

## Neo Performance Materials Reports Second Quarter 2019 Results

### Q2 2019 Highlights

*(unless other noted, all financial amounts in this news release are expressed in U.S. dollars)*

- \$101.7 million in revenue
- Net income of \$2.3 million, or \$0.05 per share
- Adjusted Net Income<sup>(1)</sup> of \$5.2 million, or \$0.13 per share
- Adjusted EBITDA<sup>(1)</sup> of \$12.0 million
- Quarter-end closes with \$68.6 million of net cash after paying \$2.9 million in dividends to the shareholders.
- A quarterly dividend to Cdn\$0.10 per common share was declared on August 8, 2019 for shareholders of record at September 19, 2019, with a payment date of September 27, 2019.

**TORONTO, Canada**, August 12, 2019 – Neo Performance Materials Inc. ("Neo", the "Company") (TSX:NEO), a global leader in the innovation and manufacturing of rare earth and rare metal-based functional materials, today released its second quarter 2019 financial results. The financial statements and management's discussion and analysis ("MD&A") of these results can be viewed on Neo's web site at [www.neomaterials.com](http://www.neomaterials.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

#### HIGHLIGHTS OF Q2 2019 CONSOLIDATED PERFORMANCE

In the second quarter of 2019, Neo generated \$101.7 million in revenue, compared to \$110.4 million in Q2 2018; a decrease of \$8.7 million or 7.9%. Net income totaled \$2.3 million, or \$0.05 per share. Adjusted Net Income<sup>(1)</sup> totaled \$5.2 million, or \$0.13 per share.

For the six months ended June 30, 2019, consolidated revenue was \$210.3 million compared to \$230.6 million for the same period in the prior year; a decrease of \$20.4 million or 8.8%. Net income totaled \$14.5 million, or \$0.36 per share. Adjusted Net Income<sup>(1)</sup> totaled \$13.4 million, or \$0.33 per share.

As of June 30, 2019, Neo reported cash and cash equivalents of \$69.6 million, compared to \$71.0 million as at December 31, 2018. Neo has approximately \$6.3 million available under its credit facilities with \$0.9 million drawn from the revolving line of credit. In addition, Neo paid \$5.7 million in dividends to its shareholders in the six months ended June 30, 2019, and re-purchased \$7.5 million of stock under its Normal Course Issuer Bid Program.

<sup>(1)</sup>Neo reports non-IFRS measures such as "Adjusted Net Income", "Adjusted Earnings per Share", "Adjusted EBITDA", "Adjusted EBITDA Margin" and "EBITDA". Please see information on this and other non-IFRS measures in the "Non-IFRS Measures" section of this new release and in the MD&A, available on Neo's website at [www.neomaterials.com](http://www.neomaterials.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## SELECTED FINANCIAL RESULTS

TABLE 1: Selected Consolidated Results				
	Quarter-over-Quarter Comparison		Year-over-Year Comparison	
	Q2 2019	Q2 2018	Q2 2019	Q2 2018
Volume (tonnes)	3,490	3,396	7,097	6,995
(\$000s)				
Revenue	\$101,736	\$110,433	\$210,266	\$230,618
Operating income	\$5,850	\$12,269	\$22,089	\$25,774
EBITDA <sup>(1)</sup>	\$9,329	\$24,983	\$30,168	\$41,655
Adjusted EBITDA <sup>(1)</sup>	\$12,004	\$17,858	\$28,490	\$37,146
Adjusted EBITDA % <sup>(1)</sup>	11.8%	16.2%	13.5%	16.1%

<sup>(1)</sup>Neo reports non-IFRS measures such as "Adjusted Net Income", "Adjusted Earnings per Share", "Adjusted EBITDA", "Adjusted EBITDA Margin" and "EBITDA". Please see information on this and other non-IFRS measures in the "Non-IFRS Measures" section of this news release and in the MD&A.

