
- *Shareholder return of capital.* For the six months ended

June 30, 2026, the Company returned $7.1 million to shareholders in the form of dividends.
- A quarterly dividend of CAD$0.10 per common share was declared on August 6, 2026, for shareholders of record on September 18, 2026, with a payment date of September 28, 2026.

Segment Highlights

Magnequench Delivers Volume Growth and Strongest Quarterly Adjusted EBITDA since Q2 2022:

- **Financial Performance**: Magnequench generated Adjusted EBITDA of $10.5 million in the second quarter, representing an increase of $2.9 million or 39% year-over-year. Year-to-date Adjusted EBITDA totalled $19.7 million, an increase of 39% compared to the prior year period.
- **Record Quarter for Bonded Magnet Volumes**: Bonded magnet shipments increased 35% year-over-year, reflecting continued strong execution, supported by sustained demand in applications including electrification, industrial automation, and advanced computing infrastructure.
- **Bonded Powder Business Remains Strong:** Bonded powder volumes fell 13.8% year-over-year but remain modestly higher year-to-date. The quarter’s variance primarily reflected customer order timing rather than any change in underlying demand, as customer volumes, margins and overall business fundamentals remain strong. The business continues to see encouraging demand signals from customers seeking security of supply and geographic diversification, reinforcing the strategic value of Neo’s global manufacturing footprint.
- **Strategic Platform Expansion:** During the period, Neo continued advancing its European Permanent Magnet

facility, which is now producing and shipping qualification magnets as the operation moves closer to full commercial production later this year. Neo remains on track to meet its target of launching two to three commercial programs in the second half of 2026.

Chemicals & Oxides Delivers Significant Earnings Growth:

- **Financial Performance**: C&O generated Adjusted EBITDA of $8.5 million in the second quarter representing an increase of $3.1 million or 56.4%, reflecting improved pricing, strong operational execution, and the benefits of portfolio optimization. Year-to-date Adjusted EBITDA is $16.2 million, up 32% from the same period last year.
- **Emission Catalyst Strength:** Second quarter volumes were up 7.0% year-over-year, reflecting continued solid commercial execution, supported by improved cost performance at the new emission catalyst manufacturing facility.
- **Improved Pricing and Reduced Volatility in Rare Earth Separation:** The European separation business benefited from improved pricing, while the divestiture of Chinese separation assets in 2025 has significantly reduced exposure to rare earth price volatility and strengthened earnings predictability.
- **Water Treatment Advances New Technology:** The Water Treatment business advanced the development of a new process enhancement technology, with initial units deployed to customers and commercial adoption expected in the coming quarters.

Rare Metals Delivers Adjusted EBITDA Improvement of Over 300 Percent:

- **Financial Performance**: Rare Metals generated Adjusted EBITDA of $44.4 million in the second quarter of 2026 representing an increase of $33.7 million or 313% over the same quarter last year, reflecting record hafnium, gallium and tantalum pricing, as well as resilient volumes amid tight global supply.
- **Healthy End-Market Demand:** Rare Metals continues to benefit from the increased global focus on critical materials, many of which are supported by programs and targets aimed at reducing concentration risk for items considered critical materials on most government critical materials lists.
- **Gallium Business Strength:** Neo's gallium business achieved the strongest gross profit in its history, benefitting from strong pricing and increasing regulatory focus on supply security. Neo remains one of the few gallium recyclers in North America, reinforcing the segment's strategic importance and long-term growth potential. Gallium is used in the manufacturing of semi-conductors and permanent magnets among other end uses.
- **Strategic Supply Initiatives:** The segment continues to focus on securing scrap and input materials through strategic sourcing partnerships and recovery initiatives, ensuring a stable, diversified supply base to support future growth.

Conference Call

Neo's second quarter 2026 financial results webcast and conference call details are provided below.

Webcast and Conference Call Details:

Date: Tuesday, August 11, 2026

Time: 10:00 AM ET | 7:00 AM PT

Listen Only Webcast: LINK

Conference call: +1 (416) 945-7677 (local) or 1 (888) 699-1199 (toll-free long distance) or by visiting Dial-in Link.

