

MERCURY SYSTEMS INC  
Form DEF 14A  
September 05, 2017

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Mercury Systems, Inc.  
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
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- (4) Proposed maximum aggregate value of transaction:
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- Fee paid previously with preliminary materials:
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- (1) Amount previously paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:



September 5, 2017

Dear Shareholder:

We will hold our Annual Meeting of Shareholders on October 18, 2017, beginning at 10:00 a.m., local time, at our offices at 3601 East University Drive, Phoenix, Arizona 85034. We look forward to your attending the meeting either in person or by proxy, but please note that due to security procedures you will be required to show a form of picture identification to gain access to our offices. The enclosed notice of meeting, proxy statement, and proxy card describe the proposals to be acted upon at the meeting.

Please refer to the enclosed proxy statement for detailed information on each of the proposals. Your vote is important. Whether or not you expect to attend the meeting, your shares should be represented. Therefore, we urge you to complete, sign, date, and promptly return the enclosed proxy card.

On behalf of the Board of Directors, we would like to express our appreciation for your continued interest in our company.

Sincerely yours,

Mark Aslett,  
President, Chief Executive Officer,  
and Director

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MERCURY SYSTEMS, INC.  
50 MINUTEMAN ROAD  
ANDOVER, MA 01810  
(978) 256-1300

Notice of Annual Meeting of Shareholders

To Be Held on October 18, 2017

The Annual Meeting of Shareholders of MERCURY SYSTEMS, INC. will be held on October 18, 2017, at 10:00 a.m., local time, at our offices at 3601 East University Drive, Phoenix, Arizona 85034, for the following purposes:

1. To elect three Class II directors nominated by the Board of Directors, each to serve for a three-year term and until his or her successor has been duly elected and qualified, and to elect one Class I director nominated by the Board of Directors, to serve for a two-year term and until her successor has been duly elected and qualified.
2. To hold an advisory vote on the compensation of our named executive officers (the “say-on-pay” vote).
3. To hold an advisory vote on the frequency of holding future say-on-pay votes.
4. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for fiscal 2018.
5. To consider and act upon any other business that may properly come before the meeting or any adjournment or postponement of the meeting.

Proposal Number One relates solely to the election of three Class II directors and one Class I director nominated by the Board of Directors and does not include any other matters relating to the election of directors, including, without limitation, the election of directors nominated by any Mercury shareholder.

The Board of Directors has fixed the close of business on August 14, 2017 as the record date for the meeting. All shareholders of record on that date are entitled to notice of and to vote at the meeting.

**YOUR VOTE IS IMPORTANT. PLEASE COMPLETE AND RETURN THE ENCLOSED PROXY CARD IN THE ENVELOPE PROVIDED WHETHER OR NOT YOU INTEND TO BE PRESENT AT THE MEETING IN PERSON. IF YOU ATTEND THE MEETING, YOU MAY CONTINUE TO HAVE YOUR SHARES VOTED AS INSTRUCTED IN THE PROXY CARD OR YOU MAY WITHDRAW YOUR PROXY AND VOTE YOUR SHARES IN PERSON.**

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders To Be Held on October 18, 2017: This proxy statement and Annual Report and Form 10-K for our fiscal year ended June 30, 2017 are available at [www.edocumentview.com/MRCY](http://www.edocumentview.com/MRCY).

By Order of the Board of Directors

Christopher C. Cambria  
Secretary

Andover, Massachusetts  
September 5, 2017

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MERCURY SYSTEMS, INC.  
50 MINUTEMAN ROAD  
ANDOVER, MA 01810  
(978) 256-1300

#### QUESTIONS AND ANSWERS ABOUT THESE PROXY MATERIALS AND VOTING

Why am I receiving these materials?

We are mailing this proxy statement, with the accompanying proxy card, to you on or about August 30, 2017 in connection with the solicitation of proxies by the Board of Directors of Mercury Systems, Inc. (“Mercury”) for the annual meeting of shareholders to be held on October 18, 2017, and any adjournment or postponement of that meeting. The meeting will be held on October 18, 2017, beginning at 10:00 a.m., local time, at our offices at 3601 East University Drive, Phoenix, Arizona 85034. You are invited to attend the meeting, and we request that you vote on the proposals described in this proxy statement. You do not need to attend the meeting in person to vote your shares. You may simply complete, sign, date, and return your proxy card in order to have your shares voted at the meeting on your behalf.

What am I voting on?

There are four matters scheduled for a vote:

election of three Class II directors nominated by the Board of Directors, each to serve for a three-year term and until his or her successor has been duly elected and qualified, and the election of one Class I director nominated by the Board of Directors, to serve for a two-year term and until her successor has been duly elected and qualified;

- an advisory vote on the compensation of our named executive officers (the “say-on-pay” vote);
- an advisory vote on the frequency of holding future say-on-pay votes; and
- ratification of the appointment of KPMG LLP as our independent registered public accounting firm for fiscal 2018.

Who can attend and vote at the meeting?

Shareholders of record at the close of business on August 14, 2017 are entitled to attend and vote at the meeting. Each share of our common stock is entitled to one vote on all matters to be voted on at the meeting, and can be voted only if the record owner is present to vote or is represented by proxy. The proxy card provided with this proxy statement indicates the number of shares of common stock that you own and are entitled to vote at the meeting.

What constitutes a quorum at the meeting?

The presence at the meeting, in person or represented by proxy, of the holders of a majority of our common stock outstanding on August 14, 2017, the record date, will constitute a quorum for purposes of the meeting. On the record date, 48,105,292 shares of our common stock were outstanding. For purposes of determining whether a quorum exists, proxies received but marked “abstain” and so-called “broker non-votes” (described below) will be counted as present.

How do I vote by proxy?

If you properly fill in your proxy card and our transfer agent receives it in time to vote at the meeting, your “proxy” (one of the individuals named on your proxy card) will vote your shares as you have directed. No postage is required if your proxy card is mailed in the United States in the return envelope that has been enclosed with this proxy statement. If you sign, date, and return the proxy card but do not specify how your shares are to be voted, then your proxy will vote your shares as follows:

FOR the election of the nominees for one Class I director and three Class II directors named below under “Proposal 1: Election of One Class I Director and Three Class II Directors;”

FOR the approval of, on an advisory basis, the compensation of our named executive officers as disclosed in this proxy statement;

FOR the approval of, on an advisory basis, the holding of future say-on-pay votes on an annual basis; and

FOR the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for fiscal 2018; and

in the proxy’s discretion as to any other business which may properly come before the meeting or any adjournment or postponement of the meeting.





How do I vote if my shares are held by my broker?

If your shares are held by your broker in “street name,” you will need to instruct your broker concerning how to vote your shares in the manner provided by your broker. If your shares are held in “street name” and you wish to vote them in person at the meeting, you must obtain from your broker a properly executed legal proxy identifying you as a Mercury shareholder, authorizing you to act on behalf of the broker at the meeting, and specifying the number of shares with respect to which the authorization is granted.

What discretion does my broker have to vote my shares held in “street name”?

A broker holding your shares in “street name” must vote those shares according to any specific instructions it receives from you. If specific instructions are not received, your broker may vote your shares in its discretion, depending on the type of proposal involved. Under applicable rules, there are certain matters on which brokers may not vote without specific instructions from you, such as the election of directors and the advisory votes on say-on-pay and the frequency of holding future say-on-pay votes. If such matters come before the meeting and you have not specifically instructed your broker how to vote your shares, your shares will not be voted on those matters, giving rise to what is called a “broker non-vote.” Shares represented by broker non-votes will be counted for purposes of determining the existence of a quorum for the transaction of business, but for purposes of determining the number of shares voting on a particular proposal, broker non-votes will not be counted as votes cast or shares voting.

Can I change my vote after I return my proxy card?

Yes. You may change your vote at any time before your proxy is exercised. To change your vote, you may:

- deliver to our Secretary a written notice revoking your earlier vote;
- deliver to our transfer agent a properly completed and signed proxy card with a later date; or
- vote in person at the meeting.

Your attendance at the meeting will not be deemed to revoke a previously delivered proxy unless you clearly indicate at the meeting that you intend to revoke your proxy and vote in person.

How are votes counted?

Election of directors. A director nominee receiving a majority of the votes properly cast at the meeting for the nominee’s election (meaning he or she receives more votes cast “FOR” than cast “WITHHOLD”) will be elected director. Abstentions and broker non-votes, which are described above, will have no effect on the outcome of voting on these matters.

All other proposals. All of the other proposals at the meeting require the favorable vote of a majority of the votes cast on the matter. Abstentions and broker non-votes, which are described above, will have no effect on the outcome of voting on these matters.

How is Mercury soliciting proxies?

We bear the cost of preparing, assembling, and mailing the proxy material relating to the solicitation of proxies by the Board of Directors for the meeting. In addition to the use of the mails, certain of our officers and regular employees may, without additional compensation, solicit proxies in person, by telephone, or by other means of communication. We will also request brokerage houses, custodians, nominees, and fiduciaries to forward copies of the proxy material to those persons for whom they hold shares, and will reimburse those record holders for their reasonable expenses in transmitting this material.

## PROPOSAL 1: ELECTION OF ONE CLASS I DIRECTOR AND THREE CLASS II DIRECTORS

### Who sits on the Board of Directors?

Our by-laws provide for a Board of Directors of not fewer than three nor more than fifteen directors. As permitted by Massachusetts law, the Board of Directors is divided into three classes, with each class consisting, as nearly as may be possible, of one-third of the whole number of the Board of Directors. The Board of Directors currently consists of nine members, with James K. Bass, Michael A. Daniels, and Lisa S. Disbrow serving as Class I directors, Mark Aslett, Mary Louise (ML) Krakauer, and William K. O'Brien serving as Class II directors, and George K. Muellner, Mark S. Newman and Vincent Vitto serving as Class III directors.

The terms of the Class I, Class II, and Class III directors expire in 2019, 2017, and 2018, respectively. With the expiration of its respective term, each class is nominated for election for a subsequent three-year term. The Board of Directors increased the size of the Board from seven to nine members and elected Lisa S. Disbrow and ML Krakauer as directors on July 25, 2017. Ms. Disbrow was elected as a Class I Director and Ms. Krakauer was elected as a Class II Director, each to stand for re-election at our 2017 Annual Meeting of Shareholders. We are proposing that the Class II nominees listed below, which consist of three incumbent directors, Mark Aslett, ML Krakauer, and William K. O'Brien, be elected to serve terms of three years and that the Class I nominee, Lisa S. Disbrow, an incumbent director, be elected to serve a term of two years, and in each case until their successors are duly elected and qualified or until they sooner die, resign, or are removed.

### Directors' Qualifications and Diversity

The Board of Directors believes that the Board, as a whole, should possess a combination of skills, professional experience, and backgrounds necessary to oversee the Company's business. In addition, the Board of Directors believes that there are certain attributes that every director should possess, as reflected in the Board's membership criteria. Accordingly, the Board of Directors and the Nominating and Governance Committee consider the qualifications of directors and director candidates individually and in the broader context of the Board of Directors' overall composition and the Company's current and future needs.

The Nominating and Governance Committee is responsible for developing and recommending Board of Director membership criteria to the Board for approval. The criteria include independent and sound judgment, integrity, the ability to commit sufficient time and attention to Board of Director activities, and the absence of conflicts with the Company's interests. In addition, the Nominating and Governance Committee periodically evaluates the composition of the Board of Directors to assess the skills and experience that are currently represented on the Board of Directors as well as the skills and experience that the Board of Directors will find valuable in the future, given the Company's current situation and strategic plans. While the Nominating and Governance Committee does not have an explicit policy with respect to diversity, it may consider the Board's diversity of qualifications in terms of industry experience, functional skills, age, gender, governance service on other boards, prior work experience, educational background, and other important considerations. The Nominating and Governance Committee believes that it is important that Board of Director members represent diverse viewpoints and perspectives in their application of judgment to Company matters. In evaluating director candidates, and considering incumbent directors for renomination to the Board of Directors, the Nominating and Governance Committee considers, among other things, each nominee's independence, financial literacy, personal and professional accomplishments, and experience.

During fiscal 2017, the Nominating and Governance Committee reviewed the size of the Board of Directors and its membership and determined that it was in the best interests of Mercury and its shareholders to increase the size of the Board by up to two directors, with a focus on increasing the gender and age diversity of the Board through the additional members. The Nominating and Governance Committee engaged a director recruitment firm with a recognized focus on Board diversity to search for additional directors to potentially join the Board. The Nominating and Governance Committee engaged in a director search during fiscal 2017. Upon the recommendation of the Nominating and Governance Committee, the Board of Directors elected Lisa S. Disbrow and ML Krakauer to the Board of Directors on July 25, 2017.

### Recommendation

The Board of Directors recommends a vote "FOR" the election of the nominees listed below.