For the three and six months ended June 30, 2019, operating income was \$5.9 million and \$22.1 million, a decline of \$6.4 million and \$3.7 million, respectively, as compared to same periods last year. Neo had reported lower net income for the three and six months ended June 30, 2019 compared to the corresponding periods of 2018. The Magnequench segment led the decline in revenues in these periods as volumes were adversely affected by slower economic activity in various market segments globally, including in the automotive industry, and by customer inventory adjustments. However, given that rare earth commodity prices in 2019 generally softened through May, and given that the Magnequench segment passes these variable input costs through to most of its customers, a significant portion of Neo's lower year-over-year revenue in the quarter was attributable to this input cost pass-through mechanic.

Additionally, Neo booked a \$1.0 million impairment of assets and \$0.8 million of other expenses recorded from the closure of the production plant in Blanding, Utah, Neo Rare Metals (Utah), LLC ("**NRM Utah**"). Net income for the three months ended June 30, 2018 was \$7.9 million higher due to the partial settlement of the insurance claims from the fire affecting Silmet in 2015, which Neo had recorded in other income.

Neo continues to see longer term growth in demand for many of its key products driven by several global macro trends, including increased electrification of automobiles, which increases the need for Neo's functional materials on a per-vehicle basis; greater demand for precision and efficient motors across multiple sectors, which encourages higher utilization of Neo's magnetic materials; growth in hybrid and electric vehicles; more stringent government regulation with respect to air and water emissions; and trends toward greater utilization of lighter-weight materials in industries such as aerospace and consumer electronics. Neo's functional materials are integral to technologies in all these end markets.

**MAGNEQUENCH SEGMENT RESULTS**

<b>TABLE 2: Selected Magnequench Results</b>				
	<i>Quarter-over-Quarter Comparison</i>		<i>Year-over-Year Comparison</i>	
	<b>Q2 2019</b>	<b>Q2 2018</b>	<b>Q2 2019</b>	<b>Q2 2018</b>
Volume (tonnes)	1,367	1,554	2,812	3,081
(\$000s)				
Revenue	\$41,473	\$56,229	\$89,028	\$111,963
Operating income	\$6,164	\$11,432	\$15,645	\$24,773
EBITDA <sup>(1)</sup>	\$8,121	\$13,261	\$19,544	\$28,589
Adjusted EBITDA <sup>(1)</sup>	\$8,255	\$13,408	\$19,184	\$28,883

<sup>(1)</sup>Neo reports non-IFRS measures such as "Adjusted Net Income", "Adjusted Earnings per Share", "Adjusted EBITDA", "Adjusted EBITDA Margin" and "EBITDA". Please see information on this and other non-IFRS measures in the "Non-IFRS Measures" section of this news release and in the MD&A.

For the three and six months ended June 30, 2019, volumes decreased by 12.0% and 8.7%, respectively, compared to the same periods in the prior year, adversely impacted by a general slowdown in economic activity in various sectors, including automotive, and anticipated customer inventory adjustments. Revenues were down \$14.8 million and \$22.9 million compared to the corresponding periods in 2018 due to lower volumes and lower rare earth commodity prices in the first half of 2019. Neo passes through variable input cost to most of its customers.

Volumes in the Magnequench segment decreased, mostly in its legacy and longer running programs, due to the slowdown in auto sales, slower economic performance in certain sectors, and anticipated customer inventory adjustments. Magnequench continues to see growth related to newer products including traction motors for hybrid and electric vehicles as well as programs that are still ramping up volumes to full production levels. Magnequench is benefiting from growth in the precision and efficient motors and the increased utilization of its magnetic materials on a per-vehicle basis, a continuing growth trend driven by a larger global macro trend toward increasing electrification of various vehicle systems.

Adjusted EBITDA was \$8.3 million and \$19.2 million for the three and six months ended June 30, 2019, compared to \$13.4 million and \$28.9 million in the corresponding periods last year. Adjusted EBITDA was affected by lower volumes (both in margin and overhead absorption) as well as timing impacts from Neo's input cost pass-through mechanics. This pass-through mechanic, which updates selling prices on a lagged basis (generally monthly and quarterly), is a key feature of Neo's strategic focus on value-add margins. A rapid change in rare earth costs in the latter half of 2017 had a lagging pass-through effect which translated into higher selling prices (and higher margins) in the last quarter of 2017 and into the first six months of 2018. Rare earth input costs, and associated pass-through pricing were relatively stable in the second half of 2018, but declined in 2019 through May, which negatively impacted Neo's revenues in the first six months of 2019.

