

METHANEX CORP  
Form 6-K  
October 24, 2018  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13a-16 OR 15d-16  
UNDER THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE MONTH OF OCTOBER 2018

METHANEX CORPORATION  
(Registrant's name)

SUITE 1800, 200 BURRARD STREET, VANCOUVER, BC V6C 3M1 CANADA  
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82

---

Methanex Corporation  
1800 - 200 Burrard St.  
NEWS RELEASE Vancouver, BC Canada V6C 3M1  
Investor Relations: (604) 661-2600  
www.methanex.com

For immediate release

October 24, 2018

## METHANEX REPORTS THIRD QUARTER 2018 EARNINGS

VANCOUVER, BRITISH COLUMBIA - For the third quarter of 2018, Methanex (TSX:MX) (NASDAQ:MEOH) reported net income attributable to Methanex shareholders of \$128 million (\$1.61 per common share on a diluted basis) compared to net income of \$111 million (\$1.36 per common share on a diluted basis) in the second quarter of 2018. Adjusted EBITDA for the third quarter of 2018 was \$293 million and Adjusted net income was \$152 million (\$1.92 per common share). This compares with Adjusted EBITDA of \$275 million and Adjusted net income of \$143 million (\$1.75 per common share) for the second quarter of 2018.

John Floren, President and CEO of Methanex commented, "Our higher Adjusted EBITDA and earnings in the third quarter reflects our strong sales volume and higher average realized price. Our sales volume in the third quarter of 2.9 million tonnes matched previous record levels. Our average realized price increased to \$413 per tonne in the third quarter compared to \$405 per tonne in the second quarter of 2018 as marginally higher industry supply was matched by strong methanol demand which sustained tight market conditions."

"We are extremely pleased to have recorded Adjusted EBITDA of \$874 million in the first nine months of 2018, surpassing the record annual Adjusted EBITDA in 2017 of \$838 million. These results reflect the investments we have made over the past few years to increase our production capability, which have substantially improved our earnings power and ability to generate significant free cash flow at a wide range of methanol prices."

"In addition, we announced earlier this month that we restarted and produced methanol from our Chile IV plant for the first time since 2007. We expect the plant to ramp up to full production rates over the coming weeks and have also begun to receive natural gas from Argentina for the first time in 11 years. These achievements represent a significant step towards a two-plant operation in Chile, without seasonal restrictions, in the long-term."

"We returned \$139 million to shareholders through our regular dividend and share repurchases during the third quarter. To September 30, 2018 we have repurchased 5,400,000 common shares, of the 6,590,095 approved, for approximately \$366 million since the start of our normal course issuer bid on March 13, 2018."

We have \$261 million of cash on hand at the end of the third quarter, a committed revolving credit facility and a robust balance sheet. Our balanced approach to capital allocation remains unchanged. We believe we are well positioned to meet our financial commitments, pursue our growth opportunities and deliver on our commitment to return excess cash to shareholders through dividends and share repurchases," Floren said.

METHANEX CORPORATION 2018 THIRD QUARTER NEWS RELEASE PAGE 1

---

## FURTHER INFORMATION

The information set forth in this news release summarizes Methanex's key financial and operational data for the third quarter of 2018. It is not a complete source of information for readers and is not in any way a substitute for reading the third quarter 2018 Management's Discussion and Analysis ("MD&A") dated October 24, 2018 and the unaudited condensed consolidated interim financial statements for the three and nine month periods ended September 30, 2018, both of which are available from the Investor Relations section of our website at [www.methanex.com](http://www.methanex.com). The MD&A and the unaudited condensed consolidated interim financial statements for the three and nine month periods ended September 30, 2018 are also available on the Canadian Securities Administrators' SEDAR website at [www.sedar.com](http://www.sedar.com) and on the United States Securities and Exchange Commission's EDGAR website at [www.sec.gov](http://www.sec.gov).

## FINANCIAL AND OPERATIONAL DATA

	Three Months			Nine Months	
	Ended			Ended	
(\$ millions except per share amounts and where noted)	Sep 30	Jun 30	Sep 30	Sep 30	Sep 30
	2018	2018	2017	2018	2017
Production (thousands of tonnes) (attributable to Methanex shareholders)	1,735	1,648	1,765	5,326	5,245
Sales volume (thousands of tonnes)					
Methanex-produced methanol	1,790	1,729	1,753	5,403	5,299
Purchased methanol	802	709	757	2,124	1,656
Commission sales	279	329	261	929	862
Total sales volume <sup>1</sup>	2,871	2,767	2,771	8,456	7,817
Methanex average non-discounted posted price (\$ per tonne) <sup>2</sup>	486	478	351	480	394
Average realized price (\$ per tonne) <sup>3</sup>	413	405	307	407	332
Revenue	1,044	950	720	2,955	2,199
Adjusted revenue	1,067	972	775	3,025	2,322
Adjusted EBITDA	293	275	143	874	584
Cash flows from operating activities	228	290	119	762	574
Adjusted net income	152	143	52	466	266
Net income (attributable to Methanex shareholders)	128	111	32	408	248
Adjusted net income per common share	1.92	1.75	0.60	5.71	3.03
Basic net income per common share	1.62	1.36	0.38	5.01	2.83
Diluted net income per common share	1.61	1.36	0.38	5.00	2.83
Common share information (millions of shares)					
Weighted average number of common shares	79	82	86	82	88
Diluted weighted average number of common shares	79	82	86	82	88
Number of common shares outstanding, end of period	78	80	85	78	85

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 20,000 MT of Tolling Volume produced in the third quarter of 2018 and 48,000 MT in the second quarter of 2018. There was no Tolling Volume in the third quarter of 2017.

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 and purchased methanol, but excluding Tolling Volume.

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	Jun 30	Sep 30	Sep 30	Sep 30
	2018	2018	2017	2018	2017
Net income (attributable to Methanex shareholders)	\$ 128	\$ 111	\$ 32	\$ 408	\$ 248
Mark-to-market impact of share-based compensation, net of tax	24	32	20	58	18
Adjusted net income	\$ 152	\$ 143	\$ 52	\$ 466	\$ 266
Diluted weighted average shares outstanding (millions)	79	82	86	82	88
Adjusted net income per common share	\$ 1.92	\$ 1.75	\$ 0.60	\$ 5.71	\$ 3.03

We recorded net income attributable to Methanex shareholders of \$128 million during the third quarter of 2018 compared to net income of \$111 million in the second quarter of 2018. The increase in earnings is primarily due to an increase in sales of Methanex-produced methanol, an increase in our average realized methanol price during the third quarter, and the change in the mark-to-market impact of share-based compensation.

We recorded Adjusted EBITDA of \$293 million for the third quarter of 2018 compared with \$275 million for the second quarter of 2018. Adjusted net income was \$152 million for the third quarter of 2018 compared to Adjusted net income of \$143 million for the second quarter of 2018. The increase in Adjusted EBITDA and Adjusted net income is primarily due to an increase in sales of Methanex-produced methanol and an increase in average realized price to \$413 per tonne for the third quarter of 2018 from \$405 per tonne for the second quarter of 2018.

Production for the third quarter of 2018 was 1,735,000 tonnes compared with 1,648,000 tonnes for the second quarter of 2018.

Total sales volume for the third quarter of 2018 was a record 2,871,000 tonnes compared with 2,767,000 tonnes for the second quarter of 2018. Sales of Methanex-produced methanol were 1,790,000 tonnes in the third quarter of 2018 compared with 1,729,000 tonnes in the second quarter of 2018.

To September 30, 2018 we have repurchased 5,400,000 common shares, of the 6,590,095 approved, for approximately \$366 million since the start of our normal course issuer bid on March 13, 2018.

During the third quarter of 2018 we paid a \$0.33 per common share quarterly dividend to shareholders for a total of \$26 million.

We recently restarted our 0.8 million tonne Chile IV plant that has been idle since 2007 and expect the plant to ramp up to full production rates over the coming weeks. Additionally, the Argentine Government has granted permits to allow for the export of natural gas from Argentina to Chile and Methanex has begun to receive natural gas from Argentine suppliers in October 2018. We expect that our current gas agreements will allow for a two-plant operation in Chile during the southern hemisphere summer months and up to a maximum of 75% of a two-plant operation annually until mid-2020.

We continue to make good progress on a potential Geismar 3 production facility. We expect to spend approximately \$50 to \$60 million on this project prior to reaching a final investment decision by mid-2019. We believe that the potential Geismar 3 project would be advantaged relative to other projects being contemplated or under construction in the US Gulf.

## PRODUCTION HIGHLIGHTS

	Q3 2018		Q2 2018	Q3 2017	YTD Q3 2018	YTD Q3 2017
(thousands of tonnes)	Operating Capacity <sup>1</sup>	Production	Production	Production	Production	Production
New Zealand <sup>2</sup>	608	478	252	502	1,217	1,385
Geismar (USA)	500	520	518	499	1,551	1,429
Trinidad (Methanex interest) <sup>3</sup>	500	353	442	457	1,254	1,302
Egypt (50% interest)	158	128	165	71	458	389
Medicine Hat (Canada)	150	144	143	158	440	435
Chile <sup>4</sup>	220	112	128	78	406	305
	2,136	1,735	1,648	1,765	5,326	5,245

Operating capacity includes only those facilities which are currently capable of operating, 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 8.5 million tonnes, including 0.9 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>

<sup>2</sup> The operating capacity of New Zealand is made up of the two Motunui facilities and the Waitara Valley facility.