Information about the Directors

The persons named as proxies in the accompanying proxy card will vote, unless authority is withheld, for the election of the three Class II nominees and the one Class I nominee named below. We have no reason to believe that any of the nominees will be unavailable for election. However, if any one of them becomes unavailable, the persons named as proxies in the accompanying proxy card have discretionary authority to vote for a substitute chosen by the Board. Any vacancies not filled at the meeting may be filled by the Board.

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The following information was provided by each of the incumbent directors whose term will continue after the meeting.

Name	Age	Year First Elected a Director	Principal Occupation
Class II Directors—Nominated for a Term Ending in 2020:			
Mark Aslett	49	2007	<p>Mr. Aslett has served as our President and Chief Executive Officer since November 2007. Prior to that, he was Chief Operating Officer and Chief Executive Officer of Enterasys Networks, a public technology company, from 2003 to 2006, and held various positions with Marconi plc and its affiliated companies, including Executive Vice President of Marketing, Vice President of Portfolio Management, and President of Marconi Communications—North America, from 1998 to 2002. Mr. Aslett served on the Board of Directors of Enterasys Networks from 2004 to 2006. He has also held positions at GEC Plessey Telecommunications, as well as other telecommunications-related technology firms. Mr. Aslett provides an insider’s perspective in Board discussions about the business and strategic direction of the Company with his detailed knowledge of the Company’s employees, customers, suppliers, business prospects, and markets.</p>
Mary Louise (ML) Krakauer	60	2017	<p>Ms. Krakauer retired as the Executive Vice President, Chief Information Officer of Dell Corporation in 2017, where she was responsible for global IT, including all operations and integration activity. She served as the Executive Vice President, Chief Information Officer of EMC Corporation in 2016. Prior to that she served as EVP, Business Development, Global Enterprise Services for EMC Corporation during 2015 and as Executive Vice President, Global Human Resources for EMC Corporation from 2012 to 2015, where she was responsible for executive, leadership, and employee development, compensation and benefits, staffing, and all of the people-related aspects of acquisition integration. Previously, she held leadership roles at EMC Corporation, Hewlett-Packard Corporation, Compaq Computer Corporation, and Digital Equipment Corporation. Ms. Krakauer’s qualifications to serve on our Board of Directors include her extensive executive experience in the technology industry, experience integrating acquired companies, and experience with leading the HR function of a public company, including executive compensation and benefits.</p>
William K. O’Brien	73	2008	<p>Mr. O’Brien served as Executive Chairman at Enterasys Networks, a public technology company, from 2003 until his retirement in 2006. He served as Chief Executive Officer of Enterasys from 2002 to 2004, and as a member of the Board of Directors of Enterasys from 2002 to 2006. Prior to working at Enterasys, he worked for PricewaterhouseCoopers where he held several different senior management positions. Mr. O’Brien had over 33 years of experience in auditing and professional services while at PricewaterhouseCoopers. He has been a director of Virtusa Corporation, a publicly-traded company, since 2008. Mr. O’Brien is one of our “audit committee financial experts.” Mr. O’Brien’s qualifications to serve on our Board of Directors include his executive experience in the technology industry,</p>

including being the Chairman and Chief Executive Officer of a public technology company, and his strong accounting and financial expertise.

Name	Year First Elected a	Principal Occupation
	Age	Director

Class I  
Director—Nominated  
for a Term Ending in  
2019:

Lisa S. Disbrow	54	2017	<p>Ms. Disbrow retired as the Under Secretary of the Air Force in 2017. She was responsible for the affairs of the Department of the Air Force, including organizing, training, equipping, and providing for the welfare of approximately 660,000 active duty, Guard, Reserve and civilian Airmen and their families, worldwide. She oversaw the Air Force’s annual budget of more than \$132 billion and directed strategy and policy development, risk management, weapons acquisition, technology investments and human resource management across a global enterprise. Prior to the confirmation of the current Secretary of the Air Force in May 2017, Ms. Disbrow served as the Acting Secretary of the Air Force. In 2014, Ms. Disbrow was confirmed by the U.S. Senate as the Assistant Secretary of the Air Force for Financial Management and Comptroller, the principal senior official on all financial matters. Ms. Disbrow was commissioned into the U.S. Air Force in 1985 and her 23 years of uniformed service culminated in 2008 when she retired as a colonel from the Air Force Reserve. Ms. Disbrow is one of our “audit committee financial experts.” Ms. Disbrow’s qualifications to serve on our Board of Directors include her extensive military and budget experience in the Company’s target defense market, her defense procurement experience, and her knowledge of defense and aerospace technology.</p>
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Name	Age	Year First Elected a Director	Principal Occupation
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Class I  
Directors—Serving a  
Term Ending in  
2019:

James K. Bass	60	2010	<p>Mr. Bass has served as a director of TTM Technologies, Inc., a publicly-traded global printed circuit board manufacturer, since September 2000, and as a director of Tigrent, Inc., a publicly-traded provider of information for real estate and financial investing, since May 2010. From September 2005 to June 2009, Mr. Bass served as the Chief Executive Officer and a director of Piper Aircraft, Inc., a general aviation manufacturing company. He served as the Chief Executive Officer and a director of Suntron Corporation, a provider of high mix electronic manufacturing services, from its incorporation in May 2001 until May 2005, and as Chief Executive Officer of EFTC Corporation, a subsidiary of Suntron Corporation, from July 2000 until April 2001. From 1992 to July 2000, Mr. Bass was a Senior Vice President of Sony Corporation. Prior to that, Mr. Bass spent 15 years in various manufacturing management positions at the aerospace group of the General Electric Company. Mr. Bass is one of our “audit committee financial experts.” Mr. Bass’ qualifications to serve on our Board of Directors include his extensive experience in the technology marketplace, his executive and operational experience as the Chief Executive Officer of a public company, and his broad experience with accounting and audit matters for publicly-traded companies.</p> <p>Mr. Daniels served as Chairman of the Board of Mobile 365, Inc. from May 2005 to November 2006 and served as its Chief Executive Officer from December 2005 to August 2006. Sybase acquired Mobile 365, Inc. in November 2006 and renamed it Sybase 365, Inc. Mr. Daniels was a director of Sybase, a publicly-traded global enterprise software and services company, from 2007 until its acquisition by SAP in 2010. From December 1986 to May 2004, Mr. Daniels served in a number of senior executive positions at Science Applications International Corporation (SAIC), a publicly-traded scientific, technical, and professional services firm, including Sector Vice President from February 1994 to May 2004. Mr. Daniels served as Chairman and Chief Executive Officer of Network Solutions, Inc., an internet company, from March 1995 to June 2000 when Verisign purchased Network Solutions. From June 2007 to July 2009, Mr. Daniels served on the Board of Directors of Luna Innovations, a high technology manufacturer. From 2007 to 2013 Mr. Daniels served as Chairman of GlobalLogic. Apax Partners purchased GlobalLogic in 2013. In addition to his role at Mercury, he currently serves on the Board of Directors of Blackberry, CACI International, as the Chairman of the Logistics Management Institute (since 2010) and as Chairman of Invincea Labs. Mr. Daniels’ qualifications to serve on our Board of Directors include his extensive executive experience in the technology industry and experience serving as a director of public companies, including software and technology companies.</p>
Michael A. Daniels	71	2010	





Name	Age	Year First Elected a Director	Principal Occupation
Class III Directors—Serving a Term Ending in 2018:			
Vincent Vitto	76	2006	Mr. Vitto served as President and Chief Executive Officer of The Charles Stark Draper Laboratory, Inc., a research and development laboratory, from 1997 to his retirement in 2006. Prior to that, he spent 32 years of increasing responsibility at MIT Lincoln Laboratory, a research and development laboratory, rising to Assistant Director for Surface Surveillance and Communications. Mr. Vitto's qualifications to serve on our Board of Directors include his exceptional understanding of defense technology, particularly related to surveillance and communications, and experience managing major defense research laboratories.
George K. Muellner	74	2010	Mr. Muellner served as the President of Advanced Systems for the Integrated Defense Systems business unit of The Boeing Company, responsible for developing advanced cross-cutting concepts and technologies, and executing new programs, until his retirement in February 2008. Prior to this assignment, he was Vice President-General Manager of Air Force Systems at Boeing since July 2002. He joined Boeing in 1998. Prior to that, he served 31 years in the U.S. Air Force, retiring as a Lieutenant General from the position of Principal Deputy for the Office of the Assistant Secretary of the Air Force for Acquisition in Washington, D.C. A highly decorated veteran, Mr. Muellner spent most of his career as a fighter pilot and fighter weapons instructor, test pilot, and commander. Mr. Muellner's qualifications to serve on our Board of Directors include his executive experience with defense contracting, his military experience in the Company's target defense market, and his knowledge of defense and aerospace technology.
Mark S. Newman	67	2015	Mr. Newman was the Chairman and Chief Executive Officer of DRS Technologies, Inc., a publicly-traded defense electronics company, until his retirement in January 2012. He joined the DRS in 1973, four years after its founding, and became President and CEO in 1994, after serving many years as the company's Chief Financial Officer. He was named a director in 1988, and in 1995, was elected Chairman of the Board of DRS. Mr. Newman is also a director on the board of American Biltrite, Inc. Mr. Newman is one of our "audit committee financial experts." Mr. Newman's qualifications to serve on our Board of Directors include his extensive experience in defense electronics, his executive and operational experience as the Chief Executive Officer of a public company, and his broad experience with accounting and audit matters for publicly-traded companies.



## CORPORATE GOVERNANCE

## Corporate Governance Highlights

Our commitment to good corporate governance stems from our belief that a strong governance framework creates long-term value for our shareholders, strengthens Board and management accountability, and builds trust in Mercury and its brand. Our governance framework includes the following highlights:

Board and Governance Information		Board and Governance Information	
Size of the Board of Directors	9	Board Meetings Held During Fiscal 2017	7
Number of Independent Directors	8	Poison Pill	No
Average Age of Directors	65	Proxy Access	No
Average Director Tenure	6 years	Code of Conduct	
Women Board Members	22%	Business Conduct and Ethics	Yes
Classified Board of Directors	Yes	Stock Ownership Guidelines for Directors and CEO	Yes
Majority Voting in Director Elections	Yes	Anti-Hedging and Pledging Policies	Yes
Plurality Voting in Contested Director Elections	Yes	Compensation Clawback Policy	Yes
		Separate Chairman and CEO	Yes

## Independence

The Board of Directors has determined that a majority of the members of the Board should consist of “independent directors,” determined in accordance with the applicable listing standards of the NASDAQ Global Select Market as in effect from time to time. Directors who are also Mercury employees are not considered to be independent for this purpose. For a non-employee director to be considered independent, he or she must not have any direct or indirect material relationship with Mercury. A material relationship is one which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In determining whether a material relationship exists, the Board considers, among other things, the circumstances of any direct compensation received by a director or a member of a director’s immediate family from Mercury, any professional relationship between a director or a member of a director’s immediate family and Mercury’s outside auditors, any participation by a Mercury executive officer in the compensation decisions of other companies employing a director or a member of a director’s immediate family as an executive officer, and commercial relationships between Mercury and other entities with which a director is affiliated (as an executive officer, partner, or controlling shareholder). The Board has determined that directors who serve on the Audit Committee must qualify as independent under the applicable rules of the Securities and Exchange Commission (“SEC”), which limit the types of compensation an Audit Committee member may receive directly or indirectly from Mercury and require that Audit Committee members not be “affiliated persons” of Mercury or its subsidiaries. In addition, the Board of Directors has determined that directors who serve on the Compensation Committee must satisfy the standards for being considered a “non-employee director” within the meaning of Securities and Exchange Commission Rule 16b-3 and an “outside director” for purposes of Section 162(m) of the Internal Revenue Code.

Consistent with these considerations, the Board has determined that all of the members of the Board are independent directors, except Mr. Aslett, who is Mercury's President and Chief Executive Officer.

## How are nominees for the Board selected?

Our Nominating and Governance Committee is responsible for identifying and recommending nominees for election to the Board. The Committee will consider nominees recommended by a shareholder if the shareholder submits the nomination in compliance with applicable requirements. The inherit; font-size: 10pt; ">

Common share information (millions of shares)

Weighted average number of common shares

90

91

94

91

96

Diluted weighted average number of common shares

91

91

95

92

96

Number of common shares outstanding, end of period

90

90

94

90

94

<sup>1</sup> Methanex-produced methanol includes volume produced by Chile using natural gas supplied from Argentina under a tolling arrangement (“Tolling Volume”). For the 3rd quarter of 2015, Tolling Volume was 1,000 tonnes. Commission sales represent volume marketed on a commission basis related to 36.9% of the Atlas methanol facility

and 50% of the Egypt methanol facility.

Methanex average non-discounted posted price represents the average of our non-discounted posted prices in North America, Europe and Asia Pacific weighted by sales volume. Current and historical pricing information is available at [www.methanex.com](http://www.methanex.com).

