

METHANEX CORP
Form 6-K
July 25, 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 JULY 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
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For immediate release

July 25, 2018

METHANEX REPORTS SECOND QUARTER 2018 EARNINGS

VANCOUVER, BRITISH COLUMBIA - For the second quarter of 2018, Methanex (TSX:MX) (NASDAQ:MEOH) reported net income attributable to Methanex shareholders of \$111 million (\$1.36 per common share on a diluted basis) compared to net income of \$169 million (\$2.00 per common share on a diluted basis) in the first quarter of 2018. Adjusted EBITDA for the second quarter of 2018 was \$275 million and Adjusted net income was \$143 million (\$1.75 per common share). This compares with Adjusted EBITDA of \$306 million and Adjusted net income of \$171 million (\$2.03 per common share) for the first quarter of 2018.

John Floren, President and CEO of Methanex commented, "Methanol prices have remained strong through the second quarter as a result of healthy methanol demand from energy-related and traditional chemical applications combined with various industry production outages globally resulting in tight market conditions. Our average realized price increased slightly to \$405 per tonne in the second quarter compared to \$402 per tonne in the first quarter of 2018. Our Adjusted EBITDA reflects the impact of lower sales of produced product as a result of our reduced production volume in New Zealand in the quarter."

"We returned \$241 million to shareholders through our regular dividend and share repurchases during the second quarter. To June 30, 2018 we have repurchased 3,850,000 common shares, of the 6,590,095 approved, for approximately \$253 million since the start of our normal course issuer bid on March 13, 2018."

"In addition, the restart of our Chile IV plant is on track to be complete by the end of Q3 2018. The investments we have made over the past few years to increase our production capability have substantially improved our earnings power and ability to generate significant free cash flow at a wide range of methanol prices. We have low capital and financing requirements in the near term and have \$320 million of cash on hand at the end of the second 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.

FURTHER INFORMATION

The information set forth in this news release summarizes Methanex's key financial and operational data for the second quarter of 2018. It is not a complete source of information for readers and is not in any way a substitute for reading the second quarter 2018 Management's Discussion and Analysis ("MD&A") dated July 25, 2018 and the unaudited condensed consolidated interim financial statements for the period ended June 30, 2018, both of which are available from the Investor Relations section of our website at www.methanex.com. The MD&A and the unaudited condensed consolidated interim financial statements for the period ended June 30, 2018 are also available on the Canadian Securities Administrators' SEDAR website at www.sedar.com and on the United States Securities and Exchange Commission's EDGAR website at www.sec.gov.

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FINANCIAL AND OPERATIONAL DATA

(\$ millions except per share amounts and where noted)	Three Months Ended			Six Months Ended	
	Jun 30 2018	Mar 31 2018	Jun 30 2017	Jun 30 2018	Jun 30 2017
Production (thousands of tonnes) (attributable to Methanex shareholders)	1,648	1,943	1,614	3,591	3,480
Sales volume (thousands of tonnes)					
Methanex-produced methanol	1,729	1,884	1,790	3,613	3,546
Purchased methanol	709	613	387	1,322	899
Commission sales	329	321	297	650	601
Total sales volume ¹	2,767	2,818	2,474	5,585	5,046
Methanex average non-discounted posted price (\$ per tonne) ²	478	475	398	476	418
Average realized price (\$ per tonne) ³	405	402	327	403	347
Revenue	950	962	669	1,912	1,480
Adjusted revenue	972	987	716	1,959	1,548
Adjusted EBITDA	275	306	174	581	441
Cash flows from operating activities	290	244	243	534	458
Adjusted net income	143	171	74	314	214
Net income (attributable to Methanex shareholders)	111	169	84	280	216
Adjusted net income per common share	1.75	2.03	0.85	3.79	2.40
Basic net income per common share	1.36	2.02	0.96	3.39	2.43
Diluted net income per common share	1.36	2.00	0.89	3.38	2.39
Common share information (millions of shares)					
Weighted average number of common shares	82	84	88	83	89
Diluted weighted average number of common shares	82	84	88	83	89
Number of common shares outstanding, end of period	80	83	87	80	87

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 48,000 MT of Tolling Volume produced in the second quarter of 2018 and 40,000MT in the first quarter of 2018. There was no Tolling Volume in the second 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.

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			Six Months Ended	
	Jun 30 2018	Mar 31 2018	Jun 30 2017	Jun 30 2018	Jun 30 2017
Net income (attributable to Methanex shareholders)	\$ 111	\$ 169	\$ 84	\$ 280	\$ 216
Mark-to-market impact of share-based compensation, net of tax	32	2	(10)	34	(2)
Adjusted net income	\$ 143	\$ 171	\$ 74	\$ 314	\$ 214
Diluted weighted average shares outstanding (millions)	82	84	88	83	89
Adjusted net income per common share	\$ 1.75	\$ 2.03	\$ 0.85	\$ 3.79	\$ 2.40

We recorded net income attributable to Methanex shareholders of \$111 million during the second quarter of 2018 compared to net income of \$169 million in the first quarter of 2018. The decrease in earnings is primarily due to a decrease in sales of Methanex-produced methanol and the mark-to-market impact of share-based compensation due to the increase in the Methanex share price.