**CHEMICALS AND OXIDES ("C&O") SEGMENT RESULTS**

<b>TABLE 3: Selected C&amp;O Results</b>				
	<i>Quarter-over-Quarter Comparison</i>		<i>Year-over-Year Comparison</i>	
	<b>Q2 2019</b>	<b>Q2 2018</b>	<b>Q2 2019</b>	<b>Q2 2018</b>
Volume (tonnes)	2,053	1,776	4,188	3,783
(\$000s)				
Revenue	\$38,534	\$36,698	\$82,107	\$81,854
Operating income	\$3,696	\$3,808	\$10,322	\$5,925
EBITDA <sup>(1)</sup>	\$4,870	\$4,937	\$12,660	\$8,214
Adjusted EBITDA <sup>(1)</sup>	\$4,924	\$5,180	\$11,912	\$8,700

<sup>(1)</sup>Neo reports non-IFRS measures such as "Adjusted Net Income", "Adjusted Earnings per Share", "Adjusted EBITDA", "Adjusted EBITDA Margin" and "EBITDA". Please see information on this and other non-IFRS measures in the "Non-IFRS Measures" section of this news release and in the MD&A.

In the three and six months ended June 30, 2019, three-way auto catalysts saw incremental growth year-over-year, in spite of a general slowdown in automotive markets that has continued from the second half of 2018. However, this growth was more than offset by a decline in diesel catalyst products due to continuing market dynamics relative to diesel auto catalyst sales. The C&O segment did not incur premium freight cost in the quarter, as opposed to \$4.1 million of premium freight costs incurred in the first half of 2018.

With respect to C&O's rare earth separation business, a general decline in rare earth commodity prices in the first half of 2019, prior to June, led to a lagging impact of higher cost inventory relative to current selling prices, and that had a negative impact on margins in the first half of 2019. Offsetting this, Neo's rare earth separation business benefited from the timing of high-value spot sales orders in the first quarter of 2019, which is common in the rare earth separation business, and this had a positive impact on operating income and EBITDA. There were few spot sales in the same period of 2018.

**RARE METALS SEGMENT RESULTS**

<b>TABLE 4: Selected Rare Metals Results</b>				
	<i>Quarter-over-Quarter Comparison</i>		<i>Year-over-Year Comparison</i>	
	<b>Q2 2019</b>	<b>Q2 2018</b>	<b>Q2 2019</b>	<b>Q2 2018</b>
Volume (tonnes)	154	139	272	274
(\$000s)				
Revenue	\$25,027	\$21,321	\$46,558	\$44,092
Operating (loss) income	\$(371)	\$1,160	\$(214)	\$3,639
EBITDA <sup>(1)</sup>	\$780	\$2,384	\$2,142	\$6,093
Adjusted EBITDA <sup>(1)</sup>	\$1,813	\$2,472	\$2,988	\$6,268

<sup>(1)</sup>Neo reports non-IFRS measures such as "Adjusted Net Income", "Adjusted Earnings per Share", "Adjusted EBITDA", "Adjusted EBITDA Margin" and "EBITDA". Please see information on this and other non-IFRS measures in the "Non-IFRS Measures" section of this news release and in the MD&A.

For the three and six months ended June 30, 2019, Rare Metals increased revenues by 17.4% and 5.6%, respectively, driven primarily by increases in hafnium product sales as the business continues to generate additional demand from

both new and existing customers. This was offset by the continued decline in pricing for tantalum-based products. The Rare Metals segment continues to develop new products and focus on value-added margins to mitigate short-term variations in its earnings due to material price volatility.