A replay of the webcast will be available by clicking on this LINK and will be archived on the Company's website for a limited period. A teleconference recording may be accessed by calling 1(289) 819-1450 (local) or 1 (888) 660-6345 (toll-free long distance) and entering passcode 14554# until September 11, 2026.

Non-IFRS Financial Measures

This news release refers to certain specified financial measures and ratios, including non-IFRS financial measures and ratios such as "**EBITDA**", "**Adjusted EBITDA**", "**Adjusted EBITDA Margin**", "**Adjusted Net Income**", "**Adjusted Earnings per Share**", and "**Free Cash Flow**". These specified financial measures are not recognized measures under International Financial Reporting Standards ("**IFRS**") accounting standards as issued by the International Accounting Standards Board, do not have a standardized meaning prescribed by IFRS, and may not be comparable to similar measures presented by other companies. Rather, these specified financial measures ("**non-IFRS financial measures**") are provided as additional information to complement IFRS financial measures by providing further understanding of Neo's results of operations from management's perspective. Neo's definitions of non-IFRS financial measures used in this news release may not be the same as the definitions for such measures used by other companies in their reporting.

Specified financial measures such as non-IFRS financial measures and ratios have limitations as analytical tools and should not be considered in isolation nor as a substitute for analysis of Neo’s financial information reported under IFRS. Neo uses specified financial measures to provide investors with supplemental measures of its base-line operating performance and to eliminate items that have less bearing on operating performance or operating conditions and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. Neo believes that securities analysts, investors and other interested parties frequently use specified financial measures such as non-IFRS financial measures and ratios in the evaluation of issuers. Neo’s management also uses non-IFRS financial measures and ratios to facilitate operating performance comparisons from period to period. Readers are cautioned that these measures should not be construed as an alternative to their nearest or directly comparable financial measures determined in accordance with IFRS as an indication of Neo’s financial performance. For further information on how Neo defines such specified financial measures, including non-IFRS financial measures and ratios and, where applicable, their reconciliations to the nearest comparable IFRS measures, please see the “Non-IFRS Financial Measures” section of Neo’s MD&A for the three and six months ended June 30, 2026, which is hereby incorporated by reference into this news release, and at neomaterials.com and on SEDAR+ at sedarplus.ca.

About Neo Performance Materials

Neo manufactures the building blocks of many modern technologies that enhance efficiency and sustainability. Neo’s advanced industrial materials, rare earth magnetic powders and magnets, specialty chemicals, metals, and alloys are critical to the performance of many everyday products and emerging technologies across industries. Neo’s products help to deliver the technologies of tomorrow to consumers today.

As at June 30, 2026, Neo had 1,532 employees and a global platform that includes manufacturing facilities located in Canada, China, Estonia, Germany, Thailand, and the United Kingdom (“**UK**“) as well as one dedicated research and development (“**R&D**“) centre in Singapore. Neo has three operating segments: Magnequench, Chemicals & Oxides (“**C&O**“) and Rare Metals, as well as the Corporate segment.

Cautionary Statements Regarding Forward Looking Statements

This news release contains “forward-looking information”, within the meaning of applicable securities laws in Canada. Forward-looking information may relate to future events or future performance of Neo. All statements in this news release, other than statements of historical facts, with respect to Neo’s objectives and goals, as well as statements with respect to its beliefs, plans, objectives, expectations, anticipations, estimates, and intentions are forward-looking information.

