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## Management's Discussion and Analysis for the Three Months and Year Ended December 31, 2019

At January 28, 2020 the Company had 76,196,080 common shares issued and outstanding and stock options exercisable for 1,224,813 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.

### Transfer Agents & Registrars

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### Investor Information

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

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## FOURTH 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 (loss) attributable to Methanex shareholders to Adjusted net income (loss) and the calculation of Adjusted net income (loss) per common share is as follows:

(\$ millions except number of shares and per share amounts)	Three Months Ended			Years Ended	
	Dec 31 2019	Sep 30 2019	Dec 31 2018	Dec 31 2019	Dec 31 2018
Net income (loss) (attributable to Methanex shareholders)	\$ 9	\$ (10)	\$ 161	\$ 88	\$ 569
Mark-to-market impact of share-based compensation, net of tax	1	(11)	(71)	(17)	(13)
Adjusted net income (loss) <sup>1</sup>	\$ 10	\$ (21)	\$ 90	\$ 71	\$ 556
Diluted weighted average shares outstanding (millions)	76	76	78	77	81
Adjusted net income (loss) per common share <sup>1</sup>	\$ 0.13	\$ (0.27)	\$ 1.15	\$ 0.93	\$ 6.86

<sup>1</sup> The Company has used the terms Adjusted EBITDA, Adjusted net income (loss), Adjusted net income (loss) per common share, Adjusted revenue and operating income (loss) 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 15 of the MD&A for reconciliations to the most comparable GAAP measures.

- We recorded net income attributable to Methanex shareholders of \$9 million during the fourth quarter of 2019 compared to net loss of \$10 million in the third quarter of 2019. Within net income attributable to Methanex shareholders we have recorded an insurance recovery of \$18 million (Methanex share, net of tax) in the fourth quarter related to the Egypt outage experienced in the second and third quarters of the year. Excluding the insurance recovery, the fourth quarter result was a net loss attributable to Methanex shareholders of \$9 million compared to a net loss of \$10 million in the third quarter of 2019. A decrease in our average realized methanol price in the fourth quarter was largely offset by higher sales of Methanex-produced methanol, improved costs compared to the third quarter, and the change relating to mark-to-market share-based compensation.
- We recorded Adjusted EBITDA of \$136 million for the fourth quarter of 2019 compared with \$90 million for the third quarter of 2019. The increase in Adjusted EBITDA for the fourth quarter of 2019 compared to the third quarter of 2019 includes a \$25 million (Methanex share) insurance recovery related to the Egypt outage, with the remaining increase primarily due to higher sales of Methanex-produced methanol and improved costs compared to the third quarter, offsetting a lower average realized price. Adjusted EBITDA for 2019 includes the adoption of IFRS 16 which increased Adjusted EBITDA for the fourth quarter of 2019 by \$31 million, the third quarter of 2019 by \$26 million and the year ended December 31, 2019 by \$112 million. The 2018 comparative periods have not been adjusted for IFRS 16.

- Adjusted net income was \$10 million for the fourth quarter of 2019 compared to Adjusted net loss of \$21 million for the third quarter of 2019. The increase in Adjusted net income includes the insurance recovery of \$18 million (Methanex share, net of tax) related to the Egypt outage. The remaining change is primarily due to higher sales of Methanex-produced methanol and improved costs compared to the third quarter, offsetting a lower average realized price.
- Total sales volume for the fourth quarter of 2019 was 2,986,000 tonnes compared with 2,824,000 tonnes for the third quarter of 2019. Sales of Methanex-produced methanol were 2,056,000 tonnes in the fourth quarter of 2019 compared with 1,965,000 tonnes in the third quarter of 2019. In the fourth quarter of 2019, production exceeded sales of Methanex-produced methanol, resulting in a 68,000 tonne build of produced methanol inventory. This compares to the third quarter of 2019, when sales of Methanex-produced methanol exceeded production by 128,000 tonnes. An inventory build or draw is a result of the timing of produced and purchased methanol volume in and out of inventory.
- Production for the fourth quarter of 2019 increased to 2,124,000 tonnes, a new quarterly record for Methanex. This compares with 1,837,000 tonnes for the third quarter of 2019. The increase in production was primarily driven by our Chile facilities where both plants ran at higher rates and our production for the quarter reached its highest level since the second quarter of 2007, and by Egypt which returned to full operating rates following the outage experienced in the second and third quarters. Refer to the *Production Summary* section on page 4 of the MD&A.
- During the fourth quarter we reached an agreement for natural gas supply to our Chile facilities that will underpin approximately 25% of a two-plant operation through to the end of 2025. 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.
- We are currently constructing a new 1.8 million tonne methanol plant in Geismar, Louisiana adjacent to our Geismar 1 and Geismar 2 facilities. The cost of the Geismar 3 project is expected to be between \$1.3 to \$1.4 billion, excluding capitalized interest, with operations targeted for the second half of 2022. Capitalized costs of approximately \$152 million, excluding capitalized interest of \$4 million, have been incurred for the project, life to date.
- During the fourth quarter of 2019 we paid a \$0.36 per common share quarterly dividend to shareholders for a total of \$27 million.
- Total distributions to shareholders in 2019 were \$161 million including quarterly dividends and share repurchases. In 2019 we repurchased 1,069,893 common shares under a normal course issuer bid. No shares were repurchased in the fourth quarter of 2019.