The segment recorded a \$1.0 million impairment of assets affecting operating income related to the closure of NRM Utah in the three and six months ended June 30, 2019. In addition to this impairment, the segment had also recognized a restructuring and other charge of \$0.8 million. Subsequent to the closure, a substantial portion of NRM Utah's business will be transferred to the segment's operation in Peterborough, Ontario, which already houses the balance of the gallium business, resulting in additional synergies and efficiencies. Neo expects to complete the transfer and closure activities in the first half of 2020 and expects to see immediate operating and financial benefits after the transfer is complete. The NRM Utah facility was a modest sized facility with \$3.2 million in annualized sales and nominal EBITDA.

#### **CONFERENCE CALL ON MONDAY, AUGUST 12, 2019 AT 10 AM EASTERN**

Management will host a teleconference call on Monday, August 12, 2019 at 10:00 a.m. (Eastern Time) to discuss the second quarter 2019 results. Interested parties may access the teleconference by calling (647) 427-7450 (local) or (888) 231-8191 (toll-free long distance) or by visiting <http://cnw.en.mediaroom.com/events>. A recording of the teleconference may be accessed by calling (416) 849-0833 (local) or (855) 859-2056 (toll-free long distance), and entering pass code 4787727# until September 12, 2019 or by visiting <http://cnw.en.mediaroom.com/events>.

#### **NON-IFRS MEASURES**

This news release refers to certain non-IFRS financial measures such as "Adjusted Net Income", "EBITDA", "Adjusted EBITDA", and "Adjusted EBITDA Margin". These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS, and may not be comparable to similar measures presented by other companies. Rather, these 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 measures used in this news release may not be the same as the definitions for such measures used by other companies in their reporting. Non-IFRS measures 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 non-IFRS 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 non-IFRS financial measures in the evaluation of issuers. Neo's management also uses non-IFRS financial measures in order to facilitate operating performance comparisons from period to period. For the operating segments, Neo also uses "OIBDA" and "Adjusted OIBDA", which reconciles to operating income. Neo uses Adjusted OIBDA and Adjusted EBITDA interchangeably as the use of adjustments in each measure provides the same calculated outcome of operating performance. For definitions of how Neo defines such financial measures, please see the "Non-IFRS Financial Measures" section of Neo's management's discussion and analysis filing for the three and six months ended June 30, 2019, available on Neo's web site at [www.neomaterials.com](http://www.neomaterials.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

**TABLE 5: CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(\$000s)	<b>June 30, 2019</b>	<b>December 31, 2018</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents .....	\$ 69,584	\$ 71,015
Restricted cash.....	1,588	1,650
Accounts receivable .....	58,916	49,544
Inventories.....	125,491	136,350
Income taxes receivable .....	158	343
Other current assets .....	19,018	20,554
<b>Total current assets</b> .....	<b>274,755</b>	<b>279,456</b>
Property, plant and equipment .....	89,041	86,963
Intangible assets .....	64,494	66,721
Goodwill.....	99,405	99,365
Investments.....	8,824	8,605
Deferred tax assets.....	1,240	1,079
Other non-current assets .....	841	834
<b>Total non-current assets</b> .....	<b>263,845</b>	<b>263,567</b>
<b>Total assets</b> .....	<b>\$ 538,600</b>	<b>\$ 543,023</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current</b>		
Bank advances and other short-term debt.....	\$ 943	\$ 3,970
Accounts payable and other accrued charges .....	51,154	57,942
Income taxes payable .....	5,514	6,566
Lease obligations .....	1,673	—
Other current liabilities.....	63	777
<b>Total current liabilities</b> .....	<b>59,347</b>	<b>69,255</b>
Employee benefits .....	1,984	2,125
Derivative liability.....	11,176	9,525
Provisions .....	4,717	4,717
Deferred tax liabilities .....	17,890	17,730
Lease obligations .....	2,978	—
Other non-current liabilities .....	2,212	2,494
<b>Total non-current liabilities</b> .....	<b>40,957</b>	<b>36,591</b>
<b>Total liabilities</b> .....	<b>100,304</b>	<b>105,846</b>
Non-controlling interest .....	4,704	4,758
Equity attributable to equity holders of Neo Performance Materials Inc. ....	433,592	432,419
<b>Total equity</b> .....	<b>438,296</b>	<b>437,177</b>
<b>Total liabilities and equity</b> .....	<b>\$ 538,600</b>	<b>\$ 543,023</b>

