

**Methanex Corporation**

**Consolidated Statements of Income** *(unaudited)*

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

	Three Months Ended		Years Ended	
	Dec 31 2018	Dec 31 2017	Dec 31 2018	Dec 31 2017
<b>Revenue</b>	<b>\$ 976,551</b>	<b>\$ 861,433</b>	<b>\$ 3,931,847</b>	<b>\$ 3,060,642</b>
<b>Cost of sales and operating expenses</b>	<b>(700,944)</b>	<b>(665,734)</b>	<b>(2,856,920)</b>	<b>(2,351,949)</b>
<b>Depreciation and amortization</b>	<b>(62,030)</b>	<b>(57,315)</b>	<b>(245,303)</b>	<b>(232,225)</b>
<b>Operating income</b>	<b>213,577</b>	<b>138,384</b>	<b>829,624</b>	<b>476,468</b>
<b>Earnings of associate (note 5)</b>	<b>17,859</b>	<b>18,351</b>	<b>72,001</b>	<b>75,995</b>
<b>Finance costs</b>	<b>(23,378)</b>	<b>(23,460)</b>	<b>(94,416)</b>	<b>(94,955)</b>
<b>Finance income and other expenses</b>	<b>1,712</b>	<b>3,935</b>	<b>4,266</b>	<b>13,377</b>
<b>Income before income taxes</b>	<b>209,770</b>	<b>137,210</b>	<b>811,475</b>	<b>470,885</b>
<b>Income tax expense:</b>				
<b>Current</b>	<b>(12,874)</b>	<b>(33,106)</b>	<b>(91,027)</b>	<b>(85,504)</b>
<b>Deferred</b>	<b>(19,580)</b>	<b>(19,207)</b>	<b>(62,464)</b>	<b>(10,284)</b>
	<b>(32,454)</b>	<b>(52,313)</b>	<b>(153,491)</b>	<b>(95,788)</b>
<b>Net income</b>	<b>\$ 177,316</b>	<b>\$ 84,897</b>	<b>\$ 657,984</b>	<b>\$ 375,097</b>
<b>Attributable to:</b>				
<b>Methanex Corporation shareholders</b>	<b>\$ 160,876</b>	<b>\$ 68,039</b>	<b>\$ 568,982</b>	<b>\$ 316,135</b>
<b>Non-controlling interests</b>	<b>16,440</b>	<b>16,858</b>	<b>89,002</b>	<b>58,962</b>
	<b>\$ 177,316</b>	<b>\$ 84,897</b>	<b>\$ 657,984</b>	<b>\$ 375,097</b>
<b>Income per common share for the period attributable to Methanex Corporation shareholders</b>				
<b>Basic net income per common share</b>	<b>\$ 2.07</b>	<b>\$ 0.81</b>	<b>\$ 7.07</b>	<b>\$ 3.64</b>
<b>Diluted net income per common share (note 7)</b>	<b>\$ 1.68</b>	<b>\$ 0.81</b>	<b>\$ 6.92</b>	<b>\$ 3.64</b>
<b>Weighted average number of common shares outstanding (note 7)</b>	<b>77,689,813</b>	<b>83,933,916</b>	<b>80,494,302</b>	<b>86,768,589</b>
<b>Diluted weighted average number of common shares outstanding (note 7)</b>	<b>78,010,566</b>	<b>83,989,044</b>	<b>80,889,525</b>	<b>86,824,948</b>

*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		Years Ended	
	Dec 31 2018	Dec 31 2017	Dec 31 2018	Dec 31 2017
<b>Net income</b>	<b>\$ 177,316</b>	<b>\$ 84,897</b>	<b>\$ 657,984</b>	<b>\$ 375,097</b>
<b>Other comprehensive income (loss):</b>				
<b>Items that may be reclassified to income:</b>				
Change in fair value of cash flow hedges (note 10)	2,864	21,719	362	(74,790)
Forward element excluded from hedging relationships (note 10)	(1,585)	(26,235)	(14,874)	45,416
<b>Items that will not be reclassified to income:</b>				
Actuarial gains (losses) on defined benefit pension plans	(2,328)	564	(1,483)	564
Taxes on above items	547	(7,520)	3,980	674
	(502)	(11,472)	(12,015)	(28,136)
<b>Comprehensive income</b>	<b>\$ 176,814</b>	<b>\$ 73,425</b>	<b>\$ 645,969</b>	<b>\$ 346,961</b>
<b>Attributable to:</b>				
Methanex Corporation shareholders	\$ 160,374	\$ 56,567	\$ 556,967	\$ 287,999
Non-controlling interests	16,440	16,858	89,002	58,962
	<b>\$ 176,814</b>	<b>\$ 73,425</b>	<b>\$ 645,969</b>	<b>\$ 346,961</b>

See accompanying notes to condensed consolidated interim financial statements.