This Fourth Quarter 2019 Management's Discussion and Analysis dated January 29, 2020 for Methanex Corporation ("the Company") should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the period ended December 31, 2019 as well as the 2018 Annual Consolidated Financial Statements and MD&A included in the Methanex 2018 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 2018 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 Ended			Years Ended	
	Dec 31 2019	Sep 30 2019	Dec 31 2018	Dec 31 2019	Dec 31 2018
<i>(\$ millions except per share amounts and where noted)</i>					
Production (thousands of tonnes) (attributable to Methanex shareholders)	2,124	1,837	1,885	7,589	7,211
Sales volume (thousands of tonnes)					
Methanex-produced methanol	2,056	1,965	1,599	7,611	7,002
Purchased methanol	623	680	908	2,492	3,032
Commission sales	307	179	245	1,031	1,174
Total sales volume <sup>1</sup>	2,986	2,824	2,752	11,134	11,208
Methanex average non-discounted posted price (\$ per tonne) <sup>2</sup>	307	330	487	353	481
Average realized price (\$ per tonne) <sup>3</sup>	256	272	401	295	405
Revenue	659	650	977	2,784	3,932
Adjusted revenue	690	723	1,008	2,988	4,033
Adjusted EBITDA	136	90	197	566	1,071
Cash flows from operating activities	114	71	218	515	980
Adjusted net income (loss)	10	(21)	90	71	556
Net income (loss) (attributable to Methanex shareholders)	9	(10)	161	88	569
Adjusted net income (loss) per common share	0.13	(0.27)	1.15	0.93	6.86
Basic net income (loss) per common share	0.12	(0.13)	2.07	1.15	7.07
Diluted net income (loss) per common share	0.12	(0.21)	1.68	1.01	6.92
Common share information (millions of shares)					
Weighted average number of common shares	76	76	78	77	80
Diluted weighted average number of common shares	76	76	78	77	81
Number of common shares outstanding, end of period	76	76	77	76	77

<sup>1</sup> Methanex-produced methanol represents our equity share of volume produced at our facilities and excludes volume marketed on a commission basis related to the 36.9% of the Atlas facility and 50% of the Egypt facility that we do not own. Methanex-produced methanol includes any volume produced by Chile using natural gas supplied from Argentina under a tolling arrangement ("TollingVolume"). No TollingVolume has been produced in 2019. There was no TollingVolume in the fourth quarter of 2018 and 108,000 MT of TollingVolume for the year ended December 31, 2018.

<sup>2</sup> 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).

<sup>3</sup> Averagerealized price is calculated as revenue, excluding commissions earned and the Egypt non-controlling interest share of revenue, but including an amount representing our share of Atlas revenue, divided by the total sales volume of Methanex-produced and purchased methanol, but excluding TollingVolume.

## PRODUCTION SUMMARY

(thousands of tonnes)	Annual Operating Capacity <sup>1</sup>	2019 Production	2018 Production	Q4 2019 Production	Q3 2019 Production	Q4 2018 Production
New Zealand <sup>2</sup>	2,200	1,865	1,606	513	469	389
USA (Geismar)	2,000	1,929	2,078	480	514	527
Trinidad (Methanex interest) <sup>3</sup>	2,000	1,743	1,702	456	474	448
Chile <sup>4</sup>	1,720	1,050	612	373	146	206
Egypt (50% interest)	630	392	613	151	85	155
Canada (Medicine Hat)	600	610	600	151	149	160
	<b>9,150</b>	<b>7,589</b>	<b>7,211</b>	<b>2,124</b>	<b>1,837</b>	<b>1,885</b>

<sup>1</sup> 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. 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>2</sup> The operating capacity of New Zealand is made up of the two Motunui facilities and the Waitara Valley facility. The New Zealand facilities are capable of producing up to 2.4 million tonnes annually, depending on natural gas composition and availability. We have revised the Annual Operating Capacity from 2.4 million tonnes to 2.2 million tonnes in the current quarter based on the current outlook for available high CO<sub>2</sub> natural gas. (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 operating capacity of our Chile I and IV facilities is 1.7 million tonnes annually assuming access to natural gas feedstock. For 2018, our operating capacity in Chile was 0.9 million tonnes. In the fourth quarter of 2018 we restarted our 0.8 million tonne Chile IV plant that had been idle since 2007.

### New Zealand

The New Zealand facilities produced 513,000 tonnes of methanol in the fourth quarter of 2019 compared with 469,000 tonnes in the third quarter of 2019. We achieved higher production in the fourth quarter of 2019 compared to the third quarter of 2019 as we received higher gas deliveries. In December 2019 we took the Waitara Valley plant offline to complete unplanned repairs to be completed during the first quarter of 2020. The plant remains offline today.

Significant field development work is underway in the upstream gas sector in New Zealand, however, we do not expect to see the benefit of this next year. Based on our current contracted gas position, we have revised our guidance to approximately 85% operating rates in 2020, or approximately 1.9 million tonnes annually.

### United States

The Geismar facilities produced 480,000 tonnes during the fourth quarter of 2019 compared to 514,000 tonnes during the third quarter of 2019. Production in the fourth quarter is lower than the third quarter as Geismar 2 experienced unplanned outages early in the quarter resulting in lost production of approximately 45,000 tonnes.

### Trinidad

The Trinidad facilities produced 456,000 tonnes (Methanex interest) in the fourth quarter of 2019 compared with 474,000 tonnes (Methanex interest) in the third quarter of 2019. Production in Trinidad is lower in the fourth quarter of 2019 compared to the third quarter of 2019 as production in the fourth quarter was impacted by unplanned outages at both plants. For Trinidad, we continue to guide to approximately 85% operating rates. During the fourth quarter we reached an interim agreement with the National Gas Company of Trinidad and Tobago Limited ("NGC") for the supply of natural gas to our Titan methanol facility for a one month period to January 31, 2020. We have recently extended the term of the interim agreement to April 1, 2020 to continue operations at Titan while continuing negotiations with NGC for a longer-term natural gas supply agreement.