<sup>3</sup> The operating capacity of Trinidad is made up of the Titan (100% interest) and Atlas (63.1% interest) facilities.

<sup>4</sup> The production capacity of our Chile I and IV facilities is 1.7 million tonnes annually assuming access to natural gas feedstock.

Key production and operational highlights during the third quarter include:

New Zealand produced 478,000 tonnes compared with 252,000 tonnes in the second quarter of 2018. Production in the third quarter of 2018 is higher than the second quarter of 2018 by 226,000 tonnes as major turnaround activities were completed at the end of June. However, production in New Zealand was impacted in the third quarter as we experienced gas constraints as a result of natural gas suppliers completing planned and unplanned maintenance activities. We expect the gas constraints to be resolved in the fourth quarter.

Geismar production rates continue to be strong, with production of 520,000 tonnes.

Trinidad produced 353,000 tonnes (Methanex interest) compared with 442,000 tonnes in the second quarter of 2018. Production in Trinidad was lower in the third quarter of 2018 compared to the second quarter of 2018 primarily as a result of interruptions to the electricity supply to the site and mechanical issues at both plants during the quarter. Additionally, we continue to experience gas curtailments in Trinidad.

The Egypt facility produced 256,000 tonnes (Methanex interest - 128,000 tonnes) in the third quarter of 2018 compared with 330,000 tonnes (Methanex interest - 165,000 tonnes) in the second quarter of 2018. Mechanical issues primarily related to the supply of off spec natural gas at the Egypt facility resulted in lower production in the third quarter of 2018 compared to the second quarter of 2018. Natural gas supplied to the facility following the outage has since met specifications.

Medicine Hat produced 144,000 tonnes during the third quarter of 2018, and 143,000 tonnes in the second quarter of 2018. We experienced CO<sub>2</sub> supply constraint during both the second and third quarters of 2018. CO<sub>2</sub> supply resumed late in the third quarter of 2018 and is expected to continue for the foreseeable future.

Chile produced 112,000 tonnes, including 20,000 tonnes produced through a tolling arrangement with natural gas from Argentina. This compares to 128,000 tonnes during the second quarter of 2018, including 48,000 tonnes through the tolling arrangement.

#### CONFERENCE CALL

A conference call is scheduled for October 25, 2018 at 12:00 noon ET (9:00 am PT) to review these third quarter results. To access the call, dial the conferencing operator ten minutes prior to the start of the call at (416) 340-2216, or toll free at (800) 273-9672. A simultaneous audio-only webcast of the conference call can be accessed from our website at [www.methanex.com](http://www.methanex.com) and will also be available following the call. A playback version of the conference call will be available until November 8, 2018 at (905) 694-9451, or toll free at (800) 408-3053. The passcode for the playback version is 9757508#.

#### ABOUT METHANEX

Methanex is a Vancouver-based, publicly traded company and is the world's largest producer and supplier of methanol to major international markets. Methanex shares are listed for trading on the Toronto Stock Exchange in Canada under the trading symbol "MX" and on the NASDAQ Global Market in the United States under the trading symbol "MEOH".

#### FORWARD-LOOKING INFORMATION WARNING

This third quarter 2018 press release contains forward-looking statements with respect to us and the chemical industry. By its nature, forward-looking information is subject to numerous risks and uncertainties, some of which are beyond the Company's control. Readers are cautioned that undue reliance should not be placed on forward-looking information as actual results may vary materially from the forward-looking information. Methanex does not undertake to update, correct or revise any forward-looking information as a result of any new information, future events or otherwise, except as may be required by applicable law. Refer to Forward-Looking Information Warning in the third quarter 2018 Management's Discussion and Analysis for more information which is available from the Investor Relations section of our website at [www.methanex.com](http://www.methanex.com), the Canadian Securities Administrators' SEDAR website at [www.sedar.com](http://www.sedar.com) and on the United States Securities and Exchange Commission's EDGAR website at [www.sec.gov](http://www.sec.gov).

#### NON-GAAP MEASURES

The Company has used the terms Adjusted EBITDA, Adjusted net income, Adjusted net income per common share, Adjusted revenue and operating income throughout this document. These items are non-GAAP measures that do not have any standardized meaning prescribed by GAAP. These measures represent the amounts that are attributable to Methanex Corporation shareholders and are calculated 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 14 of the Company's MD&A for the period ended September 30, 2018 for reconciliations to the most comparable GAAP measures. Unless otherwise indicated, the financial information presented in this release is prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

-end-

For further information, contact:

Kim Campbell  
Manager, Investor Relations  
Methanex Corporation  
604-661-2600

METHANEX CORPORATION 2018 THIRD QUARTER NEWS RELEASE PAGE 5

---

Management's Discussion

3 and Analysis for the Three and Nine Months Ended At October 23, 2018 the Company had 78,053,368 common shares issued and outstanding and stock options exercisable for 846,554 additional common shares.

Share Information  
Methanex Corporation's common shares are listed for trading on the Toronto Stock Exchange under the symbol MX and on the Nasdaq Global Market under the symbol MEOH.

Investor Information  
All financial reports, news releases and corporate information can be accessed on our website at [www.methanex.com](http://www.methanex.com).

Contact Information  
Methanex Investor Relations  
1800 - 200 Burrard Street  
Vancouver, BC Canada V6C 3M1  
E-mail: [invest@methanex.com](mailto:invest@methanex.com)  
Methanex Toll-Free: 1-800-661-8851

Transfer Agents & Registrars  
AST Trust Company (Canada)  
320 Bay Street  
Toronto, Ontario Canada M5H 4A6  
Toll free in North America: 1-800-387-0825

THIRD QUARTER MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

Except where otherwise noted, all currency amounts are stated in United States dollars.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

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 2018	Jun 30 2018	Sep 30 2017	Sep 30 2018	Sep 30 2017
Net income (attributable to Methanex shareholders)	\$ 128	\$ 111	\$ 32	\$ 408	\$ 248
Mark-to-market impact of share-based compensation, net of tax	24	32	20	58	18
Adjusted net income	\$ 152	\$ 143	\$ 52	\$ 466	\$ 266
Diluted weighted average shares outstanding (millions)	79	82	86	82	88
Adjusted net income per common share	\$ 1.92	\$ 1.75	\$ 0.60	\$ 5.71	\$ 3.03

The Company has used the terms Adjusted EBITDA, Adjusted net income, Adjusted net income per common share, Adjusted revenue and operating income throughout this document. 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 14 of the MD&A for reconciliations to the most comparable GAAP measures.

We recorded net income attributable to Methanex shareholders of \$128 million during the third quarter of 2018 compared to net income of \$111 million in the second quarter of 2018. The increase in earnings is primarily due to an increase in sales of Methanex-produced methanol, an increase in our average realized methanol price during the third quarter, and the change in the mark-to-market impact of share-based compensation.

We recorded Adjusted EBITDA of \$293 million for the third quarter of 2018 compared with \$275 million for the second quarter of 2018. Adjusted net income was \$152 million for the third quarter of 2018 compared to Adjusted net income of \$143 million for the second quarter of 2018. The increase in Adjusted EBITDA and Adjusted net income is primarily due to an increase in sales of Methanex-produced methanol and an increase in average realized price to \$413 per tonne for the third quarter of 2018 from \$405 per tonne for the second quarter of 2018.

Production for the third quarter of 2018 was 1,735,000 tonnes compared with 1,648,000 tonnes for the second quarter of 2018. Refer to the Production Summary section on page 4 of the MD&A.

Total sales volume for the third quarter of 2018 was a record 2,871,000 tonnes compared with 2,767,000 tonnes for the second quarter of 2018. Sales of Methanex-produced methanol were 1,790,000 tonnes in the third quarter of 2018

compared with 1,729,000 tonnes in the second quarter of 2018.

To September 30, 2018 we have repurchased 5,400,000 common shares, of the 6,590,095 approved, for approximately \$366 million since the start of our normal course issuer bid on March 13, 2018.

METHANEX CORPORATION 2018 THIRD QUARTER PAGE 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS

---

During the third quarter of 2018 we paid a \$0.33 per common share quarterly dividend to shareholders for a total of \$26 million.

We recently restarted our 0.8 million tonne Chile IV plant that has been idle since 2007 and expect the plant to ramp up to full production rates over the coming weeks. Additionally, the Argentine Government has granted permits to allow for the export of natural gas from Argentina to Chile and Methanex has begun to receive natural gas from Argentine suppliers in October 2018. We expect that our current gas agreements will allow for a two-plant operation in Chile during the southern hemisphere summer months and up to a maximum of 75% of a two-plant operation annually until mid-2020.

We continue to make good progress on a potential Geismar 3 production facility. We expect to spend approximately \$50 to \$60 million on this project prior to reaching a final investment decision by mid-2019. We believe that the potential Geismar 3 project would be advantaged relative to other projects being contemplated or under construction in the US Gulf.

This Third Quarter 2018 Management's Discussion and Analysis dated October 24, 2018 for Methanex Corporation ("the Company") should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the three and nine month periods ended September 30, 2018 as well as the 2017 Annual Consolidated Financial Statements and MD&A included in the Methanex 2017 Annual Report. Unless otherwise indicated, the financial information presented in this interim report is prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Methanex 2017 Annual Report and additional information relating to Methanex is available on our website at [www.methanex.com](http://www.methanex.com), the Canadian Securities Administrators' SEDAR website at [www.sedar.com](http://www.sedar.com) and on the United States Securities and Exchange Commission's EDGAR website at [www.sec.gov](http://www.sec.gov).