We recorded Adjusted EBITDA of \$275 million for the second quarter of 2018 compared with \$306 million for the first quarter of 2018. Adjusted net income was \$143 million for the second quarter of 2018 compared to Adjusted net income of \$171 million for the first quarter of 2018. The decrease in Adjusted EBITDA and Adjusted net income is primarily due to a decrease in sales of Methanex-produced methanol.

Production for the second quarter of 2018 was 1,648,000 tonnes compared with 1,943,000 tonnes for the first quarter of 2018. The decrease of 295,000 tonnes in production is primarily due to natural gas supply constraints and a scheduled turnaround and maintenance activities at our New Zealand facilities.

Total sales volume for the second quarter of 2018 was 2,767,000 tonnes compared with 2,818,000 tonnes for the first quarter of 2018. Sales of Methanex-produced methanol were 1,729,000 tonnes in the second quarter of 2018 compared with 1,884,000 tonnes in the first quarter of 2018.

Cash flows from operating activities in the second quarter of 2018 increased to \$290 million compared with \$244 million for the first quarter of 2018, an increase of \$46 million. Cash flows from operating activities increased despite a decrease in Adjusted EBITDA primarily as a result of a reduction in non-cash working capital.

To June 30, 2018 we have repurchased 3,850,000 common shares, of the 6,590,095 approved, for approximately \$253 million since the start of our normal course issuer bid on March 13, 2018.

During the second quarter of 2018 we paid a \$0.33 per common share quarterly dividend to shareholders for a total of \$27 million.

We recently signed agreements to supply gas to underpin over half of Methanex's 2.4 million tonnes of annual production capacity in New Zealand for a period of 11 years through 2029. These new agreements will combine with contracts from other natural gas producers to supply our New Zealand facilities.

We continue to make good progress on a potential Geismar 3 production facility. Our Board of Directors has recently approved moving to the next phase of the project to commence site-specific engineering work known as front-end engineering and design or "FEED". 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

	Q2 2018		Q1 2018	Q2 2017	YTD Q2 2018	YTD Q2 2017
(thousands of tonnes)	Operating Capacity ¹	Production	Production	Production	Production	Production
New Zealand ²	608	252	487	350	739	883
Geismar (USA)	500	518	513	437	1,031	930
Trinidad (Methanex interest) ³	500	442	459	449	901	845
Egypt (50% interest)	158	165	165	159	330	318
Medicine Hat (Canada)	150	143	153	159	296	277
Chile ⁴	220	128	166	60	294	227
	2,136	1,648	1,943	1,614	3,591	3,480

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.

¹

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

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

⁴ 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 second quarter include:

New Zealand produced 252,000 tonnes compared with 487,000 tonnes in the first quarter of 2018. Production in the second quarter of 2018 is lower than the first quarter of 2018 by 235,000 tonnes primarily as a result of a scheduled turnaround and maintenance activities at our Motunui site and gas supply constraints due to a damaged natural gas pipeline impacting gas deliveries from offshore sources. Turnaround activities were completed at the end of June. The pipeline is now operational and we have begun receiving gas supply from this source to our site again.

Geismar production rates continue to be strong, with production of 518,000 tonnes.

Trinidad produced 442,000 tonnes (Methanex interest) compared with 459,000 tonnes in the first quarter of 2018. We continue to experience gas curtailments in Trinidad.

Egypt produced 165,000 tonnes (Methanex interest) in both the first and second quarters of 2018. We expect to receive 100% of contracted gas supply for the foreseeable future.

Medicine Hat produced 143,000 tonnes during the second quarter of 2018, and 153,000 tonnes in the first quarter of 2018. Production in the second quarter of 2018 is lower than the first quarter of 2018 by 10,000 tonnes primarily as a result of CO₂ supply constraint. We expect CO₂ supply to resume late in the third quarter of 2018.

Chile produced 128,000 tonnes, including 48,000 tonnes produced through a tolling arrangement with natural gas from Argentina. This compares to 166,000 tonnes during the first quarter of 2018, including 40,000 tonnes through the tolling arrangement. Production in the second quarter of 2018 is lower than the first quarter of 2018 as a result of lower natural gas deliveries during the southern hemisphere winter.

CONFERENCE CALL

A conference call is scheduled for July 26, 2018 at 12:00 noon ET (9:00 am PT) to review these second 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 and will also be available following the call. A playback version of the conference call will be available until August 9, 2018 at (905) 694-9451, or toll free at (800) 408-3053. The passcode for the playback version is 9087593#.

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 second 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 second 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, the Canadian Securities Administrators' SEDAR website at www.sedar.com and on the United States Securities and Exchange Commission's EDGAR website at 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 13 of the Company's MD&A for the period ended June 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").