## Chile

Chile produced 373,000 tonnes during the fourth quarter of 2019 compared to 146,000 tonnes during the third quarter of 2019. Production for the fourth quarter of 2019 is higher compared to the third quarter of 2019 as both Chile plants ran at high rates. In the quarter, we achieved our highest quarterly production from Chile since the second quarter of 2007. Only the Chile IV plant operated during the third quarter due to Chile I completing a refurbishment timed to coincide with lower gas availability in Chile.

During the quarter we announced an agreement for natural gas supply to our Chile facilities that will underpin approximately 25% of a two-plant operation through to the end of 2025. 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. 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 are optimistic that we will be able to secure sufficient gas to underpin a full two-plant operation over the coming years.

## Egypt

The Egypt facility produced 302,000 tonnes (Methanex interest - 151,000 tonnes) in the fourth quarter of 2019 compared with 170,000 tonnes (Methanex interest - 85,000 tonnes) in the third quarter of 2019. The Egypt facility ran at full rates through the fourth quarter of 2019 subsequent to the plant's restart in August.

## Canada

The Medicine Hat facility produced 151,000 tonnes during the fourth quarter of 2019 compared to 149,000 tonnes during the third quarter of 2019.

## FINANCIAL RESULTS

For the fourth quarter of 2019, we reported a net income attributable to Methanex shareholders of \$9 million (\$0.12 net income per common share on a diluted basis) compared with net loss attributable to Methanex shareholders for the third quarter of 2019 of \$10 million (\$0.21 net loss per common share on a diluted basis) and net income attributable to Methanex shareholders for the fourth quarter of 2018 of \$161 million (\$1.68 net income per common share on a diluted basis). For the year ended December 31, 2019 compared to the same period for 2018, we reported net income attributable to Methanex shareholders of \$88 million (\$1.01 net income per common share on a diluted basis) and \$569 million (\$6.92 net income per common share on a diluted basis).

For the fourth quarter of 2019, we recorded Adjusted EBITDA of \$136 million and Adjusted net income of \$10 million (\$0.13 Adjusted net income per common share). This compares with Adjusted EBITDA of \$90 million and Adjusted net loss of \$21 million (\$0.27 Adjusted net loss per common share) for the third quarter of 2019 and Adjusted EBITDA of \$197 million and Adjusted net income of \$90 million (\$1.15 Adjusted net income per common share) for the fourth quarter of 2018. For the year ended December 31, 2019, we recorded Adjusted EBITDA of \$566 million and Adjusted net income of \$71 million (\$0.93 Adjusted net income per common share) compared to Adjusted EBITDA of \$1,071 million and Adjusted net income of \$556 million (\$6.86 Adjusted net income per common share) for the same period in 2018. For 2019, Adjusted EBITDA includes the impact from adoption of IFRS 16 which increased Adjusted EBITDA for all 2019 periods presented. Refer to the *Adoption of New Accounting Standards* section on page 14 of the MD&A.

We calculate Adjusted EBITDA and Adjusted net income (loss) 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 15 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 (loss) 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			Years Ended	
	Dec 31 2019	Sep 30 2019	Dec 31 2018	Dec 31 2019	Dec 31 2018
<b>Consolidated statements of income (loss):</b>					
Revenue	\$ 659	\$ 650	\$ 977	\$ 2,784	\$ 3,932
Cost of sales and operating expenses	(553)	(581)	(701)	(2,301)	(2,857)
Egypt insurance recovery	50	—	—	50	—
Mark-to-market impact of share-based compensation	1	(12)	(87)	(18)	(17)
Adjusted EBITDA (attributable to associate)	21	32	27	116	140
Amounts excluded from Adjusted EBITDA attributable to non-controlling interests	(42)	1	(19)	(65)	(127)
Adjusted EBITDA (attributable to Methanex shareholders)	136	90	197	566	1,071
Mark-to-market impact of share-based compensation	(1)	12	87	18	17
Depreciation and amortization <sup>1</sup>	(88)	(85)	(62)	(344)	(245)
Finance costs <sup>1</sup>	(36)	(31)	(23)	(124)	(94)
Finance income and other expenses	—	3	2	4	4
Income tax (expense) recovery	(6)	17	(33)	(4)	(153)
Earnings of associate adjustment <sup>2</sup>	(13)	(18)	(10)	(64)	(69)
Non-controlling interests adjustment <sup>2</sup>	17	2	3	36	38
Net income (loss) (attributable to Methanex shareholders)	\$ 9	\$ (10)	\$ 161	\$ 88	\$ 569
Net income (loss)	\$ 34	\$ (13)	\$ 177	\$ 116	\$ 658

<sup>1</sup> Depreciation and amortization and finance costs for the periods ended December 31 and September 30, 2019 include the impact of the adoption of IFRS 16 "Leases". The comparative periods in 2018 have not been restated as the Company has adopted IFRS 16 using the modified retrospective approach.

<sup>2</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 18 of the MD&A. Changes in these components - average realized price, sales volume and total cash costs - similarly impact net income (loss) attributable to Methanex shareholders.

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

(\$ millions)	Q4 2019 compared with Q3 2019	Q4 2019 compared with Q4 2018	2019 compared with 2018
Average realized price	\$ (42)	\$ (385)	\$ (1,117)
Sales volume	2	18	9
Total cash costs	81	275	491
IFRS 16 leasing impact <sup>1</sup>	5	31	112
Increase (decrease) in Adjusted EBITDA	\$ 46	\$ (61)	\$ (505)

<sup>1</sup> Refer to the *Adoption of New Accounting Standards* section on page 14 of the MD&A for more information relating to the adoption of IFRS 16.