See accompanying notes to this table in Neo's Interim Condensed Consolidated Financial Statements for the Three and Six Month Periods Ended June 30, 2019, available on Neo's website at [www.neomaterials.com](http://www.neomaterials.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

**TABLE 6: CONSOLIDATED RESULTS OF OPERATIONS**

Comparison of the three and six months ended June 30, 2019 to the three and six months ended June 30, 2018:

(\$000s)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<b>Revenue</b> .....	\$ 101,736	\$ 110,433	\$ 210,266	\$ 230,618
<b>Costs of sales</b>				
Costs excluding depreciation and amortization ....	74,782	76,368	153,171	160,054
Depreciation and amortization.....	2,353	2,475	4,763	4,985
<b>Gross profit</b> .....	<b>24,601</b>	<b>31,590</b>	<b>52,332</b>	<b>65,579</b>
<b>Expenses</b>				
Selling, general and administrative.....	11,249	11,913	18,545	25,059
Share-based compensation .....	694	1,090	304	2,180
Depreciation and amortization.....	2,014	1,722	3,999	3,604
Research and development .....	3,780	4,596	6,381	8,962
Impairment of assets.....	1,014	—	1,014	—
	18,751	19,321	30,243	39,805
<b>Operating income</b> .....	<b>5,850</b>	<b>12,269</b>	<b>22,089</b>	<b>25,774</b>
Other (expense) income.....	(468)	8,112	(594)	8,078
Finance (costs) income, net .....	(309)	1,703	(1,691)	1,466
Foreign exchange (loss) gain.....	(401)	237	(308)	66
<b>Income from operations before income taxes and equity income (loss) of associates</b> .....	<b>4,672</b>	<b>22,321</b>	<b>19,496</b>	<b>35,384</b>
Income tax expense .....	(2,360)	(3,351)	(5,195)	(6,542)
<b>Income from operations before equity income (loss) of associates</b> .....	<b>2,312</b>	<b>18,970</b>	<b>14,301</b>	<b>28,842</b>
Equity (loss) income of associates (net of income tax) .....	(19)	168	219	(852)
<b>Net income</b> .....	<b>\$ 2,293</b>	<b>\$ 19,138</b>	<b>\$ 14,520</b>	<b>\$ 27,990</b>
<b>Attributable to:</b>				
Equity holders of Neo Performance Materials Inc.....	\$ 2,090	\$ 19,174	\$ 14,337	\$ 27,841
Non-controlling interest.....	203	(36)	183	149
	<b>\$ 2,293</b>	<b>\$ 19,138</b>	<b>\$ 14,520</b>	<b>\$ 27,990</b>
<b>Earnings per share attributable to equity holders of Neo Performance Materials Inc.:</b>				
Basic .....	\$ 0.05	\$ 0.48	\$ 0.36	\$ 0.70
Diluted .....	\$ 0.05	\$ 0.47	\$ 0.36	\$ 0.69

See Management's Discussion and Analysis for the Three and Six Month Periods Ended June 30, 2019, available on Neo's website at [www.neomaterials.com](http://www.neomaterials.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