## FINANCIAL AND OPERATIONAL DATA

	Three Months			Nine Months	
	Ended			Ended	
(\$ millions except per share amounts and where noted)	Sep 30 2018	Jun 30 2018	Sep 30 2017	Sep 30 2018	Sep 30 2017
Production (thousands of tonnes) (attributable to Methanex shareholders)	1,735	1,648	1,765	5,326	5,245
Sales volume (thousands of tonnes)					
Methanex-produced methanol	1,790	1,729	1,753	5,403	5,299
Purchased methanol	802	709	757	2,124	1,656
Commission sales	279	329	261	929	862
Total sales volume <sup>1</sup>	2,871	2,767	2,771	8,456	7,817
Methanex average non-discounted posted price (\$ per tonne) <sup>2</sup>	486	478	351	480	394
Average realized price (\$ per tonne) <sup>3</sup>	413	405	307	407	332
Revenue	1,044	950	720	2,955	2,199
Adjusted revenue	1,067	972	775	3,025	2,322
Adjusted EBITDA	293	275	143	874	584
Cash flows from operating activities	228	290	119	762	574
Adjusted net income	152	143	52	466	266
Net income (attributable to Methanex shareholders)	128	111	32	408	248
Adjusted net income per common share	1.92	1.75	0.60	5.71	3.03
Basic net income per common share	1.62	1.36	0.38	5.01	2.83
Diluted net income per common share	1.61	1.36	0.38	5.00	2.83
Common share information (millions of shares)					
Weighted average number of common shares	79	82	86	82	88
Diluted weighted average number of common shares	79	82	86	82	88
Number of common shares outstanding, end of period	78	80	85	78	85

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 20,000 MT of Tolling Volume produced in the third quarter of 2018 and 48,000 MT in the second quarter of 2018. There was no Tolling Volume in the third quarter of 2017.

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 and purchased methanol, but excluding Tolling Volume.

## PRODUCTION SUMMARY

	Q3 2018		Q2 2018	Q3 2017	YTD Q3 2018	YTD Q3 2017
(thousands of tonnes)	Operating Capacity <sup>1</sup>	Production	Production	Production	Production	Production
New Zealand <sup>2</sup>	608	478	252	502	1,217	1,385
Geismar (USA)	500	520	518	499	1,551	1,429
Trinidad (Methanex interest) <sup>3</sup>	500	353	442	457	1,254	1,302
Egypt (50% interest)	158	128	165	71	458	389
Medicine Hat (Canada)	150	144	143	158	440	435
Chile <sup>4</sup>	220	112	128	78	406	305
	2,136	1,735	1,648	1,765	5,326	5,245

Operating capacity includes only those facilities which are currently capable of operating, 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 8.5 million tonnes, including 0.9 million tonnes related to our Chile operations. The <sup>1</sup> 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>2</sup> The operating capacity of New Zealand is made up of the two Motunui facilities and the Waitara Valley facility (refer to the New Zealand section below).

<sup>3</sup> The operating capacity of Trinidad is made up of the Titan (100% interest) and Atlas (63.1% interest) facilities (refer to the Trinidad section below).

<sup>4</sup> The production capacity of our Chile I and IV facilities is 1.7 million tonnes annually assuming access to natural gas feedstock.

## New Zealand

The New Zealand facilities produced 478,000 tonnes of methanol in the third quarter of 2018 compared with 252,000 tonnes in the second quarter of 2018. Production in the third quarter of 2018 is higher than the second quarter of 2018 by 226,000 tonnes as major turnaround activities were completed at the end of June. However, production in New Zealand was impacted in the third quarter as we experienced gas constraints as a result of natural gas suppliers completing planned and unplanned maintenance activities. We expect the gas constraints to be resolved in the fourth quarter. The New Zealand facilities are capable of producing up to 2.4 million tonnes annually, depending on natural gas composition.

## United States

The Geismar facilities produced 520,000 tonnes during the third quarter of 2018 compared to 518,000 tonnes during the second quarter of 2018.

## Trinidad

The Trinidad facilities produced 353,000 tonnes (Methanex interest) in the third quarter of 2018 compared with 442,000 tonnes (Methanex interest) in the second quarter of 2018. Production in Trinidad was lower in the third quarter of 2018 compared to the second quarter of 2018 primarily as a result of interruptions to the electricity supply to the site and mechanical issues at both plants during the quarter. Additionally, we continue to experience gas curtailments in Trinidad.

## Egypt

The Egypt facility produced 256,000 tonnes (Methanex interest - 128,000 tonnes) in the third quarters of 2018 compared with 330,000 tonnes (Methanex interest - 165,000 tonnes) in the second quarter of 2018. Mechanical issues primarily related to the supply of off spec natural gas at the Egypt facility resulted in lower production in the third quarter of 2018 compared to the second quarter of 2018. Natural gas supplied to the facility following the outage has since met specifications.

The Egypt facility has previously experienced periodic natural gas supply restrictions. The strong efforts of the Egyptian governmental authorities to fast-track existing and new upstream gas supply in Egypt has led to improved gas deliveries in 2017 and 2018. As a result, we expect to receive 100% of contracted gas supply for the foreseeable

future.

METHANEX CORPORATION 2018 THIRD QUARTER PAGE 4  
MANAGEMENT'S DISCUSSION AND ANALYSIS

---

#### Canada

The Medicine Hat facility produced 144,000 tonnes during the third quarter of 2018 and 143,000 tonnes in the second quarter of 2018. We experienced CO<sub>2</sub> supply constraints during both the second and third quarters of 2018. CO<sub>2</sub> supply resumed late in the third quarter of 2018 and is expected to continue for the foreseeable future.

#### Chile

The Chile facility produced 112,000 tonnes during the third quarter of 2018, including 20,000 tonnes produced through a tolling arrangement with natural gas from Argentina. This compares to 128,000 tonnes during the second quarter of 2018, including 48,000 tonnes through the tolling arrangement. The tolling arrangement expired at the end of September 2018.

We recently restarted our 0.8 million tonne Chile IV plant that has been idle since 2007 and expect the plant to ramp up to full production rates over the coming weeks. Additionally, the Argentine Government has granted permits to allow for the export of natural gas from Argentina to Chile and Methanex has begun to receive natural gas from Argentine suppliers in October 2018. We expect that our current gas agreements will allow for a two-plant operation in Chile during the southern hemisphere summer months and up to a maximum of 75% of a two-plant operation annually until mid-2020. 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 2018, we reported net income attributable to Methanex shareholders of \$128 million (\$1.61 per common share on a diluted basis) compared with net income attributable to Methanex shareholders for the second quarter of 2018 of \$111 million (\$1.36 per common share on a diluted basis).

For the third quarter of 2018, we recorded Adjusted EBITDA of \$293 million and Adjusted net income of \$152 million (\$1.92 per common share). This compares with Adjusted EBITDA of \$275 million and Adjusted net income of \$143 million (\$1.75 per common share) for the second quarter of 2018.

We calculate Adjusted EBITDA and Adjusted net income by including amounts related to our equity share of the Atlas facility (63.1% interest) and by excluding the non-controlling interests' share, 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 14 of the MD&A 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.

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 2018	Jun 30 2018	Sep 30 2017	Sep 30 2018	Sep 30 2017
Consolidated statements of income:					
Revenue	\$1,044	\$950	\$720	\$2,955	\$2,199
Cost of sales and operating expenses	(784)	(712)	(625)	(2,156)	(1,686)
Mark-to-market impact of share-based compensation	29	39	24	70	22
Adjusted EBITDA (attributable to associate)	35	37	37	112	112
Amounts excluded from Adjusted EBITDA attributable to non-controlling interests	(31)	(39)	(13)	(107)	(63)
Adjusted EBITDA (attributable to Methanex shareholders)	293	275	143	874	584
Mark-to-market impact of share-based compensation	(29)	(39)	(24)	(70)	(22)
Depreciation and amortization	(61)	(63)	(58)	(183)	(175)
Finance costs	(23)	(24)	(25)	(71)	(71)
Finance income and other expenses	1	(2)	4	3	9
Income tax expense	(43)	(33)	3	(121)	(43)
Earnings of associate adjustment <sup>1</sup>	(21)	(18)	(18)	(58)	(55)
Non-controlling interests adjustment <sup>1</sup>	11	15	7	34	21
Net income (attributable to Methanex shareholders)	\$128	\$111	\$32	\$408	\$248
Net income	\$148	\$135	\$38	\$481	\$290

<sup>1</sup> 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.

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 of the MD&A. Changes in these components - average realized price, sales volume and total cash costs - similarly impact net income attributable to Methanex shareholders.