### Average realized price

(\$ per tonne)	Three Months Ended			Years Ended	
	Dec 31 2019	Sep 30 2019	Dec 31 2018	Dec 31 2019	Dec 31 2018
Methanex average non-discounted posted price	307	330	487	353	481
Methanex average realized price	256	272	401	295	405

Methanex's average realized price for the fourth quarter of 2019 was \$256 per tonne compared to \$272 per tonne in the third quarter of 2019 and \$401 per tonne in the fourth quarter of 2018, decreasing Adjusted EBITDA by \$42 million and by \$385 million, respectively. For the year ended December 31, 2019, our average realized price was \$295 per tonne compared to \$405 per tonne for the same period in 2018, decreasing Adjusted EBITDA by \$1,117 million. Our average realized price for the three months and year ended December 31, 2019 decreased compared to all comparative periods driven by lower average non-discounted posted prices (refer to *Supply/Demand Fundamentals* section on page 12 of the MD&A for more information).

### Sales volume

Methanol sales volume excluding commission sales volume in the fourth quarter of 2019 was 34,000 tonnes higher than the third quarter of 2019 and 172,000 tonnes higher than the fourth quarter of 2018. The increase in the fourth quarter of 2019 compared to the third quarter of 2019, and compared to the fourth quarter of 2018 increased Adjusted EBITDA by \$2 million and \$18 million, respectively. For the year ended December 31, 2019 compared with the same period in 2018, methanol sales volume excluding commission sales volume was 69,000 tonnes higher and this resulted in higher Adjusted EBITDA by \$9 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 apply 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:

<i>(\$ millions)</i>	Q4 2019 compared with Q3 2019	Q4 2019 compared with Q4 2018	2019 compared with 2018
Methanex-produced methanol costs	\$ 24	\$ 74	\$ 137
Proportion of Methanex-produced methanol sales	5	66	113
Purchased methanol costs	12	96	276
Logistics costs	(1)	(2)	(29)
Egypt insurance recovery	25	25	25
Other, net	16	16	(31)
Increase in Adjusted EBITDA due to changes in total cash costs	\$ 81	\$ 275	\$ 491

#### *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 methanol revenue to reduce our commodity price risk exposure. The variable price component of each gas contract is adjusted by a formula related to methanol sales prices above a certain level. For the fourth quarter of 2019 compared with the third quarter of 2019 and the fourth quarter of 2018, Methanex-produced methanol costs were lower by \$24 million and \$74 million, respectively. For 2019 compared with 2018, Methanex-produced methanol costs were lower by \$137 million. Changes in Methanex-produced methanol costs for all periods presented are primarily due to the impact of changes in realized methanol prices impacting Methanex revenue and the variable portion of our natural gas cost and changes in the mix of production sold from inventory.

#### *Proportion of Methanex-produced methanol sales*

The cost of purchased methanol is directly linked to the selling price for methanol at the time of purchase and the cost of purchased methanol is generally higher than the cost of Methanex-produced methanol. Accordingly, an increase in the proportion of Methanex-produced methanol sales results in a decrease in our overall cost structure for a given period. For the fourth quarter of 2019 compared with the third quarter of 2019 and the fourth quarter of 2018, a higher proportion of Methanex-produced methanol sales increased Adjusted EBITDA by \$5 million and by \$66 million, respectively. For the year ended December 31, 2019 compared with the same period for 2018, a higher proportion of Methanex-produced methanol sales increased Adjusted EBITDA by \$113 million.

#### *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.

#### *Logistics costs*

Logistics costs vary from period to period depending on the levels of production from each of our production facilities and the resulting impact on our supply chain. Logistics costs in the fourth quarter of 2019 were \$1 million higher than in the third quarter of 2019, decreasing Adjusted EBITDA. Logistics costs for the three months and year ended December 31, 2019 compared with the same periods in 2018 were \$2 million and \$29 million higher, respectively. The increase in logistics costs decreased Adjusted EBITDA. Logistics costs for the periods presented were higher due to changes in the mix of Methanex-produced methanol sales volume resulting in longer supply chains and higher costs per delivered tonne. Specifically, the Egypt plant outage experienced in 2019 led to longer supply chains and higher costs for delivery to our customers in the Mediterranean while a terminal fire in Houston and high water levels on the Mississippi river have led to higher in-region logistics costs in North America primarily in the second quarter of 2019.

#### *Egypt insurance recovery*

We experienced an outage at the Egypt plant from April to August 2019. We have recorded a \$50 million (\$25 million our share) insurance recovery which partially offsets repair costs charged to earnings and lost margins incurred in the second and third quarters of 2019.



### Other, net

Other, net relates to unabsorbed fixed costs, selling, general and administrative expenses and other operational items. For the fourth quarter of 2019 compared with the third quarter of 2019, other costs were lower by \$16 million, primarily due to lower unabsorbed fixed costs and no further repair costs at Egypt following the restart of the plant.

For the fourth quarter of 2019 compared with the fourth quarter of 2018, other costs were lower by \$16 million, primarily due to lower unabsorbed fixed costs at our manufacturing sites and lower selling, general and administrative expenses. For the year ended December 31, 2019 compared with the same period in 2018, other costs were higher by \$31 million primarily due to unabsorbed fixed costs at our manufacturing sites during scheduled turnarounds and plant outages, higher repair costs incurred during the Egypt plant outage in 2019, and higher selling, general and administrative expenses including cloud-based computing system implementation costs required to be expensed under IFRS.