Specific forward-looking information in this news release include, but are not limited to: expectations regarding certain of Neo’s future results and information, including, among other things; revenue; expenses; growth prospects; capital expenditures; and operations; risk factors relating to national or international economies, geopolitical risk and other risks present in the jurisdictions in which Neo, its customers, its suppliers, and/or its logistics partners operate; statements with respect to current and future market trends that may directly or indirectly impact sales and revenue of Neo, including but not limited to rare earth and critical materials prices; expected use of cash balances; continuation of prudent management of working capital; source of funds for ongoing business requirements and capital investments; expectations regarding sufficiency of the allowance for uncollectible accounts and inventory provisions; analysis regarding sensitivity of the business to changes in exchange rates and changes in rare earth prices; impact of recently adopted accounting pronouncements; risk factors relating to intellectual property protection and intellectual property litigation; expectations regarding demand for products and applications; expectations regarding the growth of superalloy and superconductor materials; anticipated commercial launch of Neo’s new Permanent Magnet facility in Europe and related commercial production estimates, commissioning and costs associated with the facility; expectations regarding tariffs and export restrictions; securing new automotive customer agreements for permanent magnet and emission catalyst facilities; expectations concerning the continued growth of the Magnequench project and improvements in operations; Neo’s design of its internal controls over financial reporting and disclosure controls and procedures; and Neo’s 2026 guidance and the assumptions relating thereto.

Often, but not always, forward-looking information can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates” or “believes”, or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. This information involves risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information.

Additionally, Neo’s 2026 guidance reflects Neo’s expectations as to financial performance in 2026 based on assumptions which Neo believes to be reasonable as of the date of this news release including but not limited to continued Magnequench growth, operational improvements, relative stability in rare earth pricing, continued strong hafnium demand alongside elevated pricing and tight raw material supply conditions, reduction in operating expenses, expectations regarding tariffs and export controls, and securing new customer agreements for permanent magnet and emission catalyst facilities. Neo believes the expectations reflected in such forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking information included in this discussion and analysis should not be unduly relied upon. For more information on Neo, investors should review filings available under Neo's profile at sedarplus.ca.

Information contained in forward-looking statements in this news release is provided as of the date hereof and Neo disclaims any obligation to update any forward-looking information, whether as a result of new information or future events or results, except to the extent required by applicable securities laws.

HIGHLIGHTS OF SECOND QUARTER 2026 CONSOLIDATED PERFORMANCE

($000s, except per share information; unaudited)	**Three Months EndedJune 30,**		**Six Months EndedJune 30,**	
	2026	**2025**	**2026**	**2025**
Revenue				
Magnequench	$ 64,343	$ 50,468	$ 129,075	$ 94,740
C&O	37,424	29,443	70,606	76,944
Rare Metals	106,349	35,948	163,443	68,653
Corporate / Eliminations	(2,368)	(1,159)	(2,414)	(4,027)
Consolidated Revenue	**$ 205,748**	**$ 114,700**	**$ 360,710**	**$ 236,310**

Operating Income				
Magnequench	$ 2,356	$ 1,611	$ 6,037	$ 3,504
C&O	6,641	3,959	12,963	9,687
Rare Metals	43,345	10,127	66,480	18,278
Corporate / Eliminations	(10,573)	(7,487)	(17,154)	(13,670)
Consolidated Operating Income	**$ 41,769**	**$ 8,210**	**$ 68,326**	**$ 17,799**
Adjusted EBITDA				
Magnequench	$ 10,467	$ 7,558	$ 19,708	$ 14,217
C&O	8,506	5,439	16,168	12,282
Rare Metals	44,405	10,756	68,262	19,397
Corporate / Eliminations	(6,345)	(4,785)	(10,874)	(9,794)
Consolidated Adjusted EBITDA	**$ 57,033**	**$ 18,968**	**$ 93,264**	**$ 36,102**
Net Income	**$ 17,463**	**$ 5,688**	**$ 15,823**	**$ 4,301**
Income per share attributable to common shareholders				
Basic	$ 0.40	$ 0.14	$ 0.37	$ 0.10
Diluted	$ 0.38	$ 0.13	$ 0.35	$ 0.10

Cash spent on property, plant and equipment and intangible assets	$ 9,126	$ 8,889	$ 16,559	$ 20,317
Cash taxes paid	$ 4,199	$ 2,960	$ 18,775	$ 8,166
Dividends paid to shareholders	$ 3,813	$ 3,159	$ 7,074	$ 6,080
Dividend paid to Buss & Buss minority shareholder	$ —	$ —	$ —	$ 7,343
As at:			**June 30, 2026**	**December 31, 2025**
Cash and cash equivalents			$ 96,224	$ 38,360
Short-term debt, bank advances & other			$ 43,146	$ 12,949
Total debt			$ 157,234	$ 101,804