Average realized price is calculated as revenue, excluding commissions earned and the Egypt non-controlling interest share of revenue but including an amount representing our share of Atlas revenue, divided by the total sales volume of Methanex-produced (attributable to Methanex shareholders) and purchased methanol but excluding Tolling Volume.

These items are non-GAAP measures that do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. Refer to Additional Information - Supplemental Non-GAAP Measures on page 12 for a description of each non-GAAP measure and reconciliations to the most comparable GAAP measures.

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METHANEX CORPORATION 2015 THIRD QUARTER REPORT PAGE 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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## PRODUCTION SUMMARY

	Q3 2015		Q2 2015	Q3 2014	YTD Q3 2015	YTD Q3 2014
(thousands of tonnes)	Operating Capacity <sup>1</sup>	Production	Production	Production	Production	Production
New Zealand <sup>2</sup>	608	476	487	595	1,444	1,654
Atlas (Trinidad) (63.1% interest)	281	226	236	234	671	674
Titan (Trinidad)	218	172	183	185	541	537
Geismar 1 and 2 (Louisiana, USA) <sup>3</sup>	250	259	276	—	715	—
Egypt (50% interest)	158	—	8	50	16	288
Medicine Hat (Canada)	140	123	51	130	301	390
Chile I and IV <sup>4</sup>	100	3	40	10	116	103
	1,755	1,259	1,281	1,204	3,804	3,646

Operating capacity includes only those facilities which are currently capable of operating, assuming access to natural gas feedstock, but excludes any portion of an asset that is underutilized due to a lack of natural gas feedstock over a prolonged period of time. Our current annual operating capacity is 7.0 million tonnes, including 0.4 million tonnes related to our Chile operations. The operating capacity of our production facilities may be higher than original nameplate capacity as, over time, these figures have been adjusted to reflect ongoing operating efficiencies at these facilities. Actual production for a facility in any given year may be higher or lower than operating capacity due to a number of factors, including natural gas composition or the age of the facility's catalyst.

<sup>1</sup> The operating capacity of New Zealand represents the two Motunui facilities and the Waitara Valley facility (refer to New Zealand section below).

<sup>2</sup> We commenced methanol production from Geismar 1 during the first quarter of 2015. The Geismar 2 facility is currently under construction and will contribute one million tonnes annually to operating capacity once complete bringing the total quarterly operating capacity to 0.5 million tonnes.

<sup>3</sup> The production capacity of our Chile I and IV facilities is 1.7 million tonnes annually (0.4 million tonnes per quarter) assuming access to natural gas feedstock.

## New Zealand

Our New Zealand methanol facilities produced 476,000 tonnes of methanol in the third quarter of 2015 compared with 487,000 tonnes in the second quarter of 2015. Mechanical issues at our Motunui facilities resulted in lost production of approximately 80,000 tonnes during the third quarter of 2015. The Motunui 1 plant was shut down for repairs during the third quarter to address the mechanical issues. The New Zealand facilities are capable of producing up to 2.4 million tonnes annually, depending on natural gas composition.

## Trinidad

Production in Trinidad during the quarter was impacted by gas curtailments at both plants. The Titan facility produced 172,000 tonnes in the third quarter of 2015 compared with 183,000 tonnes in the second quarter of 2015. The Atlas facility produced 226,000 tonnes (63.1% interest) in the third quarter of 2015 compared with 236,000 tonnes (63.1% interest) in the second quarter of 2015.

We continue to experience natural gas curtailments to our Trinidad facilities due to a mismatch between upstream commitments to supply the Natural Gas Company of Trinidad and Tobago ("NGC") and downstream demand from NGC's customers including Atlas and Titan. We are engaged with key stakeholders to find a solution to this issue, but in the meantime expect to continue to experience gas curtailments to the Trinidad site.

Geismar, United States

In late January 2015, the Geismar 1 plant commenced production and since start up has been operating at full rates, producing 259,000 tonnes during the third quarter of 2015 compared to 276,000 tonnes during the second quarter of 2015. We continue to make excellent progress on the construction of Geismar 2 and we expect to be producing first methanol by the end of 2015. Once complete, the Geismar 2 facility will add approximately one million incremental tonnes to our annual operating capacity.

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## Egypt

The Egypt methanol facility has been idled since June 2015 due to natural gas supply restrictions and has only operated for twelve days during 2015, producing 32,000 tonnes (Methanex share of 16,000 tonnes). Although the restart date and future operating rates are difficult to predict, our current expectation is that we will be able to resume operations in the fourth quarter of 2015 at reduced rates after the peak Egyptian summer electricity consumption period ends.

The Egypt facility has experienced periodic natural gas supply restrictions since mid-2012 and gas restrictions have become more significant since 2014. We cannot predict when the gas supply situation will improve, but are optimistic that recent developments impacting upstream gas supply in Egypt will result in improved gas deliveries in the future.

## Medicine Hat, Canada

During the third quarter of 2015, we produced 123,000 tonnes at our Medicine Hat facility compared with 51,000 tonnes during the second quarter of 2015. The Medicine Hat facility underwent a planned major refurbishment during the second quarter of 2015 and returned to normal operation in mid-July. Since restart, the plant has been operating at full rates.

## Chile

As a result of insufficient natural gas feedstock from Chile and Argentina during the southern hemisphere winter, we idled our Chile operations in May 2015. On September 27, 2015, we restarted one of our two plants in Chile and produced 3,000 tonnes during the quarter, supported by natural gas supplies both from Chile and from Argentina through a tolling arrangement. We have reached an agreement with Empresa Nacional del Petróleo ("ENAP") for gas supply until April 2016.

The future of our Chile operations is primarily dependent on the level of natural gas exploration and development in southern Chile and our ability to secure a sustainable natural gas supply to our facilities on economic terms from Chile and Argentina.

## FINANCIAL RESULTS

For the third quarter of 2015, we reported net income attributable to Methanex shareholders of \$78 million (\$0.54 per share on a diluted basis) compared with net income attributable to Methanex shareholders for the second quarter of 2015 of \$104 million (\$1.15 income per share on a diluted basis).

For the third quarter of 2015, we recorded Adjusted EBITDA of \$95 million and Adjusted net income of \$23 million (\$0.26 per share on a diluted basis). This compares with Adjusted EBITDA of \$129 million and Adjusted net income of \$51 million (\$0.56 per share on a diluted basis) for the second quarter of 2015.

We calculate Adjusted EBITDA and Adjusted net income by including amounts related to our equity share of the Atlas (63.1% interest) and Egypt (50% interest) facilities and by excluding the mark-to-market impact of share-based compensation as a result of changes in our share price and the impact of certain items associated with specific identified events. Refer to Additional Information - Supplemental Non-GAAP Measures on page 12 for a further



discussion on how we calculate these measures. Our analysis of depreciation and amortization, finance costs, finance income and other expenses and income taxes is consistent with the presentation of our consolidated statements of income and excludes amounts related to Atlas.

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A reconciliation from net income attributable to Methanex shareholders to Adjusted net income and the calculation of Adjusted net income per common share is as follows:

(\$ millions except number of shares and per share amounts)	Three Months Ended			Nine Months Ended		
	Sep 30 2015	Jun 30 2015	Sep 30 2014	Sep 30 2015	Sep 30 2014	
Net income attributable to Methanex shareholders	\$78	\$104	\$52	\$191	\$322	
Mark-to-market impact of share-based compensation, net of tax	(55	)4	14	(39	)22	
Gain related to the termination of a terminal services agreement, net of tax	—	(57	)—	(57	)—	
Argentina gas settlement, net of tax	—	—	—	—	(27	)
Adjusted net income <sup>1</sup>	\$23	\$51	\$66	\$95	\$317	
Diluted weighted average shares outstanding (millions)	91	91	95	92	96	
Adjusted net income per common share <sup>1</sup>	\$0.26	\$0.56	\$0.69	\$1.04	\$3.30	

These items are non-GAAP measures that do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. Refer to Additional Information - Supplemental Non-GAAP Measures on page 12 for a description of each non-GAAP measure and reconciliations to the most comparable GAAP measures.

We review our financial results by analyzing changes in Adjusted EBITDA, mark-to-market impact of share-based compensation, depreciation and amortization, finance costs, finance income and other expenses and income taxes. A summary of our consolidated statements of income is as follows:

(\$ millions)	Three Months Ended			Nine Months Ended		
	Sep 30 2015	Jun 30 2015	Sep 30 2014	Sep 30 2015	Sep 30 2014	
Consolidated statements of income:						
Revenue	\$527	\$638	\$730	\$1,742	\$2,490	
Cost of sales and operating expenses	(394	)526	)597	)1,422	)1,916	)
Mark-to-market impact of share-based compensation	(67	)4	16	(49	)26	)
Adjusted EBITDA (attributable to associate)	38	18	5	78	32	
Amounts excluded from Adjusted EBITDA attributable to non-controlling interests	(9	)5	)17	)28	)80	)
Adjusted EBITDA (attributable to Methanex shareholders) <sup>1</sup>	95	129	137	321	552	
Mark-to-market impact of share-based compensation	67	(4	)16	)49	(26	)
Depreciation and amortization	(51	)47	)39	)145	)107	)
Gain related to the termination of a terminal services agreement	—	65	—	65	—	
Argentina gas settlement	—	—	—	—	42	
Finance costs	(16	)18	)8	)55	)28	)
Finance income and other expenses	1	2	(5	)6	)4	)
Income tax expense	(10	)20	)19	)25	)117	)
Earnings of associate adjustment <sup>2</sup>	(18	)11	)8	)41	)26	)
Non-controlling interests adjustment <sup>2</sup>	10	8	10	28	36	
Net income attributable to Methanex shareholders	\$78	\$104	\$52	\$191	\$322	

Net income	\$77	\$101	\$59	\$191	\$366
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This item is a non-GAAP measure that does not have any standardized meaning prescribed by GAAP and therefore is unlikely to be comparable to similar measures presented by other companies. Refer to Additional Information - Supplemental Non-GAAP Measures on page 12 for a description of the non-GAAP measure and reconciliation to the most comparable GAAP measure.

These adjustments represent depreciation and amortization, finance costs, finance income and other expenses and income taxes associated with our 63.1% interest in the Atlas methanol facility and the non-controlling interests.

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## Adjusted EBITDA (attributable to Methanex shareholders)

Our operations consist of a single operating segment – the production and sale of methanol. We review the results of operations by analyzing changes in the components of Adjusted EBITDA. For a discussion of the definitions used in our Adjusted EBITDA analysis, refer to How We Analyze Our Business on page 17.

The changes in Adjusted EBITDA resulted from changes in the following:

(\$ millions)	Q3 2015 compared with Q2 2015	Q3 2015 compared with Q3 2014	YTD Q3 2015 compared with YTD Q3 2014
Average realized price	\$(53	) \$(127	) \$(670 )
Sales volume	(6	) (3	) 23
Total cash costs	25	88	416
Decrease in Adjusted EBITDA	\$(34	) \$(42	) \$(231 )

## Average realized price

(\$ per tonne)	Three Months Ended			Nine Months Ended	
	Sep 30 2015	Jun 30 2015	Sep 30 2014	Sep 30 2015	Sep 30 2014
Methanex average non-discounted posted price	384	403	444	390	525
Methanex average realized price	323	350	389	337	453

Methanex's average realized price for the third quarter of 2015 was lower compared to the second quarter of 2015. Non-discounted posted prices moved lower through the quarter in Asia Pacific, the United States, and Europe compared to the second quarter of 2015 (refer to Supply/Demand Fundamentals section on page 10 for more information). Our average non-discounted posted price for the third quarter of 2015 was \$384 per tonne compared with \$403 per tonne for the second quarter of 2015 and \$444 per tonne for the third quarter of 2014. Our average realized price for the third quarter of 2015 was \$323 per tonne compared with \$350 per tonne for the second quarter of 2015 and \$389 per tonne for the third quarter of 2014. The change in average realized price for the third quarter of 2015 decreased Adjusted EBITDA by \$53 million compared with the second quarter of 2015 and decreased Adjusted EBITDA by \$127 million compared with the third quarter of 2014. Our average realized price for the nine months ended September 30, 2015 was \$337 compared with \$453 for the same period in 2014. The change in average realized price decreased Adjusted EBITDA by \$670 million.

## Sales volume

Methanol sales volume excluding commission sales volume was lower in the third quarter of 2015 compared with the second quarter of 2015 by 99,000 tonnes and with the third quarter of 2014 by 35,000 tonnes. Lower methanol sales volume excluding commission sales volume for these periods decreased Adjusted EBITDA by \$6 million and \$3 million, respectively. For the nine month period ended September 30, 2015, compared with the same period in 2014, methanol sales volume excluding commission sales volume was higher by 202,000 tonnes resulting in higher Adjusted EBITDA by \$23 million.