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For further information, contact:

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Methanex Corporation
604-661-2600

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Management's Discussion and Analysis for the Three and Six Months Ended At July 24, 2018 the Company had 79,558,144 common shares issued and outstanding and stock options exercisable for 1,123,614 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.

Transfer Agents & Registrars

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

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SECOND 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			Six Months Ended	
	Jun 30 2018	Mar 31 2018	Jun 30 2017	Jun 30 2018	Jun 30 2017
Net income (attributable to Methanex shareholders)	\$ 111	\$ 169	\$ 84	\$ 280	\$ 216
Mark-to-market impact of share-based compensation, net of tax	32	2	(10)	34	(2)
Adjusted net income	\$ 143	\$ 171	\$ 74	\$ 314	\$ 214
Diluted weighted average shares outstanding (millions)	82	84	88	83	89
Adjusted net income per common share	\$ 1.75	\$ 2.03	\$ 0.85	\$ 3.79	\$ 2.40

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 13 of the MD&A for reconciliations to the most comparable GAAP measures.

We recorded net income attributable to Methanex shareholders of \$111 million during the second quarter of 2018 compared to net income of \$169 million in the first quarter of 2018. The decrease in earnings is primarily due to a decrease in sales of Methanex-produced methanol and the mark-to-market impact of share-based compensation due to the increase in the Methanex share price.

We recorded Adjusted EBITDA of \$275 million for the second quarter of 2018 compared with \$306 million for the first quarter of 2018. Adjusted net income was \$143 million for the second quarter of 2018 compared to Adjusted net income of \$171 million for the first quarter of 2018. The decrease in Adjusted EBITDA and Adjusted net income is primarily due to a decrease in sales of Methanex-produced methanol.

Production for the second quarter of 2018 was 1,648,000 tonnes compared with 1,943,000 tonnes for the first quarter of 2018. The decrease of 295,000 tonnes in production is primarily due to natural gas supply constraints and a scheduled turnaround and maintenance activities at our New Zealand facilities. Refer to the Production Summary section on page 4 of the MD&A.

Total sales volume for the second quarter of 2018 was 2,767,000 tonnes compared with 2,818,000 tonnes for the first quarter of 2018. Sales of Methanex-produced methanol were 1,729,000 tonnes in the second quarter of 2018 compared with 1,884,000 tonnes in the first quarter of 2018.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Cash flows from operating activities in the second quarter of 2018 increased to \$290 million compared with \$244 million for the first quarter of 2018, an increase of \$46 million. Cash flows from operating activities increased despite a decrease in Adjusted EBITDA primarily as a result of a reduction in non-cash working capital.

To June 30, 2018 we have repurchased 3,850,000 common shares, of the 6,590,095 approved, for approximately \$253 million since the start of our normal course issuer bid on March 13, 2018.

During the second quarter of 2018 we paid a \$0.33 per common share quarterly dividend to shareholders for a total of \$27 million.

We recently signed agreements to supply gas to underpin over half of Methanex's 2.4 million tonnes of annual production capacity in New Zealand for a period of 11 years through 2029. These new agreements will combine with contracts from other natural gas producers to supply our New Zealand facilities.

We continue to make good progress on a potential Geismar 3 production facility. Our Board of Directors has recently approved moving to the next phase of the project to commence site-specific engineering work known as front-end engineering and design or "FEED". 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. Refer to Capital Projects and Growth Opportunities within the Liquidity and Capital Resources section on pages 12 of the MD&A.

This Second Quarter 2018 Management's Discussion and Analysis dated July 25, 2018 for Methanex Corporation ("the Company") should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the period ended June 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, the Canadian Securities Administrators' SEDAR website at www.sedar.com and on the United States Securities and Exchange Commission's EDGAR website at www.sec.gov.

FINANCIAL AND OPERATIONAL DATA

(\$ millions except per share amounts and where noted)	Three Months Ended			Six Months Ended	
	Jun 30 2018	Mar 31 2018	Jun 30 2017	Jun 30 2018	Jun 30 2017
Production (thousands of tonnes) (attributable to Methanex shareholders)	1,648	1,943	1,614	3,591	3,480
Sales volume (thousands of tonnes)					
Methanex-produced methanol	1,729	1,884	1,790	3,613	3,546
Purchased methanol	709	613	387	1,322	899
Commission sales	329	321	297	650	601
Total sales volume ¹	2,767	2,818	2,474	5,585	5,046
Methanex average non-discounted posted price (\$ per tonne) ²	478	475	398	476	418
Average realized price (\$ per tonne) ³	405	402	327	403	347
Revenue	950	962	669	1,912	1,480
Adjusted revenue	972	987	716	1,959	1,548
Adjusted EBITDA	275	306	174	581	441
Cash flows from operating activities	290	244	243	534	458
Adjusted net income	143	171	74	314	214
Net income (attributable to Methanex shareholders)	111	169	84	280	216
Adjusted net income per common share	1.75	2.03	0.85	3.79	2.40
Basic net income per common share	1.36	2.02	0.96	3.39	2.43
Diluted net income per common share	1.36	2.00	0.89	3.38	2.39
Common share information (millions of shares)					
Weighted average number of common shares	82	84	88	83	89
Diluted weighted average number of common shares	82	84	88	83	89
Number of common shares outstanding, end of period	80	83	87	80	87

¹ 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 48,000 MT of Tolling Volume produced in the second quarter of 2018 and 40,000MT in the first quarter of 2018. There was no Tolling Volume in the second quarter of 2017.