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

AS AT	Dec 31 2018	Dec 31 2017
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 256,077	\$ 375,479
Trade and other receivables	514,568	536,636
Inventories (note 2)	387,959	304,464
Prepaid expenses	32,541	26,548
Other assets (note 3)	60,931	—
	<b>1,252,076</b>	<b>1,243,127</b>
<b>Non-current assets:</b>		
Property, plant and equipment (note 4)	3,025,095	2,998,326
Investment in associate (note 5)	197,821	188,922
Deferred income tax assets	59,532	102,341
Other assets (note 3)	74,475	78,026
	<b>3,356,923</b>	<b>3,367,615</b>
	<b>\$ 4,608,999</b>	<b>\$ 4,610,742</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities:</b>		
Trade, other payables and accrued liabilities	\$ 617,414	\$ 626,817
Current maturities on long-term debt (note 6)	383,793	55,905
Current maturities on other long-term liabilities	46,146	65,226
	<b>1,047,353</b>	<b>747,948</b>
<b>Non-current liabilities:</b>		
Long-term debt (note 6)	1,074,493	1,446,366
Other long-term liabilities	398,098	404,885
Deferred income tax liabilities	281,214	266,432
	<b>1,753,805</b>	<b>2,117,683</b>
<b>Equity:</b>		
Capital stock	446,544	480,331
Contributed surplus	1,597	2,124
Retained earnings	1,145,476	1,088,150
Accumulated other comprehensive loss	(82,404)	(69,841)
Shareholders' equity	<b>1,511,213</b>	<b>1,500,764</b>
Non-controlling interests	296,628	244,347
Total equity	<b>1,807,841</b>	<b>1,745,111</b>
	<b>\$ 4,608,999</b>	<b>\$ 4,610,742</b>

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 Loss	Shareholders Equity	Non- Controlling Interests	Total Equity
Balance, December 31, 2016	89,824,338	\$511,465	\$2,568	\$1,124,104	\$(41,302)	1,596,835	\$208,515	\$1,805,350
Net income	—	—	—	316,135	—	316,135	58,962	375,097
Other comprehensive income (loss)	—	—	—	403	(28,539)	(28,136)	—	(28,136)
Compensation expense recorded for stock options	—	—	488	—	—	488	—	488
Issue of shares on exercise of stock options	98,274	3,059	—	—	—	3,059	—	3,059
Reclassification of grant date fair value on exercise of stock options	—	932	(932)	—	—	—	—	—
Payments for repurchase of shares	(6,152,358)	(35,125)	—	(250,995)	—	(286,120)	—	(286,120)
Dividend payments to Methanex Corporation shareholders	—	—	—	(101,497)	—	(101,497)	—	(101,497)
Distributions made and accrued to non-controlling interests	—	—	—	—	—	—	(31,300)	(31,300)
Equity contributions by non-controlling interests	—	—	—	—	—	—	8,170	8,170
Balance, December 31, 2017	83,770,254	\$480,331	\$2,124	\$1,088,150	\$(69,841)	1,500,764	\$244,347	\$1,745,111
Net income	—	—	—	568,982	—	568,982	89,002	657,984
Other comprehensive income (loss)	—	—	—	548	(12,563)	(12,015)	—	(12,015)
Compensation expense recorded for stock options	—	—	362	—	—	362	—	362
Issue of shares on exercise of stock options	83,114	3,210	—	—	—	3,210	—	3,210
Reclassification of grant date fair value on exercise of stock options	—	889	(889)	—	—	—	—	—
Payment for shares repurchased	(6,590,095)	(37,886)	—	(406,528)	—	(444,414)	—	(444,414)
Dividend payments to Methanex Corporation shareholders	—	—	—	(105,676)	—	(105,676)	—	(105,676)
Distributions made and accrued to non-controlling interests	—	—	—	—	—	—	(36,721)	(36,721)
Balance, December 31, 2018	77,263,273	\$446,544	\$1,597	\$1,145,476	\$(82,404)	\$1,511,213	\$296,628	\$1,807,841