### IFRS 16 leasing adjustment

The adoption of IFRS 16 in 2019 has increased Adjusted EBITDA for the three months and year ended December 31, 2019 compared to the same periods in 2018 by \$31 million and \$112 million, respectively. The three months and year ended December 31, 2018 do not reflect IFRS 16. The lower lease costs included in the calculation of Adjusted EBITDA due to the adoption of IFRS 16 in 2019 are approximately offset by higher depreciation and amortization by \$26 million and finance costs by \$5 million recognized in the three month period ended December 31, 2019, and higher depreciation and amortization by \$97 million and finance costs by \$21 million recognized in the year ended December 31, 2019. Refer to the *Adoption of New Accounting Standards* section on page 14 of the MD&A.

### 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 (loss). 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 (loss) and analyzed separately.

(\$ millions except share price)	Three Months Ended			Years Ended	
	Dec 31 2019	Sep 30 2019	Dec 31 2018	Dec 31 2019	Dec 31 2018
Methanex Corporation share price <sup>1</sup>	\$ 38.63	\$ 35.47	\$ 48.17	\$ 38.63	\$ 48.17
Grant-date fair value expense included in Adjusted EBITDA and Adjusted net income (loss)	2	2	1	14	11
Mark-to-market impact due to change in share price <sup>2</sup>	1	(12)	(87)	(18)	(17)
Total share-based compensation expense (recovery), before tax	\$ 3	\$ (10)	\$ (86)	\$ (4)	\$ (6)

<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.

<sup>2</sup> For all periods presented, the mark-to-market impact on share-based compensation is primarily due to changes in the Methanex Corporation share price.

## Depreciation and Amortization

Depreciation and amortization was \$88 million for the fourth quarter of 2019 compared with \$85 million for the third quarter of 2019 and \$62 million for the fourth quarter of 2018. Depreciation and amortization was higher compared to the third quarter of 2019 as higher depreciation associated with higher produced sales volume in the fourth quarter was only partially offset by lower unabsorbed depreciation. Depreciation and amortization was \$26 million higher for the fourth quarter of 2019 compared to the fourth quarter of 2018 primarily due to the adoption of IFRS 16 in 2019 which resulted in an additional \$25 million of depreciation of right-of-use (leased) assets. Depreciation and amortization for the year ended December 31, 2019 was \$344 million compared with \$245 million for the same period in 2018, the increase of \$99 million was primarily due to the adoption of IFRS 16 in 2019 which resulted in an additional \$97 million of depreciation of right-of-use (leased) assets.

## Finance Costs

(\$ millions)	Three Months Ended			Years Ended	
	Dec 31 2019	Sep 30 2019	Dec 31 2018	Dec 31 2019	Dec 31 2018
Finance costs before capitalized interest	\$ 37	\$ 32	\$ 23	\$ 127	\$ 95
Less capitalized interest	(1)	(1)	—	(3)	(1)
Finance costs	\$ 36	\$ 31	\$ 23	\$ 124	\$ 94

Finance costs are primarily comprised of interest on borrowings and lease obligations. Finance costs are higher for the fourth quarter of 2019 compared to the third quarter of 2019 due to a higher debt balance. Finance costs are higher for the three months and year ended December 31, 2019 compared to the same periods for 2018 primarily due to the adoption of IFRS 16 in 2019 which resulted in an additional \$5 million of finance costs for the three months ended December 31, 2019 and \$21 million of finance costs for the year ended December 31, 2019 relating to lease obligations previously treated as operating lease expenses. Finance costs are also higher for the periods ended December 31, 2019 due to higher borrowings. Capitalized interest relates to interest costs capitalized for the Geismar 3 project. Refer to the *Liquidity and Capital Resources* section on page 13 of the MD&A.

## Finance Income and Other Expenses

(\$ millions)	Three Months Ended			Years Ended	
	Dec 31 2019	Sep 30 2019	Dec 31 2018	Dec 31 2019	Dec 31 2018
Finance income and other expenses	\$ —	\$ 3	\$ 2	\$ 4	\$ 4

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

## Income Taxes

A summary of our income taxes for the fourth quarter of 2019 compared to the third quarter of 2019 and the year ended December 31, 2019 compared to the same period in 2018 is as follows:

(\$ millions except where noted)	Three months ended December 31, 2019		Three months ended September 30, 2019	
	Net Income	Adjusted Net Income	Net Loss	Adjusted Net Loss
Amount before income tax	\$ 40	\$ 14	\$ (30)	\$ (26)
Income tax (expense) recovery	(6)	(4)	17	5
	\$ 34	\$ 10	\$ (13)	\$ (21)
Effective tax rate	15%	29%	56%	18%

(\$ millions, except where noted)	Year ended December 31, 2019		Year ended December 31, 2018	
	Net Income	Adjusted Net Income	Net Income	Adjusted Net Income
Amount before income tax	\$ 121	\$ 102	\$ 811	\$ 737
Income tax (expense) recovery	(5)	(31)	(153)	(181)
	\$ 116	\$ 71	\$ 658	\$ 556
Effective tax rate	4%	30%	19%	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 tax rate in New Zealand is 28%. In Canada, the statutory tax rate applicable to Methanex is currently 26.8% and will decrease to 25.6% over the next three years based on recently enacted legislation in Alberta. The United States statutory tax rate applicable to Methanex is 23% and the Egypt statutory tax rate applicable to Methanex is 27.5%. We accrue for taxes that will be incurred upon distributions from its subsidiaries when it is probable that the earnings will be repatriated. 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 (loss).