**TABLE 7: RECONCILIATION OF NET INCOME TO EBITDA, ADJUSTED EBITDA AND FREE CASH FLOW**

(\$000s)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<b>Net income</b> .....	<b>\$ 2,293</b>	<b>\$ 19,138</b>	<b>\$ 14,520</b>	<b>\$ 27,990</b>
Add back (deduct):				
Finance costs (income), net .....	309	(1,703)	1,691	(1,466)
Income tax expense .....	2,360	3,351	5,195	6,542
Depreciation and amortization included in costs of sales .....	2,353	2,475	4,763	4,985
Depreciation and amortization.....	2,014	1,722	3,999	3,604
<b>EBITDA</b> .....	<b>9,329</b>	<b>24,983</b>	<b>30,168</b>	<b>41,655</b>
<b>Adjustments to EBITDA:</b>				
Equity loss (income) in associates .....	19	(168)	(219)	852
Other expense (income) <sup>(1)</sup> .....	468	(8,112)	594	(8,078)
Foreign exchange loss (gain) <sup>(2)</sup> .....	401	(237)	308	(66)
Impairment of assets <sup>(3)</sup> .....	1,014	—	1,014	—
Share and value-based compensation expense (recovery) <sup>(4)</sup> .....	773	1,392	(1,426)	2,783
Transaction cost <sup>(5)</sup> .....	—	—	(1,949)	—
<b>Adjusted EBITDA</b> .....	<b>\$ 12,004</b>	<b>\$ 17,858</b>	<b>\$ 28,490</b>	<b>\$ 37,146</b>
<i>Adjusted EBITDA Margins</i> .....	<i>11.8%</i>	<i>16.2%</i>	<i>13.5%</i>	<i>16.1%</i>
Less:				
Capital expenditures .....	1,973	3,929	4,638	6,234
<b>Free Cash Flow</b> .....	<b>10,031</b>	<b>13,929</b>	<b>23,852</b>	<b>30,912</b>
<i>Free Cash Flow Conversion</i> <sup>(6)</sup> .....	<i>83.6%</i>	<i>78.0%</i>	<i>83.7%</i>	<i>83.2%</i>

**Notes:**

- (1) Represents other expenses resulting from non-operational related activities. Other income primarily relating to cost and insurance recoveries as a result of the fire at the Silmet facility. These costs and recoveries are not indicative of Neo's ongoing activities.
- (2) Represents unrealized and realized foreign exchange losses (gains) that include non-cash adjustments in translating foreign denominated monetary assets and liabilities.
- (3) The \$1.0 million impairment in the Rare Metals division represents impairment of property, plant and equipment and other assets related to the closure of NRM Utah that will not be utilized as a result of the closure.
- (4) Represents share and value-based compensation expense in respect of the Legacy Plan, the LTIP and the long-term value bonus plan, which has similar vesting criteria to the share-based plan and is settled in cash for non-executives and non-North Americans where implementation of a share settlement plan would have been prohibitively expensive in terms of administration and compliance. Value-based compensation expense/(recovery) of \$79 and \$(1,730) are included in selling, general, and administration expenses for the three and six months ended June 30, 2019, respectively, and expense of \$302 and \$603 are included for the three and six months ended June 30, 2018, respectively. Neo has removed both the share and value-based compensation expense from EBITDA to provide comparability with historic periods and to treat it consistently with the share-based awards that they are intended to replace.
- (5) These represents legal, professional advisory fees and other transaction costs incurred netted with the amounts recoverable from Luxfer for the termination of the Luxfer Transaction. These net recoveries were included in selling, general, and administration expense.
- (6) Calculated as Free Cash Flow divided by Adjusted EBITDA.

**TABLE 8: RECONCILIATION OF NET INCOME TO ADJUSTED NET INCOME**

(\$000s)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<b>Net income</b> .....	\$ 2,293	\$ 19,138	\$ 14,520	\$ 27,990
<b>Adjustments to net income:</b>				
Foreign exchange (gain) loss <sup>(1)</sup> .....	401	(237)	308	(66)
Impairment of assets <sup>(2)</sup> .....	1,014	—	1,014	—
Share and value-based compensation expense (recovery) <sup>(3)</sup> .....	773	1,392	(1,426)	2,783
Transaction cost <sup>(4)</sup> .....	—	—	(1,949)	—
Non-recurring items included in other expense (income) <sup>(5)</sup> .....	756	(7,865)	756	(7,865)
Tax impact of the above items.....	(3)	61	151	(85)
<b>Adjusted net income</b> .....	<b>\$ 5,234</b>	<b>\$ 12,489</b>	<b>\$ 13,374</b>	<b>\$ 22,757</b>
<b>Attributable to:</b>				
Equity holders of Neo Performance Materials Inc.....	5,031	12,525	13,191	22,608
Non-controlling interest.....	203	(36)	183	149
<b>Weighted average number of common shares outstanding:</b>				
Basic.....	39,200,803	39,903,277	39,420,123	39,911,662
Diluted.....	39,346,274	40,458,090	39,653,011	40,451,774
<b>Adjusted earnings per share <sup>(6)</sup> attributable to equity shareholders of Neo Performance Materials Inc.:</b>				
Basic.....	0.13	0.31	\$ 0.33	\$ 0.57
Diluted.....	0.13	0.31	\$ 0.33	\$ 0.56