² 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.

³ 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

	Q2 2018		Q1 2018	Q2 2017	YTD Q2 2018	YTD Q2 2017
(thousands of tonnes)	Operating Capacity ¹	Production	Production	Production	Production	Production
New Zealand ²	608	252	487	350	739	883
Geismar (USA)	500	518	513	437	1,031	930
Trinidad (Methanex interest) ³	500	442	459	449	901	845
Egypt (50% interest)	158	165	165	159	330	318
Medicine Hat (Canada)	150	143	153	159	296	277
Chile ⁴	220	128	166	60	294	227
	2,136	1,648	1,943	1,614	3,591	3,480

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

¹ 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.

² 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).

³ 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).

⁴ 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 252,000 tonnes of methanol in the second quarter of 2018 compared with 487,000 tonnes in the first quarter of 2018. Production in the second quarter of 2018 is lower than the first quarter of 2018 by 235,000 tonnes primarily as a result of a scheduled turnaround and maintenance activities at our Motunui site and gas supply constraints due to a damaged natural gas pipeline impacting gas deliveries from offshore sources. Turnaround activities were completed at the end of June. The pipeline is now operational and we have begun receiving gas supply from this source to our site again. 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 518,000 tonnes during the second quarter of 2018 compared to 513,000 tonnes during the first quarter of 2018.

Trinidad

The Trinidad facilities produced 442,000 tonnes (Methanex interest) in the second quarter of 2018 compared with 459,000 tonnes (Methanex interest) in the first quarter of 2018. We continue to experience gas curtailments in Trinidad.

Egypt

The Egypt facility produced 330,000 tonnes (Methanex interest - 165,000 tonnes) in both the first and second quarters of 2018.

The Egypt facility experienced periodic natural gas supply restrictions from mid-2012 through 2016 with gas deliveries in 2017 and 2018 improving significantly. 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. As a result, we expect to receive 100% of contracted gas supply for the foreseeable future.

Canada

The Medicine Hat facility produced 143,000 tonnes during the second quarter of 2018, and 153,000 tonnes in the first quarter of 2018. Production in the second quarter of 2018 is lower than the first quarter of 2018 by 10,000 tonnes primarily as a result of CO₂ supply constraint. We expect CO₂ supply to resume late in the third quarter of 2018.

Chile

The Chile facility produced 128,000 tonnes during the second quarter of 2018, including 48,000 tonnes produced through a tolling arrangement with natural gas from Argentina. This compares to 166,000 tonnes during the first quarter of 2018, including 40,000 tonnes through the tolling arrangement. Production in the second quarter of 2018 is lower than the first quarter of 2018 as a result of lower natural gas deliveries during the southern hemisphere winter.

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. We continue to be optimistic that our underutilized 1.7 million tonne Chile facilities represent a very low capital cost growth opportunity for Methanex due to the progress in developing natural gas reserves in the area.

FINANCIAL RESULTS

For the second quarter of 2018, we reported net income attributable to Methanex shareholders of \$111 million (\$1.36 per common share on a diluted basis) compared with net income attributable to Methanex shareholders for the first quarter of 2018 of \$169 million (\$2.00 per common share on a diluted basis).

For the second quarter of 2018, we recorded Adjusted EBITDA of \$275 million and Adjusted net income of \$143 million (\$1.75 per common share). This compares with Adjusted EBITDA of \$306 million and Adjusted net income of \$171 million (\$2.03 per common share) for the first 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 13 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			Six Months Ended	
	Jun 30 2018	Mar 31 2018	Jun 30 2017	Jun 30 2018	Jun 30 2017
Consolidated statements of income:					
Revenue	\$950	\$962	\$669	\$1,912	\$1,480
Cost of sales and operating expenses	(712)	(661)	(502)	(1,372)	(1,062)
Mark-to-market impact of share-based compensation	39	2	(12)	41	(2)
Adjusted EBITDA (attributable to associate)	37	39	41	75	75
Amounts excluded from Adjusted EBITDA attributable to non-controlling interests	(39)	(36)	(22)	(75)	(50)
Adjusted EBITDA (attributable to Methanex shareholders)	275	306	174	581	441
Mark-to-market impact of share-based compensation	(39)	(2)	12	(41)	2
Depreciation and amortization	(63)	(59)	(61)	(122)	(117)
Finance costs	(24)	(24)	(24)	(48)	(47)
Finance income and other expenses	(2)	4	6	1	6
Income tax expense	(33)	(45)	(9)	(78)	(47)
Earnings of associate adjustment ¹	(18)	(19)	(19)	(36)	(36)
Non-controlling interests adjustment ¹	15	8	5	23	14
Net income (attributable to Methanex shareholders)	\$111	\$169	\$84	\$280	\$216
Net income	\$135	\$197	\$101	\$333	\$252