The effective tax rate based on Adjusted net income was 29% for the fourth quarter of 2019 compared to 18% on Adjusted net loss for the third quarter of 2019. The effective tax rate based on Adjusted net income was 30% for the year ended December 31, 2019 compared to 25% for 2018. Adjusted net income (loss) 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. Finally, the 2018 effective tax rate was also lower than the 2019 effective tax rate due to the utilization of unrecognized loss-carryforwards in Egypt which were fully utilized in the year.

## SUPPLY/DEMAND FUNDAMENTALS

### Demand

We estimate that global methanol demand totaled approximately 84 million tonnes in 2019, a 3% increase compared to 2018, supported by robust demand growth for methanol-to-olefin (“MTO”) applications.

In the fourth quarter of 2019, total methanol demand grew by 3% compared to the third quarter of 2019. Traditional chemical demand, which represents over 50% of global methanol demand, increased slightly as some downstream producers resumed production following planned and unplanned outages in the third quarter. We believe that growth in methanol demand from traditional chemical applications is generally correlated to GDP and industrial production growth rates and may be also impacted by outages from downstream producers.

Demand for energy-related applications, which represents just under 50% of global demand, increased by 5% in the fourth quarter of 2019 compared to the third quarter. Demand into MTO applications was strong as most MTO plants operated at high rates. We continue to monitor the progress of two other MTO units that are currently under construction, with the combined capacity to consume an additional 3.6 million tonnes of methanol annually at full operating rates, that are targeted to come online in the 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, the impact of olefin industry feedstock costs, including naphtha, on relative competitiveness and plant maintenance schedules.

### Supply

Global methanol industry supply operated at relatively high rates overall in 2019; however, methanol industry supply was impacted late in the fourth quarter in the Middle East and Southeast Asia due to unplanned outages and in China due to the diversion of natural gas away from methanol production to residential heating. Over the next few years, the majority of large-scale capacity additions outside of China are expected to be in the Americas and the Middle East. Caribbean Gas Chemical Limited is constructing a 1.0 million tonne plant in Trinidad with production expected in 2020. Yuhuang Chemical Industries is progressing a 1.7 million tonne project in St. James Parish, Louisiana with an announced target completion date in the second half of 2020. We are constructing a 1.8 million tonne plant, which will be our third plant in Geismar, Louisiana, with production targeted for the second half of 2022. There are other large-scale projects under discussion in North America; however, none have yet reached a final investment decision. There are a number of projects at various stages of construction in Iran, including the Bushehr plant which we understand is closest to completion, that we continue to monitor. We anticipate that new non-integrated capacity additions in China will be modest due to a continuing degree of restrictions placed by the Chinese government on new standalone coal-based capacity additions. We expect that new capacity in China will be consumed in that country.

### Methanol Price

Our average realized price in the fourth quarter of 2019 was \$256 per tonne compared to \$272 per tonne in the third quarter of 2019. Relatively strong industry operating rates and modest methanol demand growth continued to impact methanol prices in the quarter.

Our January posted prices were steady in North America and Asia Pacific at \$342 per tonne and \$275 per tonne, respectively. Our European contract price is set quarterly and we lowered our first quarter 2020 contract price by €5 per tonne to €275 per tonne. We recently announced our February contract prices which increased by \$54 to \$396 per tonne in North America and increased by \$60 to \$335 per tonne in Asia Pacific. Future methanol prices 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 <sup>1</sup>**

(US\$ per tonne)	Feb 2020	Jan 2020	Dec 2019	Nov 2019	Oct 2019
North America	396	342	342	342	342
Europe <sup>2</sup>	305	305	305	305	305
Asia Pacific	335	275	275	295	295

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

<sup>2</sup> €275 for Q1 2020 (Q4 2019 – €280) converted to United States dollars.

## LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities in the fourth quarter of 2019 were \$114 million compared with \$71 million for the third quarter of 2019 and \$218 million for the fourth quarter of 2018. Cash flows from operating activities for the year ended December 31, 2019 were \$515 million compared to \$980 million for the same period in 2018. Cash flows from operating activities for the three months and year ended December 31, 2019 compared to the same periods in 2018 were lower due to lower earnings. Cash flows from operating activities for the fourth quarter of 2019 compared to the third quarter of 2019 were higher due to higher earnings. The adoption of IFRS 16 for 2019 results in higher cash flows from operating activities in the three months and year ended December 31, 2019 of \$31 million and \$112 million compared to the same periods in 2018. The increase in operating cash inflows from IFRS 16 is offset by an increase in financing cash outflows compared to 2018. The increase in financing cash outflows reflects the repayments on lease obligations including financing costs. The adoption of IFRS 16 has no net cash impact. The impact of IFRS 16 adoption on operating and financing cash flows is comparable between the 2019 periods presented.

The changes in cash flows from operating activities resulted from changes in the following:

<i>(\$ millions)</i>	<b>Q4 2019 compared with Q3 2019</b>	<b>Q4 2019 compared with Q4 2018</b>	<b>2019 compared with 2018</b>
Change in Adjusted EBITDA (attributable to Methanex shareholders) <sup>1</sup>	\$ 46	\$ (61)	\$ (505)
Change in Adjusted EBITDA of associate	11	6	24
Change in dividends received from associate	(13)	—	(7)
Cash flows attributable to non-controlling interests	18	(2)	(87)
Non-cash working capital	(49)	(106)	3
Income taxes paid	4	33	62
Egypt insurance recovery	25	25	25
Share-based payments	(2)	5	22
Other	5	(2)	1
Increase (decrease) in cash flows from operating activities	\$ 43	\$ (104)	\$ (465)

<sup>1</sup> Included in Changes in Adjusted EBITDA (attributable to Methanex shareholders) is the increase in cash flows from operating activities associated with the adoption of IFRS 16 for 2019.