[(1)] Neo reports non-IFRS financial measures such as “Adjusted Net Income”, “Adjusted Earnings per Share”, “Adjusted EBITDA”, “Adjusted EBITDA Margin” and “EBITDA”. Information on non-IFRS financial measures is included in the “Non-IFRS Financial Measures” section of this news release and in the most recent MD&A, available at neomaterials.com and on SEDAR+ at sedarplus.ca.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

($000s; unaudited)	**June 30, 2026**	**December 31, 2025**
ASSETS		
Cash and cash equivalents	$ 96,224	$ 38,360
Accounts receivable	133,324	93,186
Inventories	276,599	205,405
Income taxes receivable	2,434	2,196
Assets held for sale	2,378	—
Other current assets	24,458	24,070
Total current assets	**535,417**	**363,217**
Property, plant and equipment	195,798	198,440
Intangible assets	29,513	30,857
Goodwill	67,178	65,857
Equity method investments	13,476	17,116
Other investments	3,282	3,496
Deferred tax assets	2,636	2,799
Other non-current assets	10,562	3,105
Total non-current assets	**322,445**	**321,670**
Total assets	**$ 857,862**	**$ 684,887**
LIABILITIES AND EQUITY		

Short-term debt	$ 43,146	$ 12,949
Accounts payable and other accrued charges	98,792	95,844
Income taxes payable	16,491	15,120
Provisions	3,445	3,470
Lease obligations	871	564
Derivative liability	85,630	60,596
Current portion of long-term debt	10,832	9,343
Other current liabilities	434	252
Total current liabilities	**259,641**	**198,138**
Long-term debt	103,256	79,512
Derivative liability	1,018	1,407
Provisions	3,145	2,392
Deferred tax liabilities	10,376	9,405
Lease obligations	3,801	3,170
Other non-current liabilities	420	395
Total non-current liabilities	**122,016**	**96,281**
Total liabilities	**381,657**	**294,419**
Non-controlling interest	461	464
Equity attributable to common shareholders	475,744	390,004
Total equity	**476,205**	**390,468**
Total liabilities and equity	**$ 857,862**	**$ 684,887**

See accompanying notes to this table in Neo’s interim condensed consolidated financial statements as at June 30, 2026 and for the period then ended.

CONSOLIDATED RESULTS OF OPERATIONS

($000s; unaudited)	**Three Months EndedJune 30,**		**Six Months EndedJune 30,**	
	2026	**2025**	**2026**	**2025**
Revenue	$ 205,748	$ 114,700	$ 360,710	$ 236,310
Cost of sales				
Cost excluding depreciation and amortization	128,567	78,770	231,112	167,651
Depreciation and amortization	2,074	2,019	4,065	3,940
Gross profit	**75,107**	**33,911**	**125,533**	**64,719**
Expenses				
Selling, general and administrative	21,426	16,326	37,032	31,634
Share-based compensation	7,343	3,513	10,664	4,449
Depreciation and amortization	1,779	1,725	3,586	3,506
Research and development	2,790	4,137	5,925	7,331
Total expenses	33,338	25,701	57,207	46,920
Operating income	**41,769**	**8,210**	**68,326**	**17,799**
Other income (expense)	125	24	433	(4,688)
Finance cost, net	(8,961)	(5,717)	(27,551)	(11,790)
Foreign exchange (loss) gain	(2,227)	4,700	(3,842)	8,485

Income from operations before income taxes and equity income of associates	**30,706**	**7,217**	**37,366**	**9,806**
Income tax expense	(12,740)	(1,599)	(20,981)	(5,955)
Income from operations before equity income of associates	**17,966**	**5,618**	**16,385**	**3,851**
Equity (loss) income of associates, net of income tax	(503)	70	(562)	450
Net income	**$ 17,463**	**$ 5,688**	**$ 15,823**	**$ 4,301**
Attributable to:				
Common shareholders	$ 17,474	$ 5,772	$ 15,826	$ 4,292
Non-controlling interest	(11)	(84)	(3)	9
Income per share attributable to common shareholders:				
Basic	$ 0.40	$ 0.14	$ 0.37	$ 0.10
Diluted	$ 0.38	$ 0.13	$ 0.35	$ 0.10

For additional information, refer to Neo's MD&A for the three and six months ended June 30, 2026.