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

(\$ millions)	YTD Q3		
	Q3 2018 compared with Q2 2018	Q3 2018 compared with Q3 2017	Q3 2018 compared with YTD Q3 2017
Average realized price	\$ 21	\$ 273	\$ 554
Sales volume	25	5	48
Total cash costs	(28)	(128)	(312)
Increase in Adjusted EBITDA	\$ 18	\$ 150	\$ 290
Average realized price			
		Three Months Ended	Nine Months Ended
(\$ per tonne)			

Edgar Filing: METHANEX CORP - Form 6-K

	Sep 30	Jun 30	Sep 30	Sep 30	Sep 30
	2018	2018	2017	2018	2017
Methanex average non-discounted posted price	486	478	351	480	394
Methanex average realized price	413	405	307	407	332

METHANEX CORPORATION 2018 THIRD QUARTER PAGE 6  
MANAGEMENT'S DISCUSSION AND ANALYSIS

---

Methanex's average realized price for the third quarter of 2018 increased to \$413 per tonne compared to \$405 per tonne in the second quarter of 2018, increasing Adjusted EBITDA by \$21 million. For the three and nine months ended September 30, 2018, Methanex's average non-discounted posted price increased to \$486 per tonne and \$480 per tonne from \$351 per tonne and \$394 per tonne for same periods in 2017. Our average realized price for the three and nine months ended September 30, 2018 increased compared to the same periods in 2017 driven by the higher average non-discounted posted prices (refer to Supply/Demand Fundamentals section on page 11 of the MD&A for more information).

Our average realized price for the third quarter of 2018 was \$413 per tonne compared with \$307 per tonne in the third quarter of 2017. The increase in average realized price for the third quarter of 2018 compared with the third quarter of 2017 increased Adjusted EBITDA by \$273 million. For the nine months ended September 30, 2018, our average realized price increased to \$407 per tonne from \$332 per tonne for the same period in 2017. This change in average realized price increased Adjusted EBITDA by \$554 million.

#### Sales volume

Methanol sales volume excluding commission sales volume in the third quarter of 2018 was 154,000 tonnes higher than the second quarter of 2018 and 82,000 tonnes higher than the third quarter of 2017. The increase in the third quarter of 2018 compared to the second quarter of 2018 increased Adjusted EBITDA by \$25 million. The increase in the third quarter of 2018 compared to same period in 2017 increased Adjusted EBITDA by \$5 million. For the nine months ended September 30, 2018 compared with the same period in 2017, methanol sales volume excluding commission sales volume was 572,000 tonnes higher and this resulted in higher Adjusted EBITDA by \$48 million.

#### Total cash costs

The primary drivers of changes in our total cash costs are changes in the cost of Methanex-produced methanol and changes in the cost of methanol we purchase from others ("purchased 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. Generally, the opposite applies when methanol prices are decreasing.

The changes in Adjusted EBITDA due to changes in total cash costs were due to the following:

	Q3 2018	Q3 2018	YTD Q3
(\$ millions)	compared	compared	compared
	with	with	with
	Q2 2018	Q3 2017	YTD Q3
			2017
Methanex-produced methanol costs	\$ (24	)\$ (43	)\$ (90 )
Proportion of Methanex-produced methanol sales	(7	)(3	)(51 )
Purchased methanol costs	(8	)(79	)(142 )
Other, net	11	(3	)(29 )
Decrease in Adjusted EBITDA due to changes in total cash costs	\$ (28	)\$ (128	)\$ (312 )



#### Methanex-produced methanol costs

Natural gas is the primary feedstock at our methanol facilities and is the most significant component of Methanex-produced methanol costs. We purchase natural gas for more than half of our production under agreements where the unique terms of each contract include a base price and a variable price component linked to the price of methanol to reduce 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 2018 compared with the second quarter of 2018, Methanex-produced methanol costs were higher by \$24 million, primarily due to changes in the source of production and their relative costs sold from inventory. For the three and nine months ended September 30, 2018 compared with the same periods in 2017, Methanex-produced methanol costs were higher by \$43 million and \$90 million, respectively, primarily due to the impact of changes in realized methanol prices on the variable portion of our natural gas cost.

#### 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 2018 compared with the second quarter of 2018, a lower proportion of Methanex-produced methanol sales decreased Adjusted EBITDA by \$7 million. For the three and nine months ended September 30, 2018 compared with the same periods in 2017, a lower proportion of Methanex-produced methanol sales decreased Adjusted EBITDA by \$3 million and \$51 million, respectively.

#### Purchased methanol costs

Changes in purchased methanol costs for all periods presented are primarily a result of changes in methanol pricing and the timing of purchases sold from inventory.

#### Other, net

Other, net relates to unabsorbed fixed costs, logistics costs, tolling margins, selling, general and administrative expenses and other operational items. For the third quarter of 2018 compared with the second quarter of 2018, other costs were lower by \$11 million, primarily due to lower selling, general and administrative expenses and lower unabsorbed fixed costs in New Zealand during the quarter. For the three and nine months ended September 30, 2018 compared with the same periods in 2017, other costs were higher by \$3 million and \$29 million, primarily due to higher logistics costs from increased sales volume, higher selling, general and administrative expenses and other operational items including an insurance settlement recorded in 2017.

#### 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 2018	Jun 30 2018	Sep 30 2017	Sep 30 2018	Sep 30 2017
Methanex Corporation share price <sup>1</sup>	\$79.10	\$70.70	\$50.30	\$79.10	\$50.30
Grant-date fair value expense included in Adjusted EBITDA and Adjusted net income	2	4	2	10	9
Mark-to-market impact due to change in share price	29	39	24	70	22
Total share-based compensation expense, before tax	\$31	\$43	\$26	\$80	\$31

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

For all periods presented, the mark-to-market impact on share-based compensation is primarily due to increases in the Methanex Corporation share price.

#### Depreciation and Amortization

Depreciation and amortization was \$61 million for the third quarter of 2018 compared with \$63 million for the second quarter of 2018 and \$58 million for the third quarter of 2017. Depreciation and amortization for the nine months ended September 30, 2018 was \$183 million compared with \$175 million for the same period in 2017. The decrease in depreciation and amortization for the third quarter of 2018 compared to the second quarter of 2018, despite higher sales of Methanex-produced methanol, is primarily due to the recognition of unabsorbed depreciation associated with production outages which were higher in the second quarter of 2018. The increase in depreciation and amortization for the three and nine months ended September 30, 2018 compared with the same periods in 2017 is primarily due to depreciation on an increased asset base and higher sales of Methanex-produced methanol.

#### Finance Costs

(\$ millions)	Three Months Ended		Nine Months Ended	
	Sep 30 2018	Sep 30 2017	Sep 30 2018	Sep 30 2017
Finance costs	\$23	\$24	\$25	\$71

Finance costs are primarily comprised of interest on borrowings and finance lease obligations. Finance costs are comparable for all periods presented.

#### Finance Income and Other Expenses

(\$ millions)	Three Months Ended		Nine Months Ended	
	Sep 30 2018	Sep 30 2017	Sep 30 2018	Sep 30 2017
Finance income and other expenses	\$1	\$(2)	\$4	\$3

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

## Income Taxes

A summary of our income taxes for the third quarter of 2018 compared to the second quarter of 2018 and the nine month period ended September 30, 2018 compared to the same period in 2017 is as follows:

	Three months ended September 30, 2018		Three months ended June 30, 2018	
(\$ millions except where noted)	Net Income	Adjusted Net Income	Net Income	Adjusted Net Income
Amount before income tax	\$191	\$ 207	\$168	\$ 187
Income tax expense	(43 )	(55 )	(33 )	(44 )
	\$148	\$ 152	\$135	\$ 143
Effective tax rate	23 %	26 %	20 %	24 %

	Nine months ended September 30, 2018		Nine months ended September 30, 2017	
(\$ millions, except where noted)	Net Income	Adjusted Net Income	Net Income	Adjusted Net Income
Amount before income tax	\$602	\$ 620	\$334	\$ 347
Income tax expense	(121 )	(154 )	(44 )	(81 )
	\$481	\$ 466	\$290	\$ 266
Effective tax rate	20 %	25 %	13 %	23 %

We earn the majority of our income 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 27% and 28%, respectively. The United States statutory tax rate applicable to Methanex was 36% in 2017 and is 23% for 2018 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.

The effective tax rate based on Adjusted net income was 26% for the third quarter of 2018 compared to 24% for the second quarter of 2018. The effective tax rate based on Adjusted net income was 25% for the nine month period ended September 30, 2018 compared to 23% for the same period in 2017. 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. In addition, the effective tax rate is impacted by changes in tax legislation in the jurisdictions in which we operate.

## SUPPLY/DEMAND FUNDAMENTALS

## Demand

Methanol demand in the third quarter of 2018 remained strong. Demand for energy-related applications, which represents approximately 45% of global demand, was healthy as a result of higher energy prices and a rebound in MTO operating rates as several MTO producers resumed production following planned maintenance activities in the second quarter and first half of the third quarter of 2018. We continue to observe high operating rates for MTO facilities. We continue to monitor the progress of new MTO units that are currently under construction and targeted to come online in the near to medium term. The future operating rates and methanol consumption from MTO producers will depend on a number of factors, including pricing for their various final products, the degree of downstream integration of these units with other products and the impact of the olefin industry feedstock costs, including naphtha, on relative competitiveness. Traditional chemical demand, which represents approximately 55% of global demand, was steady. Growth in demand from traditional chemical applications is generally correlated to GDP and industrial production growth rates.