### Total cash costs

The primary drivers of changes in our total cash costs are changes in the cost of methanol we produce at our facilities (Methanex-produced methanol) and changes in the cost of methanol we purchase from others (purchased methanol). All of our current production facilities except Medicine Hat are underpinned by natural gas purchase agreements with pricing terms that include base and variable price components linked to the price of methanol. We supplement our production with methanol produced by others through methanol offtake contracts and purchases on the spot market to meet customer needs and to support our marketing efforts within the major global markets.

We have adopted the first-in, first-out method of accounting for inventories and it generally takes between 30 and 60 days to sell the methanol we produce or purchase. Accordingly, the changes in Adjusted EBITDA as a result of changes in Methanex-produced and purchased methanol costs primarily depend on changes in methanol pricing and the timing of inventory flows.

In a rising price environment, our margins at a given price are higher than in a stable price environment as a result of timing of methanol purchases and production versus sales. Conversely, the opposite applies when methanol prices are decreasing.

The impact on Adjusted EBITDA from changes in our cash costs are explained below:

(\$ millions)	Q3 2015 compared with Q2 2015	Q3 2015 compared with Q3 2014	YTD Q3 2015 compared with YTD Q3 2014
Methanex-produced methanol costs	\$3	\$37	\$147
Proportion of Methanex-produced methanol sales	15	1	(18 )
Purchased methanol costs	4	30	253
Other, net	3	20	34
Increase in Adjusted EBITDA	\$25	\$88	\$416

### Methanex-produced methanol costs

We purchase natural gas for the New Zealand, Trinidad, Geismar 1, Egypt and Chile methanol facilities under natural gas purchase agreements where the unique terms of each contract include a base price and a variable price component linked to the price of methanol. This reduces our commodity price risk exposure. The variable price component of each gas contract is adjusted by a formula related to methanol prices above a certain level. For the third quarter of 2015 compared with the second quarter of 2015, Methanex-produced methanol costs were lower by \$3 million. For the three and nine months ended September 30, 2015 compared with the same periods in 2014, Methanex-produced methanol costs were lower by \$37 million and \$147 million, respectively. Changes in Methanex-produced methanol costs for all periods presented are primarily due to the impact of changes in realized methanol prices on the variable portion of our natural gas costs and changes in the mix of production sold from inventory.

### Proportion of Methanex-produced methanol sales

The cost of purchased methanol is directly linked to the selling price for methanol at the time of purchase and the cost of purchased methanol is generally higher than the cost of Methanex-produced methanol. Accordingly, an increase in the proportion of Methanex-produced methanol sales results in a decrease in our overall cost structure for a given period. For the third quarter of 2015 compared with the second quarter of 2015 and the third quarter of 2014, a higher proportion of Methanex-produced methanol sales increased Adjusted EBITDA by \$15 million and \$1 million, respectively. For the nine months ended September 30, 2015 compared with the same period in 2014, a lower proportion of Methanex-produced methanol sales decreased Adjusted EBITDA by \$18 million.

### Purchased methanol costs

Changes in purchased methanol costs for all periods presented are primarily as a result of changes in methanol pricing.

Other, net

For the three and nine months ended September 30, 2015 compared with the same periods in 2014, changes in other costs are primarily a result of lower logistics costs.

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## Mark-to-Market Impact of Share-based Compensation

We grant share-based awards as an element of compensation. Share-based awards granted include stock options, share appreciation rights, tandem share appreciation rights, deferred share units, restricted share units and performance share units. For all share-based awards, share-based compensation is recognized over the related vesting period for the proportion of the service that has been rendered at each reporting date. Share-based compensation includes an amount related to the grant-date value and a mark-to-market impact as a result of subsequent changes in the fair value of the share-based awards primarily driven by the Company's share price. The grant-date value amount is included in Adjusted EBITDA and Adjusted net income. The mark-to-market impact of share-based compensation as a result of changes in our share price is excluded from Adjusted EBITDA and Adjusted net income and analyzed separately.

(\$ millions except share price)	Three Months Ended			Nine Months Ended	
	Sep 30 2015	Jun 30 2015	Sep 30 2014	Sep 30 2015	Sep 30 2014
Methanex Corporation share price <sup>1</sup>	\$33.16	\$55.66	\$66.80	\$33.16	\$66.80
Grant-date fair value expense included in Adjusted EBITDA and Adjusted net income	3	6	5	17	19
Mark-to-market impact due to change in share price	(67	)4	16	(49	)26
Total share-based compensation expense (recovery), before tax	\$(64	)\$10	\$21	\$(32	)\$45

<sup>1</sup> US dollar share price of Methanex Corporation as quoted on NASDAQ Global Market on the last trading day of the respective period.

The Methanex Corporation share price decreased from US \$55.66 per share at June 30, 2015 to US \$33.16 per share at September 30, 2015. As a result of this decrease, we recorded a \$67 million mark-to-market recovery on share-based compensation in the third quarter of 2015 compared with a \$4 million mark-to-market expense in the second quarter of 2015.

## Depreciation and Amortization

Depreciation and amortization was \$51 million for the third quarter of 2015 compared with \$47 million for the second quarter of 2015 and \$39 million for the third quarter of 2014. Depreciation and amortization was higher in the third quarter of 2015 compared to the second quarter of 2015 primarily due to higher unabsorbed depreciation recognized for production sites impacted by natural gas restrictions and production outages and higher sales volume of Methanex-produced methanol. Depreciation and amortization was higher in the third quarter of 2015 compared with the third quarter of 2014 primarily due to the commencement of depreciation associated with the start-up of our Geismar 1 facility during the first quarter of 2015 and higher unabsorbed depreciation recognized for production sites impacted by natural gas restrictions and production outages.

## Finance Costs

(\$ millions)	Three Months Ended			Nine Months Ended	
	Sep 30 2015	Jun 30 2015	Sep 30 2014	Sep 30 2015	Sep 30 2014
Finance costs before capitalized interest	\$21	\$22	\$15	\$70	\$46
Less capitalized interest	(5	) (4	) (7	) (15	) (18
Finance costs	\$16	\$18	\$8	\$55	\$28

Finance costs before capitalized interest primarily relates to interest expense on the unsecured notes, limited recourse debt facilities, and finance leases. For the three and nine months ended September 30, 2015 compared with the same periods in 2014, finance costs were higher due to higher average debt levels in 2015 compared to 2014 and an increase in finance costs related to leased assets that were put into use on the start up of our Geismar 1 facility.

Capitalized interest relates to interest costs capitalized for the Geismar project. The Geismar 1 facility commenced production during the first quarter of 2015 and accordingly, we ceased capitalizing interest costs related to Geismar 1 from the date that the facility commenced commercial operations.

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## Finance Income and Other Expenses

(\$ millions)	Three Months Ended		Nine Months Ended			
	Sep 30 2015	Jun 30 2015	Sep 30 2014	Sep 30 2014		
Finance income and other expenses	\$1	\$2	\$(5	) \$(6	) \$(4	)

The change in finance income and other expenses for all periods presented was primarily due to the impact of changes in foreign exchange rates.

## Income Taxes

A summary of our income taxes for the third quarter of 2015 compared with the second quarter of 2015 is as follows:

(\$ millions, except where noted)	Three Months Ended September 30, 2015		Three Months Ended June 30, 2015		
	Net Income	Adjusted Net Income <sup>1</sup>	Net Income	Adjusted Net Income <sup>1</sup>	
Amount before income tax	\$87	\$30	\$121	\$66	
Income tax expense	(10	) (7	) (20	) (15	)
	\$77	\$23	\$101	\$51	
Effective tax rate	12	% 23	% 16	% 23	%

This item is a non-GAAP measure that does not have any standardized meaning prescribed by GAAP and therefore is unlikely to be comparable to similar measures presented by other companies. Refer to Additional Information - Supplemental Non-GAAP Measures on page 12 for a description of the non-GAAP measure and reconciliation to the most comparable GAAP measure.

We earn the majority of our earnings in New Zealand, Trinidad, the United States, Egypt, Canada and Chile. In Trinidad and Chile, the statutory tax rate is 35%. The statutory rates in Canada and New Zealand are 26.5% and 28%, respectively. The United States statutory tax rate is 36% and the Egypt statutory tax rate is 22.5%. As the Atlas entity is accounted for using the equity method, any income taxes related to Atlas are included in earnings of associate and therefore excluded from total income taxes but included in the calculation of Adjusted net income.

For both the third quarter of 2015 and the second quarter of 2015, the effective tax rate based on Adjusted net income was 23%. Adjusted net income represents the amount that is attributable to Methanex shareholders and excludes the mark-to-market impact of share-based compensation and the impact of certain items associated with specific identified events. The effective tax rate differs from period to period depending on the source of earnings and the impact of foreign exchange fluctuations against the United States dollar on our tax balances.

## SUPPLY/DEMAND FUNDAMENTALS

At the end of Q3 2015, we estimate that methanol demand, excluding integrated coal-to-olefins facilities, was approximately 61 million tonnes on an annualized basis.

Our average realized price in the third quarter of 2015 decreased to \$323 per tonne from \$350 per tonne realized in the second quarter of 2015. Traditional chemical demand for methanol in the third quarter of 2015 was similar to the second quarter of 2015, while energy demand grew modestly. We understand that a number of methanol-to-olefins ("MTO") facilities either undertook maintenance activities or operated at reduced rates during the quarter as a result of lower oil and olefins pricing, which lowered methanol affordability into that application. Leading into the fourth quarter of 2015, MTO related demand is anticipated to pick up with the re-start of capacity under maintenance and we believe that the start-up of two new MTO facilities have the capacity to consume up to 3.6 million tonnes of methanol.

We held our October North America contract price at \$366 per tonne, reduced the European quarterly contract price by €70 to €295 per tonne for the fourth quarter of 2015, and moderately reduced our October Asia Pacific contract price by \$10 per tonne to \$305 per tonne. We also recently announced that Asia Pacific contract prices for November will remain steady at current levels and that we will decrease our North America contract price for November to \$349.

Methanex Non-Discounted Regional Posted Prices <sup>1</sup>

(US\$ per tonne)	Oct 2015	Sep 2015	Aug 2015	Jul 2015
North America	366	366	416	442
Europe <sup>2</sup>	330	410	410	410
Asia Pacific	305	315	360	375

<sup>1</sup> Discounts from our posted prices are offered to customers based on various factors.

<sup>2</sup> €295 for Q3 2015 (Q2 2015 – €365) converted to United States dollars.

During the quarter, we continued to see stable demand from traditional chemical applications in China and the rest of the world. We estimate that traditional chemical derivatives consume approximately 60% of global methanol and believe that growth is correlated to GDP and industrial production growth rates. On the energy side, there are now eleven completed MTO/methanol-to-propylene ("MTP") plants in China which are dependent on merchant methanol supply, and these have the capacity to consume just over 10 million tonnes of methanol annually. There are two incremental MTO plants with expected start-up during the fourth quarter, increasing total potential demand at capacity for MTO/MTP to almost 14 million tonnes of methanol annually. There are also three other MTO plants at various stages of construction which are anticipated to be completed in 2016. The future operating rates and methanol consumption from these facilities will depend on a number of factors, including pricing for their various final products and the impact of feedstock costs on relative competitiveness. During the third quarter of 2015, we estimate that at least 4 million tonnes of annual methanol demand did not operate as a result of unaffordability, including MTO, MTP, and dimethyl-ether. Demand for direct methanol blending into gasoline in China has remained strong and we believe that future growth in this application is supported by numerous provincial fuel-blending standards. Fuel blending has continued to gain interest outside of China with several countries currently conducting demonstration programs to test the use of methanol-blended fuels.

The methanol price will ultimately depend on the strength of the global economy, industry operating rates, global energy prices, new supply additions and the strength of global demand. Over the next few years, outside of China, the majority of new capacity additions are expected in North America. We are targeting to be producing first methanol from our one million tonne Geismar 2 facility in Geismar, Louisiana by the end of 2015. In addition, a 1.3 million tonne Fairway Methanol LLC plant has commenced operation in Clear Lake, Texas and OCI N.V. is developing a

project for the construction of a 1.8 million tonne plant in Beaumont, Texas. We expect that production from new methanol capacity in China will be consumed in that country.

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## LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities in the third quarter of 2015 increased by \$52 million to \$134 million compared with \$82 million for the second quarter of 2015 and decreased by \$37 million compared to \$171 million for the third quarter of 2014. Cash flows from operating activities for the nine month period ended September 30, 2015 were \$253 million compared with \$590 million for the same period in 2014. The changes in cash flows from operating activities resulted from changes in the following:

(\$ millions)	Q3 2015 compared with Q2 2015	Q3 2015 compared with Q3 2014	YTD Q3 2015 compared with YTD Q3 2014
Change in Adjusted EBITDA (attributable to Methanex shareholders)	\$(34	)\$(42	)\$(231 )
Exclude change in Adjusted EBITDA of associate	(20	)(33	)(46 )
Dividends received from associate	—	13	32
Cash flows attributable to non-controlling interests	4	(8	)(52 )
Non-cash working capital	104	17	(21 )
Income taxes paid	3	9	(2 )
Argentina gas settlement	—	—	(42 )
Share-based payments	1	3	23
Other	(6	)4	2
Increase (decrease) in cash flows from operating activities	\$52	\$(37	)\$(337 )

During the third quarter of 2015 we paid a quarterly dividend of \$0.275 per share, or \$25 million.