RECONCILIATION OF NET INCOME TO EBITDA, ADJUSTED EBITDA AND FREE CASH FLOW

($000s, except volume; unaudited)	**Three Months EndedJune 30,**		**Six Months EndedJune 30,**	
	2026	**2025**	**2026**	**2025**
Sales volume (tonnes)	3,221	3,366	6,415	6,691
Revenue	$ 205,748	$ 114,700	$ 360,710	$ 236,310
Net income	**$ 17,463**	**$ 5,688**	**$ 15,823**	**$ 4,301**
Add back:				
Finance costs, net	8,961	5,717	27,551	11,790
Income tax expense	12,740	1,599	20,981	5,955
Depreciation and amortization included in cost of sales	2,074	2,019	4,065	3,940
Depreciation and amortization included in operating expenses	1,779	1,725	3,586	3,506
EBITDA	**43,017**	**16,748**	**72,006**	**29,492**
Adjustments to EBITDA:				

Other (income) expense	(125)	(24)	(433)	4,688
Foreign exchange loss (gain)	2,227	(4,700)	3,842	(8,485)
Equity loss (income) from associate	503	(70)	562	(450)
Share-based compensation	7,343	3,513	10,664	4,449
Project start-up and transition costs	4,068	3,501	6,623	6,408
Adjusted EBITDA	**$ 57,033**	**$ 18,968**	**$ 93,264**	**$ 36,102**
Adjusted EBITDA Margin	*27.7 %*	*16.5 %*	*25.9 %*	*15.3 %*
Less:				
Capital expenditures	$ (12)	$ 3,403	$ 5,154	$ 10,233
Free Cash Flow	**$ 57,045**	**$ 15,565**	**$ 88,110**	**$ 25,869**

For additional information, refer to Neo's MD&A for the three and six months ended June 30, 2026.

RECONCILIATION OF NET INCOME TO ADJUSTED NET INCOME

($000s; unaudited)	**Three Months EndedJune 30,**		**Six Months EndedJune 30,**	
	2026	**2025**	**2026**	**2025**

Net income	**$ 17,463**	**$ 5,688**	**$ 15,823**	**$ 4,301**
Adjustments:				
Foreign exchange loss (gain)	2,227	(4,700)	3,842	(8,485)
Share-based compensation	7,343	3,513	10,664	4,449
Buss & Buss non-controlling interest and related items [(1)]	(12,160)	(196)	(5,524)	1,661
Project start-up & transition costs	4,068	3,501	6,623	6,408
Other items included in other (income) expense	(70)	20	(168)	4,828
Tax impact of the above items	4,823	829	7,298	2,004
Adjusted Net Income	**$ 23,694**	**$ 8,655**	**$ 38,558**	**$ 15,166**
Attributable to:				
Common shareholders	$ 23,705	$ 8,739	$ 38,561	$ 15,157
Non-controlling interest	(11)	(84)	(3)	9
Weighted average number of common shares outstanding:				
Basic (000s)	43,457	41,838	42,537	41,806
Diluted (000s)	46,168	43,257	45,152	43,186

Adjusted earnings per share attributable to common shareholders:				
Basic	$ 0.55	$ 0.21	$ 0.91	$ 0.36
Diluted	$ 0.51	$ 0.20	$ 0.85	$ 0.35

(1) Includes (i) changes in the fair value of the derivative liabilities, (ii) dividends paid to non-controlling interest, and (iii) the non-controlling interest's share of Buss & Buss net income, excluding related tax effect shown separately

For additional information, refer to Neo's MD&A for the three and six months ended June 30, 2026.

SOURCE Neo Performance Materials, Inc.

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