## Supply

Methanol industry supply improved marginally in the third quarter of 2018 compared to the second quarter of 2018 as new supply in the US was offset by various production outages globally. The Natgasoline plant began commercial methanol production in Beaumont, Texas late in the second quarter. The majority of future large-scale capacity additions are expected to be in North America and the Middle East. Yuhuang Chemical is progressing plans to complete a 1.8 million tonne plant in St. James Parish, Louisiana. There are a number of other projects under discussion in North America; however, we believe that there has been limited committed capital to date. In Iran, Marjan Petrochemical Company announced the start-up of their 1.7 million tonne plant late in the third quarter; however, the operational status of that plant is uncertain. We expect that production from this plant along with other plants under construction in Iran will add just over four million tonnes of capacity in the coming years; however, the start-up timing and future operating rates at these facilities will depend on various factors. Caribbean Gas Chemical Limited (CGCL) is constructing a 1.0 million tonne plant in Trinidad with announced production towards the end of the decade. We anticipate that new capacity additions in China will be modest due to a continuing degree of restrictions placed by the Chinese government on new coal-based capacity additions. We expect that production from new methanol capacity in China will be consumed domestically.

## Methanol Price

Our average realized price increased in the third quarter to \$413 per tonne from \$405 per tonne in the second quarter. Strong methanol demand combined with various production outages supported the strength in methanol prices. Leading into the fourth quarter, tight market conditions supported strong pricing with October posted prices increasing to \$496 per tonne in North America and \$495 per tonne in Asia and European pricing increasing to €428 per tonne for the fourth quarter. 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.

## Methanex Non-Discounted Regional Posted Prices

	Oct 2018	Sep 2018	Aug 2018	Jul 2018
(US\$ per tonne)				
North America	496	485	485	496
Europe <sup>2</sup>	500	490	490	490
Asia Pacific	495	480	480	490

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

<sup>2</sup> €428 for Q4 2018 (Q3 2018 – €419) converted to United States dollars.

METHANEX CORPORATION 2018 THIRD QUARTER PAGE 11  
MANAGEMENT'S DISCUSSION AND ANALYSIS

---

## LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities in the third quarter of 2018 were \$228 million compared with \$290 million for the second quarter of 2018 and \$119 million for the third quarter of 2017. Cash flows from operating activities for the nine month period ended September 30, 2018 were \$762 million compared with \$574 million for the same period in 2017. The changes in cash flows from operating activities resulted from changes in the following:

(\$ millions)	Q3 2018	Q3 2018	YTD Q3
	compared with Q2 2018	compared with Q3 2017	2018 compared with YTD Q3 2017
Change in Adjusted EBITDA (attributable to Methanex shareholders)	\$ 18	\$ 150	\$ 290
Deduct change in Adjusted EBITDA of associate	2	2	—
Dividends received from associate	12	1	(9 )
Cash flows attributable to non-controlling interests	(8	)18	44
Non-cash working capital	(128	)(39	)(34 )
Income taxes paid	30	(9	)(55 )
Share-based payments	13	(7	)(38 )
Other	(1	)(7	)(10 )
Increase (Decrease) in cash flows from operating activities	\$ (62	)\$ 109	\$ 188

We generated cash from operating activities before changes in non-cash working capital of \$294 million during the third quarter of 2018 compared to \$228 million in the second quarter of 2018. The change in non-cash working capital in the third quarter of 2018 decreased cash flows from operating activities by \$66 million compared to an increase in cash flows from operating activities of \$62 million in the second quarter of 2018. The net change in non-cash working capital of \$128 million was primarily the result of the timing of sales of methanol on trade receivables.

To September 30, 2018 we have repurchased 5,400,000 common shares, of the 6,590,095 approved, for approximately \$366 million since the start of our normal course issuer bid on March 13, 2018.

During the third quarter of 2018 we paid a quarterly dividend of \$0.33 per common share for a total of \$26 million.

We operate in a highly competitive commodity industry and believe it is appropriate to maintain a strong balance sheet and financial flexibility. At September 30, 2018, our cash balance was \$261 million, including \$38 million of cash related to our Egypt entity consolidated on a 100% basis and \$17 million of cash related to our joint venture interests in ocean going vessels consolidated on a 100% basis. 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.

In addition to normal course principal repayments in the third quarter, our Egypt entity repaid an additional \$37.5 million (\$18.8 million Methanex share) of principal on the Egypt limited recourse debt facility and distributed \$80 million to its shareholders (\$40 million Methanex share) in accordance with amended terms of the debt facility reached in late 2017. The early repayment of \$37.5 million in the third quarter of 2018 along with the \$62.5 million early repayment in the first quarter of 2018 relieves the previous early repayment restrictions on shareholder distributions from the Egypt entity. Future distributions from the Egypt entity to its shareholders will not require an equal early principal repayment of the Egypt limited recourse debt facility.

During the quarter, 50% owned subsidiaries of Methanex issued other limited recourse debt for \$80 million (\$40 million Methanex share) to refinance the borrowings on two in service ocean going vessels. The proceeds were used to repay other limited recourse debt facilities outstanding of \$60.6 million. The debt is non-recourse to Methanex with

quarterly repayments of principal and interest until maturity in mid-2031.

We have a committed revolving credit facility with a syndicate of highly rated financial institutions that expires in December 2022. Refer to note 6 of the Company's unaudited condensed consolidated interim financial statements for further discussion of the terms of the credit facility and long-term debt. We do not have any debt maturities until December 2019 other than normal course obligations for principal repayment related to our Egypt and other limited recourse debt facilities.

METHANEX CORPORATION 2018 THIRD QUARTER PAGE 12  
MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### Capital Projects and Growth Opportunities

We recently restarted our 0.8 million tonne Chile IV plant that has been idle since 2007. The Chile IV project was completed on time and on budget. Our planned capital expenditures directed towards maintenance, turnarounds and catalyst changes for operations, including our 63.1% share of Atlas and 50% of Egypt, is currently estimated to be approximately \$175 million from October 1, 2018 to the end of 2019.

We continue to make good progress on a potential Geismar 3 production facility. We expect to spend approximately \$50 to \$60 million on this project prior to reaching a final investment decision by mid-2019. We believe that the potential Geismar 3 project would be advantaged relative to other projects being contemplated or under construction in the US Gulf.

We believe we are well positioned to meet our financial commitments, pursue our growth opportunities and deliver on our commitment to return excess cash to shareholders through dividends and share repurchases.

### ANTICIPATED CHANGES TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

In 2016, the IASB issued IFRS 16, Leases ("IFRS 16"), 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 is currently completing its transition project and quantifying the impact of the new standard under the modified retrospective approach. The recognition of all leases on balance sheet is expected to materially increase the assets and liabilities on the Consolidated Statement of Financial Position upon adoption. 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.

The Company expects that adoption of IFRS 16 will significantly impact the consolidated financial statements. The Company will provide the quantitative impact of this standard in the Company's consolidated annual financial statements.

### CONTROLS AND PROCEDURES

During the third quarter of 2018, 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 throughout this document. 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 and income taxes. Adjusted EBITDA includes an amount representing our 63.1% share of the Atlas facility and excludes the non-controlling shareholders' interests in entities which we control but do not fully own.

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 SARs, TSARs, deferred share units, restricted share units and performance share units. The mark-to-market impact related to share-based compensation that is excluded from Adjusted EBITDA and Adjusted net income is calculated as the difference between the grant-date value 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 2018	Jun 30 2018	Sep 30 2017	Sep 30 2018	Sep 30 2017
Net income (attributable to Methanex shareholders)	\$ 128	\$ 111	\$ 32	\$ 408	\$ 248
Mark-to-market impact of share-based compensation	29	39	24	70	22
Depreciation and amortization	61	63	58	183	175
Finance costs	23	24	25	71	71
Finance income and other expenses	(1)	)2	(4)	) (3)	) (9)
Income tax expense	43	33	(3)	) 121	43
Earnings of associate adjustment <sup>1</sup>	21	18	18	58	55
Non-controlling interests adjustment <sup>1</sup>	(11)	) (15)	) (7)	) (34)	) (21)
Adjusted EBITDA (attributable to Methanex shareholders)	\$ 293	\$ 275	\$ 143	\$ 874	\$ 584

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.