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		Years Ended	
	Dec 31 2018	Dec 31 2017	Dec 31 2018	Dec 31 2017
<b>CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES</b>				
Net income	\$ 177,316	\$ 84,897	\$ 657,984	\$ 375,097
Deduct earnings of associate	(17,859)	(18,351)	(72,001)	(75,995)
Dividends received from associate	—	12,619	63,102	84,553
Add (deduct) non-cash items:				
Depreciation and amortization	62,030	57,315	245,303	232,225
Income tax expense	32,454	52,313	153,491	95,788
Share-based compensation expense	(86,082)	48,321	(6,289)	78,821
Finance costs	23,378	23,460	94,416	94,955
Other	4,528	148	3,681	4,034
Income taxes paid	(32,753)	(17,661)	(106,035)	(35,890)
Other cash payments, including share-based compensation	(10,791)	(13,350)	(59,444)	(24,000)
Cash flows from operating activities before undernoted	152,221	229,711	974,208	829,588
Changes in non-cash working capital (note 9)	65,581	(23,689)	5,998	(49,368)
	<b>217,802</b>	<b>206,022</b>	<b>980,206</b>	<b>780,220</b>
<b>CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>				
Payments for repurchase of shares	(78,714)	(54,288)	(444,414)	(286,120)
Dividend payments to Methanex Corporation shareholders	(25,497)	(25,131)	(105,676)	(101,497)
Interest paid	(29,359)	(28,134)	(90,008)	(86,041)
Repayment of long-term debt and financing fees	(1,532)	(5,087)	(213,622)	(56,997)
Finance leases	(2,061)	(1,777)	(8,293)	(6,880)
Restricted cash for debt service accounts	9,832	—	3,804	7,522
Equity contributions by non-controlling interests	—	8,170	—	8,170
Distributions to non-controlling interests	(30,350)	(1,250)	(104,258)	(4,330)
Proceeds on issue of shares on exercise of stock options	257	667	3,210	3,059
Proceeds from other limited recourse debt	—	—	166,000	—
Restricted cash for distribution to non-controlling interests	7,000	—	—	—
Changes in non-cash working capital related to financing activities (note 9)	(4,000)	(5,388)	—	—
	<b>(154,424)</b>	<b>(112,218)</b>	<b>(793,257)</b>	<b>(523,114)</b>
<b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>				
Property, plant and equipment	(71,629)	(21,468)	(244,476)	(103,170)
Restricted cash for vessels under construction	2,135	—	(60,931)	—
Changes in non-cash working capital related to investing activities (note 9)	1,506	(4,317)	(944)	(2,347)
	<b>(67,988)</b>	<b>(25,785)</b>	<b>(306,351)</b>	<b>(105,517)</b>
Increase (decrease) in cash and cash equivalents	(4,610)	68,019	(119,402)	151,589
Cash and cash equivalents, beginning of period	260,687	307,460	375,479	223,890
Cash and cash equivalents, end of period	\$ 256,077	\$ 375,479	\$ 256,077	\$ 375,479

See accompanying notes to condensed consolidated interim financial statements.

## **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 except for the adoption of IFRS 15 as described in our condensed consolidated interim financial statements for the three months ended March 31, 2018.

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 January 30, 2019.

These condensed consolidated interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2017.

In 2016, the IASB issued IFRS 16, Leases ("IFRS 16" or "the standard"), which eliminates the current operating/finance lease dual accounting model for lessees and replaces it with a single, on-balance sheet accounting model, similar to the current finance lease accounting. The standard replaces IAS 17, Leases ("IAS 17") and related interpretations and is effective for annual periods beginning on or after January 1, 2019.

IFRS 16 may be applied using a retrospective or modified retrospective approach on transition. The Company plans to transition to IFRS 16 in accordance with the modified retrospective approach and as such will not be required to restate comparative periods. Upon adoption, the incremental lease liability for leases currently classified as operating under IAS 17 will be measured at the present value of lease payments remaining in the lease term discounted using the Company's incremental borrowing rates on the date of transition. The lease asset will be measured as if IFRS 16 was always in effect, resulting in an adjustment to retained earnings on transition.

The Company will use the following practical expedients permitted by the standard:

- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- the accounting of lease payments as expenses for which the underlying asset is of low dollar value.