On April 29, 2015, the Board of Directors approved a 5% normal course issuer bid, which allows us to repurchase for cancellation up to 4.6 million shares. Under the current normal course issuer bid, we are authorized to purchase up to a further 3.2 million shares by May 5, 2016. During the quarter we repurchased 629,100 shares for \$27 million.

We operate in a highly competitive commodity industry and believe it is appropriate to maintain a conservative balance sheet and financial flexibility. At September 30, 2015, our cash balance was \$427 million, including \$55 million related to the 50% non-controlling interest in Egypt. We invest our cash only in highly rated instruments that have maturities of three months or less to ensure preservation of capital and appropriate liquidity. We also have access to a \$400 million unsecured and undrawn credit facility and no debt maturities until 2019.

Our planned capital maintenance expenditure program directed towards maintenance, turnarounds and catalyst changes for existing operations, including our 63.1% share of Atlas, is currently estimated to be \$105 million to the end of 2016. The estimated remaining capital expenditures related to our Geismar project are approximately \$110 million, excluding capitalized interest.

We believe we are well positioned to meet our financial commitments, invest to grow the Company and continue to deliver on our commitment to return excess cash to shareholders.

## CONTROLS AND PROCEDURES

For the three months ended September 30, 2015, no changes were made in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## ADDITIONAL INFORMATION – SUPPLEMENTAL NON-GAAP MEASURES

In addition to providing measures prepared in accordance with International Financial Reporting Standards (IFRS), we present certain supplemental non-GAAP measures. These are Adjusted EBITDA, Adjusted net income, Adjusted net income per common share, Adjusted revenue and operating income. These measures do not have any standardized meaning prescribed by generally accepted accounting principles (GAAP) and therefore are unlikely to be comparable to similar measures presented by other companies. These supplemental non-GAAP measures are provided to assist readers in determining our ability to generate cash from operations and improve the comparability of our results from one period to another. We believe these measures are useful in assessing operating performance and liquidity of the Company's ongoing business on an overall basis. We also believe Adjusted EBITDA is frequently used by securities analysts and investors when comparing our results with those of other companies.

## Adjusted EBITDA (attributable to Methanex shareholders)

Adjusted EBITDA differs from the most comparable GAAP measure, net income attributable to Methanex shareholders, because it excludes the mark-to-market impact of share-based compensation, depreciation and amortization, finance costs, finance income and other expenses, income tax expense, the 50% non-controlling interest in the Egypt facility, gain related to the termination of a terminal services agreement and Argentina gas settlement. Adjusted EBITDA includes an amount representing our 63.1% interest in the Atlas facility.

Adjusted EBITDA and Adjusted net income exclude the mark-to-market impact of share-based compensation related to the impact of changes in our share price on share appreciation rights, tandem share appreciation rights, deferred share units, restricted share units and performance share units. The mark-to-market impact related to performance share units that is excluded from Adjusted EBITDA and Adjusted net income is calculated as the difference between the grant date value determined using a Methanex total shareholder return factor of 100% and the fair value recorded at each period end. As share-based awards will be settled in future periods, the ultimate value of the units is unknown at the date of grant and therefore the grant date value recognized in Adjusted EBITDA and Adjusted net income may differ from the total settlement cost.

The following table shows a reconciliation from net income attributable to Methanex shareholders to Adjusted EBITDA:

(\$ millions)	Three Months Ended			Nine Months Ended		
	Sep 30 2015	Jun 30 2015	Sep 30 2014	Sep 30 2015	Sep 30 2014	
Net income attributable to Methanex shareholders	\$78	\$104	\$52	\$191	\$322	
Mark-to-market impact of share-based compensation	(67	)4	16	(49	)26	
Depreciation and amortization	51	47	39	145	107	
Gain related to the termination of a terminal services agreement	—	(65	)—	(65	)—	
Argentina gas settlement	—	—	—	—	(42	)
Finance costs	16	18	8	55	28	
Finance income and other expenses	(1	)(2	)5	6	4	

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Income tax expense	10	20	19	25	117
Earnings of associate adjustment <sup>1</sup>	18	11	8	41	26
Non-controlling interests adjustment <sup>1</sup>	(10	)(8	)(10	)(28	)(36
Adjusted EBITDA (attributable to Methanex shareholders)	\$95	\$129	\$137	\$321	\$552

These adjustments represent depreciation and amortization, finance costs, finance income and other expenses and <sup>1</sup> income tax expense associated with our 63.1% interest in the Atlas methanol facility and the non-controlling interests.

METHANEX CORPORATION 2015 THIRD QUARTER REPORT PAGE 12  
 MANAGEMENT'S DISCUSSION AND ANALYSIS

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## Adjusted Net Income and Adjusted Net Income per Common Share

Adjusted net income and Adjusted net income per common share are non-GAAP measures because they exclude the mark-to-market impact of share-based compensation and the impact of certain items associated with specific identified events. The following table shows a reconciliation of net income attributable to Methanex shareholders to Adjusted net income and the calculation of Adjusted net income per common share:

(\$ millions except number of shares and per share amounts)	Three Months Ended			Nine Months Ended		
	Sep 30 2015	Jun 30 2015	Sep 30 2014	Sep 30 2015	Sep 30 2014	
Net income attributable to Methanex shareholders	\$78	\$104	\$52	\$191	\$322	
Mark-to-market impact of share-based compensation, net of tax	(55	)4	14	(39	)22	
Gain related to the termination of a terminal services agreement, net of tax	—	(57	)—	(57	)—	
Argentina gas settlement, net of tax	—	—	—	—	(27	)
Adjusted net income	\$23	\$51	\$66	\$95	\$317	
Diluted weighted average shares outstanding (millions)	91	91	95	92	96	
Adjusted net income per common share	\$0.26	\$0.56	\$0.69	\$1.04	\$3.30	

## Adjusted Revenue (attributable to Methanex shareholders)

A reconciliation from revenue to Adjusted revenue is as follows:

(\$ millions)	Three Months Ended			Nine Months Ended		
	Sep 30 2015	Jun 30 2015	Sep 30 2014	Sep 30 2015	Sep 30 2014	
Revenue	\$527	\$638	\$730	\$1,742	\$2,490	
Methanex share of Atlas revenue <sup>1</sup>	97	64	46	229	171	
Non-controlling interests' share of revenue <sup>1</sup>	—	(1	)(17	)(23	)(135	)
Other adjustments	(5	)(5	)(2	)(8	)(9	)
Adjusted Revenue (attributable to Methanex shareholders)	\$619	\$696	\$757	\$1,940	\$2,517	

<sup>1</sup> Excludes intercompany transactions with the Company.

## Operating Income

Operating income is reconciled directly to a GAAP measure in our consolidated statements of income.

## QUARTERLY FINANCIAL DATA (UNAUDITED)

A summary of selected financial information for the prior eight quarters is as follows:

(\$ millions, except per share amounts)	Three Months Ended			
	Sep 30 2015	Jun 30 2015	Mar 31 2015	Dec 31 2014
Revenue	\$527	\$638	\$577	\$733
Adjusted EBITDA <sup>1 2</sup>	95	129	97	150
Net income <sup>1</sup>	78	104	9	133
Adjusted net income <sup>1 2</sup>	23	51	21	80
Basic net income per common share <sup>1</sup>	0.87	1.15	0.09	1.43
Diluted net income per common share <sup>1</sup>	0.54	1.15	0.09	1.11
Adjusted net income per share <sup>1 2</sup>	0.26	0.56	0.23	0.85

  

(\$ millions, except per share amounts)	Three Months Ended			
	Sep 30 2014	Jun 30 2014	Mar 31 2014	Dec 31 2013
Revenue	\$730	\$792	\$968	\$881
Adjusted EBITDA <sup>1 2</sup>	137	160	255	245
Net income <sup>1</sup>	52	125	145	128
Adjusted net income <sup>1 2</sup>	66	91	160	167
Basic net income per common share <sup>1</sup>	0.55	1.30	1.51	1.33
Diluted net income per common share <sup>1</sup>	0.54	1.24	1.50	1.32
Adjusted net income per share <sup>1 2</sup>	0.69	0.94	1.65	1.72

<sup>1</sup> Attributable to Methanex Corporation shareholders.

<sup>2</sup> These items are non-GAAP measures that do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. Refer to Additional Information - Supplemental Non-GAAP Measures on page 12 for a description of each non-GAAP measure and reconciliations to the most comparable GAAP measures.



## FORWARD-LOOKING INFORMATION WARNING

This Third Quarter 2015 Management's Discussion and Analysis ("MD&A") as well as comments made during the Third Quarter 2015 investor conference call contain forward-looking statements with respect to us and our industry. These statements relate to future events or our future performance. All statements other than statements of historical fact are forward-looking statements. Statements that include the words "believes," "expects," "may," "will," "should," "potential," "estimates," "anticipates," "aim," "goal" or other comparable terminology and similar statements of a future or forward-looking nature identify forward-looking statements.

More particularly and without limitation, any statements regarding the following are forward-looking statements:

- expected demand for methanol and its derivatives,
  - expected new methanol supply or restart of idled capacity and timing for start-up of the same,
  - expected shutdowns (either temporary or permanent) or restarts of existing methanol supply (including our own facilities), including, without limitation, the timing and length of planned maintenance outages,
  - expected methanol and energy prices,
  - expected levels of methanol purchases from traders or other third parties,
  - expected levels, timing and availability of economically priced natural gas supply to each of our plants,
  - capital committed by third parties towards future natural gas exploration and development in the vicinity of our plants,
  - our expected capital expenditures,
  - anticipated operating rates of our plants,
  - expected operating costs, including natural gas feedstock costs and logistics costs,
  - expected tax rates or resolutions to tax disputes,
  - expected cash flows, earnings capability and share price,
  - availability of committed credit facilities and other financing,
- our ability to meet covenants or obtain or continue to obtain waivers associated with our long-term debt obligations, including, without limitation, the Egypt limited recourse debt facilities that have conditions associated with the payment of cash or other distributions and the finalization of certain land title registrations and related mortgages which require actions by Egyptian governmental entities,
- expected impact on our results of operations in Egypt or our financial condition as a consequence of civil unrest or actions taken or inaction by the Government of Egypt and its agencies,
  - our shareholder distribution strategy and anticipated distributions to shareholders,
  - commercial viability and timing of, or our ability to execute, future projects, plant restarts, capacity expansions, plant relocations, or other business initiatives or opportunities, including the completion of the Geismar project,
  - our financial strength and ability to meet future financial commitments,
  - expected global or regional economic activity (including industrial production levels),
  - expected outcomes of litigation or other disputes, claims and assessments, and
  - expected actions of governments, government agencies, gas suppliers, courts, tribunals or other third parties.

We believe that we have a reasonable basis for making such forward-looking statements. The forward-looking statements in this document are based on our experience, our perception of trends, current conditions and expected future developments as well as other factors. Certain material factors or assumptions were applied in drawing the conclusions or making the forecasts or projections that are included in these forward-looking statements, including, without limitation, future expectations and assumptions concerning the following:

the supply of, demand for and price of methanol, methanol derivatives, natural gas, coal, oil and oil derivatives,  
our ability to procure natural gas feedstock on commercially acceptable terms,

METHANEX CORPORATION 2015 THIRD QUARTER REPORT PAGE 15  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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- operating rates of our facilities,
- operating costs, including natural gas feedstock and logistics costs, capital costs, tax rates, cash flows, foreign exchange rates and interest rates,
- the availability of committed credit facilities and other financing,
- timing of completion and cost of our Geismar project,
- global and regional economic activity (including industrial production levels),
- receipt or issuance of third-party consents or approvals, including, without limitation, governmental registrations of land title and related mortgages in Egypt and governmental approvals related to rights to purchase natural gas,
  
- the establishment of new fuel standards,
- absence of a material negative impact from major natural disasters,
- absence of a material negative impact from changes in laws or regulations,
- absence of a material negative impact from political instability in the countries in which we operate, and
- enforcement of contractual arrangements and ability to perform contractual obligations by customers, natural gas and other suppliers and other third parties.