## 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 2018	Jun 30 2018	Sep 30 2017	Sep 30 2018	Sep 30 2017
Net income (attributable to Methanex shareholders)	\$ 128	\$ 111	\$ 32	\$ 408	\$ 248
Mark-to-market impact of share-based compensation, net of tax	24	32	20	58	18
Adjusted net income	\$ 152	\$ 143	\$ 52	\$ 466	\$ 266
Diluted weighted average shares outstanding (millions)	79	82	86	82	88
Adjusted net income per common share	\$ 1.92	\$ 1.75	\$ 0.60	\$ 5.71	\$ 3.03

## Adjusted Revenue (attributable to Methanex shareholders)

Adjusted revenue differs from the most comparable GAAP measure, revenue, because it excludes revenue relating to 50% of the Egypt methanol facility that we do not own and includes an amount representing our 63.1% share of Atlas revenue. It also includes commission earned on volume marketed on a commission basis related to both the 36.9% of the Atlas methanol facility and the 50% of the Egypt methanol facility that we do not own. A reconciliation from revenue to Adjusted revenue is as follows:

(\$ millions)	Three Months Ended			Nine Months Ended	
	Sep 30 2018	Jun 30 2018	Sep 30 2017	Sep 30 2018	Sep 30 2017
Revenue	\$ 1,044	\$ 950	\$ 720	\$ 2,955	\$ 2,199
Methanex share of Atlas revenue <sup>1</sup>	86	95	84	274	256
Non-controlling interests' share of revenue <sup>1</sup>	(62)	(72)	(27)	(201)	(129)
Other adjustments	(1)	(1)	(2)	(3)	(4)
Adjusted revenue (attributable to Methanex shareholders)	\$ 1,067	\$ 972	\$ 775	\$ 3,025	\$ 2,322

<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)

Our operations consist of a single operating segment - the production and sale of methanol. Quarterly results vary due to the average realized price of methanol, sales volume and total cash costs. A summary of selected financial information is as follows:

(\$ millions except per share amounts)	Three Months Ended			
	Sep 30 2018	Jun 30 2018	Mar 31 2018	Dec 31 2017
Revenue	\$1,044	\$ 950	\$ 962	\$ 861
Adjusted EBITDA	293	275	306	254
Net income (attributable to Methanex shareholders)	128	111	169	68
Adjusted net income	152	143	171	143
Basic net income per common share	1.62	1.36	2.02	0.81
Diluted net income per common share	1.61	1.36	2.00	0.81
Adjusted net income per common share	1.92	1.75	2.03	1.70

(\$ millions except per share amounts)	Three Months Ended			
	Sep 30 2017	Jun 30 2017	Mar 31 2017	Dec 31 2016
Revenue	\$720	\$ 669	\$ 810	\$ 585
Adjusted EBITDA	143	174	267	139
Net income (attributable to Methanex shareholders)	32	84	132	24
Adjusted net income	52	74	140	41
Basic net income per common share	0.38	0.96	1.47	0.28
Diluted net income per common share	0.38	0.89	1.46	0.28
Adjusted net income per common share	0.60	0.85	1.56	0.46

METHANEX CORPORATION 2018 THIRD QUARTER PAGE 16  
MANAGEMENT'S DISCUSSION AND ANALYSIS

---

## HOW WE ANALYZE OUR BUSINESS

Our operations consist of a single operating segment - the production and sale of methanol. We review our financial results by analyzing changes in the components of Adjusted EBITDA, mark-to-market impact of share-based compensation, depreciation and amortization, finance costs, finance income and other expenses and income taxes.

The Company has used the terms Adjusted EBITDA, Adjusted net income, Adjusted net income per common share, Adjusted revenue and operating income throughout this document. 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 section on page 14 of the MD&A 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, we also purchase and re-sell methanol produced by others 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:

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

**CASH COSTS** 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 and Tolling 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.

**SALES 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 and Tolling 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 (loss), respectively. For purposes of analyzing our business, Adjusted EBITDA, Adjusted net income, Adjusted net income per common share and Adjusted revenue include an amount representing our 63.1% equity share in Atlas. 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.

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. We also consolidate less than wholly-owned entities for which we have a controlling interest. Non-controlling interests are included in the Company's consolidated financial statements and represent the non-controlling shareholders' interests in the Egypt methanol facility and any entity where we have control. For purposes of analyzing our business, Adjusted EBITDA, Adjusted net income, Adjusted net income per common share and Adjusted revenue exclude the amounts associated with non-controlling interests.

METHANEX CORPORATION 2018 THIRD QUARTER PAGE 17  
MANAGEMENT'S DISCUSSION AND ANALYSIS

---

## FORWARD-LOOKING INFORMATION WARNING

This Third Quarter 2018 Management's Discussion and Analysis ("MD&A") as well as comments made during the Third Quarter 2018 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 Egyptian governmental entities,
  - 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,
  - 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, governmental 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,  
operating rates of our facilities,

METHANEX CORPORATION 2018 THIRD QUARTER PAGE 18  
MANAGEMENT'S DISCUSSION AND ANALYSIS

---

- 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,
- 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,

- global and regional economic activity (including industrial production levels),
- 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,

- 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, 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 2017 Annual Management's Discussion and Analysis and this Third Quarter 2018 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

## 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	Sep 30	Sep 30	Sep 30
	2018	2017	2018	2017
Revenue	\$1,043,525	\$719,696	\$2,955,296	\$2,199,209
Cost of sales and operating expenses	(783,743)	(624,505)	(2,155,976)	(1,686,215)
Depreciation and amortization	(61,353)	(57,929)	(183,273)	(174,910)
Operating income	198,429	37,262	616,047	338,084
Earnings of associate (note 5)	14,844	18,889	54,142	57,644
Finance costs	(23,087)	(24,866)	(71,038)	(71,495)
Finance income and other expenses	1,144	3,814	2,554	9,442
Income before income taxes	191,330	35,099	601,705	333,675
Income tax (expense) recovery:				
Current	(27,508)	(11,460)	(78,153)	(52,398)
Deferred	(15,956)	14,743	(42,884)	8,923
	(43,464)	3,283	(121,037)	(43,475)
Net income	\$147,866	\$38,382	\$480,668	\$290,200
Attributable to:				
Methanex Corporation shareholders	\$128,057	\$32,381	\$408,106	\$248,096
Non-controlling interests	19,809	6,001	72,562	42,104
	\$147,866	\$38,382	\$480,668	\$290,200
Income per common share for the period attributable to Methanex Corporation shareholders				
Basic net income per common share	\$1.62	\$0.38	\$5.01	\$2.83
Diluted net income per common share (note 7)	\$1.61	\$0.38	\$5.00	\$2.83
Weighted average number of common shares outstanding (note 7)	79,263,939	85,769,423	81,517,418	87,727,375
Diluted weighted average number of common shares outstanding (note 7)	79,341,597	85,819,984	81,592,080	87,781,012

See accompanying notes to condensed consolidated interim financial statements.

METHANEX CORPORATION 2018 THIRD QUARTER PAGE 1  
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

---

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

	Three Months Ended		Nine Months Ended	
	Sep 30 2018	Sep 30 2017	Sep 30 2018	Sep 30 2017
Net income	\$ 147,866	\$ 38,382	\$ 480,668	\$ 290,200
Other comprehensive income (loss):				
Items that may be reclassified to income:				
Change in fair value of cash flow hedges (note 10)	10,926	(17,755 )	(2,502 )	(96,509 )
Forward element excluded from hedging relationships (note 10)	(15,255 )	12,538	(13,289 )	71,651
Items that will not be reclassified to income:				
Actuarial gains on defined benefit pension plans	—	—	845	—
Taxes on above items	1,023	1,629	3,433	8,194
	(3,306 )	(3,588 )	(11,513 )	(16,664 )
Comprehensive income	\$ 144,560	\$ 34,794	\$ 469,155	\$ 273,536
Attributable to:				
Methanex Corporation shareholders	\$ 124,751	\$ 28,793	\$ 396,593	\$ 231,432
Non-controlling interests	19,809	6,001	72,562	42,104
	\$ 144,560	\$ 34,794	\$ 469,155	\$ 273,536

See accompanying notes to condensed consolidated interim financial statements.

METHANEX CORPORATION 2018 THIRD QUARTER PAGE 2  
 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

---

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

AS AT	Sep 30 2018	Dec 31 2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$260,687	\$375,479
Trade and other receivables	599,081	536,636
Inventories (note 2)	322,461	304,464
Prepaid expenses	37,199	26,548
Other assets (note 3)	70,066	—
	1,289,494	1,243,127
Non-current assets:		
Property, plant and equipment (note 4)	3,023,436	2,998,326
Investment in associate (note 5)	179,962	188,922
Deferred income tax assets	68,911	102,341
Other assets (note 3)	85,243	78,026
	3,357,552	3,367,615
	\$4,647,046	\$4,610,742
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Trade, other payables and accrued liabilities	\$622,015	\$626,817
Current maturities on long-term debt (note 6)	33,610	55,905
Current maturities on other long-term liabilities	103,793	65,226
	759,418	747,948
Non-current liabilities:		
Long-term debt (note 6)	1,425,323	1,446,366
Other long-term liabilities	442,131	404,885
Deferred income tax liabilities	271,594	266,432
	2,139,048	2,117,683
Equity:		
Capital stock	453,083	480,331
Contributed surplus	1,594	2,124
Retained earnings	1,081,937	1,088,150
Accumulated other comprehensive loss	(81,902)	(69,841)
Shareholders' equity	1,454,712	1,500,764
Non-controlling interests	293,868	244,347
Total equity	1,748,580	1,745,111
	\$4,647,046	\$4,610,742

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	—	—	—	248,096	—	248,096	42,104	290,200
Other comprehensive loss	—	—	—	—	(16,664)	(16,664)	—	(16,664)
Compensation expense recorded for stock options	—	—	377	—	—	377	—	377
Issue of shares on exercise of stock options	79,906	2,392	—	—	—	2,392	—	2,392
Reclassification of grant date fair value on exercise of stock options	—	746	(746)	—	—	—	—	—
Payments for repurchase of shares	(5,074,800)	(28,982)	—	(202,850)	—	(231,832)	—	(231,832)
Dividend payments to Methanex Corporation shareholders	—	—	—	(76,366)	—	(76,366)	—	(76,366)
Distributions made and accrued to non-controlling interests	—	—	—	—	—	—	(22,876)	(22,876)
Balance, September 30, 2017	84,829,444	\$485,621	\$2,199	\$1,092,984	\$(57,966)	\$1,522,838	\$227,743	\$1,750,581
Net income	—	—	—	68,039	—	68,039	16,858	84,897
Other comprehensive income (loss)	—	—	—	403	(11,875)	(11,472)	—	(11,472)
Compensation expense recorded for stock options	—	—	111	—	—	111	—	111
Issue of shares on exercise of	18,368	667	—	—	—	667	—	667