During the fourth quarter of 2019 we paid a quarterly dividend of \$0.36 per common share for a total of \$27 million. Total distributions to shareholders in 2019 were \$161 million including quarterly dividends and share repurchases. In 2019 we repurchased 1,069,893 common shares under a normal course issuer bid. No shares were repurchased in the fourth quarter of 2019.

We operate in a highly competitive commodity industry and believe it is appropriate to maintain a strong balance sheet and financial flexibility. At December 31, 2019, our cash balance was \$417 million, including \$32 million of cash related to our Egypt entity consolidated on a 100% basis and \$9 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 October 2019, we used proceeds from notes issued in the third quarter to repay the \$350 million unsecured notes originally due in December 2019.

We have two undrawn credit facilities, an \$800 million construction credit facility specifically related to the Geismar 3 project and a \$300 million revolving credit facility, both with a syndicate of highly rated financial institutions and expiry in July 2024. Refer to note 6 of the Company's unaudited condensed consolidated interim financial statements for further discussion of the terms of the credit facilities and long-term debt.

## Capital Projects and Growth Opportunities

We are currently constructing a new 1.8 million tonne methanol plant in Geismar, Louisiana adjacent to our Geismar 1 and Geismar 2 facilities. The cost of the Geismar 3 project is expected to be between \$1.3 to \$1.4 billion, excluding capitalized interest, with operations targeted for the second half of 2022. Capitalized costs of approximately \$152 million, excluding capitalized interest of \$4 million, have been incurred for the project, life to date.

In addition, we continue to make progress on the debottlenecking opportunities at our existing Geismar 1 and Geismar 2 facilities to increase production by approximately 10% over the next couple of years. We anticipate completing the Geismar 1 debottleneck project at the end of the first quarter of 2020.

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 \$150 million for 2020.

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

## ADOPTION OF NEW ACCOUNTING STANDARDS

### IFRS 16, Leases

We adopted IFRS 16, Leases ("IFRS 16" or "the standard") as issued by the IASB in 2016, which eliminates the operating/finance lease dual accounting model for lessees and replaces it with a single, on-balance sheet accounting model, similar to the previous 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.

We transitioned to IFRS 16 in accordance with the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 1, 2019. The modified retrospective approach does not require restatement of comparative periods. As part of the initial application of IFRS 16, we elected to use hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

On transition to IFRS 16, we recognized \$411 million of lease assets and \$453 million of lease liabilities, with the difference of \$42 million (\$38 million net of tax), recorded as an adjustment in equity. When measuring lease liabilities, we discounted lease payments using the incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 4.4%.

The following tables denote the impact to Adjusted EBITDA and adjusted net income (before tax), depreciation and amortization and finance costs attributable to Methanex and reported for the three month periods ended September 30, 2019 and December 31, 2019 and for the year ended December 31, 2019:

	Three Months Ended		
	September 30, 2019		
	Excluding IFRS 16	IFRS 16 impact	Including IFRS 16
<i>(\$ millions except per share amounts)</i>			
Adjusted EBITDA	\$ 64	\$ 26	\$ 90
Less:			
Depreciation and amortization	64	23	87
Finance costs	24	5	29
Other	(1)	—	(1)
<b>Adjusted net loss - before tax</b>	<b>\$ (23)</b>	<b>\$ (2)</b>	<b>\$ (25)</b>

(\$ millions except per share amounts)	Three Months Ended		
	December 31, 2019		
	Excluding IFRS 16	IFRS 16 impact	Including IFRS 16
Adjusted EBITDA	\$ 105	\$ 31	\$ 136
Less:			
Depreciation and amortization	61	26	87
Finance costs	30	5	35
Other	—	—	—
<b>Adjusted net income - before tax</b>	<b>\$ 14</b>	<b>\$ —</b>	<b>\$ 14</b>

(\$ millions except per share amounts)	Year Ended		
	December 31, 2019		
	Excluding IFRS 16	IFRS 16 impact	Including IFRS 16
Adjusted EBITDA	\$ 454	\$ 112	\$ 566
Less:			
Depreciation and amortization	245	97	342
Finance costs	98	21	119
Other	3	—	3
<b>Adjusted net income - before tax</b>	<b>\$ 108</b>	<b>\$ (6)</b>	<b>\$ 102</b>

## ADDITIONAL INFORMATION – SUPPLEMENTAL NON-GAAP MEASURES

In addition to providing measures prepared in accordance with IFRS, we present certain supplemental non-GAAP measures throughout this document. These are Adjusted EBITDA, Adjusted net income (loss), Adjusted net income (loss) per common share, Adjusted revenue, operating income (loss) and the amounts excluding the impact of IFRS 16. 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 (loss) 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 (loss) 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 (loss) 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 (loss) may differ from the total settlement cost.



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

(\$ millions)	Three Months Ended			Years Ended	
	Dec 31 2019	Sep 30 2019	Dec 31 2018	Dec 31 2019	Dec 31 2018
Net income (loss) (attributable to Methanex shareholders)	\$ 9	\$ (10)	\$ 161	\$ 88	\$ 569
Mark-to-market impact of share-based compensation	1	(12)	(87)	(18)	(17)
Depreciation and amortization <sup>1</sup>	88	85	62	344	245
Finance costs <sup>1</sup>	36	31	23	124	94
Finance income and other expenses	—	(3)	(2)	(4)	(4)
Income tax expense (recovery)	6	(17)	33	4	153
Earnings of associate adjustment <sup>2</sup>	13	18	10	64	69
Non-controlling interests adjustment <sup>2</sup>	(17)	(2)	(3)	(36)	(38)
Adjusted EBITDA (attributable to Methanex shareholders)	\$ 136	\$ 90	\$ 197	\$ 566	\$ 1,071

<sup>1</sup> Depreciation and amortization and finance costs for the periods ended December 31, 2019 and September 30, 2019 includes the impact of the adoption of IFRS 16. The comparative periods have not been restated as the Company has adopted IFRS 16 using the modified retrospective approach.