The Company completed its transition project and quantified the impact of the new standard under the modified retrospective approach. The recognition of all leases on balance sheet will increase non-current assets by approximately \$410 million and total liabilities by approximately \$450 million on the Consolidated Statement of Financial Position upon adoption, with the difference of \$40 million recorded in retained earnings. The increase primarily relates to ocean vessels, terminal facilities and other right of use assets currently accounted for as operating leases and disclosed in the commitments and contingencies note of the Company's consolidated annual financial statements.

In addition, the nature and timing of certain expenses related to leases previously classified as operating and presented in cost of sales and operating expenses will now change and be presented in depreciation and amortization and finance costs.

As a result, depreciation and amortization and finance costs will increase and cost of sales and operating expenses will decrease. Overall the adoption of IFRS 16 is not expected to materially impact net income.

## 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 recognized as an expense in cost of sales and operating expenses and depreciation and amortization for the three months and year ended December 31, 2018 is \$736 million (2017 - \$632 million) and \$2,758 million (2017 - \$2,219 million), respectively.

## 3. Other assets:

As at December 31, 2018, the Company holds \$66.5 million (2017 - nil) in short-term, highly liquid investments held under restricted terms, of which \$60.9 million (2017 - nil) has been recorded as current as it is expected to be spent within one year. Use of the funds is restricted for the construction of certain vessels and funding of a debt service account.

## 4. Property, plant and equipment:

	Buildings, Plant Installations & Machinery		Finance Leases		Other	Total		
<b>Cost at December 31, 2018</b>	\$	4,715,767	\$	217,810	\$	354,852	\$	5,288,429
<b>Accumulated depreciation at December 31, 2018</b>		2,048,137		49,569		165,628		2,263,334
<b>Net book value at December 31, 2018</b>	\$	2,667,630	\$	168,241	\$	189,224	\$	3,025,095
Cost at December 31, 2017	\$	4,648,924	\$	215,773	\$	275,493	\$	5,140,190
Accumulated depreciation at December 31, 2017		1,956,317		33,927		151,620		2,141,864
Net book value at December 31, 2017	\$	2,692,607	\$	181,846	\$	123,873	\$	2,998,326

## 5. Interest in Atlas joint venture:

- a) The Company has a 63.1% equity interest in Atlas Methanol Company Unlimited ("Atlas"). Atlas owns a 1.8 million 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:

Statements of financial position	Dec 31 2018	Dec 31 2017		
<b>Cash and cash equivalents</b>	\$	9,367	\$	8,361
<b>Other current assets</b>		104,742		79,738
<b>Non-current assets</b>		255,822		289,671
<b>Current liabilities</b>		(32,022)		(41,388)
<b>Other long-term liabilities, including current maturities</b>		(145,359)		(157,935)
<b>Net assets at 100%</b>	\$	192,550	\$	178,447
<b>Net assets at 63.1%</b>	\$	121,499	\$	112,600
<b>Long-term receivable from Atlas</b>		76,322		76,322
<b>Investment in associate</b>	\$	197,821	\$	188,922

Statements of income	Three Months Ended		Years Ended	
	Dec 31 2018	Dec 31 2017	Dec 31 2018	Dec 31 2017
Revenue	\$ 158,556	\$ 105,518	\$ 512,214	\$ 459,367
Cost of sales and depreciation and amortization	(111,175)	(57,746)	(322,325)	(261,121)
Operating income	47,381	47,772	189,889	198,246
Finance costs, finance income and other expenses	(2,541)	(2,717)	(10,841)	(11,170)
Income tax expense	(16,537)	(15,973)	(64,942)	(66,640)
Net earnings at 100%	\$ 28,303	\$ 29,082	\$ 114,106	\$ 120,436
Earnings of associate at 63.1%	\$ 17,859	\$ 18,351	\$ 72,001	\$ 75,995
Dividends received from associate	\$ —	\$ 12,619	\$ 63,102	\$ 84,553

**b) Contingent liability:**

The Board of Inland Revenue of Trinidad and Tobago has issued assessments against Atlas in respect of the 2005 to 2012 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.

**6. Long-term debt:**

As at	Dec 31 2018	Dec 31 2017
<b>Unsecured notes</b>		
\$350 million at 3.25% due December 15, 2019	\$ 349,026	\$ 348,060
\$250 million at 5.25% due March 1, 2022	248,480	248,072
\$300 million at 4.25% due December 1, 2024	297,232	296,873
\$300 million at 5.65% due December 1, 2044	295,238	295,158
	1,189,976	1,188,163
Egypt limited recourse debt facilities	101,226	241,190
Other limited recourse debt facilities	167,084	72,918
<b>Total long-term debt<sup>1</sup></b>	1,458,286	1,502,271
<b>Less current maturities<sup>1</sup></b>	(383,793)	(55,905)
	\$ 1,074,493	\$ 1,446,366

<sup>1</sup> Long-term debt and current maturities are presented net of deferred financing fees.