Edgar Filing: METHANEX CORP - Form 6-K

stock options								
Reclassification of grant date fair value on exercise of stock options	—	186	(186)	)—	—	—	—	—
Payments for repurchase of shares	(1,077,558)	(6,143)	)—	(48,145)	)—	(54,288)	)—	(54,288)
Dividend payments to Methanex Corporation shareholders	—	—	—	(25,131)	)—	(25,131)	)—	(25,131)
Distributions made and accrued to non-controlling interests	—	—	—	—	—	—	(8,424)	(8,424)
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	—	—	—	408,106	—	408,106	72,562	480,668
Other comprehensive income (loss)	—	—	—	548	(12,061)	(11,513)	)—	(11,513)
Compensation expense recorded for stock options	—	—	281	—	—	281	—	281
Issue of shares on exercise of stock options	75,014	2,953	—	—	—	2,953	—	2,953
Reclassification of grant date fair value on exercise of stock options	—	811	(811)	)—	—	—	—	—
Payment for shares repurchased	(5,400,000)	(31,012)	)—	(334,688)	)—	(365,700)	)—	(365,700)
Dividend payments to Methanex Corporation shareholders	—	—	—	(80,179)	)—	(80,179)	)—	(80,179)
Distributions made and accrued to non-controlling	—	—	—	—	—	—	(23,041)	(23,041)

interests

Balance,

September 30,	78,445,268	\$453,083	\$1,594	\$1,081,937	\$(81,902)	\$1,454,712	\$293,868	\$1,748,580
---------------	------------	-----------	---------	-------------	------------	-------------	-----------	-------------

2018

See accompanying notes to condensed consolidated interim financial statements.

METHANEX CORPORATION 2018 THIRD QUARTER PAGE 4  
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

---

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
	2018	2017	2018	2017
<b>CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES</b>				
Net income	\$147,866	\$38,382	\$480,668	\$290,200
Deduct earnings of associate	(14,844)	(18,889)	(54,142)	(57,644)
Dividends received from associate	28,395	27,133	63,102	71,934
Add (deduct) non-cash items:				
Depreciation and amortization	61,353	57,929	183,273	174,910
Income tax expense	43,464	(3,283)	121,037	43,475
Share-based compensation expense	31,210	25,870	79,793	30,500
Finance costs	23,087	24,866	71,038	71,495
Other	(1,393)	1,268	(847)	3,885
Income taxes paid	(15,444)	(6,352)	(73,282)	(18,229)
Other cash payments, including share-based compensation	(9,940)	(1,715)	(48,653)	(10,649)
Cash flows from operating activities before undernoted	293,754	145,209	821,987	599,877
Changes in non-cash working capital (note 9)	(65,717)	(26,600)	(59,583)	(25,679)
	228,037	118,609	762,404	574,198
<b>CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>				
Payments for repurchase of shares	(113,056)	(83,133)	(365,700)	(231,832)
Dividend payments to Methanex Corporation shareholders	(25,984)	(25,583)	(80,179)	(76,366)
Interest paid	(16,720)	(15,621)	(60,649)	(57,907)
Repayment of long-term debt and financing fees	(121,451)	(25,309)	(212,090)	(51,910)
Finance leases	(2,052)	(1,751)	(6,232)	(5,103)
Restricted cash for debt service accounts	(5,638)	5,581	(6,028)	7,522
Distributions to non-controlling interests	(40,000)	(3,080)	(73,908)	(3,080)
Proceeds on issue of shares on exercise of stock options	1,639	795	2,953	2,392
Proceeds from other limited recourse debt	80,000	—	166,000	—
Restricted cash for distribution to non-controlling interests	(7,000)	—	(7,000)	—
Changes in non-cash working capital related to financing activities (note 9)	(3,027)	3,107	4,000	5,388
	(253,289)	(144,994)	(638,833)	(410,896)
<b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>				
Property, plant and equipment	(38,152)	(32,646)	(172,847)	(81,702)
Restricted cash for vessels under construction	1,234	—	(63,066)	—
Changes in non-cash working capital related to investing activities (note 9)	2,603	5,158	(2,450)	1,970
	(34,315)	(27,488)	(238,363)	(79,732)
Increase (decrease) in cash and cash equivalents	(59,567)	(53,873)	(114,792)	83,570
Cash and cash equivalents, beginning of period	320,254	361,333	375,479	223,890
Cash and cash equivalents, end of period	\$260,687	\$307,460	\$260,687	\$307,460

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 October 24, 2018.

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"), 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 is currently completing its transition project and quantifying the impact of the new standard under the modified retrospective approach. The recognition of all leases on balance sheet is expected to materially increase the assets and liabilities on the Consolidated Statement of Financial Position upon adoption. 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 annual consolidated 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.

The Company expects that adoption of IFRS 16 will significantly impact the consolidated financial statements. The Company will provide the quantitative impact of this standard in the Company's annual consolidated financial statements.



## 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 and nine month periods ended September 30, 2018 is \$732 million (2017 - \$565 million) and \$2,021 million (2017 - \$1,616 million), respectively.

## 3. Other assets:

As at September 30, 2018, the Company holds \$76 million in short-term, highly liquid investments held under restricted terms, of which \$70 million 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, funding of a debt service account, and repayment or distribution to non-controlling interest shareholders.

## 4. Property, plant and equipment:

	Buildings, Plant Installations & Machinery	Finance Leases	Other	Total
Cost at September 30, 2018	\$4,728,108	\$218,182	\$359,465	\$5,305,755
Accumulated depreciation at September 30, 2018	2,075,201	45,994	161,124	2,282,319
Net book value at September 30, 2018	\$2,652,907	\$172,188	\$198,341	\$3,023,436
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:

The Company has a 63.1% equity interest in Atlas Methanol Company Unlimited ("Atlas"). Atlas owns a 1.8 a) 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	Sep 30 2018	Dec 31 2017
Cash and cash equivalents	\$19,506	\$8,361
Other current assets	58,275	79,738
Non-current assets	264,036	289,671
Current liabilities	(28,973 )	(41,388 )
Other long-term liabilities, including current maturities	(148,596 )	(157,935 )
Net assets at 100%	\$164,248	\$178,447
Net assets at 63.1%	\$103,640	\$112,600
Long-term receivable from Atlas	76,322	76,322
Investment in associate	\$179,962	\$188,922

	Three Months Ended		Nine Months Ended	
	Sep 30 2018	Sep 30 2017	Sep 30 2018	Sep 30 2017
Statements of income				
Revenue	\$91,558	\$110,451	\$353,659	\$353,849
Cost of sales and depreciation and amortization	(51,791)	(61,331)	(211,151)	(203,375)
Operating income	39,767	49,120	142,508	150,474
Finance costs, finance income and other expenses	(2,661)	(2,701)	(8,300)	(8,453)
Income tax expense	(13,582)	(16,484)	(48,405)	(50,667)
Net earnings at 100%	\$23,524	\$29,935	\$85,803	\$91,354
Earnings of associate at 63.1%	\$14,844	\$18,889	\$54,142	\$57,644
Dividends received from associate	\$28,395	\$27,133	\$63,102	\$71,934
b)Contingent liability:				

The Board of Inland Revenue of Trinidad and Tobago has issued assessments against Atlas in respect of the 2005 to 2011 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	Sep 30 2018	Dec 31 2017
Unsecured notes		
\$350 million at 3.25% due December 15, 2019	\$348,781	\$348,060
\$250 million at 5.25% due March 1, 2022	248,377	248,072
\$300 million at 4.25% due December 1, 2024	297,141	296,873
\$300 million at 5.65% due December 1, 2044	295,217	295,158
	1,189,516	1,188,163
Egypt limited recourse debt facilities	100,802	241,190
Other limited recourse debt facilities	168,615	72,918
Total long-term debt <sup>1</sup>	1,458,933	1,502,271
Less current maturities <sup>1</sup>	(33,610)	(55,905)
	\$1,425,323	\$1,446,366

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

During the quarter ended September 30, 2018, the Company made repayments of \$55.3 million (including \$37.5 million as an early repayment of principal) on its Egypt limited recourse debt facilities and repayments of \$2.1 million on its other limited recourse debt facilities. The Company also issued \$80 million of other limited recourse debt facilities, using the proceeds to repay \$60.6 million 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. Since 2015, certain conditions had not been met, resulting in a restriction on shareholder distributions from the Egypt entity. Under amended terms reached in 2017, shareholder distributions are permitted commencing in 2018 if the average gas deliveries over the prior 12 months are greater than 70% of gas nominations. The first \$100 million of shareholder distributions must be matched with \$100 million of principal repayments on the Egypt limited recourse debt facilities. During the quarter ended September 30, 2018, an early repayment of \$37.5 million of principal and \$40 million of distributions to non-controlling interests were made. The early repayment of \$37.5 million along with the early repayment made during the three months ended March 31, 2018 relieves the previous early repayment restrictions on shareholder distributions from the Egypt entity. Future distributions from the Egypt entity to its shareholders will not require an equal early principal repayment of the Egypt limited recourse debt facility. As of September 30, 2018, the Egypt cash balance on a 100% ownership basis was \$37.9 million.