<sup>2</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 Net Income (Loss) and Adjusted Net Income (Loss) per Common Share

Adjusted net income (loss) and Adjusted net income (loss) 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 (loss) attributable to Methanex shareholders to Adjusted net income (loss) and the calculation of Adjusted net income (loss) per common share:

(\$ millions except number of shares and per share amounts)	Three Months Ended			Years Ended	
	Dec 31 2019	Sep 30 2019	Dec 31 2018	Dec 31 2019	Dec 31 2018
Net income (loss) (attributable to Methanex shareholders)	\$ 9	\$ (10)	\$ 161	\$ 88	\$ 569
Mark-to-market impact of share-based compensation, net of tax	1	(11)	(71)	(17)	(13)
Adjusted net income (loss) <sup>1</sup>	\$ 10	\$ (21)	\$ 90	\$ 71	\$ 556
Diluted weighted average shares outstanding (millions)	76	76	78	77	81
Adjusted net income (loss) per common share <sup>1</sup>	\$ 0.13	\$ (0.27)	\$ 1.15	\$ 0.93	\$ 6.86

### 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			Years Ended	
	Dec 31 2019	Sep 30 2019	Dec 31 2018	Dec 31 2019	Dec 31 2018
Revenue	\$ 659	\$ 650	\$ 977	\$ 2,784	\$ 3,932
Methanex share of Atlas revenue <sup>1</sup>	72	75	81	325	355
Non-controlling interests' share of revenue <sup>1</sup>	(40)	—	(49)	(115)	(250)
Other adjustments	(1)	(2)	(1)	(6)	(4)
Adjusted revenue (attributable to Methanex shareholders)	\$ 690	\$ 723	\$ 1,008	\$ 2,988	\$ 4,033

<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.

### Amounts excluding the impact of IFRS 16

Amounts for the periods ended September 30, 2019 and December 31, 2019 excluding the impact of IFRS 16 presented for the periods ended September 30, 2019 and December 31, 2019 MD&A have been reconciled to a GAAP measure, being depreciation and amortization and finance costs including IFRS 16 in the *Adoption of New Accounting Standards* section on page 14. Additionally, Adjusted EBITDA excluding the impact of IFRS 16 has been reconciled to Adjusted EBITDA including IFRS 16 in the *Adoption of New Accounting Standards* section on page 14 with the reconciliation of Adjusted EBITDA to a GAAP measure on page 15.

### 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. 2019 periods presented reflect the adoption of IFRS 16. Financial information in all comparative periods does not reflect the impact of IFRS 16. Refer to the *Adoption of New Accounting Standards* section on page 14 of the MD&A. A summary of selected financial information is as follows:

	Three Months Ended			
	Dec 31 2019	Sep 30 2019	Jun 30 2019	Mar 31 2019
<i>(\$ millions except per share amounts)</i>				
Revenue	\$ 659	\$ 650	\$ 734	\$ 742
Adjusted EBITDA	136	90	146	194
Net income (loss) (attributable to Methanex shareholders)	9	(10)	50	38
Adjusted net income (loss)	10	(21)	26	56
Basic net income (loss) per common share	0.12	(0.13)	0.65	0.50
Diluted net income (loss) per common share	0.12	(0.21)	0.51	0.50
Adjusted net income (loss) per common share	0.13	(0.27)	0.34	0.73

	Three Months Ended			
	Dec 31 2018	Sep 30 2018	Jun 30 2018	Mar 31 2018
<i>(\$ millions except per share amounts)</i>				
Revenue	\$ 977	\$ 1,044	\$ 950	\$ 962
Adjusted EBITDA	197	293	275	306
Net income (attributable to Methanex shareholders)	161	128	111	169
Adjusted net income	90	152	143	171
Basic net income per common share	2.07	1.62	1.36	2.02
Diluted net income per common share	1.68	1.61	1.36	2.00
Adjusted net income per common share	1.15	1.92	1.75	2.03

## 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 (loss), Adjusted net income (loss) per common share, Adjusted revenue and operating income (loss) 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 15 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, 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 (loss), Adjusted net income (loss) 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 (loss) 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 (loss), Adjusted net income (loss) per common share and Adjusted revenue exclude the amounts associated with non-controlling interests.

## FORWARD-LOOKING INFORMATION WARNING

This Fourth Quarter 2019 Management's Discussion and Analysis ("MD&A") as well as comments made during the Fourth Quarter 2019 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," "targets," "plan," "predict" 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 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,
- our shareholder distribution strategy and anticipated distributions to shareholders,
- commercial viability and timing of, or our ability to execute future projects, plant restarts, capacity expansions, plant relocations or other business initiatives or opportunities, including our Geismar 3 Project,
- our financial strength and ability to meet future financial commitments,
- expected global or regional economic activity (including industrial production levels),
- expected outcomes of litigation or other disputes, claims and assessments, and
- expected actions of governments, 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,
- receipt or issuance of third-party consents or approvals or 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,
- timing of completion and cost of our Geismar 3 Project,
- 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,
- our ability to meet timeline and budget targets for our Geismar 3 Project, including cost pressures arising from labour costs,
- competing demand for natural gas, especially with respect to any domestic needs for gas and electricity,
- 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 2018 Annual Management's Discussion and Analysis and this Fourth Quarter 2019 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.