However, forward-looking statements, by their nature, involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. The risks and uncertainties primarily include those attendant with producing and marketing methanol and successfully carrying out major capital expenditure projects in various jurisdictions, including, without limitation:

- conditions in the methanol and other industries including fluctuations in the supply, demand and price for methanol and its derivatives, including demand for methanol for energy uses,
- the price of natural gas, coal, oil and oil derivatives,
- our ability to obtain natural gas feedstock on commercially acceptable terms to underpin current operations and future production growth opportunities,
- the ability to carry out corporate initiatives and strategies,
- actions of competitors, suppliers and financial institutions,
- conditions within the natural gas delivery systems that may prevent delivery of our natural gas supply requirements,
- our ability to meet timeline and budget targets for our Geismar project, including cost pressures arising from labour costs,
  
- competing demand for natural gas, especially with respect to domestic needs for gas and electricity in Chile and Egypt,
- actions of governments and governmental authorities, including, without limitation, the implementation of policies or other measures that could impact the supply of or demand for methanol or its derivatives,
- changes in laws or regulations,
- import or export restrictions, anti-dumping measures, increases in duties, taxes and government royalties, and other actions by governments that may adversely affect our operations or existing contractual arrangements,
- world-wide economic conditions, and
- other risks described in our 2014 Management's Discussion and Analysis and this Third Quarter 2015 Management's Discussion and Analysis.

Having in mind these and other factors, investors and other readers are cautioned not to place undue reliance on forward-looking statements. They are not a substitute for the exercise of one's own due diligence and judgment. The outcomes implied by forward-looking statements may not occur and we do not undertake to update forward-looking

statements except as required by applicable securities laws.

METHANEX CORPORATION 2015 THIRD QUARTER REPORT PAGE 16  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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## HOW WE ANALYZE OUR BUSINESS

Our operations consist of a single operating segment – the production and sale of methanol. We review our results of operations by analyzing changes in the components of Adjusted EBITDA (refer to the Additional Information - Supplemental Non-GAAP Measures section on page 12 for a description of each non-GAAP measure and reconciliations to the most comparable GAAP measures).

In addition to the methanol that we produce at our facilities (“Methanex-produced methanol”), we also purchase and re-sell methanol produced by others (“purchased methanol”) and we sell methanol on a commission basis. We analyze the results of all methanol sales together, excluding commission sales volume. The key drivers of changes in Adjusted EBITDA are average realized price, cash costs and sales volume which are defined and calculated as follows:

The change in Adjusted EBITDA as a result of changes in average realized price is calculated as the difference PRICE from period to period in the selling price of methanol multiplied by the current period total methanol sales volume excluding commission sales volume plus the difference from period to period in commission revenue.

CASH COST The change in Adjusted EBITDA as a result of changes in cash costs is calculated as the difference from period to period in cash costs per tonne multiplied by the current period total methanol sales volume excluding commission sales volume in the current period. The cash costs per tonne is the weighted average of the cash cost per tonne of Methanex-produced methanol and the cash cost per tonne of purchased methanol. The cash cost per tonne of Methanex-produced methanol includes absorbed fixed cash costs per tonne and variable cash costs per tonne. The cash cost per tonne of purchased methanol consists principally of the cost of methanol itself. In addition, the change in Adjusted EBITDA as a result of changes in cash costs includes the changes from period to period in unabsorbed fixed production costs, consolidated selling, general and administrative expenses and fixed storage and handling costs.

VOLUME The change in Adjusted EBITDA as a result of changes in sales volume is calculated as the difference from period to period in total methanol sales volume excluding commission sales volume multiplied by the margin per tonne for the prior period. The margin per tonne for the prior period is the weighted average margin per tonne of Methanex-produced methanol and margin per tonne of purchased methanol. The margin per tonne for Methanex-produced methanol is calculated as the selling price per tonne of methanol less absorbed fixed cash costs per tonne and variable cash costs per tonne. The margin per tonne for purchased methanol is calculated as the selling price per tonne of methanol less the cost of purchased methanol per tonne.

We own 63.1% of the Atlas methanol facility and market the remaining 36.9% of its production through a commission offtake agreement. A contractual agreement between us and our partners establishes joint control over Atlas. As a result, we account for this investment using the equity method of accounting, which results in 63.1% of the net assets and net earnings of Atlas being presented separately in the consolidated statements of financial position and consolidated statements of income, respectively. For purposes of analyzing our business, Adjusted EBITDA, Adjusted net income and Adjusted net income per common share include an amount representing our 63.1% equity share in Atlas.

We own 50% of the 1.26 million tonne per year Egypt methanol facility and market the remaining 50% of its production through a commission offtake agreement. We account for this investment using consolidation accounting, which results in 100% of the revenues and expenses being included in our financial statements with the other investors' interests in the methanol facility being presented as “non-controlling interests”. For purposes of analyzing our business, Adjusted EBITDA, Adjusted net income and Adjusted net income per common share exclude the amount associated with the other investors' non-controlling interests.



## Methanex Corporation

## Consolidated Statements of Income (unaudited)

(thousands of U.S. dollars, except number of common shares and per share amounts)

	Three Months Ended		Nine Months Ended	
	Sep 30 2015	Sep 30 2014	Sep 30 2015	Sep 30 2014
Revenue	\$527,000	\$730,112	\$1,741,538	\$2,489,900
Cost of sales and operating expenses	(394,062)	(597,044)	(1,421,778)	(1,915,966)
Depreciation and amortization	(50,492)	(38,767)	(144,932)	(106,691)
Gain on termination of terminal services agreement	—	—	65,000	—
Argentina gas settlement	—	—	—	42,000
Operating income	82,446	94,301	239,828	509,243
Earnings (loss) of associate (note 4)	20,313	(3,838)	37,202	6,058
Finance costs (note 6)	(16,211)	(7,744)	(54,978)	(28,152)
Finance income and other expenses	918	(4,851)	(5,650)	(3,937)
Income before income taxes	87,466	77,868	216,402	483,212
Income tax expense (recovery):				
Current	4,973	(12,559)	(3,532)	(66,212)
Deferred	(15,189)	(6,359)	(21,281)	(51,237)
	(10,216)	(18,918)	(24,813)	(117,449)
Net income	\$77,250	\$58,950	\$191,589	\$365,763
Attributable to:				
Methanex Corporation shareholders	78,073	51,580	191,307	321,466
Non-controlling interests	(823)	7,370	282	44,297
	\$77,250	\$58,950	\$191,589	\$365,763
Income per share for the period attributable to Methanex Corporation shareholders				
Basic net income per common share	\$0.87	\$0.55	\$2.10	\$3.36
Diluted net income per common share (note 7)	\$0.54	\$0.54	\$1.90	\$3.34
Weighted average number of common shares outstanding (note 7)	90,144,422	94,271,170	90,967,926	95,559,242
Diluted weighted average number of common shares outstanding (note 7)	90,692,425	94,795,437	91,755,493	96,140,134

See accompanying notes to condensed consolidated interim financial statements.

Methanex Corporation  
 Consolidated Statements of Comprehensive Income (unaudited)  
 (thousands of U.S. dollars)

	Three Months Ended		Nine Months Ended		
	Sep 30 2015	Sep 30 2014	Sep 30 2015	Sep 30 2014	
Net income	\$77,250	\$58,950	\$191,589	\$365,763	
Other comprehensive (loss) income, net of taxes:					
Items that may be reclassified to income:					
Change in fair value of cash flow hedges (note 10)	(18,750	) 226	(20,417	) 651	
Forward element excluded from hedging relationship (note 10)	(9,691	) —	(9,691	) —	
Change in fair value of interest rate swap contracts	—	(60	) (12	) 418	
Realized loss on interest rate swap contracts reclassified to finance costs	—	3,423	3,205	9,902	
Taxes on above items	9,420	(1,088	) 8,992	(3,290	)
	(19,021	) 2,501	(17,923	) 7,681	
Comprehensive income	\$58,229	\$61,451	\$173,666	\$373,444	
Attributable to:					
Methanex Corporation shareholders	59,052	52,904	172,266	325,025	
Non-controlling interests	(823	) 8,547	1,400	48,419	
	\$58,229	\$61,451	\$173,666	\$373,444	

See accompanying notes to condensed consolidated interim financial statements.

METHANEX CORPORATION 2015 THIRD QUARTER REPORT PAGE 19  
 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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Methanex Corporation  
 Consolidated Statements of Financial Position (unaudited)  
 (thousands of U.S. dollars)

AS AT	Sep 30 2015	Dec 31 2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$426,708	\$951,600
Trade and other receivables	465,010	404,363
Inventories (note 2)	269,086	306,802
Prepaid expenses	20,668	23,137
	1,181,472	1,685,902
Non-current assets:		
Property, plant and equipment (note 3)	3,087,377	2,778,078
Investment in associate (note 4)	197,119	216,235
Other assets	81,429	95,125
	3,365,925	3,089,438
	\$4,547,397	\$4,775,340
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Trade, other payables and accrued liabilities	\$553,270	\$566,881
Current maturities on long-term debt (note 5)	46,647	193,831
Current maturities on other long-term liabilities	14,470	59,118
	614,387	819,830
Non-current liabilities:		
Long-term debt (note 5)	1,484,836	1,528,207
Other long-term liabilities	201,848	140,861
Deferred income tax liabilities	242,480	233,225
	1,929,164	1,902,293
Equity:		
Capital stock	510,338	521,022
Contributed surplus	2,360	2,803
Retained earnings	1,259,092	1,262,961
Accumulated other comprehensive loss	(19,454)	(413)
Shareholders' equity	1,752,336	1,786,373
Non-controlling interests	251,510	266,844
Total equity	2,003,846	2,053,217
	\$4,547,397	\$4,775,340

See accompanying notes to condensed consolidated interim financial statements.

## Methanex Corporation

## Consolidated Statements of Changes in Equity (unaudited)

(thousands of U.S. dollars, except number of common shares)

	Number of Common Shares	Capital Stock	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Shareholders' Equity	Non- Controlling Interests	Total Equity
Balance, December 31, 2013	96,100,969	\$531,573	\$ 4,994	\$1,126,700	\$ (5,544 )	\$ 1,657,723	\$ 247,610	\$1,905,333
Net income	—	—	—	321,466	—	321,466	44,297	365,763
Other comprehensive income	—	—	—	—	3,559	3,559	4,122	7,681
Compensation expense recorded for stock options	—	—	621	—	—	621	—	621
Issue of shares on exercise of stock options	502,074	9,662	—	—	—	9,662	—	9,662
Reclassification of grant date fair value on exercise of stock options	—	2,712	(2,712 )	—	—	—	—	—
Payment for shares repurchased	(2,701,399 )	(15,149 )	—	(154,015 )	—	(169,164 )	—	(169,164 )
Dividend payments to Methanex Corporation shareholders	—	—	—	(66,719 )	—	(66,719 )	—	(66,719 )
Distributions made and accrued to non-controlling interests	—	—	—	—	—	—	(42,725 )	(42,725 )
Balance, September 30, 2014	93,901,644	\$528,798	\$ 2,903	\$1,227,432	\$ (1,985 )	\$ 1,757,148	\$ 253,304	\$2,010,452
Net income	—	—	—	133,144	—	133,144	7,401	140,545
Other comprehensive income	—	—	—	32	1,572	1,604	1,145	2,749
Compensation expense recorded for stock options	—	—	156	—	—	156	—	156
Issue of shares on exercise of stock options	34,650	995	—	—	—	995	—	995
Reclassification of grant date fair value on exercise of stock options	—	256	(256 )	—	—	—	—	—
	(1,609,807 )	(9,027 )	—	(74,453 )	—	(83,480 )	—	(83,480 )

Payment for shares repurchased								
Dividend payments to Methanex Corporation shareholders	—	—	—	(23,194 )	—	(23,194 )	—	(23,194 )
Distributions made and accrued to non-controlling interests	—	—	—	—	—	—	(4,613 )	(4,613 )
Equity contributions by non-controlling interests	—	—	—	—	—	—	9,607	9,607
Balance, December 31, 2014	92,326,487	\$521,022	\$ 2,803	\$1,262,961	\$ (413 )	\$ 1,786,373	\$ 266,844	\$2,053,217
Net income	—	—	—	191,307	—	191,307	282	191,589
Other comprehensive (loss) income	—	—	—	—	(19,041 )	(19,041 )	1,118	(17,923 )
Compensation expense recorded for stock options	—	—	598	—	—	598	—	598
Issue of shares on exercise of stock options	253,002	3,695	—	—	—	3,695	—	3,695
Reclassification of grant date fair value on exercise of stock options	—	1,041	(1,041 )	—	—	—	—	—
Payment for shares repurchased	(2,736,091 )	(15,420 )	—	(122,607 )	—	(138,027 )	—	(138,027 )
Dividend payments to Methanex Corporation shareholders	—	—	—	(72,569 )	—	(72,569 )	—	(72,569 )
Distributions made and accrued to non-controlling interests	—	—	—	—	—	—	(17,234 )	(17,234 )
Equity contributions by non-controlling interests	—	—	—	—	—	—	500	500
Balance, September 30, 2015	89,843,398	\$510,338	\$ 2,360	\$1,259,092	\$ (19,454 )	\$ 1,752,336	\$ 251,510	\$2,003,846

See accompanying notes to condensed consolidated interim financial statements.