**Notes:**

- (1) Represents unrealized and realized foreign exchange losses (gains) that include non-cash adjustments in translating foreign denominated monetary assets and liabilities.
- (2) The \$1.0 million impairment in the Rare Metals division represents impairment of property, plant and equipment and other assets related to the closure of NRM Utah that will not be utilized as a result of the closure.
- (3) Represents share and value-based compensation expense in respect of the Legacy Plan, the LTIP and the long-term value bonus plan, which has similar vesting criteria to the share-based plan and is settled in cash for non-executives and non-North Americans where implementation of a share settlement plan would have been prohibitively expensive in terms of administration and compliance. Value-based compensation expense/(recovery) of \$79 and \$(1,730) are included in selling, general, and administration expenses for the three and six months ended June 30, 2019, respectively, and expense of \$302 and \$603 are included for the three and six months ended June 30, 2018, respectively. Neo has removed both the share and value-based compensation expense from net income to provide comparability with historic periods and to treat it consistently with the share-based awards that they are intended to replace.
- (4) These represents legal, professional advisory fees and other transaction costs incurred netted with the amounts recoverable from Luxfer for the termination of the Luxfer Transaction. These net recoveries were included in selling, general, and administration expense.
- (5) Represents partial settlement of the insurance claims from the fire affecting Silmet in 2015 and restructuring costs related to the closure of the NRM Utah. Neo has removed this from net income to provide comparability with historic periods.
- (6) Neo reports non-IFRS measures such as "Adjusted Net Income", "Adjusted Earnings per Share", "Adjusted EBITDA", "Adjusted EBITDA Margin" and "EBITDA". Please see information on this and other non-IFRS measures in the "Non-IFRS Measures" section of this new release and in the MD&A, available on Neo's website [www.neomaterials.com](http://www.neomaterials.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## About Neo Performance Materials

Neo Performance Materials is a global leader in the innovation and manufacturing of rare earth and rare metal-based functional materials, which are essential inputs to high technology, high growth, future-facing industries. The business of Neo is organized along three segments: Magnequench, Chemicals & Oxides and Rare Metals. Neo is headquartered in Toronto, Ontario, Canada; with corporate offices in Greenwood Village, Colorado, US; and Beijing, China. Neo operates globally with sales and production across 10 countries, being Japan, China, Thailand, Estonia, Singapore, Germany, United Kingdom, Canada, United States, and South Korea. For more information, please visit [www.neomaterials.com](http://www.neomaterials.com).

## Information Contacts

Ali Mahdavi

Investor Relations

(416) 962-3300

Email: [ir@neomaterials.com](mailto:ir@neomaterials.com)

Jim Sims

Media Relations

(303) 503-6203

Email: [media@neomaterials.com](mailto:media@neomaterials.com)

Website: [www.neomaterials.com](http://www.neomaterials.com)

## 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 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 statements in this discussion include, but are not limited to, the following: expectations regarding certain of Neo's future results and information, including, among other things, revenue, expenses, sales growth, capital expenditures, and operations; statements with respect to current and future market trends that may directly or indirectly impact sales and revenue of Neo; 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; impact of recently adopted accounting pronouncements; risk factors relating to intellectual property protection and intellectual property litigation; and, expectations concerning any remediation efforts to Neo's design of its internal controls over financial reporting and disclosure controls and procedures. 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 known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. 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 Neo's continuous disclosure filings that are available under Neo's profile at [www.sedar.com](http://www.sedar.com).