¹ 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 16 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 Q2		
	Q2 2018 compared with Q1 2018	Q2 2018 compared with Q2 2017	2018 compared with YTD Q2 2017
Average realized price	\$ 6	\$ 186	\$ 277
Sales volume	(10)	)23	47
Total cash costs	(27)	(108)	(184)
Increase (decrease) in Adjusted EBITDA	\$ (31)	)\$ 101	\$ 140
Average realized price			

(\$ per tonne)	Three Months Ended	Six Months Ended

	Jun 30	Mar 31	Jun 30	Jun 30	Jun 30
	2018	2018	2017	2018	2017
Methanex average non-discounted posted price	478	475	398	476	418
Methanex average realized price	405	402	327	403	347

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Methanex's average realized price for the second quarter of 2018 increased modestly to \$405 per tonne compared to \$402 per tonne in the first quarter of 2018, increasing Adjusted EBITDA by \$6 million. For the three and six months ended June 30, 2018, Methanex's average non-discounted posted price increased to \$478 per tonne and \$476 per tonne from \$398 per tonne and \$418 per tonne for same periods in 2017. Our average realized price for the three month and six months ended June 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 second quarter of 2018 was \$405 per tonne compared with \$327 per tonne in the second quarter of 2017. The increase in average realized price for the second quarter of 2018 compared with the second quarter of 2017 increased Adjusted EBITDA by \$186 million. For the six months ended June 30, 2018, our average realized price increased to \$403 per tonne from \$347 per tonne for the same period in 2017. This change in average realized price increased Adjusted EBITDA by \$277 million.

Sales volume

Methanol sales volume excluding commission sales volume in the second quarter of 2018 was 59,000 tonnes lower than the first quarter of 2018 and 261,000 tonnes higher than the second quarter of 2017. The decrease in the second quarter of 2018 compared to the first quarter of 2018 decreased Adjusted EBITDA by \$10 million. The increase in the second quarter of 2018 compared to same period in 2017 increased Adjusted EBITDA by \$23 million. For the six months ended June 30, 2018 compared with the same period in 2017, methanol sales volume excluding commission sales volume was 490,000 tonnes higher and this resulted in higher Adjusted EBITDA by \$47 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:

(\$ millions)	Q2 2018	Q2 2018	YTD Q2	
	compared with Q1 2018	compared with Q2 2017	compared with YTD Q2 2017	
Methanex-produced methanol costs	\$ 2	\$ (12	)\$ (43)
Proportion of Methanex-produced methanol sales	(22	)(53	)(57)
Purchased methanol costs	3	(20	)(54)
Other, net	(10	)(23	)(30)
Decrease in Adjusted EBITDA due to changes in total cash costs	\$ (27	)\$ (108	)\$ (184)

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 second quarter of 2018 compared with the first quarter of 2018, Methanex-produced methanol costs were lower by \$2 million, primarily due to changes in the mix of production sold from inventory. For the three and six months ended June 30, 2018 compared with the same periods in 2017, Methanex-produced methanol costs were higher by \$12 million and \$43 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 second quarter of 2018 compared with the first quarter of 2018, a lower proportion of Methanex-produced methanol sales decreased Adjusted EBITDA by \$22 million. For the three and six months ended June 30, 2018 compared with the same periods in 2017, a lower proportion of Methanex-produced methanol sales decreased Adjusted EBITDA by \$53 million and \$57 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 charges. For the second quarter of 2018 compared with the first quarter of 2018, other costs were higher by \$10 million, primarily due to unabsorbed fixed costs associated with lower production at our New Zealand facilities. For the three and six months ended June 30, 2018 compared with the same periods in 2017, other costs were higher by \$23 million and \$30 million, primarily due to higher logistics costs from increased sales volume, higher selling, general and administrative expenses and other operational charges.

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			Six Months Ended	
	Jun 30 2018	Mar 31 2018	Jun 30 2017	Jun 30 2018	Jun 30 2017
Methanex Corporation share price ¹	\$70.70	\$60.65	\$44.05	\$70.70	\$44.05
Grant-date fair value expense included in Adjusted EBITDA and Adjusted net income	4	4	4	8	7
Mark-to-market impact due to change in share price	39	2	(12)	41	(2)
Total share-based compensation expense (recovery), before tax	\$43	\$6	\$(8)	\$49	\$5

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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 \$63 million for the second quarter of 2018 compared with \$59 million for the first quarter of 2018 and \$61 million for the second quarter of 2017. The increase in depreciation and amortization for the second quarter of 2018 compared to the first quarter of 2018 and the same quarter in 2017, despite lower sales of Methanex-produced methanol, is primarily due to the recognition of unabsorbed depreciation associated with production outages and the mix of production sold from inventory. Depreciation and amortization for the six months ended June 30, 2018 was \$122 million compared with \$117 million for the same period in 2017, primarily due to higher sales of Methanex-produced methanol.