During the quarter ended December 31, 2018, the Company made repayments of \$1.5 million on its other limited recourse debt facilities. Other limited recourse debt facilities relate to financing for certain of our ocean going vessels which we own through less than wholly-owned entities under the Company's control.



The Company maintains a \$300 million committed revolving credit facility with a syndicate of highly rated financial institutions that expires in December 2022. Significant covenant and default provisions of the facility include:

- a) the obligation to maintain an EBITDA to interest coverage ratio of greater than 2:1 calculated on a four-quarter trailing basis and a debt to capitalization ratio of less than or equal to 55%, both ratios calculated in accordance with definitions in the credit agreement that include adjustments to the limited recourse subsidiaries,
- b) a default if payment is accelerated by a creditor on any indebtedness of \$50 million or more of the Company and its subsidiaries, except for the limited recourse subsidiaries, and
- c) a default if a default occurs that permits a creditor to demand repayment on any other indebtedness of \$50 million or more of the Company and its subsidiaries, except for the limited recourse subsidiaries.

The limited recourse debt facilities are described as limited recourse as they are secured only by the assets of the entity that carries the debt. Accordingly, the lenders to the limited recourse debt facilities have no recourse to the Company or its other subsidiaries.

The Egypt limited recourse debt facilities have covenants and default provisions that apply only to the Egypt entity, including restrictions on the incurrence of additional indebtedness and a requirement to fulfill certain conditions before the payment of cash or other shareholder distributions. Under amended terms reached in 2017, shareholder distributions are permitted if the average gas deliveries over the prior 12 months are greater than 70% of gas nominations.

The Egypt limited recourse debt facilities contain a covenant, to complete by March 31, 2019, a mortgage that requires registration by Egyptian Notary Public entities and which the Company does not expect to complete by March 31, 2019. The Company is seeking a waiver from the lenders. The Company does not believe that the finalization of this mortgage is material. Whilst this covenant has been waived multiple times by the lenders in past years, and its circumstances have not materially changed, the Company cannot provide assurance that we will be able to obtain a waiver from the lenders.

Failure to comply with any of the covenants or default provisions of the long-term debt facilities described above could result in a default under the applicable credit agreement that would allow the lenders to not fund future loan requests, accelerate the due date of the principal and accrued interest on any outstanding loans or restrict the payment of cash or other distributions.

As at December 31, 2018, management believes the Company was in compliance with all significant terms and default provisions related to long-term debt obligations.

## **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. The equity-settled method was more dilutive for the three months and year ended December 31, 2018, and an adjustment was required for both the numerator and the denominator. For the three months and year ended December 31, 2017 the cash-settled method was more dilutive and no adjustment was required for the numerator or the denominator.

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. For the three months and years ended December 31, 2018 and December 31, 2017, stock options were considered dilutive, resulting in an adjustment to the denominator in both periods.

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

	Three Months Ended		Years Ended	
	Dec 31 2018	Dec 31 2017	Dec 31 2018	Dec 31 2017
<b>Numerator for basic net income per common share</b>	<b>160,876</b>	68,039	<b>568,982</b>	316,135
<b>Adjustment for the effect of TSARs:</b>				
Cash-settled recovery included in net income	(29,396)	—	(4,314)	—
Equity-settled expense	(577)	—	(4,769)	—
<b>Numerator for basic and diluted net income per common share</b>	<b>130,903</b>	68,039	<b>559,899</b>	316,135

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

	Three Months Ended		Years Ended	
	Dec 31 2018	Dec 31 2017	Dec 31 2018	Dec 31 2017
<b>Denominator for basic net income per common share</b>	<b>77,689,813</b>	83,933,916	<b>80,494,302</b>	86,768,589
Effect of dilutive stock options	45,642	55,128	67,631	56,359
Effect of dilutive TSARS	275,111	—	327,592	—
<b>Denominator for diluted net income per common share</b>	<b>78,010,566</b>	83,989,044	<b>80,889,525</b>	86,824,948