Methanex Corporation  
Consolidated Statements of Cash Flows (unaudited)  
(thousands of U.S. dollars)

	Three Months Ended		Nine Months Ended	
	Sep 30	Sep 30	Sep 30	Sep 30
	2015	2014	2015	2014
<b>CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES</b>				
Net income	\$77,250	\$58,950	\$191,589	\$365,763
Deduct (earnings) loss of associate	(20,313)	)3,838	(37,202)	)(6,058)
Dividends received from associate	12,620	—	56,790	25,240
Add (deduct) non-cash items:				
Depreciation and amortization	50,492	38,767	144,932	106,691
Income tax expense	10,216	18,918	24,813	117,449
Share-based compensation (recovery) expense	(64,440)	)20,632	(32,488)	)44,757
Finance costs	16,211	7,744	54,978	28,152
Other	(146)	)(593)	)186	(169)
Income taxes paid	(4,978)	)(13,768)	)(39,112)	)(37,194)
Other cash payments, including share-based compensation	(880)	)(4,481)	)(15,051)	)(44,817)
Cash flows from operating activities before undernoted	76,032	130,007	349,435	599,814
Changes in non-cash working capital (note 9)	57,749	40,879	(96,443)	)(9,685)
	133,781	170,886	252,992	590,129
<b>CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>				
Payments for repurchase of shares	(27,042)	)(86,892)	)(138,027)	)(169,164)
Dividend payments to Methanex Corporation shareholders	(24,750)	)(23,491)	)(72,569)	)(66,719)
Interest paid, including interest rate swap settlements	(10,554)	)(19,994)	)(58,495)	)(46,805)
Repayment of long-term debt and limited recourse debt	(21,430)	)(20,158)	)(193,083)	)(40,591)
Cash distributions to non-controlling interests	(1,660)	)(1,660)	)(2,570)	)(34,158)
Proceeds on issue of shares on exercise of stock options	79	1,961	3,695	9,662
Other	(572)	)(1,052)	)(2,830)	)(3,101)
Changes in non-cash working capital related to financing activities (note 9)	(5,835)	)(7,151)	)(13,670)	)(6,515)
	(91,764)	)(158,437)	)(477,549)	)(357,391)
<b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>				
Property, plant and equipment	(24,620)	)(19,269)	)(87,231)	)(51,033)
Geismar plants under construction	(72,778)	)(193,177)	)(243,669)	)(419,544)
Termination of terminal services agreement	—	—	65,000	—
Other assets	—	(2,446)	)1,996	(11,365)
Changes in non-cash working capital related to investing activities (note 9)	(2,622)	)30,262	(36,431)	)(8,231)
	(100,020)	)(184,630)	)(300,335)	)(490,173)
Decrease in cash and cash equivalents	(58,003)	)(172,181)	)(524,892)	)(257,435)
Cash and cash equivalents, beginning of period	484,711	647,482	951,600	732,736
Cash and cash equivalents, end of period	\$426,708	\$475,301	\$426,708	\$475,301

See accompanying notes to condensed consolidated interim financial statements.

METHANEX CORPORATION 2015 THIRD QUARTER REPORT PAGE 22  
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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## Methanex Corporation

## Notes to Condensed Consolidated Interim Financial Statements (unaudited)

Except where otherwise noted, tabular dollar amounts are stated in thousands of U.S. dollars.

## 1. Basis of presentation:

Methanex Corporation (the Company) is an incorporated entity with corporate offices in Vancouver, Canada. The Company's operations consist of the production and sale of methanol, a commodity chemical. The Company is the world's largest producer and supplier of methanol to the major international markets of Asia Pacific, North America, Europe and South America.

These condensed consolidated interim financial statements are prepared in accordance with International Accounting Standards (IAS) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB) on a basis consistent with those followed in the most recent annual consolidated financial statements, with the exception of the early adoption of IFRS 9 "Financial Instruments" as described in the Company's annual consolidated financial statements.

These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and were approved and authorized for issue by the Audit, Finance & Risk Committee of the Board of Directors on October 28, 2015.

These condensed consolidated interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2014.

## 2. Inventories:

Inventories are valued at the lower of cost, determined on a first-in first-out basis, and estimated net realizable value. The amount of inventories included in cost of sales and operating expenses and depreciation and amortization for the three and nine month periods ended September 30, 2015 is \$459 million (2014 - \$542 million) and \$1,421 million (2014 - \$1,778 million), respectively.

## 3. Property, plant and equipment:

	Buildings, Plant Installations & Machinery	Plants Under Construction	Finance Leases	Other	Total
Cost at September 30, 2015	\$3,920,931	\$ 506,235	\$ 137,660	\$ 195,933	\$4,760,759
Accumulated depreciation at September 30, 2015	1,502,680	—	36,480	134,222	1,673,382
Net book value at September 30, 2015	\$2,418,251	\$ 506,235	\$ 101,180	\$61,711	\$3,087,377
Cost at December 31, 2014	\$3,097,200	\$ 996,015	\$ 32,230	\$ 194,430	\$4,319,875
	1,384,100	—	30,488	127,209	1,541,797

Accumulated depreciation at December 31,  
2014

Net book value at December 31, 2014	\$1,713,100	\$ 996,015	\$ 1,742	\$67,221	\$2,778,078
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NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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## 4. Interest in Atlas joint venture:

The Company has a 63.1% equity interest in Atlas Methanol Company Unlimited (Atlas). Atlas owns a 1.8 million a)tonne per year methanol production facility in Trinidad. The Company accounts for its interest in Atlas using the equity method. Summarized financial information of Atlas (100% basis) is as follows:

Consolidated statements of financial position as at	Sep 30 2015	Dec 31 2014
Cash and cash equivalents	\$11,529	\$24,834
Other current assets	90,983	70,594
Non-current assets	320,536	352,616
Current liabilities	(44,131	)(29,442
Other long-term liabilities, including current maturities	(136,694	)(145,336
Net assets at 100%	\$242,223	\$273,266
Net assets at 63.1%	\$152,843	\$172,431
Long-term receivable from Atlas	44,276	43,804
Investment in associate	\$197,119	\$216,235

Consolidated statements of income	Three Months Ended		Nine Months Ended	
	Sep 30 2015	Sep 30 2014	Sep 30 2015	Sep 30 2014
Revenue	\$95,285	\$76,578	\$277,919	\$271,373
Cost of sales and depreciation and amortization	(42,463	)(78,711	)(178,747	)(248,929
Operating income	52,822	(2,133	) 99,172	22,444
Finance costs, finance income and other expenses	(2,273	)(2,673	)(6,967	)(8,179
Income tax expense	(18,358	)(1,277	)(33,248	)(4,664
Net earnings (loss) at 100%	\$32,191	\$(6,083	) \$58,957	\$9,601
Earnings (loss) of associate at 63.1%	\$20,313	\$(3,838	) \$37,202	\$6,058
Dividends received from associate	\$12,620	\$—	\$56,790	\$25,240

On December 31, 2014, the Company reclassified the presentation related to purchases of inventory from associate. The reclassification has been reflected in the comparative figures. For the three month and nine month periods ended September 30, 2014 the reclassification resulted in an increase to earnings of associate by \$4.8 million and \$4.0 million, respectively. These amounts have been reclassified to cost of sales and inventory with the associated tax impacts reflected in deferred taxes.

## b)Contingent liability:

The Board of Inland Revenue of Trinidad and Tobago has issued assessments against Atlas in respect of the 2005, 2006, 2007 and 2008 financial years. All subsequent tax years remain open to assessment. The assessments relate to the pricing arrangements of certain long-term fixed price sales contracts from 2005 to 2019 related to methanol produced by Atlas. Atlas had partial relief from corporation income tax until late July 2014.

The Company has lodged objections to the assessments. Based on the merits of the cases and legal interpretation, management believes its position should be sustained.





## 5. Long-term debt:

As at	Sep 30 2015	Dec 31 2014
Unsecured notes		
\$150 million at 6.00% due August 15, 2015	\$—	\$149,835
\$350 million at 3.25% due December 15, 2019	346,062	345,387
\$250 million at 5.25% due March 1, 2022	247,266	246,991
\$300 million at 4.25% due December 1, 2024	296,134	296,073
\$300 million at 5.65% due December 1, 2044	295,011	294,936
	1,184,473	1,333,222
Egypt limited recourse debt facilities	329,610	368,678
Other limited recourse debt facilities	17,400	20,138
Total long-term debt <sup>1</sup>	1,531,483	1,722,038
Less current maturities	(46,647	)(193,831 )
	\$1,484,836	\$1,528,207

<sup>1</sup> Long-term debt is presented net of deferred financing fees.

During the three months ended September 30, 2015, the Company made repayments on its other limited recourse debt facilities of \$0.9 million and \$20.5 million on its Egypt limited recourse debt facilities.

At September 30, 2015, management believes the Company was in compliance with all significant terms and default provisions related to long-term debt obligations.

## 6. Finance costs:

	Three Months Ended		Nine Months Ended	
	Sep 30 2015	Sep 30 2014	Sep 30 2015	Sep 30 2014
Finance costs	\$21,283	\$15,316	\$69,891	\$46,364
Less capitalized interest related to Geismar plants under construction	(5,072	)(7,572	)(14,913	)(18,212 )
	\$16,211	\$7,744	\$54,978	\$28,152

Finance costs are primarily comprised of interest on borrowings and finance lease obligations, the effective portion of interest rate swaps designated as cash flow hedges, amortization of deferred financing fees, and accretion expense associated with site restoration costs. Interest during construction of the Geismar plants is capitalized until the plants are substantially complete and ready for productive use.

## 7. Net income per common share:

Diluted net income per common share is calculated by considering the potential dilution that would occur if outstanding stock options and, under certain circumstances, tandem share appreciation rights ("TSARs") were exercised or converted to common shares.

Outstanding TSARs may be settled in cash or common shares at the holder's option and for purposes of calculating diluted net income per common share, the more dilutive of the cash-settled and equity-settled method is used, regardless of how the plan is accounted for. Accordingly, TSARs that are accounted for using the cash-settled method will require adjustments to the numerator and denominator if the equity-settled method is determined to have a dilutive effect on diluted net income per common share as compared to the cash-settled method.

A reconciliation of the numerator used for the purpose of calculating diluted net income per common share is as follows:

	Three Months Ended		Nine Months Ended	
	Sep 30 2015	Sep 30 2014	Sep 30 2015	Sep 30 2014
Numerator for basic net income per common share	\$78,073	\$51,580	\$191,307	\$321,466
Adjustment for the effect of TSARs:				
Cash-settled recovery included in net income	(28,772)	)—	(12,507)	)—
Equity-settled expense	(700)	)—	(4,612)	)—
Numerator for diluted net income per common share	\$48,601	\$51,580	\$174,188	\$321,466

Stock options and, if calculated using the equity-settled method, TSARs are considered dilutive when the average market price of the Company's common shares during the period disclosed exceeds the exercise price of the stock option or TSAR. A reconciliation of the denominator used for the purposes of calculating basic and diluted net income per common share is as follows:

	Three Months Ended		Nine Months Ended	
	Sep 30 2015	Sep 30 2014	Sep 30 2015	Sep 30 2014
Denominator for basic net income per common share	90,144,422	94,271,170	90,967,926	95,559,242
Effect of dilutive stock options	211,859	524,267	306,365	580,892
Effect of dilutive TSARs	336,144	—	481,202	—
Denominator for diluted net income per common share	90,692,425	94,795,437	91,755,493	96,140,134

8. Share-based compensation:

a) Share appreciation rights (“SARs”), TSARs and stock options:

(i) Outstanding units:

Information regarding units outstanding at September 30, 2015 is as follows:

(per share amounts in USD)	SARs		TSARs	
	Number of Units	Weighted Average Exercise Price	Number of Units	Weighted Average Exercise Price
Outstanding at December 31, 2014	1,085,247	\$40.78	1,732,185	\$39.59
Granted	279,273	55.66	416,605	55.39
Exercised	(93,587)	)32.24	(17,300)	)31.89
Cancelled	(2,900)	)52.68	(6,850)	)64.98
Outstanding at June 30, 2015	1,268,033	\$44.66	2,124,640	\$42.67
Granted	5,000	40.72	—	—
Exercised	(450)	)26.78	—	—
Cancelled	(10,075)	)59.12	(2,675)	)50.45
Outstanding at September 30, 2015	1,262,508	\$44.53	2,121,965	\$42.66

(per share amounts in USD)	Stock Options	
	Number of Units	Weighted Average Exercise Price
Outstanding at December 31, 2014	699,261	\$21.90
Granted	55,917	55.66
Exercised	(236,681)	)15.28
Cancelled	(3,600)	)61.50
Expired	(12,690)	)28.43
Outstanding at June 30, 2015	502,207	\$28.33
Exercised	(12,300)	)6.33
Cancelled	(3,600)	)61.50
Outstanding at September 30, 2015	486,307	\$28.64

Range of Exercise Prices (per share amounts in USD)	Units Outstanding at September 30, 2015			Units Exercisable at September 30, 2015	
	Weighted Average Remaining Contractual Life (Years)	Number of Units Outstanding	Weighted Average Exercise Price	Number of Units Exercisable	Weighted Average Exercise Price
<b>SARs:</b>					
\$23.36 to \$40.72	3.37	765,920	\$32.70	646,286	\$31.71
\$46.42 to \$73.13	5.98	496,588	62.78	69,734	72.46
	4.39	1,262,508	\$44.53	716,020	\$35.68
<b>TSARs:</b>					
\$23.36 to \$40.72	3.26	1,400,535	\$32.41	1,227,235	\$31.58
\$46.42 to \$73.13	6.00	721,430	62.57	99,533	72.65
	4.20	2,121,965	\$42.66	1,326,768	\$34.66
<b>Stock options:</b>					
\$6.33 to \$25.22	0.65	224,590	\$10.51	224,590	\$10.51

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\$28.43 to \$73.13	4.45	261,717	44.20	158,200	36.12
	2.70	486,307	\$28.64	382,790	\$21.10

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NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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## 8. Share-based compensation (continued):

## (ii) Compensation expense related to SARs and TSARs:

Compensation expense for SARs and TSARs is measured based on their fair value and is recognized over the vesting period. Changes in fair value each period are recognized in net income for the proportion of the service that has been rendered at each reporting date. The fair value at September 30, 2015 was \$12.3 million compared with the recorded liability of \$11.6 million. The difference between the fair value and the recorded liability of \$0.7 million will be recognized over the weighted average remaining vesting period of approximately 1.72 years. The weighted average fair value was estimated at September 30, 2015 using the Black-Scholes option pricing model.