Finance Costs

	Three Months Ended		Six Months Ended	
(\$ millions)	Jun 30 2018	Mar 31 Jun 30 2017	Jun 30 2018	Jun 30 2017
Finance costs	\$24	\$ 24	\$48	\$ 47

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

	Three Months Ended		Six Months Ended	
(\$ millions)	Jun 30 2018	Mar 31 Jun 30 2017	Jun 30 2018	Jun 30 2017
Finance income and other expenses	\$(2)	\$ 4	\$ 6	\$ 1
			\$ 6	

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 second quarter of 2018 compared to the first quarter of 2018 is as follows:

	Three months ended June 30, 2018		Three months ended March 31, 2018	
	Net Income	Adjusted Net Income	Net Income	Adjusted Net Income
Amount before income tax	\$168	\$187	\$242	\$226
Income tax expense	(33)	(44)	(45)	(55)
	\$135	\$143	\$197	\$171
Effective tax rate	20 %	24 %	18 %	25 %

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 24% for the second quarter of 2018 compared to 25% for the first quarter of 2018. 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

SUPPLY/DEMAND FUNDAMENTALS

Demand

Methanol demand in the second quarter of 2018 was 4% higher compared to the second quarter of 2017 and relatively flat compared to the first quarter of 2018. Demand for energy-related applications, which represents approximately 45% of global demand, was steady in the second quarter of 2018 compared to the first quarter of 2018 despite reduced MTO demand as a result of several MTO producers completing planned maintenance activities. Most of those MTO plants are now back online. We continue to observe high operating rates for MTO facilities that are not completing planned maintenance activities. There are three additional MTO units currently under construction, with the combined capacity to consume over three million tonnes of methanol annually at full operating rates, and we expect these plants to be completed over the coming months. 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, continues to be healthy. We believe that growth in demand from traditional chemical applications is generally correlated to GDP and industrial production growth rates.

Supply

Methanol industry supply was impacted in the second quarter by planned maintenance activities and unplanned outages in various regions around the globe contributing to tight market conditions in the quarter. OCI N.V. and Consolidated Energy Limited (through its subsidiary G2X Energy) announced commercial methanol production at their jointly owned Natgasoline project late in the second quarter. The majority of future large-scale capacity additions outside of China are expected to be in North America and the Middle East. There are a number of projects under discussion in the United States; however, we believe that there has been limited committed capital to date. In Iran, there are a number of plants at various stages of construction. We expect just over four million tonnes of capacity to come onstream in Iran over the next two years; however, the start-up timing and future operating rates at these facilities will be dependent 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. To the end of 2018, we expect approximately one million tonnes of new capacity additions in China. Beyond 2018, 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 modestly in the second quarter to \$405 per tonne from \$402 per tonne in the first quarter. Healthy methanol demand combined with low global inventories and production outages supported strength in methanol prices.

Methanex's posted prices remained strong during the quarter. Posted prices in North America remained unchanged at \$496 per tonne. In Asia, posted prices were stable in April and May at \$460 per tonne and increased to \$490 per tonne in June. In Europe, the second quarter contract price was €380 per tonne. Leading into the third quarter, strong industry fundamentals have continued to support pricing, with July posted prices remaining unchanged in North America and Asia and increasing in Europe to €419 per tonne for the third 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

(US\$ per tonne)	Jul 2018	Jun 2018	May 2018	Apr 2018
North America	496	496	496	496
Europe ²	490	470	470	470
Asia Pacific	490	490	460	460

¹ Discounts from our posted prices are offered to customers based on

various factors.

² €419 for Q3 2018 (Q2 2018 – €380) converted to United States dollars.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities in the second quarter of 2018 increased to \$290 million compared with \$244 million for the first quarter of 2018 and \$243 million for the second quarter of 2017. Cash flows from operating activities for the six month period ended June 30, 2018 were \$534 million compared with \$458 million for the same period in 2017. The changes in cash flows from operating activities resulted from changes in the following:

(\$ millions)	Q2 2018	Q2 2018	YTD Q2
	compared with Q1 2018	compared with Q2 2017	compared with YTD Q2 2017
Change in Adjusted EBITDA (attributable to Methanex shareholders)	\$ (31)	\$ 101	\$ 140
Deduct change in Adjusted EBITDA of associate	2	4	—
Dividends received from associate	(3)	(4)	(10)
Cash flows attributable to non-controlling interests	3	17	25
Non-cash working capital	118	(4)	5
Income taxes paid	(32)	(38)	(46)
Share-based payments	(5)	(21)	(31)
Other	(6)	(8)	(7)
Increase in cash flows from operating activities	\$ 46	\$ 47	\$ 76

To June 30, 2018 we have repurchased 3,850,000 common shares, of the 6,590,095 approved, for approximately \$253 million since the start of our normal course issuer bid on March 13, 2018.