## 8. Share-based compensation:

### a) Share appreciation rights ("SARs"), TSARs and stock options:

#### (i) Outstanding units:

Information regarding units outstanding at December 31, 2018 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, 2017	1,450,077	\$ 45.11	2,043,495	\$ 46.62
Granted	141,300	55.28	317,900	54.65
Exercised	(560,280)	37.92	(874,774)	41.52
Cancelled	(16,582)	53.12	(8,267)	47.25
Expired	(7,981)	28.74	—	—
Outstanding at September 30, 2018	1,006,534	\$ 50.54	1,478,354	\$ 51.36
Granted	—	—	12,500	73.65
Exercised	(109,651)	44.52	(43,553)	61.76
<b>Outstanding at December 31, 2018</b>	<b>896,883</b>	<b>\$ 51.27</b>	<b>1,447,301</b>	<b>\$ 51.24</b>

(per share amounts in USD)	Stock Options	
	Number of Units	Weighted Average Exercise Price
Outstanding at December 31, 2017	262,535	\$45.09
Granted	21,900	54.65
Exercised	(75,014)	39.66
Cancelled	(3,100)	57.26
Outstanding at September 30, 2018	206,321	\$ 47.89
Exercised	(8,100)	31.73
<b>Outstanding at December 31, 2018</b>	<b>198,221</b>	<b>\$48.55</b>

Range of Exercise Prices (per share amounts in USD)	Units Outstanding at December 31, 2018			Units Exercisable at December 31, 2018	
	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>					
\$25.97 to \$35.51	3.96	221,309	\$34.40	105,955	\$34.19
\$38.24 to \$50.17	3.95	205,951	46.52	99,000	42.59
\$54.65 to \$78.59	3.73	469,623	61.31	330,923	63.83
	3.84	896,883	\$51.27	535,878	\$54.04
<b>TSARs:</b>					
\$25.97 to \$35.51	3.99	347,839	\$34.47	161,261	\$34.32
\$38.24 to \$50.17	4.41	386,253	47.88	161,902	44.72
\$54.65 to \$78.59	4.23	713,209	61.24	386,109	66.20
	4.22	1,447,301	\$51.24	709,272	\$54.05
<b>Stock options:</b>					
\$25.97 to \$35.51	3.98	56,467	\$34.45	35,831	\$34.37
\$38.24 to \$50.17	3.01	57,754	43.70	39,351	40.67
\$54.65 to \$78.59	3.61	84,000	61.37	62,100	63.74
	3.54	198,221	\$48.55	137,282	\$49.46

(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 December 31, 2018 was \$18.9 million compared with the recorded liability of \$17.3 million. The difference between the fair value and the recorded liability of \$1.6 million will be recognized over the weighted average remaining vesting period of approximately 1.6 years. The weighted average fair value was estimated at December 31, 2018 using the Black-Scholes option pricing model.

For the three months and year ended December 31, 2018, compensation expense related to SARs and TSARs included a recovery in cost of sales and operating expenses of \$48.4 million (2017 - expense of \$28.7 million) and \$1.2 million (2017 - expense of \$45.1 million), respectively. This included a recovery of \$49.3 million (2017 - expense of \$26.7 million) and \$7.8 million (2017 - expense of \$37.8 million), respectively, related to the effect of the change in the Company's share price for the three months and year ended December 31, 2018.

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

For the three months and year ended December 31, 2018, compensation expense related to stock options included in cost of sales and operating expenses was \$0.1 million (2017 - \$0.1 million) and \$0.4 million (2017 - \$0.5 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 December 31, 2018 are as follows:

	Number of Deferred Share Units	Number of Restricted Share Units	Number of Performance Share Units
Outstanding at December 31, 2017	224,846	20,455	604,895
Granted	7,175	8,700	149,200
Performance factor impact on redemption <sup>1</sup>	—	—	(127,733)
Granted in-lieu of dividends	3,075	432	8,520
Redeemed	(28,001)	—	(42,577)
Cancelled	—	—	(16,107)
Outstanding at September 30, 2018	207,095	29,587	576,198
<b>Granted</b>	<b>577</b>	<b>—</b>	<b>—</b>
<b>Granted in-lieu of dividends</b>	<b>1,420</b>	<b>113</b>	<b>3,783</b>
<b>Redeemed</b>	<b>—</b>	<b>(12,339)</b>	<b>—</b>
<b>Cancelled</b>	<b>—</b>	<b>—</b>	<b>(203)</b>
<b>Outstanding at December 31, 2018</b>	<b>209,092</b>	<b>17,361</b>	<b>579,778</b>

<sup>1</sup> 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, 2018.