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 September 30, 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 cash-settled method was more dilutive for the three and nine month periods ended September 30, 2018 and September 30, 2017, and no adjustment was required for the numerator or the denominator.

METHANEX CORPORATION 2018 THIRD QUARTER PAGE 9  
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

---

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 and nine month periods ended September 30, 2018 and September 30, 2017, stock options were considered dilutive, resulting in an adjustment to the denominator in both periods.

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

	Three Months Ended		Nine Months Ended	
	Sep 30	Sep 30	Sep 30	Sep 30
	2018	2017	2018	2017
Denominator for basic net income per common share	79,263,939	85,769,423	81,517,418	87,727,375
Effect of dilutive stock options	77,658	50,561	74,662	53,637
Denominator for diluted net income per common share	79,341,597	85,819,984	81,592,080	87,781,012

8. Share-based compensation:

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

(i) Outstanding units:

Information regarding units outstanding at September 30, 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	(469,685)	)37.16	(678,525)	)41.52
Cancelled	(9,948)	)53.43	(8,267)	)47.25
Expired	(7,981)	)28.74	—	—
Outstanding at June 30, 2018	1,103,763	\$ 49.84	1,674,603	\$ 50.21
Exercised	(90,595)	)41.87	(196,249)	)41.52
Cancelled	(6,634)	)52.66	—	—
Outstanding at September 30, 2018	1,006,534	\$ 50.54	1,478,354	\$ 51.36

(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	(36,890)	)36.23
Cancelled	(1,600)	)42.38
Outstanding at June 30, 2018	245,945	\$ 47.29
Exercised	(38,124)	)42.98
Cancelled	(1,500)	)73.13
Outstanding at September 30, 2018	206,321	\$47.89



Range of Exercise Prices (per share amounts in USD)	Units Outstanding at September 30, 2018			Units Exercisable at September 30, 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	3.97	245,919	\$34.23	130,565	\$33.90
\$38.24 to \$50.17	3.66	258,817	44.90	151,866	41.20
\$54.65 to \$73.13	3.92	501,798	61.44	363,098	63.78
	3.86	1,006,534	\$50.54	645,529	\$52.43
<b>TSARs:</b>					
\$25.97 to \$35.51	4.16	356,739	\$34.40	170,161	\$34.20
\$38.24 to \$50.17	4.65	388,386	47.87	164,035	44.71
\$54.65 to \$73.13	4.36	733,229	61.46	418,629	66.58
	4.39	1,478,354	\$51.36	752,825	\$54.49
<b>Stock options:</b>					
\$25.97 to \$35.51	3.75	64,567	\$34.11	43,931	\$33.89
\$38.24 to \$50.17	3.26	57,754	43.70	39,351	40.67
\$54.65 to \$73.13	3.87	84,000	61.37	62,100	63.74
	3.66	206,321	\$47.89	145,382	\$48.47

## (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, 2018 was \$78.9 million compared with the recorded liability of \$71.9 million. The difference between the fair value and the recorded liability of \$7.0 million will be recognized over the weighted average remaining vesting period of approximately 1.5 years. The weighted average fair value was estimated at September 30, 2018 using the Black-Scholes option pricing model.

For the three and nine month periods ended September 30, 2018, compensation expense related to SARs and TSARs included an expense in cost of sales and operating expenses of \$17.9 million (2017 - \$14.8 million) and \$47.3 million (2017 - \$17.3 million), respectively. This included an expense of \$17.0 million (2017 - \$13.8 million) and \$41.5 million (2017 - recovery of \$11.1 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, 2018.

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

For the three and nine month periods ended September 30, 2018, compensation expense related to stock options included in cost of sales and operating expenses was \$0.1 million (2017 - \$0.1 million) and \$0.3 million (2017 - \$0.4 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, 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	6,833	8,700	149,200	
Performance factor impact on redemption <sup>1</sup>		—	(127,733	)
Granted in-lieu of dividends	2,212	306	6,070	
Redeemed	(28,001	)—	(42,577	)
Cancelled	—	—	(12,341	)
Outstanding at June 30, 2018	205,890	29,461	577,514	
Granted	342	—	—	
Granted in-lieu of dividends	863	126	2,450	
Redeemed	—	—	—	
Cancelled	—	—	(3,766	)
Outstanding at September 30, 2018	207,095	29,587	576,198	

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 September 30, 2018 was \$86.3 million compared with the recorded liability of \$73.1 million. The difference between the fair value and the recorded liability of \$13.2 million will be recognized over the weighted average remaining vesting period of approximately 1.6 years.

For the three and nine month periods ended September 30, 2018, compensation expense related to deferred, restricted and performance share units included in cost of sales and operating expenses was an expense of \$13.1 million (2017 - \$11.2 million) and an expense of \$31.9 million (2017 - \$13.7 million), respectively. This included an expense of \$12.4 million (2017 - \$10.6 million) and \$28.7 million (2017 - \$11.2 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, 2018.

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

Changes in non-cash working capital for the three and nine month periods ended September 30, 2018 and 2017 were as follows:

	Three Months Ended		Nine Months Ended	
	Sep 30 2018	Sep 30 2017	Sep 30 2018	Sep 30 2017
Changes in non-cash working capital:				
Trade and other receivables	\$(62,623)	\$(17,424)	\$(62,445)	\$(16,122)
Inventories	27,381	(18,039)	(17,997)	(19,648)
Prepaid expenses	(12,705)	1,104	(10,651)	(8,529)
Trade, other payables and accrued liabilities	(33,497)	34,721	(4,802)	101,434
	(81,444)	362	(95,895)	57,135
Adjustments for items not having a cash effect and working capital changes relating to taxes and interest paid	15,303	(18,697)	37,862	(75,456)
Changes in non-cash working capital having a cash effect	\$(66,141)	\$(18,335)	\$(58,033)	\$(18,321)

These changes relate to the following activities:

Operating	\$(65,717)	\$(26,600)	\$(59,583)	\$(25,679)
Financing	(3,027)	3,107	4,000	5,388
Investing	2,603	5,158	(2,450)	1,970
Changes in non-cash working capital	\$(66,141)	\$(18,335)	\$(58,033)	\$(18,321)

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 September 30, 2018, the Company had outstanding forward contracts designated as cash flow hedges with a notional amount of \$438 million (December 31, 2017 - \$473 million) and a negative fair value of \$107.4 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 September 30, 2018, the Company had outstanding forward exchange contracts designated as cash flow hedges to sell a notional amount of 39 million euros (December 31, 2017 - 109 million euros). The euro contracts had a positive fair value of \$0.6 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				
	1 year or less	1-3 years	3-5 years	More than 5 years	Total
Natural gas forward contracts	(6,789	)(30,241	)(41,655	)(47,948	)(126,633)
Euro forward exchange contracts	604	—	—	—	\$604

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

As at	September 30, 2018	
	Carrying Value	Fair Value
Long-term debt excluding deferred financing fees	\$1,473,485	\$1,464,179

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	Q3	Q2	Q1	2017	Q4	Q3	Q2	Q1
<b>METHANOL SALES VOLUME</b> (thousands of tonnes)									
Methanex-produced <sup>1</sup>	5,403	1,790	1,729	1,884	7,229	1,930	1,753	1,790	1,756
Purchased methanol	2,124	802	709	613	2,289	633	757	387	512
Commission sales <sup>1</sup>	929	279	329	321	1,151	289	261	297	304
	8,456	2,871	2,767	2,818	10,669	2,852	2,771	2,474	2,572
<b>METHANOL PRODUCTION</b> (thousands of tonnes)									
New Zealand	1,217	478	252	487	1,943	558	502	350	533
Geismar (Louisiana, USA)	1,551	520	518	513	1,935	506	499	437	493
Trinidad (Methanex interest)	1,254	353	442	459	1,768	466	457	449	396
Egypt (50% interest)	458	128	165	165	534	145	71	159	159
Medicine Hat (Canada)	440	144	143	153	593	158	158	159	118
Chile	406	112	128	166	414	109	78	60	167
	5,326	1,735	1,648	1,943	7,187	1,942	1,765	1,614	1,866
<b>AVERAGE REALIZED METHANOL PRICE <sup>2</sup></b>									
(\$/tonne)	407	413	405	402	337	350	307	327	365
(\$/gallon)	1.22	1.24	1.22	1.21	1.01	1.05	0.92	0.98	1.10
<b>ADJUSTED EBITDA</b>	874	293	275	306	838	254	143	174	267
<b>PER SHARE INFORMATION</b> (\$ per common share attributable to Methanex shareholders)									
Adjusted net income	5.71	1.92	1.75	2.03	4.71	1.70	0.60	0.85	1.56
Basic net income	5.01	1.62	1.36	2.02	3.64	0.81	0.38	0.96	1.47
Diluted net income	5.00	1.61	1.36	2.00	3.64	0.81	0.38	0.89	1.46

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 20,000 MT of Tolling Volume produced in the third quarter of 2018 and 48,000 MT in the second quarter of 2018. There was no Tolling Volume in the third quarter of 2017.

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 and purchased methanol, but excluding Tolling Volume.



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.

METHANEX CORPORATION

Date: October 24, 2018 By: /s/ KEVIN PRICE

Name: Kevin Price

Title: General Counsel  
and Corporate Secretary