During the second quarter of 2018 we paid a quarterly dividend of \$0.33 per common share for a total of \$27 million.

We operate in a highly competitive commodity industry and believe it is appropriate to maintain a strong balance sheet and financial flexibility. At June 30, 2018, our cash balance was \$320 million, including \$111 million of cash related to our Egypt entity consolidated on a 100% basis and \$9 million of cash related to our 50% equity interest in multiple 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.

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 2019 other than normal course obligations for principal repayment related to our Egypt and other limited recourse debt facilities.

Capital Projects and Growth Opportunities

We continue to be optimistic that our underutilized 1.7 million tonne Chile facilities represent a very low capital cost growth opportunity for Methanex due to the progress in developing natural gas reserves in the area. Project work has continued for the restart of our Chile IV plant and remains targeted for the third quarter of 2018 with approximately \$30 million remaining to be spent. 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 \$70 million for the remainder of 2018.

We continue to make good progress on a potential Geismar 3 production facility. Our Board of Directors has recently approved moving to the next phase of the project to commence site-specific engineering work known as front-end engineering and design or "FEED". 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

ANTICIPATED CHANGES TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

In January 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, with early application permitted. The Company is currently assessing the impact of the new standard including the optional exemptions available. The recognition of all leases on balance sheet is expected to 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. In addition, the nature and timing of certain expenses related to leases previously classified as operating and presented in cost of sales and operating expenses will now change and be presented in depreciation and amortization and finance costs. As a result, the Company expects that adoption of IFRS 16 will significantly impact the consolidated financial statements. The Company will provide additional information on the impact of this standard on the Company's consolidated financial statements in future quarters as the Company completes its assessment.

CONTROLS AND PROCEDURES

During the second 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			Six Months Ended	
	Jun 30 2018	Mar 31 2018	Jun 30 2017	Jun 30 2018	Jun 30 2017
Net income (attributable to Methanex shareholders)	\$ 111	\$ 169	\$ 84	\$ 280	\$ 216
Mark-to-market impact of share-based compensation	39	2	(12)	41	(2)
Depreciation and amortization	63	59	61	122	117
Finance costs	24	24	24	48	47
Finance income and other expenses	2	(4)	(6)	(1)	(6)
Income tax expense	33	45	9	78	47
Earnings of associate adjustment ¹	18	19	19	36	36
Non-controlling interests adjustment ¹	(15)	(8)	(5)	(23)	(14)
Adjusted EBITDA (attributable to Methanex shareholders)	\$ 275	\$ 306	\$ 174	\$ 581	\$ 441

These adjustments represent depreciation and amortization, finance costs, finance income and other expenses and ¹ 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			Six Months Ended	
	Jun 30 2018	Mar 31 2018	Jun 30 2017	Jun 30 2018	Jun 30 2017
Net income (attributable to Methanex shareholders)	\$ 111	\$ 169	\$ 84	\$ 280	\$ 216
Mark-to-market impact of share-based compensation, net of tax	32	2	(10)	34	(2)
Adjusted net income	\$ 143	\$ 171	\$ 74	\$ 314	\$ 214
Diluted weighted average shares outstanding (millions)	82	84	88	83	89
Adjusted net income per common share	\$ 1.75	\$ 2.03	\$ 0.85	\$ 3.79	\$ 2.40

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			Six Months Ended	
	Jun 30	Mar 31	Jun 30	Jun 30	Jun 30
	2018	2018	2017	2018	2017
Revenue	\$950	\$962	\$669	\$1,912	\$1,480
Methanex share of Atlas revenue ¹	95	93	91	188	172
Non-controlling interests' share of revenue ¹	(72)	(67)	(44)	(139)	(102)
Other adjustments	(1)	(1)	—	(2)	(2)
Adjusted revenue (attributable to Methanex shareholders)	\$972	\$987	\$716	\$1,959	\$1,548

¹ 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			
	Jun 30	Mar 31	Dec 31	Sep 30
	2018	2018	2017	2017
Revenue	\$950	\$962	\$861	\$720
Adjusted EBITDA	275	306	254	143
Net income (attributable to Methanex shareholders)	111	169	68	32
Adjusted net income	143	171	143	52
Basic net income per common share	1.36	2.02	0.81	0.38
Diluted net income per common share	1.36	2.00	0.81	0.38
Adjusted net income per common share	1.75	2.03	1.70	0.60