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 December 31, 2018 was \$36.6 million compared with the recorded liability of \$35.3 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 1.4 years.

For the three months and year ended December 31, 2018, compensation expense related to deferred, restricted and performance share units included in cost of sales and operating expenses was a recovery of \$37.2 million (2017 - expense of \$19.3 million) and \$5.1 million (2017 - expense of \$33.0 million), respectively. This included a recovery of \$37.8 million (2017 - expense of \$18.8 million) and \$8.9 million (2017 - expense of \$29.9 million), respectively, related to the effect of the change in the Company's share price for the three months and year ended December 31, 2018.

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

Changes in non-cash working capital for the three months and year ended December 31, 2018 and 2017 were as follows:

	Three Months Ended		Years Ended	
	Dec 31 2018	Dec 31 2017	Dec 31 2018	Dec 31 2017
<b>Changes in non-cash working capital:</b>				
Trade and other receivables	\$ 84,513	\$ (20,911)	\$ 22,068	\$ (37,033)
Inventories	(65,498)	(3,488)	(83,495)	(23,136)
Prepaid expenses	4,658	2,827	(5,993)	(5,702)
Trade, other payables and accrued liabilities	(4,601)	2,167	(9,403)	103,601
	19,072	(19,405)	(76,823)	37,730
Adjustments for items not having a cash effect and working capital changes relating to taxes and interest paid	44,015	(13,989)	81,877	(89,445)
<b>Changes in non-cash working capital having a cash effect</b>	<b>\$ 63,087</b>	<b>\$ (33,394)</b>	<b>\$ 5,054</b>	<b>\$ (51,715)</b>
<b>These changes relate to the following activities:</b>				
Operating	\$ 65,581	\$ (23,689)	\$ 5,998	\$ (49,368)
Financing	(4,000)	(5,388)	—	—
Investing	1,506	(4,317)	(944)	(2,347)
<b>Changes in non-cash working capital</b>	<b>\$ 63,087</b>	<b>\$ (33,394)</b>	<b>\$ 5,054</b>	<b>\$ (51,715)</b>

The Company has reclassified the presentation of amounts in the comparative figures relating to accrued distributions to non-controlling interests in Changes in non-cash working capital from Operating activities to Financing activities.

## 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 natural gas prices and derivative financial instruments to hedge its risk exposure to fluctuations in the euro compared to the U.S. dollar.

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 as presented in the consolidated statements of financial position are determined based on present values and the discount rates used are adjusted 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 the hedging relationships.

Until settled, the fair value of the derivative financial instruments will fluctuate based on changes in commodity prices or foreign currency exchange rates.

## Natural gas forward contracts

The Company manages its exposure to changes in natural gas prices for a portion of its North American natural gas requirements by executing a number of fixed price forward contracts.

The Company has entered into forward contracts to manage its exposure to changes in natural gas prices for the Geismar 2 facility which it has designated as cash flow hedges. The Company has also entered into physical forward contracts to manage its exposure to changes in natural gas prices for the Medicine Hat facility over the period to 2022. The Company has designated contracts for the 2021 and 2022 periods as cash flow hedges for its highly probable forecast natural gas purchases in Medicine Hat. Other costs incurred to transport natural gas from the contracted delivery point, either Henry Hub or AECO, to the relevant production facility represent an insignificant portion of the overall underlying risk and are recognized as incurred outside of the hedging relationship.

As at December 31, 2018, the Company had outstanding forward contracts designated as cash flow hedges with a notional amount of \$426 million (December 31, 2017 - \$473 million) and a negative fair value of \$105.7 million (December 31, 2017 - \$90.2 million) included in other long-term liabilities.

## Euro forward exchange contracts

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

As at December 31, 2018, the Company had outstanding forward exchange contracts designated as cash flow hedges to sell a notional amount of 45 million euros (December 31, 2017 - 109 million euros). The euro contracts had a positive fair value of \$0.3 million included in current assets (December 31, 2017 - negative fair value \$0.8 million included in current liabilities).

## Fair value

The fair value of the Company's derivative financial instruments as disclosed above are determined based on Bloomberg quoted market prices and confirmations received from counterparties, which are adjusted for credit risk.