For the three and nine month periods ended September 30, 2015, compensation expense related to SARs and TSARs included a recovery in cost of sales and operating expenses of \$44.6 million (2014 - expense of \$13.3 million) and a recovery of \$19.6 million (2014 - expense of \$28.8 million), respectively. This included a recovery of \$45.3 million (2014 - expense of \$11.7 million) and a recovery of \$26.8 million (2014 - expense of \$20.3 million), respectively, related to the effect of the change in the Company's share price for the three and nine month periods ended September 30, 2015.

## (iii) Compensation expense related to stock options:

For the three and nine month periods ended September 30, 2015, compensation expense related to stock options included in cost of sales and operating expenses was \$0.2 million (2014 - \$0.2 million) and \$0.6 million (2014 - \$0.6 million), respectively. The fair value of each stock option grant was estimated on the grant date using the Black-Scholes option pricing model.

## (b) Deferred, restricted and performance share units:

Deferred, restricted and performance share units outstanding at September 30, 2015 are as follows:

	Number of Deferred Share Units	Number of Restricted Share Units	Number of Performances Share Units
Outstanding at December 31, 2014	302,158	30,365	798,944
Granted	5,790	6,400	169,990
Granted performance factor <sup>1</sup>	—	—	71,100
Granted in-lieu of dividends	2,946	361	5,916
Redeemed	(1,500)	)—	(426,598)
Cancelled	—	—	(14,247)
Outstanding at June 30, 2015	309,394	37,126	605,105
Granted	671	—	—
Granted in-lieu of dividends	2,575	287	4,655
Redeemed	—	—	—
Cancelled	—	—	(3,483)
Outstanding at September 30, 2015	312,640	37,413	606,277

Performance share units have a feature where the ultimate number of units that vest are adjusted by a performance factor of the original grant as determined by the Company's total shareholder return in relation to a predetermined target over the period to vesting. These units relate to performance share units redeemed in the quarter ended March 31, 2015.

Compensation expense for deferred, restricted and performance share units is measured at fair value based on the market value of the Company's common shares and is recognized over the vesting period. Changes in fair value are

recognized in net income for the proportion of the service that has been rendered at each reporting date. The fair value of deferred, restricted and performance share units at September 30, 2015 was \$21.6 million compared with the recorded liability of \$20.3 million. The difference between the fair value and the recorded liability of \$1.3 million will be recognized over the weighted average remaining vesting period of approximately 1.5 years.

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NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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## 8.Share-based compensation (continued):

## (b)Deferred, restricted and performance share units (continued):

For the three and nine month periods ended September 30, 2015, compensation expense related to deferred, restricted and performance share units included in cost of sales and operating expenses was a recovery of \$19.9 million (2014 - expense of \$7.1 million) and an recovery of \$13.5 million (2014 - expense of \$15.4 million), respectively. This included a recovery of \$21.7 million (2014 - expense of \$5.1 million) and a recovery of \$22.0 million (2014 - expense of \$6.1 million) related to the effect of the change in the Company's share price for the three and nine month periods ended September 30, 2015.

## 9.Changes in non-cash working capital:

Changes in non-cash working capital for the three and six month periods ended September 30, 2015 and 2014 were as follows:

	Three Months Ended		Nine Months Ended	
	Sep 30	Sep 30	Sep 30	Sep 30
	2015	2014	2015	2014
Changes in non-cash working capital:				
Trade and other receivables	\$81,523	\$30,770	\$(60,647)	\$77,109
Inventories	46,983	15,714	37,716	49,231
Prepaid expenses	(6,361)	)7,078	2,469	(1,132)
Trade, other payables and accrued liabilities, including long-term payables included in other long-term liabilities	(67,191)	)15,387	(66,879)	)(104,619)
	54,954	68,949	(87,341)	)20,589
Adjustments for items not having a cash effect and working capital changes relating to taxes and interest paid	(5,662)	)(4,959)	)(59,203)	)(45,020)
Changes in non-cash working capital having a cash effect	\$49,292	\$63,990	\$(146,544)	)(24,431)
These changes relate to the following activities:				
Operating	\$57,749	\$40,879	\$(96,443)	)(9,685)
Financing	(5,835)	)(7,151)	(13,670)	)(6,515)
Investing	(2,622)	)30,262	(36,431)	)(8,231)
Changes in non-cash working capital	\$49,292	\$63,990	\$(146,544)	)(24,431)

## 10.Financial instruments:

Financial instruments are either measured at amortized cost or fair value.

In the normal course of business, the Company's assets, liabilities and forecasted transactions, as reported in U.S. dollars, are impacted by various market risks including, but not limited to, natural gas prices and currency exchange rates. The time frame and manner in which the Company manages those risks varies for each item based on the Company's assessment of the risk and the available alternatives for mitigating risks.

The Company uses derivatives as part of its risk management program to mitigate variability associated with changing market values. Changes in fair value of derivative financial instruments are recorded in earnings unless the instruments are designated as cash flow hedges. The Company designates as cash flow hedges derivative financial instruments to hedge its risk exposure to fluctuations in the euro compared to the U.S. dollar and derivative financial



instruments to hedge its risk exposure to fluctuations in natural gas prices.

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NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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## 10. Financial instruments (continued):

The fair value of derivative instruments is determined based on industry-accepted valuation models using market observable inputs and are classified within Level 2 of the fair value hierarchy. The fair value of all of the Company's derivative contracts includes an adjustment for credit risk. The effective portion of the changes in fair value of derivative financial instruments designated as cash flow hedges is recorded in other comprehensive income. The spot element of forward contracts in the hedging relationships is recorded in other comprehensive income as the change in fair value of cash flow hedges. The change in the fair value of the forward element of forward contracts is recorded separately in other comprehensive income as the forward element excluded from hedging relationship.

## Natural gas forward contracts

The Company has elected to manage its exposure to changes in natural gas prices for the Geismar 2 facility by executing a number of forward contracts which it has designated as cash flow hedges for its highly probable forecast natural gas purchases in North America. During the three months ended September 30, 2015, the Company entered into 10 year forward contracts to hedge approximately 40% of gas supply to the Geismar 2 facility once operational.

## Euro forward exchange contracts

The Company manages its foreign currency exposure to the euro that results due to sales denominated in euros by executing a number of forward contracts which it has designated as cash flow hedges for its highly probable forecast euro collections.

The following tables provide additional information on the Company's derivative financial instruments designated as cash flow hedges outstanding as at September 30, 2015:

	Notional amount by term to maturity				Total
	1 year or less	1-3 years	3-5 years	More than 5 years	
Natural gas forward contracts	19,358	82,038	87,095	266,920	\$455,411
Euro forward exchange contracts	72,742	—	—	—	\$72,742
				Consolidated balance sheet classification	Fair Value at September 30, 2015
Natural gas forward contracts				Other long-term liabilities	\$28,927
Euro forward exchange contracts				Other long-term liabilities	\$76

The carrying values of the Company's financial instruments approximate their fair values, except as follows:

As at	September 30, 2015	
	Carrying Value	Fair Value
Long-term debt excluding deferred financing fees	\$1,547,140	\$1,516,917

Long-term debt consists of limited recourse debt facilities and unsecured notes. There is no publicly traded market for the limited recourse debt facilities. The fair value disclosed on a recurring basis and categorized as Level 2 within the fair value hierarchy is estimated by reference to current market prices for debt securities with similar terms and characteristics. The fair value of the unsecured notes disclosed on a recurring basis and also categorized as Level 2 within the fair value hierarchy was estimated by reference to a limited number of small transactions in September 2015. The fair value of the Company's unsecured notes will fluctuate until maturity.



Methanex Corporation  
Quarterly History (unaudited)

	2015	Q3	Q2	Q1	2014	Q4	Q3	Q2	Q1
<b>METHANOL SALES VOLUME</b>									
(thousands of tonnes)									
Methanex-produced <sup>1</sup>	3,678	1,238	1,203	1,237	4,878	1,249	1,258	1,143	1,228
Purchased methanol	2,144	679	813	652	2,685	694	694	643	654
Commission sales <sup>1</sup>	463	169	109	185	941	248	191	206	296
	6,285	2,086	2,125	2,074	8,504	2,191	2,143	1,992	2,178
<b>METHANOL PRODUCTION</b>									
(thousands of tonnes)									
New Zealand	1,444	476	487	481	2,196	542	595	559	500
Atlas (Trinidad) (63.1% interest)	671	226	236	209	907	233	234	191	249
Titan (Trinidad)	541	172	183	186	664	127	185	203	149
Geismar 1 and 2 (Louisiana, USA) <sup>2</sup>	715	259	276	180	—	—	—	—	—
Egypt (50% interest)	16	—	8	8	416	128	50	99	139
Medicine Hat (Canada)	301	123	51	127	505	115	130	138	122
Chile I and IV	116	3	40	73	165	62	10	26	67
	3,804	1,259	1,281	1,264	4,853	1,207	1,204	1,216	1,226
<b>AVERAGE REALIZED METHANOL PRICE <sup>3</sup></b>									
(\$/tonne)									
	337	323	350	337	437	390	389	450	524
(\$/gallon)									
	1.01	0.97	1.05	1.01	1.31	1.17	1.17	1.35	1.58
<b>PER SHARE INFORMATION (\$ per share) <sup>4</sup></b>									
Adjusted net income <sup>5</sup>	1.04	0.26	0.56	0.23	4.12	0.85	0.69	0.94	1.65
Basic net income	2.10	0.87	1.15	0.09	4.79	1.43	0.55	1.30	1.51
Diluted net income	1.90	0.54	1.15	0.09	4.55	1.11	0.54	1.24	1.50

<sup>1</sup> Methanex-produced methanol includes volume produced by Chile using natural gas supplied from Argentina under a tolling arrangement. Commission sales represent volume marketed on a commission basis related to the 36.9% of the Atlas methanol facility and the portion of the Egypt methanol facility that we do not own.

<sup>2</sup> We commenced methanol production from Geismar 1 in January 2015.

<sup>3</sup> Average realized price is calculated as revenue, excluding commissions earned and the Egypt non-controlling interest share of revenue but including an amount representing our share of Atlas revenue, divided by the total sales volume of Methanex-produced (attributable to Methanex shareholders) and purchased methanol but excluding volume produced by Chile using natural gas supplied from Argentina under a tolling agreement.

<sup>4</sup> Per share information calculated using amounts attributable to Methanex shareholders.

<sup>5</sup> This item is a non-GAAP measure that does not have any standardized meaning prescribed by GAAP and therefore is unlikely to be comparable to similar measures presented by other companies. Refer to Additional Information - Supplemental Non-GAAP Measures on page 12 for a description of the non-GAAP measure and reconciliation to the most comparable GAAP measure.

QUARTERLY HISTORY

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**SIGNATURES**

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

Date: October 28, 2015

**METHANEX CORPORATION**

By: /s/ KEVIN PRICE

Name: Kevin Price  
Vice President, Legal,

Title: Assistant General Counsel  
& Corporate Secretary