(\$ millions except per share amounts)	Three Months Ended			
	Jun 30	Mar 31	Dec 31	Sep 30
	2017	2017	2016	2016
Revenue	\$669	\$810	\$585	\$510
Adjusted EBITDA	174	267	139	74
Net income (loss) (attributable to Methanex shareholders)	84	132	24	(11)
Adjusted net income (loss)	74	140	41	(1)
Basic net income (loss) per common share	0.96	1.47	0.28	(0.12)
Diluted net income (loss) per common share	0.89	1.46	0.28	(0.12)
Adjusted net income (loss) per common share	0.85	1.56	0.46	(0.01)

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 13 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FORWARD-LOOKING INFORMATION WARNING

This Second Quarter 2018 Management's Discussion and Analysis ("MD&A") as well as comments made during the Second 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 SECOND QUARTER PAGE 17
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 Second 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		Six Months Ended	
	Jun 30	Jun 30	Jun 30	Jun 30
	2018	2017	2018	2017
Revenue	\$949,946	\$669,164	\$1,911,771	\$1,479,513
Cost of sales and operating expenses	(711,668)	(502,396)	(1,372,233)	(1,061,710)
Depreciation and amortization	(62,748)	(61,009)	(121,920)	(116,981)
Operating income	175,530	105,759	417,618	300,822
Earnings of associate (note 5)	18,836	21,766	39,298	38,755
Finance costs	(23,771)	(23,312)	(47,951)	(46,629)
Finance income and other expenses	(2,239)	5,625	1,410	5,628
Income before income taxes	168,356	109,838	410,375	298,576
Income tax expense:				
Current	(17,657)	(15,530)	(50,645)	(40,938)
Deferred	(15,204)	6,482	(26,928)	(5,820)
	(32,861)	(9,048)	(77,573)	(46,758)
Net income	\$135,495	\$100,790	\$332,802	\$251,818
Attributable to:				
Methanex Corporation shareholders	\$111,366	\$84,146	\$280,049	\$215,715
Non-controlling interests	24,129	16,644	52,753	36,103
	\$135,495	\$100,790	\$332,802	\$251,818
Income per common share for the period attributable to Methanex Corporation shareholders				
Basic net income per common share	\$1.36	\$0.96	\$3.39	\$2.43
Diluted net income per common share (note 7)	\$1.36	\$0.89	\$3.38	\$2.39
Weighted average number of common shares outstanding (note 7)	81,663,627	87,692,627	82,669,196	88,728,106
Diluted weighted average number of common shares outstanding (note 7)	81,737,585	88,057,502	82,739,559	89,164,211

See accompanying notes to condensed consolidated interim financial statements.

METHANEX CORPORATION 2018 SECOND 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		Six Months Ended	
	Jun 30 2018	Jun 30 2017	Jun 30 2018	Jun 30 2017
Net income	\$ 135,495	\$ 100,790	\$ 332,802	\$ 251,818
Other comprehensive income (loss):				
Items that may be reclassified to income:				
Change in fair value of cash flow hedges (note 10)	11,583	(24,252)	(13,428)	(78,754)
Forward element excluded from hedging relationships (note 10)	(24,165)	24,580	1,966	59,113
Items that will not be reclassified to income:				
Actuarial gains on defined benefit pension plans	—	—	845	—
Taxes on above items	2,926	9	2,410	6,565
	(9,656)	337	(8,207)	(13,076)
Comprehensive income	\$ 125,839	\$ 101,127	\$ 324,595	\$ 238,742
Attributable to:				
Methanex Corporation shareholders	\$ 101,710	\$ 84,483	\$ 271,842	\$ 202,639
Non-controlling interests	24,129	16,644	52,753	36,103
	\$ 125,839	\$ 101,127	\$ 324,595	\$ 238,742

See accompanying notes to condensed consolidated interim financial statements.

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

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

AS AT	Jun 30 2018	Dec 31 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 320,254	\$ 375,479
Trade and other receivables	536,458	536,636
Inventories (note 2)	349,842	304,464
Prepaid expenses	24,494	26,548
Other assets (note 3)	44,960	—
	1,276,008	1,243,127
Non-current assets:		
Property, plant and equipment (note 4)	3,046,100	2,998,326
Investment in associate (note 5)	193,513	188,922
Deferred income tax assets	80,882	102,341
Other assets (note 3)	97,740	78,026
	3,418,235	3,367,615
	\$4,694,243	\$4,610,742
LIABILITIES AND EQUITY		
Current liabilities:		
Trade, other payables and accrued liabilities	\$ 655,512	\$ 626,817
Current maturities on long-term debt (note 6)	43,383	55,905
Current maturities on other long-term liabilities	87,877	65,226
	786,772	747,948
Non-current liabilities:		
Long-term debt (note 6)	1,456,085	1,446,366
Other long-term liabilities	433,434	404,885
Deferred income tax liabilities	269,908	266,432
	2,159,427	2,117,683
Equity:		
Capital stock	459,928	480,331
Contributed surplus	1,945	2,124
Retained earnings	1,084,004	