The table below shows the nominal net cash flows for derivative hedging instruments, excluding credit risk adjustments, based upon contracted settlement dates. The amounts reflect the maturity profile of the hedging instruments and are subject to change based on the prevailing market rate at each of the future settlement dates. Financial asset derivative positions are held with investment-grade counterparties and therefore the settlement day risk exposure is considered to be negligible.

	Cash inflows (outflows) by term to maturity				Total
	1 year or less	1-3 years	3-5 years	More than 5 years	
Natural gas forward contracts	(7,006)	(35,551)	(40,130)	(40,928)	\$ (123,615)
Euro forward exchange contracts	327	—	—	—	\$ 327

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

As at	December 31, 2018	
	Carrying Value	Fair Value
Long-term debt excluding deferred financing fees	\$ 1,472,117	\$ 1,442,046

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 of the limited recourse debt facilities as disclosed on a recurring basis and categorized as Level 2 within the fair value hierarchy is estimated by reference to current market rates as at the reporting date. The fair value of the unsecured notes disclosed on a recurring basis and also categorized as Level 2 within the fair value hierarchy is estimated using quoted prices and yields as at the reporting date. The fair value of the Company's long term debt will fluctuate until maturity.

**Methanex Corporation**  
**Quarterly History (unaudited)**

	2018	Q4	Q3	Q2	Q1	2017	Q4	Q3	Q2	Q1
<b>METHANOL SALES VOLUME</b> (thousands of tonnes)										
Methanex-produced <sup>1</sup>	<b>7,002</b>	1,599	1,790	1,729	1,884	<b>7,229</b>	1,930	1,753	1,790	1,756
Purchased methanol	<b>3,032</b>	908	802	709	613	<b>2,289</b>	633	757	387	512
Commission sales <sup>1</sup>	<b>1,174</b>	245	279	329	321	<b>1,151</b>	289	261	297	304
	<b>11,208</b>	2,752	2,871	2,767	2,818	<b>10,669</b>	2,852	2,771	2,474	2,572
<b>METHANOL PRODUCTION</b> (thousands of tonnes)										
New Zealand	<b>1,606</b>	389	478	252	487	<b>1,943</b>	558	502	350	533
Geismar (Louisiana, USA)	<b>2,078</b>	527	520	518	513	<b>1,935</b>	506	499	437	493
Trinidad (Methanex interest)	<b>1,702</b>	448	353	442	459	<b>1,768</b>	466	457	449	396
Egypt (50% interest)	<b>613</b>	155	128	165	165	<b>534</b>	145	71	159	159
Medicine Hat (Canada)	<b>600</b>	160	144	143	153	<b>593</b>	158	158	159	118
Chile	<b>612</b>	206	112	128	166	<b>414</b>	109	78	60	167
	<b>7,211</b>	1,885	1,735	1,648	1,943	<b>7,187</b>	1,942	1,765	1,614	1,866
<b>AVERAGE REALIZED METHANOL PRICE</b> <sup>2</sup>										
(\$/tonne)	<b>405</b>	401	413	405	402	<b>337</b>	350	307	327	365
(\$/gallon)	<b>1.22</b>	1.21	1.24	1.22	1.21	<b>1.01</b>	1.05	0.92	0.98	1.10
<b>ADJUSTED EBITDA</b>	<b>1,071</b>	197	293	275	306	<b>838</b>	254	143	174	267
<b>PER SHARE INFORMATION</b> (\$ per common share attributable to Methanex shareholders)										
Adjusted net income	<b>6.86</b>	1.15	1.92	1.75	2.03	<b>4.71</b>	1.70	0.60	0.85	1.56
Basic net income	<b>7.07</b>	2.07	1.62	1.36	2.02	<b>3.64</b>	0.81	0.38	0.96	1.47
Diluted net income	<b>6.92</b>	1.68	1.61	1.36	2.00	<b>3.64</b>	0.81	0.38	0.89	1.46

<sup>1</sup> Methanex-produced methanol represents our equity share of volume produced at our facilities and excludes volume marketed on a commission basis related to the 36.9% of the Atlas facility and 50% of the Egypt facility that we do not own. Methanex-produced methanol includes any volume produced by Chile using natural gas supplied from Argentina under a tolling arrangement ("Tolling Volume"). There was no Tolling Volume produced in the fourth quarter of 2018 and 20,000 MT in the third quarter of 2018. There was no Tolling Volume in the fourth quarter of 2017.

<sup>2</sup> Averagerealized 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 and purchased methanol, but excluding Tolling Volume.